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EDITORIAL

As We See It

It was to be expected, of course, that confusion would exist in Washington at the beginning of any such major program as that now being planned in the name of defense. It has been the rule in the past for the early stages of such an effort to get so bogged down, what with poor planning and impossible organization—to say nothing of just ordinary politics—that the outlook appeared almost hopeless. Set in this background, the muddled state of affairs in Washington today is perhaps a little less discouraging than otherwise might be true.

Yet there are certain aspects of the current case which leave the outside observer with a strong feeling of uncertainty even when all this is taken fully into account. Perhaps the elements giving rise to this disquiet in the minds of many thoughtful citizens — uncertainties quite aside from doubt as to the soundness of the broad lines of foreign policy—may be placed in three broad categories.

These are: (1) the degree in which purely partisan politics is intruding into the whole rearmament program; (2) An obvious lack of understanding of a number of the basic elements involved in the problems presented; and (3) What appears to be a continuing failure of the Administration to convince the great rank and file either as to the basic wisdom of its broad foreign policy, or the program for giving effect to it and in preparing for it.

Consider the first of these factors. It appears to be quite generally agreed among experienced observers in Washington that the rearmament organizations being set up have in many, many instances become havens for deserving supporters

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Misconceptions and Facts Concerning Stock Market

By EDWARD C. GRAY*

Executive Vice-President, New York Stock Exchange

New York Stock Exchange official lists popular misconceptions regarding security exchanges and outlines educational work to combat them. Warns against false impressions created in public mind by various stock market "averages," and recounts educational and promotional activities of the New York Stock Exchange. Stresses objective to "stop spread of Communism dead in its tracks" by encouraging and facilitating widest possible individual ownership of America's productive resources.

Some startling changes have taken place in our industry. One of the most interesting is the notable increase in western financial activity. Among other achievements, California has gained more than 50 offices of New York Stock Exchange member firms in 15 years. California is now crowding Pennsylvania for second place among the 48 states in New York Stock Exchange representation. I know that your own Exchange, one of the nation's major regional securities markets, will continue to grow. California's population and industry have increased vastly in recent years. You have more investors to take care of, more securities to provide a market for, more industries to finance.

Edward C. Gray

I knew before I arrived on the Coast, of course, of your efforts to stimulate public interest in stock ownership. Since I arrived here, I have learned more of those efforts to promote a broader understanding of securities ownership. The same spirit of the people who blazed the way

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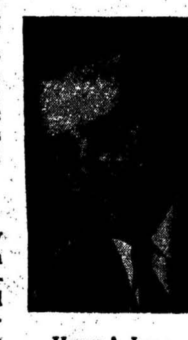
*Remarks by Mr. Gray at a dinner given by members of the San Francisco Financial Community, San Francisco, Calif., Feb. 14, 1951.

Trusts Continue Switching To Stocks of War Industries

By HENRY ANSBACHER LONG

Authority finds funds' buying still concentrated in oils, non-ferrous metals, rails and steels during last quarter. Utilities, building and motor issues were in disfavor. Liquid reserves, despite large year-end adjustments, increased to $225 million, a total almost equalling total year's net sales of open-end funds' shares to the public.

Continuing to shuffle portfolios in order to give a larger representation to war-aided industries, investment company managers added to their holdings of oils, non-ferrous metals, rails and steels during the final quarter of 1950. The buying interest in oil and rail issues approximated that of the previous three-months' period, while the purchases of metals increased 35%. There was also an upswing in the buying of the steel group. The merchandising stocks continued to be popular, and buyers also favored natural gas, industrial machinery and textile equities.



Henry A. Long

Utilities Sold

Selling was heaviest in the utility issues, although activity there was a third lighter than during the previous quarter. The building and auto and auto parts industries also found smaller representation in portfolios. Decreases were noticeable in the food, aviation, electrical equipment and tobacco stocks. Among prominent blue chips in which selling predominated were Chrysler, General Motors, du Pont, General Electric, Westinghouse, CIT Financial, Commercial Credit, National Biscuit, Montgomery Ward, Sears, Roebuck and American Tobacco.

Overall Reserves Rose

A third of the funds covered in this survey bought common stocks on balance, another third sold and the remainder about evened their transactions on either side of the market. Despite the purchasing and also the use

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SECURITIES NOW IN REGISTRATION — Underwriters, dealers and investors in corporate securities are afforded a complete picture of issues now registered with the SEC and potential undertakings in our "Securities in Registration" Section, starting on page 42.

The Security I Like Best

A continuous forum in which, each week, a different group of experts in the investment and advisory field from all sections of the country participate and give their reasons for favoring a particular security.

(The articles contained in this forum are not intended to be, nor are they to be regarded, as an offer to sell the securities discussed.)

This Week's Forum Participants and Their Selections

Howe Sound Company—Paul Dysart, Investment Advisor, Louisville, Ky. (Page 2)

Paramount Pictures Corporation—G. M. Loeb, General Partner, E. F. Hutton & Co., New York City. (Page 36)

Cities Service Company—J. C. Luitweiler, Partner, Bendix, Luitweiler & Co., New York City. (Page 36)

PAUL DYSART

Investment Advisor, Louisville, Ky.

Howe Sound Company

Howe Sound Company's common stock offers an excellent medium for hedging against inflation. A North American mining enterprise, it is a primary producer of a diversified list of non-ferrous metals, with two mines in Canada, two in the United States and two in Mexico. Holders of Howe Sound stock are in the gold business, as well silver, copper, lead, zinc, and soon will be in cobalt. It is this last venture, cobalt, a metal for which American industry is crying, that lends to Howe's brilliant outlook the point of greatest interest at this time.

Paul Dysart

Operations date from 1905. Dividends have been paid continuously since 1923. On this record alone, the stock might be rated high grade. But today it is not the past history of Howe which awakens our curiosity, but rather a widening vista of its expanding developments and the probability of greatly augmented earnings and increasing dividends therefrom—in other words, a lot more growth potential has been added recently through the aggressive plans of its management.

Fourteen years ago Howe's outlook was quite different. A moribund mining operation, it worked two mines: the Brittania Mine, located on Howe Sound, an inlet 20 air-miles north of Vancouver, B. C.; and El Potosi, once a fabulously rich silver, zinc, and lead producer, located near Chihuahua City, Mexico. But now the end of operations at El Potosi is at hand. Reserves of rich silver, lead, and zinc ores have been rapidly mined out wtih no new compensating discoveries. This, after all, is not unexpected after 400 years of intermittent extraction, for El Potosi's life span dates back to the romantic days of the Conquistadores. Possibly some of the treasure cargoes the Captains from Castile shipped home in historic galleons came from this same mine.

Up until 1938, these two mines—Brittania and El Potosi, the first a steady, if unromantic, producer, the other once fabulously rich but now almost wholly depleted—a few scattered explorations, and miscellaneous leases on promising locations, were the sole other assets. But these other assets were still undeveloped and their productivity not yet established. Despite this outlook, public buying bid Howe Sound stock up to 90 early in 1937 on its then known record.

Compared to Howe's prospects today, we wonder what caused a price mark-up to such heights. Now Howe's metamorphosis is complete and the stock lists in the 50s. Instead of two mines, it now has six, including El Potosi, because of continued operations there recovering the pillars and pockets.

It is impossible to describe Howe Sound without a brief description of each of its now producing mines. The inquisitive investor need have no concern about El Potosi's ending because compensating for its demise a whole galaxy of new properties have been developed and are being brought into successful and profitable production status. All have abundant reserves of ore most of which has been proven enough for 10 years of mining. It is not economical to "prove" ore beyond that time, but in addition to the proven reserves are untold millions of tons in many cases. Each new mine is now either producing, or is on the verge of production.

(1) **Chelan Mine**—Located on Lake Chelan in the State of Washington, this mine is a primary copper and zinc producer, with gold and silver by-products. It began production in 1938, but manpower shortages and the war kept it from reaching full production status until quite recently. Daily mill capacity is 2,200 tons. Ore is medium to low grade, but availability, mine layout and present prices assure profitable operations. In the five years 1945-49, net earnings averaged in excess of $550,000 per year.

(2) **Brittania Mine**—A primary copper and zinc producer, with important recoveries of gold and silver by-products. Newly developed zinc orebody may promise a spectacular shift in emphasis to this metal, the market for which is in desperate supply. Zinc production has increased from 500 tons in 1945 to 6,615 tons in 1949—up more than 12-fold, with no reduction in recovery of other metals. Daily mill capacity is 6,000 tons. Ore is medium to low grade, but this mine has demonstrated an ability to produce profitably during 45 years of ups and downs in the metal markets.

(3) **Snow Lake**—Located near The Pas, Manitoba, and a primary **gold** producer, it started commercial production in June, 1949, after more than eight years of preliminary work. Mill recoveries of gold have not been quite up to expectations but may be expected to be after dilution of preliminary ores has ceased and gold fills the productive process—a necessity in the continuous treating of the ore. Highly profitable operations without Canadian Government subsidy are questionable. But ore reserves of medium to low grade have been proven, from which the mine should slightly more than break even. Any increase in gold price would find immediate reflection in increased profits before taxes. This mine is probably the least desirable of the company's holdings.

(4) **El Carmen Mine**—Located about 135 air miles southwest of Chihuahua City, Mexico, it began production in August, 1949, from apparently very high grade ore. Its primary product is copper, with important gold and silver recovery as by-products. Howe is amortizing over a five-year period its whole investment in this mine because of the Mexican Government's unstable taxing policies. The Mexican Government has promised to reimburse the cost of a road into the property of approximately $700,000. If this is not done, this amount will be added to the amortization. With such high charges against current operations, large reported earnings seem practically impossible. But at the end of this five-year period, with no large amortization, El Carmen might well become an extremely profitable operation. Expansion of its present 500-ton mill would seem an extremely logical expectation once present-sized operations have been stabilized. This could enhance its chance to show profits after amortization charges.

(5) **Blackbird Mine**—Located 22 miles west of Salmon, Idaho, when completely developed will be the largest primary cobalt producer on the American continent. But the ore is also rich in copper, and gold will be no inconsiderable by-product. Orebody has been proven and a 500-ton mill will soon be in operation. A cobalt smelter has been erected at Garfield, Utah, for reduction of the cobalt concentrate. Copper concentrates are sold in commercial channels.

The prospect of bringing the Blackbird Mine into production of cobalt, copper, and gold, not later than mid-summer, 1951, lends to Howe Sound perhaps its greatest element of enchanting speculation tinged with sound investment value. As mines go, Blackbird certainly cannot be classed as large. Still, if expectations are met, it will produce in the neighborhood of two million pounds of sorely needed cobalt annually. This amount represents an equivalent of 50% of the U. S.'s present limited consumption, due to the metal's scarcity. In value of production, however, copper may well be expected to "out dollar" the sale of cobalt. The gold is incidental, but important.

A word here regarding the vital necessity of finding new sources of cobalt metal. Cobalt is necessary for: (1) Production of magnetic iron, used in motors—26% of domestic consumption goes into this. (2) In a heat-resistant metal alloy, used in jet and turbo-jet engines—20% of domestic consumption is needed for this purpose. (3) Electronic devices, including television. (4) In binding carbide tips on cutting tools.

These **new** uses have been superimposed on the ordinary existing demands for the metal in paints, pigments, drying agents, ceramics, and the "frit" which binds enamel to metal.

Thus Howe will step in to satisfy a gravely short supply condition in vital cobalt metal which currently sells for $1.80 per pound, but the price of which will almost certainly rise to compensate for any cost increases in the future. The scarce supply is one of the reasons why the United States Government has lent the full power of its assistance to hurry cobalt production.

Howe Sound common stock inherently seems to possess those ideal characteristics so sought after by an inflation-conscious public. The best inflation hedge, so it is said, is in the stock of some company exploiting natural resources—oil, metals, coal. Such assets "remain." They cannot evaporate except through extraction for which due compensation is received. Diversification of products is also recognized to be a desirable attribute in an investment stock. Widely dispersed operations is another. Howe Sound measures up to all of these.

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LETTERS TO THE EDITOR:

"Are We Falling Into History's Greatest Trap?"

More letters given in this issue in connection with Melchior Palyi's article in the "Chronicle" of January 11.

Provision is made in today's issue for publication of some more of the letters received relative to the article by Melchior Palyi, "Are We Falling Into History's Greatest Trap?", which appeared on the cover page of the "Chronicle" of Jan. 11. In his article, Dr. Palyi analyzed Soviet aggression techniques and asserted that the United States must either (1) restrict its defense zone to the Western Hemisphere or (2) promulgate a new Monroe Doctrine specifying the areas which we are prepared to defend against the march of communism. Continuance of our present foreign policy, and a policy of full and permanent mobilization, Dr. Palyi warned, can only lead to national bankruptcy.

In addition to the following letters, reference is made to the fact that others appeared in our issues of Jan. 18, Jan. 25, Feb. 1 and Feb. 8, and still more will be accommodated in subsequent issues.

* * *

DONALD R. BALDWIN
Griggs, Baldwin & Baldwin
New York 7, N. Y.

I read with a great deal of interest the article by Dr. Melchior Palyi and think that he has sketched the real danger of the Russian policy.

* * *

BERNARD M. BARUCH
New York 22, N. Y.

I wrote a piece regarding the subject matter of the Palyi document—how we ought to pace ourselves against Russia.

I also paid my compliments to the Marshall Plan and the loan to England. What we should have done at that time was to buy all the raw materials we could get for the money we were lending. For instance the 4,000,000,000 pounds of wool in Australia and England.

Ever since Russia turned down the atom bomb proposals, I have felt that we should take definite steps to strengthen ourselves and weaken Russia. It would have been very easy to do, with a great deal less money than we have expended, if taken in time. (What cruel and unnecessary double punishment of public—higher cost of living—then increased taxes.)

* * *

HENRY P. BRISTOL
Chairman of Board,
Bristol-Myers Co.,
New York, N. Y.

Inasmuch as Dr. Melchior Palyi obviously cannot guarantee what is in the mind of Stalin, I am inclined to go along with the suggestions made by General Eisenhower, which I believe have the approval of our European Allies.

After all, the arming viz-a-viz Russia is a matter of opinion, and I feel safer with the appraisal of trained military men.

* * *

J. HERBERT CASE
Director, City Bank-Farmers Trust Co., New York, and Former Chairman of Federal Reserve Bank of New York

My judgment is that Dr. Palyi's elaboration of the article, "Are We Falling Into History's Greatest Trap?" is an excellent concise statement of the situation with respect to Russian aggression. Like Dr. Palyi, I am convinced in my mind that Russia does not intend to fight a war with the United States for the reasons outlined in Dr. Palyi's statement.

Furthermore, I am inclined to think he is right that the gigantic military mobilization we are embarking upon is dangerous at this time and I am inclined to the view that the enormous expenditures proposed by the military will, if given full reign, greatly weaken our fiscal structure — already we owe too much money —and it is somewhat frightening to see how unconcerned our Washington authorities are about it.

* * *

ALEXANDER E. DUNCAN
Chairman of the Board, Commercial Credit Company, Baltimore 2, Md.

After reading the article "Are We Falling Into History's Greatest Trap?" I am afraid we are, but I believe we still have time enough to prevent being caught in the trap. Nothing can be gained by criticizing our many mistakes of foreign policies, some of which caused us to be now in a war in Korea.

We should have confidence in our military leaders to decide whether or not and when, if at all, we should get out of Korea. From reports, we are causing the Chinese Reds terrible casualties and we may easily "save face" much more by continuing our fight in Korea and thereby cause the Chinese Reds to "lose face" in the Far East.

I believe our country should contribute large amounts of military equipment to those countries in Western Europe who will pledge their fair proportion of troops. Also, that the troops we send to Western Europe should be in proper proportion to the troops pledged by the countries in Western Europe, as any war there will primarily be their war and not ours. I do not believe we should try to win a war with Russia with the use of ground troops but that such war will be won with superiority in the air and on the seas, supported, of course, by ground troops.

Unless our country takes definite steps to control the contin-

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T. A. Hutchinson Joins Walston, Hoffman, G'dwin

SAN DIEGO, Calif.—Thomas A. Hutchinson has become associated with Walston, Hoffman & Goodwin, 625 Broadway. He was formerly with Merrill Lynch, Pierce, Fenner & Beane and prior thereto was Assistant Manager of the bond department of the First National Trust & Savings Bank of San Diego.

Are We Protecting the Investor?

By HON. EDWARD T. McCORMICK*
Member, Securities and Exchange Commission;
President-Designate, New York Curb Exchange

Veteran SEC member details cardinal provisions of the various laws administered by the Commission. Asserts although it has achieved extraordinarily extensive investor protection, it still remains a patchwork with at least one serious gap—which the Frear Bill would remedy. Lauds proxy provisions and regulations as particularly necessary and constructive. Stressing public's proper function as dominant source of venture capital, concludes its enlightenment is good business and good democracy.

When I received the invitation to address you some months ago and thought over the remarks I am going to make tonight I was a recently appointed Commissioner of the Securities and Exchange Commission. I had 16 years of service behind me on the staff of the Commission and the expectation of further service as a Commissioner.

E. T. McCormick

The fate that guides the destiny of men does not always give advance notice. I did not know then that by Feb. 13 I would have accepted the offer of the Presidency of the New York Curb Exchange to succeed its retiring President, Mr. Francis Adams Truslow. Tonight, therefore, I address you as one who is in midpassage from the land of the regulator to the land of the regulated. Within a short time I expect to be tasting the medicines that I have been helping to prescribe under the law for the financial health of the nation.

With that in mind, I reread the address I had written. I could not conceive of a more fitting expression of the philosophy I expect to bring to my new tasks than to say that I have not changed a word of my remarks.

The job of protecting and serving the investor is a job which should be shared by people on both sides of the regulatory fence. In my new capacity I will be traveling a different road from the one I have been traveling. But the direction of my journey and its goals have not changed. As long as I remain in the field of finance I will continue to strive for enlightened investment, for better relations and understanding between business and government and between management and investors.

I will be doing what I can to build a firmer financial base for a dynamic and expanding democracy.

Many Approaches to Regulation

The subject of my remarks tonight is the question, "Are we protecting the investor?" There are as many ways of answering this question as there are ways of approaching the general problem of securities regulation. Investors, in the sense in which we are going to talk about them tonight, are people who have transformed their money savings into stocks, bonds and similar securities. These securities represent either some form of ownership in our business corporations or are evidences of debt of the corporation to the investor.

It is through the issuance of such securities that corporations raise capital to keep our economy on the move; it is through the distribution of these securities that the investment bankers earn their living; and it is through public trading in these securities that the brokers and dealers of the country earn theirs.

It is obvious that the fullest measure of protecting the investor would involve a kind of cradle-to-grave system of paternalism. We could, conceivably, make sure that only the soundest of securities are permitted to be offered to the public. We could regulate investment banking so closely that it would have to limit itself to a schedule of fees or profits in selling securities to investors. We could penetrate so deeply into the management of business itself as to interfere with corporate policies that seem unsound and may lead to loss for investors. We could tell business managements when to pay dividends and how much to pay. We could go even further and impose a set of price controls in our securities markets geared to some conception of what securities are worth.

Two Alternatives

There is, in short, no end except absolute tyranny to the lengths to which government could conceivably go in the name of investor protection. On the other hand, we can go to the extreme of a dog-eat-dog system of anarchy by keeping our hands out of the investment process completely.

Somewhere, in between, is the golden mean. Finding that golden mean is the real problem of investor protection—just as it is the real problem of any government activity in a working democracy.

Securities regulation deals with the complex practices and customs of finance and securities distribution. It cannot succeed unless it takes these practices and customs into account and is based on a detailed familiarity with the way any proposed rule or program will work in actual practice; what dislocations it will cause and whether they can be fairly adjusted.

But even more important than consistency with practice and custom in the financial community is the need to find a system of investor protection which is consistent with the way of life which our people as a whole are trying to work out in this democracy.

The technical problems of securities regulation are beyond our scope in this limited discussion. What I would like to do tonight is to help you appraise what your Federal Government is doing to protect the investor in terms of the broader issues which the modern corporation and modern finance pose for us as citizens as well as investors.

The Securities and Exchange Commission is the key agency to which this job has been entrusted. It is an independent body of five men—no more than three of whom can be members of the same party. The SEC works under seven separate pieces of legislation. Although these laws differ in scope, coverage and in the theory of regulation they exemplify, all of them have the common purpose of investor protection. I will give you a short description of these statutes to show you their general coverage; but I will discuss only a few cardinal provisions.

The 1933 Act

The Securities Act of 1933 has as its purpose the dissemination of information to buyers of newly distributed securities. It provides for registration of these securities with the SEC, and for the distribution of prospectuses to purchasers of such securities. The Act provides civil and criminal liabilities for fraud in the sale of securities and for sales in violation of the registration and prospectus requirements.

The Securities Exchange Act

The Securities Exchange Act of 1934 requires securities exchanges to register with the SEC and gives the SEC authority to review their rules and practices. Companies which list their securities for trading on these exchanges must register them by filing initial information about the issuer and the security and are required to keep information current by annual and other periodic filings. These companies are subject also to the proxy rules of the SEC which I will describe in more detail later. In addition, the Act makes it unlawful to manipulate the market price of securities, provides for registration and disciplining of over-the-counter brokers and dealers, provides for the regulation of margins (which are, by law, prescribed by the Federal Reserve Board), and provides penalties for fraud in the purchase and sale of securities.

The Public Utility Holding Company Act

The Public Utility Holding Company Act of 1935 gives the Commission fairly intimate regulatory power over the financial affairs and structures of electric and gas utility holding company systems. Under this law, the Commission does actually review financing plans of system companies. In addition, the Commission has, under the Holding Company Act, the job of requiring complex holding company systems to reorganize in order to limit their patterns of geographical control to integrated operating properties and to streamline their debt-burdened securities structures.

Regulating Trust Indentures

The Trust Indenture Act of 1939 has as its purpose to require the inclusion of effective provisions in contracts between corporations and trustees for the protection of bondholders. These trustees had, in the past, the ostensible duty of protecting the bonded property and collateral behind the bonds. However, many of them occupied conflicting positions and the trust agreements were riddled with so-called "exculpatory" clauses which in fact rendered the trustees invulnerable to suit for the worst types of negligence. Under the Act, the trustee cannot occupy a position of conflict, certain minimum obligations must be fully set forth in the indenture agreement, and the old-fashioned types of exculpatory clauses are outlawed.

Those who remember the depression remember some of the shocking and heart-breaking collapses of investment trusts that undertook, at heavy costs, to do investing for the public. The Investment Company Act of 1940 is designed to correct many of the abuses that led to the collapse of these companies. In some ways it is a more moderate form of regulatory statute than the Public Utility Holding Company Act of 1935.

In 1940, the Congress also passed the Investment Advisers Act. This law provides for the registration of investment advisers and sets up a minimum set of standards for decent and above-

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*An address by Mr. McCormick before The East Side Forum on Public Affairs, sponsored by the Unitarian Church of All Souls, New York City, Feb. 13, 1951.

The State of Trade and Industry

Steel Production
Electric Output
Carloadings
Retail Trade
Commodity Price Index
Food Price Index
Auto Production
Business Failures

Total industrial production last week had two factors to cope with — inclement weather and the rail slowdown — both of which worked to a degree to curtail industrial operations. But notwithstanding this, overall output was noticeably above the level for the similar week a year ago.

Steel operations the past week declined over four points with carloadings and auto output also affected by the strike, while electric production on the other hand rose to a new historical high level. In keeping with the upward trend of prices, Dun & Bradstreet's wholesale food price index climbed to a new 2½-year peak.

The scramble for steel, copper and aluminum is bringing a Controlled Materials Plan and, according to "Steel," the weekly magazine of metalworking, it will be in effect around July 1.

Metal users and producers will welcome the program, since most of them believe the CMP of World War II worked well. Consumers with priorities like the plan because it makes their ratings effective and they are not compelled to spend a lot of time looking for a supplier who will fill their order, and producers like the plan because it keeps material-hungry customers off their necks, this trade paper states.

Important differences will exist between the new CMP and that which started in 1943. Then practically all nonessential civilian production requiring steel, copper and aluminum was banned. Under the new setup, a large amount of material should be available for civilian goods after the military and favored civilian programs are supplied. If an equitable plan for distribution were not set up there would be quite a scramble for this "free" material.

The heavy demand for steel has kept the steel industry pushing to produce every possible ton, but in spite of all its efforts it could not overcome the handicap of the railroad switchmen's strike and bad weather. The consequence was a drop of 100,000 net tons in ingot output last week.

Pressure on the mills mounts daily. Defense and related requirements are rising steadily with corresponding reduction in supplies for the general trade. Steelmakers are booked well into third quarter on DO business, but they are only now setting up customers' quotas on regular accounts for April. Indications are allotments will be at least 10% smaller than in March.

The most significant development pricewise revolved around imposition of ceiling prices on scrap by the Office of Price Stabilization. The ceilings, effected Feb. 7, roll back prices from $6 to $10 per ton on standard grades of scrap and up to $60 on specialties. Surprisingly, the government control action is greeted with relatively little criticism in the trade. The rollback is about in line with expectations and the ceilings are considered sufficiently high to encourage collections.

Consumer incomes continue to mount and current figures released by the Department of Commerce show such incomes climbed to an annual rate of $240,700,000,000 in December, chalking up a record high for the fourth consecutive month.

According to the Department, 1950 as a whole established a new high for consumer incomes which represents receipts by individuals from all sources.

The total for 1950 as a whole amounted to $223,200,000,000, or about $17,000,000,000 above 1949. It was $13,000,000,000 more than the previous record set in 1948.

Steel Output Scheduled to Recover to 98.5% of Capacity Following Rail Strike

This week an irate and perflexed auto industry is pondering over reports from Washington that steel use in autos may be slashed as much as 40% during the second quarter. Such a cutback could mean unemployment of nearly half a million men—unless placing of defense orders is miraculously speeded. NPA is planning the cutback because previous cutbacks on nonferrous metals have not curbed Detroit's appetite for steel, states the "Iron Age," national metalworking weekly.

Steel capacity expansion during the next two years will require about 10,000,000 tons of steel, but so far the government has not recognized that it takes steel to make steel by setting up priorities for steel expansion.

In order to keep their expansion programs on schedule steel

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World Bank Bonds to Reach Market Shortly

Public offering of new issue of $50,000,000 25-year 3s expected about Feb. 28. Sponsoring group of 32 banks and investment banking houses to be managed by Chase National Bank, First Boston Corp., C. J. Devine & Co. and Salomon Bros. & Hutzler.

The Chase National Bank, The First Boston Corp., C. J. Devine & Co., and Salomon Bros. & Hutzler, as managers of a sponsoring group of 32 banks and investment banking houses, announce that negotiations with the International Bank for Reconstruction and Development, looking toward an issue of $50,000,000 of 25-year 3% bonds, are nearing completion.

Public offering of the bonds is presently expected to be made on Feb. 28. Subscription books are to be handled by The First Boston Corp.

The bonds are to be dated March 1 and will have an annual sinking fund, beginning in the twelfth year, calculated to retire 50% of the issue before maturity.

The proceeds of this issue are expected to take care of the bank's cash requirements for the next few months.

In addition to the managers, the sponsoring group includes: The First National Bank of Chicago; Halsey, Stuart & Co. Inc.; Bankers Trust Co.; Morgan Stanley & Co.; The National City Bank of New York; J. P. Morgan & Co., Incorporated; Kuhn, Loeb & Co.; First National Bank of New York; Manufacturers Trust Co.; Chemical Bank & Trust Co.; Guaranty Trust Co. of New York; Bank of America, N. T. & S. A.; Blyth & Co., Inc.; Dillon, Read & Co., Inc.; Drexel & Co.; Glore, Forgan & Co.; Goldman, Sachs & Co.; Harriman Ripley & Co., Inc.; Kidder, Peabody & Co.; Ladenburg, Thalmann & So.; Lazard Freres & Co.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane; Shields & Co.; Smith, Barney & Co.; Stone & Webster Securities Corp.; Union Securities Corp.; White, Weld & Co.

Halsey, Stuart & Co. Offers Utility Bonds

Halsey, Stuart & Co. Inc. on Friday, Feb. 9, publicly offered $6,000,000 of first mortgage bonds, 2⅞% series, due 1981, at 101.515%, plus accrued interest.

The net proceeds from this financing, together with funds to be received by the company from a current offering to common stockholders of an additional 196,580 shares of common stock, at $28 per share, will be applied by the utility firm toward payment of part of the cost of its construction program.

The bonds will have the benefit of an annual sinking fund beginning in 1956. For general redemption purposes the bonds are redeemable at prices ranging from 104¾% to 100% of the principal amount, plus accrued interest.

The Indianapolis Power & Light Co. is a public utility operating in and about the City of Indianapolis, Ind., and engaged principally in the generation, distribution and sale of electric energy.

With Chas. A. Day Co.

(Special to The Financial Chronicle)

BOSTON, Mass.—Roger T. Shea is with Chas. A. Day & Co., Inc., Washington at Court Street, members of the Boston Stock Exchange.

Joins R. S. Dickson

(Special to The Financial Chronicle)

RALEIGH, N. C.—William B. Little is with R. S. Dickson & Co., Inc., Capital Club Building.

Observations . . .

By A. WILFRED MAY

IN DEFENSE OF DEFENSE BONDS!

Prevalent Misconceptions About the U. S. Savings Program

In Two Parts—Part II

In our last week's column on the U. S. Savings Bond situation we inquired into the justification for the currently popular charge that the past buyers of the series A-D Bonds, which are now maturing, have been "cheated" by the Treasury in the following ways: (1) The intervening reduction which has occurred in the purchasing power of the dollars used in the purchase of the Bonds; and (2) the inferior investment performance of the Bonds versus equities.


A. Wilfred May

We pointed out that both these charges are based on hind-sight; that they have been two-way processes, depending on the time period cited; that the government's Treasury-Central Bank inflation and monetary expansion are by no means unprecedented; and that the disadvantages of the Bonds are being exaggerated midst the inflationary psychology attending the current bull stock market. Furthermore we noted that the affirmative advantages of the Bonds—such as their unique vesting of the call feature in the holder rather than in the borrower — over other savings media including fixed-interest investments, tend to be under-realized.

Let us now consider:—the position of those presently buying new E Bonds or accepting the "extension" privilege about to be offered to the holders of matured certificates; merits of the demands for additional guarantees via "escalator" provisions; whether whatever defrauding has occurred is ascribable to the Treasury Department; and what relevant external remedial policies should be adopted.

In the first place, the enlarged investment advantages contemplated in the Treasury's proposed "extension" privilege should be noted. This would give the holder of matured bonds the option of holding them for another 10 years at an interest yield of 2.9% compounded semi-annually (3.3% un-compounded), at a 2½% yield if held for seven and one-half years, or cashing them sooner as a short-term loan at reduced interest rates; and the right to postpone any income tax payment on them until 1961. Also, they may be exchanged into series F or G.

De-flation Hedge Feature

The prospective buyer of U. S. Savings Bonds must realize that they of course entail the disadvantages bound up with all fixed-interest savings media. But, insofar as he is an investor, he should consider them as part of a balanced over-all portfolio by all categories of holders. They can be looked on as a good hedge against a possible future deflationary cycle.

It seems to this writer that despite the public's prevalent concentration of attention on the present inflationary movement, there is little warrant for assuming the permanent disappearance of major downward movements at least interrupting a long-term upward trend. We must remember that, despite the many and varied inflationary influences in peace and war throughout the 1930s and '40s, it took a full 25 years for the dollar's purchasing power to sink back to its 1920 level. Surely still existing are chronically deflationary forces, such as the nation's enormous productive (overproductive in some fields) capacity, which would of course be accentuated during a possible reduction of the armament activities. In addition to the potentially enormous supply of goods and services available for civilian consumption (probably exceeding any period excepting 1948-1950), deflationary factors include increasingly heavy taxation, decreased purchasing power by the

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Dollars Are Now Preferable to Equities

By JACQUES COE

Senior Partner, Jacques Coe & Co.
Members New York Stock Exchange

Market economist asserts presence of various danger signals usually attending market peaks, including split-ups, mutual fund expansion, and odd-lot buying. Says public has hypnotized itself into wanting equities in lieu of dollars. Terms market's current easy-profits condition "the period of deception." Concludes people now switching from stocks into cash "will have the last laugh."

In our article of June 23, 1949, in the "Chronicle" *(The Coming Market Upturn)* we cited a number of reasons why the entire stock market was in a buying area. One of the most prophetic indications was a calculated ratio figure of speculative to investment stocks. The exact quotation at that time was: "This ratio of speculative to investment stocks, while as yet showing no stability or upturn, nevertheless has reached into a *low* area which has been seen before only in late 1937 and 1932." What followed is now stock market history.

Jacques Coe

At present we take this formula *in reverse*. This ratio of speculative to investment stocks, while as yet showing no immediate *downturn*, nevertheless now has advanced into a *high* area, seen before only in the early part of 1937 and the early part of 1946. This particular indicator, which so correctly forecast the buying area in the summer of 1949, now forecasts a selling area.

According to the "motor-steel ratio" (another long-term index), with its customary time lag, the selling area should have started the last week in December, 1950.

The last previous high of General Motors was Oct. 5 at $54\frac{3}{4}$. Four months later would make *this current week* the approximate timing where a decline in the stock market could begin (this is still another forecasting formula).

Money Rates Vulnerable

In all fairness, one must admit that the Bond Market (heretofore an excellent barometer) up to this time shows no danger signal, although should we have a change in money rates, that little citadel of defense might collapse overnight.

In all the usual phenomena near the peak of the Stock Market, these well-known danger signals appear. Still lacking, however, is the phase where an over-abundance of new untried issues blossom forth liberally capitalized on future earnings and heavily over-subscribed before emission. We have with us, however, the familiar period of "stock split-ups." There were 33 split-ups in 1950 and at the rate at which they are starting in 1951, there will be many more this year.

The continued expansion of open-end Investment Trusts has been the normal concomitant of a bull market. It is truly remarkable that notwithstanding the competition of these open-end investment trusts, odd-lot transactions have been so heavily on the plus side. This is indisputable evidence of broad public participation.

Public Is Self-Hypnotized

This security-buying public has hypnotized itself into a state of mind where it does not want dollars—but equities. Further expansion can project this speculative boom into a most vulnerable situation.

Loans on securities, that is to say, customers' debit balances, which were about $470 million at the beginning of the bull market in the spring of 1949, are now approximately $1,360,000,000, about a $900 million increase.

In the summer of 1945, a full 12 months *before* the late 1946 bear market, the highest loan figure was $1,060,000,000—today we are $300 million above that level.

The exuberant state of "easy profits," with its glamour, excitement and vitality (which may continue a short while longer) is what we define as "the period of deception."

It is the sort of atmosphere and price level where conflicting movements succeed each other in rapid succession with impressive turnover confusing the mind and obscuring the distribution of stocks from strong to weak hands.

Selling Better Than Buying

During this period the selling is better informed than the buying and is not influenced too much by day-by-day developments. The buying is more emotional—is impressed by government contracts—the inflation psychology and the mirage of quick stock market profits.

The recent wage and price freeze order takes the same pattern that practically all paternalistic governments have followed in the past. The language is broad, seemingly severe—the carrying out of the policies is soft, and thus far ineffective.

How many people realize that production of civilian goods in the United States is the largest in its history? How many people stop to think that this "scare-buying," which has been taking place all over the country in every form of commodity and merchandise, is filling up the pipe lines, stuffing the drawers and crowding the shelves.

With heavier taxes in prospect, it should not be very long before this buying spree exhausts itself and sober reality takes its place.

Our whole all-out war economy from the standpoint of government contracts, freezes, etc., is predicated upon the threat of a full-scale, all-out war with Russia. Suppose the war does not come off? Will we be stockpiled so high that warehouses burst at the seams? This is not an idle conjecture—it is a possibility, even a probability.

A recent "Wall Street Journal" editorial caustically commented on attempts of certain officials to put floors under prices *below which* commodities cannot sell. Such a proposal, if adopted, well might bring about the creation of "white markets," which is a term used to sell "below floor markets" in contrast to "above ceiling" black markets.

In the meantime, there may be some price roll-backs—also some wage adjustments upwards. In other words, one can expect substantial reductions in the margins of industrial profits and still more after heavier taxes.

There appears to be a fundamental difference of opinion between the Treasury and the Federal Reserve on the matter of interest rates. The Treasury wants to achieve the impossible—to fight inflation while at the same time keeping interest rates low. The French have a saying—"one cannot make an omelet without breaking some eggs."

Interest Rates Basic

The matter of interest rates is *basic* and should be determined with a firm hand. Thus far, this crucial economic keystone has not been approached with realism and resolution. One wonders how far the Administration can continue to compromise with dynamite before it explodes in everybody's face.

To repeat, we seem to be in a period of deception. Every sharp decline in the market should be followed by dramatic recoveries and, in some instances, new high prices. This will happen just often enough to reassure the mass mind that there is nothing to worry about. When a real break does come, it will not be recognized, but rather regarded as "one of those temporary things."

Obviously, to pick the right moment is a matter of luck, but to be able to pick the right area, should be a matter of profiting by past experience and collecting all those numerous tell-tale warning signals which have proven their usefulness in the past. They usually put together a story which should have a moral.

In my opinion, people who prefer dollars to equities will have the last laugh.

William D. Sherrerd

William D. Sherrerd, one of the founders of Butcher & Sherrerd, Philadelphia, from which he retired in 1930, died at his home at the age of 82.

Kinsley & Adams Admit

WORCESTER, Mass.—Channing S. Smith has been admitted to partnership in Kinsley & Adams, 6 Norwich Street, members of the Boston Stock Exchange.

General Motors Stock Action Indicates Bull Market Top

By STEPHEN J. SANFORD

Wall Street Analyst

Wall Street analyst explains his "General Motors Theory" and applies it to recent stock market trend. Contends General Motors stock offers a more reliable guide to future trend of prices than other systems in vogue.

On Oct. 6, 1950, General Motors stock established a high of $54\frac{3}{4}$.

Four months have passed, and the stock has not been able to penetrate that peak. Followers of my market system have therefore accepted this *Sell* signal, and they disposed of stocks on Feb. 6, when the Dow-Jones Industrial averages closed at 255.17.

The stock had given a *Buy* signal nearly four years ago—on Feb. 28, 1947 — when these same averages stood at 178.90. Thus, in this instance, the stock failed to pick the bottom of the bear market, which was not reached until June, 1949, when the Dow hit its low of 161.60.

The interval also saw an abortive bear market that had its inception soon after President Truman's unexpected election in November, 1948. Since the primary rule of this market system is: accept a *sell* signal only in a bull market, and a *buy* signal only in a bear market, what would normally have been a *sell* signal on March 1, 1949, was not accepted since the bear market was then in existence, persisting until June of that year.

Readers of the "Chronicle" may recall an article that appeared in these columns soon after the elections of November, 1948. General Motors had run into considerable stock for sale in June, August and October, 1948, and while it had not broken through its June 24, 1948, high, it had equalled it on no less than five trading days.

In that article we explained that we accepted this action as confirming the continuance of the bull market. The stock did penetrate its high two days late—on Oct. 26—and it appeared at the time that my interpretation had been correct.

Then came the startling upset at the polls that had not been foreseen. This "accident" in the news caught investors completely unprepared, and followers of this system, along with most others, were locked in long positions for the ensuing months.

While the final results have been satisfactory, resulting in profits commensurate with the 70-point plus rise in the Industrial averages, I cite the foregoing to show that no system is completely infallible. Certainly investors who had purchased stocks at the 178-level in February, 1947, were none too happy to find the averages at 161 in June, 1949.

About the present *sell* signal, however, there can be no doubt. Speculators will short the market. Investors who must keep their funds employed will not have too happy a time trying to find stocks that can maintain 1950 earnings under the substantially higher taxes now in effect.

But to the writer, at least, the situation is far from hopeless. Certainly there is at least one type of railroad security — and some analysts say two or three—that should fulfill most portfolio requirements.

And now a word of warning to readers who may not be too familiar with the technical aspects of the General Motors stock theory. Only after the existence of a bear market has been pronounced by interpreters of the Dow Theory does the four months' rule begin to apply. Then, and not until then, when the stock of General Motors fails to establish a new low for four months to the day, it is my interpretation that a new buying opportunity has arrived.

Unfortunately, the action of the stock in picking bottoms has not had the outstanding success that it has had in marking tops. After all, it missed the 1949 low by 17 points. But for those investors satisfied with something less than perfection in their market operations, I believe that the action of General Motors stock offers a more reliable guide to the future trend of prices than other systems currently in vogue.

It is still not too late — take profits aggressively in your holdings of industrial stocks. I leave readers with this final thought: in every year in the history of the Dow-Jones Industrial averages, without exception, they have sold below 200 at some time in the calendar year!

With Stifel, Nicolaus

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—W. Leslie Miller has joined the staff of Stifel, Nicolaus & Co., Inc., 314 North Broadway, members of the Midwest Stock Exchange.

With E. E. Henkle

(Special to THE FINANCIAL CHRONICLE)

LINCOLN, Neb.—Jacob S. North is with E. E. Henkle Investment Co., Federal Securities Building.

With Bradley Higbie

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich.—Alfred J. Rosborough has become affiliated with Bradley Higbie & Co., Guardian Building, members of the Detroit Stock Exchange. In the past he was with A. M. Kidder & Co.

From Washington Ahead of the News

By CARLISLE BARGERON


Carlisle Bargeron

Having been born in the South, although a long time away from there and not, I hope, a professional Southerner, I have in my long career in the nation's capital been subjected to such jibes as that it was a shame the South had not been permitted to secede back there the time it tried to.

Of course, such stuff is completely drowned in the preponderance of long expressed opinion by scholars, congressmen, labor leaders, scientists and the like that it would have been a terrible thing had this happened. Everything worked out just as it should have, the overwhelming weight of opinion has been and so I have never taken seriously the jibes of my friends.

But I have been wondering a lot since this last Lincoln's birthday when one's mind naturally goes back to the Civil War, the time brother fought against brother and in the end Grant wouldn't accept Lee's sword in surrender and such. And I must say that I am not sure that the South, itself, would not have been better off had it succeeded in seceding. Think what a pretty position it would be in today if it were a separate state.

Instead of having to pay the backbreaking taxes we are now having to pay and the heavier load we are going to have to carry, the South would be in on Marshall Plan aid, North Atlantic Pact aid and the other handouts to fight Stalin. It has had its share of Federal aid, of course, such as TVA's, but this would be nothing like what it would get by just promising to stand with the United States in its worldwide fight on Moscow imperialism.

Certainly it would get as much money as France, Greece, or any of the rest of them for that matter. Every time the South's secretary of the treasury saw his coffers running low he could plant a story in a New York or Washington newspaper, which could be done through the "foreign correspondents" which are maintained for that purpose, that communism seemed to be getting out of hand down there, that there was increasing pressure that the South join in Russia's economic orbit. At least, a World Bank or Export - Import Bank "loan" would be quickly forthcoming, you can rest assured of that.

Naturally, too, the South as a separate state would have to be in on foreign trade. Foreign trade, we are told, is something you've simply got to have and how does the United States get foreign trade? By giving the other nations money with which to engage in it. Well, the South could certainly take the position that it couldn't engage in this foreign trade unless it had dollars; otherwise, it would have to confine its trading to "Confederate" block nations; that is, those nations which dealt in Confederate money, just as some of them now deal in sterling. The possibilities of a wonderful New South are endless.

No, the more one thinks about it, the more serious the question becomes of whether Lincoln didn't do the South an injustice when he wouldn't let it secede. The South wouldn't be, along with the rest of the country, panicky about the atomic bomb, because the South not being in the United States would not have been in on the building of it, and it seems to be the rule that only the nation that built it and possesses it in any appreciable quantity is the nation that must be most afraid of it. You can understand this when you read of the disturbance the recent tests in New Mexico caused to citizens hundreds of miles away.

Residents of New York and other Eastern States may well be concerned about future tests which may be made with a view to determine just what the bomb would do to populous modern cities. What better way to find out in advance of Russia than to drop some of our own bombs on these cities. Studies could then be made and the results evaluated, as the expression goes. If we wait on Russia with its second-rate production facilities we may never learn. The South, as a separate nation, would not be subject to such experiments.

Louisiana would be able to hold onto its tidewater oil, and so would Texas if it chose to be a part of the South, not elect to be still another separate state.

Say what you want to, but it costs money to be a part of the United States today, even as a sovereign state or as an individual. Far be it from me to say it isn't worth it and I am not suggesting that the South try anything by way of seceding now. But back when the scholars, congressmen, labor leaders, scientists and the like were compiling their verdict that even the South was lucky that it didn't win, we had not undertaken what is so felicitously referred to as global leadership.

With Coburn, Middlebrook

(Special to The Financial Chronicle)

BOSTON, Mass. — Charles V. Austin and William J. Leary are associated with Coburn & Middlebrook, Inc., 75 Federal Street. Both were formerly with R. H. Johnson & Co.

Edgar Paul Hamilton

D. Raymond Kenney & Co. has announced the death of Edgar Paul Hamilton, an associate of the firm at Gettysburg, Pa., on Sunday, Feb. 11.

With Standard Investment

(Special to The Financial Chronicle)

LOS ANGELES, Calif. — Fairold R. Johnson has been added to the staff of Standard Investment Co. of California, 210 West Seventh Street.

At Stephenson, Leydecker

(Special to The Financial Chronicle)

OAKLAND, Calif. — Edgar P. Hornsberger is now affiliated with Stephenson, Leydecker & Co., 1404 Franklin Street.

Paul Rudolph Adds

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif. — Frank S. Fuhr has become affiliated with Paul C. Rudolph & Co., 749 Market Street. In the past he was with William Walters, Securities Co. and Capital Securities Co. of Oakland.

With Hamilton Managem't

(Special to The Financial Chronicle)

DENVER, Colo.—Allen Rose has joined the staff of Hamilton Management Corp., Boston Building.

Investment Service Adds

(Special to The Financial Chronicle)

DENVER, Colo.—Mrs. Lucile A. Bibin and Ervin J. Larsen have joined the staff of Investment Service Corp., 650 Seventeenth Street.

With Francis I. du Pont

(Special to The Financial Chronicle)

MIAMI, Fla.—George A. Lowander has been added to the staff of Francis I. du Pont & Co., 121 Southeast Second Avenue.

With Merrill Lynch

(Special to The Financial Chronicle)

MIAMI BEACH, Fla.—Joseph A. Oritt has joined the staff of Merrill Lynch, Pierce, Fenner & Beane, Lincoln Building.

Joins Foster & Marshall

(Special to The Financial Chronicle)

PORTLAND, Oreg.—William B. Mersereau has been added to the staff of Foster & Marshall, U. S. National Bank Building.

With Merrill Lynch

(Special to The Financial Chronicle)

PORTLAND, Oreg.—James H. Pickett is with Merrill Lynch, Pierce, Fenner & Beane, Wilcox Building.

Inflation and Stock Prices

By AUGUST HUBER

Spencer Trask & Co., Members New York Stock Exchange

Mr. Huber contends there are a great many other factors, in addition to inflation, which influence security prices. Points out there have been intermediate occasions in past when stock prices have declined substantially in face of sustained advance in general price level, and therefore other factors such as favorable income return, as well as "inflation psychology," may be at basis of current bull market.


August Huber

Recent estimates of lower 1951 corporate earnings have not adversely affected stock prices. Why? Inflation. The probability of dividend reductions for the full year fall on deaf ears. Why? Inflation. Higher taxes, price controls, increasing governmental regulation of the economy, more credit restrictions, etc. — market continues to advance. The magic word "inflation" permeates the air, it spellbinds, it frightens, it promotes the buying of "things." The dollar will continue to decline in purchasing power. Therefore, it is reasoned, one must protect such "purchasing" power by placing funds into such mediums as will reflect a future decline in the value of the dollar by advancing in value. In this manner, the greater amount of dollars thus acquired will at least enable the individual to keep pace with the increasing prices for the "other things" he needs and wants.

No one can effectively argue that the "dollar" has not been depreciating relative to the things one buys. The general price level in the United States since 1940 has increased 125%. Since Korea prices have advanced 16%.

The dollar has been diluted by new money being created through Government deficits and through the expansion of private credit and debt—mortgages, instalment buying, bank loans, etc.; also, accelerated spending by States and localities, which borrow usually through the medium of tax-free bonds. The result of this has been an increase in the "money supply." If the money supply or the amount of dollars available, or potentially available, increases at a greater rate than the volume of available goods, then the pressure of so many dollars bidding for a restricted supply of goods naturally causes prices to rise.

With the advent of the war in Korea, a new set of forces—or at least rejuvenation of old forces—were again set in motion. A new and accelerated defense program was inevitable, entailing necessarily high governmental expenditures. This should further increase the money supply. On the other hand, goods and materials produced for defense and war—along with construction of new plant facilities—would take labor, raw materials, and production facilities away from the output of civilian goods. This *reduces* the supply of goods needed and wanted by consumers at the same time that huge governmental expenditures and full employment at high wages *increase* the "money supply." Hence, the upward pressure on prices and the growing "inflation" fears. The more the public reads of inflation, the more the fear grows. Then, "What to do?" becomes a question that goes through more and more minds.

At the present time this "inflation" psychology is apparently transcending most other basic considerations. The stock market has advanced sharply, perpendicularly, and virtually almost without interruption since July. Many stocks have doubled in value since that time. On the "average," stock prices are the highest in 20 years. Thus, it is probably a reasonable assumption that a great deal is already being discounted by the stock market.

What Happened in Past

Apart from other considerations it is interesting to observe what has happened at times in the past. The primary cry heard today is that "inflation" means higher prices are inevitable—the Government debt is going to increase—and as the general level of prices advance one of the best ways to protect oneself is to own equities, or common stocks. However true this may be over a long period, the evidence suggests that the road has its embarrassing detours and uncomfortable bumps.

As an illustration, suppose someone of omniscience should now tell us with unerring accuracy that during the next two-year period, industrial output would increase 60%, the overall price level of all goods advance 30%, farm prices jump 75%, average weekly wages of factory workers grow 48%, the Federal debt spurt up-

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Atomic Bombs and Investments

By CURTIS ter KUILE*

Investment banker contends, despite destructive potentialities of atomic bombs, they will have no adverse effects on intrinsic position of government and municipal bonds. Holds securities of utilities and industrial corporations serving wide areas should not be greatly affected by an isolated attack. Cites specific examples of desirable investments in atomic age.

During the past few months there has been considerable discussion about the atomic bomb and many persons have become very apprehensive over the possibility that some foreign country may suddenly attack the United States with airplanes equipped to launch such a weapon. The objective of this paper is not to deprecate that possibility, but rather to examine and analyze the manner in which such an eventuality would affect investments in this country.

Curtis ter Kuile

To begin with it might be well to briefly outline a few of the well known facts surrounding the atom bomb.

On July 16, 1945 the first atomic explosion created by man was in the New Mexico desert 100 miles northwest of Los Alamos. The first atomic bomb used in warfare was dropped on Hiroshima, Japan, by a United States airplane on Aug. 6, 1945. Hiroshima with a population of 343,000 was 60% obliterated and 78,150 persons were killed. On Aug. 11, 1945 a second atomic bomb was dropped on Nagasaki. About 33% of that city was destroyed and out of a population of 253,000 about 40,000 persons were killed. Since that time a total of nine atomic bombs have been exploded under tests at Bikini, Eniwetok and in the desert near Los Alamos. It has been reported that two test explosions of atomic bombs have also been conducted in Russia.

There is no denying the fact that these bombs produced a terrific destruction of property when used at Hiroshima and Nagasaki. However building construction usually found in Japan is of a far different character than that employed in the majority of cities in the United States. In fact, the photographs taken in Hiroshima after the bombing show that about the only structures which apparently withstood the force of the explosion were the concrete and steel buildings erected by American engineers. The practical release of atomic or nuclear energy was an achievement equivalent to the discovery of fire, but there is no doubt that "warfare, perhaps civilization itself, had been brought to a turning point by this revolutionary weapon" (Vice-Admiral W. H. P. Blandy).

In view of this turn of events and with its possibilities in mind, the question arises as to what effect it may have on investments here in the United States.

To begin with it seems quite certain that the position of United States Government bonds remains the same as at present. Naturally any form of foreign attack would cause some decline in Government bond prices. However, the basic security of these issues remains as it is today. If we win the war those bonds remain the premier investment. If we lose it is doubtful if any securities of our Government, municipalities or corporations would have any value to American citizens.

Assuming that we are attacked and eventualy win, then the writer feels that municipal bonds, payable from unlimited ad valorem taxation, will prove to have been sound investments. Bonds issued by the various States should maintain their relative values. Although there is the possibility of tremendous destruction of some of our leading cities, nevertheless, if their locations are economically and commercially sound it would seem that with American energy and ingenuity they would soon be rebuilt. An example of this may be noted in the case of San Francisco. In 1906 an earthquake and conflagration caused a property loss of $350,000,000 and 450 persons were killed. Yet the city rose again, far wealthier and better constructed than before. Investors in its bonds not only did not lose their money but later found that they had a better security. In the great fire of 1904 in Baltimore, 2,500 buildings were destroyed, yet the city was promptly rebuilt and today its credit is rated Aaa.

Public Utilities

In the corporate field it would seem that public utility securities represent a relatively secure investment. In the event of an atomic bomb attack the numerous grid systems of interconnection between electric light and power companies should serve to quickly supply areas where individual plants may have become seriously damaged. This would be particularly true in the case of utilities serving less populated centers. One example would be that of the American Gas and Electric Company, one of the largest and most efficiently managed in the industry. It serves a closely integrated territory with a population of 4,165,000 including 85 cities, not one of which has over 150,000 residents.

Another utility deserving consideration is the Southwestern Public Service Company, serving Amarillo and the "Texas Panhandle." Its territory has a population of 618,000. The company operates ten interconnected plants and serves 15 communities, none of which has more than 52,000 residents.

In each of the above utility suggestions an endeavor has been made to pick out sound situations operating in the less crowded areas, not dependent for electric energy primarily from one large source, particularly a dam.

Industrials

Industrial securities for this particular purpose require careful consideration. Concerns engaged in the preparation and sale of food products probably would be among the first deserving study. One of the leaders in this class is General Mills. This company has plants scattered over the entire grain belt and it produces a wide variety of ready-to-eat cereal foods. Another economically important factor in the distribution of food is The Great Atlantic and Pacific Tea Company which operates 6,000 stores spread over a wide territory. The Borden Company is a leading distributor of dairy products with outlets in hundreds of localities.

Socony-Vacuum is a closely integrated oil company. Its production facilities and its refineries are located over a wide area. About 85% of its business is done in the United States and only 15% abroad. The company is currently producing an average of 336,500 barreds of crude oil daily. In these days, nearly everything used in industry or civilian life depends on some crude oil derivative. Crude oil is not much use in peace or war unless it is processed and refined. An investment in such a far flung, efficiently managed, oil company should prove a satisfactory one even under the most trying circumstances.

The General Electric Company is actually a grouping of many businesses producing at least 200,000 products in 115 plants in various parts of the United States. In the group are at least 15 separate organizations that each do over $100,000,000 a year. This company is not only vitally important as a supplier to the armed services, but also to the railroads, air plane industry, public utilities and to the household supply needs of the citizens. It is hard to believe that such a widely scattered and diversified structure could be seriously hampered except by a most complete destruction of our land.

The atomic bomb is not the first revolutionary weapon to threaten Christian civilization. In the year 1221 Genghis Khan was able to sweep with his Tartar horde over a large part of what is now Western Europe mainly because he used for the first time a saddle for his mounted warriors which was equipped with stirrups, thus giving his men the advantage over his enemies in cavalry operations. Much later ironclads doomed wooden warships and in World War I poison gas threatened the dstruction of the Allied armies.

It is inconsistent with their historical record for Americans to be afraid of anybody. Otherwise their ancestors never would have left Europe and braved the adventures of settlemen there. Therefore be of good courage, go about your business, live your normal lives, make your investments. They will be necessary to supplement your income during the period of heavy taxation which is sure to come. Do not worry about the future of the United States—we have passed through darker days before.

*The writer, who is connected with Hallgarten & Co., New York City, is a graduate mechanical engineer, Cornell University. He has been engaged in engineering and the investment business for many years and is a member of the Cornell Engineering Society and the New York Society of Security Analysts.

Rudolph Adds Two

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Paul C. Rudolph & Co., 749 Market Street, have added William N. McKelvy and Sidney Schein to their staff.

With Salomon Bros.

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Robert D. Larabie is with Salomon Bros. & Hutzler, Russ Building. He was previously with Henry F. Swift & Co.

With Waddell & Reed

(Special to The Financial Chronicle)

MARSHALL, Minn.—Melvin L. Abbott is associated with Waddell & Reed, Inc. of Kansas City.

Dealer-Broker Investment Recommendations and Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Bank Stock Analyser—Tabulation as of Dec. 30, 1950—Geyer & Co., Inc., 63 Wall Street, New York 5, N. Y.

Banks—Comparative analysis of thirty-six representative banks as of Dec. 31, 1950—Paine, Webber, Jackson & Curtis, 25 Broad Street, New York 4, N. Y.

Barbour's Dow Theory—Justin F. Barbour—Special bulletin of market interpretations, including 35-page introductory folder with each subscription—twelve months, $45.00; three months, $15.00—Barbour's Dow Theory Service, Inc., 105 West Adams Street, Chicago 3, Ill.

Government Bond Portfolios—Breakdown—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Also available is a breakdown of **Sources of Gross Income.**

How to Make Money in a Declining Stock Market—Eighty page booklet—$1.00—Mark Weaver, Dept. D-1, Box 1130, Santa Monica, Calif.

Let's Not Let Military Traffic Tempt Us to Forget Our Serious Problems—Reprints of speech on railroads by Patrick B. McGinnis—McGinnis & Co., 61 Broadway, New York 6, N. Y.

Natural Gas—Circular of recent data on sixteen companies Scherck, Richter Company, Landreth Building, St. Louis 2, Mo.

Over-the-Counter Index—Booklet showing an up-to-date comparison between the thirty listed industrial stocks used in the Dow-Jones Averages and the thirty-five over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over an eleven-year period—National Quotation Bureau, Inc., 46 Front Street, New York 4, N. Y.

Railroad Securities—Brochure—James H. Oliphant & Co., 61 Broadway, New York 6, N. Y.

Two for $1—Formula for short term swing trading (scalping) in stocks and grains and next four issues of the "Signal" featuring "The Stock in the Spotlight"—$1.00—Lester B. Robinson, 429 Russ Building, San Francisco 4, Calif.

Watching Service—Brochure describing a new service planned to help an investor keep posted on his securities by sending brief items of important developments on securities in which he is interested—Ira Haupt and Co., 111 Broadway, New York 6, Y. Y.

* * *

American Telephone and Telegraph Company—Table of related values—New York Hanseatic Corp., 120 Broadway, New York 5, N. Y.

Bethlehem Steel Corporation—Analysis—Bache & Co., 36 Wall Street, New York 5, N. Y.

Chicago, Milwaukee, St. Paul & Pacific—Analysis—Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

Also available is a leaflet of current **Railroad** developments.

Dresser Industries—Review—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

First Bank Stock Corp.—Memorandum—J. M. Dain & Co., 110 South Sixth Street, Minneapolis 2, Minn.

General Bottlers, Inc.—Memorandum—Rogers & Tracy, 120 South La Salle Street, Chicago 3, Ill.

Gerotor May Corp.—Memorandum—Aetna Securities Corp., 111 Broadway, New York 6, N. Y. Also available is a memorandum on **Stratford Pen Corp.**

Great Northern Railway—Analysis—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

Maine Central vs. Nickel Plate—Analysis—Raymond & Co., 148 State Street, Boston 9, Mass.

Also available is an analysis of **Verney Corp.**

Miller Manufacturing Co.—Analysis—Baker, Simonds & Co., Buhl Building, Detroit 26, Mich.

National Tool Company—Report—Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis.

Plywood, Inc.—Bulletin—Barclay Investment Co., 39 South La Salle Street, Chicago 3, Ill.

Portland General Electric Co.—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Puerto Rico—Circular describing **Puerto Rico Water Resources Authority Electric Revenue Bonds** and a booklet on Puerto Rico—Paul Frederick & Co., 70 Pine Street, New York 5, N. Y.

Rhodesia Broken Hill Development Co., Ltd.—Report on zinc and lead producer—New York Hanseatic Corp., 120 Broadway, New York 5, N. Y.

Riverside Cement Company—Card memorandum—Lerner & Co., 10 Post Office Square, Boston 9, Mass.

Also available is a memorandum on **Gear Grinding Machine Co.** and on **Seneca Falls Machine Co.**

Trailmobile—Analysis—Joseph Mayr & Co., 50 Broad Street, New York 4, N. Y.

Ultrasonic Corporation—Analysis—Coffin, Betz & Co., 123 South Broad Street, Philadelphia 9, Pa.

Wisconsin Bankshares Corp.—Memorandum—Robert W. Baird & Co., 110 East Wisconsin Avenue, Milwaukee 1, Wis.

The Gold Standard, the People, And the Gold Mining Industry

By PROFESSOR DONALD L. KEMMERER*
University of Illinois

Dr. Kemmerer declares while gold coin standard is no panacea, it would be invaluable deterrent to both socialism and inflation, would restore confidence in the dollar and help sale of government bonds to the people, in lieu of devastating higher taxation; and force us to go on pay-as-you-go program and limit unsound government-sponsored projects. Declares gold miners should "play for the big stakes," namely a return to the gold coin standard at $35 an ounce, rather than for "the little stakes" of a higher price but with a longer delay.

Gold has been used as money for thousands of years. Archaeologists have dug up gold darics which were minted in the time of Darius the Great of Persia, some 500 years before Christ. In the course of centuries hundreds of nations have used gold as their standard metal. All of them have at one time or another given up the gold standard; some have done so willingly, many have done so reluctantly. Nearly all have returned to the gold standard again, and many have been on and off several times. Our own experience with gold is fairly representative. Let me give you a very brief sketch of it.

Donald L. Kemmerer

After the adoption of the Constitution we began monetary housekeeping in 1792 with a bimetallic standard. That is, a part gold and part silver standard. About a century ago we virtually dropped the silver part but kept the gold. Then the Civil War forced us off the gold standard in 1862 and we remained off until 1879. During the 1890's we seriously debated returning to bimetallism, which would actually have meant, at this time, abandoning the gold standard in favor of a silver standard. We decided not to do so although it took a Presidential election to settle the issue. In World War I we quietly went off the gold standard for two years but hastened to return right after the war. And once more in 1933 we abandoned the gold standard for almost a year and then returned to a weak form of it in 1934 which we have held to ever since.

This very quick summary of the gold standard's history should raise a number of questions. What is a gold standard? Why has it been popular over the world for centuries? Under what circumstances is it most popular? What are its limitations? Why don't we have a better gold standard? What can we do about it as gold miners or citizens or both? Why is it important that we should?

What Is a Gold Standard?

Briefly I am going to review some very elementary facts about gold for the simple but important reason that many of the current misunderstandings about gold, even in the gold mining industry, grow out of a hazy understanding of those elementary facts. Part of the misunderstanding arises from the terms used in describing or discussing the gold standard. Some of them do not mean what they seem to mean.

The gold standard has been defined as "a monetary system in which the unit of value, be it the dollar, the pound, the franc or some other unit in which price and wages are customarily expressed and debts are usually contracted, consists of the value of a fixed quantity of gold in a free gold market." This definition used to be much more rigorously interpreted than it is today. It used to be said that four conditions had to obtain for a nation to be on the gold standard; namely, gold had to be full legal tender, all monies had to be convertible into gold, there had to be freedom to melt or export gold, and there had to be "free coinage" of gold. That phrase, "free coinage," is the crux of some of our present-day confusion, so let us look at it more closely.

"Free coinage" means the right of anyone to take unlimited amounts of gold to the mint to be made into coins. The word free, as most of you know, refers to a person's freedom to take any amount. It has nothing to do with whether the mint charges him for coining the gold. The economic idea back of this is that gold is a commodity like, say wheat, but like wheat it is not very usable until processed. Just as wheat is milled into flour for use, so gold is refined and struck into coins of guaranteed weight and fineness for use. And just as a bushel of wheat yields, say 17 pounds of flour, so an ounce of pure gold formerly yielded 20.67 dollars. This yield is called the "mint price" of gold.

Mint price also is a somewhat confusing term. It is not a price at all. It is simply the amount of money that an ounce of gold will coin into. It is no more a real price than 17 pounds of flour is the mill price of wheat. Yet the misconception persists that mint price is a price because the usable form in which gold has been put is money. This misconception was made even easier in 1934. Since then no coins have been struck from the gold the Government "buys." The miner simply gets his product back in the form of a check or paper money. Maybe he always took it that way, but now he has no choice.

Gold Miners and Tennis Players

It is not surprising in a world where all costs are rising, that gold miners should think they are entitled to more for their product too. If the cost of tennis balls goes up, tennis ball manufacturers raise their price and tennis players pay a little more. If the cost of wheat goes up, and the price of wheat rises, it affects nearly everyone, whether he eats cake, bread or macaroni. But the mint price of gold is different from the price of tennis balls or wheat, or anything else. It is not set by supply and demand forces, rather it is a measurement, a truism. It cannot be higher unless the dollars are made smaller. Whether our dollars shall be smaller is a matter of profound importance to many people other than gold miners, to every person in the nation, in fact. It was in 1933-34 when we cut the size of our dollar from 20.67 to 35 to the ounce of gold. That is because a rise in the mint price of gold sooner or later tends to make all prices go up, because it makes money smaller and cheaper. Therefore, gold miners must not expect the same treatment as producers of other goods. Their product is different, their responsibility is greater, and also, be it remembered, their privileges are greater. They are the only people whose product the Government will take in unlimited amounts at a fixed price (if they are allowed to mine it). This is possible, of course, because they are making a product which literally pays for itself. Gold miners are also the only people, unless it is red ink manufacturers, whose business frequently does better in depression than in prosperity. It is bound to do poorly in an inflation, of course. That is the gold miners' depression. The public has a right to assume, I think, that any gold miner knew the business's advantages and hazards when he entered it.

Since the 1930's the gold standard has been somewhat less rigorously interpreted than it formerly was. Some of the conditions that economists used to insist on, like full legal tender, or domestic convertibility, have been declared by some to be of secondary importance. Emphasis is now put on the last phrase in the definition; namely, that the unit "consist of the value of a fixed quantity of gold in a free gold market." This is another way of saying that there still must be free coinage and some freedom of export. But the words "free gold market" are also confusing. They have caused many innocent people and many people financially interested in the gold mining industry to make endless assumptions on false premises. A "free gold market" really means a gold market that is freely accessible to all and is influenced by the buying and selling actions of all gold standard nations. Such a market today is bound to have a stable price for gold because the biggest international seller stands ready to sell tremendous amounts at $35 per ounce and the biggest international buyer stands ready to buy unlimited amounts at $35 an ounce. This biggest buyer and seller is of course one and the same, our government. Adjustments in the market are made not by changes in price of gold but in the amount bought and sold and the indirect effect of this on exchange rates and price levels. If gold is priced too low at $35 an ounce it will tend to flow out of the country to a place where it will buy more.

"A free gold market" emphatically does not mean a market where the number of dollars exchangeable for an ounce of gold will vary with almost every transaction, or even will very from time to time. True, there have been such markets for gold in the past in this country. There were in the Civil War period and after, 1862-1879, but we were not on the gold standard then under any interpretation, rigorous or loose. There are such markets in the Near East today but the nations there are not on the gold standard either. In recent months the price of gold there has fluctuated between $38 and $44 or even $50 or more an ounce, and limited amounts of gold have been traded at these prices. This market is not freely accessible in the sense that it is influenced by a buyer who will buy or sell almost any amount at $35 an ounce. These markets are simply local paper standard markets where gold is sold as a commodity considered desirable for hoarding. There would be no question about the $35 price at all if we also had domestic convertibility and individual freedom to export, for individuals would see to it that enough gold reached those markets. The $44 price would not last very long then.

If gold was properly priced at all in the supposedly normal year of 1926 when there were $20.67 to the ounce, then certainly $35 is not too low a figure today, for the cost of living index is only 40% higher than the 1926 one whereas the mint price of gold is about 69% higher.

There have been three kinds of gold standard in recent years. The best but most expensive type is the **gold coin standard** which England had until 1914 and we had until 1933. It is expensive because gold coins circulate as money instead of doing heavy duty work as a reserve to support 8 to 14 times their value in paper bills and demand deposits. Incidentally, it has never been true that for a nation to be on the gold standard all money has to be backed 100% by gold.

The next best type of gold standard is the **gold bullion standard** which England had from 1925-31. The only "coin" was a bar worth about $8,000. These did not circulate, and were not intended to, although people could, if they wished, get these bars and hoard them, cut them up, or export them. Gold served almost entirely as reserve. This is a more economical type of gold standard.

Then there is the **gold exchange standard** which is a parasite form of gold standard used by secondary powers that are content to tie their monetary systems to that of a country with a gold coin or gold bullion standard. The Philippines once had this kind.

Finally, there is the gold standard that we have in this country today. We have free coinage of gold and free export of it but these privileges are granted in such a way that no citizen can come into possession of gold coins or gold bars. Some call ours a qualified gold bullion standard, others doubt whether it is really a gold standard at all. I am one of those doubters. From a domestic viewpoint, I do not consider it a gold standard, although it may be internationally. In any event it is a poor sickly thing although probably the best gold standard in the world today. As the French say, "In the land of the blind, the one-eyed man is king."

Why Has the Gold Standard Been Popular Over the Centuries?

Gold is scarce, it is pretty, and it is a reliable store of value. There has been a limited supply of it and a fairly steady demand for it. Prices in terms of gold in the 19th century fluctuated some but were reasonably stable. The famous gold clause widely used in all contracts for about a century attests the faith placed in gold. By it the debtor agreed to pay back gold coin of the weight and fineness current at the time the contract was signed. This was to guard against losses owing to suspension of specie payments, debasement, or change of monetary standard.

The old adage, "We have gold because we cannot trust governments" is likewise significant. The history of all monetary units over an extended period of time is one of debasement and inflation. Our own gold dollar weighed 24.75 grains (pure) in 1792 and now weighs 13.71 grains (pure). Our dollar is worth only 33% of what it was worth in 1900, only 60% of its value in 1940. Gold has been popular because the thrifty man finds in it one of the better safeguards against depreciation although it falls short of providing complete protection. Some inflation is possible under gold, and gold clauses are not always honored as many were shocked to discover in 1933.

Under What Circumstances Is Gold Most Popular?

Gold money is most popular when people feel the greatest need for it. They feel that need most keenly after they have experienced an inflation. Following the American Revolution and our experience with paper "continental

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*An address by Dr. Kemmerer before the American Mining Congress, Denver, Col., Feb. 2, 1951.

We Should Revise Our Foreign Policies!

By HERBERT HOOVER*
Former President of the United States

Only living ex-President, reiterating his views formerly expressed that defense of Western Hemisphere is our Gibraltar, warns all-out aid in European defense will overtax our economic and military capacity. Says there is lack of cohesion and unity of free nations in United Nations, and maintains North Atlantic Pact does not commit U. S. to sending army to Europe. Warns large Communist parties in Western Europe are dangerous and even a full scale international army of 40 dvisions in Western Europe is small compared to that of enemy.

I have been urged by many thousands of you to again discuss with you our foreign policies.

A responsibility rests upon me to speak out from fifty years of personal experience with most of the peoples of the free world and with Russia and China. I have been entrusted during thirty-five years with high responsibilities by my countrymen. I should like to address you through the rose-colored spectacles of idealism and the need of free nations to defend free men.

Herbert Hoover

But I would be doing my country a disservice if I did not take into account the realities in this endangered world.

There is nothing sacrosanct about foreign policies as witness the tombstones which have been erected over many of them in the last 10 years. They bear the inscriptions Undeclared War, The Alliance with Stalin, Teheran, Yalta, Potsdam, Dismantling of German Peacetime Industry, The Promoting of Mao Tsetung.

Many men, including myself, have demanded the revision of these policies at each wrong turning.

The rightness of our many proposals has been proved by time. I shall recall only two of them for your test.

Seventeen years ago, as President, I refused recognition of the Soviet Government. I knew from ample experience, and their own documents, that this bloody conspiracy against mankind would flood our country through this open door with Fifth Columns and spies; that they would sabotage our national life and government. Every American knows they have done just that.

About ten years ago, on June 29, 1941, in a great crisis I urged the revision of our policies to meet the greatest danger that had come to the American people.

Mr. Roosevelt had proposed a tacit alliance of the United States with Stalin and his Communist Russia. Britain was then safe because of the diversion of Hitler's armies to an attack on Russia. A few sentences from that address were:

". . . Now we find ourselves promising aid to Stalin and his militant Communist conspiracy against the whole democratic ideals of the world. . . .

"It makes the whole argument of our joining the war to bring the four freedoms to mankind a gargantuan jest. . . .

"If we go further and join the war and we win, then we have won for Stalin the grip of Communism on Russia and more opportunity for it to extend in the world."

I said these two dictators—Stalin and Hitler—were locked in deadly combat, that statesmanship required the United States to stand aside in watchful waiting, armed to the teeth; that the day would come when these nations. ". . . Will be sufficiently exhausted to listen to the military, economic and moral powers of the United States and at that moment and that moment only can the United States promote a just and lasting peace."

Remember this was in June, 1941, almost ten years ago. Need I remind you that the grip of Communism in this decade has spread slavery from 200,000,000 to 800,000,000 people? And we have no peace.

I could recall a dozen more instances, some within the past 12 months.

Our Problems Now

In order to reach any conclusions as to the wise course for America to pursue in the critical issues which confront us we must again and again appraise the constantly-shifting forces moving in the world.

The problems which we face are of far larger dimensions than the current discussion on sending contingents of American boys to Europe.

Their appraisal must also include:

(1) Land war strengths.
(2) The defense of the American people and the Western Hemisphere.
(3) Our economic capacity over a long period.
(4) The United Nations.
(5) Our policies in the Far East.
(6) The North Atlantic Military alliance.

Policies in these six categories cannot be separated from each other—they are all interlocked.

We must appraise the sombre facts around these points before we can map a national direction. We must not shrink from clear-minded appraisal of our strengths, our weaknesses and the attainment of the purposes to which the Congress has committed us.

Land War Strengths

We may again appraise as best we can the present military strengths for land war in the world.

I am fully aware of the shortcomings of the term "divisions" as a measuring device for comparative military strength, but it is the nearest to a common descriptive unit that we have.

The Kremlin-directed horde has under arms and in reserves probably 300 combat divisions, with 30,000 tanks. I am now told they have over 20,000 mostly tactical planes and they have with their satellites 50 million men available for cannon fodder.

In World War II, when Russia was without the satellites, the Germans failed with 240 well-equipped divisions to overcome her. With her allies of General Manpower, General Space, General Winter and General Scorched Earth, she had stopped the Germans even before Lend-Lease had reached her.

The nations of Europe in the Atlantic Pact have at the present moment less than 20 equipped and trained combat divisions available for European action.

There is here a stark reality upon which our foreign policies must be based. With any seeable land forces from non-Communist nations, even including the United States, a land offensive against the Communist could bring no military victory, no political conclusion. But that does not mean that there are no other methods of stopping the Kremlin's ambitions.

The Defense of Our Gibraltar of Western Civilization

The second stark realism upon which our foreign policies must be based is the defense of the Western Hemisphere. Its defense is not only in our interests but in the interests of free men everywhere.

Much criticism is offered, even to a discussion of this question. An atmosphere of hurry, rush, anxiety is being developed the effect of which is to make it difficult, if not impossible, for the American people to judge their own situation.

I may say at once that with proper economic action this Hemisphere can be made self-contained in critical raw materials. From a long professional career and from years as Secretary of Commerce dealing with such questions, I might qualify in this field.

Further, unless we so dissipate our strength as to become a beaten and crushed people, we will be able to keep sea lanes open.

Moreover, this Hemisphere can be defended from Communist armies come what will. It is still surrounded with a great moat. To transport such invading armies either 3,000 miles across the Atlantic or 6,000 miles across the Pacific would require transport ships and naval protection which the Russians do not possess and could not build or seize, no matter what further countries they occupy. If we have a proper naval and air strength, we could sink them in mid-ocean. With somewhat more attention paid to our defense, this would apply to invasion via the Bering Straits. Hitler could not even cross the English Channel. Atomic bombs do not transport troops over the ocean.

Communist armies can no more get to Washington than any allied armies can get to Moscow.

No responsible military man denies these two conclusions.

The American people should not be frightened into rash action by fear that we cannot survive. I am not advocating isolationism. But if other nations should fail, we may be isolated by force of circumstance and against our will.

We might go into a period hard to endure, but this nation can stick it out.

Our American Economic Capacity

The third stark realism upon which our policies must be built is our economic capacity. The bleak outlook of the world may well last more than a decade—possibly two of them.

The new budget calls for Federal spending of over $71.6 billion. This $71 billion alone, plus state and local expenditures, is about 37% of our national income.

That is beyond the long endurance of any nation and fatal to the preservation of a system of free men.

The President has asked for a large increase of taxes. We will need also to increase state and local government taxes.

This burden is going to fall on people with smaller incomes. The proof of this is easy.

If all personal incomes above the level of a United States Senator were confiscated it would yield only about $2.5 billion of addi-

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*An address by Mr. Hoover over the Mutual Broadcasting System, Feb. 9, 1951. Mr. Hoover's earlier address was published in The "Chronicle" of Dec. 21, 1950.

Extend Atlantic Pact With Full Military Support

By HON. THOMAS E. DEWEY*
Governor of the State of New York

So-called "titular head" of Republican Party proposes U. S. give full military aid and an extension of Atlantic Pact Area to Mediterranean and Near East. Points out Communist control of Western Europe would isolate America. Supports sending army to Europe, while Europe can rearm and prevent another war, and applauds "abandonment by our government of frightful follies of appeasement of Reds in China." Concludes peace can be won by strength and without a war, and warns against renewal of isolationism.

As we join tonight to honor the memory of Abraham Lincoln, we are facing an issue that may decide the very existence of our country. As in Lincoln's day, it again involves the age-old issue of freedom or slavery. This time we are deciding whether we will all be slaves or whether we shall all be free.

Thomas E. Dewey

Some progress has been made in the two months since I called in this room for a swift build-up of the armed forces of our country, for immediate all-out production for defense against aggression abroad and for a real fight against inflation at home.

At last, eight months after Korea, our government has actually begun to get orders out to industry for some of the weapons we needed before Korea. We finally have in that job the leadership of a really able man—and, I might add, a good Republican — Defense Mobilizer Charles E. Wilson.

But the fight against inflation is still a sham battle—accompanied by much sound and fury, strong regulations and weak administration, a slow freeze and a quick thaw. It appears that our wage and price controls are being run by Annie Oakley. The Washington regulators toss up an order, shoot it full of holes and then give somebody a free ride. Meanwhile, the Treasury is, in effect, pumping government bonds into the Federal Reserve at low interest rates, creating the most powerful engine of inflation this country has ever seen.

Having looked over some of the people running wage and price controls, I came to the conclusion that they are there not for the purpose of fighting inflation but to provide jobs for undeserving Democrats at the expense of the people.

Meanwhile, as every American bends his back to bear the new load of taxes, the President's budget includes every political spending device anybody has been able to think of to catch votes and wreck our defense program. It even includes that moth-eaten socialized medicine scheme which would wreck the health of our people, and the Brannan plan which the farmers themselves don't want.

"Quit Politics, and Get Down to Business"

If the national Administration really wants to defend America, I suggest it quit politics as usual and get down to business.

Our country is the core of opposition to the spread of Russian barbarism and Communist slavery throughout the world. We are now engaged in a great debate over that issue of human slavery even as in Lincoln's time, and as before it splits the members of the two great political parties.

The debate has hammered out agreement on many points and the issue has narrowed down to the simple question: How shall we meet the challenge and with what kind of force?

On one side is the group which contends that America's welfare and the defeat of communism require that we inspire and strengthen our allies with arms and troops to preserve their freedom. This group holds that without united action by the free nations, acting within the United Nations, we ourselves are in great peril. These Americans believe we should make every sacrifice to mobilize swiftly to repel any new invasion of the free world in Europe, Asia or Africa.

The other side, which also includes members of both political parties, says we cannot afford to undertake this great obligation. They say we would be spreading ourselves too thin. They say Europe is unwilling to defend itself, that it is riddled with socialism, weak economically, threatened with internal revolution by Communists and does not even pay its debts. They say the free areas of Asia are too disorganized to avoid collapse whatever happen.

Western Hemisphere Defense Not Sufficient

These Americans conclude that we should send only a few if any additional troops to Europe or Asia and that we should concentrate on making the Western Hemisphere invincible; that we should keep our money and our boys at home, building our own strength. They say the Western Hemisphere is self-sufficient and unconquerable and we should not dissipate our treasure and risk the blood of our youth for lost causes all over the earth.

This is a most appealing argument. I wish with all my heart and soul that I could believe in it. I have two sons who are going to be involved and I would gladly give my life to avoid sending them to far away lands to risk being wounded or killed. But in all honesty I am compelled totally to reject the idea that America can live alone.

I say to you: We could not survive in a Communist world. First of all, how long do you think we would have South America with us? With all Europe in Russia's hands, to whom would South America sell all the essential exports she now sends to Europe? Many of South America's exports are farm products that we do not need and cannot absorb. Without a market for her exports, how long could we, in this country, make up the difference to keep South America on our side?

Clearly we would very soon be isolated, here in North America. We would be the loneliest people on earth. What would we do, an island of freedom in a Communist world, outnumbered 14 to 1, with oceans which would no longer be our protecting moat but a broad highway to our front door?

We produce less than half our

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*An address by Gov. Dewey at the Lincoln Dinner of the National Republican Club, New York City, Feb. 12, 1951.

ASSOCIATES
INVESTMENT COMPANY
Associates Discount Corporation
AND OTHER SUBSIDIARIES

Commercial and Installment Financing

A REPORT OF Progress

THE ASSOCIATES COMPANIES are primarily engaged in automobile financing. Operations are conducted in 111 branches located in key towns and cities east of the Rocky Mountains. At these points, motor lien retail installment notes are purchased on a discount basis from automobile dealers. Wholesale advances are also made to dealers to facilitate the shipment of motor vehicles from factories and to build inventories. In conjunction with these transactions, insurance in the form of comprehensive, fire, theft and collision coverage on motor vehicles is provided by the subsidiary, Emmco Insurance Company.

In the Commercial Division, secured short and medium term credit is extended to industrial trading enterprises against the assignment of accounts receivable, inventories, pledges of machinery, equipment and other eligible collateral. Rediscount advances are made to smaller finance companies and others against security of retail installment notes.

ASSOCIATES INVESTMENT COMPANY ASSOCIATES DISCOUNT CORPORATION

E. M. MORRIS, *Chairman of the Board*

CONSOLIDATED BALANCE SHEETS

ASSETS

	December 31, 1950	December 31, 1949
Cash	$ 42,515,030	$ 35,694,025
Marketable Securities, at cost:		
U. S. Government bonds (market $13,214,890)	$ 13,270,450	$ 6,312,799
Other bonds	31,000	31,239
Short-term commercial notes	2,800,000	2,050,000
Stocks (market $5,630,986)	4,353,636	4,546,086
Total marketable securities	$ 20,455,086	$ 12,940,124
Receivables (including installments due after 1951):		
Motor lien retail installment notes	$259,904,446	$172,767,389
Motor lien wholesale, short-term loans	37,622,698	19,395,175
Modernization loans	759,605	4,241,597
Chattel lien and conditional sales installment notes (other than motor lien)	3,734,034	3,771,091
Direct or personal installment loans	15,702,665	11,014,142
Accounts receivable, assigned	4,697,652	3,386,822
Advances to other finance companies on collateral	7,778,394	6,277,057
Commercial loans on collateral	2,711,463	4,073,175
Miscellaneous	1,338,722	1,008,665
Total receivables	$334,249,679	$225,935,113
Repossessions	502,888	518,949
Less—Unearned discounts	*16,954,546*	*12,633,868*
Reserve for losses	*6,854,411*	*4,274,821*
Total receivables and repossessions, net	$310,943,610	$209,545,373
Inventories, at lower of cost or market	$ 461,671	$ 587,200
Prepaid Interest, etc.	1,093,284	668,875
Land, Buildings and Equipment, at cost less depreciation reserves of $1,323,094	1,045,712	1,079,782
Investment in stock of an affiliated finance company, at cost (50% owned)	150,000	50,000
	$376,664,393	$260,565,379

LIABILITIES

	December 31, 1950	December 31, 1949
Notes Payable, short-term	$220,938,500	$150,948,200
Accounts Payable and Accruals	2,859,672	2,199,639
Reserves for Unpaid Insurance Losses and Loss Adjustment Expense	2,161,008	1,786,869
Reserves for State and Federal Taxes	9,675,525	6,526,639
Reserves Withheld—Dealers and Others	4,115,598	3,379,760
Unearned Insurance Premiums	16,063,785	10,801,939
Preferred Stock Sinking Fund Requirement for 1951	100,000	—
Minority Interest in Insurance Subsidiaries	13,000	13,000
Total	$255,927,088	$175,656,046
Long-Term Notes due $26,670,000 in 1955, $6,670,000 in 1956, and $6,660,000 in 1957	$ 40,000,000	$ 20,000,000
Subordinated Long-Term Notes due in 1959, subject to annual sinking fund requirements of $1,800,000 beginning in 1953	$ 22,500,000	$ 22,500,000
Capital Stock and Surplus:		
Cumulative preferred stock, authorized 200,000 shares of $100 par value each; outstanding 100,000 shares of Series A, 4¼%, $10,000,000 (all to be retired at par through sinking fund, at rate of 1,000 shares annually 1951-1953 and of 5,000 shares to 10,000 shares annually 1954-1967), less 1951 sinking fund requirement of $100,000	$ 9,900,000	$ —
Common stock, authorized 1,500,000 shares of $10 par value each; outstanding 1,041,824 shares	10,418,240	10,418,240
Paid-in surplus	3,600,000	3,600,000
Earned surplus (under provisions of the long-term notes payable, $28,870,758 is not available for cash dividends on, or reacquisition of, capital stock) quisition of, capital stock)	34,319,065	28,391,093
Total capital stock and surplus	$ 58,237,305	$ 42,409,333
	$376,664,393	$260,565,379

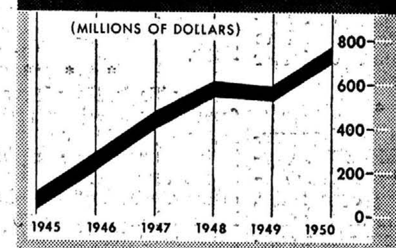
Certain banks have been authorized to honor manufacturers' drafts of not to exceed $851,500 in any one day covering shipments of automobiles.

STATEMENTS OF CONSOLIDATED INCOME

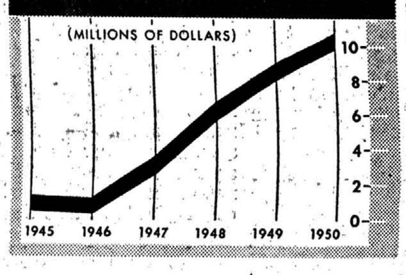
	Year Ended December 31, 1950	Year Ended December 31, 1949	Increase
Consolidated Gross Income	$50,468,277	$44,442,285	13.6%
Deduct: Expenses	31,011,430	29,625,219	4.7%
Consolidated Net Income before Federal Taxes on Income	$19,456,847	$14,817,066	31.3%
Provision for Federal Taxes on Income	8,590,000	5,760,000	49.1%
Consolidated Net Income	$10,866,847	$ 9,057,066	20.0%
Consolidated Net Earnings per share after payment of preferred stock dividend	$10.29	$8.69	18.4%

South Bend, Indiana, February 9, 1951

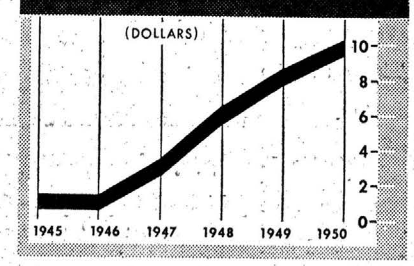
VOLUME- FINANCE OPERATIONS



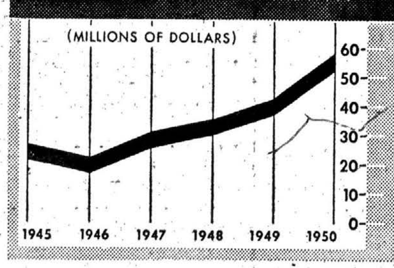
CONSOLIDATED NET INCOME



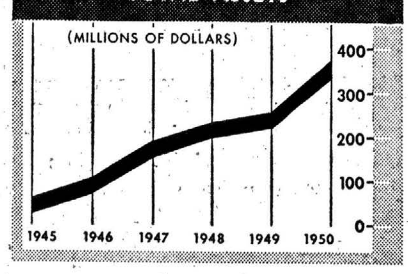
NET EARNINGS- PER COMMON SHARE



GROWTH IN NET WORTH



TOTAL ASSETS



Connecticut Brevities

Bigelow-Sanford Carpet Company has set up a new defense contracts division to handle any government orders for blankets, cotton duck, machine tools and to carry out engineering development and research. The company recently purchased a number of looms to weave blankets and is presently equipped to add a substantial amount of defense work to its regular carpet making facilities. During World War II it produced cotton duck, blankets, and parts for torpedoes, periscopes, radar equipment and bullet making machines.

* * *

The Lakeville Water Company has obtained permission from the Connecticut Public Utilities Commission to sell 1,200 shares of common stock to stockholders at its par of $25 a share and to obtain a bank loan of $24,000 at 3% for ten years. Proceeds of this financing will be used to increase the capacity of the principal reservoir, to install meters, and to replace certain small diameter pipe with a larger size.

* * *

Landers, Frary & Clark has purchased a plant in Medellin, Colombia, where it will produce electrical appliances and corn mills, a food chopper that is widely used in that area. The new plant contains 25,000 square feet and is expected to employ about 200.

* * *

The American Velvet Company, Stonington, is planning to add 23,000 square feet to its plant for additional weaving and finishing facilities to produce military pile fabrics. In addition, some of the present looms are being converted to military production.

* * *

Pitney-Bowes, Inc. has filed with the SEC notice of intent to offer 10,700 shares of its common stock to employees at $14 per share under a stock purchase plan. Payments will be made at a rate of 36 cents per month for three years. At the stockholders' meeting on April 4 the stockholders will be asked to increase the authorized number of preferred shares to 60,000. There are no present plans to increase the number of shares outstanding.

* * *

The annual report of **Hartford-Empire Company** for the year 1950 shows consolidated per share earnings of $7.07. During the year the company purchased and established the new V & O Press Company Division at Hudson, N. Y., and the Stonington Division. The interest in Shaw Insulator Company was sold. Directors have declared a 20% stock dividend, payable Feb. 15 to holders as of Feb. 1. At the annual meeting on Feb. 26, stockholders will vote on a proposal to change the company's name to Emhart Manufacturing Company. The glass container industry business will continue to be operated as the Hartford-Empire Company Division.

* * *

Connecticut Power Company has announced plans to move its headquarters from New London to Hartford on about April 1.

* * *

Connecticut Light & Power Company has made arrangements with Charles T. Main & Co. of Boston, an engineering firm, to restudy the possibilities of locating a hydroelectric project on the Housatonic River above Lake Zoar.

* * *

New York, New Haven & Hartford has placed an order for ten Diesel-electric locomotives with Fairbanks Morse at a cost of about two and a quarter million dollars. The 2,400 horsepower locomotives will be used for passenger service. Deliveries are expected to be completed by the end of this year.

* * *

Aspinook Corporation is negotiating the sale of its Hampton Print Works at Easthampton, Mass., to D. B. Fuller & Co. The arrangement would provide for Aspinook's retaining a management contract. Aspinook plans to round out and extend its operations to other lines. The management announced that it does not contemplate sale of any of its other plants at this time.

With Glore, Forgan

(Special to The Financial Chronicle)

CHICAGO, Ill.—Harold P. Smith has become associated with Glore, Forgan & Co., 135 South La Salle Street, members of the New York and Midwest Stock Exchanges. He was formerly with Hicks & Price and the Continental Illinois National Bank & Trust Company.

C. G. Thomas Co. Formed

RICHMOND, Va. — Claude G. Thomas Co. has been formed to engage in the securities business. Offices will be located at 1108 East Main Street.

With Salomon Bros.

(Special to The Financial Chronicle)

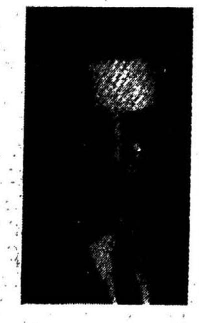
CHICAGO, Ill.—Robert C. Hill has been added to the staff of Salomon Bros. & Hutzler, 231 South La Salle Street.

Two With Wagner Inv. Co.

(Special to The Financial Chronicle)

NEW ORLEANS, La.—H. I. Morrision, Jr., and Roy S. Smith are now associated with C. H. Wagner Investment Co., 126 Carondelet Street.

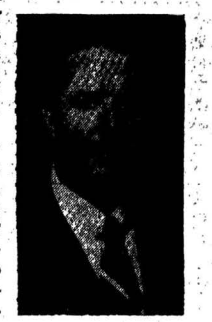
Burton Whitcomb With Harriman Ripley Co.



Burton F. Whitcomb

BOSTON, Mass. — Burton F. Whitcomb, President of the Boston Security Traders Association, has become associated with Harriman Ripley & Co., Inc., 30 Federal Street, as manager of the trading department. Mr. Whitcomb was formerly with Blyth & Co., Inc.

John J. Mann Chairm'n Of New York Curb



John J. Mann

John J. Mann has been elected Chairman of the Board of Governors of the New York Curb Exchange, to succeed Mortimer Landsberg, Brickman, Landsberg & Co. Mr. Mann, who began his career with the Curb in 1925 as a page, was Vice-Chairman of the Board of which he has been a member since 1948. He has been a member of the Curb Exchange since 1933.

Lester Chasen With L. Johnson & Co.

L. Johnson & Co., Syracuse, N. Y., announce that Lester E. Chasen has become associated with them in their New York office, 57 William Street, where he will handle unlisted trading. Previously, Mr. Chasen had been with Frank L. Hall Co. and Gilbert J. Postley & Co.

Carl Glick Joins Staff of D. J. Greene

David J. Greene, 60 Beaver St., New York City, member of the New York Stock Exchange and the New York Curb Exchange, announces that Carl Glick, formerly with Kuhn, Loeb & Co., has joined the research staff.

With Slayton & Co. Inc.

(Special to The Financial Chronicle)

CLEVELAND, Ohio—Andrew F. Borla is now associated with Slayton & Co., Inc., of St. Louis.

Missouri Brevities

January, 1951 sales of **Western Auto Supply Co.,** Kansas City, were $13,750,000, an increase of 78.3% over the $7,711,000 reported for the same month last year. Retail units in operation in January, 1951, were 263 against 265 during January, 1950. Wholesale accounts during January were 2,591 compared with 2,417 a year earlier.

The record sales of **Western Auto Supply Co.** in 1950 failed to produce record earnings because of the excess profits taxes, according to Paul E. Connor, President. Net earnings of $6,842,292 were equal to $9.11 per share on the common stock, compared with $3,758,237, or $5 per share, in 1949. The best previous year was in 1946, when profits amounted to $7,546,828, or $10.04 per common share. Total sales last year reached $156,093,143, as compared with $125,432,312 in the previous year. As of Dec. 31, receivables were $17,743,000, compared with $18,690,000 a year earlier. Earned surplus, after payment of $3,381,000 in dividends and including $1,638,000 as refunds on excess profits taxes paid in prior years, reached $30,415,000, a gain of more than $5,000,000 for the year. The book value of the common stock Dec. 31 was $51.77 per share, against $44.99 in 1949.

* * *

Sales of **Edison Brothers Stores Inc.** amounted to $4,559,424 in January, an increase of 14.32% over a year ago.

* * *

A dividend of 50% in stock has been proposed by the board of **Ely & Walker Dry Goods Co.,** subject to ratification by stockholders at the annual meeting to be held on March 5, when they will vote on increasing the authorized stock from 900,000 shares to 1,800,000 shares. The remaining 450,000 shares, after the stock dividend, would be unissued until the board directs that it be sold "either for cash or for property, tangible or intangible." The stockholders also will ratify a plan to increase the voting power of the preferred shares by 50%.

* * *

For the fiscal year ended Nov. 30, **Laclede Christy Co.** had net income of $807,982, second largest in its history. It is equal to $3.74 per common share and compares with net of $461,143 or $2.34 per share in the preceding fiscal year. Sales amounted to $11,144,689, new high record, and compare with $8,462,316. It was brought out that acquisition last March of the Chicago Retort & Fire Brick Co. was effected through exchange of 17,129 shares of common stock and assumption of liabilities, including long-term notes. Company's fiscal year is being changed to a calendar year basis beginning in 1951.

Sales of **Monsanto Chemical Co.,** St. Louis, for the fourth quarter of 1950, excluding British and Australian subsidiaries, amounted to $63,863,272, while net income was $7,311,552, equivalent to $1.50 per common share. Sales for the year were $227,135,206, an increase of $61,210,506 over 1949. Net income for 1950, after application of the 42% normal Federal income tax rate for the year and an excess profits tax of 30% for the last six months, amounted to $26,220,333, equivalent to $5.37 per common share. Earnings for 1949 were equal to $3.74 per common share after taxes of 38%. The increase in earnings was due to increased sales as the average prices of company's products remained constant during the year.

* * *

Clinton Foods, Inc., has borrowed $20,000,000 from 10 banks on short-term notes bearing interest at 2¾%. Of the borrowings, $15,000,000 has been used to retire outstanding notes and the other $5,000,000 is being used for general corporate purposes.

* * *

The International Shoe Co., St. Louis, reported net earnings of $10,957,707 for its fiscal year ended Nov. 30, 1950, or $3,275,348 more than for 1949. Production was 51,564,941 pairs of shoes during the 12-month period, an increase of 7.6% over its 1949 production, and represented 10% of all shoes made in the U. S., the report added.

* * *

Mid-Continent Airlines, Inc., reported net earnings for 1950 of $352,005, equal to 84.5 cents per share on the outstanding 416,657 shares of common stock, compared with $340,024, or 84.7 cents per share, on 401,275 shares outstanding a year earlier. Revenues of $8,238,391 were 9.6% higher than the $7,515,155 reported in 1949, with all classes of traffic showing substantial gains.

* * *

Mississippi Valley Barge Line Co., St. Louis, reports net earnings for 1950 of $861,527, equal to $1.23 per share, after provision for Federal income and maximum excess profits tax liability aggregating $821,000. This compares with net earnings in 1949 of $738,094, equal to $1.06 per share, after Federal income taxes of $476,000.

* * *

Kansas City Stock Yards Co. reported net earnings for 1950 of $338,555, equal after preferred dividends of $238,200, to $2 per share on the outstanding 50,000 shares of common. This compared with net of $514,230, or $5.51 per common share, in 1949. Gross earnings were $1,943,897, compared with $2,210,993 a year earlier. As of Dec. 31, 1950, current assets were $1,165,262; current liabilities, $312,849.

Business Man's Bookshelf

Barbour's Dow Theory—Justin F. Barbour—Special bulletin of market interpretations, including 35-page introductory folder with each subscription—Twelve months, $45.00; three months, $15.00—Barbour's Dow Theory Service, Inc., 105 West Adams Street, Chicago 3, Illinois.

Direct Placement of Corporate Securities—E. Raymond Corey—Harvard Business School, Soldiers Field, Boston 63, Mass.—Cloth—$3.50.

How to Make Money in a Declining Stock Market—Mark Weaver, Dept. D-1, Box 1130, Santa Monica, Calif.—$1.00.

Two For $1—Formula for short-term swing trading (scalping) in stocks and grains and next four issues of the "Signal" featuring "The Stock in the Spotlight"—Lester B. Robinson, 429 Russ Building, San Francisco 4, Calif.—$1.00.

New York City Tax System, The—Chamber of Commerce of the State of New York, 65 Liberty St., New York 5, N. Y.—Paper.

Philosophy of Labor, A—Frank Tannenbaum—Alfred A. Knopf, Inc., 501 Madison Avenue, New York 22, N. Y.—Cloth—$2.75.

Survey of Salesmen's Compensation—Harry R. Tosdal and Waller Carson, Jr.—National Sales Executives, Hotel Shelton, New York 17, N. Y.—Paper—$2.

Your Blood Pressure and Your Arteries—Alexander L. Crosby—The American Heart Association, Inc—Public Affairs Committee, Inc., 22 East 38th Street, New York 16, N. Y.—Paper—20 cents.

Men, Mills and Timber: Fifty Years of Progress in the Forest Industry—Weyerhaeuser Timber Co., Tacoma 1, Wash.—Paper.

Republic Investm't Co. Adds W. J. Meehan

CHICAGO, Ill.—Republic Investment Company, 231 South La Salle Street, announce the association of Willis J. Meehan with their firm as investment counsellor.

Three With Baker, Simonds

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich.—John J. Fallon, Pierce A. Hastings, Wade Sloan have become associated with Baker, Simonds & Co., Buhl Building, members of the Detroit Stock Exchange. Mr. Hastings was previously with Straus & Blosser.

Joins Heath Staff

(Special to THE FINANCIAL CHRONICLE)

ELGIN, Ill.—Sigler Boeman is with Heath & Company, Tower Building.

Victor Uhl Adds

(Special to THE FINANCIAL CHRONICLE)

SPRINGFIELD, Ill.—Bernard J. Koehler is with Victor A. Uhl & Co., Myers Building.

Wallace Bouden Adds

(Special to THE FINANCIAL CHRONICLE)

NEW ORLEANS, La.—Wallace Bouden & Co., California Company Building, have added Douglas N. Parker to their staff.

With Merrill Lynch Staff

(Special to THE FINANCIAL CHRONICLE)

SHREVEPORT, La.—Wallace H. Demers is now with Merrill Lynch, Pierce, Fenner & Beane, 608 Edwards Street.

Towner J. Pringle Opens

(Special to THE FINANCIAL CHRONICLE)

SHREVEPORT, La.—Towner J. Pringle is engaging in the securities business from offices at 440 Monrovia Place.

With Conrad, Bruce

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Ore.—Walter F. Cozad is now with Conrad, Bruce & Co., 813 Southwest Alder Street.

Joins Hutton Staff

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Clyde M. Monaghan has joined the staff of E. F. Hutton & Company, 160 Montgomery Street.

Securities Salesman's Corner

By JOHN DUTTON

Advertising in the Retail Securities Business

(ARTICLE No. 2)

Last week, we suggested in this column that before any advertising campaign is prepared, that a complete analysis of policies and objectives should be clearly determined. Assuming that this has been done, let us take a specific case and plan a campaign that should be successful.

For example, suppose our survey showed that we had the facilities and the "know how" to interest our present customers, and our potential new customers developed by our advertising, on the advisability of adopting "planned investment programs." This infers, of course, that we had the statistical department, and the intelligent type of sales force, that could follow up interested inquiries which our advertising would create for them.

It therefore follows that before any money is spent on our campaign that we must be sure of one thing—we **must reach the kind of people who might be interested in "planned investment programs."** We know that people who are traders and speculators, or very small investors, would not make good prospects for this type of campaign. When it comes to direct mail the choice of lists is very important. By making a wise selection of lists as well as the material you send out, it is possible to exclude right at the start, a large percentage of curiosity seekers and unprofitable inquiries. You must have the right target as well as the proper ammunition.

In this connection, stockholder's lists which would attract people more interested in investing for income, would be more valuable for this campaign than any others. I would rather have names from a good bond list, or an old time favorite investment stock such as Telephone, one of the Standard Oil Companies, or a good local investment stock if obtainable, for this purpose. There are also lists available of wealthy people in almost every community. Regarding advertising, I am going to give an example of how copy itself can eliminate unprofitable leads. However, before we go into that, I would like to take up one more important point in relation to this type of campaign.

Regardless of your objective, if you are looking for new prospects, **offer something free.** Then tie up your ads, your direct mail, and your personal solicitation by salesman, so that you not only open the door (create interest), but finally get inside your customer's house, and gain his friendship and confidence.

> Don't Overpay Your Taxes!
>
> **If you have investments—if you receive interest and dividends on stocks and bonds—the new taxes for 1951 will be especially burdensome.**
>
> 
>
> **Send for our free booklet, "Tax Savings in 1951." It will tell you in plain, simple language how to effect many legal reductions in your taxes—handling capital gains and losses—treatment of income—deductions etc.**
>
> **Write, telephone or call in person for your copy—there is no charge or obligation.**
>
> **JOHN DOE & CO.**
> 22 MAIN STREET
> ANY CITY
> Tel. 2925

People who are dependent upon their income from investments in whole or in part, or those who have substantial assets are interested in certain things such as: (1) How they can reduce their taxes, or handle their investment accounts in such a way as to keep from incurring greater tax liabilities; or in knowing more about this sorely trying subject. If you could give them ideas and some hope that they could turn their tax problems over to you, and you could help clear things up for them, you should reach qualified prospects. (2) Offer a booklet that suggests a plan which would protect investors from both inflation or deflation. Either of these suggestions should elicit inquiries from people who would be interested in an "investment program," after they have been properly cultivated by mail and by salesmen.

If you desire to try the "tax booklet" idea, there are several very good ones on the market. You can boil them down into a simplified form which deals with the handling of capital gains and losses, interest and dividends, and give examples of methods of effecting tax savings through certain portfolio changes. I also understand that several of the mutual funds have made tax booklets available to their dealers. I would use direct mail in the form of double return, postage prepaid cards, and also single column newspaper advertisements to put this message before investors. Single column ads repeated daily, or three times a week, in my opinion, are more effective than larger advertisements at infrequent intervals.

Something along the lines of the "John Doe" ad given herein should bring inquiries from many good prospects.

Next week we will discuss further steps in building up this new clientele — in other words, turning prospects into customers.

J. G. White Co. Passes To New Interests

Interests identified with the present management have acquired control of the 61-year old investment banking house of J. G. White & Co., Inc., 37 Wall Street, New York City, according to an announcement made by J. Dugald White and Dudley G. Luce.

Mr. Luce, who has served as Executive Vice-President for the past four years, becomes the third president in the history of the company succeeding Mr. White, who will remain as a director. Mr. White succeeded his father, the founder and first president of the company, as president of J. G. White & Co. in 1930.

Dudley G. Luce

Vincent W. Howard

Malon S. Andrus

Associated with Mr. Luce are Malon S. Andrus and Vincent W. Howard, who has been elected Vice-Presidents and directors of the firm. Mr. Andrus has been associated with C. F. Childs & Co. for the past quarter century; most recently as Senior Vice-President in the New York office.

Mr. Howard, formerly President of the investment house of Howard & Robbins, Inc., have been associated with Hayden, Stone & Co. since his return from Washington where he served on the Price Adjustment Board of the Army Transportation Corps during World War II.

David A. Struble, associated with the White company for more than 30 years, continues as Treasurer and assumes the additional office of Secretary, succeeding Robert Seager, who has retired after more than 56 years with the company.

Harvey S. Renton, Jr., continues as Manager of the municipal department while James I. Brennan continues as head of the trading department.

We Have Fundamentals Of Sound Economy

By JOSEPH M. SCRIBNER*

President, Association of Stock Exchange Firms
Partner, Singer, Deane & Scribner, Pittsburgh, Pa.
Members, New York Stock Exchange

I have spent most of my life in the securities business, and to me, the American economy can be visualized as a structure, a building designed to do certain jobs which must be done at any given time and which must be strong enough to withstand certain stresses. I visualize that building as being made of bricks, and each brick a fact. The kind of bricks or facts, and particularly the way they are put together, determines what kind of building they make and how strong it is.

Joseph M. Scribner

Now then, what kind of building are we looking at? What kind of stresses will it be subjected to within the foreseeable future and will it continue to stand?

We Are at War!

The first all ruling fact or stress is that we are at war—a very different kind of war in some phases than any we have ever fought before, because so far at least, it is a war of words, of ideas, ever more than of fire power — a war more for men's minds and thoughts and hearts than for their bodies—a war finally that may be fought and won more by competition of production than competition of destruction, for, as I see it, if we can produce enough products for ourselves and our Allies and do it faster, we diminish the likelihood of an all-out World War III.

So, American production to me, is the keystone in the arch of peace or of victory, and the kind of bricks we have, or are looking for, must be the kind to build a structure of production and output.

What then are some of the basic facts about the American economy? Let us look at several of them singly.

Brick No. 1, I think, is this. Our country is strong internally. We produce and sell primarily for our internal market. We are our own best customers, and every increase in wages or dividends, and every step to reduce production costs, broadens our market. It is this self-contained and largely self-sufficient economy that meshes with our other characteristics that I believe is part of our economic strength.

The second brick may be this. Capital. We are the most lavish people in the world with capital, and the most miserly with the working time of men and women. We spend money lavishly to build machines to save a worker a few minutes time, and then we pay the worker higher wages so he can buy more things at lower prices. We devote an unequalled amount of time and money in training engineers and technologists of all kinds. As a result we have a dynamic pace of improving efficiency that we have far outstripped the rest of the world.

There are many more bricks. We believe in the spirit of mass production, mass distribution, and mass consumption to an unparalleled degree, to the point where our whole economic philosophy centers around reductions in costs and then around reductions in prices.

We subordinate all else to the one great consideration of getting the business done. To that end we constantly change. Traditional considerations of what something was or how it was done give way to the one consideration—how to find a new market and fill it profitably. The end is always the same; the means are as varied and flexible as the ingenuity of man can devise.

We have the best kind of planning in the world. Even if some of you may question that statement against a recent Washington visit, we have relatively little centralized planning by comparision with European standards, and we have, every few years, the right to change it if we don't like it. But the planning I am referring to is the planning by every business man for himself and for his business, and in that sense, we have a unique and tremendous amount of planning right where it can be most effectively applied, at each one of the millions of spots each day where there is a problem.

It is a lesson as old as mankind that to have initiative and progress, it must be developed at the problem point where it is faced by the man whose future and pocketbook are directly involved. It is that part of the secret of our American economy which we have and we alone, and which is the wonder of our friends and the confusion of our enemies. One of our strongest bricks is that we have initiative on the job, and in the hands of so many people. Now I believe that this life-giving approach can profitably be carried even further in the ranks of our people if we will all continue to unite this country through the bond of ownership. By this I mean, spread the ownership of our great economic strength among more and more Americans until they become concerned with the problem point of our economic stability and continuation, right at the point of their pocketbook.

All this is in violent contrast with most of the rest of the world; a contrast absolutely basic and fundamental in its philosophy, its assumptions, its theory and its practice, a contrast which you gentlemen in this room can make a definite contribution towards preserving.

Now before I back-track just a little, may I borrow from the license prevalent on other platforms, to mention another brick that is not necessarily economic. Our mass production and mass consumption economy is greatly aided by a standardization in cultural patterns. Whether we speak with a Texas drawl or a Brooklyn twang, we buy the same toothpaste or automobile. There is much the same pattern of dress to be purchased at Neiman-Marcus in Dallas as Bergdorf-Goodman in New York; our legal traditions are much the same across the country. We feel, think, and act alike in most vital respects. We are one people. This is that unity for which people are pleading and which I believe is staring them in the face while they plead for it.

And now to back-track—what kind of structure do we have when we add up all the bricks of which we have just taken inventory. What does it all add up to? Well, to me, taking these facts in conjunction with others, for which time is lacking to mention, I see a structure unequalled in its

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*An address by Mr. Scribner before Dallas members of Association of Stock Exchange Firms and their guests, Dallas, Texas, Feb. 8, 1951.

Inflation Marches On!

By ROGER W. BABSON

Asserting desire of all of us for more play and less work is real cause of our declining dollar, Mr. Babson expresses view only cure for inflation is through stringent regimentation of our economy, but only as long as war lasts. Says this means all-out mobilization, not piecemeal mobilization which encourages inflation.

There is no more certain way of wrecking our economy and our democracy than by allowing the value of our dollar to continue to decline. Many are finding it extremely difficult today to make ends meet with a 57-cent dollar in this most prosperous era America has ever known.

Roger W. Babson

In 1940, a friend of mine got an air mail letter from Greece. The amount of postage on the envelope was 30 drachmas, or about 65 cents. Just the other day, he received an air mail letter of the same weight from Athens. He counted the postage—9,700 drachmas—323 times as much as it took in 1940! How would you like to hold life insurance policies in an Athenian company, or to have bought Greek Government bonds in 1940? Both are being paid as they become due; but in almost worthless money.

It can't happen here? It already has happened. By the time you get around to cash your 1953 Series E bonds which you bought in 1943, you will have lost an appreciable amount of money in terms of what your dollars can buy. It already takes twice as many dollars as in 1940 to buy the average car. Food costs are up over 100%; clothing costs by about 95%; and rent costs by about 20%. Almost anything you can name has spiralled since Korea. The Air Force alone reports that the decline in the dollar has eaten out of its budget 750 jet fighters.

Some Causes of Dollar Decline

Management blames the decline of the dollar on wage raises. The wage earner blames management for price hiking in a seller's market. Both groups are at fault. But the real difficulty lies with the fact that the production of goods is not keeping up with the demand. The Bureau of Labor Statistics reveals an average hourly pay rise in the manufacturing industries from a low of $1 in 1946 to $1.50 in 1950, or 50%. During the same time, the Bureau of Labor Statistics' Consumer Index rose 36.9%. This meant an average hourly increase of around 10% in actual purchasing power of workers.

From 1946 to 1950, corporate profits rose, before taxes, from $23.6 billion to around $37 billion in 1950, or an approximate 57% increase. After paying taxes, however, 1946 corporate gains were $13.6 billion, and rose to $21.5 billion in 1950, and compare fairly well with the increase in wages and prices. This is a good illustration of the law of supply and demand — action and reaction — which ultimately takes care of unbalances. The desire of all of us for more play and less work is the real cause of our declining dollar. The Korean war simply brought our precarious economic status into sharper focus.

More Controls Coming

I hate the idea of more government in business. I always will be vigorously opposed to unnecessary government controls. We can no more control inflation voluntarily with our present government in a wartime economy than we can raise a 10 million man army voluntarily. It is, therefore, with reluctance that I have come to the conclusion that the only cure for inflation is through stringent regimentation of our economy—but only for as long as war lasts.

This means stiff taxes and a big reduction of all expenditures not required by the war preparations, in order to put the war on a pay-as-you-go basis. It means prices, wages, and profits must be controlled. It means an end to all subsidies to farmers, laborers, and businessmen. It means unloading the billions of dollars of farm inventories now stockpiled by the government. It means a drastic reduction in the heavily overloaded executive branch of the government. It means all-out mobilization, not a piecemeal mobilization which encourages inflation. Unless we immediately take these drastic steps, unpleasant as they may be, our dollar may become worth only 25 cents.

Two With R. L. Day

(Special to The Financial Chronicle)

BOSTON, Mass. — Lawrence M. Brown and William C. Hurter are with R. L. Day & Co., 111 Devonshire Street, members of the New York and Boston Stock Exchanges.

de Rensis Adds

(Special to The Financial Chronicle)

BOSTON, Mass. — Joseph M. Driscoll has become affiliated with P. de Rensis & Company, 10 State Street.

Harriman Ripley Adds

(Special to The Financial Chronicle)

BOSTON, Mass. — Lawrence M. Kirk is with Harriman Ripley & Co., Incorporated, 30 Federal St.

With Kidder, Peabody

(Special to The Financial Chronicle)

BOSTON, Mass.—Richmond W. Bachelder is with Kidder, Peabody & Co., 75 Federal Street.

Joins Livingstone Co.

(Special to The Financial Chronicle)

BROOKLINE, Mass.—Israel M. Livingstone is now with Livingstone & Co., 413 Washington St.

W. J. Lynn Adds

(Special to The Financial Chronicle)

BOSTON, Mass. — Robert M. Currier has become associated with W. J. Lynn & Company, 53 State Street. For many years he was with A. L. Albee & Co., Inc.

Mutual Funds

By ROBERT R. RICH

Problems of Reconversion

This seems to be one of the few times in our recent history when the public, en masse, is concerned with a national problem and preparing to make up its mind about it.

The problem, of course, is inflation and the consequent effects upon one's purse. Ordinarily, there is sufficient interval between inflationary periods, so that the public has forgotten about the painful effects of the last one before it is confronted with a new one.

But, this time the situation appears to be different. We were hardly out of the last inflation when the steam was being built up in the generation again. The phrases, "negative rate of interest," "loss of purchasing power," "a 60c. dollar," and "bonds that cost three to get four worth two," all part of the widespread publicity given the last inflation, are still ringing in our ears.

But we are a sophisticated group this time. We know, on the basis of recent and painful experience, that controls and ceilings cannot allay inflation, but only produce a "hidden inflation" in terms of quality depreciation, upgrading of goods, and the understandable disappearance from the market place of almost all utility consumer durables and semi-durables upon which many low and middle-income groups depended to balance the family budget. We also know that surplus savings in an institutionalized form or in debt or contractual obligations are being placed on the hazard.

Consequently, the public, following the vanguard, seems to be preparing to flee the dollar and seek haven in equities in order to avoid the repetition of a very painful experience. And the circumstance, unlike the last war when *prix-fixe* investments might have "hedged" a post-war slump, that now there is no end in sight may add force to the public's decision.

In anticipation of such a course of public action, the investment industry can solve a problem and perform an important service by impressing upon the prospective investors the fact that equity investing is not quite as simple as dropping money in a safety deposit box. It usually makes no difference which safety deposit box you pick, but the choice of equities is generally regarded as having some effect upon the future status of an investment portfolio.

In the words of Edward Rubin, "Investment management is a full-time job."* Too often the newcomer to the stock market learns just enough about "price-earnings ratios," "book value" and the like to be dangerous to himself. While these are important tools in the hands of experienced investment analysts and brokers, they are a menace when treated by novices as absolute standards of value appraisal.

And, it is only proper that the investment industry be concerned with the way in which the public invests its savings, since, invariably, "the stock market" is blamed for investments gone sour, despite the fact that the investor may have ignored or not sought a broker's or adviser's advice, or refused to place his funds in the hands of experienced management.

When the public finally does get into the market on a large scale, we would probably have much less investing of the home-made variety, if investors realized that, in addition to formal security analysis, portfolio supervision included such usually neglected factors as management appraisal, history and prospects for the industry, the effects of such indigenous factors as the ratio of variable to fixed costs as a measure of flexibility, marketing problems, labor problems, intra-industry competition, state of the technical arts, and such exogenous factors as the effect of pertinent state and Federal legislation, taxation, war production, allocations, price freezes and inter-industry competition . . . to name at random a few problems with which investment management is concerned.

Whether or not the Securities and Exchange Commission would approve the use of the economic theory of alternative costs (the theory is universally accepted by orthodox economic analysts) in mutual funds' sales literature is outside the domain of this column, but it does seem important to impress upon the investor that, to achieve the same selection and diversification of his five hundred or one thousand dollar portfolio, as a mutual fund portfolio possesses, would cost him just as much as it cost the fund, for this reason: the cost of portfolio supervision is a common burden or overhead cost which varies only insignificantly with the size of the fund.

The alternatives, to the investor, of expert fund's management are hiring the equivalent staff, doing the work himself, or investing by some random theory of stock selection, either the "tips" of friends or the blind-folded pushing of pins into stock marekt tables. By all odds, mutual funds management is the least costly alternative, a fact which investors would realize if it were properly presented to them.

In the theory of competitive price, buyers seek the alternative of least cost, or conversely, sellers seek the highest alternative price. However, this theory makes one important assumption which is not always fulfilled, namely, that the consumer or public possesses "perfect knowledge" of the alternatives with which he is faced. To the extent that he does not possess this knowledge, he will behave irrationally, and to the extent that he is informed by the investment industry of various investment alternatives and their implications, he will behave rationally.

* Edward Rubin, in an excellent series of ten or eleven investment letters, logically developed last summer various aspects of this theme. Copies are probably still available, without cost, from Selected American Shares, 139 La Salle St., Chicago.

Notes From Other People's Books

Edson B. Smith, Boston "Herald," once said, "The investor who takes the attitude that he will not invest until he can see the outlook clearly had better dig a hole and bury his money here and now.

"The British have an expression, 'fishing in muddy water,' which covers the idea rather well. Sometimes the water seems a little less muddy than at others, but it never is entirely clear. There is a risk in any investment at any time. And there is a risk in a liquid position. All the money which ever has been made has been by somebody taking a chance."

* * *

Lord Macaulay, in 1830, was alarmed by "A war compared with which all other wars sink into insignificance; a taxation such as the most heavily taxed people of former times could not have conceived; a debt larger than all the other public debts that ever existed in the world added together."—**From Edward E. Hale's "Brevits."**

Investment Registrations

Pine Street Fund, Inc., New York, has filed a registration statement on Feb. 5 with the Securities and Exchange Commission covering **500,000 shares** of $1 par common amounting to **$7,000,000.** Underwriter is Wood, Struthers & Co.

Massachusetts Investors Trust, Boston, on Feb. 6, filed a registration statement with the Securities and Exchange Commission covering **1,912,753 shares** of beneficial trust aggregating **$70,963,136.** Underwriter is Vance, Sanders & Co.

Financial Fund, Inc. on Jan. 9, filed a registration statement with the Securities and Exchange Commission covering **30,000 shares,** aggregating **$330,000.** The registration statement became effective Feb. 6.

Eaton & Howard Stock Fund, Boston on Feb. 13 filed with the Securities & Exchange Commission a registration statement covering **700,000 trust shares.**

Eaton & Howard Balanced Fund, Boston, on Feb. 13 filed with the Securities & Exchange Commission a registration statement covering **700,000 trust shares.**

THE 1950 ANNUAL REVIEW AND FORECAST OF ECONOMIC AND STOCK MARKET CONDITIONS has been characterized by several economists as one of the best analyses to come out of the investment industry this year. One Wall Street economist stated that it was the best analysis he had ever seen. The report, prepared by Harold X. Schreder, Vice-President of the Investment Research Department for the Board of Directors of Group Securities, Inc., analyzes the stock market outlook for 1951 and then presents a Detailed Analysis of the Business Picture. Free copies may still be available from Distributors Group, Inc., 63 Wall Street, New York 5, N. Y.

TEXAS STACKS ITS BLUE CHIPS is one of the finest pieces of sales literature to appear in the mutual funds field. The pamphlet, a reprinted article by Mary K. Bourgeois, which first appeared in the maganize "Texas Industry," is superbly written, eye-catching and informative. The subheads alone, "pair of phenomena," "nine dynamic Texans," "task tackler," "no letterhead names" and "in 30 states," are sufficient indication that this pamphlet, in dealers' hands, ought to have quite an impact on prospective investors. Texas Fund, which may have set a record growth in the industry rate by reaching its first million in assets in 3½ months, is proving it is no novice at sales promotion. The Fund passed the $3,000,000 mark on Jan. 4. Bradschamp & Company, 203 Union National Bank Building, Houston 2, Texas.

INVESTMENT PORTFOLIO of Selected American Shares analyzes the diversification of $1,000, at net asset value of the fund's holdings on Jan. 31, 1951. The largest group investment, 14.5%, is in the oil industry. The largest single investment is in Republic Steel.

INVESTING FOR THE DURATION contains a great deal of common sense about basic decisions which every investor will have to make. Simply written, the pamphlet explains quite logically the value of "balanced" investing. The Putnam Fund lists its portfolio, as of Jan. 1, explaining the

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Investment in Mutual Funds

By JOHN McG. DALENZ*
Vice-President, Calvin Bullock

Investment banker reviews history and functions of investment companies and distinguishes between various types. Lays down as two basic principles for moderating investment risks: (1) diversification, and (2) continuous, experienced supervision. Describes periodic purchase plans in buying mutual funds shares and means of building up an estate by reinvestment of dividends.

I will try to remember that I am not, on this occasion, speaking to an assembly of stock brokers, as is my usual custom, and I will endeavor to keep my talk relatively free of technical jargon.

John McG. Dalenz

When a young man starts out into the business world and marries and starts to raise a family, his first financial undertaking, I believe, should be to buy life insurance—and for obvious reasons.

His second financial obligation should be to set up an emergency fund. This could be in a savings bank account or other fixed dollar obligations which are readily convertible. Many do not set up a sufficient emergency reserve and others set up too much. A good rule of thumb would be to build up this fund to the equivalent of one year's budget—though this may be less, depending on the nature of the income and the degree of responsibilities.

You will notice that I have not referred to either of these categories as investments—as they are frequently and erroneously labeled.

The third step should be to start an investment program, and here common stocks would enter into our consideration for the first time. I use the word "investment" advisedly because there is so little understanding of the difference between that word and two others: "speculation" and "gambling" in stocks. I will now, in my own words, try to define the three for you.

If you knowingly purchase a security, including common stock, of an old, established, but still growing firm—one making a wide diversity of products and one that has a long record of dividend payments, even through depressions, and you purchase this security not just to grab a quick dollar or two, but in the expectation of long-term income and profit—then you are an investor.

If, however, you put money into stock of a brand new industry such as the stock, let us say, of a television company making only that one product, then your risk increases. If you are familiar with the hazards that went with the buying of stocks in automobile companies and radio companies in their earlier days, or if you are connected in some way with the television industry and know what it is all about and are, therefore, prepared to take what the military call a "calculated risk"—then you are a speculator.

If you buy a stock on casual tip or hearsay—then you are a gambler. Speculators and gamblers make money sometimes, of course, but they can lose very heavily, too.

As it is possible to cover only a small segment of the securities field in this one lecture it would be best if I concentrate on the investment field for you—as, in my opinion, that should and normally would be your first concern.

Function of Investment Companies

Investment companies are intended to minimize the risk that is attached to investing in individual companies. An investment company, generally speaking, is a trust or a corporation engaged in the business of managing investments for other people. An investment company is organized much like any other corporation, but its assets, instead of being in the form of oil wells or rolling mills or freight cars, are composed of the stocks and bonds of other companies. The investment company undertakes to manage these assets for the benefit of its own shareholders and these shareholders participate in the income and profits which are the fruits of the company's management.

Even though financial historians have cited earlier cases, the year investment companies started, for all practical purposes, was the year 1873, and the place Scotland.

At one time in my career I spent some 10 years as manager of my firm's London office, and during that period it was my good fortune to get to know a number of the senior Scottish and English investment company managers. It was a very interesting experience because so very little of the history of these early companies will be found in text books.

It was the United States, interestingly, that caused these early Scottish investment companies to be formed, as British capital which was in surplus at home during the middle of the 19th century and its owners were forced to invest overseas. That period happened to coincide with the opening of the American West and the building of our early railroads, and British capital was flowing into American railroad securities—and on pretty much of a hit-or-miss basis. One wealthy merchant in Dundee in Scotland decided to send one of his young clerks to the United States to make a first-hand investigation of his particular railroads. He evidently profited considerably from the investments made as a result of this first-hand investigation.

The young man in question was Robert Fleming, who recognized the opportunity for a new business to do this same sort of thing for many other people and, in 1873, he formed the first modern investment company. Mr. Fleming lived to a ripe old age and his banking firm of Robert Fleming & Co. became one of Great Britain's greatest financial houses. His 1873 company proved to be an extremely profitable investment, and over the years he formed other companies. Seeing the success of Mr. Fleming, other Scotsmen and Englishmen also got into this new business. Some companies were formed to invest primarily in South America, which was also being developed at the time.

Then, as is inevitable in any new business, the speculative element got into it and formed companies that over-extended and placed their funds in highly speculative issues.

In 1890, there was a financial panic in England and the weaker investment companies came to grief. The Fleming companies and the other conservative ones came through this period with flying colors. Ever since that time those early British investment companies have weathered every financial crisis successfully.

Investment Companies in U. S.

This is a history similar to that of the investment company industry in the United States in many respects. The founder of my firm, the late Mr. Calvin Bullock, brought out his firm's first investment company in 1924—and came to occupy a position in this country similar to Fleming's in England. Several other foresighted people, quite independently of each other, also formed companies in 1924. That year, for all practical purposes, marks the establishment of investment companies as an industry in this country, although there had been one or two earlier ventures along these general lines.

Prior to World War I, the buying of securities, especially stocks, was largely a pastime of the rich, but our whole investment picture was changed during World War I when millions of small investors were educated to securities through the major selling drives of Liberty Bonds. Subsequent investment in other types of bonds, and then stocks, was a natural sequence.

This period saw the start of the two major classifications of American investment companies, the closed-end trust and the open-end funds.

A closed-end company has a fixed number of shares outstanding, and if there are more buyers than sellers the price rises, and conversely if there are more sellers than buyers the price declines. These prices can be, and frequently are, without reference to the intrinsic value of the shares.

The open-end funds, on the other hand, issue new shares at net asset price each day, plus a sales charge, and stands ready to redeem shares at net asset value at all times. These prices are always related to asset value or intrinsic worth.

In the speculative environment of the late 20's the closed-end funds provided an added zest as many of them went to fanciful premiums in the open market. It was the closed-end fund that was in chief demand in that speculative period.

Just as 1890 marked the transition point in England, so did the year 1929 do the same for the industry in this country. The speculative companies suffered severe losses; the more conservative came through well. But management was put to a severe test.

Fixed Trusts

In the period 1930 to 1932 there was a brief popularity for what were known as "fixed trusts." In effect, people could buy a package of securities with no management involved. But if there is one thing that is certain in investment, it is "change," and in a short time the fixed trusts lost their popularity.

In the year 1932 the open-end fund, which is now known popularly as the mutual fund, began to come into its own. There has been a steady and gradual growth in this type of fund ever since, and in the last several years interest has progressed at a quickened pace. In 1945 the mutual funds passed the closed-end funds in size and today the mutual funds have become an important pillar of our financial setup. At the end of 1950 it was estimated that there were over 1,000,000 owners of mutual funds, with assets of around $2,500,000,000.

In 1940 Congress passed the Investment Company Act, a highly constructive piece of legislation. The provisions of this Act have done much to make the stocks of investment company shares popular with the investment public.

Basic Principles

There are two basic principles for moderating investment risks on which investment companies are operated. The first of these is the principle of diversification of investment on the theory that 10 stocks are safer than one, 100 safer than 10.

The second basic principle is continuous, experienced supervision. Just as in a successful engineering organization, so here are large trained staffs of experts desirable. The best types of investment companies engage the services of research specialists in such fields as public utilities, oils, railroads, steels, etc. These experts conduct not only exhaustive statistical analyses within their offices, but much of their time is spent in the field as well.

There used to be the old adage that one could buy stocks and forget them with assurance of profit. But not in this day and age. The American economy is too dynamic for that. Constant and sometimes violent change is its chief characteristic. A failure to adapt an investment policy to such changes can be costly. But on the other hand, successful adaptation can pay handsome profits.

Let us examine what all this means in terms of dollars and cents. 1950 presents an excellent example. You will recall that fateful day last June when war broke out in Korea. It has changed the immediate outlook for most of you, as it has for businessmen, for investors—and for investment company managers.

In preparing this talk I reviewed a recent report of one of the country's largest investment companies, a company whose policy is to invest in conservative common stocks. In the months following the invasion of South Korea many stocks were sold, and many others purchased. A pattern could be discerned. Holdings of public utility stocks, tobaccos, metal containers, companies not favorably situated in a defense economy, were eliminated or reduced. Steel stocks, rails, oils and aircrafts, which might be expected to reflect a step-up in military appropriations, were added or increased.

But how about the individual investor? Some may have adapted their lists to the changed conditions, but from my own long observation of the investment public I doubt if the percentage was very high.

1950 was a bull market year, but it does not necessarily follow that all investors were happy. It is always distressing to see one's stocks go down in price, but the most distressing of all is to see one's stocks go down when the market is rising. Yet in every bull market many stocks inevitably do go down. Despite the rise of the market as a whole nearly a quarter of all the stocks on the New York Stock Exchange declined in 1950. Some of the best known to decline in the year were: American Can, American Radiator, American Tobacco, Coca Cola, Corn Products, General Foods, Johns Manville, Loew's, Otis Elevator, Reynolds Tobacco, Twentieth Century-Fox, Woolworth, and Wrigley.

Types of Investment Funds

There are many types of investment funds. The largest group is those whose assets are invested primarily in common stocks. Some of these invest in orthodox "blue chips," or what are generally regarded as established and seasoned investments. Others are more venturesome and go in for "growth stocks." Another large group are "balanced funds" which at all times hold bonds and preferred stocks as well as common stocks. Then there are industry funds, concentrating in chemicals, aviations, etc. Also there are other specialty funds which invest just in bonds; others just in preferred stocks.

These funds are not all managed in Wall Street. In fact, a number of them are located in Boston, Philadelphia, Minneapolis,

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*A talk by Mr. Dalenz at the College of Business Administration, Lehigh University, Bethlehem, Pa., Jan. 13, 1951.

Europe and American Gold

By PAUL EINZIG

Commenting on European withdrawal of gold from U. S. and suspicion it is being used, by resale, to aid gold hoarders, particularly in France, Dr. Einzig condemns this action. Points out, however, permission of U. S. to permit foreign withdrawals of gold maintains international character of dollar.

LONDON, Eng.—There has been lately a certain amount of American criticism about European withdrawals of gold from the reserve of the United States. France in particular has been subject to adverse comment owing to the resale to hoarders by the Bank of France of gold withdrawn from the United States. The publication of figures of the conversion of dollar reserves into gold by Britain and other European countries during the second half of 1950 appears to have some resentment in American opinion. Beyond doubt these operations have increased considerably the outflow of gold from the United States, caused by the adverse change in the balance of payments. It would be a pity if they should lead to some degree of estrangement between the Democratic nations, in addition to the bad feeling caused by disagreements on international politics.

Dr. Paul Einzig

There can of course be no justification for the resale of American gold at a premium for hoarding purposes. It may be a matter of opinion whether South Africa and other gold producing countries should be allowed to sell for such purposes part of their own output. There can be no two opinions, however, about the moral aspects of misusing the convertibility of the dollar which is maintained for the benefit of official foreign holders. The object of the liberal attitude of the United States authorities in this respect is to maintain the international character of the dollar by ensuring that, from an international point of view, it should be regarded as being synonymous with a definite quantity of gold. It is decidedly contrary to the spirit of the game to feed private hoards with the aid of gold withdrawn from the American reserve. After all, the United States Government is opposed to the resumption of the convertibility of the dollar for the benefit of domestic holders, precisely because the increase of private holdings to the detriment of official holdings is considered to be against the public interest.

It may be argued that gold hoarded by private interests constitutes a secondary reserve, as it forms part of the national wealth. Judging by experience in France and elsewhere, however, the monetary authorities are not in a position to draw on that reserve when it is urgently necessary to do so in order to meet an adverse balance of payments. These may be, in given circumstances, some justification to supplying unofficial bullion markets with gold drawn from official reserves if and when gold hoarding is an alternative to food hoarding, as is the case to some extent in India. But gold hoarding in Western Europe is an unmitigated evil from the point of view of public interest.

The conversion of dollar reserves into gold for the purpose of retaining it as part of the official reserve is, of course, a totally different matter from the withdrawal of gold for the purpose of resale to hoarders. It was due to the dollar devaluation rumors which arose on repeated occasions since the beginning of the Korean conflict. Even though there appeared to be very little likelihood of these reumors proving to be correct, it was understandable that the authorities in charge of the dollar reserves felt impelled to reduce the risk of loss through a dollar devaluation.

Admittedly, from a broader political point of view, it was a mistake to convert official dollar holdings into gold for the sake of reducing a risk which was in any case very small. The governments concerned ought to have borne in mind that American opinion is apt to be very touchy when there is an outflow of gold. As far as Britain is concerned, the risk of a loss on a dollar devaluation is reduced in any case by the fact that she owes the International Monetary Fund $300,000,000. A loss on dollar reserves of that amount would have been offset by a corresponding profit on this dollar liability. There is also the much larger dollar liability of the Loan of 1945, the service of which would become less costly in terms of gold or sterling in case of a dollar devaluation. To be quite correct, such a devaluation would offset to some extent the sterling loss suffered through the devaluation of sterling in 1949.

Having said all this, it is necessary to add that no exception could and should be taken to the legitimate use of the convertibility of the dollar by governments holding dollar reserves. The mere fact that such use is resented is liable to weaken confidence in the dollar, because it is regarded as a sign of weakness. It may be recalled in this connection that between 1925 and 1931 British opinion was very touchy about gold withdrawals. But then the British gold reserve in the 'twenties was very inadequate, with hardly any safety margin, and under the then prevailing system of automatic gold standard even a moderate withdrawal tended to produce very marked effects on interest rates and trade. On the other hand, the United States today could well afford to lose many billions of dollars of gold without suffering any adverse economic effect. Nevertheless it is quite understandable that European withdrawals, occasioned by causes other than an adverse balance of payments, are viewed with disfavor and European governments would be wise in allowing for this reaction.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The controversy among the monetary authorities is having its influence upon the government market which, aside from a few issues, is in a defensive position on rather light volume. It is indicated that many operators are inclined to wait and see what will be the outcome of this disagreement between the powers that be, before very much will be done about putting funds to work. This might take some time because it is reported there are many points of disagreement that will have to be ironed out among the monetary authorities.

The bank issues have been on the inactive side, although there has been an inclination to take on some of the short-terms and the 1¾% notes. This buying has been from the out-of-town deposit institutions mainly. Although life insurance and savings bank liquidation has abated, there has been enough selling to keep the restricted issues on the uncertain seat. The 1959/62s have been the exceptions since these issues have been under accumulation. It is reported pension funds have been the buyers.

The Disagreement Persists

The now famous pronouncement of Secretary of the Treasury Snyder, in which he attempted to freeze long-term rates at 2½%, certainly stirred up a hornet's nest. The level of interest rates has become one of the hottest topics in the money markets in many a moon. The speech of the Treasury Secretary created such widespread disagreement that the President of the United States has been involved in the situation in an attempt to settle the dispute. So far, however, there has been no reconciling of these differences between the Treasury, the Federal Reserve Board and the Open Market Committee. As a matter of fact, there has been sniping by both sides in the recent past. There are some shots even being heard from certain quarters of the Congress, where the whole affair may eventually have to be aired in order to work out a solution to the conflict.

All the blowing that is being done about the level of interest rates and what should or should not be done in order to protect them or to cut them loose, and the effect these various ideas would have on prices of Treasury obligations, does not make for confidence in the government market. Nonetheless, very little of a settling nature is looked for in the near future because there seems to be no immediate answer to these various differences of opinion and their attendant problems.

In the first place, it does not seem as though the level of interest rates is the all-important point in this disagreement among the monetary authorities. The highness or lowness of the interest rate should not be of such great concern, even though most people are making it the bone of contention. If the rate on long governments were at 3% or 3½% it would not stop the selling of governments by insurance companies and savings banks in order to purchase corporate bonds, mortgages and other types of non-government obligations at higher yields. There would most likely not be any decrease in loans by the commercial banks just because interest rates on government securities were higher. These institutions would continue to sell Treasuries in order to create reserves that would be used to make higher yielding loans. The level of interest rates which is being so widely discussed is not the crux of the problem which has caused the disagreement among the monetary authorities.

The Fundamental Issue

The real heart of the problem in this controversy between the powers that be is the fact that the Federal Reserve Banks have to support the government bond market and in so doing make the creation of funds for non-bank investors and reserve balances by commercial banks, a not too difficult situation. If there were no protection of the government market by the Central Banks, the access to reserve balances would be a much less certain and a much more costly venture for the deposit banks. Bank loans, which are still increasing and are feeding the flames of inflation, would most likely be sharply lower if there were no support of the government securities market by the Federal Reserve Banks. In other words, by not having to protect or support prices of Treasury obligations the Central Banks would not make readily accessible to the commercial banks, reserve balances, which in turn are used to make loans, which add to the pressure of inflation. Only when Federal stops supporting the government market is the "engine of inflation" going to be shut down. It is the stopping of this source of inflation which is the important point of difference between the monetary authorities and not the level of interest rates, although most of the discussion centers around the latter.

The last four maturities of the partially-exempts, although to an extent under the shadow of the controversy, have been under accumulation by the deposit institutions. Again there has been competition in these securities because the smaller banks are after them as well as the large ones.

Volume in the market as a whole has been light and in some issues there is little more than the usual amount of professional participation. There will most likely not be very much enthusiasm developing for government securities while the monetary authorities are at sixes and sevens. Nevertheless, there is no reason to believe there will be any change in the protection that has been given the market.

Says Bankers Must Protect Value of Dollar

Orval W. Adams, Vice-President of Utah First National Bank, Salt Lake City, says danger of dollar becoming a cold war casualty is imminent unless every Federal expense is cut to bone.

In an address on Jan. 18, following his election as President of the Salt Lake City Clearing House Association, Orval W. Adams, Vice - President of the Utah First National Bank of Salt Lake City, stated that "the most important obligation of the bankers of America is to prevent the dollar from becoming a cold war casualty." The danger of such an eventuality, he added, is imminent "unless every Federal expense is cut to the bone and the economy is placed on a 'pay-as-you-go' basis in this period of distress."

Orval W. Adams

He pointed out that the bankers have a dual obligation, first, to pay dollars out in numbers equal to those received from their depositors; and secondly, a moral obligation to repay the depositors in "money of substantial purchasing power which their customers have earned through thrift perseverance and effort."

"The great middle class of practically every other nation of the world has been wiped out through inflation and that mustn't take place here," he warned. "Bankers' silence on that question in a time like this is partisanship of the worst kind. A sound and solvent America is impossible without insuring against the American dollar becoming a cold war casualty. The last hope of the world is a solvent America, which is not possible without a sound dollar."

Tifft Brothers Add

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, Conn.—Frank R. Wheeler has been added to the staff of Tifft Brothers, 9 Lewis Street, members of the New York and Boston Stock Exchanges. He was formerly with Bache & Co.

Margaret Kennedy Co. Formed in New York

Margaret Kennedy has formed Margaret Kennedy Co. with offices at 120 Broadway, New York City, to engage in the securities business. Miss Kennedy was formerly with Distributors Group, Inc. and prior thereto with Van Strum & Towne, investment counsellors.

Grangaard Company, Inc.

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn.—Grangaard Company, Inc., New York Life Building, is engaging in a securities business. Officers are M. O. Grangaard, President and Treasurer; Agnes C. Grangaard, Vice-President; Arthur Grangaard, Secretary; W. C. Preuss, Assistant Secretary.

Barrett With Hutton Co.

(Special to THE FINANCIAL CHRONICLE)

MERCED, CALIF.—Lee E. Barrett has become associated with E. F. Hutton & Company and is resident manager of their newly opened branch at 1708 L Street. Mr. Barrett was formerly Merced manager for Bailey & Davidson.

Four Join King Merritt

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Neil Crane, Oliver Sacks, Harry Schnall and Dean Tinker have joined the staff of King Merritt & Co., Inc., Chamber of Commerce Building. Mr. Crane was previously with Harris, Upham & Co.

May With Lester Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Rex May has joined the staff of Lester & Co., 621 South Spring Street, members of the Los Angeles Stock Exchange. He was formerly with Halbert, Hargrove & Co. and prior thereto with Bankamerica Company and Merrill Lynch, Pierce, Fenner & Beane.

With Irving Lundborg

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Robert F. Love has become affiliated with Irving Lundborg & Co., 310 Sansome Street, members of the New York and San Francisco Stock Exchanges. He was formerly San Mateo, Calif., Manager for Neergaard, Miller & Co. of New York.

William N. Boyd, Sr.

William N. Boyd, Sr. passed away at the age of sixty-two. Prior to his retirement in 1948 he had been with the securities department of the National City Bank of New York for twenty years.

Canadian Securities

By WILLIAM J. McKAY

The subject of interest rates has recently received such widespread attention here that there is little question that the Canadian financial authorities are likewise studying the question from their own angle. So far the Bank of Canada has closely followed the course adopted south of the border. The immediate postwar trend towards lower rates has been deliberately reversed. Long-term Dominion 3s which at one time pressed on the 2¾% yield level are now back to their original issue price. At this point future policy will be carefully weighed, and developments in other monetary centres, and particularly in the United States, will be subject to the closest scrutiny.

The British experience in this field is both enlightening and disturbing. Under the regime of former Chancellor Dalton an easy money policy was aggressively and arrogantly forced upon the resisting City of London, whose cooperation was neither sought nor even considered. Consequently the result was an abject failure, and the "gilt-edge" and municipal markets were left in a state of thorough demoralization. From time to time the "government broker" has intervened in an attempt to arrest undue weakness, but fundamental stability and basic confidence in the government bond market no longer exists.

In this country the easy money policy was put into operation during World War II not only efficiently but also with the full cooperation of the U. S. Treasury and the banks and investing institutions. A pattern of rates was gradually evolved that was accepted with complete confidence. Indeed so firmly was faith in the low-interest trend established that danger arose of exaggeration in this direction. Following the wartime period it became necessary to arrest the movement towards ever lower interest rates. Official intervention to correct obvious exaggeration in this direction was sufficiently strong to raise doubts concerning the basic long-term 2½% level. As a result there was heavy liquidation that was absorbed by the central authorities, but the 2½% rate was maintained.

At the present time there is an acute controversy concerning the desirability of maintaining a pegged market at the 2½% level. The proponents of a change in the present official policy base their case primarily on the inflationary effects of a pegged rate of long-term bonds. The Treasury on the other hand firmly maintains that leaving the government bond market to its own devices would not only produce chaos in all financial markets, but it would also jeopardize future government financing in a time of national emergency.

Without entering into the finer details of the arguments on either side there is one basic fact that is difficult to ignore. Both in the case of this country and Canada we are dealing with economies still in the process of dynamic expansion. Such development is not only desirable, but in view of the international situation is also eminently necessary. Much is now heard of the bogy of inflation, but in the absence of ready means of credit expansion, increased production and economic progress must necessarily be arrested. The fact can not be ignored that the tremendous economic advance and the high standards of living in the past decade both here and in Canada have been made possible only by means of calculated policies of deliberate inflation.

The inflationary process however has been controlled by careful manipulation of the government bond markets in both countries. Within the range of an accepted rate pattern there has been sufficient flexibility to permit the correction of exaggerations whether in the direction of inflation or deflation. The control of the government bond market and a ready means either of augmenting or decreasing the volume of credit are only possible when there is complete confidence in the stability of an accepted pattern of interest rates. In the absence of a strictly regulatory gold-standard there is not practical alternative other than a system of managed money. At the present stage of development this country and Canada in particular are best served by monetary management in the direction of expansion. Deliberate deflation brought about by a *laissez faire* policy in the matter of interest rates will certainly neither promote economic progress nor make it possible for either country to carry out the responsibilities thrust on them by the exigencies of the present emergency.

During the week there was a little more interest shown in the external section of the bond market and prices held firm. At their current yields Canadian Nationals and Grand Trunk Pacifics appear especially attractive. The internals were also steady and there was a continuance of the buying that has persisted since the freeing of the dollar; next month might prove to be a testing period as a consequence of liquidation of speculative holdings held six months, but by then the dollar is likely to be in a rising trend. There was little change in the Canadian dollar or the corporate-arbitrage rate which were quoted in the neighborhood of 5% and 6% respectively. Stocks were strong with the industrials and Western oils reaching new peak levels. Ford A, on stock-split rumors, Massey Harris, Pacific Petroleum, and Federated Petroleums were notably prominent. Base-metals issues were also firm but the golds made little headway.

Truslow to Resign As N. Y. Curb Pres.; McCormick Successor


Francis A. Truslow E. T. McCormick

Francis Adams Truslow, President of the New York Curb Exchange since March 1, 1947, has submitted his resignation to the board of governors of the exchange in order to undertake work for the U. S. Government.

Mr. Truslow's resignation and the selection of a successor were considered at a meeting of the board on Feb. 7. A special committee, consisting of Mortimer Landsberg, Chairman of the Board, Edward C. Werle, former Chairman of the Board and John J. Mann, Vice-Chairman of the Board, was authorized to offer the position of President to Mr. Edward T. McCormick.

Mr. McCormick was recommended by Mr. Truslow and received the unanimous approval of the board.

The special committee reported to the board that Mr. McCormick had expressed his willingness to accept the responsibilities of president of the exchange as Mr. Truslow's successor and the board confirmed his appointment.

Mr. Truslow's resignation will take formal effect on April 1, in order to permit a period of transfer of the work of the presidency to his successor.

Mr. McCormick, who will then become president of the New York Curb Exchange, is presently one of the five members of the Securities and Exchange Commission. He was born in Phoenix, Arizona, on Feb. 14, 1911, almost exactly one month before the founding of the New York Curb Market Association, predecessor of the New York Curb Exchange.

Mr. McCormick was educated at the University of Arizona, Northwestern University, the University of California, and Duke University and holds the Degrees of B.S., M.S., and Ph.D. He is a Certified Public Accountant of the State of Illinois.

In 1934, Mr. McCormick joined the staff of the Securities and Exchange Commission as a security analyst and rose through the ranks of assistant chief accountant, and Assistant director to become a Commissioner in October, 1949. He is the author of the book "Understanding the Securities Act and the SEC."

With Paine Webber Co.

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, Conn.—Ward R. Francis is with Paine, Webber, Jackson & Curtis, 111 Pearl Street.

The Outlook for Building

By WALTER E. HOADLEY, JR.*
Economist, Armstrong Cork Co., Lancaster, Pa.

Building economist says, despite controls, outlook for construction industry is more promising than generally conceded and expects over-all level of building in 1951 to compare favorably with previous years except 1950 when an unprecedented volume was achieved. Cites record carryover of last year's unfinished work and large volume of projects initiated before present controls became effective.

Rising defense expenditures plus expected new highs in consumer income point to another record-breaking year for general business in 1951. Construction prospects, clouded by the most comprehensive controls now restricting any major industry, nevertheless appear much more promising than commonly judged. The over-all level of building this year can be expected to exceed the average of all previous postwar years and compare favorably with all but last year's unprecedented volume.

W. E. Hoadley, Jr.

The outlook for building during the first half of 1951 is particularly strong because of the record carryover of unfinished work from 1950 and the large number of projects authorized or started before present controls became effective. Second half prospects depend in large part upon the extent of further controls and the size and timing of programs for defense housing, industrial building, and high priority public works. A potentially large year in repair and maintenance work looms. This will be sparked primarily by heavy general buying power, but will require vigorous merchandizing efforts by material suppliers and dealers to compete successfully against other industries for these spendable funds of the public.

The most serious dangers facing the construction industry and lumber dealers this year are that: (1) Government controls over critical materials—especially metals—will not be closely coordinated with the detailed requirements of builders to complete the volume of building allowed by control authorities; (2) a temporary but possibly disrupting "gap" may occur in some types of construction work later in the year after controls have cut back new private projects but before defense construction gets under way in substantial volume; and (3) manpower shortages will grow as workers are attracted to other higher paying jobs or drift away from building work because they consider employment prospects unfavorable.

To date Government controls, directly and indirectly, have not cut deeply into building activity, but by mid-year their effects should become more apparent. This delayed impact of Government restrictions is to be expected from the experience during the past war. In fact, the pattern of building in 1942 is worth reviewing for some possible insight into what may lie ahead this year.

Total new construction increased and was well maintained for nearly a year after World War II was declared. A 50% cutback in private residential building did not occur until seven months after Pearl Harbor and two years after the defense program started. Private industrial building doubled during the first year of defense preparations and held up for several months after actual all-out war had begun. Also, indicative of the time involved in getting public construction underway, defense housing showed little or no increase for six months after Pearl Harbor and did not double its volume until ten months later.

Shifts in types of structures to be built and in the end uses to which materials will be put promise to be more important influences upon building activity this year than deficiencies in demand. Several relative shifts can be expected: from residential to non-residential, from private homes to defense housing, from large-scale tract builders to smaller-scale operators, from the largest metropolitan areas to smaller communities, from luxury-amusement type units to more essential structures, from buildings requiring large quantities of metal to other types of construction, and to some extent on the manpower side from highly skilled craftsmen to the home mechanic in repair and maintenance work.

Further regulations are expected to limit less essential industrial building, and eventually, if the international situation fails to improve, most types of construction other than projects specifically approved by Government may be restricted. In addition to all-out programs designed to speed rearmament, provision must be made for continuing expansion in industry and elsewhere, particularly under conditions short of full-scale war. The country's future strength to resist Communist aggression depends more upon our ability to continue to expand—with the aid of the building industry—than upon even the full production and use of existing plants and structures. Government has the primary responsibility to define the positive—as well as the negative—role which the building industry is to play in the current emergency and over the years ahead. Once the objectives become known, all branches of the industry will be able to take steps to meet whatever goals are set.

*Summary remarks of Mr. Hoadley at Annual Convention of Middle Atlantic Lumbermen's Association, Atlantic City, N. J., Feb. 8, 1951.

Walston, Hoffman Adds Gidlin in N. Y.

Walston, Hoffman & Goodwin, members of the New York Stock Exchange and other leading exchanges throughout the country, announce that Murray Gidlin is now associated with the firm in its office at 35 Wall Street, New York City. Mr. Gidlin was formerly with Bache & Co.

Martin E. Lee Joins Stewart J. Lee & Co.

Firm's 10th Anniversary

In announcing the celebration of its tenth year in the securities business, Stewart J. Lee & Co., 60 Wall Street, New York City, also made known the association with the firm of Martin E. Lee.

Mr. Lee was formerly associated with the New York "Post" in the advertising department. He will assume the position of advertising manager and assistant to D. N. Nardone in the new business department.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week—Insurance Stocks

Despite increasing expenses and extensive losses suffered through windstorm damage last year, the Great American Group of insurance companies was successful in reporting a year of profitable underwriting and an increase to a new record in net premium writings.

For the year 1950 Great American, one of the major fire and casualty groups in the country, reported net premium writings of $88,250,600, an increase of $6,543,607 over the $81,706,993 of 1949 and a new record. Of the increase the fire companies contributed $5,175,760 and the casualty company $1,367,847.

Underwriting operations were adversely affected by the increases in losses and expenses. Also, the necessity of providing higher unearned premium reserves in line with the increase in premium volume reduced the statutory underwriting profit.

These factors considerably reduced the profitability of statutory underwriting during the year. In spite of the fact that the indemnity company showed a loss of $395,789, however, the statutory gain for the group amounted to $936,001. This compared with the $5,010,838 reported for 1949 when the casualty company showed an underwriting profit of $587,900.

One of the most favorable features of the 1950 annual report to stockholders was the investment results. Net investment income for Great American has been showing steady increases during the last several years. The total for 1950 after expenses and minority interest was $5,528,005, an increase of $1,170,598 or approximately 27% over the $4,357,407 of a year earlier.

Although Federal income taxes were lower for 1950, reflecting to a large extent the less favorable underwriting showing, net income for the period declined from approximately $7 million in 1949 to $5.1 million.

These results are summarized in the following consolidation of the Great American Group's operations for the past two years.

	1950	1949
Underwriting—		
Net premiums written	$88,250,600	$81,706,993
Losses and expenses	79,016,696	70,660,564
Trade profit	$9,233,904	$11,046,429
Increase in unearned premium reserve	8,293,402	5,996,274
	$940,502	$5,050,155
Gain or loss from underwriting profit and loss items	—39,822	83,441
Statutory underwriting	$900,680	$5,133,596
Minority interest	35,321	122,758
Net statutory underwriting	$936,001	$5,010,838
Investment—Net investment income	5,528,005	4,357,407
Net income before Federal taxes	$6,464,006	$9,368,245
Federal income taxes	1,346,595	2,398,788
Net operating income	$5,117,411	$6,969,457

Translating the operations of the last year into per share figures, the results do not appear quite so unfavorable as the underwriting showing seems to indicate. In other words by adjusting for the stockholder equity in the increase in the unearned premium reserve, some consideration is given to the gain in business of last year.

This combined with the improvement in investment results, helps to offset the lower underwriting profits. In addition the lower Federal taxes help the final figure with the result that net operating earnings are only moderately below the favorable showing of the previous year.

These results are shown in the following comparison of per share earnings for the past two years:

	1950	1949
Underwriting profit	$0.47	$2.51
Equity in unearned premium reserve	1.63	1.17
Adjusted underwriting	$2.10	$3.68
Net investment income	2.76	2.18
Net income before taxes	$4.86	$5.86
Federal income taxes	0.67	1.20
Net operating earnings	$4.19	$4.66

The equity of the stockholder in the unearned premium reserve has been estimated on the basis of the accepted formula, that is, 35% of the casualty increase and 40% of the fire companies' gain. The per share figures are based upon the 2,000,000 shares of $5 par stock now outstanding.

THEN AND NOW

Guess Who?

If You Can't, Turn to Page 27


(A)


(B)

Assails Treasury Proposal to Tax Municipals

Austin J. Tobin, Secretary of Conference on State Defense, and Executive Director of Port of New York Authority, Cites previous recognition by Congress that such a levy would have disastrous consequences on financial structure of states and municipalities.

The proposal by the Secretary of the Treasury to tax state and local securities was vigorously protested by Austin J. Tobin, Secretary of the Conference on State Defense, in a letter to Robert L. Doughton, Chairman of the Ways and Means Committee of the House of Representatives. The Conference is a nonpartisan group of state and local officials organized for the purpose of preventing Federal taxation of the states and their agencies.


Austin J. Tobin

In his letter Mr. Tobin, who is Executive Director of The Port of New York Authority, called attention to the Congressional defeat of similar proposals in 1940 and 1942 and said: "We know of no new reason for the proposed tax on local institutions which has arisen since the Congress declined to accept the tax proposals on the eve of and during World War II. Certainly, if the tax proposal is restricted, as in good conscience it must be, to future issues of securities then there is no prospect of Federal revenues from it during the present emergency. On the other hand it remains true, as Congress recognized in its previous considerations of similar proposals, that the tax would have disastrous consequences on the financial soundness of state and local government by increasing interest costs in many cases beyond the ability of local government to absorb."

Mr. Tobin said that if the matter is to receive serious consideration by the Committee at this time he wanted an opportunity to schedule appearances by representative state and local officers to discuss their fiscal, economic and constitutional objections to the proposal.

Mr. Tobin denied the charge that bondholders receive special advantages and emphasized that "It remains true that the bulk of state and local securities is not owned by individuals at all, and that even the wealthiest individuals as a group invest only a small percentage of their wealth in these securities. Besides, the holders of local bonds pay for their exemption by accepting lower interest rates and the principal benefit of the traditional exemption is derived by local governments and the home owners and other local taxpayers."

The State Defense Secretary advised Congressman Doughton that the fundamental issue of the form of American government was at stake in the Federal proposal to tax state and local securities. "We respectfully urge," he concluded, "that your Committee should give no encouragement to a proposal which rests upon an assertion that state and local government have no right to independent existence and are subject to dominance and destruction by the Federal Government. The Supreme Court of the United States has never departed from the position that the Constitution forbids the destructive impact of Federal taxation of state and local institutions, especially state and local financing."

Roland L. DeHaan

Roland L. DeHaan, partner in Mabon & Co., New York City, and a member of the New York Stock Exchange, died of a heart attack at the age of sixty-five.

ATF Incorporated Now Daystrom, Incorporated

The stockholders of ATF Incorporated, parent company of American Type Founders and four other subsidiaries engaged in diversified manufacturing activities, voted on Feb. 5 to change the name of the company to Daystrom, Incorporated, it was announced by Thomas Roy Jones, President.

"Daystrom was chosen as the new name of the parent company," Mr. Jones stated, "because the products of one of our subsidiaries, Daystrom Corp. — world's largest manufacturer of chromed steel and plastic furniture — are widely known to millions of people through national advertising in newspapers, magazines and radio. The management believes that the established acceptance of the brand name, Daystrom, will carry weight in the introduction and promotion of new products to the general public.

"Five years ago the management embarked on a diversification program and new businesses were acquired in the consumer field for the purpose of broadening the earnings base of the company. The initials ATF were adopted for the parent company at that time so it could benefit from the good will long associated with American Type Founders. While American Type Founders has continually expanded and broadened its markets in the graphic arts field, the four other subsidiaries now have combined earnings almost equal to that of American Type."

Peacetime sales of Daystrom, Inc., during the five-year period 1946-1950 inclusive (fiscal year ending March 31) averaged $33,010,000 annually. This compares with $7,460,000 for the five peacetime years 1937-1941. During the wartime period 1942-1945 sales averaged $32,880,000 annually.

Daystrom, Inc., is presently made up of the following five wholly-owned subsidiaries: American Type Founders, which manufactures printing equipment in plants at Elizabeth, N. J., Brooklyn and Mount Vernon, N. Y.; Daystrom Corp., chromed tubular steel furniture manufacturers with plants at Olean and Friendship, N. Y.; Daystrom Laminates, Inc., plywood producers at Daystrom, N. C.; Frederick Hart & Co., Inc., electronics equipment manufacturers at Poughkeepsie, N. Y., and Daystrom Balboa, Inc., furniture manufacturers at Fullerton, Calif.

To Get NYSE Membership

The Board of Governors of the New York Stock Exchange will on February 21st consider the transfer of the Exchange membership of Lewis S. Kerr, Jr. to Francis X. Hoart.

O. H. Hecht Opens

WASHINGTON, D. C. — O. H. Hecht is engaging in a securities business from offices at 1317 F Street, N. W.

Joseph Fazio & Co.

BECKLEY, W. Va.—Joseph X. Fazio has formed Joseph X. Fazio & Co. with offices in Raleigh County Bank Building to engage in a securities business. Mr. Fazio was formerly an officer of Pioneer Enterprises, Inc.

R. M. Johnson Opens

SEATTLE, Wash. — Rollin M. Johnson has opened offices at 1411 Fourth Avenue Building to conduct a securities business. Mr. Johnson was formerly with Merrill Lynch, Pierce, Fenner & Beane and with the First Washington Corp.

Railroad Securities

Chesapeake & Ohio Railway

Chesapeake & Ohio common stock has been giving a good account of itself in recent markets, pushing ahead to the best levels reached since 1948. Last week's top of 38¼ marks a sharp percentage gain from the 1950-1951 low of 25, but nevertheless, is still a far cry from the 1946 bull market peak of 66⅞. Students of the market see a revival of investment and institutional regard for this once favorite investment vehicle in the recent increased activity on the upside. It is probable, too, that the renewed market interest is based at least in part on hopes of an increase in the dividend rate when directors hold their February meeting, persumably next Tuesday.

Up until the past couple of years Chesapeake & Ohio common was one of the few railroad common stocks commonly encountered in even the most conservative investment portfolios. It had come through the depression of the 1930s with flying colors, and even during those trying years the dividend record had remained intact. In fact, with the exceptions of 1915 and 1921 the company has a record of common dividend payments in every year since before the start of the present century. Then a couple of years ago the investment popularity of coal carriers in general began to wane—there was growing apprehension with respect to the inroads of competitive fuels on established coal markets. In addition, Chesapeake & Ohio ran into its own particular difficulties.

Dividends over a fairly extended period had been unusually liberal in relation to earnings. To maintain the efficiency of the property large sums had been spent on additions and betterments. An enlarged passenger service program had been embarked on. Repurchase and refurbishing of the Greenbrier Hotel had cost a lot of money. Finally, a substantial investment had been made in the stock of New York Central. When on top of all of these cash outlays the road's earnings were severly affected by recurring labor disturbances in the coal fields a reappraisal of financial and dividend polices became mandatory.

The first step was taken late in 1949 when it was announced that dividend dates would be altered, with the result that the usual Jan. 2 dividend was not paid in 1950. Coal strikes continued to hamper operations early last year and so the initial dividend that would have been paid around March 20 on the new time schedule was skipped last year. Since then a regular rate of $0.50 quarterly has been instituted. There is considerable opinion in financial circles that this may be increased to $0.62½ at this time and that in the not too distant future a $3.00 annual rate may be adopted. This was the rate (plus extras in many years) that had been in force during the 1940-1949 period.

There is no question but that Chesapeake & Ohio's operations and prospects have taken a decided turn for the better in the past year. In part this is belated reflection of benefits from capital improvements in earlier years. However, there are also other, and newer, forces at work. It is probable that no other major carrier has made relatively so much progress as C. & O. in reducing passenger losses in the past year or so. Another very important factor has been dieselization, first of yards and then of freight service on divisions where such power can show the greatest operating savings. Finally, world conditions have materially bolstered the traffic picture. Merchandise lines, particularly in Michigan, have been handling a record volume of business, and export demand for coal has added appreciably to the expanding domestic use.

Reflecting the improved operating performance, and despite the poor opening quarter, 1950 earnings amounted to $4.25 a common share, compared with only $1.36 a share earned in the year previous. Traffic and pre-tax earnings will unquestionably be materially higher this year than in 1950—for the first four weeks car loadings were up more than 31%. Also, greater dividend income on the New York Central holding appears likely. Net earnings, however, will largely be determined by the Federal tax situation. A further increase in tax rates appears inevitable although they may not apply to all of 1951. Also, it is believed that the company has not a particularly favorable excess profits tax base. It seems probable, then, that earnings this year will not be materially higher than in 1950. Nevertheless, even this level of net would warrant resumption of the $3.00 dividend rate on the basis of the company's avowed policy of distributing to stockholders approximately 75% of available earnings.

Rodman & Linn to Be Formed in Chicago

CHICAGO, Ill. — T. Clifford Rodman and W. Scott Linn, will form Rodman & Linn as of March 1st with offices at 209 South La Salle Street. Both are partners in Shields & Company.

Other partners in the firm, which will hold membership in the New York Stock Exchange, will be T. Hamil Reidy, Conrad G. Kaufman, Benjamin E. Bampton of New York City, the firm's Exchange member, Edward L. Cooley, Henry B. Lundberg, William V. Carroll and Alex. W. Munro.

H. L. Brocksmith With Scherck, Richter

ST. LOUIS, Mo. — Scherck, Richter Company, Landreth Building, announces the association of Herman L. Brocksmith with their firm. Mr. Brocksmith is truly one of the deans of the trading fraternity, having been in the investment business for 35 years, practically all of which has been devoted to trading activities. For the past eight years he has been associated with Stifel, Nicolaus & Company.

Issues in the Defense of Europe

By HON. JOHN F. KENNEDY*

U. S. Congressman from Massachusetts

Returning from European trip, Congressman Kennedy, maintaining possibility of defending Western Europe depends on their will to resist and make sacrifices, details findings in each country. Reports England has deep spiritual and physical weariness, with people unwilling to take needed mobilization steps; France is in deep division, confusion, and doubt; Germans are skeptical of the rearmament effort and of our newly-formed cause; Italy feels her position precarious; Tito will fight if attacked; Spain "poor but willing." Concludes Europe is not yet making sacrifices commensurate with her danger.

I have just returned from a five weeks' trip through Europe. My purpose in making this trip grew out of my realization that the most important task that would face this country and its Government during the next few months would be the question of our relationship to Western Europe in the face of the growing threat of Soviet expansion. Upon the correct solution of that problem hangs the fate of millions of American lives. Indeed the very survival of the nation may hinge upon it.


John F. Kennedy

I spent my time in three countries—England, France and Italy—who are the chief European members of the North Atlantic Pact, and in three countries—West Germany, Yugoslavia and Spain—who are not members of that Alliance but whose problems, whose loyalties and whose capacities are tied into the question of the defense of Western Europe.

Will to Resist Is Indispensable

This issue of whether and how Western Europe can be defended, with or without American aid, depends, as everyone agrees and as General Eisenhower only a few days ago told us, on the existence in these countries of a will to resist—a determination to build up within them singly and collectively forces that, together with such aid as we may supply them, have a reasonable chance of dealing with the threatened aggression from the East. In trying to analyze the quality of their determination, I talked with men of every level—with French and German generals, with prime ministers and cabinet members, with our ambassadors, our High Commissioner in Germany, with political leaders, with Tito, and with the man in the street. The problem of European morale is, however, not merely what men say. It is also what men do. It is the capacity of their industry to devote significant portions to war purposes and still produce enough for basic and essential needs. It is their attitude toward manpower and its conscription, towards controls, towards taxes. It is their willingness to make sacrifices, to face deprivation, even to starve in defense of freedom. These are the things without which armies destined for victory cannot be built, and we must find them within ourselves as well as within others if we would defend ourselves and our allies and those who might become our allies.

England

England is, perhaps, the easiest country to analyze. There is a will to resist in England but at the same time a deep spiritual and physical weariness over the thought of war. Victory did not bring an end to the privation that England's people had endured during the war. Instead, it deepened it. Only in the last year, has England with her efforts and our aid begun to see some solution to her overshadowing dollar problem and to hope again to regain some relief from her self-imposed austerity. Now the shadow of another war, further privation, queues and more queues, face her. It would be too much to expect her people to accept such a prospect with any degree of enthusiasm. There is definite resentment against our Korean policy, partly because she thinks it a waste and diversion of valuable resources which might be devoted to Europe, but more because in bringing us into armed conflict with Red China we have both endangered her precarious position in the Orient and enhanced the possibility of all-out war with Communist Russia. To me, the people were less eager than the Government to take those preliminary steps toward the mobilization of resources and manpower that the will to resist demands.

*Text of Congressman Kennedy's address over the Mutual Broadcasting Network, Feb. 6, 1951.

General War Weariness

War weariness, of course, characterizes all Europe. But the problem of France has additional complications. France knows that she will have to bear the lion's share of the manpower necessary for the creation of a Western European force and that her soil together with Germany will probably again be the battleground of any such conflict. She looks longingly to German manpower for assistance and relief from her burden, but at the same time she is unwilling to pay the price that Germany demands for rearming. Jules Moch, France's Minister of War, assured me that time would prove France was right on the issue of not rearming Germany if she insisted upon a national army, and Bidault, the former Prime Minister, echoed this thought. In addition, he expressed the general European fear that rearmament of Germany might incite Russian aggression. General Billotte, De Gaulle's military aide, was in a more aggressive mood. He feared the 5 million communists in France, their opposition and their neutralism, their power of sabotage. He and De Gaulle too, he said, would take stern measures to destroy the party were they to come into power, as he thought they would in six months. He criticized the present government and its war effort as weak. As against the 20 divisions by the beginning of 1953 that the Minister of War spoke about, Billotte would have 40 divisions in the field in 1952 and a goal of 75. The Germans, too, he thought should be brought in even on terms of independence from Western control.

Division and Confusion in France

France gives me a sense of division and confusion, of hesitation and doubt. Her own economy gives little sense of being attuned toward a war effort. The control of materials and the diversion of production into military channels has not really begun nor is it even being adequately planned. The tax structure, where only 15% of the tax receipts come from direct taxation with the balance derived from hidden taxes, seems to slant away from bringing home to the public the burdens that a defense effort must entail. Wages are low and prices high and no adequate price control exists. A prevalent criticism of France's government is that it is unable to get through to working people whereas the communists succeed in doing so.

German Skepticism

In Germany skepticism of the rearmament effort was rife. The German generals I talked with had a more realistic and less fearsome appreciation of Russian military power. They had met the Russian armies in the field and felt they knew them and their weaknesses. At the same time, they are distrustful of France's military strength. The picture of the French rout in 1940 was still vivid in their minds. Politically, everyone insisted that a necessary condition of German rearmament was that Germany must have something to fight for. A consciousness of what happens to a battleground in modern war, such as the devastation that today is Korea, was widespread and there was little desire on the part of the Germans to risk that tragedy unless, as Kurt Schumacher, the head of the Socialist Party and the strongest of Germany's political figures, said, they were assured a West Germany free of Allied control and, secondly, a substantial screen of American troops to shield Germany while she re-armed herself. Even given these two conditions, the Army that Germany would be willing to build, must be her own army, officered by her own men, not brigades incorporated into some other force, and that would take months, if not years, to develop.

I could not convince myself that we and this newly-formed cause of ours were particularly popular in Germany. They had no love for communism, but in their eyes our measures had been responsible for the disgrace of the German army. We had been preaching the evils of militarism, destroyed their war industries and were still doing so, when at the same time we seem to be urging their rearmament. As a popular joke in Germany these days goes, two Americans leave on a plane from New York, one has a mission to disarm Germany, the other's mission is to urge Germany to rearm; Germany cannot do both.

The recuperation that Germany has shown, however, is extraordinary. Steel, pig iron, coal production have climbed by leaps and bounds. Her national income has almost reached that of England. Her important industrial production and her strategic position in the middle of Europe makes her incorporation into a Western European defense system imperative.

Italians Feel Precarious

Italy, though a member of the North Atlantic Alliance, finds her position precarious. She has achieved some economic recovery despite the difficult burden on her of exporting sufficient to pay for the 60% of her food that she must import. Her slim recovery, however, is precious to her people, and there is a fear of endangering it by assuming the heavy burdens of rearmament. The Peace Treaty still limits Italy to an armed force of 175,000 men as well as in the production of war materials and, as such, operates as a deterrent upon her desire to rearm herself. Nevertheless, she has far to go today to fill her allowable army quota.

The nine divisions that are her present goal are not expected to serve outside the country, and the probable area of invasion north of

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Treasury-Federal Reserve Dispute

By AUBREY G. LANSTON*

President, Aubrey G. Lanston & Co., Inc.

Commenting on controversy between Federal Reserve and the Treasury, regarding interest rates and support of government bond prices, Mr. Lanston sees both sides correct in their respective positions, and contends, in view of prospective Federal cash deficit, it would be proper for Treasury and Federal Reserve to reach an agreement in technical area of interest rates and support techniques. Argues that, under existing conditions, loans granted by banks are less inflationary than extension of equal amount of credit by insurance companies. Concludes, most important consideration in maintaining government bond values is trend of interest rates.

I would like to talk to you this morning about the differing convictions of the Treasury and the Federal Reserve, because these involve questions of policy that are of great importance to our economy and, therefore, to you as bankers. Public opinion is being brought to bear on the impasse that exists, and it is being marshalled through statements that oversimplify the points at issue. It would be unfortunate, as we see it, if too many people accepted the thought that, if the Federal Reserve were freed of its compulsion to buy Treasury securities at fixed prices, the Federal could necessarily exercise a deflationary influence. Nor should we accept the generality that preys upon our love of tradition, namely, that the Federal Reserve was created as a supreme court of finance and that it would be a sacrilege if it were interfered with in any way.

Aubrey G. Lanston

Let me tell you at the outset where we stand on these matters. We believe it is most desirable that the Federal become more free than it has been in the past decade to follow a restrictive credit policy at times when this is needed. We agree with those who say that Treasury domination of Federal Reserve credit policy is dangerous. We do not go along, however, with the sophomoric contention that the Federal Reserve should be omnipotent or that it should be free to assume an attitude that might be described as "the Treasury be damned." There is much appeal in the thought advanced by Mr. Russell Leffingwell that the Treasury and the Federal Reserve be equal partners. On such a plane each can act to restrain the other or to goad the other as the case may be.

The question of domination or partnership is important largely as a matter of who holds the final say. The real problem involves many technical phases of debt and credit management and the need for a continuing understanding of investor psychology. Perhaps the outstanding problem in the technical field is whether 2½% Treasury bonds need be supported forever at par or better. We have long been of the firm belief that par support should not be a permanent practice. At the same time we are equally firm in our belief that we cannot depart from such a practice overnight, particularly in an atmosphere of contention between the Federal Reserve and the Treasury. We also believe that if the two partners in money and debt management are so far apart in their convictions that agreement can be reached only by literally hitting one of the two of them over the head, the public cannot be blamed if it loses confidence in both, and in the dollar, and in Treasury securities.

We are inclined to place a great deal of weight on the importance of the state of mind of the investor and on the degree in which this must be considered in the management of both debt and credit.

Federal Reserve's Ability to Contract Credit

The open-market operation is the principal instrument with which the Federal may affect the amount, availability, and cost of money. We know quite well how readily the Federal can expand the amount and can increase the availability of credit by the purchase of securities in the market.

We believe that some misconception exists as to the ability of the Federal to contract credit by the sale of Treasury securities. Success in this regard depends upon the Treasury's cash position. If the Treasury is operating with a substantial cash surplus, the Federal can contract reserve credit by selling securities in the market or by redeeming obligations as they mature.

If the Treasury does not have a cash surplus, attempts by the Federal to sell in the market cannot contract credit against the will of the market and may only expand the amount of credit in use.

At the present time the Treasury faces a deficit, and the prospect of the Treasury attaining a surplus seems remote. Therefore, in future open-market operations the Federal will be unable to contract credit to any appreciable extent by sales of Treasury securities on balance.

Perhaps this is why we are confronted with the demand that the Federal Reserve be restored to the independence conceived for it 37 years ago. Such independence would permit of an attempt to reduce the inflation problem by denying credit to the market, with the obvious result that a sharp upward trend in interest rates would follow. In the meanwhile the Federal Reserve creates, on occasion, a situation where there is no market for Treasury securities.

This brings us to the second phase of open-market operation, namely, the techniques employed by the Federal that would produce a trend toward higher interest rates. One can be certain that if the Federal were free to precipitate, directly or indirectly, a sharp upward trend in interest rates and if it were determined to use this mechanism to the necessary extent, it could stop the present inflation spiral. But once this had been accomplished, or during the process, another series of chain reactions would be started, such that the resultant inflation potential would cause our present problem to be dwarfed by comparison.

The February National City Bank letter offered a comment that was of great interest to us in this connection. It was directed primarily to the defense effort, but it applies equally to those phases of credit and debt management that have precipitated the Federal-Treasury dispute. The National City Bank noted that during most of the time since Korea, people have been uncertain as to the extent of the requirements of defense and what was expected of them. The Bank went on to say that little authentic information had been available on the size of the defense program, and it admitted that, although such uncertainties may have been unavoidable, the lack of a firm basis for calculations left the way open for uninformed opinions, speculation, and extreme statements both public and private. The comment closed with the following quotation, "Undoubtedly there has been 'inflation by publicity,' which has fostered a contagious state of alarm and scare buying."

We believe that the drawn-out public discussion over the clash between a fixed interest rate and credit control, a discussion in which Federal Reserve officials have taken a long lead, has contributed importantly to the expansion of bank credit.

How much weight should be given by the Federal to the impact of its credit policies on holders of Treasury securities such as businesses and individuals? For an idea we might turn to an estimate of the so-called inflationary gap that was recently made by a noted Federal Reserve economist. He said that the gap during the next year could be as much as $20 billion and will stem from a contraction of $10 billion in the goods available for civilian purchase and an increase of a like amount in consumer and business income. He cautions that the estimate is premised on (1) no further price or wage increases, (2) no substantial credit expansion, (3) no further tax increases, and (4) a consideration of particular potency to our discussion — namely, no large use of available liquid assets. He then points out that individuals and businesses hold $176 billion of bank deposits and currency and $90 billion of Treasury securities, a large part of which are redeemable on demand or have short maturities. The total is $266 billion. The question, therefore, is whether attempts by the Federal to reduce the size of the inflation gap will suggest that some portion of the $90 billion of these Treasury securities be sold or whether such investors thereby will be encouraged to increase their holdings.

Problem of Bank Bond Holdings

The Federal Reserve, as a special guardian of the purchasing power of the dollar, also must keep in mind that some $100 billion of Treasury securities rest in the portfolios of commercial banks, savings banks, insurance companies, and the like, and that such investors hold additional billions of other marketable securities, the value of which would be affected, along with their Treasury securities, should a sharply increasing trend in interest rates occur.

Managers of these portfolios, such as yourselves, are concerned with the decreasing purchasing power of the dollar, but you also take into consideration in the management of your portfolio the dollar prices that your security investments command in the market. Many of the decisions that you make with respect to the purchase, sale, or retention of these securities are based upon changes in market values. Collectively these decisions of yours, influenced as they must be by the Federal Reserve's policies, will bear importantly on whether individuals and businesses prefer to acquire additional securities or are inspired to bring their liquid assets into play in a manner that will heighten our inflation.

Thus, the Federal is quite correct in saying that it must protect

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*An address by Mr. Lanston before 55th Annual Meeting of Group Two of Pennsylvania Bankers Association, Philadelphia, Pa., Feb. 12, 1951.

Urges $10 Billion Reduction in Federal Budget

Roswell Magill, former Under Secretary of the Treasury, says Truman tax program would diminish incentives to work and to earn, and as bridging gap in Federal Budget, says reduced non-defense outlays are more advisable.

Speaking at the 32nd Mid-Winter Trust Conference of the Trust Division of the American Bankers Association in N. Y. City on Feb. 7, Roswell Magill, former Under-Secretary of the Treasury, now Professor of Taxation at Columbia University, pictured the proposed tax program, as outlined by President Truman and Secretary of the Treasury Snyder, as diminishing incentives to work and to earn, and recommended as best method for bridging the gap between Federal income and Federal expenditures, a cut of at least $10 billion in non-defense spending, which he says could be done "without affecting true defense needs at all."

Roswell Magill

Concerning the tax problem, Mr. Magill said, in part:

"Bridging the $16.5 billion gap between budgeted Federal expenditures for 1952 and estimated receipts is an exceedingly difficult problem in fiscal engineering. The bridge can be constructed only of three sorts of materials: a cut in expenditures, a raise in taxes, or borrowing. Will to cut expenditures is in short supply in Washington. Tax increases can't easily win supporters among citizens who already feel too heavily taxed. Bankers know especially well the evils of borrowing to pay current expenses when the Federal debt is already $257 billion, when inflation is a current threat, and when personal and business income is high.

"Let us start with taxes in appraising the three alternatives. To raise $71.6 billion by taxes would require a Spartan program, for $16.5 billion of new tax money would have to be secured in addition to and on top of the very heavy taxes now being levied. We are already making use of all the kinds of taxes; and very little more money can be obtained from individuals without drastic cuts in living standards. The additional money would have to be produced, for example: (1) by the retention of present excises, plus a 10% retail sales tax, which is a very stiff sales tax; (2) by the reduction in the personal exemption from $600 to $500, and an increase in the starting rate of tax to 25%, so that a married man with two children and a $2,500 net income will pay $125 instead of the $20 he owes under present law; and (3) by an increase in the corporate rate from 47% to 55%. Such a program would certainly diminish incentives to work and to earn. Our system of corporate enterprise would be hard put to it to find money for development and expansion, for both dividends and retained earnings would be seriously reduced.

"Few responsible persons would recommend that, in a time of high national income, the proposed budget deficit should be covered by borrowing. Moreover, inflationary pressures are already strong; we should not increase them. If it is possible without serious damage to the economy to pay governmental and defense costs as we go, then we should do so.

"Can expenditures be cut? There is a real opportunity to eliminate a good part of the budget deficit in this fashion, without serious damage to defense needs. Too many nondefense expenditures have been retained in the budget, on the expressed theory that in some way they contribute to the defense effort. Since taxes are bound to be high, and it will be hard to preserve the economy we are fighting for under the stresses and strains we must put upon it, all the various items of expenditure in the budget should be reviewed and subjected to the plain test: is this expense or activity one of the essential functions of a government in a free economy? The program of loans can be cut; subsidies and aids to various economic groups and to state and local governments should be greatly reduced or eliminated; public works programs should be deferred until a later day. You and I cannot analyze the detail of the budget, but experts who have done so believe it can be cut at least $10 billion without affecting true defense needs at all.

"That line of procedure is by all odds the most efficient way of starting to bridge the budget gap. Indeed, it is the only method that gives any real hope of solving our fiscal problems. If expenditures are cut $10 billion, the remaining $6.5 billion can be obtained by taxes: (1) an increase in excises to yield about $2.2 billion additional; (2) an increase in the corporate rate to 50% ($1.2 billion additional); and (3) a reduction in the individual personal exemption from $600 to $500. It is still a rigorous tax program, but it is one we can meet cheerfully if Congress has shown us first that expenditures have really been brought under control."

Josephthal to Admit Flanagan As Partner

Josephthal & Co., 120 Broadway, New York City, members of the New York Stock Exchange, will admit John J. Flanagan to partnership on March 1st. Mr. Flanagan is in charge of the rights department.

Shuman, Agnew Co. To Admit Eidell

SAN FRANCISCO, Calif.—Shuman, Agnew & Co., 155 Sansome Street, members of th New York and San Francisco Stock Exchanges, will admit John G. Eidell to partnership March 1st. Mr. Eidell is manager of the firm's analytical department.

With Gross, Rogers

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Henry Baker is now affiliated with Gross, Rogers & Co., 458 South Spring Street, members of the Los Angeles Stock Exchange.

Joins Kerr & Bell

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—John G. Locke has joined the staff of Kerr & Bell, 210 West Seventh Street, members of the Los Angeles Stock Exchange.

Two With Marache, Sims

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Jule Mandell and Ralph S. Wilford are with Marache Sims & Co., 634 South Spring Street, members of the Los Angeles Stock Exchange.

Public Utility Securities

By OWEN ELY

Kansas City Power & Light Company

Kansas City Power & Light Company is perhaps the first electric utility to publish its annual report for the calendar year 1950, complete with charts, maps, pictures and tables. President H. B. Munsell gave an address before the New York Society of Security Analysts on Feb. 7, at which time a loose-leaf book containing the report and other descriptive material was handed to members.

The company earned $2.08 in 1950 (with no EPT) compared with $1.99 in 1949 on the same number of shares. President Munsell estimated that net income for 1951—presumably based on a 47% Federal income tax rate—would approximate $5 million. On the basis of present capitalization this would work out at about $2.26 a share, but as the company may issue preferred and/or common stock this year these earnings might be diluted. Moreover, Congress may decide to raise the income tax rate to 55%. Assuming that this applied only to the last half of 1951, as seems likely judging from recent press comment on administration proposals, this would be a 51% rate (average) for the year. Had such a rate been applicable in 1950 the higher taxes would have reduced earnings about 22¢, and if applied to the larger 1951 earnings might reduce them to around $2—minus any further dilution due to new financing (assuming that these factors were not provided for in Mr. Munsell's estimate).

If 1951 taxes make too great inroads into earnings, however, the company will probably ask for a rate increase, which President Munsell believes could be obtained (a rate reduction was made in 1947). The $1.60 dividend would seem reasonably safe, therefore, but there is no likelihood of any increase this year.

The company's construction program for 1951-54, inclusive, will cost about $57 million, compared with $65 million spent in the five years 1946-50. Some $21 million will be needed in 1951, and the company expects to raise about $15 million in new money this year. No decision has yet been made regarding the method of financing, however.

About 45% of the company's utility plant represents additions made in the last five years. Hawthorn Station, construction of which began in March, 1949, and which will represent an initial investment of around $23 million, was approximately two-thirds completed at the end of 1950. The first of the two 66,000 kw. units should be ready for service by April and the second unit by August, 1951. The new plant will increase the power supply available to the company's Missouri-Kansas service area by 40%; and the company's total generating capacity at Kansas City will have been increased 67% since 1941.

A 99,000 kw. generator has also been ordered for installation at Hawthorn Station. This unit, to cost around $16 million with necessary facilities, is planned for service in 1953. Its completion will increase the investment at Hawthorn to almost $40 million, and the station's capacity to 231,000 kw.

A four-year program for construction of a high-voltage power loop around Kansas City was recently completed, facilitating transfer of large blocks of power. A high-voltage transmission line will be constructed jointly by the company and Union Electric of Missouri to inter-connect the two systems; this should be completed by the summer of 1952.

Capitalization as of Dec. 31, 1950, was as follows:

	Millions	Percentage
Funded Debt	$63.0	52.5%
Serial Notes	2.4	2.0
Preferred Stock	18.0	15.0
Common Stock Equity	36.6	30.5
	$120.0	100.0%

The company's revenues in 1950 approximated $32 million, of which 92% was electric, 6% gas, 2% heat and a negligible amount for water service. The electric load is diversified, with residential sales accounting for some 33% of revenues, commercial 35% and industrial 17%. Residential sales provide 43% of gas receipts and industrial 45%. Average residential revenues of 3.00¢ per kwh. in 1950 were slightly above the national average. Average residential consumption was 1,697 kwh., and rural 2,445.

The company supplies electricity to a population of 620,000 in Kansas City, Missouri, and neighboring communities in Missouri and Kansas. It also supplies electricity and natural gas in Mason City and environs in northern Iowa. The economy in the territory is largely dependent on wheat, corn and other grains, livestock and dairying, and food processing. The major cities are centers for this rich agricultural area, and have meat-packing, grain milling and soy bean plants, oil refining and miscellaneous diversified industry, including a large garment industry.

Eastman, Dillon to Admit Two Partners

Eastman, Dillon & Co., 15 Broad Street, New York City, members of the New York Stock Exchange, will admit Donald S. MacFadden and Robert P. Walker to partnership on March 1st. Mr. MacFadden is manager of the Municipal department in New York City. Mr. Walker is sales manager in the Chicago office, 135 South La Salle Street.

Seijas, McDowell Now With J. F. Reilly Co.

J. F. Reilly & Co., Incorporated, 61 Broadway, New York City, announces that Herbert L. Seijas, formerly of Blair, Rollins & Co. Inc., is now associated with the firm in its trading department. Lloyd A. McDowell, formerly with Wm. J. Mericka Co. Inc., is now manager of the research and statistical departments of the Reilly organization.

Join C. F. Childs Co.

Edward J. O'Connell and Daniel Moffat, Jr., have joined the staff of C. F. Childs and Company, Inc., 1 Wall Street, New York City, government security dealers.

Samuel Franklin Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Leo Lawton has joined the staff of Samuel B. Franklin & Co., 215 West Seventh Street.

How Borrowing May Reduce Excess Profits Levy

By F. E. SEIDMAN, C.P.A.

Accountant points out, because 75% of corporation's debt is considered capital investment, and there is an exemption from excess profits tax of from 8% to 12% on capital investment, many corporations will find it advantageous to increase borrowings, while interest rates are low. Cites examples of lowering of effective interest rate on borrowing by corporations subject to excess profits tax.

The new excess profits tax law makes corporate borrowing mighty attractive from the tax angle. Many corporations will find that they can actually come out dollars ahead of the game by going into debt or increasing debt. With an exemption as high as 9% allowed on borrowed capital, and current interest rates much lower than that, it does not take an Einstein to figure out where the tax saving comes in.

F. E. Seidman

The saving works in this way: 75% of every dollar of debt is considered as part of capital. A corporation is entitled, for excess profits tax purposes, to an exemption of from 8% to 12% on capital investment. If the exemption is 12%, then three-quarters of that rate, or 9%, is the exemption applicable to debt. That means that on each $1,000 of debt an added tax exemption of $90 is obtained.

The corporate excess profits tax rate for 1951 is 30%. On the $90 exemption resulting from the $1,000 borrowing, a corporation therefore saves $27 (30% of $90) in excess profits tax.

However, there are more factors to be considered before the final net savings are determined. There is the matter of interest to be paid on the loan, and on the other hand, the tax saving from the interest deduction. The rate of exemption to which a corporation is entitled on its capital is also to be considered.

In this respect, a word of background about the excess profits tax may be helpful. There are two ways of figuring the profits that are not "excess" and hence are not subject to tax. One way is by reference to capital investment; the other is by reference to earnings experience.

The exemption by reference to capital investment is a sliding scale related to the amount of the capital investment, as follows:

12% on the first $5,000,000.
10% on the next 5,000,000.
8% on the remainder.

Since only 75% of borrowed capital is considered as capital investment, the exemption for borrowed money is three-quarters of the rates just mentioned. That means:

Capital Invest.—	Exemption Allowance for Borrowed Capital
First $5,000,000	9%
Next $5,000,000	7½%
Excess over $10,000,000	6%

Actually, the 9% rate applies even where the capital investment is over $5,000,000 if the borrowing is of "new" money, in the sense that the amount borrowed is higher than at the time that the excess profits tax law first takes hold. There are certain exceptions to this but, by and large, what has just been set forth is a good working rule.

So much for the exemption when measured by capital investment. When the exemption is measured by reference to earnings experience, the yardstick is 85% of the average earnings for the best three years of 1946 to 1949. However, capital also plays a part. An increase in capital—equity and borrowed—in 1948 and 1949 adds to the exemption. Starting with 1950, changes in the size of the capital work in two directions. If there is an increase, 12% of the increase is added to the exemption. If there is a decrease, the exemption is reduced by 12%.

Whether the exemption is measured by reference to capital or earnings, all of the equity capital is figured and three-quarters of the borrowed capital. That is another way of saying that equity capital carries an exemption of 8%, 10%, or 12%, as the case may be, while the allowance on borrowed capital is 6%, 7½%, or 9%.

Finally, in figuring the tax, one-quarter of the interest paid on borrowed capital is allowed as a deduction for both income taxes and excess profits taxes. The other three-quarters is allowed only for income taxes and not for excess profits taxes.

In order to take all these factors into account, the following table has been developed. The table shows what the real interest rate is, after allowing for tax savings, when a loan is obtained at interest rates of from 1% to 7%. The figures marked (*) show the annual rate at which the corporation is ahead of the game, because the tax saving is greater than the interest cost.

Examples of Effective Interest Rate on Borrowings by a Corporation Subject to Excess Profits Tax

If rate of interest paid on borrowings is	And the exemption allowance on borrowed capital is 9%	7½%	6%
	The effective interest rate is		
%	%	%	%
1	2.24½*	1.79½*	1.34½*
1½	2.01¾*	1.56¾*	1.11¾*
2	1.79*	1.34*	.89*
2½	1.56¼*	1.11¼*	.66¼*
3	1.33½*	.88½*	.43½*
3½	1.10¾*	.65¾*	.20¾*
4	.88*	.43*	.02
4½	.65¼*	.20¼*	.25¾
5	.42½*	.02½	.47½
5½	.19¾*	.25¼	.70¼
6	.03	.48	.93
6½	.25¾	.70¾	1.15¾
7	.48½	.93½	1.38½

Thus, a corporation entitled to a 9% exemption for borrowed capital can afford to pay interest of from 1% to better than 5% and get more than all of the interest back in tax savings. Even if such a corporation pays an interest rate as high as 7% on its borrowings, the net cost to it, after taking tax savings into consideration, is only about ½%. The 9% exemption for borrowed capital applies to a large proportion of all corporations since the 9% applies to every corporation that figures its exemption by reference to earnings experience, and also to every corporation with a capital investment of less than $5,000,000 if the exemption is figured by reference to capital investment.

As the table shows, corporations that get the minimum allowance of 6% on borrowings make a profit when the interest rate is less than 4%. The 6% minimum allowance on borrowings applies only to corporations that figure their exemption by reference to capital investment, and that have a capital of over $10,000,000, and even then, it does not apply to all such cases.

The entire situation can perhaps more effectively be pointed up by the following table showing interest rates at which there is no cost at all for the borrowing because the interest paid is offset by an equivalent amount of tax saving:

Interest Rates at Which Corporations Subject to Excess Profits Tax Can Borrow Without Cost

Exemption allowance for borrowed capital	Interest rate at which tax saving equals interest paid
9%	5.93%
7½%	4.94%
6%	3.95%

In other words, if a corporation is entitled to a 9% exemption allowance, it can pay an interest rate as high as 5.93% and save enough in taxes to offset the interest paid. If such a corporation can borrow at a lower rate, it realizes a net profit on the borrowing because more is saved in taxes than is spent in interest.

In these tabulations, it has been assumed that the money borrowed is stagnant and yields no income. If income is earned on the money borrowed, the results are even more favorable to the corporation than those shown by the tabulations.

Caution is in order in two respects: First, all reference to borrowings means the type of borrowing that is represented by a note, bond, or similar writing. Open account liability for merchandise does not qualify. It will therefore often be desirable for corporations that can do so, to convert open account debt into notes or to borrow on notes, etc., to pay off open accounts.

Finally, in order to get the tax savings, the borrowing must be supported by business need for the money. Inflation of borrowing merely to save taxes, when there is otherwise no need to borrow, won't work.

Carl Marks Co. Hold Anniversary Party

The entire staff of Carl Marks & Co., Inc., 50 Broad Street, New York City, and their families, celebrated the 25th Anniversary of the founding of the firm at the Dellwood Country Club over the Lincoln weekend holiday, Feb. 10, 11 and 12. The total number of people participating in the weekend was in excess of 100. The entire entertainment program was under the expert supervision of Marco and Sylvia of Miami. Among the scheduled events, in which all 100 guests participated, were Charades, an Amateur Hour, Dancing Instruction by Arthur Murray Instructors and various indoor games. Outdoor sports such as ice skating, skiing and archery were also on the agenda.

Carl Marks

A feature of the entertainment was an unfinished anniversary limerick contest.

The successful contestant was Frank Da Silva, husband of a member of the firm's stenographic department.

American Securities Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Chauncey M. Boggs is now associated with American Securities Corporation, 111 West Monroe Street.

First California Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Gene J. D'Ercole is now with First California Company, 300 Montgomery Street.

Continued from first page

Trusts Continue Switching to Stocks of War Industries

of cash for unusually large year-end dividends declared both from investment income and capital gains, over-all liquid reserves increased to a total of $225 million. This was almost the equivalent of the net sales of the open-end funds of their own shares to the public for the entire year of 1950. About one-half of the investment managements increased their cash during the three months' period and it was only among the closed-end companies that a majority were forced to dip into reserves to pay their year-end dividends. For example, Blue Ridge distributed $5 million during the last month of the year; and Lehman Corp., probably in consideration of wartime tax policy, made an unusually large December disbursement of $3½ million, part of which ordinarily would have been distributed at its fiscal year-end in June.

Attitudes Toward War Inflation

There was no uniformity among managements as to whether a present cautious investment attitude should take precedence over a position more highly attuned to the inflationary implications of the war economy. This is evident from the varying percentages of assets currently invested in common stocks and the more volatile senior equities and bonds of the companies presently included in the **balanced fund** group. Incidentally certain open-end industry leaders would prefer to see the less conservative companies excluded from the balanced fund category. But such determination should be made primarily from investment considerations, rather than from considerations of distribution. This is the current **balanced fund** asset picture:

No. of Funds	% Common Stocks & Lower Grade Pfds. and Bonds
Three	75—80
Three	70—75
Four	65—70
Three	60—65
Three	55—60
Four	50—55

A composite picture of the 20 so-called balanced funds included in this survey, with equal weight given to each company regardless of size, presents the following breakdown:

Assets	%
Cash and Governments	14.9
Better Grade Bds. & Pfds.	22.4
Equity Section	62.7

There are additional indications of increasing caution in the other open-end classification. Knickerbocker Fund, currently grouped with the common stock open-enders, made initial purchases of better grade bonds during the quarter, and upped its liquid reserves from 7 to 12% with the result that the more volatile section of its portfolio decreased from 92.8% to 80.4%. New England Fund increased its cash and governments to 28.9% and, even though it holds only 5.8% in the better grades, its equity section now stands at 65.3% of total assets. Incidentally, this company now claims to be a balanced fund. The two Loomis-Sayles funds have had less than 60% of their assets in common stocks for some time.

To appreciate even better the forces at work that are making for conservatism on the one hand and the urge to ride the inflationary wave on the other, we should refer to the year-end comments of the investment company managers. The trustees of New England Fund, whom we noted had been increasing reserves, succinctly describe the economic forces at work throughout 1950 thus: "A reappraisal of 1950 is particularly interesting because it will be considered by some economists as the first postwar year in which our tremendously increased national production showed convincing signs of overtaking civilian peacetime requirements. The normal consequences, had this trend continued, would have been unemployment, narrowing profits and a much more severe test of the ability of marginal companies to survive than they faced in the 1948-49 adjustment. . . . (The) unexpected invasion of Korea (was) an event that ushered in wholly new prospects. These new prospects, with promise of a future high demand for military materiel, also had the immediate effect of a limited extension of the period of high-volume, high-profit sales to civilians. But with the new prospects came promise of the inevitable dislocations, controls and taxes of a war economy. . . . We continue to think of the underlying inflationary forces as of great importance, and we have weighed carefully this element in determining the balance between high-grade bonds and common stocks."

M. I. T.'s Comment

Merrill Griswold and Kenneth Isaacs, Chairman and President, respectively, of Massachusetts Investors Second Fund, in their annual report give recognition to the inflationary needle's potential with respect to this company's portfolio: "Another prospect in the economic picture is inflation, or in other words, a lessening over a period of the value of the dollar. In this latter connection it is of interest to point out that almost one-half of the investments of the Fund is in growth companies producing natural resources, such as oil, gas, minerals, and forest products, primarily for sale as such and also for use by a company in whole or in part in the fabrication of semi-finished articles of commerce. The prospects for earning power of these companies are enhanced by the 'inflation-hedge' characteristics of their businesses."

Words of Caution

Let us also note an intelligent word of caution as expressed by Harold Story, President of the Wisconsin Investment Company. After commenting on such factors as the basic inflationary trend and the growing institutional and fiduciary interest in stocks, he observes: "While recognizing the underlying power of the conditions just reviewed, it is well to remember that they rest mostly on artificial premises. Hence, in a realistic approach, . . . other considerations should carefully be

Balance Between Cash and Investments of 62 Investment Companies

End of Quarterly Periods September and December 1950

	Net Cash & Gov'ts Thous. of Dollars —End of—		Net Cash & Gov'ts Per Cent —End of—		Invest. Bonds & Preferred Stocks Per Cent * —End of—		Com. Stks. Plus Lower Grade Bonds & Pfds. Per Cent —End of—	
	Sept.	Dec.	Sept.	Dec.	Sept.	Dec.	Sept.	Dec.
Open-End Balanced Funds:								
American Business Shares	13,999	15,576	39.4	43.3	4.7	3.8	55.9	52.9
Axe-Houghton Fund	1,868	2,885	15.1	20.8	4.9	6.4	80.0	72.8
Axe-Houghton "B"	2,757	2,490	18.9	14.7	13.1	15.7	68.0	69.6
Boston Fund	8,366	5,725	14.9	9.5	30.3	32.9	54.8	57.6
Commonwealth Investment	2,727	2,640	12.6	10.1	17.9	16.6	69.5	73.3
Eaton & Howard Balanced	3,747	4,198	6.3	6.7	29.4	28.2	64.3	65.1
Fully Administered Fund—Group Secur.	1,526	1,850	29.6	34.0	13.1	12.8	57.3	53.2
General Investors Trust	377	406	17.1	17.9	4.8	4.6	78.1	77.5
Investors Mutual	12,709	14,473	5.8	6.2	29.1	34.2	65.1	59.6
Johnston Mutual Fund	147	179	19.2	20.4	14.0	13.9	66.8	65.7
‡Mutual Fund of Boston	190	180	11.4	10.5	26.7	26.9	61.9	62.6
National Securities—Income	484	694	2.4	3.2	19.6	18.4	78.0	78.4
Nation Wide Securities	2,179	2,177	14.3	13.8	34.1	33.9	51.6	52.3
Nesbett Fund	96	95	15.7	15.4	24.5	22.9	59.8	61.7
George Putnam Fund	4,368	5,504	10.5	12.2	20.1	19.7	69.4	68.1
Scudder-Stevens & Clark	†	6,357	†	19.1	†	24.5	†	56.4
Shareholders Trust of Boston	245	205	4.4	3.5	24.6	21.8	71.0	74.7
Wellington Fund	28,668	31,745	20.3	20.6	17.3	17.4	62.4	62.0
Whitehall Fund	40	26	3.0	1.8	43.8	43.7	53.2	54.5
Wisconsin Investment Co.	575	409	21.0	13.6	4.1	6.4	74.9	80.0
Open-End Stock Funds:								
Affiliated Fund	59	3,984	0.1	3.4	0.3	0.2	99.6	96.4
§Bowling Green Fund	126	196	19.4	27.0	14.2	4.8	66.4	68.2
Broad Street Investing	913	1,136	6.0	6.7	3.9	2.7	90.1	90.6
Bullock Fund	1,068	1,748	12.6	18.8	0.7	0.7	86.7	80.5
Delaware Fund	95	188	1.5	2.5	3.9	6.9	94.6	90.6
Dividend Shares	9,644	11,256	11.4	12.6	1.9	1.8	86.7	85.6
Eaton & Howard Stock	963	890	17.5	13.0	2.0	1.6	80.5	85.4
Fidelity Fund	1,527	1,659	3.9	3.8	1.1	0.1	95.0	96.1
First Mutual Trust Fund	49	42	1.4	1.2	42.3	52.1	56.3	46.7
Fundamental Investors	6,602	3,723	8.9	4.4	0.3	0.5	90.8	95.1
General Capital Corp.	2,067	2,733	16.7	19.7	None	None	83.3	80.3
Group Securities—Common Stock Fund	24	74	4.3	5.9	None	None	95.7	94.1
Incorporated Investors	4,595	3,386	5.2	3.5	None	None	94.8	96.5
Institutional Shs.—Stk. & Bd. Group	93	197	3.7	7.8	None	None	96.3	92.2
Investment Co. of America	1,938	2,261	19.1	19.0	None	None	80.9	81.0
§Investors Management Fund	997	216	8.5	1.8	0.3	0.3	91.2	97.9
Knickerbocker Fund	944	1,795	7.2	12.1	None	7.5	92.8	80.4
Loomis-Sayles Mutual Fund	†	2,800	†	32.4	†	12.6	†	55.0
Loomis-Sayles Second Fund	†	3,550	†	32.6	†	9.4	†	58.0
Massachusetts Investors Trust	8,029	9,682	2.4	2.6	None	None	97.6	97.4
Massachusetts Investors 2nd Fund	562	1,305	2.6	5.4	None	None	97.4	94.6
Mutual Investment Fund	105	105	12.9	13.0	35.4	32.8	51.7	54.2
National Investors	710	468	3.4	2.1	None	None	96.6	97.9
New England Fund	834	1,097	23.8	28.9	3.2	5.8	73.0	65.3
Republic Investors	507	383	21.1	12.2	1.9	19.5	77.0	68.3
Selected American Shares	1,410	1,487	7.7	7.8	None	None	92.3	92.2
Sovereign Investors	16	26	3.9	6.0	7.3	7.2	88.8	86.8
State Street Investment Corp.	17,838	17,588	20.7	20.0	None	None	79.3	80.0
Wall Street Investing Corp.	418	468	19.5	19.9	2.5	2.3	78.0	77.8
Closed-Ends Companies:								
Adams Express	3,072	3,264	7.1	7.0	1.9	1.8	91.0	91.2
American European Securities	1,258	1,257	12.1	12.1	9.6	8.4	78.3	79.5
American International	1,413	1,350	7.1	6.3	2.8	2.7	90.1	91.0
Blue Ridge Corp.	12,603	7,275	36.7	24.2	1.5	1.9	61.8	73.9
Capital Administration	502	406	5.7	4.4	12.8	12.6	81.5	83.0
General American Investors	11,610	10,406	25.6	22.5	1.3	3.4	73.1	74.1
General Public Service	2,738	1,429	22.7	12.3	None	None	77.3	87.7
Lehman Corporation	17,604	14,329	16.5	12.7	1.0	1.8	82.5	85.5
National Shares Corp.	1,423	1,520	12.8	13.4	7.7	7.7	79.5	78.9
Selected Industries	2,236	1,952	4.2	3.5	11.2	12.2	84.6	84.3
Tri-Continental Corp.	3,945	3,060	4.9	3.6	12.9	12.2	82.2	84.2
¶U. S. & Foreign Securities	1,983	1,957	4.5	4.2	None	None	95.5	95.8
U. S. & International Securities	6,575	5,411	13.9	10.7	0.4	0.3	85.7	89.0

*Investment bonds and preferred stocks: Moody's Aaa through Ba for bonds; Fitch's AAA through BB and approximate equivalents for preferreds. †No interim reports issued to stockholders on this date. §September figures revised. ¶Portfolio exclusive of securities in subsidiary or associated companies. ‡Name changed from Russell Berg Fund.

SUMMARY

Change in Cash Positions of 63 Investment Companies

	Plus	Minus	Unchanged	Totals
Open-End Companies:				
Balanced Funds	10	6	4	20
Stock Funds	18	7	4	29
Closed-End Companies	2	8	4	14
	—	—	—	—
Totals—All Companies	30	21	12	63

weighed, of which the following appear to stand out:

"(1) In international developments the obvious should never be taken for granted. The course of history is full of ironic twists. Against all expectations, the war danger can become suddenly alleviated.

"(2) Regardless of what the near-term developments may bring in the international situation, it is well to remember that the economy of the nation has become closely geared to the armament program. Since the first signs of trouble in Korea a lot of anticipatory buying by the public and of stocking up and of expansion by industry have taken place. A substantial volume of business has been borrowed from the future, thus adding to the inflationary stimulation.

"(3) The demand from foreign countries for this nation's exportable products (other than armament and related materiel) is undergoing a steady shrinkage. Currently our imports are exceeding exports.

"It would appear from the above that in purchasing or maintaining at this time a preponderance of inflated securities, the investor is facing more than a minor hazard."

New Additions

Issues added to holdings during the quarter which were formerly strangers to trust portfolios include the following: Smith and Wesson by the two Axe-Houghton funds; Webster-Chicago Corp. by Axe-Houghton, Inc.; International Packers, Ltd. by Commonwealth Investment; Motorola also by Commonwealth as well as by State Street Investment Corp.; General Time Corp. by National Securities, Income series; Anderson, Clayton and Co. by the Mutual Investment Fund; H. R. MacMillan Export Co., Ltd. "B," Kerr-McGee Oil Industries, and Edison Oil by Lehman Corp.; Compagnie Generale D'Automobile et D'Aviation au Congo and T'sumeb Corp., Ltd. by United States and International Securities, and Pittsburgh Metallurgical, and Tishman Realty and Construction by Overseas Securities.

Pure Oil was a feature of the petroleum group, nine managements purchasing a total of 29,300 shares, three of which made new commitments; there was one small sale of a block of 200. In the previous quarter Pure Oil had been the second most popular issue, but total number of shares purchased was more than twice that which it had been currently. Standard of New Jersey also vied for first place in additions of this group, although most of the increase in this issue resulted from a stock distribution made by Standard of Indiana. Actually, 12 increases occurred independent of the stock melon, but many of these were in small amounts to round out the holdings received as dividends. Socony Vacuum was also well-liked, seven managements purchasing a total of 65,200 shares. Three off-setting sales amounted to 7,500 shares. Ohio Oil was the third most popular issue in the group, six trusts adding a total of 27,700 shares to portfolios; there were no sales. Shell, the most sought-after issue among the oils during the previous three months' interval, had a following of five funds. Purchases totaled 10,700 while 1,200 shares were liquidated by two managements. Four trusts each purchased Sinclair and Standard of California, three of the former and two of the latter representing new commitments. There were no sales of Sinclair and only one in the California issue. 28,600 shares of Creole Petroleum, 6,800 American Republics, 11,300 Mid-Continent Pete, 11,500 shares of Richfield and 6,300 Signal Oil and Gas "A" were each acquired by three managements. Only sale was that of a small block of 300 Creole. In addition to the stock of Cities Service received as a 5% distribution, there were three other increases to porfolios totaling 4,000 shares. So too, three managements bought 20,000 shares of Honolulu Oil along with the new shares which two of these had received in the stock split-up. Imperial Oil was liked by two trusts and the same number acquired Texas Pacific Coal and Oil.

Selling was concentrated in Standard Oil of Indiana and Atlantic Refining, the former having been slightly favored by the bulls in the previous quarter. Six companies sold a total of 11,400 shares of the Indiana stock and a like number disposed of 2,700 shares of Atlantic. In each issue two of the sales represented complete portfolio eliminations. Gulf Oil and Phillips were each lightened in five portfolios; 14,700 shares of the former and 18,700 of Phillips were sold. Three of the sales in the latter issue removed the stock entirely from portfolio holdings. Also liquidated was Louisiana Land & Exploration, 27,500 shares of which were disposed of by four managements. Mission Development and Humble were each lightened by two funds.

Metals Favored

International Nickel and Phelps Dodge were twin favorites among the nonferrous metals, eight managements adding 28,600 shares of Nickel and 21,100 shares of the latter issue. One-half of the additions in Phelps Dodge represented new commitments. Selling was also fairly heavy in Nickel, four funds disposing of over 24,000 shares. Kennecott was second in popularity, having switched its previous quarter's position in the group as top favorite with International Nickel which at that time had ranked second. Six trusts purchased a total of 10,400 shares, two making initial commitments. One block of 2,500 shares was disposed of by another management. In addition to a 25% stock melon, six companies added to their holdings of St. Joseph Lead. Offsetting were four sales totaling 4,000 shares. Pittsburgh Consolidation Coal, a relatively recent newcomer to trust portfolios, was again liked by four managements as during the previous quarter. Purchases totaled 5,300 shares, half of which represented new additions; there were two sales. Three managements each added Aluminium, Ltd., Anaconda Mining and Mining Corp. of Canada. Purchases of the Aluminium stock totaled 7,900 shares and of Anaconda 2,900 shares, while additions to the Canadian issue equaled 3,300 shares. A couple of funds each bought Climax Molybdenum, Magma Copper (representing initial commitments), United States Foil "B" and United Electric Coal. Three purchases were made of American Metals in addition to shares received as a 5% stock dividend.

Aluminum of America, the buying of which had been waning ever since its top acceptance in the June quarter of 1950, was now the least popular issue in the nonferrous group. Six managements disposed of a total of 12,000 shares, one of which represented a complete portfolio elimination. Two small purchases totaled 700 shares. Dome Mines and Homestake were also not too well liked as three trusts sold 6,500 shares of the former and the same number of managements liquidated 4,400 shares of the latter issue. There was a lone new commitment in Dome of 300 shares.

Rails' Purchases Continued

As might have been inferred from the continued strength in the rail market during the last quarter of 1950, investment company managements continued their purchases which had been so pronounced in the September period. The same roads, also, it is to be noted, maintained their relative positions as top favorites of the trusts. Thus, Southern Pacific again headed the list, ten funds purchasing a total of 39,600 shares, three of which represented new commitments. Sales by six companies amounted to 7,200 shares. Atchison was once again second favorite as eight managements increased holdings by 9,350 shares; one small sale of a block of 200 was the only concession made to the bears. Six funds added 30,600 shares of Illinois Central and a like number bought 6,900 Rock Island. In each instance two of these additions represented initial portfolio commitments. However, there were four sales of Rock Island, contrasting with only two of Illinois Central. Canadian Pacific, Pennsylvania and Southern were each liked by five trusts, but there were no offsetting sales of the Canadian carrier in contrast with three of Pennsylvania and two of the Southern. Two new portfolio additions were made in Chesapeake and Ohio, and one increase of a block already held; a lone sale of 6,000 shares contrasted with these three purchases. Erie and Louisville & Nashville were also each liked by a couple of managements but opinion was divided on Great Northern as seven portfolio additions were offset by six decreases.

Steels Favored

The two industry leaders in the steel business were again the top favorites among investment company purchasers as during the previous quarter of 1950. But, although approximately the same number of managements showed their interest in these industrial giants, total volume of purchases declined somewhat. Eleven trusts bought 29,000 shares of Bethlehem, only one of which represented an initial commitment. Four offsetting sales equaled 6,000 shares. United States Steel was a new addition to two portfolios and was increased among the holdings of five others. Total purchases of 68,200 contrasted with two sales equaling 2,800. Seven managements also acquired Armco and there was no liquidation. Allegheny, Jones and Laughlin and Republic were each well liked by four investment companies. There were two sales of Jones and Laughlin totaling 4,300 shares, but otherwise the selling was negligible. In addition to new stock resulting from the split-up, there were six increases to holdings of Youngstown Sheet and Tube, three of which represented new commitments; liquidation was not pronounced. Cleveland Cliffs Iron came in for some attention during the period as two new commitments and one portfolio increase totaled 20,000 shares. Three trusts also added 5,500 Wheeling. Crucible Steel made its initial bow in two portfolios, and purchases totaling 3,600 shares found no offsetting sales. There was no concentrated selling in any one issue of this industry.

The Merchandising Stocks

The two leading favorites in the merchandising group were Allied Stores and Marshall Field as during the preceding September quarter. Ten managements purchased a total of 25,000 shares of Allied with only one portfolio elimination of a block of 1,000 shares. Half as many trusts acquired 17,400 shares of Field. In this latter instance there was also one lone portfolio decrease. 38,700 shares of Grant were bought by four funds but two sales totaled 29,000. Also finding acceptance in three portfolios was Gimbel, 29,200 shares of which were initially purchased by two trusts and added to the holdings of another; there was no liquidation in this issue. Two managements each liked Interstate Department Stores, Mercantile Stores and Penney; bearish sentiment was absent in all three of these stocks. Safeway shares were acquired by two trusts in addition to increases resulting from the exercise of rights. Sellers had a slight edge over buyers in Montgomery Ward, 4,400 shares being decreased in six portfolios. In Sears, liquidation in four portfolios was offset by one lone purchase of a block of 100 shares. The only other concentrated selling in this field appeared in Woolworth, 6,500 shares of which were eliminated from three portfolios.

The Natural Gas Group

Republic Natural Gas was the best liked issue in the comparatively recently favored natural gas group. Two funds made initial commitments and there were three increases to portfolio holdings. Purchases totaled 11,100 shares; liquidation was absent. Holdings in Northern Natural Gas also increased by 5,850 shares. Four purchases were partially offset by two sales of 8,500. Three managements each showed interest in Columbia Gas and Southern Production Co. 16,000 shares of the former and 43,000 shares of the latter were bought. Oklahoma Natural Gas was purchased by two other companies. In addition to increases in several portfolios resulting from stock dividends, and the exercise of rights, two funds each acquired through outright purchase shares of Mississippi River Fuel Corp., Tennessee Gas Transmission and Western Natural Gas. The only issue in which bearishness predominated was Peoples Gas Light and Coke, 3,100 shares of which were sold by four trusts.

Although buyers favored the machinery and industrial equipment manufacturers, purchases were not concentrated to any great extent on particular issues. The favorite was Combustion Engineering-Superheater, three companies making initial commitments and four others adding to portfolio holdings a total of 7,100

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Trusts Continue Switching to War Industries Stocks

shares. There was one sale of a block of 300. Link Belt also was well liked, three purchases amounting to 3,600 shares, two of which were new acquisitions. Two managements bought 1,200 shares of Chicago Pneumatic Tool and the same number acquired 2,700 National Acme. Two sellers had the upper edge in Bullard, but in modest volume.

Outstanding favorite among the textiles was Burlington Mills, seven managements purchasing a total of 81,300 shares; four of these were new commitments. One lone block of 100 was liquidated. Four funds each added to holdings of American Viscose and Pacific Mills along with stock received through dividend distributions; selling was comparatively light in these issues. Shares of Industrial Rayon acquired through outright purchases also swelled the increase resulting from stock dividends. United Merchants and Manufacturers was particularly well regarded as three companies increased holdings by 47,900 shares. A block of 10,000 was sold. Lowenstein was the only issue of the group in which sellers predominated, two managements disposing of 1,200 shares.

Among agricultural equipment makers, 10,000 shares of Case were acquired by four managements along with other additions resulting from the 10% stock distribution. A block of 500 shares was sold. Four initial commitments were made in Caterpillar Tractor totaling 4,700 shares and half as many purchases were made of Minneapolis Moline. Managements were fairly well divided on Harvester and Deere although total volume in shares on either side of the market was far from balanced.

Goodyear was the favorite in the rubber division, six trusts acquiring 6,500 shares. Half as many managements disposed of 2,800 shares, two of these completely eliminating the stock from portfolios. Two funds made initial commitments and two others added to holdings of Firestone. Purchases totaled 7,800, offset in part by two sales of 1,500.

Least popular issues in the utility group, wherein occurred the heaviest concentrated liquidation during the period, were two old favorites, Consolidated Edison of New York and North American. Six managements sold a total tof 15,700 shares of Edison, two of these completely eliminating the issue from their portfolios. Two purchases totaled 4,500 shares. Six trusts likewise disposed of North American, sales totaling 41,400 shares. Partially offsetting were three purchases of 8,000 shares. 79,300 shares of Kentucky Utilities were sold out of four portfolios, half of which resulted in complete eliminations; there were no additions. Three managements each sold shares of American Telephone and Telegraph, Central Illinois Public Service, Public Service of Colorado, Public Service of Indiana, St. Joseph Light and Power and Wisconsin Electric Power. There were decreases in two portfolios each of holdings in Empire District Electric, Potomac Electric Power, and Wisconsin Power and Light. Two blocks of Niagara Hudson Power totaling 65,500 shares were exchanged for Niagara Mohawk Power.

Largest concentrated purchasing in this group occurred in the Southern Company. A total increase of 117,300 shares resulted from four new purchases and three portfolio additions. Partially offsetting sales in two portfolios totaled 41,700 shares. Next best liked issue was Middle South Utilities, six managements acquiring a total of 13,400 shares. There was a decrease in the holdings of two trusts of 4,300 shares. Texas Utilities also was added to five portfolios, although part of this increase resulted from a distribution made by Electric Bond and Share. Utah Power and Light was purchased by four companies and half as many acquired 14,000 shares of Florida Power and Light.

The Building Group

American Radiator was the most heavily sold issue in the building group, eight managements disposing of 67,300 shares. Half of these funds completely eliminated the shares from portfolios. Three purchases of 2,400 shares were negligible in comparison with the liquidation. Next issue upon which bearish sentiment focused was United States Gypsum, seven companies selling a total of 13,300 shares. At least half of these funds cleaned out the stock entirely from their holdings. Three trusts each sold Pittsburgh Plate Glass, Armstrong Cork and Sherwin Williams. The only offsetting purchase was a block of 4,100 Armstrong. Lightened by two managements each were Mueller Brass, Holland Furnace and National Gypsum. The favorite in this group was General Portland Cement, four companies adding a total of 8,700 shares; there was one portfolio elimination of a block of 1,500. Three funds also bought National Lead while two trusts purchased Bucyrus Erie. Some additions were made to holdings of Masonite, Ruberoid and Weyerhaeuser Timber, along with increases resulting from stock dividends and split-ups.

Motors Sold

Among motors, both General Motors and Chrysler were sold. Motors was decreased in nine portfolios and eliminated from three others. Only one lot of 1,400 shares was purchased, the remaining additions resulting from the split-up. Six managements also sold a total of 35,200 shares of Chrysler, and here, too, there was only one purchase of a small block of 100 shares. Among parts makers, Borg Warner was lightened in three portfolios and eliminated from three others, while 24,600 shares of Electric Auto-Lite were sold by four more managements. Holdings were also decreased of Eaton Manufacturing, Libbey-Owens-Ford Glass and Motor Products. A. O. Smith and Budd found a little favor with buyers, three managements making initial commitments in the latter.

Also unpopular, in spite of gross business stimulated by the war effort, were both the air transport and manufacturing concerns. Four trusts liquidated a total of 22,400 shares of Eastern Air Lines, three completely eliminating the issue from portfolios; there was one offsetting purchase of 27,000 shares. Also sold by two funds each were American Overseas Airlines, Pan American World Airways and United Air Lines. Faring little better were United Aircraft, lightened in six portfolios; Boeing Airplane, sold by three managements, and Sperry, unpopular with a like number of trust people. Only issue in the group to be liked was North American Aviation, 18,600 shares of which were acquired by three companies.

As noted, selling in the food stocks was highlighted by liquidation in five portfolios of 28,500 shares of National Biscuit. Corn Products was sold by four managements while Standard Brands, General Foods and Mead Johnson were each lightened by three funds. The only well-liked issue in the group was United Fruit, 12,000 shares being acquired by four trusts.

Chemicals Sold on Balance

While during the previous September quarter, chemicals were sold on balance, overall opinion appeared to be fairly well balanced in the period under review. Monsanto was the favorite, three funds making new commitments and three others adding to portfolio holdings, purchases totaling 39,200 shares; there were three sales in much lighter volume. Dow and International Minerals added to new stock received as dividends by additional purchases in the market. Freeport Sulphur, Victor Chemical and Heyden were also liked. DuPont was lightened in three portfolios and eliminated from two others. Also sold on balance were American Cyanamid, Union Carbide, Hercules Powder, Newport Industries and National Cylinder Gas.

Opinion was also mixed on the paper stocks. International Paper and Union Bag and Paper were sold, while Rayonier and Abitibi Power and Paper were favored by purchasers.

Changes in Common Stock Holdings of 44 Investment Management Groups

(September 29—December 31, 1950)

Transactions in which buyers exceed sellers—or sellers exceed buyers—by two or more management groups. Issues which more managements sold than bought are in italics. Numerals in parentheses indicate number of managements making entirely new purchases or completely eliminating the stock from their portfolios.

—Bought— No. of Trusts	No. of Shares		—Sold— No. of Shares	No. of Trusts
		Agricultural Equipment:		
8	16,850	J. I. Case[1]	500	1
4(4)	4,700	Caterpillar Tractor	3,100	2(1)
2(1)	7,800	Minneapolis-Moline	None	None
		Auto and Auto Parts:		
3(3)	17,000	Budd Company	4,000	1(1)
2(1)	5,500	A. O. Smith Corp.	None	None
2	150	*Borg Warner*	5,600	6(3)
1	100	*Chrysler*	35,200	6(1)
None	None	*Eaton Manufacturing Co.*	4,400	3(1)
1	500	*Electric Auto-Lite*	24,600	4(1)
19	149,800	*General Motors*[2]	45,300	12(3)
None	None	*Libbey-Owens-Ford Glass*	2,600	3
None	None	*Motor Products*	2,600	2(1)
		Aviation:		
3(1)	18,600	North American Aviation	None	None
None	None	*American Overseas Airlines*	20,850	2(2)
None	None	*Boeing Airplane*	2,000	3(1)
1	27,000	*Eastern Airlines*	22,400	4(3)
None	None	*Pan American World Airways*	5,500	2(1)
None	None	*Sperry Corp.*	2,000	3(1)
3(1)	6,800	*United Aircraft*	17,600	6(1)
None	None	*United Airlines*	3,400	2(1)
		Beverages:		
2(1)	15,600	Coca Cola	None	None
		Building Construction and Equipment:		
3	1,000	American Seating[3]	500	1(1)
2	6,000	Bucyrus Erie	None	None
4(1)	8,700	General Portland Cement	1,500	1(1)
7	32,900	Masonite[2]	8,800	3(2)
3(2)	3,100	National Lead	None	None
2	1,474	Ruberoid[4]	None	None
7(1)	36,600	Weyerhaeuser Timber[2]	6,500	2(1)
3	2,400	*American Radiator*	67,300	8(4)
1	4,100	*Armstrong Cork*	3,500	3(1)
None	None	*Holland Furnace*	2,500	2(1)
None	None	*Mueller Brass*	16,000	2(1)
None	None	*National Gypsum*	2,700	2
None	None	*Pittsburgh Plate Glass*	17,300	3(1)
None	None	*Sherwin Williams*	3,600	3(1)
2(2)	300	*United States Gypsum*	13,300	7(4)
		Chemicals:		
2	2,800	Commercial Solvents	None	None
13	15,423	Dow Chemical[5]	13,725	5(1)
13	18,865	Eastman Kodak[6]	9,015	4
3(1)	1,200	Freeport Sulphur	None	None
2(1)	2,100	Heyden Chemical	None	None
5(2)	30,000	Internat'l Minerals & Chemical[7]	1,000	1(1)
6(3)	39,200	Monsanto Chemical	3,300	3(1)
4	2,152	Rohm and Haas[8]	None	None
3(2)	5,000	Victor Chemical Works	1,500	1
1	6,000	*American Cyanamid*	2,000	4(4)
1	100	*du Pont*	10,500	5(2)
None	None	*Hercules Powder*	3,900	4
None	None	*National Cylinder Gas*	854	2
None	None	*Newport Industries*	7,500	2(1)
2	1,100	*Union Carbide*	6,900	4
		Containers and Glass:		
3(1)	19,400	Owens Illinois Glass	100	1
3	1,325	*Continental Can*	20,600	6(1)
		Drug Products:		
2(1)	5,000	Bristol-Myers	None	None
11(2)	12,695	Colgate-Palmolive-Peet[9]	2,400	2(2)
2	900	McKesson and Robbins	None	None
2	9,000	Smith, Kline & French[10]	None	None
None	None	*Abbott Laboratories*	19,500	2(1)
None	None	*American Home Products*	26,200	6(5)
		Electrical Equipment:		
2(2)	9,600	Motorola	None	None
8(1)	52,275	Philco[11]	1,600	1
3	6,200	*General Electric*	12,700	6(1)
1	700	*Square "D"*	15,300	4(1)
6(1)	18,000	*Westinghouse Electric*	10,300	8(4)
		Financial, Banking and Insurance:		
3(3)	59,700	American Express[12]	None	None
2	6,335	American Research & Develop.[13]	None	None
2	1,260	Fireman's Fund[10]	None	None
3	2,975	Manufacturers Trust[14]	400	1
2(2)	105,000	Marine Midland	None	None
2	700	Phoenix Insurance	None	None
None	None	*Amerex Holding Corp.*[12]	29,400	5(5)
4(3)	11,500	*C.I.T. Financial Corp.*	16,100	9(5)
2(2)	4,500	*Commercial Credit*	4,400	4(2)
1	7,000	*Tri-Continental*	48,900	3(2)
		Food Products:		
4(1)	12,000	United Fruit	5,300	2
None	None	*American Chicle*	7,400	2(1)
1	500	*Corn Products Refining*	6,200	4(2)
None	None	*General Foods*	8,600	3(2)
1(1)	2,000	*Mead Johnson*	13,200	3(3)
1	200	*National Biscuit*	28,200	5(4)
1	200	*Standard Brands*	14,500	3(1)
None	None	*Wrigley*	2,900	3(2)
		Machinery and Industrial Equipment:		
2(1)	1,200	Chicago Pneumatic Tool	None	None
7(3)	7,100	Combustion Engineering-Superheater	300	1
3(2)	3,300	Link Belt	None	None
2(1)	2,700	National Acme	None	None
None	None	*Bullard Co.*	900	2
		Metals and Mining:		
3(1)	7,900	Aluminium, Ltd.	8,200	1
3(2)	1,400	American Metal Co.[15]	None	None
3(1)	2,900	Anaconda Copper	None	None
2(1)	1,800	Climax Molybdenum	None	None
8(1)	28,600	International Nickel	24,600	4(1)
6(2)	10,400	Kennecott Copper	2,500	1
2(2)	1,300	Magma Copper	None	None
3(1)	3,300	Mining Corp. of Canada	None	None
8(4)	21,100	Phelps Dodge	3,000	2(1)
4(2)	5,300	Pittsburgh Consolidation Coal	8,400	2
11	23,675	St. Joseph Lead[16]	4,000	4(1)
2(1)	1,400	United Electric Coal	None	None
2(1)	2,900	United States Foil "B"	None	None
2	700	*Aluminum Co. of America*	12,000	6(1)
1(1)	300	*Dome Mines*	6,500	3(1)
None	None	*Homestake Mining*	4,400	3(1)
None	None	*Pittston Co.*	700	2(1)

weighed, of which the following appear to stand out:

"(1) In international developments the obvious should never be taken for granted. The course of history is full of ironic twists. Against all expectations, the war danger can become suddenly alleviated.

"(2) Regardless of what the near-term developments may bring in the international situation, it is well to remember that the economy of the nation has become closely geared to the armament program. Since the first signs of trouble in Korea a lot of anticipatory buying by the public and of stocking up and of expansion by industry have taken place. A substantial volume of business has been borrowed from the future, thus adding to the inflationary stimulation.

"(3) The demand from foreign countries for this nation's exportable products (other than armament and related materiel) is undergoing a steady shrinkage. Currently our imports are exceeding exports.

"It would appear from the above that in purchasing or maintaining at this time a preponderance of inflated securities, the investor is facing more than a minor hazard."

New Additions

Issues added to holdings during the quarter which were formerly strangers to trust portfolios include the following: Smith and Wesson by the two Axe-Houghton funds; Webster-Chicago Corp. by Axe-Houghton, Inc.; International Packers, Ltd. by Commonwealth Investment; Motorola also by Commonwealth as well as by State Street Investment Corp.; General Time Corp. by National Securities, Income series; Anderson, Clayton and Co. by the Mutual Investment Fund; H. R. MacMillan Export Co., Ltd. "B," Kerr-McGee Oil Industries, and Edison Oil by Lehman Corp.; Compagnie Generale D'Automobile et D'Aviation au Congo and T'sumeb Corp., Ltd. by United States and International Securities, and Pittsburgh Metallurgical, and Tishman Realty and Construction by Overseas Securities.

Pure Oil was a feature of the petroleum group, nine managements purchasing a total of 29,300 shares, three of which made new commitments; there was one small sale of a block of 200. In the previous quarter Pure Oil had been the second most popular issue, but total number of shares purchased was more than twice that which it had been currently. Standard of New Jersey also vied for first place in additions of this group, although most of the increase in this issue resulted from a stock distribution made by Standard of Indiana. Actually, 12 increases occurred independent of the stock melon, but many of these were in small amounts to round out the holdings received as dividends. Socony Vacuum was also well-liked, seven managements purchasing a total of 65,200 shares. Three off-setting sales amounted to 7,500 shares. Ohio Oil was the third most popular issue in the group, six trusts adding a total of 27,700 shares to portfolios; there were no sales. Shell, the most sought-after issue among the oils during the previous three months' interval, had a following of five funds. Purchases totaled 10,700 while 1,200 shares were liquidated by two managements. Four trusts each purchased Sinclair and Standard of California, three of the former and two of the latter representing new commitments. There were no sales of Sinclair and only one in the California issue. 28,600 shares of Creole Petroleum, 6,800 American Republics, 11,300 Mid-Continent Pete, 11,500 shares of Richfield and 6,300 Signal Oil and Gas "A" were each acquired by three managements. Only sale was that of a small block of 300 Creole. In addition to the stock of Cities Service received as a 5% distribution, there were three other increases to porfolios totaling 4,000 shares. So too, three managements bought 20,000 shares of Honolulu Oil along with the new shares which two of these had received in the stock split-up. Imperial Oil was liked by two trusts and the same number acquired Texas Pacific Coal and Oil.

Selling was concentrated in Standard Oil of Indiana and Atlantic Refining, the former having been slightly favored by the bulls in the previous quarter. Six companies sold a total of 11,400 shares of the Indiana stock and a like number disposed of 2,700 shares of Atlantic. In each issue two of the sales represented complete portfolio eliminations. Gulf Oil and Phillips were each lightened in five portfolios; 14,700 shares of the former and 18,700 of Phillips were sold. Three of the sales in the latter issue removed the stock entirely from portfolio holdings. Also liquidated was Louisiana Land & Exploration, 27,500 shares of which were disposed of by four managements. Mission Development and Humble were each lightened by two funds.

Metals Favored

International Nickel and Phelps Dodge were twin favorites among the nonferrous metals, eight managements adding 28,600 shares of Nickel and 21,100 shares of the latter issue. One-half of the additions in Phelps Dodge represented new commitments. Selling was also fairly heavy in Nickel, four funds disposing of over 24,000 shares. Kennecott was second in popularity, having switched its previous quarter's position in the group as top favorite with International Nickel which at that time had ranked second. Six trusts purchased a total of 10,400 shares, two making initial commitments. One block of 2,500 shares was disposed of by another management. In addition to a 25% stock melon, six companies added to their holdings of St. Joseph Lead. Offsetting were four sales totaling 4,000 shares. Pittsburgh Consolidation Coal, a relatively recent newcomer to trust portfolios, was again liked by four managements as during the previous quarter. Purchases totaled 5,300 shares, half of which represented new additions; there were two sales. Three managements each added Aluminium, Ltd., Anaconda Mining and Mining Corp. of Canada. Purchases of the Aluminium stock totaled 7,900 shares and of Anaconda 2,900 shares, while additions to the Canadian issue equaled 3,300 shares. A couple of funds each bought Climax Molybdenum, Magma Copper (representing initial commitments), United States Foil "B" and United Electric Coal. Three purchases were made of American Metals in addition to shares received as a 5% stock dividend.

Aluminum of America, the buying of which had been waning ever since its top acceptance in the June quarter of 1950, was now the least popular issue in the nonferrous group. Six managements disposed of a total of 12,000 shares, one of which represented a complete portfolio elimination. Two small purchases totaled 700 shares. Dome Mines and Homestake were also not too well liked as three trusts sold 6,500 shares of the former and the same number of managements liquidated 4,400 shares of the latter issue. There was a lone new commitment in Dome of 300 shares.

Rails' Purchases Continued

As might have been inferred from the continued strength in the rail market during the last quarter of 1950, investment company managements continued their purchases which had been so pronounced in the September period. The same roads, also, it is to be noted, maintained their relative positions as top favorites of the trusts. Thus, Southern Pacific again headed the list, ten funds purchasing a total of 39,600 shares, three of which represented new commitments. Sales by six companies amounted to 7,200 shares. Atchison was once again second favorite as eight managements increased holdings by 9,350 shares; one small sale of a block of 200 was the only concession made to the bears. Six funds added 30,600 shares of Illinois Central and a like number bought 5,900 Rock Island. In each instance two of these additions represented initial portfolio commitments. However, there were four sales of Rock Island, contrasting with only two of Illinois Central. Canadian Pacific, Pennsylvania and Southern were each liked by five trusts, but there were no offsetting sales of the Canadian carrier in contrast with three of Pennsylvania and two of the Southern. Two new portfolio additions were made in Chesapeake and Ohio, and one increase of a block already held; a lone sale of 6,000 shares contrasted with these three purchases. Erie and Louisville & Nashville were also each liked by a couple of managements but opinion was divided on Great Northern as seven portfolio additions were offset by six decreases.

Steels Favored

The two industry leaders in the steel business were again the top favorites among investment company purchasers as during the previous quarter of 1950. But, although approximately the same number of managements showed their interest in these industrial giants, total volume of purchases declined somewhat. Eleven trusts bought 29,000 shares of Bethlehem, only one of which represented an initial commitment. Four offsetting sales equaled 6,000 shares. United States Steel was a new addition to two portfolios and was increased among the holdings of five others. Total purchases of 68,200 contrasted with two sales equaling 2,800. Seven managements also acquired Armco and there was no liquidation. Allegheny, Jones and Laughlin and Republic were each well liked by four investment companies. There were two sales of Jones and Laughlin totaling 4,300 shares, but otherwise the selling was negligible. In addition to new stock resulting from the split-up, there were six increases to holdings of Youngstown Sheet and Tube, three of which represented new commitments; liquidation was not pronounced. Cleveland Cliffs Iron came in for some attention during the period as two new commitments and one portfolio increase totaled 20,000 shares. Three trusts also added 5,500 Wheeling. Crucible Steel made its initial bow in two portfolios, and purchases totaling 3,600 shares found no offsetting sales. There was no concentrated selling in any one issue of this industry.

The Merchandising Stocks

The two leading favorites in the merchandising group were Allied Stores and Marshall Field as during the preceding September quarter. Ten managements purchased a total of 25,000 shares of Allied with only one portfolio elimination of a block of 1,000 shares. Half as many trusts acquired 17,400 shares of Field. In this latter instance there was also one lone portfolio decrease. 38,700 shares of Grant were bought by four funds but two sales totaled 29,000. Also finding acceptance in three portfolios was Gimbel, 29,200 shares of which were initially purchased by two trusts and added to the holdings of another; there was no liquidation in this issue. Two managements each liked Interstate Department Stores, Mercantile Stores and Penney; bearish sentiment was absent in all three of these stocks. Safeway shares were acquired by two trusts in addition to increases resulting from the exercise of rights. Sellers had a slight edge over buyers in Montgomery Ward, 4,400 shares being decreased in six portfolios. In Sears, liquidation in four portfolios was offset by one lone purchase of a block of 100 shares. The only other concentrated selling in this field appeared in Woolworth, 6,500 shares of which were eliminated from three portfolios.

The Natural Gas Group

Republic Natural Gas was the best liked issue in the comparatively recently favored natural gas group. Two funds made initial commitments and there were three increases to portfolio holdings. Purchases totaled 11,100 shares; liquidation was absent. Holdings in Northern Natural Gas also increased by 5,850 shares. Four purchases were partially offset by two sales of 8,500. Three managements each showed interest in Columbia Gas and Southern Production Co. 16,000 shares of the former and 43,000 shares of the latter were bought. Oklahoma Natural Gas was purchased by two other companies. In addition to increases in several portfolios resulting from stock dividends, and the exercise of rights, two funds each acquired through outright purchase shares of Mississippi River Fuel Corp., Tennessee Gas Transmission and Western Natural Gas. The only issue in which bearishness predominated was Peoples Gas Light and Coke, 3,100 shares of which were sold by four trusts.

Although buyers favored the machinery and industrial equipment manufacturers, purchases were not concentrated to any great extent on particular issues. The favorite was Combustion Engineering-Superheater, three companies making initial commitments and four others adding to portfolio holdings a total of 7,100

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Trusts Continue Switching to War Industries Stocks

shares. There was one sale of a block of 300. Link Belt also was well liked, three purchases amounting to 3,600 shares, two of which were new acquisitions. Two managements bought 1,200 shares of Chicago Pneumatic Tool and the same number acquired 2,700 National Acme. Two sellers had the upper edge in Bullard, but in modest volume.

Outstanding favorite among the textiles was Burlington Mills, seven managements purchasing a total of 81,300 shares; four of these were new commitments. One lone block of 100 was liquidated. Four funds each added to holdings of American Viscose and Pacific Mills along with stock received through dividend distributions; selling was comparatively light in these issues. Shares of Industrial Rayon acquired through outright purchases also swelled the increase resulting from stock dividends. United Merchants and Manufacturers was particularly well regarded as three companies increased holdings by 47,900 shares. A block of 10,000 was sold. Lowenstein was the only issue of the group in which sellers predominated, two managements disposing of 1,200 shares.

Among agricultural equipment makers, 10,000 shares of Case were acquired by four managements along with other additions resulting from the 10% stock distribution. A block of 500 shares was sold. Four initial commitments were made in Caterpillar Tractor totaling 4,700 shares and half as many purchases were made of Minneapolis Moline. Managements were fairly well divided on Harvester and Deere although total volume in shares on either side of the market was far from balanced.

Goodyear was the favorite in the rubber division, six trusts acquiring 6,500 shares. Half as many managements disposed of 2,800 shares, two of these completely eliminating the stock from portfolios. Two funds made initial commitments and two others added to holdings of Firestone. Purchases totaled 7,800, offset in part by two sales of 1,500.

Least popular issues in the utility group, wherein occurred the heaviest concentrated liquidation during the period, were two old favorites, Consolidated Edison of New York and North American. Six managements sold a total of 15,700 shares of Edison, two of these completely eliminating the issue from their portfolios. Two purchases totaled 4,500 shares. Six trusts likewise disposed of North American, sales totaling 41,400 shares. Partially offsetting were three purchases of 8,000 shares. 79,300 shares of Kentucky Utilities were sold out of four portfolios, half of which resulted in complete eliminations; there were no additions. Three managements each sold shares of American Telephone and Telegraph, Central Illinois Public Service, Public Service of Colorado, Public Service of Indiana, St. Joseph Light and Power and Wisconsin Electric Power. There were decreases in two portfolios each of holdings in Empire District Electric, Potomac Electric Power, and Wisconsin Power and Light. Two blocks of Niagara Hudson Power totaling 65,500 shares were exchanged for Niagara Mohawk Power.

Largest concentrated purchasing in this group occurred in the Southern Company. A total increase of 117,300 shares resulted from four new purchases and three portfolio additions. Partially offsetting sales in two portfolios totaled 41,700 shares. Next best liked issue was Middle South Utilities, six managements acquiring a total of 13,400 shares. There was a decrease in the holdings of two trusts of 4,300 shares. Texas Utilities also was added to five portfolios, although part of this increase resulted from a distribution made by Electric Bond and Share. Utah Power and Light was purchased by four companies and half as many acquired 14,000 shares of Florida Power and Light.

The Building Group

American Radiator was the most heavily sold issue in the building group, eight managements disposing of 67,300 shares. Half of these funds completely eliminated the shares from portfolios. Three purchases of 2,400 shares were negligible in comparison with the liquidation. Next issue upon which bearish sentiment focused was United States Gypsum, seven companies selling a total of 13,300 shares. At least half of these funds cleaned out the stock entirely from their holdings. Three trusts each sold Pittsburgh Plate Glass, Armstrong Cork and Sherwin Williams. The only offsetting purchase was a block of 4,100 Armstrong. Lightened by two managements each were Mueller Brass, Holland Furnace and National Gypsum. The favorite in this group was General Portland Cement, four companies adding a total of 8,700 shares; there was one portfolio elimination of a block of 1,500. Three funds also bought National Lead while two trusts purchased Bucyrus Erie. Some additions were made to holdings of Masonite, Ruberoid and Weyerhaeuser Timber, along with increases resulting from stock dividends and split-ups.

Motors Sold

Among motors, both General Motors and Chrysler were sold. Motors was decreased in nine portfolios and eliminated from three others. Only one lot of 1,400 shares was purchased, the remaining additions resulting from the split-up. Six managements also sold a total of 35,200 shares of Chrysler, and here, too, there was only one purchase of a small block of 100 shares. Among parts makers, Borg Warner was lightened in three portfolios and eliminated from three others, while 24,600 shares of Electric Auto-Lite were sold by four more managements. Holdings were also decreased of Eaton Manufacturing, Libbey-Owens-Ford Glass and Motor Products. A. O. Smith and Budd found a little favor with buyers, three managements making initial commitments in the latter.

Also unpopular, in spite of gross business stimulated by the war effort, were both the air transport and manufacturing concerns. Four trusts liquidated a total of 22,400 shares of Eastern Air Lines, three completely eliminating the issue from portfolios; there was one offsetting purchase of 27,000 shares. Also sold by two funds each were American Overseas Airlines, Pan American World Airways and United Air Lines. Faring little better were United Aircraft, lightened in six portfolios; Boeing Airplane, sold by three managements, and Sperry, unpopular with a like number of trust people. Only issue in the group to be liked was North American Aviation, 18,600 shares of which were acquired by three companies.

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—Bought— No. of Trusts	—Bought— No. of Shares		—Sold— No. of Shares	—Sold— No. of Trusts
		Agricultural Equipment:		
8	16,850	J. I. Case [1]	500	1
4(4)	4,700	Caterpillar Tractor	3,100	2(1)
2(1)	7,800	Minneapolis-Moline	None	None
		Auto and Auto Parts:		
3(3)	17,000	Budd Company	4,000	1(1)
2(1)	5,500	A. O. Smith Corp.	None	None
2	*150*	*Borg Warner*	*5,600*	*6(3)*
1	*100*	*Chrysler*	*35,200*	*6(1)*
None	*None*	*Eaton Manufacturing Co.*	*4,400*	*3(1)*
1	*500*	*Electric Auto-Lite*	*24,600*	*4(1)*
19	*149,800*	*General Motors* [2]	*45,300*	*12(3)*
None	*None*	*Libbey-Owens-Ford Glass*	*2,600*	*3*
None	*None*	*Motor Products*	*2,600*	*2(1)*
		Aviation:		
3(1)	18,600	North American Aviation	None	None
None	*None*	*American Overseas Airlines*	*20,850*	*2(2)*
None	*None*	*Boeing Airplane*	*2,000*	*3(1)*
1	*27,000*	*Eastern Airlines*	*22,400*	*4(3)*
None	*None*	*Pan American World Airways*	*5,500*	*2(1)*
None	*None*	*Sperry Corp.*	*2,000*	*3(1)*
3(1)	*6,800*	*United Aircraft*	*17,600*	*6(1)*
None	*None*	*United Airlines*	*3,400*	*2(1)*
		Beverages:		
2(1)	15,600	Coca Cola	None	None
		Building Construction and Equipment:		
3	1,000	American Seating [3]	500	1(1)
2	6,000	Bucyrus Erie	None	None
4(1)	8,700	General Portland Cement	1,500	1(1)
7	32,900	Masonite [2]	8,800	3(2)
3(2)	3,100	National Lead	None	None
2	1,474	Ruberoid [4]	None	None
7(1)	36,600	Weyerhaeuser Timber [2]	6,500	2(1)
3	*2,400*	*American Radiator*	*67,300*	*8(4)*
1	*4,100*	*Armstrong Cork*	*3,500*	*3(1)*
None	*None*	*Holland Furnace*	*2,500*	*2(1)*
None	*None*	*Mueller Brass*	*16,000*	*2(1)*
None	*None*	*National Gypsum*	*2,700*	*2*
None	*None*	*Pittsburgh Plate Glass*	*17,300*	*3(1)*
None	*None*	*Sherwin Williams*	*3,600*	*3(1)*
2(2)	*300*	*United States Gypsum*	*13,300*	*7(4)*
		Chemicals:		
2	2,800	Commercial Solvents	None	None
13	15,423	Dow Chemical [5]	13,725	5(1)
13	18,865	Eastman Kodak [6]	9,015	4
3(1)	1,200	Freeport Sulphur	None	None
2(1)	2,100	Heyden Chemical	None	None
5(2)	30,000	Internat'l Minerals & Chemical [7]	1,000	1(1)
6(3)	39,200	Monsanto Chemical	3,300	3(1)
4	2,152	Rohm and Haas [8]	None	None
3(2)	5,000	Victor Chemical Works	1,500	1
1	*6,000*	*American Cyanamid*	*2,000*	*4(4)*
1	*100*	*du Pont*	*10,500*	*5(2)*
None	*None*	*Hercules Powder*	*3,900*	*4*
None	*None*	*National Cylinder Gas*	*854*	*2*
None	*None*	*Newport Industries*	*7,500*	*2(1)*
2	*1,100*	*Union Carbide*	*6,900*	*4*
		Containers and Glass:		
3(1)	19,400	Owens Illinois Glass	100	1
3	*1,325*	*Continental Can*	*20,600*	*6(1)*
		Drug Products:		
2(1)	5,000	Bristol-Myers	None	None
11(2)	12,695	Colgate-Palmolive-Peet [9]	2,400	2(2)
2	900	McKesson and Robbins	None	None
2	9,000	Smith, Kline & French [10]	None	None
None	*None*	*Abbott Laboratories*	*19,500*	*2(1)*
None	*None*	*American Home Products*	*26,200*	*6(5)*
		Electrical Equipment:		
2(2)	9,600	Motorola	None	None
8(1)	52,275	Philco [11]	1,600	1
3	*6,200*	*General Electric*	*12,700*	*6(1)*
1	*700*	*Square "D"*	*15,300*	*4(1)*
6(1)	*18,000*	*Westinghouse Electric*	*10,300*	*8(4)*
		Financial, Banking and Insurance:		
3(3)	59,700	American Express [12]	None	None
2	6,335	American Research & Develop. [13]	None	None
2	1,260	Fireman's Fund [10]	None	None
3	2,975	Manufacturers Trust [14]	400	1
2(2)	105,000	Marine Midland	None	None
2	700	Phoenix Insurance	None	None
None	*None*	*Amerex Holding Corp.* [12]	*29,400*	*5(5)*
4(3)	*11,500*	*C.I.T. Financial Corp.*	*16,100*	*9(5)*
2(2)	*4,500*	*Commercial Credit*	*4,400*	*4(2)*
1	*7,000*	*Tri-Continental*	*48,900*	*3(2)*
		Food Products:		
4(1)	12,000	United Fruit	5,300	2
None	*None*	*American Chicle*	*7,400*	*2(1)*
1	*500*	*Corn Products Refining*	*6,200*	*4(2)*
None	*None*	*General Foods*	*8,600*	*3(2)*
1(1)	*2,000*	*Mead Johnson*	*13,200*	*3(3)*
1	*200*	*National Biscuit*	*28,200*	*5(4)*
1	*200*	*Standard Brands*	*14,500*	*3(1)*
None	*None*	*Wrigley*	*2,900*	*3(2)*
		Machinery and Industrial Equipment:		
2(1)	1,200	Chicago Pneumatic Tool	None	None
7(3)	7,100	Combustion Engineering-Superheater	300	1
3(2)	3,600	Link Belt	None	None
2(1)	2,700	National Acme	None	None
None	*None*	*Bullard Co.*	*900*	*2*
		Metals and Mining:		
3(1)	7,900	Aluminium, Ltd.	8,200	1
3(2)	1,400	American Metal Co. [15]	None	None
3(1)	2,900	Anaconda Copper	None	None
2(1)	1,800	Climax Molybdenum	None	None
8(1)	28,600	International Nickel	24,600	4(1)
6(2)	10,400	Kennecott Copper	2,500	1
2(2)	1,300	Magma Copper	None	None
3(1)	3,300	Mining Corp. of Canada	None	None
8(4)	21,100	Phelps Dodge	3,000	2(1)
4(2)	5,300	Pittsburgh Consolidation Coal	8,400	2
11	23,675	St. Joseph Lead [16]	4,000	4(1)
2(1)	1,400	United Electric Coal	None	None
2(1)	2,900	United States Foil "B"	None	None
2	*700*	*Aluminum Co. of America*	*12,000*	*6(1)*
1(1)	*300*	*Dome Mines*	*6,500*	*3(1)*
None	*None*	*Homestake Mining*	*4,400*	*3(1)*
None	*None*	*Pittston Co.*	*700*	*2(1)*

Changes in Common Stock Holdings of 44 Investment Management Groups (Continued)

—Bought— No. of Trusts	No. of Shares		—Sold— No. of Shares	No. of Trusts
		Natural Gas:		
3	16,000	Columbia Gas System	5,000	1
9	16,170	Mississippi River Fuel [6]	9,600	2(1)
4(1)	5,850	Northern Natural Gas	8,500	2(1)
2	2,100	Oklahoma Natural Gas	None	None
5(2)	11,100	Republic Natural Gas	None	None
3(2)	43,000	Southern Production Co.	2,000	1
6	19,191	Tennessee Gas Transmission [16]	15,000	1(1)
3	16,623	Western Natural Gas [22]	None	None
None	*None*	*Peoples Gas Light and Coke*	*3,100*	*4*
		Office Equipment:		
10	12,935	National Cash Register [6]	7,110	5
3	862½	Remington Rand [17]	6,613½	1
2	1,100	Underwood Corp.	None	None
None	*None*	*Burroughs Adding Machine*	*12,500*	*2(2)*
None	*None*	*International Business Machines*	*1,800*	*2*
		Paper and Printing:		
2(1)	3,200	Abitibi Power and Paper	None	None
4(3)	16,100	Rayonier	3,200	2
4	*3,425*	*International Paper*	*36,275*	*7(1)*
None	*None*	*Time, Inc.*	*8,000*	*2(1)*
1	*800*	*Union Bag and Paper*	*4,700*	*3(1)*
		Petroleum:		
3(1)	6,800	American Republics Corp.	None	None
15(1)	9,755	Cities Service [9]	3,025	4(2)
3(1)	28,600	Creole Petroleum	300	1
4(2)	28,000	Honolulu Oil [18]	None	None
2	3,600	Imperial Oil, Ltd.	None	None
3(2)	11,300	MidContinent Petroleum	None	None
6(1)	27,700	Ohio Oil	None	None
2(1)	2,200	Plymouth Oil [19]	None	None
9(3)	29,300	Pure Oil	200	1
3(2)	11,500	Richfield Oil	None	None
2	600	Seaboard Oil (Del.)	None	None
5	10,700	Shell Oil	1,200	2
3(2)	3,300	Signal Oil and Gas "A"	None	None
4(3)	36,600	Sinclair Oil	None	None
7(1)	65,200	Socony Vacuum	7,500	3
4(2)	16,500	Standard Oil of California	3,400	1
15(4)	22,212	Standard Oil of New Jersey [20]	12,877	3(1)
5	5,528	Standard Oil of Ohio [19]	10,252	2(1)
2	3,700	Texas Pacific Coal and Oil	None	None
2(1)	*5,500*	*Atlantic Refining*	*4,700*	*6(2)*
3(1)	*1,200*	*Gulf Oil*	*14,700*	*5(1)*
None	*None*	*Humble Oil*	*6,900*	*2*
1(1)	*1,200*	*Louisiana Land & Exploration*	*27,500*	*4*
None	*None*	*Mission Development Co.*	*13,500*	*2(2)*
None	*None*	*Phillips Petroleum*	*18,700*	*5(3)*
3	*1,600*	*Standard Oil of Indiana*	*11,400*	*6(2)*
		Public Utilities:		
6(1)	8,130	Consumers Power [22]	15,600	4(2)
2(1)	14,000	Florida Power and Light	None	None
6(1)	13,400	Middle South Utilities	4,300	2(1)
3	6,150	New England Electric System [9]	None	None
4(2)	62,700	Niagara Mohawk Power [21]	31,840	2
2	12,000	Oklahoma Gas & Electric [10]	None	None
7(4)	117,300	Southern Co.	41,700	2
5(2)	41,750	Texas Utilities [24]	None	None
4(1)	7,800	Utah Power and Light	12,700	1
1	*50*	*American Tel. & Tel.*	*3,200*	*3(2)*
None	*None*	*Central Illinois Public Service*	*23,100*	*3(1)*
2	*4,500*	*Consolidated Edison of N. Y.*	*15,300*	*6(2)*
None	*None*	*Empire District Electric Co.*	*1,200*	*2(2)*
None	*None*	*Kentucky Utilities*	*79,300*	*4(2)*
None	*None*	*Niagara Hudson Power [21]*	*65,500*	*2(2)*
3	*8,000*	*North American*	*41,400*	*6(2)*
None	*None*	*Potomac Electric Power*	*23,400*	*2(1)*
1	*200*	*Public Service Co. of Colorado*	*7,400*	*3(2)*
1	*1,500*	*Public Service Co. of Indiana*	*12,300*	*3*
None	*None*	*St. Joseph Light and Power*	*4,200*	*3(2)*
None	*None*	*Wisconsin Electric Power*	*27,700*	*3*
None	*None*	*Wisconsin Power and Light*	*10,400*	*2(1)*
		Radio and Amusement:		
3(1)	3,600	Columbia Broadcasting "B"	None	None
None	*None*	*Decca Records*	*8,500*	*2(1)*
None	*None*	*Loew's*	*12,500*	*2(1)*
2	*27,400*	*Twentieth Century-Fox*	*57,500*	*4(1)*
		Railroads:		
8(2)	9,350	Atchison, Topeka & Santa Fe	200	1
5(1)	7,400	Canadian Pacific	None	None
3(2)	1,700	Chesapeake and Ohio	6,000	1
6(2)	5,900	Chicago, Rock Island & Pacific	18,800	4(1)
2(1)	12,000	Erie	None	None
6(2)	30,600	Illinois Central	8,500	2
2(2)	1,400	Louisville and Nashville	None	None
5(3)	39,300	Pennsylvania	3,200	3
10(3)	39,600	Southern Pacific	7,200	6(1)
5(2)	12,900	Southern	3,100	2
6(1)	6,100	Union Pacific	None	None

—Bought— No. of Trusts	No. of Shares		—Sold— No. of Shares	No. of Trusts
		Railroad Equipment:		
5(1)	3,700	American Brake Shoe [6]	10,090	2
2(1)	1,300	American Steel Foundries	None	None
		Retail Trade:		
10(1)	25,000	Allied Stores	1,000	1(1)
3(2)	29,200	Gimbel Brothers	None	None
4	38,700	W. T. Grant	29,000	2(1)
2	1,500	Interstate Department Stores	None	None
5(1)	17,400	Marshall Field	2,000	1
2(1)	4,200	Mercantile Stores	None	None
2	800	J. C. Penney	None	None
4	4,700	Safeway Stores [22]	2,700	2
4	*1,700*	*Montgomery Ward*	*4,400*	*6(1)*
1	*100*	*Sears Roebuck*	*7,100*	*4(1)*
1	*900*	*Woolworth*	*6,500*	*3(3)*
		Rubber and Tires:		
4(2)	7,800	Firestone	1,200	2
6(2)	6,500	Goodyear	2,800	3(2)
		Steels:		
4(3)	20,500	Allegheny Ludlum	200	1
7(3)	7,100	Armco Steel	None	None
11(1)	29,000	Bethlehem Steel	6,000	4
3(2)	20,000	Cleveland Cliffs Iron	None	None
2(2)	3,600	Crucible Steel	None	None
4(2)	7,000	Jones and Laughlin	4,300	2
4	4,500	Republic Steel	500	2
3(1)	2,200	Sharon Steel [23]	None	None
7(2)	68,200	United States Steel	2,800	2(1)
3(1)	5,500	Wheeling Steel	200	1
17(3)	72,300	Youngstown Sheet & Tube	1,400	2
		Textiles:		
15(1)	17,800	American Viscose [2]	5,600	2
7(4)	81,300	Burlington Mills	100	1
7(2)	11,879¼	Industrial Rayon [9]	400	1
5(2)	6,070	Pacific Mills [9]	200	1
4(3)	10,250	J. P. Stevens Co. [25]	1,100	2
3	47,900	United Merchants & Mfgrs.	10,000	1
None	*None*	*M. Lowenstein & Sons*	*1,200*	*2(1)*
		Tobaccos:		
1	*700*	*American Tobacco*	*8,700*	*4(1)*
None	*None*	*Liggett and Myers*	*10,000*	*4(2)*
1	*500*	*Philip Morris*	*2,000*	*5(2)*
1	*1,000*	*Reynolds Tobacco*	*2,700*	*3(1)*
		Miscellaneous:		
1	*3,000*	*Greyhound*	*57,500*	*5(4)*
None	*None*	*Minnesota Mining & Mfg.*	*2,600*	*2*

SUMMARY

Balance Purchases and Sales Portfolios Securities 63 Investment Companies

	Bought	Sold	Matched	Totals
Open-End Companies:				
Balanced Funds	8	7	5	20
Stock Funds	10	10	9	29
Closed-End Companies	3	4	7	14
Totals—All Companies	21	21	21	63

FOOTNOTES

1 In part represents stock received as 10% dividend.
2 Increased in part as result of stock split-up.
3 20% stock dividend.
4 984 shares received as 10% stock dividend.
5 3,727½ shares received as 2½% stock dividend.
6 Major portion of increase results from 10% stock dividend.
7 Stock split on basis of two new shares for one old.
8 1,912 shares received in 4% stock dividend.
9 Represents in part a 5% stock dividend.
10 100% stock dividend.
11 41,800 shares received as result of 2 for 1 split; 4,275 shares distributed as 5% stock dividend.
12 19,900 shares Amerex exchanged for 59,700 shares of American Express.
13 Purchased through rights.
14 8 1/3% stock dividend.
15 1,000 shares represent 5% stock dividend.
16 In part received as 25% stock distribution.
17 Received in whole as 5% stock dividend.
18 8,000 shares result from stock split-up.
19 200 shares added as result of 2% stock dividend.
20 1,963 shares received as stock dividend from Standard Oil of Indiana; basis 1 share of New Jersey for each 75 of Indiana.
21 Niagara Hudson exchanged for Niagara Mohawk.
22 Purchased largely thru rights; basis, one new share for each ten old held.
23 In part results from 50% dividend declaration in stock.
24 Received in part as stock distribution from Electric Bond and Share.
25 2,250 shares received in exchange for 3,000 shares of Appleton Co.

NOTE—This survey covers 63 investment companies, but purchasers or sales of trusts sponsored by one management group are treated as a unit. For example, the several trusts sponsored by Calvin Bullock are considered as having the weight of one manager. Overseas Securities is included in addition to the companies listed in the companion table.

Did You GUESS?

Here's the 1951 version of the two angels appearing on page 20.

Harold B. Smith   Edw. J. Markham

(A) Harold B. Smith, Pershing & Co., 120 Broadway, New York 5, N. Y.

(B) Edwin J. Markham, Wertheim & Co., 120 Broadway, New York 5, N. Y.

Walter M. Wells With Douglass & Company

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif.—Walter M. Wells has become associated with Douglass & Co., 133 North Robertson Boulevard. Mr. Wells was formerly Vice-President of Maloney & Wells, Inc., of Los Angeles.

Richard A. Gadbois has also been added to the staff of the firm.

H. D. Knox Co. 25 Years in Boston

BOSTON, Mass.—The Boston office of H. D. Knox & Co., Inc., 27 State Street, which is under the management of Frank T. Harrington, is now celebrating its 25th anniversary.

With Bailey & Davidson

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Charles F. Kirchen is now affiliated with Bailey & Davidson, 155 Sansome Street, members of the San Francisco Stock Exchange. He was formerly wth McNear & Willard.

Witherspoon Adds

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Herbert A. Ecclestone is now with Witherspoon & Company, Inc., 215 West Seventh Street.

Joins Witter Staff

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—William W. Wheeler, III has joined the staff of Dean Witter & Co., 632 South Spring Street.

With Schirmer, Atherton

(Special to The Financial Chronicle)

PORTLAND, Me.—F. W. Bernard Hardwicke has become associated with Schirmer, Atherton & Co., 144 Vaughan Street. He was formerly with Baldwin, White & Co. and A. C. Allyn & Co.

With Davis & Skaggs

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—William C. Richardson has been added to the staff of Davis, Skaggs & Co., 111 Sutter Street, members of the San Francisco Stock Exchange.

Geyer & Co. Adds

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Richard J. Payne is now with Geyer & Co., Inc., Russ Building.

NSTA Notes

BOSTON SECURITIES TRADERS ASSOCIATION

The 27th annual dinner of the Boston Securities Traders Association was held Feb. 9 at the Parker House. It was preceded by the usual luncheon for out-of-town guests.

Members of the committee in charge of arrangements were Arthur C. Murphy, A. C. Allyn and Company, Incorporated, Chairman; Frank S. Green, Schirmer, Atherton & Co., John J. D'Arcy, F. L. Putnam & Co., Inc.; Alexander W. Moore, J. Arthur Warner & Co., Inc.; Wilfred B. Perham, Coburn & Middlebrook, Inc.; Edward F. Powers, Hodgdon & Co.; T. Edmund Williams, Hooper-Kimball, Inc.

Edward F. Hines, Perrin, West & Winslow, Inc., was in charge of ticket reservations, and Rodney M. Darling, du Pont, Homsey & Company, in charge of room reservations.

Pictures taken at the dinner will appear in the "Financial Chronicle" of Feb. 22.

SEATTLE SECURITY TRADERS ASSOCIATION

At the last meeting of the Seattle Security Traders Association the following officers were elected for the new year:


Homer J. Bateman


Clyde Berryman


Waldemar L. Stein

Homer J. Bateman, Pacific Northwest Co., President.
Paul G. Johnson, Blyth & Co. Inc., Vice-President.
Clyde Berryman, Merrill Lynch, Pierce, Fenner & Beane, Secretary.
Waldemar L. Stein, Bramhall & Stein, Treasurer.

KANSAS CITY SECURITY TRADERS ASSOCIATION

The new officers for 1951 of the Kansas City Security Traders Association (formerly the Bond Traders Club of Kansas City) are as follows:


Earl L. Combest


Russell K. Sparks


Frank North


Laurence B. Carroll

President—Earl L. Combest, Prugh, Combest & Land, Inc.
Vice-President—Russell K. Sparks, Uhlmann & Latshaw.
Secretary—Frank North, Barrett, Fitch & Co.
Treasurer—Laurence B. Carroll, Prescott, Wright, Snider Co.

SECURITY TRADERS ASSOCIATION OF NEW YORK

The Security Traders Association of New York (STANY) Bowling League standings as of Feb. 9 are as follows:

TEAM	Won	Lost
Greenberg (Capt.), Sullivan, Stein, Wechsler, Siegel	5	1
Goodman (Capt.), Casper, Valentine, M. Meyer, H. Frankel	4	2
Donadio (Capt.), Demaye, O'Connor, Whiting, Workmeister	4	2
Bean (Capt.), Kaiser, Growney, Gronick, Rappa	4	2
Burian (Capt.), Manson, King, Voccoli, G. Montanyne	3	3
Krisam (Capt.), Bradley, Montanyne, Weissman, Gannon	3	3
Serlen (Capt.), Gersten, Gold, Krumholz, Young	3	3
Mewing (Capt.), Klein, Flanagan, Manney, Ghegan	3	3
Leone (Capt.), Krasowich, Nieman, Pollack, Gavin	3	3
Hunter (Capt.), Lytle, Reid, Kruge, Swenson	2	4
H. Meyer (Capt.), Smith, Farrell, A. Frankel, La Pato	1	5
Kumm (Capt.), Weseman, Tisch, Strauss, Jacobs	1	5

Tom Greenberg (C. E. Unterberg & Co.) finally broke out and won three games to put them in first place.

With Revel Miller

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Richard A. Miller is now associated with Revel Miller & Co., 650 South Spring Street, members of the Los Angeles Stock Exchange.

Joins Colburn Staff

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Frank J. Carter is associated with R. L. Colburn Company, 155 Montgomery Street. He was previously with Lauterwasser & Co.

Continued from page 17

Investment in Mutual Funds

San Francisco and other places. Most of them are excellent and run by good, honest citizens. I know a great many of them personally and hold them in the highest regard.

Investment company shares can be purchased and sold in practically every city or town in the United States, wherever there are investment bankers or investment brokers or their branches or representatives.

Who buys them? Almost every type of person. The small investor is probably the largest group. They thereby can follow the old adage "Don't put all your eggs in one basket." In fact, the investment company has been called the "Poor man's investment counsel." However, in recent years the wealthy individual and institutional investors have become substantial buyers.

The inexperienced investor finds that they give him peace of mind. This is also true of the person completely wrapped up in his own business or profession who cannot spare the time to study security markets.

Elderly people who want to put their affairs in good order in anticipation of death find them useful. Institutions, such as colleges, church funds, employee retirement funds, and so on, are becoming stockholders of mutual funds in increasing numbers. Even the stockbroker or market speculator will buy them on occasion for his wife or his children or for his own investment back-log.

Selectivity in Buying Investment Funds

Let me make several things clear at this point. First of all, it is important to choose an investment company which is best suited for your particular needs. There is a wide variety available and most of them represent good diversification and competent management. May I stress again, however, that you be particularly careful with respect to your selection of management.

Mutual funds, while they offer many advantages, can not offer any guarantee of profit or of a continued high return of dividends. Their value, of course, is based upon the value of the securities which they own and these are subject to change as economic conditions are altered. Finally, each person pays a sales charge when making a purchase of mutual funds, just as commissions are charged in all security transactions, and in the purchase of all goods and services. These sales charges are described in the prospectus relating to the funds.

Periodic Purchase Plans

There has been a comparatively recent development which may be of particular interest to you. That is the advent of periodic purchase plans for buying shares in investment companies on a systematic monthly basis in small or large amounts. This is a most excellent way for a young person to accumulate shares, or a nest-egg for later life. In fact it has appealed to many groups, for example, teachers and military personnel anxious to supplement their fixed income pension program with an investment based on common stocks for income.

Although an investment in common stocks may not necessarily be an offset to loss of dollar buying power, common stocks of American corporations — owning goods, plants, and equipment, and land—should in general afford better protection in purchasing power than fixed income investments.

The objective of such plans is also to make available certain accepted principles of systematic investing — "compounding" and "dollar cost averaging"—to moderate some of the risks inherent in common stock investing.

As background for this I would like to tell you an interesting and true story. This is not my first experience speaking to a college group. It may suprise you, as it does me every time I think about it, that I was once a college president. I hasten to add that it was not a college such as Lehigh, but an interesting one nevertheless.

In early 1944 I was a member of the Naval occupying forces that took the Marshall Islands in the Pacific from the Japanese. For the first several months we had to work around the clock but then gradually as the war moved further west, we had some free time. Free time for quite a few thousand young men on a tiny coral island about the size of three city blocks can present a morale problem. We could keep them busy enough during the day, but we were worried about their evening time.

The island commander was very strict about gambling and I well recall looking in on a poker game one night with about six players and twenty spectators, all intent, with matches being used for chips. I said, "Boys, I hope you are not playing for money." "Oh, no sir," they said in chorus, "this is just in fun," but I never saw such serious application to any poker game, and I am sure they were extremely valuable matches. In order to keep our men somewhat usefully occupied, some of our officers organized a college and named it after the island, "Roi College—the first American institution of higher learning in occupied Japanese territory." Probably because of my white hair, I was asked to be president of this institution. It was quite a college. We even gave out diplomas, and honorary degrees. One course was in public speaking and curiously enough the instructor in charge was a Marine Lieutenant who in private life was a professional footballer with the Chicago Bears. We had several men who had been instructors in schools and colleges. One of them was a teacher of languages. I noticed that one of his lectures was entitled "How to order a meal and how to make love—in Spanish."

I was asked to give a lecture and the title of my assignment was "How to get rich." This was a challenging assignment, and my first inclination was simply to tell the lads to solve the problem by finding a rich wife, but on further thought I decided to would have to go further than that. Fortunately, at the particular time I was not very busy, so I was able to give several week's thought to my subject and the more I thought about it and the more I figured, the more impressed I became with the virtues of compound interest.

Incidentally, that was one of our most heavily attended lectures, but I have never had any doubt that it was the title of the lecture rather than the speaker that brought them out.

I recommended, that as most of them were in their early 20's, they would be well advised to set up a program for the next 30 years, and my solution was the slow but sure one. I also advised them that human nature being what it is, many might start such a plan with the best of intentions, but only a few would see it through. But even if I were indirectly responsible for only a few of them at a later date, spending their winters in Florida and their summers fishing, then I was satisfied with my evening's work.

I had worked out some elaborate plans, showing how a young man making $50 a week could prosper if he saved $10 of it and then invested it and compounded his interest or his dividends. I worked out a lot of figures showing how such compounding of interest or dividends at the rates of 4%, 5% and 6% would grow. I was truly astounded at the way money saved and compounded at 6% grew by leaps and bounds in the later years.

Little did I realize at the time that some great financial mind in Wall Street would come up with a plan of this type. There are four prime attractions to such a plan, and incidentally I hastened to take one out for myself. First, you obtain an automatic investing plan. Second, the common stocks behind your investment company certificates will represent for the most part companies who participate in the expansion of the American economy and may therefore be expected to show capital growth. Of course, the expansion is not uninterrupted and there are, therefore, the market and income risks from time to time normally associated with an equity investment.

Third, you get what is known as "dollar cost averaging," which simply means that when prices are higher you get fewer shares and when prices are lower you get more shares, thus giving you a better average than if you simply purchased a fixed number of shares each month. "Dollar Cost Averaging" gives no guarantee that losses will never be shown, especially during a long declining market, but it is designed to moderate risk of price fluctuation by spreading out the period of investment.

Fourth, and greatest of all, you get a quarterly compounding of common stock dividends through the reinvestment privilege. During the first 10 years compounding is important, and during the second 10 years the possibilities stir the imagination.

The degree of financial success obtainable from such a program will vary from individual to individual but should largely depend on two factors—the length of time the particular plan is kept in operation; the level of the market at the time of withdrawal. This method of share accumulation involves continued investment at regular intervals regardless of price levels, and is only recommended on a long-term basis for individuals with the financial ability to continue investing at regular intervals through periods of low-price leevls.

I look upon these plans, many provided at no extra cost beyond that of buying the shares in the ordinary way, as the greatest contribution Wall Street has made to the investing public in many years.

How would you go about deciding whether to take out one of these plans, or making individual purchases of the many different types of investment funds available, or whether you should buy individual stocks, or a combination of both? That is where the investment dealer or investment broker comes in. You discuss the situation with him. Much will depend on your particular circumstances, your objectives, and so on. Then, with this information, he will, like the doctor, prescribe a security or securities for your particular needs.

Four With Schwabacher

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Martin H. Brix, Edward S. Garguilo, Harold C. Rambath and Laurence Skalowsky have become associated with Schwabacher & Co., 600 Market Street, members of the New York and San Francisco Stock Exchanges. Mr. Brix was previously with the Anglo-California National Bank.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

Mrs. Helen Hamilton Woods, Director of the Public Liaison Division of the Office of Information of the European Cooperation Administration, will be the guest speaker at the dinner meeting of the **Metropolitan New York Group of the Association of Bank Women** at the Hotel Warwick, 65 West 54th Street, New York, today (Feb. 15), at 6:30 p.m. Miss Dorcas Campbell, Assistant Vice-President of the **East River Savings Bank of New York,** will preside. "Seeing Is Believing—The Marshall Plan in Action" is the subject of Mrs. Wood's talk and will be supplemented by documentary films taken during a trip made by her last summer to study the effects of the ECA program on the rehabilitation and reconstruction of the countries of Western Europe.

* * *

Merger of **The National Safety Bank and Trust Company of New York** into **Chemical Bank & Trust Company of New York** has been approved by the State Superintendent of Banks and by the boards of directors of the two banks, it was announced on Feb. 10. Under the agreement, stockholders of National Safety will receive one-fourth share of Chemical Bank stock and $32 for each share of National Safety Bank common stock. Terms of the merger will be submitted to stockholders of the respective banks for their approval at special meetings on March 15. Upon completion of the merger the main office of National Safety Bank and Trust Company at Broadway and 38th Street would be designated the Broadway office of Chemical Bank & Trust Company. National Safety has three other offices, located at Seventh Avenue at 27th Street; Boston Road at 174th Street; and 167th Street at Jerome Avenue.

Charles Richter, Chairman of the Board of National Safety, will become Chairman of the Advisory Board of the new Broadway office of Chemical, and Max J. Schneider, President of National Safety, will become Chairman of Public Relations at that office. The members of the present board of directors of the National Safety Bank will become members of the Advisory Board of Chemical's Broadway office.

N. Baxter Jackson, Chairman of the Board of Chemical, stated that "the officers and staff of the National Safety Bank will become associated with the Chemical Bank." At their March 15 meeting the stockholders of the Chemical Bank & Trust Company will be asked to authorize an increase of the amount of its capital stock from $25,000,000 to $25,400,000 and to authorize 40,000 new shares of the par value of $10 each. Combined deposits of both banks, as published on Dec. 31, 1950, were $1,650,000,000 and total resources were over $1,800,000,000. Chemical Bank & Trust Company, founded in 1824, has offices at: 165 Broadway; 30 Broad Street; 320 Broadway; Tenth Avenue at 23rd Street; Fifth Avenue at 29th Street; Seventh Avenue at 38th Street; Broadway at 44th Street; Madison Avenue at 46th Street; Lexington Avenue at 49th Street; Rockefeller Center (11 West 51st Street—20 West 52nd Street); Eighth Avenue at 57th Street; Madison Avenue at 74th Street; 50 Court Street, Brooklyn; and United Nations, New York. Another new office at Park Avenue at 41st Street will be opened this spring.

Raymond T. Andersen and Paul J. Muller have been elected Assistant Treasurers of **Bankers Trust Company of New York,** it was announced on Feb. 8 by S. Sloan Colt, President. Both are assigned to the bank's Rockefeller Center office. Mr. Andersen came with the bank in 1945 upon discharge from military service. Mr. Muller has been with Bankers Trust since 1930.

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The **Bankers Trust Company of New York announces** that John H. Schroeder, who was killed in the railroad accident at Woodbridge, N. J., on Feb. 6, was an Assistant Treasurer of the trust company. Mr. Schroeder, who was born in Woodhaven, L. I., on Nov. 22, 1902, had been with the bank since 1919. He was elected an officer in 1947, and served in the Foreign Exchange Division of the foreign Department.

* * *

Manufacturers Trust Company of New York announced on Feb. 8 that beginning Feb. 13 banking facilities would be made available at Fort Jay on Governors Island. Services offered include regular checking accounts, special checking accounts, special interest accounts, travelers checks, etc. This is the third such facility which Manufacturers Trust, acting as depositary and financial agent of the U. S. Government, has made available to members of the Armed Formes. The other two installations are at the New York Navy Yard and the Naval Clothing Depot, both in Brooklyn. Edward G. Litka of the bank's Comptrollers' department, will be in charge of this latest facility.

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James F. Farrell, Senior Vice-President of **The Public National Bank and Trust Company of New York,** announced on Feb. 8 that Nicholas Rodelli, Administrative Assistant, was appointed an Assistant Cashier.

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At the regular meeting of the board of directors of the **National City Bank of New York** held on Feb. 13, John G. McDowell, Louis P. Snyder, Frederick F. Somers, and John J. Sullivan were appointed assistant cashiers.

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A stock dividend of $100,000 has served to increase the capital of the **First National Bank & Trust Co. of Huntington, N. Y.,** from $100,000 to $200,000. The enlarged capital became effective Jan. 16.

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Walter W. Schneckenburger, a director, Vice-President and Secretary of the **Marine Midland Corporation,** Chairman of the Executive Committee and Executive Vice-President of the Marine Midland Group Inc. and a Vice-President of the Marine Trust Company of Buffalo died on Feb. 2 at the Buffalo General Hospital. He was 68 years of age. The Buffalo "Evening News" in reporting his death stated that he was also a director of the Manufacturers National Bank of Troy, the Northern New York Trust Company of Watertown, the Oswego County National Bank, the Nyack Bank & Trust Company and the Elmira Bank & Trust Company. From the same paper we quote "He was Cashier of the Buffalo Branch of the Federal Reserve Bank of New York from 1919 to 1921 and was its managing director from 1921 to 1929. He was a Vice-President of the Seaboard National Bank and the Equitable Trust Company of New York in 1929 and 1930 and was a Vice-President of the Chase National Bank of New York in 1930 and 1931. He returned to Buffalo in 1931 and had been associated with the Marine Trust Company and its affiliates continuously since that year."

* * *

The New York State Department approved on Jan. 17 a certificate of increase of the capital stock of the **Lincoln Rochester Trust Company of Rochester, N. Y.,** whereby the capital was increased on Jan. 17 from $6,028,200 to $6,600,000. The par value of the stock is $20 per share.

* * *

R. L. Hockley, Vice-President and a director of The Davison Chemical Corporation, was elected a director of the **Safe Deposit and Trust Company of Baltimore** at a meeting of its directors on Feb. 8. Mr. Hockley's first position was as an engineer with the Campbell Metal Window Company of Baltimore in 1929. During the next year he worked as a statistician with the W. W. Lanahan Company, stock brokerage firm, also of Baltimore. From July, 1930 to February, 1934, he was employed as an industrial engineer with the Worthington Pump and Machinery Company in Buffalo, N. Y. Mr. Hockley returned to Baltimore that year and was associated for several months with J. D. Penniman, Jr. & Associates, also as an industrial engineer, and in September was employed by The Davison Chemical Corporation. In 1942 he was made Vice-President in charge of the marketing division and has maintained this position since. Mr. Hockley is also a director of the United States Hoffman Machinery Corporation. He has to his credit several articles which have been published in various trade journals.

* * *

The election of W. Albert Hess, Executive Director of Consumer Bankers Association, as a Vice-President of **The Bank of Virginia of Richmond,** to be in charge of the bank's commercial development program in Norfolk, Va., was announced on Feb. 1 in a joint statement by the bank and the association. Mr. Hess is scheduled to assume his new duties on March 1. Formerly of Norfolk and formerly with The Bank of Virginia for 11 years, Mr. Hess has been with Consumer Bankers Association since July 1, 1948. Just prior to that he was Vice-President of the Industrial City Bank and Banking Company, Worcester, Mass. Two new assistant cashiers for work with bank operations have been elected by The Bank of Virginia. They are Thomas B. Hall, in charge of operations for the bank's three offices in Norfolk, Va., and John H. Land, of the bank's office in Roanoke, Va. The new duties will become effective March 1. Both officers have been resident auditors in their respective cities.

* * *

The **Central National Bank of Cleveland, Ohio,** has increased its capital, effective Feb. 1, by the sale of $1,320,000 of new stock, from $6,600,000 to $7,920,000. At the time the plans were approved by the stockholders on Jan. 9, it was stated in the Cleveland "Plain Dealer" that stockholders of record Jan. 3 had preemptive rights to purchase the additional stock in the ratio of one new ($20) share for five held at $27 a share. The "Plain Dealer" of Feb. 2 stated that it was announced on Feb. 1 that 62,304 shares had been subscribed for, and it was added that this was 94.4% of the total offered, leaving 3,696 to be sold by the underwriting group headed by McDonald & Co.

A 10% stock dividend in common stock, payable Feb. 23 to stock of record Feb. 9, was declared by the directors following approval by the stockholders in January. It is indicated in press accounts that the plans would provide for the retirement of $900,000 of preferred stock, leaving $2,500,000 of preferred stock outstanding.

* * *

Through a stock dividend of $500,000, the **Lincoln National Bank and Trust Company of Fort Wayne, Ind.,** was increased as of Jan. 9 from $1,500,000 to $2,000,000.

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The **First National Bank of Madison, Wis.,** increased its capital, effective Jan. 18, from $1,200,000 to $2,000,000 by a stock dividend of $800,000.

* * *

An addition of $1,000,000 to the capital of the **First National Bank of Fort Worth, Texas,** has been brought about by a stock dividend of $500,000, and the sale of $500,000 of new stock, the capitaly thereby having been raised, effective Feb. 1, from $3,000,000 to $4,000,000.

* * *

The **City National Bank of Galveston, Texas,** reports a capital of $500,000, increased on Jan. 18 from $400,000, as the result of a stock dividend of $100,000.

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Inflation and Stock Prices

ward 120%, and the total "money supply" increase 50%. What would stock prices do, go up or down? The fact of the matter is that *the foregoing figures portray what actually occurred in the 1940-42 period.* Stock prices as measured by the Dow-Jones Industrials *declined* during the period from about 150 to 92, or 38%. The rail average slipped from about 32 to 23, or 28%.

Thus, there are other factors—other than "inflation"—which for intermediate periods at least, affect public psychology in different ways. The human mind is fickle. Almost total emphasis on one basic factor is usually overdone and is often suddenly replaced, through a new set of circumstances, by a loss of confidence and a complete reversal of earlier thinking.

Long-Term Picture

Looking at a longer-term picture we find the following:

	Jan., 1940	June, 1948	% Incr.
General Price Level in U. S. (1926 = 100)	79	166	110
Dow-Jones Industrial Stock Averages	150	165	10

Admittedly, June, 1948, was a low point in the market. Yet, the fact is this level *was* reached in spite of the dollar depreciation over the years. As a matter of fact, the 160-170 for stock prices was reached a number of times during the 1946-1948 period.

It is interesting to note the movement in other countries of common stock prices relative to the purchasing value of the money. In Great Britain and France, during more recent years, prices of goods and commodities have continued to advance (or, conversely, the buying power of the money declined), while common stock prices, on the average, are still lower than they were more than three years ago.

The following figures are from the "Federal Reserve Bulletin":

	Great Britain		France	
	Wh'sale Price All Commodities 1930=100	Com. Stock Prices 1926=100	Wh'sale Price All Commodities 1938=100	Com. Stock Prices Dec.'38=100
1947	192	94.6	989	1,149
1948	219	92.0	1,712	1,262
1949	230	87.6	1,917	1,129
Nov., 1950	288	92.9	2,304	1,029
% Change from 1947	+50%	—2%	+133%	—1%

It would appear that the basic factors which severely depreciate the value of money also tend to accentuate bureaucracy, usually with resultant increasing controls over private enterprise designed to circumvent or offset fundamental economic forces. Such policies apparently undermine investment confidence at some point and thus mitigate commensurate reflection of deteriorating money in terms of common stock market values. In other words, there are a great many factors which influence security prices and the relative purchasing power of money is only one of them.

No one knows just what particular factor, or accumulation of developments, may change the present overriding emphasis on "inflation" in the current market. There are still other fundamentals at work, such as relatively favorable income return on dividends which are likely to be maintained by good grade stocks. This "income" factor should continue as a force in the market. This, however, is apart from the present discussion of "inflation" as a basic market force in itself.

There seems little question that as the United States vigorously pursues its defense program a continuing underlying upward pressure on the general price structure will be present. Controls merely conceal and defer such forces. Over a period of time, the dollar, in terms of purchasing power, may well be worth less than it is now. Indeed, the evidence points to this eventuality as almost inevitable Yet, there are other *intermediate* forces which affect stock prices, too, forces which restrict earnings, such as excess profits taxes, price controls, contract renegotiations, raw material prices and wages increasing faster than the companies' selling prices, etc. We have seen in the past, in this country and abroad, that a declining value of the currency, or put another way, an advancing general price level is not any definite assurance that stock prices will even roughly parallel such a movement. Indeed, there have been *intermediate* occasions when stock prices have declined substantially in the face of a sustained advance in the general price level, or to use the more popular term, "inflation."

With Hincks Bros.

(Special to THE FINANCIAL CHRONICLE)

BRIDGEPORT, Conn. — Joseph H. Ridener is with Hincks Bros. & Co., Inc., 872 Main Street, members of the Midwest Stock Exchange.

Joins Putnam Staff

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, Conn.—Frederick C. Pond is now with Putnam & Co., 6 Central Row, members of the New York Stock Exchange.

With Barnes, Bodell

(Special to THE FINANCIAL CHRONICLE)

NEW HAVEN, Conn. — Edward W. Miller is now affiliated with Barnes, Bodell & Goodwin, Inc., 257 Church Street.

Continued from first page

As We See It

of the Administration. The party had a good many "lame ducks" to take care of after last fall's election, and good party members seem to know well enough where to place them. In the case of serious trouble abroad this "sanctuary" for the faithful at home could be fully as crippling as General MacArthur has found the "protected" areas north of the Yalu.

Politics! Politics!

What Mr. Wilson, undoubtedly an able business executive, will do or will be able to do about all this remains to be seen. It does not yet appear to have reached into his immediate entourage in a serious way, but one does not have to go far down the line to find plenty of it, and the situation appears to be growing worse rather than better as time passes. Of course, we must recognize that any organization designed to effect rearmament must work in an atmosphere of politics, yes, partisan politics. The President himself is a professional politician, and his Administration is "professional" in much the same sense. Experience during World War II made it clear enough that in such a situation the ablest executive in the world who is ignorant or contemptuous of political maneuver is beaten before the race begins. The fact remains, however, that rearmament and the maintenance of a sound economy are the essentials, and only he who is able to make use of politics to achieve these ends or at all events can achieve these ends despite politics can be regarded as successful.

It is, of course, not possible to separate fully this political factor from that other difficulty—lack of understanding of the basic elements of the problems encountered. These elements often go to the very heart of what is called economics. The professional politician could hardly be expected to have any real grasp of such matters. The most that can be reasonably expected of him is that he choose advisers and administrators who do understand them, and give such men a reasonably free hand. It is plain enough that this has not always been done in the current program.

Evidence of Failure

Evidence of such failure is supplied in abundance, for example, in the current controversy between the Treasury and the Reserve authorities. Of course, the parties involved here are not recent appointees. The Secretary of the Treasury has been with this Administration for a number of years, and, so far as known, is quite solidly in its confidence. The members of the so-called Open Market Committee, or at least some of them, are not so directly under the control of the President as one of his own cabinet, but he would be naive indeed who supposed that no politics entered into the choice of officials who compose this body.

The Open Market Committee has of late been very, very careful of its public utterances. For the most part, one must resort to inference and past utterances to gain an insight into the precise thinking of that body at this time. It is, however, perfectly obvious that the Treasury and at least some of the members of the Board of Governors of the Federal Reserve System have no adequate grasp of what is involved—or at least what should be involved—in the present controversy. If the remaining members of the Open Market Committee have a thorough grasp of the full implications of the questions now under discussion, they have thought it well in the circumstances to remain uncommunicative.

If it were otherwise there would be no argument about the rate at which the Reserve banks would "peg" government securities. The truth is, of course, that they should not peg them at all! To peg them at yields which the great rank and file of investors are willing to accept on their own would obviously be meaningless and useless; to peg them at yields lower than that—no matter whether 2½% or 3½%—would mean an artificial market, a market in which holders could convert their bonds into cash at will at a pre-determined price. In short it would mean monetized debt, the evil against which all the current complaint is directed.

Controls and Confusion

The episode which resulted in the disappearance of Mr. Valentine from the Washington scene is another case in point. We are in no position to say precisely what happened in this particular instance. It is, in any event, not of the essence. The important thing is that as soon as Mr. Valentine was out of the way sweeping "freeze" orders were issued, the meaning of which in particular cases no one on this green earth knew. What is more, there was no way of finding out, and there was no one to enforce any of them. For some weeks now one of the purely political appointees of the Fair Deal Administration has been sweating to bring some semblance of order from the chaos created by this hasty order. Obviously, no one in real authority had any conception of the problems involved in this matter—and apparently have no such understanding now.

Many more instances could easily be cited, but space is limited. Turn now to the third great weakness of the Administration in giving effect to all this—its inability to carry an overwhelming majority of the minds of the country along with it. Current polls of opinion are hardly needed to convince the ordinary man that doubt is widespread as to whether the Administration really knows what it is doing, whether it is wise in doing what it has undertaken, or whether it can chew what it has bitten off. Yet some such conviction, or else something which arouses the emotions to white heat—as in war—is essential to the success of such control programs as those now being initiated.

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The Gold Standard, the People, And the Gold Mining Industry

dollars" we adopted a gold and silver standard (bimetallism); after the Civil War and its "greenbacks" we went back to gold; and after World War I and its inflation we also hastened to return to gold. Dozens of other nations also returned then, even more enthusiastically than we, because they had suffered from more painful inflation. It is my belief that if we experience a serious inflation in the years ahead, we shall again find a strong public demand that we return to a gold coin standard. In summary, the pressure for a gold standard is greatest following a demonstration of the evils of inflation.

What Are the Gold Standard's Limitations?

Like everything else in this world the gold standard has imperfections. Under certain circumstances they appear rather glaring. For example, if mining discoveries and techniques fall far behind techniques of industrial production, the value of gold may rise, which is the same as saying that prices may fall. If that situation continues over a long period of time, it may hurt certain economic classes. This was demonstrated between 1865 and 1896 when the cost of living index fell 33 to 50% and wholesale prices fell 60%. Farmers and debtors were hurt by this development.

If gold discoveries and techniques of production get ahead of industrial production, as they did from the 1890's on, the reverse may be true and prices may rise. Creditors and fixed income groups lose under these circumstances.

This instability in the value of gold is a fault of the gold standard. The cure for it, however, is not shifting to a paper money standard or to some other soft money standard. That leads only to a rolling inflation with almost no brakes. We had that sort of standard in colonial times and we have had it since 1933. But the gold standard has seemed more at fault when the price level has fallen, as it did 1865-96 or 1929-33 than when it has risen. Then the cry goes up, "Let us not crucify mankind on a cross of gold," or simply, "Let's get off this depression standard." The gold standard, in short, is least attractive after a period of falling prices. Then the paper money or managed money advocates find many eager and willing listeners and enjoy the greatest chances of success. These are the periods that produce Greenback Movements, Free Silver Movements, and Devaluation Proposals.

Why Don't We Have a Better Gold Standard Today?

The present administration does not want a better gold standard, and I think that a Republican administration perhaps would not either now unless there was great public pressure for it. There is no great public pressure yet, I regret to say. There is no strong international pressure either.

We have the kind of gold standard that we do because of assumptions made here and abroad in the 1930's and because of arguments thought up subsequently to justify what was done and to keep the system we have. Some of these assumptions and arguments are partly true, none of them is wholly true, and some are wholly false. I shall mention several of them and will answer each before going on to the next.

(1) It was said that there was not enough gold to go around and remaining on a gold standard would commit us to a steadily falling price level, depression and unemployment. It is very doubtful whether there was an insufficient world supply of gold in 1929 (the supply had doubled between 1900 and 1929), whether world gold insufficiency caused the 1929-33 depression, or whether it caused England to abandon the gold standard in 1931, or us to abandon it in 1933. In any event since 1930 the world's supply of monetary gold has almost doubled again. There is ample gold in this country: we have over half the world's supply. There is also more abroad than most people realize: quite a number of countries have more dollars' worth of gold today than they did in 1929—Switzerland, Belgium, Italy, and England do, for example. Admittedly France, Germany and Japan have less, but Europe as a whole has more and so does South America.

(2) Another argument was and is that there is not enough money in the country to redeem everyone's paper money and deposits at once, therefore the government must take title to the gold and hold it for the benefit of all of us. This is almost entirely specious. Partial reserves have been the rule under almost every monetary standard known to man. We have more gold today per $100 of paper money and deposits than we averaged in any year, 1915 to 1932. We have $13 today and we had from $7 to $11 in those earlier years, usually nearer $7. Even if we call all negotiable government securities another form of demand deposits, the ratio is $7 gold to $100 of liabilities and is still adequate by the 1920 standards.

(3) The gold standard does not adjust the world's supply of gold and the world's price level automatically. It is true that some gold standard theorists have claimed too much for the gold standard in this respect. Certainly gold supplies and price levels do not adjust as quickly as might be hoped. That has probably become truer since we learned how to block or stimulate gold flows through open market operations and other central bank maneuvers. This last I frankly regard as the strongest argument against the gold standard.

(4) The gold standard has given us a roller coaster price level, up one generation, down the next. Thus it is forever hurting one economic group or another. This roller coaster metaphor is exaggerated although it has at times been disturbing, as in 1865-96. Even so it is not as bad as a price level that is biased in only one direction and that upward, which is what we have had since 1934.

(5) "We have to have a managed standard anyway in this modern world to avoid seriously disturbing price changes, therefore why bother with a gold standard, for gold only adds to the expense." True, some management is necessary but too much can be harmful. How can we recognize what "too much" is, in time? Let us begin with the assumption that in a democracy the money managers are bound to be under strong political pressure to adopt policies that lead toward inflation. The arguments advanced will generally appear reasonable but will nearly all tend in one direction. They may be that low interest rates are needed to keep the cost of Treasury financing down and taxes low. Or that low interest rates are needed to stimulate private investment and thus avoid another depression. Or that an unbalanced budget must be tolerated for a while to keep taxes low enough so business will have enough incentive to expand and produce more. Or that more expenditures will stimulate more production; more money and more goods will balance one another, and there will be no inflation. Or that an unbalanced budget is essential because defense costs are just too high to be financed out of taxes. These are a few of the arguments you have heard or probably will hear. There will be others equally plausible. But they all point to cheaper money and inflation.

As I said a moment ago, from the very nature of a democracy, Congressmen are under pressure to spend more and more to please. We used to have traditions and institutions to offset this occupational disease of democracies. The tradition of a balanced budget was one. The gold standard was another. When people became worried, they demanded gold to hoard or to export, our reserves fell, Congress became alarmed (just this happened in 1893-95) and steps were taken to reassure the public. In short, although some monetary management is essential, it should be carried on within definite limits. The gold standard is needed to provide those limits and to protect the Treasury and Congress from undue pressures. If a gold coin standard prevents one or two serious inflations in a century, it is well worth its keep. Faith in the reliability of our money is essential to the economic growth of our nation. If people lose faith in their money they become discouraged about saving and investing. I can think of no country that has made economic progress with a badly inflated currency.

(6) Some economists contend that it is necessary to have many countries on a gold standard, to have it international, for it to suc-

ceed. This argument quite overlooks the size of the country and its importance in the world. May Monaco, Lebanon, Andorra, Luxembourg and half a dozen other small nations succeed in having a gold standard between them, but the United States be unable to have one alone? Is that not ridiculous on the face of it? This country possesses a third of the world's manufacturing production and railroad mileage, half of the world's capacity to make electricity and steel, over half the world's oil production and telephones, and three quarters of the world's autos. We have over half the gold too. Why should we feel it unsafe to have a gold standard unless some other nations join us in the project? Is it to be supposed that a federation of 48 nations could succeed in this but a nation of 48 sovereign states cannot? This is puerile. We can if we want to. Moreover if we do, other nations, many of them, will almost certainly follow our lead. They have generally done so in matters industrial and financial in recent years.

(7) Some opponents say, "The gold standard always fails us when we most need it. In a long war or in a depression we always always have to abandon it." This is a completely specious argument. It is like a man complaining that he ran his car into a tree last night and just when he needed the car most to get to the hospital it failed to run and he had to abandon it. The point, rather, is what sort of a car was he riding in at the time of the accident? If it was heavy and well built, he was probably hurt less than if it was light and flimsy. So it is with a monetary system. We may have to abandon it or we may not in a crisis, but let us have one as strong as possible, and as long a time as possible, so that we shall be hurt as little as possible.

(8) There is one more argument against the gold standard, but almost no gold standard opponent ever mentions it. It forces Congress and the Administration to be more economical and unable to offer as many welfare or "pie-in-the-sky" programs. A populace disturbed by financial foolishness will draw out gold. This acts like a fire-gong in the night. To put out the fire in its early stages and to restore confidence Congress then has to drop the foolishness and balance the budget. That of course means less "pie" or higher taxes, usually less "pie." This is a very powerful reason why planners, reformers in a hurry, and near socialists do not like the gold standard. They like it no more than dictators like honest elections.

What Can We Do About It As Gold Miners or Citizens or Both?

The gold miners should play for the big stakes, not the little ones. The big stakes are a return to the gold coin standard, and that is most likely at $35 an ounce. This would give assurance of a firmer hold on that unlimited market. The little stakes are possibly a higher price for gold, but the probability of a longer delay in effecting a return to the gold coin standard.

Do not make the mistake that the silver interests have made and hurt the reputation of gold for years to come as they have hurt silver's. While I personally do not approve of the silver mining industry's philosophy and tactics, given that philosophy, I can see the logic of their tactics. Apparently, they felt that silver was as deserving as gold and the only way to achieve bimetallism was to push up the price of silver. The same situation does not apply for gold. Gold already has its unlimited market. You need a firmer grip on it, however. By seeking a higher price the gold miners stand a good chance of losing that market. It is not worth the risk.

Gold is somewhat out of style now, probably more economists oppose it than favor it, but there are still many influential ones who favor it. The gold standard's critics would have a "field day" if the price of gold were raised to prepare the way for another devaluation. A move to devalue in a country already fearful of inflation and demanding more economy would very likely create a demand that we abandon the half-baked gold standard we now have. You and I and many others would be sorry to see it go. You like it because it is a sure market for your gold, all of us like it because it is a foot in the doorway leading to a return some day to the gold coin standard. Do not lose your foothold trying to climb over the transom to higher prices.

As citizens all of us can and should urge our Senators and Congressmen to return to the gold coin standard. There is a sound bill in Congress looking to that end right now. It is the bill of Congressman Daniel Reed of Dunkirk, New York. It has the backing of many members of the Economists' National Committee on Monetary Policy. May I urge you to write or wire your Congressman to support it.

Why Is it Important That We Should Return to a Gold Coin Standard?

Are you worried about the somewhat socialistic trend of our times? Are you worried about threatening inflation? Do you want to check both trends? A return to the gold coin standard will have that influence. I do not say that it will completely succeed, for it is no panacea, but it will be a powerful deterrent to both socialism and inflation.

A return to a gold coin standard will stem the trend towards socialism because it will promote economy. I said earlier that there is an inherent trend towards ever greater government spending and inflation in a democracy. In the past this trend has been braked by several traditions or institutions. One was the balanced budget. Many people no longer worry much over that and some economists call it a positive evil. Another brake, devised in the 1920's, was open market selling operations by the Federal Reserve Banks. But these are regarded as no longer practical with a huge public debt. They force down bond prices and make bonds seem dangerous to buyers and more costly to the government and to the taxpayers. Another brake was unmanaged interest rates. Interest rates are now controlled largely by the Treasury in order to protect bond prices. Still another brake is pressure on Congressmen to economize. Is it not highly significant that the Hoover report has had only very modest success? Economy for itself alone is not enough: it is too negative a goal. It must be sought as a means to something more positive. Even to demand economy to prevent inflation stirs few people, for inflation comes slowly. But to demand economy to protect the gold standard makes more sense, for gold flows are sensitive indicators. Probably, then the best brake of all is the gold coin standard with domestic convertibility. It, more than anything else would force us to go on a pay-as-you-go program and would limit government sponsored projects. We would examine these much more carefully if we had to pay for them now and we would pick only the best.

We are also heading towards more and more inflation because people are losing confidence in the dollar. The dollar's value has fallen 40% in ten years in terms of cost of living and 57% in terms of wholesale prices. We have balanced the budget only twice in 20 years. We have a tremendously costly defense program ahead.

There are three ways of financing that defense program; namely, by taxation, by borrowing, and by creating money. Creating money is always dangerous but it is especially inflationary under conditions of full employment such as we have today. As for government borrowing, who wants to buy bonds at 3% for ten years and then only get back 60 cents on the dollar in terms of purchasing power? That is what millions of persons are finding out about first hand as their savings bonds mature. That leaves taxation. Total taxes are already taking 30% of the national income. They are reaching the point where they kill incentives in some areas. If we raise taxes much higher, we may curtail production. Something must be done to rehabilitate some other method of financing our defense program to supplement taxation. That something has to be government borrowing. To improve it, waning confidence in the dollar must be restored. What will restore that confidence?

In my opinion a return to the gold coin standard is the answer. Gold is one of our greatest unused assets. We have more gold per paper dollar and deposits than in the 1920's. Convertibility to gold would restore confidence in the dollar and would make people more willing to lend instead of less willing to lend. In recent months Professor Sumner Slichter of Harvard has suggested that the government issue a bond whose purchasing power would be guaranteed. In the Civil War, when people were reluctant to buy bonds, the government made them payable, interest and principal, in gold. Both the Slichter proposal and the Civil War plan would have fatal weaknesses today. Both would guarantee some bonds but not others, which would tend to drive down the market value of all the bonds that were not guaranteed or were not payable in gold. The effects of such a market adjustment could be devastating to many financial institutions. The fairer solution is to return to a gold coin standard now, thus making all bonds payable in gold, and more important, making government bonds more attractive. But if we must do this, we must do it soon, before loss of confidence in the dollar becomes much greater, before confidence in bonds sinks lower, before taxes go higher and yet tax revenues buy less—in short, before inflation gallops faster.

Bruck With Floyd Allen

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—Frank O. Bruck has become associated with Floyd A. Allen & Company, 650 South Grand Avenue. Mr. Bruck was formerly with Walston, Hoffman & Goodwin and in the past was trading manager for Oscar F. Kraft & Co.

With Goodbody & Co.

(Special to The Financial Chronicle)

ST. PETERSBURG, Fla.—John H. Willbrand has joined the staff of Goodbody & Co., Quimby Building.

Joins Security Associates

(Special to The Financial Chronicle)

WINTER PARK, Fla.—Robert D. Peacock has joined the staff of Security Associates, 114-E South Park Avenue.

In Investment Business

(Special to The Financial Chronicle)

BERWYN, Ill. — William H. Hudecek is engaging in the investment business from offices at 6504 West Cermak Road.

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Issues in the Defense of Europe

Trieste, the Italians are under obligation not to fortify. The widely expressed concern is that the burden of rearmament will so lower the scale of living that it will fan the Communist parties of the north, so strong in those industrial areas, to make difficult and even to stop her productive effort.

Yugoslavia

In Yugoslavia I had the opportunity of talking with Marshall Tito and his Minister of Foreign Affairs. The Marshall answered the questions I put to him with directness. Czechoslovakia in 1938 made her mistake, he said, in not fighting instead of accepting the partial dismemberment forced on her at Munich. If she had resisted with arms, she would have forced England and France to come in on her side. If attacked, he said, we will fight long enough, to bring the West in on our side, for a retreat by us in the north opens the road to Italy while our defeat imperils both Greece and Turkey. In case of attack, our need, he continued, will not be men but equipment — jet planes, tanks, bazookas and heavy artillery. But America, and he paid respect to her military power, has not yet exhausted the possibilities of an amicable arrangement with Russia. Moreover, America is wasting her strength in Korea. The strategic area today as always, he concluded, is in Europe and not in Asia.

Marshall Tito seemed to have substantially weathered the Russian-Communist forces that initially opposed him in Yugoslavia. The vast majority of the Communists in Yugoslavia had been young and new members and had fought with him in the war, and he had thus succeeded in swinging their allegiance away from Moscow to him. But Yugoslavia is still a sparse and grim country, with recovery slowed by drought, the essential inefficiency of the Communist system, and the absence of Marshall Aid funds. Its people, however, are determined to fight.

Spain Poor But Willing

Spain again is a picture of poverty but of an army willing to fight. It lacks, however, almost everything needed for modern war. It has no real air force, few trucks, an inadequate rail system and no anti-tank weapons. It needs officers conversant with our standards, our specifications, our training and equipment to boot. The big question mark is whether Western Europe will permit it or invite it to join in the common effort of defense. In England I found distrust and distaste for Franco's help and doubt of its efficacy. In France, Bidault confirmed these doubts. Bringing Spain in, he said, might give the impression that our line of defense is in the Pyrenees and not on the Rhine and that would be fatal to France and her effort. But there is manpower in Spain, determined and aggressive, but a woeful lack of arms.

The firmness and quality of Europe's will to resist is not an easy subject of analysis. Besides the war-weariness of her peoples, there are the conflicting political ambitions of her nations. There is the precariousness of her hard-won economic recovery that could be overthrown by the heavy drain of rearmament, while waiting for just such an opportunity are the millions of disloyal Communists within her own borders. There is strength, great strength outside the nations of the North Atlantic Pact that still remains unharnessed and, as in the case of Yugoslavia, may be picked off singly before Western Europe can bring itself to a decision. There is Germany, about which there must be some meeting of minds. And although a line of defense for Western Europe must be far east of the Pyrenees, Spain as a base for operations, as a source of power, and because of its strategic position straddling the Mediterranean, can no longer be ignored.

Congress and President Must Face the Facts

The assessment of Western Europe's potentialities is a necessary condition for shaping the extent and nature of the aid we can and should supply. That program from this country's standpoint cannot be the product of one man's thought or that of a small group. It is this nation acting through the Congress and the Executive that must fashion that program and coordinate it with our own defense. To do that we must not be afraid of facts or seek to gloss them over by a veneer of trustful but mistaken understanding. If we are to share, we should know the nature of the venture that we are being asked to undertake, what our partners say they will do and what they actually do or have done. Mutual aid to be successful demands both aid and mutuality. Its conditions should be stipulated at least in broad outline and, if the spirit of mutuality is to endure, those conditions should be met. At the moment, no permanent assessment of the picture can be made and even a tentative one is full of doubt and darkness. In the countries of Western Europe dwell over 200,000,000 people. It has enormous productive powers that can be of immense value to us and can be tragically harmful in the hands of Red Russia. Productive power is the basis of military power, and because of that it is discouraging to an American observer to see the limitations on Europe's rearmament effort. Neither industrial power nor manpower are military assets unless they are efficiently mobilized.

Europe Must Make Sacrifices

If Europe is to be saved, Europe must commence to make sacrifices sufficient for that purpose and commensurate with the danger that threatens to engulf her peoples. The plain and brutal fact today is that Europe is not making these sacrifices. Except for Yugoslavia and Spain, her military budgets in terms of their proportion of the national income are far below those we propose for ourselves. Her draft of manpower is less severe than what we suggest should govern us here. The nations of the North Atlantic Pact still lack any systems for the control of strategic materials. This effort today is clearly not enough. It is important that Western Europe be saved, but we cannot do so ourselves or pay a price that will endanger our own survival. We cannot link our whole fate to what is presently a desperate gamble. We can and will survive despite Europe, but with her it will be that much easier. But Europe must know, as we are again learning to know, that freedom is born and held only by deep sacrifice.

With Edgerton, Wykoff

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Robert L. Marvin is now affiliated with Edgerton, Wykoff & Co., 618 South Spring Street, members of the Los Angeles Stock Exchange.

Joins First California

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Frank C. Robinson is now connected with First California Company, 647 South Spring Street.

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Treasury-Federal Reserve Dispute

the purchasing power of the dollar, but the Treasury is also on sound ground when it says that investor confidence in Treasury securities should not be impaired by unexpected sharp fluctuations in the dollar prices of its securities. These two statements are the crux of the dispute.

Should Come to Agreement

Now let us digress for a moment in order to examine the weight that should be given to the Board's contention that it has a responsibility for credit that it is not able to discharge. There is nothing new about this. The Federal Reserve was charged just as fully in this connection nine years ago as it is today. Yet nine years ago, as a consequence of the war emergency, the Federal agreed to underwrite a pattern of rates for Treasury wartime financing. The Federal had no option, because the Treasury faced an unprecedented deficit, the money had to be raised, and there was nothing else to do.

Since the Treasury again faces a deficit, is there any better way to resolve matters than to bring about an agreement between the Treasury and the Federal in the technical area of interest rates and support techniques?

Nine years ago when the Federal accepted the responsibility of protecting the prices of Treasury securities, the Secretary of the Treasury would have accepted a support price that was fractionally below par. When I say this I am not making an assumption. The choice of par, as a precise figure, was made by the Federal, and with the passage of time most Treasury security investors have come to believe that whenever "the cards were down," neither the Treasury nor the Federal would elect to drop the support price of the 2½% bonds below that figure.

Indeed, you will recall that by the time we had to face up to the inflationary problems of 1947 and 1948 a leading official of the Federal proclaimed that failure to support Treasury 2½% bonds at par would lead to a catastrophic condition. We repeat that we firmly believe that we need to get away from par support, and we believe that a program should have been and could have been worked out long before this. A period of national emergency and of bitter dispute between the Treasury and the Federal, however, is not a propitious moment to engage in drastic changes or to withdraw support.

Furthermore, if the reasons for supporting outstanding Treasury bonds were compelling in 1948, how do we justify ignoring similar reasons today?

The Federal has lived with its conscience for nine years. Why must it suddenly choose a war emergency and a period when the Treasury faces a deficit of unknown size to suggest that it be free to act independently?

Indeed the differences between the type of inflation that we face today and that with which we were confronted in 1947 and 1948 should leave the Federal Reserve with less rather than more reason to have precipitated these questions. During 1947 and 1948 the inflationary problem arose primarily from activity in the private economy, at a time when the Treasury had a substantial cash surplus. The present inflation has been enlarged by the prospect of controls, of shortages, and of an undefined but large defense program.

Some portion of the plant and equipment expansion necessary to the defense program is yet to be met. The money needed from outside sources must come largely from either the insurance companies or the commercial banks. At the present time great emphasis is being placed on the expansion of bank credit. Few seem to realize that under existing conditions loans granted by banks are less inflationary than the extension of an equal amount of credit by insurance companies.

Now, the Treasury security and other bond markets have remained relatively calm throughout this drawn-out Federal Reserve-Treasury dispute and its accompanying publicity. This calm is the result of a general confidence that the Treasury long-term rate of 2½% will stand, and so will par support for outstanding long-term bonds. In other words the rank and file of investors do not believe that the Federal will be or will feel free, in the final analysis, to unstabilize the Treasury security market by decreasing the support prices or by withdrawal support.

Attitude of Investors

My first question, therefore, is as follows: If against the contentious background of recent months, the Federal reduced its support price for Victory 2½s to 100 and, at the same time, became a more-than-usually reluctant to be calm or would their confidence be somewhat shaken?

Second, would a drop in the support price of 2½% bonds to buyer of short-term Treasury securities, would investors continue 100 or an increasing denial of a market to some holders of Treasury securities produce an increased volume of precautionary sales?

Third, if the Federal Reserve were to drop the support price to 99½ or 99, how confident would institutional investors be that such support prices would hold?

If the Federal breaks par in support of Treasury bonds, will this be deemed, by investors, to be evidence that it has adopted a program of retreat to successively lower prices depending upon the volume of bonds offered to it?

If, to make its credit less readily available, the Federal decided to let the market decline to whatever point was necessary to dry up selling; how far would prices have to decline? Does anyone know? Can we afford to act on optimistic guesses?

Now let's go to the other side of these things. Let us assume that, to reduce the availability of credit, the Federal Reserve drops its support prices sufficiently low that it ultimately dries up any substantial selling. How many institutional investors would become buyers of Treasury securities?

We are asked to believe that more Treasury securities can be placed if the interest rate offered on them is made more "attractive." When bond prices decline interest rates become more attractive, but I have never seen a bond market that was undergoing a major decline that could be characterized as a confident one. If the bond market is caused to decline sharply while institutional investors are net sellers on balance, where are the additional buyers of these bonds going to come from?

Trend of Rates—Important Consideration

We believe that the important consideration is not whether interest rates become more "attractive" or whether a higher level of rates is brought about. It is the **trend of rates** that is important. As bankers, you may agree that there is a tendency to feel more "loaned-up" when the outlook is for higher rates of interest than is the case if the outlook is for lower ones. The same thing is true with respect to bond buyers. A given rate is unattractive if the trend of the market is down, but the same rate can appear attractive if the price trend is stable or rising.

Please do not misunderstand. We are not an advocate of low interest rates. We would have much preferred a Treasury decision calling for a long-term 2¾% bond or a long-term 2½% bond at a discount to yield 2.70% or 2.75%. Both of these would have been possible without disturbing the stability of outstanding bonds if the Treasury and the Federal had evidenced an ability to resolve their differences.

We have been told that market conditions have clearly shown that the Treasury has insisted upon interest rates that are "too low." In justification, our attention is called to the natural forces of supply and demand as they appear in the market and to the amount of Treasury securities that the Federal has been forced to acquire. The market for Treasury securities during the past year has been made almost entirely by the Federal Reserve, and the market has looked, most of the time, the way the Federal open-market operations caused it to look.

Let me illustrate this by comparing two financings a year apart. First, we will go back to November, 1949. When the Treasury and the Federal Reserve were discussing the terms to be set on the approaching refunding of that period, the market "looked" as though a 1⅛% rate were no longer suitable. The Treasury, nevertheless, decided to continue with a 1⅛% one-year rate. It also offered a 1⅜% note with a 4¼ year term. This note quickly reached a premium of 11/32 above 100. Why? Because investors took the financing decision of the Treasury as an indication that the Federal had lost the fight to advance the pattern toward higher yields. Both offerings were an outstanding success.

During the months following the Federal showed, by its handling of the open market, that it had not given up the fight. Even when the Treasury, in the spring of last year, acceded to somewhat higher interest rates for shorter-term securities, the Federal appeared to be dissatisfied. At least, that is the impression gained by close observers, an impression that was more than fully justified by the open break that occurred in August of last year.

Let us now consider the latest refunding in which the offering consisted of a single issue of five-year 1¾% notes. The terms set by the Secretary of the Treasury were those recommended by the Federal Reserve, ones that were later characterized by the Federal as appropriate and attractive. Most market observers, and we believe the Treasury as well, were skeptical of the appropriateness and the attractiveness of a five-year obligation for corporations, who were large holders of the maturing securities. But there are grounds for believing that the Federal assured the Treasury that this refunding would be a success.

What is the record? Only about 52% of the public holdings of the maturing securities were exchanged for the new issue and held throughout the exchange period. The remaining 48% of the public holdings were sold to the Federal or redeemed for cash. This hardly could be construed as a successful exchange from the point of view of the sound objectives of debt management.

About 15% of the public holdings were redeemed for cash. This compares with a 21% cash redemption last September and October and with the more normal cash redemptions of 5% or less. The drain on the Treasury's balance resulting from these two refundings was $3½ billion.

The differences between the successful refunding of November, 1949, and the unsuccessful exchange offering made in November, 1950, are twofold. In the first place, it is a testimony to the deterioration in investor confidence that has been brought about by the public wrangling over differences. Second, it suggests that the Treasury is a better judge of the type of securities that investors will buy than is the Federal.

No Cooperation Needed

This brings to mind something that has occurred to us with increasing frequency over recent months. We have wondered whether the Governors of the Board and the other members of the Open Market Committee could possibly be too far removed from an intimate contact with the Treasury security market, that is, from the changing states of mind, the preferences, and the reactions of those whose activities create the supply and demand with which the Federal open-market operation must contend. These are details of great importance when it become necessary to refine the terms of Treasury offerings. We also have wondered whether an adequate exchange of technical information takes place between the Treasury and the Federal. We have wondered about these things, because if such situations were to exist they would explain why some of the misunderstandings arise.

But let us get back to more tangible things. The apparent calmness of institutional investors will be put to a full test when the Treasury begins to refund almost $40 billion of maturing or callable securities. The bulk of these refundings covers a span hardly longer than four months and begins this June.

Were the Treasury to experience the same percentage of cash redemptions that it suffered in the last refunding, it would have to pay out about $6 billion. No wonder the Secretary of the Treasury believes a stable and confident Treasury security market is a prerequisite to financial mobilization.

If, therefore, the Federal Reserve were to endeavor to make credit unavailable by reducing support or by withdrawing it, what would be the attitude of holders of the maturing and callable Treasury securities?

Many have substantial forward commitments in mortgages and the like. A larger number would be offered good loans at rates substantially higher than those now prevailing. Some of these loans will be necessary to the defense program.

Would investors accept the refunding offerings to be made by the Treasury?

Or would they deem it prudent to redeem their securities in order to meet their commitments or to make loans?

If, in the final analysis, the Treasury met with no greater success in these financings than in those just past, would potential buyers of long term Treasury bonds gain or lose in confidence?

And, wholly aside from the Treasury's cash position, if it must meet large-scale cash redemptions, from whom will it obtain the funds? From the Federal Reserve Banks? Or from the commercial banks?

In either event it would appear that banks as a whole might be forced to cope with some more or less unworkable plan such as a secondary reserve requirement, a ceiling reserve plan, higher cash reserves, or they may be told to accept Treasury certificates of deposit bearing interest at some rate such as ¼%. Yet none of these devices will insure an improvement in the credit condition over what it can be if debt management is permitted to work in our favor instead of against us.

This is not a question of interest costs. Surely many would prefer higher rates, but the determining element in the equation is the maintenance of investor confidence. This requires a stable and confident Treasury security market and confidence among Treasury-security investors that they will not be subjected to some abrupt manipulation of the market, by either the Federal Reserve or the Treasury.

It seems to us important that the attitude of the institutional investor toward the market for Treasury securities may determine the confidence that business corporations and individuals have in these same securities. To parlay the reduction in the value of the dollar by decreasing the dollar price of Treasury securities abruptly may be the worst way to deal with inflation.

In summation we suggest that the difference between the Federal and the Treasury involve questions of policy that are most important to the economy and to you. It is dangerous to accept over-simplifications, either of principle or of the technical aspects of the points at issue. Federal Reserve open-market operations designed to reduce the availability of credit cannot do so on a quantitative basis except as the Treasury is armed with a substantial cash surplus. The Treasury will soon be operating at a deficit. A substantial cash surplus is hardly a possibility. To reduce the support rendered to Treasury securities, against the present contentious background, or without warning, would be most dangerous. The withdrawal of support would be intolerable. Yet, we need to plan for its ultimate elimination. Of greater importance than an increase in interest rates, is the trend of rates. But, this is no time to attempt to control credit by starting a trend to higher rates. To do so would multiply not reduce the inflation potential. Neither the Federal nor the Treasury should be omnipotent or dominant. Each should consider itself to be an equal partner charged with responsibilities of equal weight.

S. H. Junger & Co. Formed in N. Y. C.

Samuel H. Junger

Samuel H. Junger and F. M. Junger are forming S. H. Junger & Co. with affices at 40 Exchange Place, New York City, to act as brokers and dealers in unlisted securities specializing in service for out-of-town dealers. Samuel H. Junger was sole proprietor of S. H. Junger & Co. from 1936 to 1946.

H. E. Herrman & Cohen Forming

H. E. Herrman & Cohen, members of the New York Stock Exchange, will be formed on March 1st with offices at 14 Wall Street, New York City. Partners will be Herbert E. Herrman, member of the Exchange, and Samuel M. Cohen.

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The State of Trade and Industry

companies have resorted to the ancient system of barter. Reason for the trading is that few steel companies can produce all the numerous items required in a construction program. Wide flange beams for example, this trade authority points out, are made by only two companies and their order books are extended far into the future.

Thus if an expanding steel company wants to keep its program moving it has to trade some of its products with another company that makes what it needs. Tonnages involved in this method of "horse trading" are considerable and requirements are bound to increase during the next six months.

Obviously, new steel mills proposed by people not now in the steel business cannot be built unless steel is provided under a government-directed program.

There is increasing evidence that government programs are beginning to compete with each other for steel. For example, plates are needed in tanks, ships, freight cars, and a number of other essential products. The problem of juggling production schedules to meet requirements of each program is being intensified by government directives for additional tonnage which strike without warning, this trade authority notes.

Pressure is growing for closer scrutiny of strategic metals being shipped to Europe. Criticism is being leveled at continued Marshall Plan buying of these metals from American stocks and sources—especially when domestic controls are being drawn steadily tighter, "The Iron Age" concludes.

The American Iron and Steel Institute announced this week that the operating rate of steel companies having 93% of the steelmaking capacity for the entire industry will be 98.5% of capacity for the week beginning Feb. 12, 1951, based on the industry's increased capacity of Jan. 1, compared to a rate of 96.7% a week ago, or a rise of 1.8 points.

This week's operating rate is equivalent to 1,969,000 tons of steel ingots and castings for the entire industry, compared to 1,933,100 tons a week ago. A month ago the rate was 99.6% and production yielded 1,991,000 tons; a year ago it stood at 90.7% and amounted to 1,729,000 tons.

Electric Output Recedes Slightly From Record Level

The amount of electrical energy distributed by the electric light and power industry for the week ended Feb. 10, 1951, was estimated at 6,957,284,000 kwh., according to the Edison Electric Institute.

A slight recession took place in the latest week from the historical high level for the week ended Feb. 3, 1951.

The current total was 142,101,000 kwh. lower than that of the previous week, 986,365,000 kwh., or 16.5% above the total output for the week ended Feb. 11, 1950, and 1,235,198,000 kwh. in excess of the output reported for the corresponding period two years ago.

Carloadings Off Sharply Due to Rail Strike

Loadings of revenue freight for the week ended Feb. 3, 1951, totaled 651,124 cars, according to the Association of American Railroads, representing a decrease of 133,031 cars, or 17% below the preceding week, due to railroad labor difficulties.

The week's total represented an increase of 38,660 cars, or 6.3% above the corresponding week in 1950 when loadings were reduced by restricted coal mining operations, but a decrease of 31,019 cars, or 4.5% below the comparable period of 1949.

Auto Output Sharply Curtailed by Rail Strike

Combined motor vehicle production in the United States and Canada the past week, according to "Ward's Automotive Reports," totaled 118,670 units, compared with the previous week's total of 151,206 (revised) units and 125,737 units a year ago.

Total output for the current week was made up of 88,024 cars and 20,348 trucks built in the United States and a total of 7,572 cars and 2,726 trucks built in Canada.

For the United States alone, total output was 108,372 units, against last week's revised total of 140,656 units, and in the like week of the last year 118,252. Canadian output in the week totaled 10,298 units compared with 10,550 units a week ago and 7,485 units a year ago.

Business Failures Show Substantial Rise

Commercial and industrial failures increased to 191 in the week ended Feb. 8 from 159 in the preceding week, according to Dun & Bradstreet, Inc. Casualties were at about the same level as a year ago when 195 occurred and as in 1949 when there were 192, but they were down 40% from the prewar total of 318 in the comparable week of 1939.

All industry and trade groups except manufacturing had an increase. In manufacturing, casualties dipped to 28 from 33 and were considerably below last year's total of 47. A slight decline from 1950 also appeared in retail trade, but other lines had more failures than a year ago.

In seven of the nine major regions, an increase was reported during the week. The only declines during the week occurred in the South Atlantic and East South Central States. Despite this week's increase, most areas continued to have fewer casualties than a year ago; exceptions, however, were the Middle Atlantic, Pacific and West North Central regions.

Wholesale Food Price Index Climbs to New 2½-Year Peak

The wholesale food price index, compiled by Dun & Bradstreet, Inc., rose four cents last week to stand at $7.21 on Feb. 6, from the previous figure of $7.17. The current level represents a new high since July 20, 1948, when it stood at $7.30, and it is only 2.0% below the all-time high of $7.36 registered on July 13, 1948. The latest index shows a gain of 21.0% over the pre-Korea level of $5.96, and compares with $5.80 at this time a year ago, or an increase of 24.3%.

The index represents the sum total of the price per pound of 31 foods in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Reveals Minor Price Changes

Price fluctuations in the first week following the issuance of the general price freeze order were small. The Dun & Bradstreet daily wholesale commodity price index held in a narrow range during the week, closing at 326.37 on Feb. 6, after reaching a new all-time peak of 326.80 on Feb. 3. The latest figure compares with 326.61 a week earlier, and with 247.09 on the corresponding date a year ago.

Although uncertainty and nervousness continued in evidence in leading grain markets, trading activity increased last week with practically all grain and soybean futures selling at new high prices for the season.

The upward trend was accelerated by the announcement of higher parity prices for wheat, corn, and soybeans.

Other strengthening factors in wheat included the removal of hedges against sizable domestic sales of flour and the government announcement that it would not offer wheat for export. The rise in corn attracted considerable profit-taking at times and best prices were not maintained. Volume of trading in grain futures on the Chicago Board of Trade increased sharply last week to 270,388,000 bushels, or a daily average of about 45,000,000 bushels. The latter compared with a daily average of 36,000,000 bushels in the previous week and 27,000,000 bushels in the like week a year ago.

Reflecting the recent sharp advances in wheat, domestic flour prices rose steadily during the week, accompanied by a substantial increase in buying volume. There was a marked expansion in shipping directions also, largely due to the spreading strike of railroad switchmen. Liquidation and hedge-selling, prompted by uncertainties resulting from the freeze order, resulted in somewhat lower prices for cocoa. Trading in coffee and sugar futures was resumed during the week. Coffee futures prices worked lower but actual prices held steady on limited offerings.

Sugar developed a firmer tone with raw prices rising 18 points over a week ago.

There was a good refiner demand for raw supplies, but offerings were light. Refined sugar was likewise in good call.

Domestic trading in lard was less active with prices moving moderately lower due to uncertainty as to ceilings likely to be established. Export sales of lard were small. Fresh pork prices were stronger. Live hog prices reached new high levels since last September, but turned somewhat easier at the close as the result of increased market receipts. Cattle prices were mostly steady while lambs continued to rise to new highs for all time.

The suspension of trading in both cotton and wool futures which followed the government's price freeze order, continued in effect throughout the past week, as traders, dealers and merchants awaited official clarification of the order. Activity in gray cloth markets was also practically nil.

Trade Volume Suffers From Severe Cold Weather

Unusually cold weather over much of the nation was instrumental in depressing consumer spending during the period ended on Wedensday of last week. While aggregate retail dollar sales dipped slightly, they continued to be considerably above the level for the corresponding week last year, Dun & Bradstreet, Inc., currently reports.

Shoppers for apparel bought slightly less last week than in the week before; total dollar volume of clothing was moderately above the level for the comparable period in 1950. As befitting the cold spell, overcoats, fur-pieces and other articles of outerwear were appreciably popular in many vicinities. There was a slight dip in the selling of dresses, as well as men's shirts and neckwear.

The dollar volume of food sold in the nation's stores in the past week was about even with the previous week; total sales were noticeably above those of a year ago.

While much of the increase from last year was a reflection of upward price adjustments in meat and some other items, an expanded unit volume was also considered responsible.

Total retail dollar volume in the period ended on Wednesday of last week was estimated to be from 8 to 12% above the level of a year ago. Regional estimates varied from a year ago by the following percentages:

New England and East +10 to +14; South +5 to +9; Midwest +7 to +11; Northwest and Southwest +6 to +10 and Pacific Coast +13 to +17.

There was a further slight increase in wholesale spending during the week as the expanding dollar volume of orders reflected both upward price adjustments and the need for some retailers to refill inventories. Total order volume was substantially above the level for the corresponding week a year ago. The number of buyers attending various wholesale centers, while above the prior week, was slightly below a year ago.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended Feb. 3, 1951, advanced 3% from the like period of last year. This compared with an increase of 25% in the previous week and 23% for the four weeks ended Feb. 3, 1951. For the year to date department store sales registered an advance of 26%.

Promotional sales lifted retail trade in New York last week about 15% above the like week of 1950.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period to Feb. 3, 1951, advanced 4% from the like period of last year. In the preceding week an increase of 21% (revised) was registered above the similar week of 1950. For the four weeks ended Feb. 3, 1951, an increase of 20% was recorded over that of a year ago, and for the year to date, volume advanced 22% from the like period of last year.

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Mutual Funds

purpose of each section, reserve, high return bonds, and common stocks. In these times, it will be a very important addition to the dealers' or salesmen's kits. The George Putnam Fund, 50 State St., Boston 9, Mass.

Axe-Houghton's SURVEY OF THE GENERAL FINANCIAL SITUATION reports that "there is considerable uncertainty over what action the government will take with respect to rubber and wool and other commodities of which imports comprise a high percentage of total domestic consumption." The report also discusses the annual survey of railroad locomotive orders, including a change in the method of measurement.

An analysis of per capital steel mill capacity indicates that steel capacity in pounds per person has increased from 581 pounds in 1900 to an estimated 1,427 in 1952. E. W. Axe & Co., Inc., 730 Fifth Avenue, New York 19, N. Y.

INVESTMENT MANAGEMENT IN INSURANCE SECURITIES, a report by Insurance Group Shares, analyzes the present advantages of investing in insurance stocks. The eight-page pamphlet discusses, in turn, the relative stability of insurance stocks, their impressive record, the favorable dividend policy, the "leverage factor" and the favorable tax situation. Institutional Shares, Ltd., 19 Rector St., New York 6, N. Y.

IS YOUR INCOME FROZEN TOO? Parker Corporation asks in its latest "Letter." Adjusting the dividends of its Incorporated Investors to a base year average (1935-1939) puts the dividend index way ahead in a ten-year comparison and no allowance has been made for dividends paid from realized profits in the following table.

Various Indices, Base Year 1935-39

	Index No. Dec. 30,'41	Index No. Dec. 31,'50
Incorporated Investors Dividend Index	120	242
Consumer Price Index	111	178
Food Index	113	215
Clothing Index	115	196
Rent Index	108	126
Miscellaneous Index	108	162

F. L. Putnam Adds

(Special to The Financial Chronicle)

BOSTON, Mass. — Joseph E. Carew is with F. L. Putnam & Co., Inc., 77 Franklin Street, members of the Boston Stock Exchange.

With Townsend, Dabney

(Special to The Financial Chronicle)

PORTLAND, Me. — George S. Drake has become affiliated with Townsend, Dabney & Tyson, 184 Middle Street. He was formerly with Draper, Sears & Co., and Paul & Co., Inc.

Alexander J. McDonnell

Alexander J. McDonnell died of a heart attack at the age of sixty-eight. Mr. McDonnell was a partner in McDonnell & Co.

Ernest H. Heath

Ernest H. Heath passed away at the age of 72 after a brief illness. Prior to his retirement he had been a member of the investment firm of Snecker & Heath.

E. Stuart Peck

E. Stuart Peck, partner in Adams & Peck, New York City, passed away at the age of sixty-eight after a long illness.

Alanson G. Fox

Alanson Gibbs Fox died at his home at the age of seventy-one after a long illness.

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We Should Revise Our Foreign Policies!

tional revenues. But confiscation would stop most people earning the $2 billion. We must also remember that excise and corporation taxes in most part are ultimately passed on to the consumer or these milch cows would die.

Grim austerity must enter the door of every American home.

Even before these burdens are actually imposed there are stark signs of economic strain. The purchasing power of the dollar has fallen 20% in six months. The stock boom indicates that many people are seeking flight from inflation. Our already gigantic government debts permit little expansion without inflation of credit. Two wars prove economic controls cannot wholly stop inflation. The surest road away from inflation is to accept the President's wise proposal to "Pay-as-you-go."

But we simply cannot carry this expenditure or such tax load for long.

The economic destruction of the United States is one of the means by which Stalin hopes to overcome us.

The United Nations

The fourth focal point of our thinking must be the United Nations.

Our stark reality here is the lack of cohesion and unity in the free nations. Even some of our European Allies are anxious to appease the Chinese branch of the Kremlin on policies of the United Nations.

Despite this, we must not forget that the aspiration of mankind for over a century has been to find peace by collective action against aggressors. The United Nations was built on this same central idea as the Concert of Europe and the League of Nations. Halting and faulty as it may be, we cannot abandon this idea and this hope.

But it must be clear that the U. N. for the present will not be a susbtantial protection from Communist aggression.

Our Policies in the Far East

Our men are holding heroically to the mission assigned us by the United Nations in Korea. We are suffering great losses. General Marshall says we must send 15,000 men a month. We cannot yet see the end. But if we were to drive all the enemy out of Korea, how much of our armies must remain there to protect it?

Japan, Formosa and the Philippines are vital links in our national security. This must not be minimized by nations anxious to direct our energies to Europe. We will need retain much military strength in the Pacific to protect those areas.

Certainly there is little stark reality in talking about American ground divisions in Europe in view of our involvement in Asia.

The North Atlantic Pact

The sixth consideration in our decisions revolves around the North Atlantic Pact and the proposals to start another American expeditionary land army to Europe.

Current statements stretch this Pact far beyond its text. The Pact provides that the nations shall aid each other in case of attack. There has been no attack.

Moreover, at the time of ratification of that Alliance the Administration, through the Secretary of State and the Chairman of the Foreign Relations Committee, gave positive assurances that under the Pact no expeditions of American ground troops would be sent to Europe. That certainly meant no forces to Europe prior to attack. Our participation, prior to an attack, was to be limited to munitions. The Pact being the will of the American people through the Congress, and in the faith of the text and those assurances, I supported the Alliance.

But last fall it became evident that the Administration was contemplating sending ground troops to Europe. It was also evident that after years of gigantic American subsidies, the European Atlantic Pact nations had done nothing of consequence toward their own defense. Former Prime Minister Churchill had repeatedly and forthrightly stated this fact—the last occasion being only a few weeks ago.

I made two addresses in protest. Judging by the scolding of the European press, I may have helped to start them thinking.

Then General Eisenhower was appointed to organize their military strength. And the General has become the potent symbol of the policy of at once sending American ground troops to Europe.

The American people are indebted to General Eisenhower for many great services. He has magnificent fitness both for the command and the stimulation of spirit and action among the Allies in Europe.

But his appointment does not commit the American people as to policy.

The stark realities in Western Continental Europe are their large Communist parties and the disunities which gnaw at their vitals. Their prejudices prevent taking Spain into the Alliance with 20 divisions and the most defensible area in Europe. For some reason Turkey and Greece are excluded from the Alliance.

Equally vital is the fact that there is little hope of adequate land defense of Europe without West German participation. Two months ago detailed plans and great progress were announced. Now it is decided that West German military participation is out or can wait.

From press reports based on information from European officials and from General Eisenhower's statements, it would appear that his army, including the two American divisions now in Germany, will start with 9 or possibly 10 division; by the end of two years, including American divisions, it would seem to be 35 or 40 divisions.

The stark reality is that such an army is small compared to the strength of the enemy.

America is at present the major deterrent to the Kremlin's ambitions of world conquest. There is nothing that Stalin would like more than to get the United States into his clutches by fighting us on the ground in Europe. There lies his overwhelming strength.

Disaster could thus come to the American Hemisphere with no salvation to Europe.

The American People Need Answers to Some Questions

The American people should have more information before they risk trying a third expedition of ground troops to Europe.

Any defense line in Europe must be over 400 miles long. Will our responsible leaders make a public statement that the forces so far proposed, can defend this line against odds of three or four-to-one? We have tried this in Korea.

Will our responsible leaders tell us whether they contemplate the proposed American contingent as only an installment? Does not this contribution and our huge increase in the Army budget imply many more American divisions? Do the American people know all the facts?

Alternative Policies

Despite all these stark realities and these problems, I have believed there is a way to at least an uneasy peace for the world.

In my address of six weeks ago, I stated that we should not land men or send money to Europe until large European forces were in sight. I was well aware of the obligation assumed by Congress to give aid in case of attack. It was my view that we should hold to that provision of the Pact and I urged "arming our air and navy to the teeth."

I suggest that air power and the navy is the alternative to sending American land divisions to Europe. With our gigantic productive capacity and within our economic strength we can build and sustain overwhelming air and sea forces held on our home ground ready in case of attack.

Stalin well knows we could carry on that kind of war for his destruction for indefinite years.

The air threat has been during four years the most powerful deterrent to any attack on Western Europe. It is far more powerful than pouring American divisions into the reach of this Asiatic horde. I am suggesting no attack. I am suggesting the very protection for Western Europe and our own defense which the Senate contemplated when it ratified the Atlantic Pact.

There are other reasons for such a policy—both military and economic.

Manifestly if attack on Europe came, the free world would be inferior in ground forces. Such a ground war would at best be a war of defense. In the air we would have the offensive. An Air Force has range, speed, flexibility and striking power which can come nearer gaining a decision than allied ground armies. Especially is this true for in an air war the Communist horde would be without a large part of its ground allies, General Manpower, General Space, General Winter and General Scorched Earth.

The whole Korean tragedy is developing proof that the way to punish aggressors is from the air and sea and not by land armies. It would be infinitely less costly in dead and disaster.

The unbearable strain on our economic system will come from trying to do five things at the same time. That is, to maintain armies in the Pacific; to build up an air force; a naval force; to furnish munitions to nations who are determined to defend themselves; and to send land armies to Europe. Our economy cannot carry this load for long.

I can give you an indication of the lesser economic strain to attain the same or more power by air than ground forces.

To train, equip, place in Europe, and maintain for one year 10 of the usual combinations of American divisions would cost about $4.5 billion. This same sum would for example, purchase and man 390 B-36 long-range bombers compared to 60 of them at present. If neither went into battle, the annual cost of the 10 divisions would be about $3 billion and that of such a segment of the air force less than $1 billion.

Points of Revision of Our Foreign Policies

I can most clearly state the points of foreign policies in which many of us believe at this time by summarizing a program. No program can be perfect—none without risk. For the present I suggest:

(1) We should devote our overwhelming productive power to air and naval strength and supply of munitions.

(2) If the Europeans are attacked, we should be prepared and use such overwhelming air and naval power to the limit and keep it up until they have had enough. The Kremlin knows that we are committed by the Congress to do so. I believe that reserve, if large enough, is Europe's real protection.

(3) We should supply munitions to nations doing their utmost to defend themselves.

(4) From the starkly realistic, economic, political and military reasons which I have given you, my personal conviction is that we should not create land armies for expeditions into the quicksands of either Europe or China. I do not want to even start on the road to another Korea.

(5) There are those who think we should send more divisions to Europe for their encouragement even before there is an attack. To them, I urge watchful waiting until much more military strength has been developed by Europe itself and there is more evidence they have resolved their disunities.

(6) We must reduce our national expenditures to a level we can carry over a long term of years, and at the same time avoid economic disaster which can destroy freedom in America.

Senator Byrd estimates that $8.6 billion of proposed nondefense expenditures in the budget could be reduced or postponed. We should spend all we can afford on air, navy and munitions rather than large armies.

(7) We can and must defend Formosa, the Philippines and Japan. We can do it by naval and air forces.

As to Korea, we should demand of the United Nations that they call for a stop of supplies to Communist China by the non-Communist nations.

Since Red China is making war on our American armies, we should free Chiang Kai-shek to do what he wishes in China and furnish him munitions.

(8) I proposed three years ago that we should give full independence to Japan and Western Germany under representative governments. During 100 years these nations were the great dams against these Russian-controlled hordes. In the last war we may have been engaged in a great crusade for freedom of mankind, but we certainly destroyed these two dams. The sooner they are given their independence the sooner, for their own security, they will resume their ancient role.

(9) Recently I proposed that if the nations of Europe failed we should, as a prudent nation, have in mind a second line of air and naval defense based upon the foreign shores of the Pacific and Atlantic Oceans, both north and south, and I may add the Mediterranean and Indian Ocean.

(10) Congress should recover its constitutional authority over starting wars. It could certainly do so through its powers over the purse.

In Conclusion

I have proposed no retreat, no withdrawal. I have proposed no repudiation of treaties or obligations. Rather, I have proposed that the pledges to the Congress and the American people be kept. I have proposed that we stop, look and listen before we start on a road of land war that risks the loss of all civilization.

I propose no good to Stalin. His greatest hope is to get us into a land war.

Before we go off the deep end of steps toward another land war in Europe, let us remember that we fought two such wars hoping to bring peace and we have no peace. We should be prepared to make heavy sacrifices to help. But we should do it with common sense, within our strength, with the long view of history in mind.

The essence of the program I have proposed is to effectively restrain our enemies from attack upon our allies or ourselves. It is the best chance of peace—even if it is an uneasy peace.

If we pursue the lines of our own genius and resources, we can meet this—the greatest menace of a century.

And being in the right the Almighty is on our side.

Joins Ranson-Davidson

(Special to The Financial Chronicle)

ST. PETERSBURG, Fla. — William E. Acker is now affiliated with The Ranson-Davidson Company, Inc., Florida National Bank Building. He was formerly with W. H. Heagerty & Co.

"And Pity 'Tis, 'Tis True"

"On Thursday, on one day, he [President Truman] defied Congress to cut a budget which contains a large increase in nondefense expenditures and every authority agrees that these expenses must be cut.

. . ."He condemned the leaders of the railroad unions generally as Russians."

. . ."He denounced Senator Fulbright's report on the RFC as asinine, although it was the unanimous report of the Democrats and Republicans alike who had conducted a thorough study of the loose practices and lack of exercise of practical judgment which characterized many RFC practices.

Robert A. Taft

. . ."His personal letters also show a lack of judgment and yet we are asked to surrender to this man complete power to make snap judgments on the commitment of millions of American boys to war in foreign lands."—Senator Robert A. Taft.

These are judgments which any citizen greatly dislikes to render in times like these.

But we must tell ourselves the truth in times like these, too.

The Senator has merely put into words, thoughts the like of which have been in many minds, in many connections, many times of late.

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Extend Atlantic Pact With Full Military Support

wool, only a portion of our sugar and none of our coffee or tea. We can survive without these things.

But, with what would we defend ourselves? We are short 50 basic metals. We might get along without tungsten or chromium or even without natural rubber or tin, though it would be tough.

But some things are life and death. To make steel you need manganese—and where does our manganese come from? From overseas. For years Russia provided 50% of all our manganese. Today the largest sources are in Africa; the next largest is, where do you think? In India—halfway around the world.

Steel makes automobiles, trucks, tractors, plows, new buildings, new highways, new bridges and machine tools. We might get along, perhaps, without all these —but only at a Stone Age level of existence.

Meanwhile, what happens to Fortress America? Where do we get the steel to make guns and planes and tanks—or atom bombs? Without these Fortress America is lost.

It is perfectly clear that Russia does not wish to challenge the United States in all-out war until she catches up with us on the atom bomb. The bomb has kept this shaky peace and it has kept it because we had bases in Great Britain, Africa and the Mediterranean from which to deliver the bomb.

But how do we make the atom bomb? With uranium, and our principal source of uranium is again in Africa—in the Belgian Congo. Suppose the Russians took Europe, including Belgium. Who gets the Belgian Congo and its uranium? The Russians. I suspect we would overnight find ourselves fighting a land war in Africa for the defense of the crucial uranium for the atom bomb. And we would be fighting that war thousands of miles from home with no allies, against a triumphant enemy.

I do not need to labor the point. We cannot protect ourselves by withdrawing from the rest of the world.

Operation Withdrawal is Operation Suicide.

The simple fact is that the front line of defense of our very existence—the only line of defense we have—is overseas, thousands of miles away where lie the raw materials without which our country could not survive.

Now suppose a miracle occurred overnight and we suddenly discovered all these essential materials right here in the United States. Then how long would we survive, isolated and surrounded, with only 54 miles separating Soviet Russia from Alaska?

Wants Grouped Force of 100 Divisions

Last December I called for 100 divisions, or about 1,800,000 ground troops. That works out at about 35 combat divisions plus behind the lines organization. Isolated and alone, we would need not 35 but 100 combat divisions, to have a ghost of a chance of defending our shores from Alaska to Southern California to the Gulf of Mexico, and from Florida to Maine and this in addition to the enormous Navy and Air Force it would take to patrol the Pacific and Atlantic Oceans from Baffin's Bay to the Panama Canal—if we still had it—and then on down to Cape Horn. And still, with all the colossal industrial capacity of Russia, Japan, Germany and the rest of Western Europe the Russians could take their own sweet time and bomb us out.

No, ladies and gentlemen, I would rather see my country do its share as a part of a great free world than to see us isolated, suffocated and exterminated.

I do not want to see my country shrinking timidly from its obvious destiny and waiting for destruction. I want to see my country act with courage and honesty. I want it to stand up for the right and live in freedom.

Let me confess immediately that I do not relish entrusting the fate of freedom to the shifting whims and demonstrated incompetencies of the present National Administration. I did my best to throw them out a couple of years ago. And I'm sure somebody else will succeed in that effort next year. But the inexorable march of human history does not wait for nations to settle their internal differences.

The day of decision is upon us. The issue should be decided upon the real facts which have been much ignored. For example, those who argue that we ought not to defend Western Europe forget that we have already decided that question. Twice in this century we have chosen to go to war because our freedom was imperiled by the armed conquests of a dictator in Europe.

Those who argue that we should not send an American army to Europe forget that we already have an American army in Europe — 112,000 American troops who are performing their duty in the occupation of Germany. We have American troops in Austria, in Britain, Trieste, North Africa and the Mediterranean. Those American boys would be at war the instant the Red Czar moved into Europe. They are our own flesh and blood and who denies that America would send them everything we had in the air, on the sea and on the land? I say we should reinforce them now while Europe can still rearm and prevent a war.

Stop Business of Waiting for Wars!

Once and for all let's stop this business of waiting for wars and crises and then frantically improvising, going through the agonies each time of too little and too late. However much we would like to dream of doing things the easy way, we have absolutely no choice if we wish to stay free and keep our freedom without a war.

Freedom was never bought in a bargain basement. Freedom was never saved by timidity, selfishness, half way measures or appeasement. America is not going to close her eyes to the cause of freedom in this world. We are going to stand by our commitments; we are going to shore up the cause of freedom. We are going to win.

The face of the world has changed much in the last two months and other nations are beginning to know we will win too.

In Europe, the frozen spirit of despair has given way to a new spirit of defiance. The people see that America has again taken firm hold of freedom's sword and will not put it down while tyranny is on the march.

Western Europe Has Been Rallied

The peoples of Europe and their governments have been rallied to their own defense by the inspiring leadership of General Eisenhower. Everywhere he has gone his presence has dismayed the Communists and fired the courage of free men.

Yugoslavia, once a Russian satellite, has become the greatest thorn in Stalin's side. Titoism threatens to spread behind the Iron Curtain. The former Red foreign minister of Czechoslavia is reported to have escaped and Stalin has had to send a marshal of the Red Army to hold down the Czech people. Just last week key leaders of Italian Communism deserted the Russian cause.

The British have won successes in their fight against Communist guerrillas in Malaya and there is now hope of French victory over communism in Indo-China.

One of the greatest triumphs of recent months has been the abandonment by our own government of the frightful follies of its appeasement of the Reds in China. For four long years I demanded and pleaded that we should back up the recognized government of China. It took a war by Red China to wake up our Administration, but at last they are acting as though they are seeing the light and will start backing up the forces for a free China.

Another thrill of hope went around the world this last week as a result of those atomic tests in Nevada. Every one of those explosions said to free men everywhere: "Take courage! America is arming! Be strong; you can remain free"!

Each of the explosions said in thundering words to those fourteen men darkly conspiring in the Kremlin: "Beware! Stop your plans of bloody conquest. America is strong and she means to be stronger. She has hundreds of bombs where those came from."

No, my friends, this is no time for us to follow the counsel of despair. It is a time to be strong. It is a time for boldness. This is a time for greatness.

We tried the other course. We tried isolationism twice and each time we were drawn into a bloody conflict still unarmed and unprepared. We fought two wars for freedom in Europe and we won no peace.

This time let us win the peace without a war.

This time let us make sure that no dictator thinks he can pick off one nation after another and then swallow the world.

It is time—long since time—that we drew the line.

Win Peace Through Strength!

Let us decide as a nation that we can win this peace through strength. We must also let the rest of the world know what we will do and what we won't do. There is grave doubt that Stalin would ever have launched the attack in Korea if he had known America would respond. In fact, the Government of the United States had officially taken the position that we would not defend Korea. We created a vacuum and dictators move into vacuums.

Let us not repeat that blunder. We officially announced we would not help Chiang Kai-shek. Again we ourselves created the vacuum. Again Red satellites moved in and won domination over 450 million Chinese who are right this minute killing American boys.

Let us stop handing armies and nations over to the Russians. The only way to stop it is to draw the line.

All the world knows what nations we will defend for sure and as a result no attack has been made on a single one of them.

Now let us go the rest of the way. We should say where we stand as to the rest of the world. Let there be no more blundering into little wars or big wars. The United States with her allies should make clear their common purpose.

Greece and Turkey should be brought into the North Atlantic Treaty immediately. Then we should settle other questions.

Will we move into war if the Red Czar invades Iran? If not, will we let him take all of Iran's oil and then take Iraq and Israel and then perhaps march down into Saudi-Arabia? Will we allow that crucial oil supply to fall into Russia's hands? Or would we bomb it out? Nobody knows. It is a vacuum and dictators move into vacuums.

There is strong reason to believe Russia intends to move on Yugoslavia this year. If she does so through satellites what will happen? Nobody knows. If Bulgaria and Rumania invade Yugoslavia will atom bombs fall on Sofia and Bucharest? Nobody knows.

If Yugoslavia should fall how long then would Greece remain free? With Greece and the Dardanelles gone, the Eastern Mediterranean would become a Red Sea and our bombing bases there for the defense of America would be gone.

Let's make up our minds and then let's tell the world the answers, so nobody will ever have an excuse to drag us into an accidental war. And let's make sure of our friends—all of them.

The Turks have 25 divisions. The heroic conduct of their troops in Korea reminds us that the Moslem world contains great force and great courage. More than 200 million Mohammedans have a devout religious fervor and they have no affinity for Godless communism. Their world spreads from Egypt all the way to India and into China. In the last vote in the United Nations on the China issue a number of Moslem nations abstained from voting. It is time we brought the full power of Islam more securely to our side.

Wants Troops of Spain and Yugoslavia

Spain has 22 divisions and Yugoslavia 30. I want them on our side. Brave little Greece, which has already won one war in the last five years, is stoutly prepared to do her share again. Greece can produce and is willing to produce 10 divisions right now. And yet there are some in this country who haggle over whether we should produce 35.

The memory of Lincoln reminds us that there have been dark days throughout all our history. When we last battled in the War Between the States, the Copperheads demanded that Lincoln abandon his effort to preserve the Union and compromise. Fortunately for us and for the world Lincoln was no weakling, no appeaser. In the darkest hour he stood more steadfast than ever. Let us remember our great history. Let us not start running for cover every time things go badly in Korea or some place else.

Above all, we must have faith in ourselves. Prepared, we can out-produce, out-think and out-fight the hordes of communism every day in the week. Free American industry can keep ahead of slave Russians forever and the Kremlin should never forget it.

We have the winning cause because every man on earth wants to be free. The world is discovering that communism is slavery. Let's help them discover it faster.

Every dictator is a craven, selfish bully, exploiting millions of others just to keep his job. Dictatorship is a rotten thing and there are millions of people who would rise in revolt even with the odds 100 to 1 against them if they thought they had a chance. Let's give them a chance. Let's give them arms and money and hope.

Once again the cause of freedom is rising in the world. We struck bottom in the last few months but nothing on earth can stop us now—that is, nothing except our own follies.

If we will resolve our doubts in favor of courage and action, I can see the day coming when Stalin will have too much trouble at home to think about tackling somebody else.

I can see the day coming when Europe will be united and her scattered forces will be welded into an unconquerable power which Russia will never dare attack.

I can see the day coming when a new emancipation proclamation will free the Soviet slaves in Czechoslovakia and Poland and Hungary and Bulgaria and Rumania and China, even in Russia itself, and when that day comes the Kremlin will no longer be a safe place for dictators.

If we in America choose to live in Lincoln's tradition, we will keep our freedom because we have earned it. We will inspire others to do likewise. I have no doubt as to the outcome. America will always choose the path of freedom. We will make that choice because brave men and women, fearing God, can make no other. Ours is an abiding faith in the cause of human freedom. We know it is God's cause.

With Brown Bros.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—John H. Zook has become associated with Brown Brothers Harriman & Co., 10 Post Office Square.

de Rensis Co. Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Theodore T. Vietri is now connected with P. de Rensis & Co., 10 State Street.

Joins J. A. Warner Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Davida C. Campbell is with J. Arthur Warner & Co., Inc., 89 Devonshire Street.

With Adams, Sloan

(Special to THE FINANCIAL CHRONICLE)

SARASOTA, Fla.—Howard Williams has been added to the staff of Adams, Sloan & Co., Inc., Colonial Hotel Building.

Louis McClure Adds

(Special to THE FINANCIAL CHRONICLE)

TAMPA, Fla. — Edgar C. Rowe is associated with Louis C. McClure, 308 Tampa Street.

Joins Bache Staff

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Robert G. Nussbaum is now with Bache & Co., 135 South La Salle Street. He was previous with Faroll & Co.

Thomson, McKinnon Add

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Morgan F. McDonnell is with Thomson & McKinnon, 231 South La Salle Street.

Irving Gold Opens

Irving Gold announces the opening of offices at 40 Exchange Place, New York City, to transact a general business in unlisted securities.

Establishment of Mr. Gold's offices was previously reported in the "Chronicle" of Jan 25.

N. Y. Group of AIB to Hear

John Donlon, Executive Vice-President of Edwin Bird Wilson, Inc., will discuss public relations at the Commercial Bank Round Table meeting of the New York Chapter, American Institute of Banking, Feb. 15. The meeting, scheduled to start at 7 p.m., will be held in Room 412 of the Woolworth Building, 233 Broadway.

Tristram Johnson Opens

PRINCETON, N. J. — Tristram B. Johnson is engaging in a securities business from offices at 194 Nassau Street. He was formerly with Hemphill, Noyes, Graham, Parsons & Co. and the Bankers Trust Company of New York.

Continued from page 2

The Security I Like Best

But perhaps its greatest attraction lies in the present-day shibboleth which seeks out "growth"—for Howe certainly does have that precious ingredient—growth over the years—that's Howe Sound's outlook and why it is the security I like best to circumvent inflation.

G. M. LOEB

General Partner,
E. F. Hutton & Co., New York City

Paramount Pictures Corporation

Webster's definition of "best" suggests that few of us could, or, in fact, should publicly write about the ONE security we like best. The particular one selected would be expected to have so many superlative and excellent qualities in so many different ways that strangers reading the story would leave it with misapprehensions that the writer never intended. The fact is that no security is good enough to be permanently rated as to future developments.

G. M. Loeb

Taken another way, "The Security I Like Best" might easily mean the one I'd buy the most of, or the one I thought would have the biggest percentage advance, or the one I thought was good enough to be bought and forgotten. Actually, no one security possesses all these qualifications simultaneously, and what is best for one purpose is not best for another. Likewise, what is best for one investor is not best for another.

A year ago I consequently wrote a story about one of the securities I liked best, and still do, as one of the most desirable investments for any individual, trustee or institution eligible to place funds in equities. The stock discussed was Chrysler Corporation, then selling at $61¼, and I favored it in December, 1949, come peace or come war, for a large income yield and excellent prospects for long-term capital gains. Dividends actually paid by Chrysler in 1950 totaled $9.75 a share, and despite the changed outlook from peace to preparation for war, the price today is $79. Thus, the income yield to the buyer amounted to over 15% for the year 1950 and the unrealized gain, 18 points, or almost 30%. For the same type of investors I still think Chrysler continues in a most strategically favorable position.

However, this year I am going to pick a second security I like best, this time from the standpoint of one I think offers the biggest possibilities of percentage advance considering the low risks involved.

This year, we looked for a stock which is unpopular and deflated and where we should make a profit by it becoming popular. We looked for a stock with low earnings, where later earnings may again become high. And we looked for a stock where dividends might be increased. It is Paramount Pictures Corporation, the so-called "New Picture Company," currently traded on the New York Stock Exchange at $22.

Paramount Pictures Corporation is unpopular because of the public's fear of television, because of the unfavorable publicity in connection with the anti-trust litigation which resulted in the separation of the theatre assets of the old Paramount, located in the United States, from the other assets and because of the loss of foreign business and difficulty in converting foreign exchange into dollars. The result has been a decline from the 1946 high of $42½ for the old combined company to $22 for the new picture company and $20 for the new theatre company. As each holder of the old shares received one-half share each of the new, the present combined market is approximately $21 or roughly half the 1946 high. The Dow-Jones Industrials made a high in 1946 of 212.50 and at this writing stand at 256. The new picture company earnings were estimated on a segregated basis at $7.15 a share on the larger capitalization for 1946 and have declined to an estimated $2.45 a share on the smaller capitalization outstanding at the end of the year for 1950. The current dividend of the new picture company is $2.00 annually, and even though this makes an indicated current income dividend yield of over 9%, it must be considered low.

The entire situation can logically reverse itself and result in motion picture stocks, as a group, and Paramount Pictures Corporation specifically, catching up with the industrial picture as regards earnings, dividends, popularity and market price.

It is strange that the public's fear of television embraces Paramount Pictures Corporation, which not only owns about 26% of Dumont Television, but also Los Angeles TV Station KTLA. PXN has a 50% interest in Chromatic Television Laboratories, Inc., which is developing a direct view tube for color television. The company has also developed a system of large-screen television which enables Paramount to photograph the image from a television receiver and project it on a large screen within 40 seconds of the occurrence of the event portrayed. Aside from that, the competition of television will be slowed for the industry as a whole by our defense economy and, of course eventually the time will come when studios like Paramount will produce for television and when their inventory of films will have an enormous value for exhibition on television.

As regards the anti-trust litigation, Paramount is ahead of the industry with more than a full year of independent and successful operation behind them.

The government's vast expenditures abroad are already easing the foreign exchange situation.

Since the formation of the new company, the stock has been under constant liquidation and the capitalization has been reduced to 2,300,000 shares believed to be outstanding today.

We are faced today with at least a "preparation for war" economy. This means that by mid-summer the combination of heavy excise taxes on many types of durable goods, coupled with shortages, should result in leaving the entertainment field wide open as a source of public spending. Increased defense expenditures, the shifting of civilian and military population and the sheer need for relaxation should greatly bolster the ability and the need for "going to the movies." The tax on movie tickets is already high, and it is significant to note that no further increase was suggested by Secretary Snyder, probably partly because of this fact and partly because spending money in motion picture theatres doesn't interfere with the war effort. The tangible results ought to be a much better box office in the fall and next winter. Right now the rate of loss is slowly decreasing compared with a year ago. Earnings in 1951 should at least approximate $3 a share, with the possibility that if the amusement industry catches up with the rest of the economy, earnings could go back to their 1946 tops, in time.

The book value of Paramount is high compared to the market price. PXN owns 66% of Famous Players Canadian Corporation, operating 370 theatres in a non-television area and with a market value of about $7.60 per PXN share. The holdings of Dumont figure out about $4.90 per PXN share, the Paramount Building at $4.80 per PXN share and the Los Angeles TV station at $1.10 per PXN share. Both Dumont and Famous Players themselves have market valuations somewhat depressed from previous highs and the KTLA estimate is obviously low. There are other assets, such as the estimated $23 per share net working capital as of the end of the third quarter of 1950, the studios, British and other foreign interests and some other property. Deducting various funded debt and other liabilities, the asset value is conservatively close to $30 a share, and at $22 market price the stock is selling under its net current assets per share.

Paramount Pictures Corporation has a fine record of quality film productions, second possibly only to Metro. The studio is probably the most businesslike one in the industry, and comparisons of net studio earnings probably would be even more favorable than comparisons of gross. The studio is run by Frank Freeman, about 60 years old, who received his basic training as a theatre producer.

This stock seems the best selection of almost the only deflated industrial stock market group with a future. Any one of several possible developments pointed out here could make for a much higher market in the stock, and should a combination of them occur, the advance in price could be spectacular. At the same time risk seems low and income, while waiting, high. The tax base appears good.

J. C. LUITWEILER

Partner, Bendix, Luitweiler & Co., Member, N. Y. Stock Exchange

Cities Service Company

The security one likes best must be picked these days with an eye to the short range future. Much has happened since a year ago to affect investment policies. The Korean "incident," like a second Pearl Harbor, has awakened the country to the threat of a possible third world war and saddled it with a huge defense program. This program may cost us as much, before we are through with it, as World War II even without developing into a shooting war. Despite all the clamor for a pay-as-you-go policy, it is doubtful whether this program can be carried through without affecting the intrinsic value of our dollar similarly to the effect of World War II—further depreciation.

J. C. Luitweiler

This recommendation is made against such a background. One of the best safeguards against the declining value of money is investment in companies with good management, current earning power, proven capacity for growth, and especially with large assets in essential raw materials. The oil industry as a whole is such a category.

Cities Service Company measures up admirably according to the above yardstick. Good management is reflected in results achieved in the last 10 years. Take the following items:

	—1940—	—1949—
Gross revenues	$238,700,000	$582,500,000
Total assets	1,067,700,000	946,400,000
Working capital	73,800,000	175,500,000
Fixed charges on debt	28,800,000	16,300,000
Earnings per sh.	$1.72	$14.87
Price range:		
High	6⅔	91¾
Low	4	(1950) 63½

With balance sheet assets actually reduced in this 10-year period, revenues were more than doubled, fixed charges on debt almost cut in half and earnings per share increased eight-fold. Good earning power seems assured, with the three years (1947-1949) at $10.93, $17.77 and $14.87 per share. While full 1950 earnings have not been published, 9 months earnings were $10.10, so the year as a whole promises to be around 1949 figures. But the test of reserves in raw materials is still more significant. The company and its operating subsidiaries have huge reserves of proven oil and natural gas which in our present day economy have become as essential a raw material as steel or wheat. Moreover, its active, ambitious drilling program is rapidly adding to these reserves. New oil well drilling in 1949 added 100 million barrels to reserves.

The company is a well integrated producing, refining and distributing outfit. In fact, its refinery capacity is double its own crude production, so expansion in production is indicated. The latter has been held back in recent years by proration regulations in various states, which are now being eased or lifted with the greater need of oil and its products in the defense effort. So long as our country is geared to capacity output for civilian and defense needs, the company's production and sales of oil products and natural gas should likewise continue in high gear.

Along with other oil companies, the labor factor is in low ratio: about 13 cents only out of each income dollar goes to wages and salaries. This is important under a national policy that prescribes price ceilings and a flexible wage policy.

Dividends have been conservative: in the last four years, less than one-quarter of annual earnings was paid in cash dividends and the balance plowed back into expansion. This explains the rise in book value of the common from $46.91 at the end of 1946 to $89.16 at the end of 1949. It is higher today. But the stockholder is now faring well and will continue to do so if the 1950 policy of an extra 5% stock dividend is continued. Last year's dividend of $5.00 in cash and a 5% stock dividend meant a return, if the stock dividend were cashed, of over $9.00, or 10% on a price of 90.

Space does not permit an elaborate description of the company itself. Suffice it to say that it is one of the largest producing, refining and distributing companies in our mid-west. It owns its own fleet of tank steamers, railroad tank cars, extensive natural gas pipe lines recently constructed and a number of refineries, several of which are ultra-modern completed just since World War II. Its production, distribution and sale of natural gas are steadily becoming an important source of additional revenue. From a negligible factor in 1950 natural gas sales have increased three-fold to contribute about one-eighth of the company's income.

It has no assets of consequence in so-called "vulnerable war areas." Its shares are widely held by nearly a quarter of a million stockholders. The number of shares outstanding is relatively low (3,702,000), so the rumored impending split of the stock 2:1, or even 3:1, would seem to be sensible. This would give the stock added popularity. Likewise the rumored transfer of the stock from the Curb Exchange to New York Stock Exchange listing might work in the same direction.

In many conservative quarters investment in Cities Service has been frowned upon by reason of its spectacular price rise over the past 10 years. But operating results, rapid growth, accumulation of reserves and increased book value would seem to justify the price rise. Assuming that $15 per share annual earnings can be maintained, a price of only 6 times such earnings does not seem high. The other objection to Cities Service has been that it is a "lady with a past." As an old line utility holding company of the memorable 20s, it suffered in earning power and reputation and fell into public disfavor as did all such holding companies. It chose to divest itself of its utilities and to concentrate on oil and natural gas, a move in which its management has proven to have been very wise indeed.

With Talcott, Potter

(Special to The Financial Chronicle)

CHICAGO, Ill.—Frank J. English has become connected with Talcott, Potter & Co., 231 South La Salle Street. He was formerly with Detmer & Co. and Mitchell Hutchins & Co.

With Daniel F. Rice Co.

(Special to The Financial Chronicle)

PRINCETON, Ill.—George H. Dunn has become associated with Daniel F. Rice & Co., members of the New York and Midwest Stock Exchanges. He was formerly Princeton manager for Faroll & Co.

COMING EVENTS

In Investment Field

Feb. 20, 1951 (Detroit, Mich.)

Detroit Stock Exchange Annual Dinner at the Hotel Statler.

Feb. 21, 1951 (Milwaukee, Wis.)

Milwaukee Bond Club Annual Meeting and Election at the Mezzanine Room of the Elks Club.

Feb. 21, 1951 (Philadelphia, Pa.)

Investment Traders Association of Philadelphia Winter Banquet.

April 13, 1951 (New York City)

Security Traders Association of New York Annual Dinner at the Waldorf-Astoria Hotel.

May 30, 1951 (Dallas, Tex.)

Dallas Bond Club annual Memorial Day outing.

June 11-14, 1951 (Jasper Park, Canada)

Investment Dealers Association of Canada Convention at Jasper Park Lodge.

June 15, 1951 (Philadelphia, Pa.)

Investment Traders Association of Philadelphia Summer Outing and Dinner at the Manufacturers Golf and Country Club, Oreland, Pa.

June 22-24, 1951 (Minneapolis, Minn.)

Twin City Security Traders Association Annual Outing ("Operation Fishbite") at Gull Lake.

Sept. 30, 1951 (Coronado Beach, Calif.)

National Security Traders Association Convention opens at Coronado Hotel.

Oct. 12, 1951 (Dallas, Tex.)

Dallas Bond Club annual Columbus Day outing.

Nov. 25-30, 1951 (Hollywood Beach, Fla.)

Investment Bankers Association Annual Convention at the Hollywood Beach Hotel.

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Observations . . .

many "non-pressure-group-protected" groups in the community, restrictions on bank credit and other controls.

Actually—is that bet on a higher price level in 1961 so sure-shot?

Deficit Financing and the Price Level

Great misconception exists about the alleged act of deficit financing on the price level. Actually there has been little correlation evidenced between money-printing and the price level. The Treasury has had no cash deficit in the fiscal year 1950, nor midst the inflation-hulla-baloo during the first half of 1951; and since 1949 there has been little expansion of bank credit. During the monetary expansion from 1937 through 1941 the cost of living index remained practically stationary (and common stocks declined almost one-half). Although the quantitative influences toward inflation may well remain, the direction of the controlling psychological factors may well be reversed.

As we pointed out in last week's column, there is nothing new about our Treasury interference with the Federal Reserve's functioning—this having been repeatedly warned against here during the 1920s and our deflationary '30s, following the disastrous experiences in Germany and France, and the Brussels Conference Resolution of 1920 and the Genoa Conference in 1922.

"Escalator Service" for Bondholders?

Let us now consider the proposal made that the government should offer, along with its savings bonds, compensation at redemption to allow for any intervening loss of purchasing power. This proposition, advanced for some years now by Professor Sumner Slichter, is winning increasing approval midst the public's current "inflation new era" and the emphasis on the amount of E Bonds being cashed-in.* (This device was in vogue at the end of the great German inflation, when bonds were floated, repayable in terms of the value of coal, wheat, or rye.)

In the first place, it must be realized that such an *escalator* clause would have to be a *two* way provision—adjusting for declines as well as rises in the price level. A "gold clause" is not a one-way proposition; in this case such a protective device is particularly indefensible because of other affirmative investment advantages embodied in the Bonds. Even in dealing with powerful union labor, the escalator provision is two-way—at least nominally so.

Extending this gold clause-like device to Savings Bondholders would exceptionally favor a single investment medium. It would directly discriminate against the holders of the many other savings media; as deposits in mutual savings banks, shares in savings and loan associations ($16 billion presently residing in our savings institutions), insurance policies, and other government obligations. All presently outstanding government along with other bonds would be severely harmed; and their further distribution rendered vastly more difficult. Private debtors would be unable to meet such competition of a guarantee provision, because of their inability to tax to recoup the cost thereof, or to protect themselves with equity assets to meet a rising price situation. (To the extent that they were able to shift out of fixed-interest assets, they would be adding to the present "inflation era scramble" into equities, and abetting the inflation panic over the dollar.)

"Escalator service" for bondholders would subsidize another special group at the expense of the rest of the community—of which special privilege there is too much already—thus furthering rather than attacking, the basic causes of the inflation. And the more groups that the government exempts from the effects of inflation, the heavier will be the burden, through increased taxation and impaired purchasing power, on the unprotected and unsubsidized remaining groups.

Freezing the Inflation

This inclusion of ever larger segments of the community into protection from inflation underlines a vital objection to the *escalator* principle, namely the permanent cementing of the inflation trend into the economy; and if not actually giving the public a positive "stake" in inflation, at least removing the self-interested motivation for opposing it.

Going to the Roots Ex-Politics

Instead of putting more of the population on the *escalator* keeping pace with inflation, let us rather go to the root of the trouble. In prescribing what is to be done, we should realize that the remedial action must be taken on a broad front, and not merely promised on a concept of "Treasury-cheating."

The weapon of taxation should be used non-politically forthwith to curtail the great flooding of the spending stream with armament earnings leavened with the current buyers' *scare* psycology. To reduce spendable income wherever it is, tax policy must be removed from the political sphere, raising the imposts on lower and middle-income groups in lieu of relying on progressive "soaking-of-the-rich"; and obviously higher and much broader excise taxes should be imposed. Taxation must be used effectively to keep the demand for goods and services within the bounds of the available supply. In this anti-inflation area the Treasury has more responsibility for constructive action than in others, but it must be remembered that in tax as well as in spending and other policies, the controlling exigencies of **politics** dominate the Congress, the Executive, and practically every other government policy-maker.

The present shadow-boxing with **non-defense spending** should be stopped, and such outlays drastically curtailed. Here again the responsibility for excess cannot be laid at any single door. On the one hand, Senate Finance Committee Chairman George, Democrat of Georgia, this week accepts Mr. Truman's challenge by insisting that his budget for the coming emergency year can be cut $5-6 billion without harm. Unfortunately, however, the Georges, the Byrds, and the Douglases are far outnumbered by other Senators on both sides of the aisle, who only believe in economy for the other fellow, and block every effort at prudence wherever they have a self-interested voters' stake.

Increase of production undeniably is one of the basic effective weapons to keep down the price level and preserve the dollar's value. But the multitude of orders now emanating from Washington curbing the use of materials, the slaughtering of animals, and imports, surely are not aiding a production upsurge.

Controversial as the subject may be, still the conclusion seems incontrovertible that "scare-buying" gives an artificial lift to the price level via "borrowing from the future." And surely Washington's long string of pronunciamentos have given a 100% push in this direction—viz. the successive statements about imminent shortages, the dire need for price ceilings, and statements such as Administrator Di Salle's current statistically pin-pointed prediction of a further 5-6% price rise by mid-year.

Neither the Treasury, nor the Congress, nor anyone else, should be complacent over policies which further dollar depreciation—undermining the holders of **all savings media**, as well as the Treasury's obligations. Perhaps nothing short of full and continuing gold convertibility—with "gold discipline" counteracting human frailty—can do the trick.

Pending accomplishment of the needed economic reform, the Savings Bond constitutes the citizen's best savings medium, and one of several useful instruments for the investor.

*The significance of the current E-Bond redemption figures is generally exaggerated—particularly in relating them to concurrent sales. They should be related with equal emphasis to the aggregate of Bonds outstanding. Redeeming will normally tend to rise with the increasing size of the "pool" available for that purpose.

Continued from first page

Misconceptions and Facts Concerning Stock Market

to California, and had the good sense to stay here, is still very much alive.

You will be interested, I believe, in hearing about an example of public educational work in another pioneering state. Just a week ago in three cities in Texas—Dallas, Houston and San Antonio—a section of the trading floor of the New York Stock Exchange was re-created in the crowded ballrooms of the principal hotels of those cities. The occasion was a meeting of the Board of Governors of the Association of Stock Exchange Firms. Leading Exchange and Association Goverors and members acted out the mechanics of buying and selling stock on the New York Stock Exchange. The display also showed how fluctuating prices reflected the public's investment decisions. Typical investors participated. It was an exciting and dramatic performance and the first time such a presentation has been shown to so many people.

Public Misconceptions

Before I discuss some phases of our own work, I want to talk over several of the difficulties and problems which face all of us. It is desirable, I believe, to keep in mind the ideas we are trying to communicate to the public, and the absurdities entertained by an uninformed part of the public—which the complacent tend to shrug off.

Many public misconceptions are, in my opinion, our own fault. We allowed them to grow and flourish in years past. Business was too profitable to be interrupted. We also lacked the initiative and aggressiveness to counteract them. That inertia, I am proud to say, is no longer tolerated. It is fair to say that the New York Stock Exchange today is exercising its function as an orderly market for securities better than at any time in its history. The members of the Exchange who execute the public's securities business are responsible men who take great pride in their profession and who operate according to just principles of trade. The standard of probity among Stock Exchange firms in unexcelled in any other business.

There are, nevertheless, still a lot of people who think the Stock Exchange itself buys and sells securities. I have run into intelligent people who believe the Exchange operates something like a department store. An automobile stock comes off one counter, an oil issue from another, textile shares from a third.

This vein of misinformation extends even further. The Stock Exchange, many people hold, sets the prices at which securities are bought and sold.

A corollary of these ideas is that prices on the Exchange are rigged. Even professional people, those who should be better informed, sometimes accuse the Exchange of price manipulation.

Such charges, of course, have their origin in the stormy markets of the twenties and early thirties. We have just not told people often enough how the financial community, with the aid of government agencies, has adopted rigid rules and regulations designed to prevent any recurrence of past excesses. Under Exchange requirements and under the Securities Exchange Act, there is today an abundance of pertinent information available whereby an investor may judge, or have some competent person judge for him, the investment or speculative merit of any listed security he wishes to buy or sell. There can be no return to the pools and manipulation which were prevalent in the days of inadequate and incomplete information about publicly-owned corporations.

Perhaps the most vicious misconception is that "the interests" control the nation's economic destiny. "The interests," as you know, are a small group of anonymous tycoons sitting high above Wall Street and carefully plotting how to defraud the public, particularly widows and orphans—and, in the process, to add to their already vast fortunes.

Although this may sound silly, it is not. It is tragic that such ideas should restrict public ownership in our nation's great industrial enterprises. The obligation to see that these misinformed sections of the public get the truth is ours.

Validity of Statistical Indices

But only when we know our targets can we aim the facts most effectively. Incidentally, suppose we consider the worth of a little missionary work in the matter of some of the statistical indices.

The market, according to most of the popular averages, is currently around the highest level in about 20 years. Almost unlimited significance is attached in some quarters to this statistical extravagance; and it worries a lot of people. It says to many of them that the market is getting into dangerous ground, that unbridled speculation stalks the exchanges.

You all know well what I am going to say: That the averages are merely a statistical tool and sometimes a very weak tool; That every day that the market goes up on average, scores of individual stocks decline; That hundreds of individual stocks are well below previous high marks, even in the current rising market.

It seems to met that to exaggerate the performance of "The averages," which are composed usually of a limited group of high-grade issues, is at variance with our own program of informed investment. As brokers I know that you advise a client to purchase a particular stock on its own merits, not because the market on average is at a 20-year peak.

It may be noted in this connection that "the averages" measure the dollar value of stocks. They are no gauge of the purchasing value of those dollars. In terms of purchasing power of the dollar, the market on average is actually far below previous high levels.

A Few Words About Credit

While I'm on the subject of the market, I'd like to say a few words about credit.

Recently the Federal Reserve Board raised the initial minimum margin rate from 50 to 75% of the purchase price of a stock. The Board's decision obviously was made with the welfare of the whole nation in mind. As our Chairman, Bob Boylan, stated at the time, a national emergency exists and the Exchange seeks to cooperate with the government in the fullest degree. The new credit restriction is being fully applied, of course.

We would be less than honest, however, if we did not state firmly our belief that use of credit in the market is not being abused. We are just as firmly convinced that stock purchases on margin in regulated exchanges have not increased inflationary pressures.

Back in 1926, when figures on member borrowings were first compiled, the total was more than three and one-half billion dollars and represented about 10% of the market value of all listed stocks. At the start of this year, member borrowings totaled less than one billion dollars and represented less than 1% of the market value of all listed stocks.

On a ratio basis, in other words, the use of credit in the securities market today is 90% less than it was 25 years ago.

I would like now to talk with you about a technical phase of our business. I shall try to do so in terms of practical interest. In July, 1945, when the Federal Reserve Board increased margin requirements from 50 to 75%, the industry was faced with this difficulty: substitution of one stock for another and the withdrawal of any of the proceeds of a sale in a restricted margin account were prohibited. Thus, a customer, restricted in one firm, could open a series of new accounts in different firms.

The Exchange sought unremittingly to get the Board of modify its ruling on withdrawals and substitutions.

On April 1, 1948, the Federal Reserve Board permitted substitutions in restricted accounts, but only if they were made the same day. That modification was helpful. But it did not entirely correct what, we thought, was basically wrong and unfair. Our position was that unlimited substitution did not increase the amount of credit used in the securities business. We also held that a prudent investor might wisely sell on one day, but just as wisely decide against reinvesting the released money on the same day.

Finally, in May, 1949, the Board amended Regulation T to permit withdrawal of a portion of net

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Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

If you're in the market you're probably at sixes and sevens wondering what to do from here on in. A major brokerage house says the public is in heavier than ever. One analyst says stocks are going higher; another warns that a top is just ahead; still another says the top isn't ahead, it has already been seen.

If you read everything on the market you get your hands on, the chances are you don't sleep too well. If on top of that you get calls from your customer's man, telling you all the "inside" information calculated to get you to add to your present holdings, you're probably ready for the booby-hatch.

I don't know if this column will allay your doubts. If this column were as good as its writer sometimes likes to think, the chances are he'd have no time to write it. He'd be out making all that money for himself.

Now let's get a look at this market: From most of the evidence I can gather stocks look higher. Most of this is based on that old "debbil" inflation.

Sure the public's in. But despite the hoary axioms that the danger increases as the public participation becomes greater, the signs of any immediate collapse are very faint. That doesn't mean they're lacking.

The flight from the dollar is very real. During other inflationary periods, money could find shelter in real estate, hard money, currencies, of other countries, etc. Maintenance of real estate or the difficulty in acquiring choice pieces today makes that medium less welcome; hoarding of hard money (gold) is illegal; other methods are equally impractical. That leaves the stock market as the only popular hiding place.

Technically speaking the market's still in a bull phase. But these phases aren't permanent. A changeover into a bear phase, however, involves many factors. First the market would have to react, then rally, but would be unable to pass the previous high on such a rally, followed by a reaction that would carry prices under the old lows. To sit through such a period takes a great deal more guts than this writer is capable of. I prefer to get out on the first signal and take my chances. In my opinion the first signal would be a breaking of the 250 industrial figure. Now you can take it from there.

Last week I mentioned a few stocks. I still like them but only at specific prices. You might also look into Texas natural gas companies, e. g., Chicago Corp.

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

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Misconceptions and Facts Concerning Stock Market

proceeds of a sale consistent with current margin requirements.

Under the formula thus established, the recent increase from 50 to 75% in margins has not denied the privilege of substitution to any person who has a restricted margin account. An account owner is now able to withdraw 75%—not 50%—of the net proceeds of any sale. This automatically gives him the option of purchasing securities of equal value at any later date. In short, he has complete control over the funds withdrawn.

Stock Exchange Public Relations

I know how public relations minded you are; I believe you will bear with me for a few minutes more on a subject that is so vital to the well-being of our industry.

The New York Stock Exchange's program was developed under the guidance of Harold W. Scott, Chairman of our Advisory Committee on Public Relations which for months has been studying the problems of the Exchange's relations with the public and with its own members.

The Exchange's newspaper advertising reaches some 70,000,000 people every month. After extensive research and study, which included public opinion surveys and the advice of top-flight advertising and public relations counsel, we decided that daily newspapers are indispensable for carrying our story to the populations of the 400 cities in which member firms of the New York Stock Exchange have offices. Those cities represent 85% of the nation's buying power.

We are backing our confidence in the effectiveness of newspaper advertising with a half-million dollar campaign this year; an advertisement of the Exchange will appear at least once a month to tell our story in simple non-technical language—the story of stock ownership, what stocks are, why they exist, and why there are stock exchanges.

Just a day or so ago we started to use, for the first time, the technique of test advertising. Test advertising is based on the premise that the headline is largely responsible for the extent of the advertisement's readership. We are publishing a limited number of small identical messages with different headlines. These small advertisements offer, in the last line of the text, a free copy of "Investment Facts." The relative value of the headlines, each with a different appeal, is measurable by the number of requests received for the booklet from each advertisement. The information we get will largely determine the treatment of our advertisements this year. It will enable us to pin-point our advertising in terms of maximum public interest. The Association of Stock Exchange Firms is giving us its full cooperation in this test procedure.

Another area where we are intensifying our efforts is among listed corporations.

Business realizes, perhaps even more than we do, that grass-roots capitalism is the most effective answer to the false promises of communism. A nation of small capitalists is democracy at its best. With this idea in mind, industrial leaders are devoting much time and energy, and are giving us full cooperation, to encouraging wider stock ownership.

Some companies have reprinted our advertisements in full in their own publications with editorial commendation. In our conversations with management we, in turn, have received valuable advice and information. The potential rewards of this program are incalculable.

Another project we have under way is addressed to an audience of 5,000,000 women. The General Federation of Women's Clubs, with a membership of 18,500 units, and 5,000,000 individual members, has asked us to prepare a kit of informational material. We are doing this in cooperation with the American Bankers Association and the Institute of Life Insurance.

The kits will be used at finance forums which the Federation plans to conduct at its national convention in Houston, in May, and at some 30 state conventions throughout the country during 1951. These will be demonstration finance forums, with local clubs conducting their own forums. Speakers for national and local forums will be supplied by the Association of Stock Exchange Firms.

Another educational vehicle that I know is of particular interest to you is our new motion picture, for which a production contract has just been signed. It will be filmed, incidentally, right here in California.

There is just one more matter I would like to discuss with you. And I promise to be brief. It is this.

What place does the securities industry have in an economy that is arming itself against aggression? How can the securities business contribute most to our country's welfare?

The answers, I believe, are contained in the work we are trying to do in our public educational program. Fundamentally, our principal objective should be to stop the spread of communism dead in its tracks. That can be done by doing our part to encourage and facilitate the widest possible individual ownership of the productive resources of America. And implicit in this responsibility, is our obligation to provide the healthy security markets essential to the smooth flow of equity capital into industry.

Continued from page 14

We Have Fundamentals Of Sound Economy

strength through productiveness, flexibility and dynamic evolution, capable of meeting the needs of our people and being developed to meet the needs of our Allies, in war or peace, and I am not worried that against the test of the future, this economic strength will fail us so long as we maintain the tradition that has enabled us to create it. We need much more confidence in our strength and ourselves if we are to appraise realistically the world position which this country now occupies.

I am not panicked by the babble of criticism of our structure, and I urge you all to cease your concern with attempts to find a better method if you have been troubled by this clamor. I urge you to remember that what we have will do the job, if we maintain it and keep it working.

Now you are probably thinking—that's fine, but what has all this got to do with stocks and bonds. There are several connections I believe. First, and most obvious, is that if we get licked either from outside or inside, our American business, our strength, and the securities that represent its ownership, won't be worth a Tinker's damn. Second is this, our national emphases upon spending dollars to save hours takes a lot of dollars, our immense scale of mass production which we are about to expand, calls for capital in correspondingly large chunks. We are doing away with the very wealthy men who could finance businesses individually on this scale. Partnerships have the disadvantage of unlimited personal liability and are not susceptible to widespread ownership. So we have created the corporate form of doing business, with a great many stockholders having shares in the business. If it is typically American to mass produce, mass distribute and mass consume, it is surely no less typical to mass finance that same economy. That part of our democracy surely ought to go along with the other characteristics that I have talked about. It is very gradually coming about, but too slowly. The process has to go much further, if we are to retain and develop our characteristics, our people and our society. It is our job and your job to see that it does.

I would not be in a basically sound business if the securities which Stock Exchange member firms buy and sell for customers were not the securities of an equally sound economy. You cannot sell a vacuum cleaner of any special brand if the customer doesn't want a vacuum cleaner. There will be a popular demand for corporate securities only if the buyers are willing to recognize that American business is sound, and profitable and will stay that way. I believe that despite the attacks made upon it from time to time, in part from mixed and even treacherous motives, American business is sound and is serving the Nation well.

In an economy as dynamic and competitive as ours, it is inevitable that where there are successes there must also be some failures. It is evident also, and it may as well be recognized and frankly stated, that many potential owners of securities are deterred by bitter recollections of financial loss, often dating back to the 1929-1933 depression, bank holiday and general world upheaval.

Structure of American Finance Is Strengthened

It is probably difficult to persuade many such people that the whole structure of American finance, our monetary and banking system, has been vastly strengthened since that time. Merely to enumerate some of these strengthening changes hardly does justice to their far-reaching effects. Government control of credit, including stock market credit, Federal Deposit Insurance, Securities and Exchange Commission registration of new security issues are part of the story. Corporations are much more strongly financed than formerly. The stage has been set for greater mass investment.

At this time of war and preparation for war, we need to invest astronomic sums in productive equipment, to the end that our national genius for mass production shall have enough machines and facilities, enough electric power and enough railroad transportation capacity, to do the job that must be done.

I am completely convinced that our already unique and vitally strong economy will be even stronger in proportion as we keep our existing characteristics and add to them the financing of our industries, directly by individual savers, so that our citizens will be aware that they are functioning at one and the same time, as producers, consumers and as capitalists. That will go far towards debunking that Communist Marxian myth about the inevitability of the class struggle.

By way of summary, I hope I have focussed your thinking on some of the many aspects of our American economy from which we can all take heart and good cheer. I hope that I have justified the conclusion that because our economy, that is, our working assets, are sound, the investment securities which are the other side of the national balance sheet, are also sound, by and large. I hope further that you are convinced that the continued growth and continued soundness of the country call for mass investment in common and preferred stock by the average or small capitalist. I hope that you share my conviction that having long since fought for and obtained political democracy in this country, we may achieve a similar economic democracy through each man being an investor or capitalist—call it what you will—in addition to being a producer and, of course, a consumer.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	Feb. 18	98.5	96.7	99.6	90.7
Equivalent to—					
Steel ingots and castings (net tons)	Feb. 18	1,969,000	1,933,100	1,991,000	1,729,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output — daily average (bbls. of 42 gallons each)	Feb. 3	5,938,500	6,065,700	5,787,810	4,945,100
Crude runs to stills — daily average (bbls.)	Feb. 3	‡6,395,000	6,483,000	6,347,000	5,420,000
Gasoline output (bbls.)	Feb. 3	19,981,000	21,106,000	21,050,000	17,830,000
Kerosene output (bbls.)	Feb. 3	2,843,000	2,873,000	2,657,000	2,513,000
Gas, oil, and distillate fuel oil output (bbls.)	Feb. 3	9,785,000	9,954,000	9,528,000	7,335,000
Residual fuel oil output (bbls.)	Feb. 3	9,561,000	9,905,000	9,452,000	8,121,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Feb. 3	129,700,000	126,261,000	119,308,000	127,437,000
Kerosene (bbls.) at	Feb. 3	15,634,000	16,446,000	19,510,000	18,095,000
Gas, oil, and distillate fuel oil (bbls.) at	Feb. 3	56,776,000	58,997,000	68,198,000	64,039,000
Residual fuel oil (bbls.) at	Feb. 3	40,617,000	40,378,000	41,914,000	54,590,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Feb. 3	651,124	784,185	662,444	612,464
Revenue freight received from connections (number of cars)	Feb. 3	593,632	725,547	617,322	569,165
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Feb. 8	$555,701,000	$235,102,000	$415,811,000	$141,906,000
Private construction	Feb. 8	473,513,000	156,215,000	141,639,000	69,450,000
Public construction	Feb. 8	82,188,000	78,887,000	274,172,000	72,456,000
State and municipal	Feb. 8	73,431,000	65,308,000	121,131,000	66,821,000
Federal	Feb. 8	8,757,000	13,579,000	153,041,000	5,635,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Feb. 3	9,530,000	*11,410,000	10,025,000	6,540,000
Pennsylvania anthracite (tons)	Feb. 3	859,000	974,000	785,000	703,000
Beehive coke (tons)	Feb. 3	156,200	*159,600	144,000	16,600
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE=100	Feb. 3	233	*279	285	226
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Feb. 10	6,957,284	7,099,385	6,980,845	5,970,919
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET INC.	Feb. 8	191	159	193	195
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Feb. 6	4.131c	4.131c	4.131c	3.837c
Pig iron (per gross ton)	Feb. 6	$52.69	$52.69	$52.69	$46.36
Scrap steel (per gross ton)	Feb. 6	$47.75	$47.75	$45.09	$27.25
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Feb. 7	24.200c	24.200c	24.200c	18.200c
Export refinery at	Feb. 7	24.425c	24.425c	24.425c	18.425c
Straits tin (New York) at	Feb. 7	182.500c	182.500c	156.000c	74.500c
Lead (New York) at	Feb. 7	17.000c	17.000c	17.000c	12.000c
Lead (St. Louis) at	Feb. 7	16.800c	16.800c	16.800c	11.800c
Zinc (East St. Louis) at	Feb. 7	17.500c	17.500c	17.500c	9.750c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Feb. 13	101.33	101.39	101.39	103.75
Average corporate	Feb. 13	116.02	116.02	115.82	116.41
Aaa	Feb. 13	120.02	120.02	119.82	121.46
Aa	Feb. 13	118.80	118.80	118.80	120.02
A	Feb. 13	115.43	115.43	115.24	115.82
Baa	Feb. 13	110.34	110.15	109.79	108.70
Railroad Group	Feb. 13	112.93	112.93	112.56	111.62
Public Utilities Group	Feb. 13	115.82	115.82	116.02	117.40
Industrials Group	Feb. 13	119.20	119.20	119.20	120.43
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Feb. 13	2.40	2.39	2.39	2.23
Average corporate	Feb. 13	2.85	2.85	2.86	2.83
Aaa	Feb. 13	2.65	2.65	2.66	2.58
Aa	Feb. 13	2.71	2.71	2.71	2.65
A	Feb. 13	2.88	2.88	2.89	2.86
Baa	Feb. 13	3.15	3.16	3.18	3.24
Railroad Group	Feb. 13	3.01	3.01	3.03	3.08
Public Utilities Group	Feb. 13	2.86	2.86	2.85	2.78
Industrials Group	Feb. 13	2.69	2.69	2.69	2.63
MOODY'S COMMODITY INDEX	Feb. 13	532.9	533.5	521.0	356.9
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Feb. 3	345,524	204,050	319,609	248,603
Production (tons)	Feb. 3	240,200	242,721	207,870	202,942
Percentage of activity	Feb. 3	103	104	91	91
Unfilled orders (tons) at	Feb. 3	761,828	659,349	727,579	383,173
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1926-36 AVERAGE=100	Feb. 9	152.4	152.2	150.7	120.9
STOCK TRANSACTIONS FOR THE ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON THE N. Y. STOCK EXCHANGE—SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—					
Number of orders	Jan. 27	44,711	50,996	34,149	27,823
Number of shares	Jan. 27	1,316,015	1,547,897	1,047,204	822,964
Dollar value	Jan. 27	$60,156,890	$68,725,311	$42,913,662	$33,473,610
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Jan. 27	39,461	51,227	34,771	28,330
Customers' short sales	Jan. 27	264	471	480	267
Customers' other sales	Jan. 27	39,197	50,756	34,291	28,063
Number of shares—Customers' total sales	Jan. 27	1,123,561	1,467,551	1,057,454	770,638
Customers' short sales	Jan. 27	10,531	17,492	17,875	10,014
Customers' other sales	Jan. 27	1,113,030	1,450,059	1,039,579	760,624
Dollar value	Jan. 27	$46,131,138	$58,418,339	$37,917,733	$28,919,865
Round-lot sales by dealers—					
Number of shares—Total sales	Jan. 27	324,140	475,230	339,690	269,550
Short sales	Jan. 27				
Other sales	Jan. 27	324,140	475,230	339,690	269,550
Round-lot purchases by dealers—					
Number of shares	Jan. 27	522,200	527,470	326,840	303,470
WHOLESALE PRICES NEW SERIES — U. S. DEPT. OF LABOR—1926=100:					
All commodities	Feb. 6	182.2	*180.9	178.1	152.1
Farm products	Feb. 6	200.3	197.1	191.9	157.5
Grains	Feb. 6	190.7	189.6	187.8	158.5
Livestock	Feb. 6	263.9	257.0	248.3	199.3
Foods	Feb. 6	188.7	185.2	183.0	155.5
Meats	Feb. 6	274.0	265.5	259.7	211.3
All commodities other than farm and foods	Feb. 6	170.1	*170.0	167.8	145.8
Textile products	Feb. 6	180.9	*180.9	173.4	138.4
Fuel and lighting materials	Feb. 6	136.2	136.2	136.1	131.4
Metals and metal products	Feb. 6	188.9	188.7	187.9	168.5
Building materials	Feb. 6	226.5	225.4	223.4	192.4
Chemicals and allied products	Feb. 6	145.0	144.9	142.3	115.5

*Revised figure. ‡Includes 586,000 barrels of foreign crude runs.

	Latest Month	Previous Month	Year Ago
BUILDING PERMIT VALUATION — DUN & BRADSTREET, INC.—215 CITIES—Month of December:			
New England	$24,250,270	$16,134,550	$27,310,952
Middle Atlantic	65,441,003	85,297,990	61,903,158
South Atlantic	47,560,563	37,936,300	28,019,321
East Central	60,101,993	63,116,144	58,248,704
South Central	103,770,404	75,501,462	46,395,520
West Central	23,028,968	33,852,348	22,189,045
Mountain	12,961,852	12,508,098	7,122,523
Pacific	89,491,974	84,331,498	59,229,667
Total United States	$426,607,027	$408,678,390	$310,418,890
New York City	38,150,313	37,350,881	41,739,020
Outside of New York City	388,456,714	371,327,509	268,679,870
BUSINESS FAILURES—DUN & BRADSTREET, INC.—Month of December:			
Manufacturing number	143	150	201
Wholesale number	77	69	90
Retail number	330	310	349
Construction number	62	87	80
Commercial service number	67	67	50
Total number	679	683	770
Manufacturing liabilities	$5,352,000	$8,412,000	$7,465,000
Wholesale liabilities	2,260,000	1,749,000	3,020,000
Detail liabilities	5,479,000	4,235,000	6,284,000
Construction liabilities	4,748,000	2,726,000	1,814,000
Commercial service liabilities	3,205,000	1,742,000	668,000
Total liabilities	$21,044,000	$18,864,000	$19,251,000
BUSINESS INCORPORATIONS (NEW) IN THE UNITED STATES—DUN & BRADSTREET, INC.—Month of December	6,780	6,256	7,857
COTTON SEED AND COTTON SEED PRODUCTS—DEPT. OF COMMERCE—Month of December:			
Cotton Seed—			
Received at mills (tons)	368,990	792,807	449,701
Crushed (tons)	432,968	564,151	677,438
Stocks (tons) Dec. 31	1,138,343	1,202,321	1,884,014
Crude Oil—			
Stocks (pounds) Dec. 31	100,065,000	98,408,000	181,587,000
Produced (pounds)	138,678,000	182,355,000	217,619,000
Shipped (pounds)	132,706,000	174,640,000	190,049,000
Refined Oil—			
Stocks (pounds) Dec. 31	171,591,000	155,036,000	218,210,000
Produced (pounds)	122,009,000	160,209,000	172,940,000
Consumption (pounds)	107,832,000	116,590,000	133,830,000
Cake and Meal—			
Stocks (tons) Dec. 31	190,875	207,924	142,801
Produced (tons)	193,620	251,982	309,772
Shipped (tons)	210,669	258,284	290,489
Hulls—			
Stocks (tons) Dec. 31	83,192	82,635	110,166
Produced (tons)	99,614	127,347	158,420
Shipped (tons)	99,057	141,359	168,878
Linters (running bales)—			
Stocks Dec. 31	102,703	82,622	264,805
Produced	145,238	188,810	202,785
Shipped	125,157	195,945	179,984
Hull Fiber (1,000-lb. bales)—			
Stocks Dec. 31	477	483	1,702
Produced	965	1,702	1,394
Shipped	971	2,271	1,314
Motes, grabbots, etc. (1,000 pounds)—			
Stocks Dec. 31	4,808	4,253	7,164
Produced	2,811	3,027	3,628
Shipped	2,256	2,870	3,125
EMPLOYMENT AND PAYROLLS—U. S. DEPT. OF LABOR—REVISED SERIES—Month of November:			
All manufacturing (production workers)	13,022,000	13,133,000	11,283,000
Durable goods	7,190,000	7,181,000	5,713,000
Nondurable goods	5,832,000	5,952,000	5,570,000
Employment indexes—			
All manufacturing	159.0	160.3	137.8
Payroll indexes—			
All manufacturing	414.9	415.8	313.9
Estimated number of employees in manufacturing industries—			
All manufacturing	15,742,000	*15,825,000	13,807,000
Durable goods	8,642,000	*8,615,000	7,050,000
Nondurable goods	7,100,000	*7,210,000	6,757,000
HOUSEHOLD WASHERS AND IRONERS — STANDARD SIZE — AMERICAN HOME LAUNDRY MANUFACTURERS' ASSOCIATION)—Month of December:			
Factory sales of washers (units)	377,013	379,964	237,591
Factory sales of ironers (units)	38,800	41,900	19,400
Factory sales of dryers (units)	41,418	33,044	15,282
MOODY'S WEIGHTED AVERAGE YIELD OF 200 COMMON STOCKS—Month of Jan.:			
Industrials (125)	6.58	6.89	6.50
Railroad (25)	5.73	6.03	7.10
†Utilities (24)	5.81	6.00	5.35
Banks (15)	4.73	4.71	4.55
Insurance (10)	3.52	3.43	3.37
Average yield (200)	6.32	6.57	6.28
REAL ESTATE FINANCING IN NONFARM AREAS OF U. S. — FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION —Month of November (000's omitted):			
Savings and loan associations	$406,464	$442,871	$341,812
Insurance companies	172,066	175,916	98,088
Bank and trust companies	297,274	324,892	229,346
Mutual savings banks	112,062	112,821	74,893
Individuals	201,834	216,012	177,297
Miscellaneous lending institutions	267,373	271,898	192,515
Total	$1,457,073	$1,544,410	$1,114,041
U. S. GOVT. STATUTORY DEBT LIMITATION As of Dec. 31 (000's omitted):			
Total face amount that may be outstanding at any time	$275,000,000	$275,000,000	$275,000,000
Outstanding—			
Total gross public debt	256,124,868	256,707,571	256,865,375
Guaranteed obligations not owned by the Treasury	17,774	23,733	27,029
Total gross public debt and guaranteed obligations	$256,142,642	$256,731,304	$256,892,405
Deduct—Other outstanding public debt obligations not subject to debt limitation	699,595	704,927	741,851
Grand total outstanding	$255,443,047	$256,026,377	$256,150,554
Balance face amount of obligations, issuable under above authority	19,556,952	18,973,622	18,849,445

*Revised. †Not including stock of American Tel. & Tel.

Continued from page 3

"Are We Falling Into History's Greatest Trap?"

ued trend to inflation, encouraged by constant wage increases, which result in higher prices, we are going to find the value of our dollar greatly depreciated during the next few years. We still seem to be unwilling to be guided by the disastrous experience of many foreign countries, which resulted from demoralization in the value of their respective currencies.

So long as our government does not economize and get along without everything possible during the war period, why should its citizens do so? The policy seems still to be "tax, tax and tax" and "spend, spend and spend." One of the surest roads to Communism is through bankruptcy, which can result from currency inflation.

* * *

C. KENNETH FULLER

President, The Paterson Savings and Trust Co., Paterson 1, N. J.

It may be slow work educating the public to Dr. Palyi's thesis, but I believe he is on the right track.

* * *

JOHN HARPER

President, Harper Oil Co., Inc., Long Island City 1, N. Y.

Dr. Palyi's article in the "Chronicle" issue of Jan. 11 crystallizes some ideas that are undoubtedly in the minds of a large number of our people.

Mr. Hoover was absolutely right in calling attention to our strong points. Our navy, air force, and super weapons are the items in which we excel. Research and improvements in these fields should keep us in an impregnable position.

Immense land forces impose an unsolvable problem on this country. Our population is much smaller than Russia's potential. Our manpower is too costly and too highly educated to be wasted in infantry battalions. Russia can maintain 10 million men under arms at all times at an expense far less than that at which we can maintain a much smaller force, and furthermore, neither Russia's industries nor her agricultural program would suffer, whereas we have such an acute need for all of our manpower in industry and agriculture that the maintenance of even a three-million-man army will not only crack our economy, but actually handicap our labor supply severely.

It is suggested that after extensive hearings of the views of experienced citizens and government executives, the Senate should debate the principles and application of a foreign policy. The results of this debate should be laid down to the executive branch of the government as a text for future guidance.

Foreign governments would then know our position in world affairs and we could develop our plans with confidence and the respect of friend and foe alike.

We need the thinking of all the best brains in the country, and politics must not be allowed to prevail.

Sacrifice in this emergency must first entail suspension of any further social benefits, which we can certainly ill afford. Every possible saving must be effected to minimize the impingement of a campaign to maximize the potential strength of our country.

Industry and agriculture must strive to build up such great power that the whole world will stand in awe of the specialized military might that we hold in reserve.

Straight thinking, a sound and prosperous economy, and a preparedness in the most modern methods of war will thwart the evil intentions of any adversaries. And we can do it.

* * *

ADRIAN D. JOYCE

Chairman of the Board, The Glidden Company, Cleveland 14, Ohio

I thoroughly agree with Dr. Palyi when he says:

"A program of this character would not require the gigantic military mobilization we are embarking upon and consequently with the exercise of prudence in our Federal budget not only could we get by without the imposition of more taxes but even without the added tax burden provided for in last year's legislation."

I am afraid, however, that our President is determined to work for higher taxes and a higher budget and not to make any attempt to reduce the ridiculous expenses being incurred by the various bureaucracies in Washington.

* * *

ENDICOTT R. LOVELL

President, Calumet and Hecla Consolidated Copper Company, Calumet, Michigan

I subscribe heartily to most of Mr. Palyi's statements and I agree that this country is probably falling into history's greatest trap. However, the last paragraph of the article leaves me confused.

Mr. Palyi states, "We can have both 'guns and butter,' high living standards and ample armaments if we keep the latter in the bounds of a minimum adequate to the necessities of a lightning war." It seems to me that here is the nub of the whole argument. What are the minimum adequate necessities? Who is to say what they shall be? I have little confidence that either our politicians or our military experts know now or ever will know. The impending crushing increases in taxes appear to bear out the statement that we may become a bankrupt garrison. Certainly without adequate incentives men will fail to do the kind of work essential to the continued growth of this country.

* * *

L. J. NORTON

Professor, Agricultural Economics, University of Illinois, Urbana, Ill.

I recently heard Dr. Palyi talk along much the same lines at a meeting in Washington. His point that no sensible government will start a war unless it thinks it is a "blitzkrieg" seems sensible to me. His basic position that the USA should take a firm stand and say that it will move if the opposition oversteps certain positions leaves two big questions to be decided: (1) Where do we draw the line? (2) Do we have the resources or can we mobilize them among our allies to make good?

Current economic trends within the United States cause one to have concern. In a number of talks before farm groups this winter I have said that "we should avoid inflation as we would the devil" and that "if I were an opponent of the U. S. A. and wanted to achieve our ultimate defeat, I would try to induce inflation here." These views are reinforced by what I saw in Western Europe in 1949. It does not seem to me that our leadership realizes this. The present stabilization efforts deal with symptoms and not causes. They will not be very successful unless the real causes of inflation are brought under control. We should, I think: (1) limit our total governmental expenditures to a reasonable proportion of our national income; (2) tax heavily; and (3) set a rational interest rate on any new government debt which we may have to incur.

In view of the present attitude of our people toward the future of the dollar I do not believe any large volume of government securities can be sold to the public at present rates, so new bond issues will have to go into the banking systems, the most inflationary way possible to finance a government deficit. We should, of course, produce all we can. I see no signs that we will not try to do so. But this is not a very anti-inflationary force as production generates the income with which to buy the added output. And if a scramble to produce new production facilities draws on scarce materials, it is in the short run inflationary.

* * *

RENO ODLIN

President, The Puget Sound National Bank, Tacoma 1, Washington

Dr. Palyi makes a very convincing argument. I have felt for a long time that we have permitted ourselves to become very frightened at things that should not necessarily scare us so much. To have this country shivering and shaking with panic at the threats of a representative of China, for God's sake, is quite a letdown. I'm not at all sure Dr. Palyi has not called the turn with complete accuracy. Certainly I share his fear that we may be frightened into ruining ourselves internally more certainly and more quickly than our international enemies could ruin us from without.

* * *

CLIFFORD E. PAIGE

President, The Brooklyn Union Gas Company, Brooklyn 2, New York

Mr. Palyi presents in a dramatic way the economic strategy many people believe the Russian Government is following. If this analysis is correct, we could come dangerously close to disrupting our economy. I am confident, however, that many of our leaders in the defense program are aware of this.

Once again we are indeed entering a time of crisis as a nation. We will need our best thinking to come through it. Provocative articles of the type you are publishing will do much to make the issues clear and to guide us in the grave responsibility which faces the American people.

* * *

NEIL T. REGAN

Public Relations Director, Admiral Corporation, Chicago 47, Illinois

To my own mind, the article is one of the few which have clarified the muddled international situation to a point where it is actually brought into focus and the "Chronicle" should be proud to have been the first to print it.

It is the sad truth that our daily newspaper headlines are inclined to exaggerate both the military and industrial potential of the enemy and consequently, we have developed a national fear which is most certainly not justified by the facts. Articles such as Dr. Palyi's should, if nothing else, bring us out from under the bed—the first step in the right direction.

* * *

HON. A. J. SABATH

U. S. Congressman from Illinois

The views expressed by Dr. Palyi are in accord with mine.

Continued from page 4

Are We Protecting the Investor?

board relations with investment advisory clients.

In addition to its regulatory and administrative functions under these Acts, the SEC is designated by Chapter X of the Bankruptcy Act as adviser to the Federal district courts in corporate reorganization. The Commission's monumental studies of corporate reorganization led, in part, to the adoption of Chapter X and the theory of the Congress was that the Commission could bring invaluable expert and independent advice to the courts to help in the achievement of reorganization plans fair and equitable to investors.

Even this summary view of the functions of the SEC makes it clear that we have achieved an extraordinarily extensive system of investor protection. It is by no means complete, nor is it, in all details, the best we could have.

A Patchwork

It is, to put it bluntly, a patchwork, built up over a period of years. It contains at least one serious gap. Except for specially regulated utility and investment companies, only companies which register large issues of securities for public distribution and those which list their securities for trading on exchanges are required to file periodic information. Many large corporations do not have securities listed on exchanges and have not made any public offerings of securities in recent years. However, they do have large bodies of public security holders and there is no reason why these companies should not be under an equivalent duty to file public reports of their affairs and to obey the proxy regulations. Senator Frear of Delaware introduced a bill in the last session of Congress to plug this gap and he has announced that the bill would be reintroduced in the forthcoming session.

The actual mechanics of dissemination of information to investors under the Securities Act leave much to be desired. That Act could be improved (and we hope it will be soon) to give the investor simpler and more useful data in time to permit that data to be of real help in making his investment decisions.

In passing the Securities Act, the Congress laid emphasis on the role of the written statutory prospectus in the basic policy of the legislation—informing the investor. However, it did recognize that certain informal and essentially casual oral discussion was inevitable and that it would be impossible to police all oral communications between sellers and buyers of securities.

Change in the Securities Act Needed

It therefore worded the Securities Act in a way that permitted a seller to make oral statements, concerning securities being offered, even prior to the delivery of a prospectus. There can be no doubt, however, that the Securities Act clearly intends that the prospectus—the document which is required to tell the material facts necessary to an informed judgment—should be the main vehicle of securities sales in newly distributed issues. Yet it has been estimated that as much as 80% of all securities are today sold by telephone and other oral conversation, and many investors do not see the prospectus until the sale has for all practical purposes been completed. The midget—the opportunity to talk about a security—has become a giant which has shaken the very foundation of the scheme of regulation.

We have been working for a long time to find a way of rewording the Act so that we could recommend to Congress means of plugging this loophole as well as meeting the legitimate criticisms of the financial community.

My own view is that the answer is, in principle, a simple one. We ought to stay with the wisdom of the law and not try to police oral offers of securities. We ought not try to prevent sellers from offering their securities after information about the securities has been filed with the SEC. But, above all, we must require the development of a machinery of security distribution which will get reliable and adequate information to the buyer in advance of his commitment.

Investors Do Read

One of the recurrent arguments I hear is that it makes no sense to go through the effort required to get full information delivered because investors just don't read it. I happen to credit the ordinary investor with more intelligence and astuteness than this argument of despair would attribute to him. Many investors do read prospectuses. More investors will read prospectuses if the Commission succeeds in its present program for making the disclosures even simpler and more understandable than they are today. Still more will read them if we gave the American investor a fair chance to look before he leaps.

In terms of the broad background against which we should appraise protection of the investor, these issues, important as they may be, are only collateral. We live in a world of giant enterprise and giant finance. The corporation, the investor, and the relations between them present more than technical challenges. They present an essential problem in an evolving democracy.

It is one of my fundamental beliefs that all of our social institutions are bound to reflect the dominant drives of our people. People do not, in the long run, create democracies in government while they condone autocracies in their business lives. The urge toward greater democracy, greater participation of the individual in political institutions, sooner or later manifests itself in the other forms of collective activity in which the individual engages. That urge has been a constant one in American life. If our Federal system of securities regulation (or, to put it another way, of "investor protection") is fundamentally sound—as I think it is—it is in large part because it is consistent with that democratic philosophy and is an implementation of that philosophy in the all-important field of economic behavior.

Let us take the first law passed in our scheme of Federal securities regulation — the Securities Act of 1933. That law, you will recall, seeks to protect the investor in newly distributed securities by providing for dissemination to investors of essential information about the company and the security. When that Act was passed there were many models of securities regulation from which to choose. Many states had securities statutes which you may recognize under the popular title of "blue sky" laws. Blue sky laws assume a variety of forms. Some of them are simple "fraud" laws—that is, statutes which do little more than add statutory penalties to the common law doctrine that one who sells securities by fraudulent means is liable to the buyer. Some of these laws are so-called "qualification" statutes. Such statutes give a state administrative officer or body power to grant or withhold permission to sell securities within the state on the basis of more or less loosely defined regulatory standards related to the quality of the security. Other laws combine various aspects of these systems of regulation.

Emphasis on Information

Of the variety of models from which to choose in designing one of the basic laws for investor protection our Federal Government chose neither a mere "fraud" law, nor a statute which imposed central and official control over the investment process. It chose, instead, a statute of the information type.

Under this law the SEC cannot and does not tell sellers what they can sell or buyers what they should buy. This law does not displace the free determination of corporate management as to how much or what type of securities to sell. It does not displace the individual responsibility of the investor to make his own investment decisions. It is neither absolute control on the one hand nor unrestrained license on the other.

It is an attempt to get the issuer of the security to tell the whole truth about the offering and to provide the investor with the means of making an informed decision.

This philosophy is rooted in the democratic tradition. A healthy and sound democracy presupposes the intelligent exercise of individual will in a collective endeavor. Our newspapers, tv, radio, magazines and public forums, such as the one I have the honor of addressing here, are the means whereby a democracy publicizes its condition, its affairs, and its problems to all of its citizens who are the investors in democracy.

Our individual decisions based on the best information are, in the end, democracy at work.

No one could write an adequate history of our times without describing the emergence of the corporation as one of our dominant social institutions. As a system of collective endeavor it offers many parallels with civil government and, indeed, in some cases assumes functions that wellnigh constitute civil government. When we talk of democracy therefore we are talking of only one side of our social existence if we limit ourselves to civil government and leave out the problem of corporate government.

In a small community, the town meeting can be an effective functioning body. As communities grow, as interests that clamor for a voice in civic affairs become more complex and dispersed, the maintenance of democracy depends on devising an effective machinery of representation. Always, and at every stage of its development, the measure of representational machinery in a democracy is the extent to which it permits and attains informed participation by the individual citizen in affairs of state.

This is no less true of corporations than it is of civil governments. Legally, and in fact, the stockholders of a corporation are its owners. As such, they should have the ultimate voice in choosing their representatives in the corporate management and in determining crucial corporate issues such as mergers, consolidations, liquidations and so forth. Whether or not the owners of the enterprise have an effective voice in running it depends on the means afforded to them for exercising the right to vote.

When corporations were small and when stockholders tended to be a relatively compact group the roundtable stockholders' meeting was feasible.

Proxy System Normal

But with the growth of corporations and the dispersal of ownership among the millions of our people who hold corporate securities the roundtable became impossible. The proxy, therefore, rather than personal attendance at meetings, became the normal way of exercising the stockholder's franchise.

Some of the darkest pages in American corporate history have been written about abuses of the proxy machinery by intrenched and irresponsible management. The election of directors was like a dictator's plebiscite. Stockholders would be asked to vote for people whose past performance they had no way of appraising because of the lack of publicity about corporate affairs. They would be asked to ratify all acts and decisions of the management without knowing what these acts or decisions were or meant. They were asked to approve crucial rearrangements of capital that vitally affected their position in the company without knowing what they were being asked to approve. There was no limit except ingenuity to the devices that were used. One company, for example, adopted the practice of making the dividend check itself a form of proxy. Any stockholder who endorsed his check to cash it was, by that act, voting for and endorsing the management and its policies, whoever or whatever they might be.

These abuses were, in themselves, evil enough. But they were combined with widespread apathy and ignorance. Without laws requiring publicity for corporate affairs under well regulated standards of disclosure the impotence of the ordinary stockholder was well-nigh complete.

But that was not all. Not only was the investor deprived of a chance to participate personally through the proxy machinery, but each investor—unless he had large means at his disposal—was effectively isolated from his fellow investors. Corporate meetings were frequently held in out-of-the-way places and at inconvenient times.

Assuming that an investor got to the meeting he would be likely to find there only the management and perhaps a handful of investors. The meeting itself provided no adequate audience and the management's control of the agenda could effectively deprive the stockholder of a platform.

The only other way was for the individual investor to circulate his own material to stockholders in the form of counter-solicitations. Few people had the money or the incentive to do so—even in relatively small corporations.

In the giant corporations such an adventure would be an enormously expensive undertaking even for people of means.

The SEC's Proxy Provisions

It was not surprising therefore that the Congress provided in the Securities Exchange Act of 1934 for regulation of the proxy practices of corporations having listed stocks. Under Section 14 of that Act the SEC is empowered to adopt rules and regulations regarding this most crucial aspect of the modern corporation. The Commission's rules have gone through a series of evolutionary changes until, today, they form an integrated code within themselves.

Under these rules proxies cannot be solicited unless the solicitation is accompanied by a statement which clearly sets forth the issues on which the stockholder is to vote. He has the right to vote "no" as well as "yes." Let me pause to observe that while this may seem to be an elementary aspect of the right to vote, many corporations never provided it until required to do so by the Commission's rules.

As long as the proxy machinery keeps stockholders isolated from each other it is not a reasonable approximation of the stockholders' roundtable meeting.

It became obvious, early in our administration of the proxy rules, that they were not complete without provisions affording to the ordinary stockholder of limited means an opportunity to reach his fellow stockholders in order to make and support independent proposals within the proper sphere of stockholder action.

The rules were amended so that today a stockholder may submit to the management proposals for vote by fellow stockholders and ask that these be carried in the management's proxy material. If the management opposes the proposals it must afford an opportunity to the stockholder to furnish a justification of 100 words which it will circulate to stockholders in its soliciting material.

When these amendments to the rules were first passed they raised a strong cry of protest. It was complained that they would transform the proxy system into an auditorium for crackpots. That, like most gloomy predictions about expanding democracy, has turned out to be false. First of all the rules definitely provide that stockholders cannot use these privilges in order to redress personal grievances or enforce personal claims.

The privilege is lost if substantially the same proposal has been submitted to security holders at the last meeting and it received less than 3% of the votes cast with respect to the proposal. The privilege is lost if the proposing stockholder (without an adequate reason) did not show up at a previous meeting to present the proposal for action where the soliciting material for the prior meeting carried his proposal.

It is not within the arbitrary discretion of management to refuse to carry a proposal submitted by a stockholder. The Commission must be notified of such refusal and the management must justify the refusal.

If the refusal cannot be justified the management's failure to transmit to stockholders the proposal and the supporting statement is a breach of the rules. Among the other consequences of such a breach is the possibility of an injunction against use of the management proxies which the Commission will seek in the courts.

Experience has demonstrated that stockholders have used these privileges moderately and, by and large, reasonably. Many corporations, as a result of vigorous action by stockholders using these privileges have greatly improved their procedures for stockholders' meetings and have greatly improved their relations with stockholders.

Democracy in Action

This, to my mind, is democracy in action. Abraham Lincoln, talking of the America of his day, said that it cold not long survive half slave and half free. The remark can as wisely be made of society at any time when there is a substantial lag in the development of any one social institution. The corporation has emerged as one of our significant social institutions, and if the SEC had done nothing else than sponsor the Securities Exchange Act of 1934, and pass and administer the proxy rules under the authority of that act, it would have built a substantial monument to itself as a positive force in American social history.

But the Commission has done more. When the subject of protecting the investor is raised, it is natural to ask "protecting him against whom?" The investor needs to be protected against fraud, againt irresponsible promoters, against self-seeking and unresponsive management, against market manipulators. In stressing the achievements of the SEC against the broad background of democratic evolution I do not, by any means, wish to underestimate these accomplishments. The SEC was not, after all, created by political philosophers in a self-conscious attempt to legislate a political philosophy. It was created because the shock of 1929 and the ensuing depression laid bare so many irresponsible practices that made our economy unnecessarily vulnerable to economic change.

The SEC is not run by political philosophers (than the Lord) but by practical men who are dedicated to the job of doing what they can to keep the financial community and financial practices free of the swindlers, crooks and highbinders. It would be fatuous for me to claim that the SEC can prevent depressions. It can do no such thing. But it can, and has, laid the groundwork for a sounder and better system of finance.

Promoters seeking to attract public capital who have got to tell their story to the world will think twice before they try to sell pig's ears at silk-purse prices. The investor who wants to discriminate between safe investments and fliers in specualtion has the means of doing so.

If markets climb or plunge we at least have the assurance that the ticker tapes of the nation run through a government agency which is alert to catch and investigate signs of illegal manipulation.

Whenever an unusual movement is observed in any security our staff swings into an investigation in which buyers, sellers, brokers and dealers are itnerrogated about their transactions. These so-called "flying quizzes" are conducted on a confidential basis. We want to avoid publicity which might hurt people being quizzed and the investors in the security. As a result we often are criticized for inaction at the very time when we are in the midst of a full scale investigation.

Commission's Activities in Utilities

Every year, under the Public Utility Holding Company Act, the Commission brings the holders of millions of dollars of utility holding company stocks back to investment in sound, balance, operating company securities.

For the first time in history the buyers of investment company securities have a right to know what they are buying, how much load they are paying and to be protected against abuses of management.

Investment companies of the open-end type, sometimes referred to as "mutual" funds, have grown enormously in recent years. This growth has been accomplished by vigorous selling methods.

At times the general literature used in creating interest in these funds has skirted close to the line of impropriety and in some cases has definitely crossed the line. The cost factors to the investor in open-end securities were either ignored or played down. Unjustifiable claims for safety, stability and security were made nothwithstanding the fact that many funds invested the proceeds in highly speculative securities. An exaggerated picture of the benefits of regulation by the Federal Government frequently created the wholly misleading impression that the government either guaranteed investments or supervised in detail management investment practices—which it does not do. Comparisons with forms of conservative investment (such as government bonds, mortgages, savings accounts) were often made without pointing out the hazards of market changes inherent in open-end company portfolios.

There was a variety of ways in which the Commission could deal with this problem. One was to reach in at random, pick out an offender (or group of offenders) and make an example out of them in the courts. Another was to deal with the problem as an industry-wide problem—which it really was. Many dealers used this literature unaware of its failings under the standards of law. Competetive pressures operated to put a premium on aggressiveness in selling.

What was needed was clarification and not random punishment. With the cooperation of organized dealers and the investment trust industry we sat down and analyzed thousands of specimens of this literature. We isolated out the recurring types of undesirable statements and published a document in which the improprieties were pointed out and in which dealers were warned against these abuses. That document, which has come to be known as "The Statement of Policy," is today the working code which guides the preparation of selling literature for open-end company investment.

We are proud of it, and of the improvements made under it. It is, to us, another example of how much more can be done with enlightened participation and cooperation than can be done by a psychology of prosecution which measures its success by the number of notches on the gun.

The laws administered by the SEC will help to keep our investors and our markets anchored to reality. They are not guarantees of that result, any more than democracy is a guarantee that the people will always choose wisely.

If investors fail to use the means of information available to them, if they insist on buying tips, hunches, rumors, trends, rather than investments our system provides no protection whatever.

We are raising a new generation of investors to whom the opportunities for information and for participation in corporate affairs will be accepted as a matter of course. Just as democracy must be an ingrained habit rather than a shibboleth if it is to work, so must informed investment. That cannot be accomplished overnight.

Ignorance and apathy are ancient enemies of sound investment. It takes time to drive them out. We have, in the 17 years of the SEC's existence done much. As I indicated, we are trying every day to do more.

The stake in our success is high. To minimize loss resulting from chicanery and imprudence is, in itself, a worthwhile goal. But it is more important to recognize that our generation and generations to come will continue to use the corporate form as a means of mobilizing our economic forces in a free enterprise system. The public is and should continue to be the dominant source of capital for venture investment. We can assure that only by assuring a continuing public confidence in the investment process. We cannot do it by preventing the normal occurrence of economic loss and economic cycles. But we can cushion their effect by encouraging enlightened investment and enlightened participation by investors in corporate affairs.

That is not only good business, but good democracy.

Securities Now in Registration

● INDICATES ADDITIONS SINCE PREVIOUS ISSUE

Affiliated Fund, Inc., New York
Jan. 26 filed 5,000,000 shares of common stock. **Underwriter**—Lord, Abbett & Co., New York. **Proceeds**—For investment.

● Afton Oaks Corp., Houston, Tex.
Feb. 5 (letter of notification) 276 shares of common stock to be offered to stockholders of Stahlman Lumber Co. through H. I. Stahlman. **Price**—$10 per share. **Underwriter** — None. **Proceeds** — For organizational expenses. **Office**—4007 Greenbrier Street, Houston, Texas.

Alhambra Gold Mines Corp., Hollywood, Calif.
Nov. 1 filed 80,000 shares of common stock. **Price**—At par ($1 per share). **Underwriter**—None. **Proceeds**—For further development of mine and for working capital.

Alliance Tire & Rubber Co., Ltd. (Israeli)
Feb. 1 filed 28,770 shares of class A common stock (par five Israeli pounds). **Price**—$50.40 per share (to be offered as a speculation). **Underwriter**—None. **Proceeds**—To construct and equip a modern tire and rubber plant in the State of Israel **Business**—Plans manufacture of tires and other rubber products.

American Research & Development Corp., Boston, Mass.
Feb. 1 filed 106,420 shares of common stock (par $1). **Price**—$25 per share. **Underwriters**—None, but subscriptions may be obtained by Estabrook & Co., Harriman Ripley & Co., Inc. and Clark, Dodge & Co., New York, and other members of the NASD. **Proceeds**—To make investments in certain enterprises.

American Telephone & Telegraph Co.
Jan. 18 filed not exceeding $420,000,000 12-year 3⅜% convertible debentures due March 19, 1963 (amount expected to be in excess of $410,000,000) being offered to stockholders of record Jan. 29, 1951 on basis of $100 of debentures for each seven shares of stock held; rights to expire on March 19, 1951. The debentures will be convertible into capital stock beginning June 1, 1951, at $138 per share, payable by surrender of $100 of debentures and payment of $38 in cash. **Price**—At 100% of principal amount. **Underwriter**—None. **Proceeds**—For advances to subsidiary and associated companies and for general corporate purposes. Statement effective Jan. 24.

Ampal-American Palestine Trading Corp., N. Y.
Dec. 8 filed $5,000,000 of 15-year 4% sinking fund bonds, series A, due 1966. **Price**—At 100. **Underwriter**—Directors and employees may be salesmen. **Proceeds**—To develop and expand agricultural, industrial and commercial enterprises in Israel. Statement effective Jan. 9.

Argo Oil Corp., Denver, Colo.
Dec. 18 (letter of notification) 5,750 shares of capital stock (par $5). **Price**—At the market (approximately $17.37½ per share). **Underwriter**—Carl H. Pforzheimer & Co., New York. **Proceeds**—To A. E. Johnson, President, the selling stockholder. **Office**—1100 First National Bank Building, Denver, Colo.

Armco Steel Corp. (2/26)
Jan. 30 filed a maximum of 884,000 shares of common stock (par $10) to be offered for subscription by common stockholders of record Feb. 26, 1951, on the basis of one-fifth share for each share held; rights to expire on March 14, 1951. **Price**—To be supplied by amendment. **Underwriters**—Smith, Barney & Co. and W. E. Hutton & Co. **Proceeds**—For expansion program and additional working capital.

Athey Products Corp., Chicago, Ill.
Jan. 29 (letter of notification) 10,000 shares of common stock (par $4). **Price**—$7.50 per share. **Underwriters**—F. S. Yantis & Co., Inc., Chicago, Ill., and Kalman & Co., St. Paul, Minn. **Proceeds**—To Charles O. Kalman of Captiva, Fla., the selling stockholder.

Atlantic Oil Corp., Tulsa, Okla.
Nov. 13 (letter of notification) 48,046 shares of capital stock. **Price**—At par ($5 per share). **Underwriter**—Continental Corp., Tulsa, Okla. **Proceeds**—To purchase oil and gas properties.

B. & H. Incorporated, New Orleans, La.
Jan. 8 (letter of notification) 19,397 shares of 6% cumulative preferred stock (par $10) and 58,940 shares of common stock (par 50 cents) to be sold in units of one preferred and one common share. **Price**—$10.50 per unit and 50 cents per share for common stock. **Underwriter**—Woolfolk & Shober, Inc., New Orleans, La. **Proceeds**—For working capital. **Office**—513 Carondelet Bldg., New Orleans 12, La.

● Baldwin-Lima-Hamilton Corp.
Feb. 8 filed 486,312 shares of common stock (par $13) to be issued in exchange for 303,945 shares of Austin-Western Co. common stock on basis of 1⅗ shares of Baldwin for one Austin-Western share. **Underwriter**—None.

● Bluefield Gas Co., Bluefield, W. Va.
Feb. 2 (letter of notification) 50,000 shares of common stock (par 20 cents). **Price**—$1.15 per share. **Underwriter**—Scott, Horner & Mason, Inc., Lynchburg, Va. **Proceeds**—For expansion program.

● Brager-Eisenberg, Inc., Baltimore, Md.
Feb. 2 (letter of notification) 5,000 shares of common stock (par $1). **Price**—$19 per share. **Underwriter**—Blyth & Co., Inc., New York. **Proceeds**—For general corporate purposes.

Brown Co., Berlin, N. H.
Jan. 25 filed 144,151 shares of $5 cumulative convertible preference stock (no par) and 144,151 shares of $3 cumulative second preference stock (no par), together with voting trust certificates representing the same, to be offered in exchange for 144,151 shares of $6 cumulative convertible preferred stock on basis of one share of each class of preference stock for each share of $6 preferred stock. **Underwriter**—None, but Georgeson & Co. will solicit exchanges.

● Canadian Breweries, Ltd.
Feb. 8 filed 61,220 shares of common stock (no par) to be offered in exchange for Brewing Corp. of America common stock on basis of two shares for each Brewing Corp. share held. **Underwriter**—None, but Georgeson & Co., New York, will solicit exchanges.

● Carolina Livestock & Loan Corp.
Feb. 5 (letter of notification) 3,000 shares of common stock of which 1,500 shares are to be given in exchange of a tract of land and the rest will be publicly offered. **Price**—$100 per share. **Underwriter**—None. Proceeds—To buy and sell livestock and improve pastures, and grant loans to farmers. **Address**—Care of Dixon & Dark, counsel, Siler City, N. C.

Central Illinois Electric & Gas Co. (2/21)
Jan. 29 filed 80,000 shares of common stock (par $15) to be offered to common stockholders at rate of one share for each seven shares held on or about Feb. 21, 1951, with an oversubscription privilege; rights to expire March 8. **Price**—To be supplied by amendment. **Dealer-Managers**—Stone & Webster Securities Corp. and Allen & Co., both of New York. **Proceeds**—For construction program.

Central Illinois Light Co.
Jan. 25 filed 100,000 shares of common stock (no par) being offered to common stockholders of record Feb. 13 at rate of one share for each eight shares held, with an oversubscription privilege subject to subscription rights of employees to expire on Feb. 28. Rights to stockholders to expire on March 2, 1951. **Price**—$32.25 per share. **Underwriters**—Union Securities Corp.; Lehman Brothers White, Weld & Co.; and A. C. Allyn & Co., Inc. **Proceeds**—For expansion program.

Central Louisiana Electric Co., Inc.
Jan. 25 filed 250,297 shares of common stock (par $10) and 21,480 shares of 4.5% preferred stock (par $100), of which the preferred stock and 214,800 shares are to be offered in exchange for shares of common stock of Gulf Public Service Co., Inc., on basis of 4/10ths of a share of common and 1/25th of a share of preferred for each Gulf common share. The remaining 35,497 common shares are reserved for possible future issuance and sale by the company to holders of common stock then outstanding. **Underwriter**—None. **Purpose**—To acquire not less than 429,600 shares (80%) of Gulf common stock.

● Century Shares Trust, Boston, Mass.
Feb. 9 filed 150,000 shares of capital stock. **Price**—At market. **Underwriter**—Harriman Ripley & Co., Inc., Boston. **Proceeds**—For investment.

● Chanslor & Lyon-Palace Corp., San Francisco, California
Feb. 6 (letter of notification) 11,111 shares of capital stock (par $5). **Price**—At market (estimated at $9 per share). **Underwriter**—Hooker & Fay, San Francisco, Calif. **Proceeds**—To six selling stockholders. **Office**—730 Polk Street, San Francisco, Calif.

Circle Wire & Cable Corp.
Nov. 27 filed 200,000 shares of common stock (par $5). **Price**—$15 per share. **Underwriter**—Van Alstyne Noel Corp., New York. **Proceeds**—To four selling stockholders.

● Coast Grocery Co., San Francisco, Calif.
Feb. 6 (letter of notification) 5,000 shares of preferred stock (par $50) and 5,000 shares of common stock (par $10), to be offered in units of one preferred and one common share. **Price**—$60 per unit. **Underwriter**—None. **Proceeds**—For working capital. **Office**—495 Beach Street, San Francisco, Calif.

Coconut Products, Inc.
Jan. 25 (letter of notification) 4,000 shares of preferred stock (par $50) and 8,000 shares of common stock (par $1) to be offered in units of one preferred and two common shares. **Price**—$52 per unit. **Underwriter**—None. **Proceeds**—For general corporate purposes. **Office**—460 West 24th Street, New York 11, N. Y.

Consolidated Edison Co. of N. Y., Inc. (2/27)
Jan. 24 filed $60,000,000 of first and refunding mortgage bonds, series F, due Feb. 1, 1981. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp. **Proceeds**—To repay bank loans. **Bids**—Expected to be opened at 11 a.m. (EST) on Feb. 27.

Consolidated Textile Co., Inc., New York
Dec. 27 filed a maximum of 500,000 shares of capital stock (par 10 cents), to be offered in exchange for an unspecified number of shares of common stock of Bates Manufacturing Co. (Consolidated now owns 51,400 shares, or approximately 13% of the 391,500 outstanding Bates shares). **Exchange Rate** — To be supplied by amendment. **Underwriter**—None.

Cosmopolitan Hotel Co. of Dallas, Tex.
Dec. 13 filed $1,500,000 of 2% debentures due 1965. **Price**—At face value. **Underwriter**—None. **Proceeds**—To purchase debentures of Statler Dallas Co., Inc., which company will construct Dallas hotel. **Business**—A non-profit corporation under sponsorship of Dallas Chamber of Commerce to secure construction of hotel.

● Cribben & Sexton Co., Chicago, Ill.
Feb. 5 (letter of notification) 1,000 shares of common stock (par $5). **Price**—$5.50 per share. **Underwriters**—David Noyes & Co. and Swift, Henke Co. of Chicago, Ill. **Proceeds**—To selling stockholder.

Crown Finance Co., Inc., New York
Jan. 25 (letter of notification) $50,000 of 5% subordinated debentures due May 1, 1980. **Price**—At principal amount in denominations of $1,000, $500 and $100 each. **Underwriter**—Hodson & Co., Inc., New York. **Proceeds**—For working capital.

Culver Corp., Chicago, Ill.
Oct. 23 filed 132,182 shares of common stock (par $5), of which 4,818 shares are to be offered to stockholders and 127,364 shares to public. **Price** — To stockholders at $5 per share and to public at $6.25 per share. **Underwriter**—None. **Proceeds**—For investments.

Dansker Realty & Securities Corp. (2/19)
Nov. 20 filed 300,000 shares of 6% cumulative convertible preferred stock (par $5) and 300,000 shares of class B common stock (par 35 cents) to be offered in units of one preferred and one class B share "on a best-efforts basis." An additional 25,000 shares of each class of stock are to be issued to underwriters as additional compensation for resale to public. There will be reserved for conversion of the preferred stock 1,300,000 shares of class B common stock. **Price**—$6 per unit. **Underwriter**—Dansker Bros. & Co., Inc., New York. **Proceeds** — For working capital. Statement effective Jan. 26.

Duggan's Distillers Products Corp.
Oct. 27 (letter of notification) 340,000 shares of common stock (par 10c). **Price**—75 cents per share. **Underwriter**—Olds & Co., Jersey City, N. J. **Proceeds**—To pay balance of purchase price for building ($20,000) and for working capital.

● Dutch Flat Mines, Inc., Winnemucca, Nev.
Feb. 1 (letter of notification) 300,000 shares of voting common stock. **Price**—At par ($1 per share.) **Underwriter**—None, but James Athey of Salt Lake City, Utah, will have an exclusive sales contract. **Proceeds**—To equip mine with a furnace and other working equipment. **Office**—1127 Bridge Street, Winnemucca, Nev.

● Eaton & Howard Balanced Fund, Boston, Mass.
Feb. 13 filed 700,000 trust shares. **Underwriter**—Eaton & Howard, Inc., Boston, Mass.—Proceeds—For investment.

● Eaton & Howard Stock Fund, Boston, Mass.
Feb. 13 filed 700,000 trust shares. **Underwriter**—Eaton & Howard, Inc., Boston, Mass. **Proceeds**—For investment.

Emerson Electric Manufacturing Co.
Dec. 29 filed 57,846 shares of cumulative preferred stock, series A (par $50), convertible into common stock prior to Jan. 1, 1961, to be offered initially for subscription by common stockholders at rate of one share of preferred for each eight common shares held. **Price**—To be supplied by amendment. **Underwriters**—Smith, Barney & Co. and Van Alstyne Noel Corp., of New York; and Newhard, Cook & Co., St. Louis. Mo. **Proceeds**—$1,015,565 to be used to retire presently outstanding 7% preferred stock; $450,000 to cover the cost of a new plant in Bedford, Ind.; approximately $350,000 to reimburse the company's treasury for cash funds used in the purchase of its St. Louis plant from the U. S. Government in September, 1950; and the balance to provide additional working capital. Request to withdraw registration statement filed Feb. 8.

Facsimile & Electronics Corp. (3/1-15)
Dec. 29 filed 400,000 shares of class A convertible stock (par $1) and 1,000,000 shares of common stock (par 25 cents) to be reserved for conversion. **Price**—$2.50 per share for class A stock, with an underwriting commission of 50 cents per share. **Underwriter**—Graham, Ross & Co., Inc., New York. **Proceeds**—To repay indebtedness to RFC, and the balance to develop and produce facsimile transmission equipment and for materials.

Fleetwood-Airflow, Inc., Wilkes-Barre, Pa.
Jan. 22 (letter of notification) 28,000 shares of common stock (par 50 cents). **Price**—At market (estimated at $1.25 per share). **Underwriter**—De Pasquale Co., New York, and J. Howard O'Connor, Pelham, N. Y. **Proceeds**—To selling stockholders.

● Flying Tiger Lines, Inc., Burbank, Calif.
Jan. 25 (letter of notification) 39,500 shares of capital stock (par $1) to be issuable upon exercise of non-transferable warrants, held by 11 employees of the company. **Price**—$5 per share. **Underwriter**—None. **Proceeds**—For general corporate purposes. **Office**—Lockheed Air Terminal, Burbank, Calif.

● Frankel Clothing, Inc., Des Moines, Iowa
Feb. 5 (letter of notification) 1,500 shares of common stock and 750 shares of 4% cumulative preferred stock.

Price—At par ($100 per share). **Underwriter**—None. **Proceeds**—To purchase the mercantile assets of Frankel Clothing Co. **Office**—517 Walnut Street, Des Moines, Ia. **Offering**—Expected privately today.

● Gardonville Cooperative Telephone Association
Feb. 7 (letter of notification) 9,000 shares of preferred stock. **Price**—At par ($1 per share). **Underwriter**—None. **Proceeds**—To meet REA requirements requesting that an equity of $9,000 be raised by the Association. **Office**—Brandon, Minn.

General American Oil Co. of Texas
Feb. 5 filed 90,748 shares of common stock (par $5). **Price**—To be supplied by amendment. **Underwriter**—Sanders & Newsom, Dallas, Texas. **Proceeds**—For working capital and to acquire and develop oil and gas properties.

General Instrument Corp.
Jan. 2 filed 121,715 shares of common stock (par $1) being offered to common stockholders of record Feb. 5 at the rate of one share for each four shares held, with an oversubscription privilege; rights will expire Feb. 21. **Price**—$9.50 per share. **Underwriters**—Hirsch & Co., New York; M. M. Freeman & Co.; Emanuel Deetjen & Co.; Butcher & Sherrerd. **Proceeds**—To expand plant facilities. Statement effective Feb. 5.

● Gibbonsville Mining & Exploration Co.
Feb. 1 (letter of notification) 250,000 shares of assessable common stock. **Price**—At par (10 cents per share). **Underwriter**—None. **Proceeds**—For working capital, to mine lead and zinc. **Office**—711 Hutton Bldg., Spokane 8, Wash.

Glenmore Distilleries Co.
Dec. 28 filed 159,142 shares of class B common stock (par $1). **Price** — To be filed by amendment. **Underwriter**—Glore, Forgan & Co., New York. **Proceeds**—For working capital and general corporate purposes. **Offering**—Deferred indefinitely.

● Golden Century Industries, Inc., Boise, Ida.
Feb. 5 (letter of notification) 300,000 shares of assessable common stock. **Price**—50 cents per share, with assessments limited to 10 cents per share. **Underwriter**—None. **Proceeds**—For mining and equipment. **Office**—405 Continental Bank Bldg., Boise, Ida.

Goodrich (B. F.) Co.
Jan. 29 (letter of notification) 5,073 shares of common stock (no par). **Price**—At market about $43 per share), but not less than $40 per share. **Underwriter**—None, but Goldman, Sachs & Co., New York, will act as agent. **Proceeds**—For working capital.

● Greater Washington Investments, Inc., Washington, D. C.
Feb. 2 (letter of notification) 10,000 shares of preferred stock (par $10) and 10,000 shares of common stock (no par), of which all of the preferred and 5,000 shares of common stock are to be offered in units of one preferred and one-half share of common stock. **Price**—$11 per unit. **Underwriter**—None. **Proceeds**—For working capital.

Gulf Insurance Co., Dallas, Tex.
Jan. 10 (letter of notification) 10,000 shares of common stock (par $10), to be offered to present stockholders on the basis of one new share for each 15 shares held; unsubscribed shares to be offered to public. **Price**—$30 per share. **Underwriter**—None. **Proceeds**—For working capital. **Address**—P. O. Box 1771, Dallas, Tex.

Gyrodyne Co. of America, Inc.
Jan. 16 (letter of notification) 42,800 shares of class A common stock (par $1). **Price**—$3 per share. **Underwriter**—Jackson & Co., Boston, Mass. **Proceeds**—For partial financing of anticipated military contracts and to acquire manufacturing facilities. **Office**—80 Wall Street, New York 5, N. Y.

Hamilton Fire Insurance Co., Philadelphia
Oct. 2 (letter of notification) 64,000 shares of capital stock (par $5). **Price**—$4.50 per share. **Underwriter**—Jenks, Kirkland & Co., Philadelphia, Pa. **Proceeds**—To increase capital and surplus in order to offer additional lines of insurance, including automobile casualty and liability coverage. Financing indefinitely delayed.

Holeproof Hosiery Co., Milwaukee, Wis.
Dec. 7 (letter of notification) 20,000 shares of common stock (par $5). **Price**—$14 per share. **Underwriter**—None. **Proceeds**—For working capital. **Office**—404 West Fowler St., Milwaukee, Wis.

● Idaho Maryland Mines Corp., San Francisco, California
Jan. 30 (letter of notification) 200,000 shares of capital stock, to be sold to C. Marshall Wood pursuant to an agreement. **Price**—At par ($1 per share). **Underwriter**—None. **Proceeds**—For working capital. **Office**—Room 362, Russ Building, San Francisco, Calif.

Indianapolis Power & Light Co.
Jan. 9 filed 196,580 shares of common stock (no par) being offered to common stockholders of record Feb. 1, 1951 on basis of one share for each six shares held, with an oversubscription privilege; rights to expire Feb. 15, 1951. **Price**—$28 per share. **Underwriters**—Lehman Brothers; Goldman, Sachs & Co.; and The First Boston Corp. **Proceeds**—For construction program.

Israel Steel Corp.
Jan. 2 (letter of notification) 15,000 shares of common stock. **Price**—At par ($10 per share). **Underwriter**—None. **Proceeds**—For corporate purposes and the purchase of merchandise (steel) for resale. **Office**—Care of Efrein & Metrick, 320 Broadway, New York, N. Y.

● Jamaica Water Supply Co.
Feb. 7 (letter of notification) 4,545 shares of common stock (no par). **Price**—At market (estimated at $22 per share. **Underwriter**—Blyth & Co., Inc., New York, who has agreed to purchase said shares for resale to public. **Proceeds**—To selling stockholders.

NEW ISSUE CALENDAR

February 16, 1951
Lake Superior District Power Co. — Common

February 19, 1951
Dansker Realty & Securities Corp. — Pfd. & Com.
Laclede-Christy Co. — Common
New England Power Co., noon (EST) — Bonds

February 20, 1951
Southern California Edison Co. 8:30 a.m. (PST) — Bonds

February 21, 1951
Central Illinois Electric & Gas Co. — Common
Connecting Ry. Co., noon (EST) — Bonds

February 26, 1951
Armco Steel Corp. — Common
Tennessee Gas Transmission Co. 11:30 a.m. (EST) — Bonds

February 27, 1951
Consolidated Edison Co. of New York, Inc. 11 a.m. (EST) — Bonds
Standard-Thomson Corp. — Debentures

February 28, 1951
Prospect Exploration, Ltd. — Common

March 1, 1951
Facsimile & Electronics Corp. — Class A
Television Ventures, Inc. — Common

March 5, 1951
Lake Superior District Power Co. — Bonds

March 7, 1951
Borden Co. — Debentures
Transcontinental Gas Pipe Line Corp. — Preferred
West Penn Electric Co., 11 a.m. (EST) — Common

March 8, 1951
Virginia Electric & Power Co. — Preferred

March 19, 1951
Illinois Central RR. — Equip. Trust Ctfs.
Pacific Gas & Electric Co. — Common

March 20, 1951
Pennsylvania Power Co. — Preferred

March 27, 1951
Consumers Power Co. — Bonds

March 29, 1951
American Gas & Electric Co. — Common

April 2, 1951
Detroit Edison Co. — Common

April 3, 1951
Potomac Edison Co. — Bonds
Southern Co. — Common

April 9, 1951
Public Service Co. of Oklahoma — Bonds

April 24, 1951
Monongahela Power Co. — Bonds

June 5, 1951
Georgia Power Co. — Bonds

July 17, 1951
Mississippi Power Co. — Preferred

September 11, 1951
Alabama Power Co. — Bonds

● Kaman Aircraft Corp., Windsor Locks, Conn.
Feb. 7 (letter of notification) 20,000 shares of class A non-voting common stock (no par). **Price**—$6 per share. **Underwriter**—None. **Proceeds**—For working capital to develop and manufacture rotary wing aircraft. **Office**—Bradley Field, Windsor Locks, Conn.

Kansas-Nebraska Natural Gas Co., Inc.
Jan. 5 filed 10,950 shares of $5 cumulative preferred stock (no par) and 122,812 shares of common stock (par $5), the latter to be offered for subscription by common stockholders of record on a 17-day standby at rate of one share for each five shares held; unsubscribed shares to be offered to employees. **Price**—$105 per share for preferred, plus accrued dividends; and $15 per share for common. **Underwriters**—The First Trust Co. of Lincoln, Neb., and Cruttenden & Co., Chicago, Ill., and associates. **Proceeds**—For new construction.

● Kimberly Corp., Culver City, Calif.
Jan. 29 (letter of notification) 34,500 shares of common stock (par $1). **Price**—$2.87½ per share. **Underwriter**—Morgan & Co., Los Angeles, Calif. **Proceeds**—To three selling stockholders.

King Bros. Productions, Inc., Hollywood, Calif.
Jan. 19 (letter of notification) 300,000 shares of common stock to be offered first to present stockholders in proportion to their present holdings; thereafter to employees; and any unsubscribed shares to public. **Price**—At par ($1 per share). **Underwriter**—None. **Proceeds**—To make motion pictures and for general corporate purposes. **Office**—4376 Sunset Drive, Hollywood 27, Calif.

Kingfisher Water Co., Kingfisher, Okla.
Dec. 27 (letter of notification) 250 shares of 5% cumulative preferred stock. **Price**—At par ($100 per share). **Underwriter**—None. **Proceeds**—For new construction. Offering has been deferred.

Kingsburg Cotton Oil Co.
Jan. 24 (letter of notification) 5,000 shares of capital stock (par $1). **Price**—At market (about $4.25 per share). **Underwriter**—None. **Proceeds**—To Fewel Brothers, Inc., the selling stockholder. **Address**—P. O. Box 277, Kingsburg, Calif.

Kingsburg Cotton Oil Co., Kingsburg, Calif.
Jan. 29 (letter of notification) 5,000 shares of capital stock (par $1). **Price**—$4.25 per share. **Underwriter**—Fewel & Co., Los Angeles, Calif. **Proceeds**—To John H. Dinkins, the selling stockholder. **Address**—P. O. Box 277, Kingsburg, Calif.

Laclede-Christy Co., Chicago, Ill. (2/19)
Jan. 29 filed 50,000 shares of common stock (par $5). **Price**—To be supplied by amendment. **Underwriter**—Paul H. Davis & Co., Chicago. **Proceeds**—For working capital.

Lake Superior District Power Co. (2/16)
Feb. 5 filed 41,845 shares of common stock (par $20) to be offered to common stockholders of record Feb. 16 on a one-for-five basis. **Price**—To be supplied by amendment. **Underwriters**—Robert W. Baird & Co., Inc., Milwaukee, Wis. **Proceeds**—For new construction.

Lake Superior District Power Co. (3/5)
Feb. 5 filed $2,000,000 first mortgage bonds series D, due March 1, 1981. **Underwriters**—To be determined through competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Otis & Co.; Robert W. Baird & Co., Inc. **Proceeds**—For expansion program.

Lakeville Water Co., Lakeville, Conn.
Jan. 25 (letter of notification) 1,200 shares of common stock to be offered first to stockholders of record Feb. 2, 1951; rights to expire on Feb. 28, 1951. **Price**—At par ($25 per share). **Underwriter**—None, but unsubscribed shares will be offered at private sale to public through the Salisbury Bank & Trust Co., as agents, at par. **Proceeds**—For expansion program.

Lexa Oil Corp., Conrad, Mont.
Jan. 19 (letter of notification) 1,200,000 shares of common stock (par 1¢), to be offered initially to stockholders of record Jan. 19 on a one-for-two basis; rights to expire March 7. **Price**—25 cents per share to stockholders; 30 cents to public. **Underwriter**—Tellier & Co., New York. **Proceeds**—To drill wells and develop leases.

● Massachusetts Investors Second Fund, Inc.
Feb. 9 filed 400,000 shares of capital stock. **Price**—At market. **Underwriter**—Vance, Sanders & Co., Boston, Mass. **Proceeds**—For investment.

Mercantile Acceptance Corp. of California
Dec. 4 (letter of notification) 5,000 shares of first preferred stock, 5% series. **Price**—At par ($20 per share). **Underwriter**—Guardian Securities Corp. of San Francisco. **Proceeds**—For corporate purposes. **Office**—333 Montgomery Street, San Francisco, Calif.

Middlecreek Valley Telephone Co.
Jan. 5 (letter of notification) 1,500 shares of common stock being offered to common stockholders of record Jan. 6, 1951, on basis of one new share for each share held, with an oversubscription privilege; rights to expire on Feb. 15, 1951. **Price**—At par ($50 per share). **Underwriter**—None. **Proceeds**—For conversion to dial telephones and for expansion program. **Office**—21 S. Market Street, Selinsgrove, Pa.

Mission Appliance Corp., Hawthorne, Calif.
July 24 filed 50,000 shares of 6% cumulative convertible preferred stock. **Price**—At par ($20 per share.) **Underwriter**—Lester & Co., Los Angeles, Calif. **Proceeds**—To retire bank loans and install machinery and equipment in a proposed new plant to be located east of the Rocky Mountains. **Business**—Manufacturers of gas and electric water and space heaters. Request to withdraw SEC statement filed Jan. 29.

Missouri Edison Co.
Jan. 29 (letter of notification) 12,683 shares of common stock (par $5), of which 10,344 shares are to be offered to stockholders, 344 shares to employees and 1,995 shares to underwriters. **Price**—$8.25 per share. **Underwriter**—Blair, Rollins & Co. Inc., New York. **Proceeds**—For construction of electric utility plant.

Muntz Car Co., Evanston, Ill.
Nov. 29 (letter of notification) 300,000 shares of common stock (no par) to be sold to a group of 20 individuals. **Price**—$1 per share. **Underwriter**—None. **Proceeds**—For operating capital, and to complete purchase of tools, dies and inventory from Kurtis-Kraft, Inc. **Office**—1000 Grey Ave., Evanston, Ill.

Nash Finch Co., Minneapolis, Minn.
Jan. 11 (letter of notification) 12,137 shares of common stock (par $10). **Price**—At not exceeding $20 per share. **Underwriter**—None. **Proceeds** — For working capital. **Office**—1750 Hennepin Ave., Minneapolis, Minn.

New England Power Co. (2/19)
Jan. 24 filed $12,000,000 of first mortgage bonds, series D, due Feb. 1, 1981. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Harriman Ripley & Co. Inc.; Lehman Brothers; Kidder, Peabody & Co.; First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; Equitable Securities Corp. and Blair, Rollins & Co. Inc. (jointly). **Proceeds**—To repay bank loans and for new construction. **Bids**—To be received up to noon (EST) on Feb. 19 in Room 1109 at 441 Stuart Street, Boston 16, Mass. Statement effective Feb. 13.

New Hampshire Electric Co.
Jan. 25 filed 15,000 shares of $4.50 cumulative preferred stock (par $100) and 140,000 shares of common stock (no par). Of the latter, 130,100 shares are to be offered for subscription by common stockholders of New England Gas & Electric Association (parent) at rate of one New Hampshire share for each 12 New England common shares held. **Underwriter**—To be determined by competitive biddnig. Probable bidders: The First Boston Corp.; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Harriman Ripley & Co., Inc. (latter for pre-

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ferred only). **Proceeds**—To retire $2,425,000 of 2⅞% bonds and the remainder to retire 4½% preferred stock of New England. Expected late in February.

Norden Laboratories, Lincoln, Neb.
Jan. 31 (letter of notification) 11,055 shares of capital stock to be offered first to stockholders of record about Feb. 12 on a 1-for-2 basis; unsubscribed shares to be publicly offered. **Price**—$25 per share to stockholders, and $26.50 to public. **Underwriter**—Ellis, Holyoke & Co., Lincoln, Neb. **Proceeds**—For working capital and to produce anti-hog cholera serum and other pharmaceutical products. **Office**—227 North 9th Street, Lincoln, Nebraska.

North American Manufacturing Co. (Ohio)
Jan. 5 (letter of notification) 2,500 shares of class B common stock. **Price**—At par ($100 per share). **Underwriter**—None. **Proceeds**—For working capital. **Office**—4455 East 71st St., Cuyahoga Heights, Ohio.

Pact Gas Co., Cushing, Okla.
Jan. 8 (letter of notification) $50,000 of first mortgage serial 6% bonds due 1961-1971. **Price**—At 100%. **Underwriter**—R. J. Edwards, Inc., Oklahoma City, Okla. **Proceeds**—To retire certain capital stock and for construction. **Office**—212 East Broadway, Cushing, Okla.

Pan American Milling Co.
Jan. 24 (letter of notification) 200,000 shares of common stock. **Price**—At par ($1 per share). **Underwriter**—None. **Proceeds**—To purchase machinery and equipment, to construct a mill in Mexico and for general corporate purposes.

Piasecki Helicopter Corp., Morton, Pa.
Feb. 2 (letter of notification) not to exceed 5,000 shares of capital stock. **Price**—At market (approximately $35 per share). **Underwriter**—None. To be offered through regular brokers acting as agent for the seller. **Proceeds**—To A. Felix du Pont, Jr., the selling stockholder.

● **Pine Street Fund, Inc., N. Y.**
Feb. 5 filed 500,000 shares of common stock (par $1). **Price**—At market. **Underwriter**—Wood, Struthers & Co., New York. **Proceeds**—For investment.

Piper Aircraft Corp., Lock Haven, Conn.
Feb. 5 (letter of notification) 25,000 shares of common stock (par $1). **Price**—At market on New York Curb Exchange (about $3.50 per share). **Underwriter**—None, but sale will be made through Josephthal & Co., New York. **Proceeds**—To William T. Piper, President, the selling stockholder.

Pittsburgh-Continental Oil Co.
Jan. 31 (letter of notification) 2,000 shares of common stock. **Price**—At par ($100 per share). **Underwriter**—None. **Proceeds**—To acquire leaseholds and equipment and for working capital. **Office**—4403 Center Ave., Pittsburgh 13, Pa.

● **Prospect Exploration, Ltd. (Canada) (2/28)**
Feb. 9 filed 170,000 shares of common stock (par $1), of which 75,000 will be sold for the account of the company and 95,000 shares for selling stockholders. **Price**—$11 per share. **Underwriter**—White, Weld & Co., New York. **Proceeds**—To company for working capital and general working purposes.

Pulse Publishing Co., Washington, D. C.
Jan. 29 (letter of notification) 18,000 shares of preferred stock and 950 shares of common stock. **Price**—$10 per share. **Underwriter**—None. **Proceeds**—To develop, promote, print and publish a news and opinion magazine to be called "Pulse Magazine." **Office**—930 F Street, N. W., Washington 4, D. C.

● **Rittenhouse Fund, Philadelphia, Pa.**
Feb. 7 filed 120,000 participating units (before 10-for-1 split-up effective Feb. 15). **Price**—At net asset value. **Underwriter**—None. **Proceeds**—For investment. **Business**—Common law investment trust.

● **Saul (B. F.) Co., Washington, D. C.**
Jan. 31 (letter of notification) $11,500 of 5% promissory notes of William J. and Margaret M. Rowan and Raymond T. and Beatrice C. Brown. **Underwriter**—B. F. Saul Co. **Proceeds**—To reimburse company for advances made.

South State Uranium Mines Ltd. (Canada)
Nov. 30 filed 560,000 shares of capital stock. **Price**—At par ($1 per share). **Underwriter-Optionee**—Robert Irwin Martin of Toronto. **Proceeds**—For commissions, exploration and development expenses, and working capital.

Southern California Edison Co. (2/20)
Jan. 29 filed $35,000,000 of first and refunding mortgage bonds, series C, due Feb. 15, 1976. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; The First Boston Corp. and Harris, Hall & Co. (Inc.) (jointly); Kuhn, Loeb & Co. **Proceeds**—To retire bank loans and for construction program. **Bids**—To be received up to 8:30 a.m. (PST) on Feb. 20, at office of company, 601 West Fifth Street, Los Angeles 53, Calif.

Southern Discount Co., Atlanta, Ga.
Sept. 18 (letter of notification) $191,500 of 5% subordinated debentures, series E. **Price**—At par. **Underwriter**—For $100,000 of debentures, Allen & Co., Lakeland, Fla. **Proceeds**—To reduce bank loans and for working capital. **Office**—220 Healey Bldg., Atlanta, Ga.

Southern Natural Gas Co.
Dec. 18 filed 155,546 shares of common stock (par $7.50) being offered for subscription by common stockholders of record Jan. 30 on the basis of one share for each 10 shares held, with an oversubscription privilege; rights will expire on Feb. 16. **Price**—$33 per share. **Underwriter**—None. **Proceeds**—To repay bank loans and for expansion program. Statement effective Jan. 16.

Southern Union Gas Co.
Jan. 8 filed 150,799 shares of common stock (par $1) being offered for subscription by common stockholders of record Jan. 25 on basis of one new share for each 10 shares held, with an oversubscription privilege; rights to expire Feb. 26. **Price**—$16 per share. **Underwriter**—None. **Proceeds**—For construction. Statement effective Jan. 30.

Southwestern Public Service Co.
Jan. 12 filed 233,576 shares of common stock (par $1) being offered for subscription by common stockholders of record Jan. 31, 1951, on a 1-for-13 basis, with an oversubscription privilege; rights to expire Feb. 14. **Price**—$14.75 per share. **Underwriter**—Dillon, Read & Co. Inc., New York. **Proceeds**—From sale of common stock, together with funds received from sale privately of $12,000,000 3% first mortgage bonds and 10,000 shares of preferred stock to be used to repay bank loans and for construction program. Statement effective Feb. 1.

● **Southwestern Virginia Gas Service Corp.**
Feb. 8 (letter of notification) $50,000 of 5½% debentures due Feb. 1, 1976. **Unlerwriters**—Bioren & Co., Philadelphia, Pa., and C. T. Williams & Co., Inc., Baltimore, Md. **Proceeds**—To construct proposed natural gas pipe line. **Office**—Matinsville, Va.

Standard-Thomson Corp. (2/27)
Feb. 2 filed $1,500,000 of 5% sinking fund debentures, series B, due Sept. 1, 1967, with common stock warrants attached. **Price**—To be supplied by amendment. **Underwriters**—Lee Higginson Corp. and P. W. Brooks & Co., Inc., New York. **Proceeds**—To pay off RFC note, to repay bank loans and for working capital.

State Bond & Mortgage Co., New Ulm, Minn.
Feb. 5 filed $1,500,000 of accumulative savings certificates, series 1207-A at $95.76 per $100 principal amount and $15,000,000 of accumulative savings certificates, series 1217-A at $85.68 per $100 principal amount. **Underwriter**—None. **Business**—Investment.

Suburban Water Co., Oklahoma City, Okla.
Feb. 1 (letter of notification) $294,000 of first mortgage bonds dated Jan. 1, 1951 and due Jan. 1, 1976. **Price**—102% and accrued interest. **Underwriter**—Wachob-Bender Corp., Omaha, Neb. **Proceeds**—To retire presently outstanding debt and for corporate purposes.

Taylorcraft, Inc., Conway, Pa.
Feb. 5 (letter of notification) 150,000 shares of common stock. **Price** — At par ($2 per share). **Underwriter** — Graham & Co., Pittsburgh, Pa. **Proceeds**—For working capital, to pay as due the obligations of the Ohio corporation which it has assumed.

Television Ventures, Inc., New York (3/1)
Feb. 1 (letter of notification) 49,000 shares of common stock. **Price**—$1 per share. **Underwriter**—None. **Proceeds**—For organizational and general operating expenses. **Office**—55 West 42nd Street, New York, N. Y.

Tennessee Gas Transmission Co. (2/26)
Jan. 26 filed $35,000,000 of first mortgage pipeline bonds due Feb. 1, 1971. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Stone & Webster Securities Corp. and White, Weld & Co. (jointly). **Proceeds**—To repay bank loans and for expansion program. **Bids**—To be received up to 11:30 a.m. (EST) on Feb. 26.

● **Thiokol Corp., Trenton, N. J.**
Feb. 6 (letter of notification) 10,833 shares of capital stock (par $1). **Price**—At market (about $7.75 per share). **Underwriter** — None, but Smith, Barney & Co., New York, will handle sales. **Proceeds**—To Dow Chemical Co., the selling stockholder.

● **Thiokol Corp., Trenton, N. J.**
Feb. 9 (letter of notification) 2,100 shares of capital stock (par $1). **Price**—Sold on New York Curb Exchange between Jan. 19 and Feb. 5, 1951, at $7.25 to $7.87½ per share, or for a total of $16,038. **Underwriter**—None, but Smith, Barney & Co., New York, offered securities on behalf of the Dow Chemical Co., the selling stockholder.

Thomas (F. C.), Inc.
Jan. 30 (eltter of notification) 2,644 shares of 6% cumulative preferred stock, class B. **Price**—At par ($50 per share). **Underwriter** — None. **Proceeds** — For working capital to pay for store equipment and salable merchandise. **Business**—Owns and operated chain of retail food stores. **Office**—422 East State Street, Olean, N. Y.

● **United Fund, Inc., Kansas City, Mo.**
Feb. 7 filed 1,000,000 shares of United Income Fund; 500,000 shares of United Science Fund; $6,000,000 principal amount of periodic investment plans and 600,000 shares of United Accumulative Fund which will be purchased with the proceeds of the investment plans; and 100,000 additional United Accumulative Fund shares for sale directly and through systematic investment plans. **Price**—United Income Fund shares at net asset value plus 8% of offering price; United Science Fund shares at net asset value plus 8½% of offering price; United Accumulative Fund shares at net asset value plus 8% of offering price; and the United Accumulative Fund shares acquired through periodic investment plan at net asset value; payments made under the plan being subject to deductions for sales load. **Underwriter**—Waddell & Reed, Inc. **Business**—Investment.

Utah Home Fire Insurance Co.
Jan. 9 (letter of notification) 10,000 shares of capital stock (par $10), to be first offered to stockholders of record Jan. 19 for subscription on or before Feb. 28, 1951, on basis of one share for each six shares held. **Price**—$20 per share. **Underwriter**—None. **Proceeds**—For working capital. **Office**—47 West South Temple, Salt Lake City 1, Utah.

● **Vanadium-Alloys Steel Co.**
Feb. 8 (letter of notification) 1,343 shares of capital stock (no par) to be offered to employees. **Price**—$45 per share. **Underwriter**—None. **Proceeds**—For working capital. **Office**—Latrobe, Pa.

Virginia Electric & Power Co. (3/8)
Feb. 1 filed 100,000 shares of preferred stock (par $100). **Price**—To be supplied by amendment. **Underwriter**—Stone & Webster Securities Corp., New York. **Proceeds**—For construction expenditures. **Offering**—Expected in March. Preferred stockholders will vote March 2 on approving issuance of the new securities.

Vulcan Iron Works, Wilkes-Barre, Pa.
Jan. 30 (letter of notification) not to exceed 30,000 shares of common stock (par 50 cents). **Price** — At market (about $3 per share). **Underwriter**—Straus & Blosser, Chicago, Ill. **Proceeds**—To John A. Roberts, Chairman of the Board, who is the selling stockholder.

West Florida Gas & Fuel Co., Panama City, Fla.
Jan. 5 (letter of notification) 20,000 shares of class B common stock (par $1) and $125,000 of 15-year 5% debentures (latter in denominations of $100, $500 and $1,000 each). **Price**—Of stock, $2 per share; of debentures, at 100%. **Underwriter**—None. **Proceeds**—To expand business. **Address**—P. O. Box 729, Panama City, Fla.

West Penn Electric Co. (3/7)
Jan. 31 filed 320,000 additional shares of common stock (no par) to be offered to its stockholders for subscription on the basis of one additional share for each ten shares held about March 9, with an oversubscription privilege; rights to expire March 26. Unsubscribed shares to be offered to employees of companies in the West Penn Electric System. **Underwriters**—To be determined by competitive bidding. Probable bidders: Lehman Brothers and Goldman, Sachs & Co. (jointly); Morgan Stanley & Co.; W. C. Langley & Co. and The First Boston Corp. (jointly); Harriman Ripley & Co., Inc. **Proceeds**—To purchase additional equity securities of two of its subsidiaries—Monongahela Power Co. and The Potomac Edison Co. **Bids**—Expected to be opened at 11 a.m. (EST) on March 7.

Westerly (R. I.) Automatic Telephone Co.
Dec. 1 (letter of notification) 7,000 shares of common stock to be offered to stockholders of record Dec. 9, 1950, of which total 4,434 shares will be subscribed for by New England Telephone & Telegraph Co. **Price**—At par ($25 per share). **Underwriter**—None. **Proceeds**—For general corporate purposes. **Office**—38 Main St., Westerly, Rhode Island.

● **Yampa Valley Coal Co., Denver, Colo.**
Feb. 6 (letter of notification) 30,000 shares of 7% cumulative participating preferred stock (par $5) and 30,000 shares of common stock (no par). **Price**—$5 per share. **Underwriter**—None. **Proceeds**—To engage in strip mining operations for coal, and for equipment and working capital. **Office**—506 Cooper Bldg., Denver, Co.

Young (Thomas) Orchids, Inc.
Feb. 1 (letter of notification) 2,500 shares of common stock (par $1) of which 1,100 shares are being reoffered (1,000 sold Jan. 29 at $37 per share and 400 on Jan. 30 at $40 per share). **Price**—Of remaining 1,400 shares at market (about $37 per share). **Underwriter** — Smith, Barney & Co., New York. Proceeds—To two selling stockholders.

Zetka Television Tubes, Inc.
Jan. 26 (letter of notification) 117,450 shares of common stock (par 10 cents). **Price**—75 cents per share. **Underwriter**—Hugh J. Devlin, New York. **Proceeds**—Equally to Emanuel Abrams, Meyer Bonuck and Allen H. Shindel, who each will loan one-half of net proceeds to company who will use same for working capital. **Office**: 131-137 Getty Avenue, Clifton, N. J.

Prospective Offerings

Alabama Power Co. (9/11)
Feb. 6, it was stated that company contemplates issuance and sale of $10,000,000 first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Blyth & Co., Inc.; Harriman Ripley & Co., Inc.; Shields & Co. and Salomon Bros. & Hutzler (jointly); Drexel & Co.; Union Securities Corp. and Equitable Securities Corp. (jointly); Kidder, Peabody & Co.; The First Boston Corp.; Lehman Brothers. **Proceeds**—For expansion program. **Bids**—Tentatively expected to be opened on Sept. 11. **Registration**—About Aug. 10.

● **American Dairy Products Co.**
Feb. 12, it was reported that company plans early registration of an issue of 300,000 shares of preferred stock (par $4) and 300,000 shares of common stock (par 20 cents), to be offered in units of one share of each class of stock. **Price** — $5 per share. **Underwriters** — Emanuel, Deetjen & Co. and Barrett Herrick & Co., Inc., both of New York. **Proceeds**—For purchase of new equipment.

American Gas & Electric Co. (3/29)
Jan. 26 company announced that an offering of about 340,000 additional shares of common stock will be made to stockholders on or about March 30, 1951 on the basis of one share for each 15 shares held, together with an oversubscription privilege; rights to expire April 17. **Price**—To be filed by amendment. **Underwriters**—To be determined by competitive bidding. Probable bidders: The First Boston Corp.; Union Securities Corp.; Dillon, Read & Co. Inc., who will name compensation. **Proceeds**—To be invested in equity securities of the operating subsidiaries as part of the plan for financing the American Gas & Electric System's large construction program. **Registration**—Expected about Feb. 28. **Bids**—Expected to be received on March 29.

Appalachian Electric Power Co.
Feb. 5 it was stated the company plans to issue and sell about $18,000,000 of first mortgage bonds in May or June. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and Union Securities Corp. (jointly); The First Boston Corp.; Harriman Ripley & Co., Inc. **Proceeds**—For property expansion and improvements, on which company may expend up to $90,000,000 during the next three years.

Arkansas Louisiana Gas Co.
Feb. 1 it was announced company plans issuance and sale of $27,500,000 new first mortgage 3% bonds, the proceeds to be used to repay bank loans ($20,125,000 at Nov. 30, 1949), to retire $3,500,000 funded debt incurred in 1950 and for construction program. The sale of these bonds is contingent upon approval by SEC of Arkansas Natural Gas Corp.'s plan to split itself into two new companies. Probable bidders: Halsey, Stuart & Co. Inc.; First Boston Corp. and Lazard Freres & Co. (jointly); Union Securities Corp.; Smith, Barney & Co.; Equitable Securities Corp.

Arkansas Natural Gas Corp.
Feb 1 announced unexchanged new 3¾% preferred stock (issuable in exchange for 6% preferred stock on basis of $10.60 of new preferred for each old share, under proposal to split company into two units) may be sold publicly.

Arkansas Power & Light Co.
Feb. 6 it was reported that the company will sell $8,000,000 additional first mortgage bonds, probably in late summer or early fall. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Stone & Webster Securities Corp. (jointly); Equitable Securities Corp. and Central Republic Co. (jointly); Union Securities Corp.; The First Boston Corp.; White, Weld & Co. **Proceeds**—For construction program, estimated to cost about $20,000,000 in 1951.

Atlantic City Electric Co.
Jan. 15 it was stated tentative plans call for the raising of about $2,250,000 through an offer of additional common stock on a 1-for-10 basis held around May or June. Probable underwriter: Union Securities Corp. Proceeds will be used to pay, in part, construction expenditures, which, it is estimated, will total about $5,400,000 in 1951.

Atlantic City Electric Co.
Jan. 29, it was announced that the stockholders will on April 10 vote on a proposal to increase the authorized cumulative preferred stock from 100,000 to 150,000 shares. Previous preferred stock financing was handled by private placement through Union Securities Corp. and Smith, Barney & Co.

● **Bachmann Uxbridge Worsted Corp.**
Feb. 13 it was announced that between 200,000 and 300,000 shares of common stock will soon be registered with the SEC. **Price**—To be supplied by amendment. **Underwriters** — Kidder, Peabody & Co. and Bear, Stearns & Co. **Proceeds**—To selling stockholders.

● **Borden Co. (3/7)**
Feb. 8 it was reported that registration is expected shortly of an issue of $60,000,000 30-year 2¾% debentures due 1981. **Price**—To be supplied by amendment. **Underwriter**—Morgan Stanley & Co., New York. **Proceeds**—To retire $45,800,000 of outstanding promissory notes, and the balance used for general corporate purposes, including maintenance of company's inventory and working capital position.

Boston Edison Co.
Jan. 30, J. V. Toner, President, announced that company plans to issue $32,000,000 of securities to aid in financing its construction program, which, it estimated, will cost $65,300,000 through 1954. He added that no common stock financing is planned until 1955.

Byers (A. M.) Co.
Jan. 25 L. F. Rains, President, revealed that the company is considering a plan to refinance its 7% cumulative participating preferred stock (par $100), about 50,000 shares outstanding. These shares are redeemable at 110 and accrued dividends. Holders may be offered in exchange a new convertible preferred stock, plus common stock. Company being advised by Blyth & Co., Inc., and Fahnestock & Co.

Carolina Power & Light Co.
Jan. 4 company informed the SEC that it intends to issue and sell approximately $20,000,000 of securities in addition to the $15,000,000 first mortgage bonds now being publicly offered.

Central Illinois Electric & Gas Co.
Jan. 25 stockholders approved a proposal to issue and sell publicly 25,000 shares of preferred stock (par $100). **Proceeds**—For construction program. **Offering**—Tentatively expected about the middle of March.

Chicago, Milwaukee, St. Paul & Pacific RR.
Jan. 24 there were talks of issuing $60,000,000 of refunding bonds. In event of sale by competitive bidding, probable bidders may include Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Morgan Stanley & Co.

Clinton Foods, Inc.
Jan. 15 stockholders voted to increase the authorized common stock (par $1) from 1,500,000 to 2,000,000 shares, the additional shares to provide "substantial funds for capital additions and working capital," and "to provide for the conversion of 100,000 shares of unissued and unreserved 4½% cumulative convertible preferred stock." No immediate financing imminent. Probable Underwriters: Merrill Lynch, Pierce, Fenner & Beane.

Columbia Gas System, Inc.
Dec. 7 it was reported that corporation may issue and sell $35,000,000 of new securities in the Spring or early summer. Probable bidders for debentures: Halsey, Stuart & Co. Inc.; Morgan, Stanley & Co.; Kuhn, Loeb & Co.; Salomon Bros. & Hutzler; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly). Probable bidders for common stock, in event of competitive bidding: Morgan Stanley & Co.; Goldman, Sachs & Co. and Union Securities Corp. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Lehman Brothers; Shields & Co. and R. W. Pressprich & Co. (jointly). Proceeds will be used for expansion program.

Commonwealth Edison Co.
Jan. 10 it was announced the company contemplates $181,000,000 additional financing through the sale of securities. Neither the nature nor the time of the new financing has been determined. Probable bidders for bonds or debentures: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co.; Morgan Stanley & Co. Proceeds are to be used for construction program.

Connecticut Ry. Co. (2/21)
Bids will be received in the company's office at 44 East Lancaster Avenue, Ardmore, Pa., on or before noon (EST) on Feb. 21 for the purchase from it of $12,728,000 first mortgage bonds, series A, to be dated March 1, 1951 and to mature March 1, 1976. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Blyth & Co., Inc.; Union Securities Corp.; The First Boston Corp. **Proceeds**—To redeem a like amount of first mortgage bonds due March 15, 1951.

Consolidated Natural Gas Co.
Jan. 9 it was reported company contemplates issuance of between $50,000,000 and $60,000,000 of convertible debentures. **Underwriters**—To be determined through competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Paine, Webber, Jackson Curtis (jointly); Dillon, Read & Co. Inc.: The First Boston Corp.; Blyth & Co., Inc.; Morgan Stanley & Co. **Proceeds**—To finance construction program. **Offering**—Expected late in April.

Consumers Power Co. (3/27)
Jan. 26 company sought Michigan P. S. Commission authority to issue $40,000,000 of first mortgage bonds with interest not exceeding 2⅞% and maturing not earlier than 1981. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co., Inc.; Kuhn, Loeb & Co. and Union Securities Corp. (jointly); Harriman Ripley & Co., Inc. and The First Boston Corp. (jointly); White, Weld & Co. and Shields & Co. (jointly); Morgan Stanley & Co.; W. C. Langley & Co. and Glore, Forgan & Co. (jointly). **Proceeds**—To redeem $5,300,000 of first mortgage bonds, to repay $8,000,000 of bank loans and for 1951 construction program. **Bids**—Expected to be opened on March 27. **Registration**—Scheduled for Feb 23.

Denver & Rio Grande Western RR.
Jan. 18 it was reported company may later this year refund its outstanding first mortgage 3%-4% bonds, series A, due Jan. 1, 1993 ($35,062,000 at Dec. 31, 1949) and Denver & Salt Lake income mortgage 3%-4% bonds, due Jan. 1, 1993 ($8,666,900 at Dec. 31, 1949). **Underwriters**—To be determined by competitive bidding. **Probable bidders**—Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Kuhn, Loeb & Co.

Detroit Edison Co. (4/2)
Jan. 29 it was announced company plans to offer about 850,000 shares of additional common stock to its stockholders on the basis of one share for each ten shares held. **Price**—At par ($20 per share). **Underwriter**—None. **Proceeds**—For construction program.

Detroit Steel Corp.
Jan. 30 the management disclosed that it had approved plans to double the company's ingot capacity to 1,290,000 tons annually and to increase its finishing capacity from the present 180,000 tons to more than 1,000,000 tons at the company's Portsmouth, Ohio, works. The expansion program is estimated to cost about $50,000,000. The method of financing is being determined. In January of 1950, $15,000,000 of bonds were placed privately.

● **Florida Power Corp.**
Feb. 13 it was announced common stockholders will vote March 29 on a proposal to increase the authorized common stock (par $7.50) from 1,600,000 to 2,500,000 shares and the authorized preferred stock (par $100) from 120,000 to 250,000 shares. Underwriters for preferred stock to be determined by competitive bidding. Probable bidders may include Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Salomon Bros. & Hutzler; Harriman Ripley & Co., Inc.; Equitable Securities Corp.; Union Securities Corp. Probable underwriters for common stock. Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane.

Food Machinery & Chemical Corp.
Jan. 29, P. L. Davies, President, announced an expansion program which will involve well in excess of $25,000,000, to be financed, in part, by the issuance of $25,000,000 of debentures. Later it is probable rights may be given to stockholders to purchase additional common stock, possibly by the end of 1952 or early 1953. Traditional underwriters: Kidder, Peabody & Co.; Mitchum, Tully & Co.

Georgia Natural Gas Co., Albany, Ga.
Aug. 2 filed new application with FPC for authority to construct a 335-mile pipeline system in Georgia and Florida to cost about $5,100,000, which would be financed through issuance of first mortgage pipe-line bonds and the sale of common stock. Previous application was withdrawn.

Georgia Power Co. (6/5)
Jan. 8 it was reported company may issue and sell $20,000,000 of new first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Drexel & Co.; Lehman Brothers; Harriman Ripley & Co. Inc.; Shields & Co. and Salomon Bros. & Hutzler (jointly); Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); The First Boston Corp.; Kuhn, Loeb & Co.; Union Securities Corp. and Equitable Securities Corp. (jointly). **Proceeds**—For construction program. **Bids**—Tentatively expected to be opened on June 5. **Registration**—Scheduled for April 4.

Gibraltar Steel Corp., Trenton, Mich.
Jan. 29 it was announced company is being formed to operate a $100,000,000 fully-integrated steel plant with a capacity of 700,000 tons of ingots annually, to be built at Trenton, Mich. C. S. Eaton, of Otis & Co., who will be Chairman of the Board, stated that no public offering of securities would be involved.

Granite City Steel Co.
Jan. 26 it was announced that company plans to offer additional common stock to common stockholders following proposed 2-for-1 split-up of 497,201 shares and change in par value from no par to $12.50 per share to be voted upon March 13. Traditional underwriter: Merrill Lynch, Pierce, Fenner & Beane, New York.

Greenwich Gas Co., Greenwich, Conn.
Feb. 7 stockholders were to vote on approving issuance and sale of 60,000 additional shares of common stock at $5 per share to common stockholders on a 2.045-for-1 basis and to issue and sell 8,000 additional shares of preferred stock. **Underwriter**—F. L. Putnam & Co., Boston, Mass.

Gulf Power Co.
Feb. 6, it was reported that this company may sell securities "for new money" this year. In event of preferred stock issue, probable bidders may be Kidder, Peabody & Co. and White, Weld & Co. (jointly); Equitable Securities Corp.; Union Securities Corp. and Salomon Bros. & Hutzler (jointly); Harriman Ripley & Co., Inc. But definite plans have not as yet been formulated.

Houston Lighting & Power Co.
Dec. 19 it was reported company plans to issue and sell $15,000,000 of new first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; Equitable Securities Corp.; Union Securities Corp. and Salomon Bros. & Hutzler (jointly); Harriman Ripley & Co. Inc.; Smith, Barney & Co. **Proceeds**—For construction program. **Offering**—May be indefinitely deferred as company may be able to finance 1951 expansion program without recourse to outside borrowing.

Idaho Power Co.
Feb. 6, it was reported that this company will raise $18,500,000 through sale of securities this year. It is believed that this financing will be through sale of mortgage bonds and preferred stock. Bond financing may be private, while preferred stock may be underwritten by Wegener & Daly Corp., Boise, Idaho. Proceeds would go toward expansion program, which, it is estimated, will cost nearly $23,000,000 for 1951.

Illinois Central RR.
Jan. 22 the directors authorized the executive committee to plan for the refunding of Illinois Central RR. and Chicago, St. Louis & New Orleans RR. joint $18,812,000 of first refunding mortgage bonds due 1963 (including $14,611,000 of 4½% series "C" and $4,201,000 of 4% series "D" bonds). It is reported that $20,000,000 of new consolidated mortgage bonds will be issued. Probable underwriter—Kuhn, Loeb & Co., New York. No immediate financing expected.

● **Illinois Central RR. (3/19)**
Feb. 13, it was reported company expected to raise $6,800,000 through the sale of equipment trust certificates. **Bids**—Tentatively scheduled to be received on March 19. Probable bidders: Halsey, Stuart & Co. Inc.; Harriman Ripley & Co., Inc. and Lehman Brothers (jointly); Harris, Hall & Co. (Inc.); Salomon Bros. & Hutzler; The First Boston Corp.

Illinois Power Co.
Jan. 29 Illinois Commerce Commission authorized company to construct a $16,700,000 steam-electric generating station on the Illinois River, near Hennepin, Ill. Initial installation is scheduled for completion in 1953. Probable underwriters for equity financing: The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane.

● **Jersey Central Power & Light Co.**
Feb. 13 company asked SEC permission to issue and sell 40,000 shares of cumulative preferred stock (par $100). **Underwriters**—To be determined by competitive bidding. Probable bidders include Glore, Forgan & Co.; Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); The First Boston Corp.; Salomon Bro. & Hutzler. **Proceeds**—For new construction. Early registration expected. **Bids**—Tentatively scheduled for March.

● **Jersey Central Power & Light Co.**
Feb. 13 company requested SEC authorization to issue and sell $1,500,000 first mortgage bonds due in 1981. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Shields & Co. (jointly); Equitable Securities Corp.; The First Boston Corp.; Otis & Co.; Salomon Bros. & Hutzler; Harriman Ripley & Co., Inc.; Kidder, Peabody & Co.; Glore, Forgan & Co. **Proceeds**—For expansion program. **Bids**—Tentatively scheduled to be received in March.

● **Kansas City Power & Light Co.**
Feb. 7, Harry B. Munsell, President, announced company expects to raise $15,000,000 of new money through the sale of new securities, including from $5,000,000 to $8,000,000 preferred stock, and the remainder common stock and bonds. Probable bidders for preferred stock:

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Glore, Forgan & Co. and W. C. Langley & Co. (jointly); Smith, Barney & Co.; The First Boston Corp.; White, Weld & Co., Shields & Co. and Central Republic Co. (jointly); Harriman Ripley & Co., Inc.; Salomon Bros. & Hutzler and Merrill Lynch, Pierce, Fenner & Beane (jointly). Probable bidders for common stock: Lehman Brothers; Glore, Forgan & Co.; Harriman Ripley & Co., Inc.

● **Kimberly-Clark Corp.**
Feb. 14, it was announced directors have approved a proposed sale of 200,000 shares of additional common stock, registration of which is expected this week. **Underwriter**—Blyth & Co., Inc., New York.

Laclede Gas Co.
Jan. 30, R. W. Otto, President, stated it appears likely that the company will sell additional mortgage bonds some time this year to finance its 1951 construction requirements. During the current fiscal year, he said, about $10,000,000 may be spent for new construction, of which more than $4,000,000 had been spent up to Dec. 31, 1950. It was also stated that the company is giving serious consideration to early refinancing of its outstanding $19,000,000 3½% bonds due Feb. 1, 1965, and $6,500,000 3½% bonds due Dec. 1, 1965, through the issuance of possibly $28,000,000 of new bonds. Probable bidders: Halsey, Stuart & Co. Inc.; Goldman, Sachs & Co.; White, Weld & Co.; Lehman Brothers and Merrill Lynch, Pierce, Fenner & Beane (jointly).

Lone Star Steel Co.
Jan. 16, E. B. Germany, President, announced that company will raise $5,000,000 through a common stock offering within the next 120 days to be first made to common stockholders. **Underwriters**—Probably Straus & Blosser; Estabrook & Co., and Dallas Rupe & Son. **Proceeds**—For expansion program.

Long Island Lighting Co.
Jan. 31, Edward F. Barrett, President, said an increase in the number of common shares is in prospect to assist in financing construction. These shares will be first offered to stockholders. How much stock will be issued has not yet been determined. Probable bidders may include W. C. Langley & Co.; Kidder, Peabody & Co.; Smith, Barney & Co.

Michigan Consolidated Gas Co.
Jan. 3, it was disclosed that the company is planning an $8,000,000 pipe line construction program to increase natural gas deliveries to the Detroit (Mich.) area by 150,000,000 cubic feet a day next winter. The present line has a daily capacity of 325,000,000 cubic feet a day.

Michigan-Wisconsin Pipe Line Co.
July 25 company received SEC authority to borrow not more than $20,000,000 from banks. A permanent financing program provides for the elimination of these bank loans prior to their maturity, July 1, 1951, and such program will include the issuance and sale of $12,000,000 additional bonds and $3,000,000 of additional common stock (latter to American Natural Gas Co., the parent). Previous debt financing was placed privately. If competitive probable bidders may include The First Boston Corp.; Harriman Ripley & Co., Inc.; Glore, Forgan & Co.

Middle South Utilities, Inc.
Jan. 23 it was reported that this company is expected to sell up to 600,000 shares of additional common stock (no par) in the near future. **Underwriters**—To be determined by competitive bidding. Probable bidders—Union Securities Corp. and Equitable Securities Corp. (jointly); Blyth & Co. Inc.; Lehman Brothers; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); The First Boston Corp. **Proceeds** — To finance part of 1951 construction program.

Mississippi Power Co. (7/17)
Feb. 6, it was reported that this company contemplates the issuance and sale of $4,000,000 of preferred stock (par $100). **Underwriters**—To be determined by competitive bidding. Probable bidders: W. C. Langley & Co., Glore, Forgan & Co. and Sterne, Agee & Leach (jointly); Blyth & Co., Inc.; The First Boston Corp.; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Lehman Brothers; Union Securities Corp. and Equitable Securities Corp. (jointly); Merrill Lynch, Pierce, Fenner & Beane. **Proceeds**—For construction program. **Bids**—Tentatively expected to be received on July 17. **Registration**—Scheduled for June 15.

Monongahela Power Co. (4/24)
Dec. 1 it was announced company plans issuance and sale of $10,000,000 of first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; W. C. Langley & Co. and The First Boston Corp. (jointly); Union Securities Corp. and Salomon Bros. & Hutzler (jointly); Lehman Brothers; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Glore, Forgan & Co.; Harriman Ripley & Co., Inc. **Proceeds**—For expansion program. **Offering**—Tentatively expected on April 24, with SEC registration on March 23.

Montana-Dakota Utilities Co.
Oct. 11 company asked FPC for authority to issue $2,800,000 of 2½% promissory notes to banks to provide funds for its expansion program. These notes, together with $3,000,000 of notes authorized by FPC last May, are to be refunded by permanent financing before April 1, 1951. Traditional underwriters are Blyth & Co., Inc. and Merrill Lynch, Pierce, Fenner & Beane. Stockholders on Nov. 27 will vote on increasing authorized preferred stock from 100,000 to 150,000 shares and common stock from 1,500,000 to 2,500,000 shares. R. M. Heskett, President, stated that about $10,000,000 will be raised within the next six months.

Mountain States Power Co.
Jan. 18 FPC approved application of company to split up the present common stock on a three-for-one basis to help facilitate the sale of additional common stock in the near future so as to enable the company to carry out its construction program for 1951. Merrill Lynch, Pierce, Fenner & Beane, New York, was the principal underwriter of a common stock offering in April, 1949. Stockholders on Jan. 30 voted the issuance of 900,000 shares of $7.25 par value common stock in exchange for 300,000 shares of no par value common stock.

Nevada Natural Gas Pipe Line Co.
Nov. 15 company asked FPC to authorize construction and operation of a 114-mile pipeline for the transportation of natural gas, which, it is estimated, will cost $2,331,350.

New England Power Co.
Jan. 24 it was estimated that $32,000,000 of new financing will be required prior to Dec. 31, 1952 (including the $12,000,000 of bonds filed with SEC). Between 70,000 to 80,000 shares of preferred stock may be initially offered. Probable bidders: Harriman Ripley & Co. Inc.; Lehman Brothers; Kidder, Peabody & Co.; First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; W. C. Langley & Co. Proceeds to be used to repay bank loans and for construction program.

New York, Chicago & St. Louis RR.
Jan. 25 it was reported that in event company refunds its outstanding $36,057,700 6% preferred stock (par $100), with dividend arrearages of $45 per share, probable bidders for a new preferred stock with a lower dividend rate may include Blyth & Co., Inc. The 6% preferred is callable at $110 per share, plus accrued dividends.

Niagara Mohawk Power Corp.
Oct. 24 the company estimated that, through 1951, it will require not more than $35,000,000 of additional debt or equity financing in connection with its 1951 construction which is expected to cost $52,328,000. Probable bidders for new bonds: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Kuhn, Loeb & Co.; The First Boston Corp. Application was filed on Feb. 13 with SEC for authority to borrow $35,000,000 from banks.

Niagara Mohawk Power Corp.
Jan. 26, it was announced company may sell late this year or early 1952 about $15,000,000 of additional common stock to finance part of its $150,000,000 construction program scheduled for 1951, 1952 and 1953. Probable bidders: Merrill Lynch, Pierce, Fenner & Beane; Kidder, Peabody & Co. and White Weld & Co. (jointly); Morgan Stanley & Co.

Oklahoma Gas & Electric Co.
Dec. 20 D. S. Kennedy, President, said company is considering refunding outstanding $6,500,000 5¼% cumulative preferred stock (par $100) with an equal amount of preferred stock with a lower dividend rate and may issue additional common stock (par $10) provided market conditions warrant such action, to finance construction program. Probable underwriters: Lehman Brothers; Smith, Barney & Co.; Harriman Ripley & Co. Inc.

● **Pacific Gas & Electric Co. (3/19)**
Feb. 8 directors authorized issuance and sale of 1,419,562 additional shares of common stock (par $25) to common stockholders of record on March 13, 1951 on the basis of one share for each seven shares held; rights to expire on April 14, 1951. The subscription period is expected to open March 19. **Price**—To be supplied later. **Underwriter**—Blyth & Co., Inc., New York. **Proceeds**—To be applied toward the cost of new construction, estimated to cost $130,000,000 in 1951.

Pacific Power & Light Co.
Jan. 29 company applied to FPC for authority to construct a $33,000,000 power plant on the Lewis River in the State of Washington. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Union Securities Corp.; Lehman Brothers; Blyth & Co., Inc.; White, Weld & Co. and Harris, Hall & Co. (Inc.) (jointly); Blair, Rollins & Co. Inc. and Carl M. Loeb, Rhoades & Co. (jointly); Kidder, Peabody & Co.; W. C. Langley & Co. and First Boston Corp. (jointly).

Pennsylvania Power Co. (3/20)
Jan. 31 company notified SEC it proposes to issue and sell 40,000 shares of preferred stock (par $100) to public (in addition to 40,000 shares of common stock to Ohio Edison Co., parent, at par, $30 per share). Underwriter—To be determined by competitive bidding. Probable bidders: Kidder, Peabody & Co. and White, Weld & Co. (jointly); Glore, Forgan & Co. and W. C. Langley & Co. (jointly); First Boston Corp.; and Blyth & Co., Inc. (jointly); Lehman Brothers; Smith, Barney & Co.; Harriman Ripley & Co., Inc.; Merrill Lynch, Pierce, Fenner & Beane. **Proceeds**—For construction program. **Registration**—Expected about Feb. 16. **Bids**—To be opened around March 20.

Pennsylvania Power & Light Co.
Jan. 26 it was announced that an offering of 40,000 shares of preferred stock is expected to be announced shortly. **Underwriters**—To be determined by competitive bidding. Probable bidders: The First Boston Corp. and Drexel & Co. (jointly); Blyth & Co., Inc.; White, Weld & Co.; Harriman Ripley & Co., Inc. **Proceeds**—To finance, in part, the company's expansion program.

Pitney-Bowes, Inc.
Feb. 5 directors voted to submit to stockholders on April 4 a plan to increase authorized preferred stock by 60,000 shares in order to have such shares available in the event that future conditions require new financing. Latest preferred stock financing was placed privately through The First Boston Corp.

Portland General Electric Co.
Jan. 27, Thomas Delzell, Chairman, said that the $20,000,000 Deschutes River project, temporarily being financed by short-term borrowings and bank loans, will be refinanced later by the sale of long-term bonds and common stock. The latest stock financing was handled by Blyth & Co., Inc. Probable bidders for bonds may be Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler and Shields & Co. (jointly); First Boston Corp.; Harriman Ripley Co., Inc.

Potomac Edison Co. (4/3)
Dec. 1 it was announced that company plans to issue $10,000,000 of first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; W. C. Langley & Co. and The First Boston Corp. (jointly); Kidder, Peabody & Co. and Alex Brown & Sons (jointly); Glore, Forgan & Co.; Salomon Bros. & Hutzler; Harriman Ripley & Co., Inc., and Union Securities Corp. (jointly); Lehman Brothers; Equitable Securities Corp.; Drexel & Co. **Proceeds**—For expansion program. **Offering**—Expected on April 3 with SEC registration tentatively scheduled for March 2.

Public Service Co. of Colorado
Nov. 1, J. E. Loiseau, President, announced that "it will be necessary to raise additional funds for construction purposes in the second quarter of 1951. The amount needed is estimated at about $7,000,000." Probable bidders for a reported issue of $15,000,000 new bonds are: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc. and Smith, Barney & Co. (jointly); The First Boston Corp.; Lehman Brothers; Kidder, Peabody & Co.; Harris, Hall & Co. (Inc.); Glore, Forgan & Co. and W. C. Langley & Co. (jointly).

● **Public Service Co. of North Carolina, Inc.**
Feb. 9 company filed with FPC a second amended application in connection with a proposed natural gas system to serve 34 communities in North Carolina. It is now proposed to build seven lateral lines, aggregating about 168 miles in length. Estimated total capital cost is approximately $4,500,000, which would be financed by the issuance of first mortgage bonds and junior securities.

● **Public Service Co. of Oklahoma (4/9)**
Feb. 9 it was stated that company plans issuance and sale of $10,000,000 of first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Glore, Forgan & Co.; White, Weld & Co. and Shields & Co. (jointly); The First Boston Corp.; Harriman Ripley & Co., Inc. **Proceeds**—For new construction. **Registration** — Expected about March 15. **Bids**—Tentatively expected to be received up to April 9.

Reliance Electric & Engineering Co.
Jan. 18 stockholders approved a proposal to increase authorized common stock from 350,000 shares (209,221 shares outstanding) to 1,000,000 shares and to effect a 2-for-1 stock split-up. The stockholders would then have preemptive rights in 531,558 of the unissued new shares while 50,000 shares would be reserved for future sale to employees and for other corporate purposes. Traditional underwriter: Hayden, Miller & Co. No public financing planned at present.

Rhinelander Paper Co., Rhinelander, Wis.
Jan. 22 it was reported company plans issuance and sale, without preemptive rights by stockholders, of about 100,000 shares of common stock (par $5). **Underwriter**—A. G. Becker & Co., Chicago. **Proceeds**—For new construction and working capital.

St. Louis-San Francisco Ry.
Jan. 19 it was reported that in event company issues and sells $70,000,000 of refundnig mortgage bonds, probable bidders may include Halsey, Stuart & Co. Inc., and Blyth & Co., Inc.; Kuhn, Loeb & Co.

Salem Gas Light Co.
Jan. 26 company applied to SEC for authority to issue and sell to common stockholders 30,236 additional shares of capital stock (par $10) to common stockholders on the basis of two new shares for each three shares held. New England Electric System (parent), owner of 42,138 shares (92.9%) of the 45,353 outstanding shares, will subscribe for 28,092 shares, plus any not subscribed for by the minority stockholders. **Price**—$15 per share. **Proceeds**—To repay bank loans and advances from parent, and the remainder for expansion program.

Schering Corp.
Feb. 2 it was reported that the company's entire common stock issue (440,000 shares) was expected to be registered with the SEC in the near future and offered for sale probably in March to the highest bidder by the Office of Alien Property. Probable bidders: A. G. Becker & Co. (Inc.), Union Securities Corp. and Ladenburg, Thalmann & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Kidder, Peabody & Co.; F. Eberstadt & Co.; Allen & Co.; new company to be formed by United States & International Securities Corp.; Dillon, Read & Co.; F. S. Moseley & Co.; Riter & Co.

Sharon Steel Corp.
Jan. 29 it was announced that as a preliminary to financing some phases of the corporation's $49,000,000 expansion program, stockholders will be asked to vote at the annual meeting March 22 to increase the debt ilmit of the company to $30,000,000 and to increase authorized capital stock to 2,500,000 from 1,000,000 shares. At present, the company has 925,863 shares outstanding. The company's expansion plan, recently announced, will sharply increase ingot capacity, pig iron and coke output and finishing facilities. The additions and improvements are to be completed over the next five years.

● **South Jersey Gas Co.**
Feb. 7 it was reported that this company is planning to refinance its outstanding $4,000,000 of 4⅛% bonds and $3,338,000 of short-term bank loans with a new issue of bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders may include Halsey, Stuart & Co. Inc.

Southern California Edison Co.
Jan. 29 it was announced that following the proposed bond sale (filed with SEC), it is intended to raise an additional $58,600,000 through the sale of securities. The type of securities involved and time of offering have not yet been determined. The proceeds will be used for expansion program.

Southern Co. (4/3)
Feb. 6 it was reported that the company plans to issue an additional 1,000,000 shares of common stock (par $5). **Underwriters**—To be determined by competitive bidding. Probable bidders: Morgan Stanley & Co., Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Union Securities Corp. and Equitable Securities Corp. (jointly); Blyth & Co., Inc.; Lehman Brothers; Harrimon Ripley & Co., Inc. **Proceeds**—For construction program. **Bids**—Expected to be opened on April 3. **Registration Statement**—Scheduled to be filed with SEC on March 2.

Southern Union Gas Co.
Jan. 18 it was announced company plans to issue and sell approximately 27,000 shares of preferred stock (par $100) and approximately $4,000,000 of first mortgage bonds (in addition to the 150,799 additional shares of common stock filed with SEC on Jan. 8.—see preceding columns).

Texas Gas Transmission Corp.
Jan. 3 company asked FPC permission for approval of a $42,300,000 construction program, which will include the building of 580 miles of pipe line to supply natural gas in its own mid-Western service area and in Appalachian markets. The program would increase the capacity of the Texas-to-Ohio pipe line system to over 900,000,000 cubic feet per day. Tentative plans include the sale of around $30,000,000 bonds (which may be placed privately with insurance firms) and about $10,000,000 of preferred stock (depending upon market conditions). The balance of the funds needed will be obtained from treasury cash or temporary bank loans. Traditional underwriter is Dillon, Read & Co. Inc., New York.

Texas & Pacific Ry.
Jan. 24 it was stated that in event company issues and sells $36,000,000 of refunding mortgage bonds, probable bidders may include Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Kuhn, Loeb & Co.

Transcontinental Gas Pipe Line Corp. (3/7)
Feb. 2 it was reported directors on Feb. 14 would consider a plan to sell $26,500,000 of preferred stock (par $50), the proceeds of which are to be used to retire a like amount of notes which mature on May 1, 1951. Probable underwriters: White, Weld & Co. and Stone & Webster Securities Corp. Expected in March. **Registration**—Expected about Feb. 15.

● **Trion, Inc.**
Feb. 8 stockholders increased authorized common stock from 150,000 shares (par $2) to 2,000,000 shares, in a step preliminary to the sale of additional stock. Previous financing handled by Graham & Co., Pittsburgh, Pa. Proceeds would be used to handle expanded defense business.

● **United Artists Corp.**
Feb. 8, Paul V. McNutt, Chairman, announced that a refinancing of the corporation has been arranged.

United States Pipe Line Co. (Del.)
Sept. 25, it was announced that this company had been formed to build, own and operate a petroleum products pipeline from the Texas Gulf Coast to St. Louis, Chicago and other midwest markets to operate as a "common carrier." The initial financing has been arranged for privately, with no public offering expected for at least two years. E. Holley Poe and Paul Ryan, of 70 Pine St., New York, N. Y., are the principal officers of the corporation.

Utah Pipe Line Co., Dallas, Tex.
Dec. 14 company applied to FPC for authority to build a 392-mile pipeline from Aztec, N. Mex. to the Salt Lake City, Utah, area, at an estimated cost of $22,000,000.

Valley Gas Pipe Line Co., Inc., Houston, Tex.
June 27 company sought FPC authorization to construct a $144,500,000 pipeline project to carry natural gas from the Gulf Coast and off-shore fields in Louisiana and Texas to markets in Indiana, Ohio and Michigan. Company is now in process of completing negotiations for its major financing requirements.

Virginia Electric & Power Co.
Feb. 1 it was announced that (in addition to proposed issue and sale of 100,000 shares of preferred stock (par $100) filed with SEC on Feb. 1) further financing in 1951 is anticipated in an amount which may aggregate $25,000,000. The proceeds will go toward company's construction program.

Worcester County Electric Co.
Jan. 22 it was stated early registration is expected of $12,000,000 first mortgage bonds. **Underwriters**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane; Kidder, Peabody & Co.; The First Boston Corp.; Harriman Ripley & Co. Inc. **Proceeds**—To retire bank loans.

Our Reporter's Report

The syndicate which has been lugging Commonwealth Edison Co.'s $49,000,000 of new 50-year debentures, due 2001, since the early part of January "pulled the string" this week and turned the debentures lose.

Caught in the period of uncertainty which found the big institutional investors in no haste about putting their cash into new securities, this offering had been slow from the start.

The sponsoring group paid the issuer a price of 100.59 for a 2⅞% coupon and fixed a reoffering price of 101.335 for an indicated yield of 2.825%.

Quite evidently this prospective return was not sufficient to attract potential buyers who have been adament in their opposition to sparse yields that have been coming out of competitive bidding especially for public utility securities.

Accordingly the bonds have been laggard and patient waiting for a "break" in buyer resistance went without reward this time, and bankers evidently decided to give up the contest.

Reports had the issue quoted around 100 bid to 100¼ offered after it was thrown on its own. At this level the indicated yield to buyers was around 2.87%, more in keeping with the latter's ideas. Good demand was reported, though it was indicated that some holders too were a bit stubborn about letting go at such levels.

Clouds Don't Lift

The new issue market still appears to be groping in a fog of indecision arising from conflicting influences of the moment. Tax-exempts alone in the debt section, and new equities, of course, are the exceptions.

Unrelenting uneasiness in the market for Treasury issues appeared to have been "ironed out" a week or ten days ago when the White House announced that the Federal Reserve had agreed to back up the Treasury's easy money policy.

But it now appears that such cheering was a trifle premature and that this squabble over who shall set basic money rates is still far from settled. The Senate Banking Committee is now calling for a hand in the deal which means, if nothing else, that the uncertainty will be drawn out for a spell.

Kind Bankers Like

There is no sidestepping the fact that bankers and dealers go all-out for a negotiated deal. And that makes Borden Co.'s projected offering of $70,000,000 of 30-year 2¾% debentures something of a treat.

Offering terms for this one will be set forth in an amendment to the company's registration statement in advance of the sale.

Proceeds here will be applied to retirement of $45,800,000 of outstanding promissory notes. The firm's current long-term indebtedness, with the balance being added to general corporate funds.

Picking Up a Bit

Next week will bring two new corporate debt offerings to market. Largest is Southern California Edison Co.'s $35,000,000 of first and refunding 25-year bonds, up for sale on Tuesday. New England Power Co. will market $12,000,000 of 30-year first mortgage bonds on Monday.

The following week brings up two large offerings, biggest being Consolidated Edison Co. of New York's $60,000,000 of 30-year first and refunding bonds to pay off bank loans incurred for construction. Bids on this one will be opened Tuesday, Feb. 27.

The day previous will see bidding for $35,000,000 of Tennessee Gas Transmission Co.'s first mortgage 20-year pipeline bonds to redeem short-term notes and provide new construction funds.

Taking New Tack

The World Bank, which didn't make out too well with its last offering of $100,000,000 of serials, evidently is profiting by its experience.

The bank plans to seek somewhere around that amount on this occasion, but by different procedure. This time the bonds will run for 20 to 25 years and the operation will not be done in one fell swoop. Rather the plan is to calculate needs for several months ahead and finance to the extent required to get such funds.

This will avoid burdening the marekt at a given time and obviate the need for paying unnecessary interest on funds not immediately required.

Westheimer & Co. Add

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio—Andrew E. Broadston has been added to the staff of Westheimer and Co., 326 Walnut Street, members of the New York and Cincinnati Stock Exchanges.

Charles E. Robinson

Charles E. Robinson, partner in Vanderhoef & Robinson, New York City, died of a heart attack at the age of 64.

Joins King Merritt

(Special to THE FINANCIAL CHRONICLE)

ST. CLOUD, Minn.—Hubert W. Bradford is with King Merritt & Co., Inc., 1616 St. Germain Street.

Joins Ellis, Holyoke

(Special to THE FINANCIAL CHRONICLE)

LINCOLN, Neb.—Forest E. Dillman, Sr. is now affiliated with Ellis, Holyoke & Co., Stuart Building.

A. E. Delmhorst

Arthur E. Delmhorst passed away at the age of 73 after a brief illness. Mr. Delmhorst was senior partner in Whitehouse & Co., New York City, and in June would have completed 60 years of service with the firm.

Joins Roney Staff

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich.—Leonard C. Battle is with Wm. C. Roney & Co., Buhl Building, members of the New York and Detroit Stock Exchanges.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—What was billed as Secretary Snyder's tax program is in reality in large part the tax program of the Council of Economic Advisers.

Congress will not take this program, chapter and verse. It is unlikely to boost excises to 20% on cars and 25% on durables. It will boost them, but not quite that much.

It may be doubted that Congress will go to 70% as the maximum combined assessment of corporation income from excess profits and surtax rates—but will be more inclined to put it at 65%. The 55% corporation rate, however, looks likely, not because key leaders want it, but because the alternatives are so politically horrible.

Congress won't be much interested in boosting the capital gains tax, but may go for the extension of the holding period to one year.

Overall, Congress will take less than 4 points from the lower and middle income earners, will make up part of this by adding new consumer articles to excise taxation, and will probably—always barring a new military emergency—not hit $8 billion in additional revenues. Liquor taxes probably will be boosted as recommended, but the higher taxes on tobacco will have tough going. A second and additional tax bill to be enacted this year is merely a romantic notion.

* * *

That which appeared to be a possibility more than a month ago has now, in the light of the first several weeks of Congressional operations, become a certainty. This is that in view of the intimate relationship to one another of all the major issues pending before Congress, a solution of any of them is a long way off.

There is the matter of the budget, taxes, and economy, for instance.

Every one in a position of responsibility on the Hill recognizes that the January figures of projected expenditures are only tentative, and so unrealistic that Congress can hardly operate on the assumptions they impose.

Even if there is no new big phase of the war or no new emergency, and even if production of war materials falls short of expectations, there are large possibilities for increased expenditures. For one thing, there is no hope that any appreciable dent can be made in the favored position of farm prices, no matter how loud the sound or how violent the fury. So there will in due course be an appropriation to subsidize the prices of food to the consumer.

For another thing, it is only a matter of time before the projected size of the Armed Forces will be boosted beyond the present objective of 3,500,000 persons. The Defense Department realizes that expansion of the Forces must be taken in bites, and it is having tough enough time now securing the 3,500,000.

When, as and if the troops-to-Europe issue is settled, then the public may be let in on the "bill" in the form of how much the Forces must be increased to provide defense at home, training of replacements, and military manpower for such other areas as the U. S. undertakes to provide protection.

There is an intimate relationship between taxes and economy.

As of the present, economy in terms of more than a couple of billions, net, hasn't got a prayer. Close observers note that in all the beautiful suggestions about how to save several billions, the basic approach has been to cut out public works and cut down or suspend established "welfare" programs.

Mr. Truman could have been cute and proposed to eliminate sundry hundreds of millions of public works, have pleased conservatives, and have got exactly nowhere. That is because Congress would have restored these public works anyway. Likewise, Congress would have overturned proposed cuts which would have reduced Treasury largesse to hundreds of thousands who have become accustomed to it.

Many a Congressman who openly or covertly tried to kill off one after another of these spending schemes before they were enacted, finds himself in a different spot once the green check beneficiaries are threatened. There is nothing more frightening to a Congressman than a thousand letters from constituents protesting a reduction in benefits. It is fairly common for a Congressman to get killed off by a thousand votes.

Economy in terms of several billions will come when the public feels the sting of taxes enough to ride herd on extravagance. Maybe the proposed rates of Mr. Truman's tax program will do a little stimulating along this line. Congressmen who don't like such high taxes hope so.

In any case, anything above a net savings of $2 billion (forgetting Mr. Truman's pro forma declaration for $1 billion of new "Fair Deal" expenditures) waits for the significance of these new taxes to "sink in." Congress can help to let it "sink in" to public consciousness by having hearings, being deliberate, and thereby letting the word get around. Congress cannot impress the public with the awfulness of the new taxes, and thereby build an economy backfire, by acting pronto to enact the taxes the day before yesterday, as the Administration wants.

* * *

At the Capitol time is expected to prove that Mr. Truman pulled a boner when he jumped the Senate Banking sub-committee on its RFC report.

Senator Bill Fulbright has been studying the RFC for two years, and his chief counsel, Theodore Herz, is at the same time one of the brightest and most painstaking investigators.

Fulbright's approach may be described in two ways. Instead of saying, as it were, "we know that Joe Doaks is a crook and are going to prove it," he said, in effect, "Joe Doaks acted in the manner of a crook but we have no evidence that he was a crook, and anyway our only interest is in improving the RFC."

On the other hand, the volume of information in the committee's files is enormous, and now that Mr. Truman has joined battle with the Senate committee, some more of this evidence will begin dribbling out, and go on page 1.

So the other way of describing Fulbright's *modus operandi* is that he is toting, so to speak, an automatic, from which he has fired only one round—the report of several days ago on favoritism and influence in RFC operations.

* * *

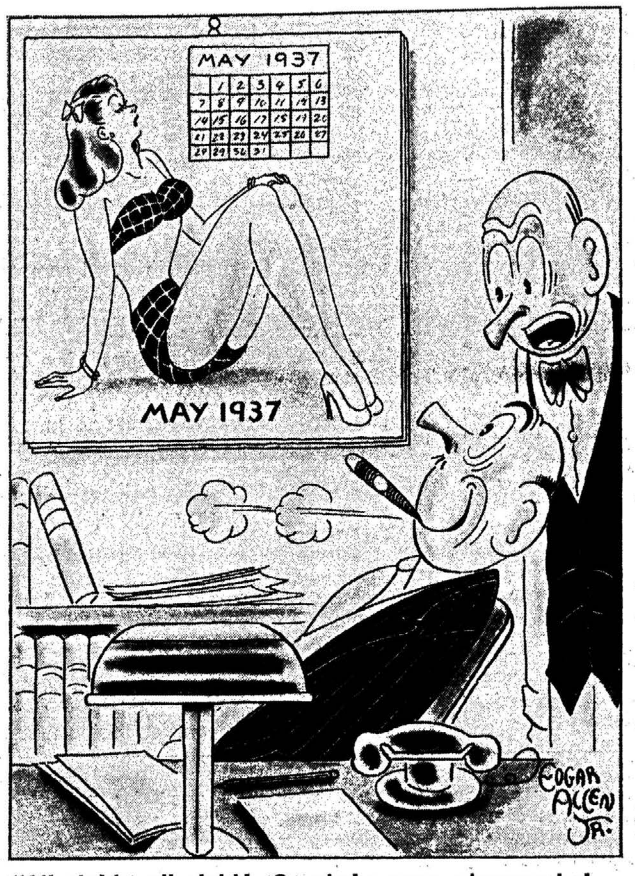
There is reported in substantial quarters to be a purely mechanical problem which complicates no end the disagreement between the Treasury Department and the Federal Reserve Board in the difference of opinion about Treasury financing.

This mechanical problem is the absence of any individual who can speak for, and commit the Federal Reserve System. Thus, before Secretary Snyder on Jan. 18 announced that the financing during this emergency would be carried on "within the pattern of 2½%," he had a firm commitment that this was satisfactory with the Federal Reserve Board, and it was made by Chairman Thomas B. McCabe.

Likewise, last September, before Mr. Snyder issued the 1¼% notes, he also had a firm commitment that it was OK with the Reserve Board. Subsequently the Board and the Open Market Committee ruled that rates should go to 1½%, and achieved this through open market operations. This commitment also was from the Chairman. Ordinarily the Chairman is supposed to speak for the Board.

(This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.)

BUSINESS BUZZ



"All right—all right! So she's some cheesecake!—I still say it's time you changed your calendar!"