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EDITORIAL

As We See It

For years the late President Roosevelt strove for "unity" in the "labor movement." He believed, apparently, that it would be a good thing for the country if all semblance of rivalry among the unions were abolished, and organized wage earners accordingly were to present a solid front. He was never able even to approximate such a consummation—except, of course, upon the one issue, of support for himself. President Truman although equally eager to have the political support of organized labor, has not had a great deal to say about "unity" and the like.

Yet it has remained, apparently, for him to succeed in bringing about a state of affairs among the unions which rather closely approximates what his predecessor was constantly urging—namely, a joining of hands by the various labor union groups. This he has done, quite without intending it. It appears, rather, to be a result of a lack of full confidence in the President on the part of the union leaders, and a determination on the part of the latter to be in a position to exercise much greater pressure upon the Administration than has been the case heretofore—even during World War II years. Such pressure they doubtless feel able and free to use in far greater measure than would be the case were we actually in an "all-out" war.

But whatever may be the origin of the present state of affairs the President (or at least so we hope) and a good many of the rest of us who often so easily assumed that "unity" anywhere at any cost was a good thing, are now beginning to understand that as used in this instance "unity" is synonymous with monopoly and that monopoly in the field of labor is quite as intolerable as it was

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Curb Inflation With a Purchasing-Power Bond

By SUMNER H. SLICHTER*

Lamont University Professor, Harvard University

Pointing out the faults in current proposals for price controls, Professor Slichter maintains fundamental need for higher rate of personal saving can be met by government's issue of savings bonds payable in fixed amount of purchasing power. Also advocates a tax-exempt savings bond. Asserts it is morally wrong for government, which stacks the cards for rising prices, to offer small, unsophisticated savers conventional bonds without protection. Offers specific answers to objections.

The reason why it is important that the government issue savings bonds payable in a fixed amount of purchasing power is that the volume of personal incomes after taxes (at present tax rates) will rise by nearly $20 billion during the next year while the output of consumer goods will remain about the same. This gap between the size of personal incomes after taxes and the supply of consumer goods represents the heart of the problem of inflation. If individuals spend their increased incomes for consumer goods, the price of consumers' goods is bound to rise.

Prof. S. H. Slichter

Many proposals for controlling the rise of prices are of limited usefulness because the suggested policy would not reduce the gap between personal incomes and the supply of consumer goods. For example, higher taxes on corporations would not reduce the gap because they would not cut personal incomes. A general sales tax would reduce the gap, but it would do it by raising prices and would thus increase the pressure for higher wages. Higher taxes on personal income would be the most effective way of reducing the gap. President

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*An address by Professor Slichter before the Institute of World Affairs, New School for Social Research, New York City, March 12, 1951.

Electronics—The Growth Story of a Century

By PAUL A. JUST

Executive Vice-President, Television Shares Management Co.

Asserting electron tube is "today's Aladdin's Lamp," Mr. Just points out capacity of growth of television and whole electronics industry. Sees in rapid growth of electronics a second industrial revolution. Reveals advances of television and phenomenal expansion of its use. Stresses use of electronics in mass production, in transportation, and in other fields. Contends favorable opportunities of investment now exist in electronics industry.

If today's forward-looking investor could rub Aladdin's Lamp and ask "what is the industry with outstanding attraction for long-range growth?," undoubtedly the lamp would vanish and the investor would behold an electron tube. Indeed, the electron tube is today's Aladdin's Lamp itself, capable of performing miracles for those who know its secrets. As its miracles extend to more and more practical applications, the investor has new horizons for growth opened for him. Judged by previous standards of growth these new horizons are almost staggering in their implications and potentials.

Paul A. Just

The significance and challenge of electronics lies not merely in the industry *per se* but in its effect on our entire complex of industrial techniques and organization. Electronics is the basis for what is realistically termed the second industrial revolution and it is a revolution under way so rapidly that the investor must alert himself to its many ramifications.

The Industrial Revolution, as we know it historically, centered upon development of machines as substitutes for human brawn. In the early phases of this far-reaching impact on our culture it must have been difficult to

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SECURITIES NOW IN REGISTRATION—Underwriters, dealers and investors in corporate securities are afforded a complete picture of the 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

Rheem Manufacturing Company—Joseph Andrews, of Hooker & Fay, San Francisco, Calif. (P. 2)

Ferro Enamel—Warren A. Casey, Security Analyst, Hecker & Co., Philadelphia, Pa. (Page 2)

The North American Refractories Co. — Edward Francis Hayes, Partner, Glore, Forgan & Co., New York City. (Page 2)

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JOSEPH ANDREWS

Hooker & Fay, San Francisco, Calif.

Rheem Manufacturing Company

The security I like best for this year's symposium in many respects has attributes comparable to those of the Crown Zellerbach Corporation, which was my selection in 1950, and which reflected during the year appreciation approximating 80% in market value and 10% in increased income.

Joseph Andrews

Rheem Manufacturing Co. common stock, to my mind, provides an ideal medium for investors in either a peacetime or wartime economy. For this reason, I recommend it not as a two, three, or four-year pull, but as a security to hold even after our defense program has run its course and the natural and inevitable return to a consumers' goods economy takes place. With its regular quarterly dividend rate of 60 cents, at current prices (approximating 32), its yield to the purchaser is in excess of 7%, and it is my belief that with its substantial backlog of orders, its present earnings of some 75 cents per share per month will continue throughout the year, and might well lead to either an increase in the annual dividend rate or the declaration of an extra dividend at year end. The stock's EPT base is good.

The company's finances are in excellent shape, and capitalization extremely simple and moderate. The fact that 30% of its 1,000,000 shares of outstanding common stock is owned by the Bethlehem Steel Corporation would seem to indicate to me some assurance that the company's steel requirements would receive favorable consideration for its fulfillment of defense contracts.

Recent developments in the manufacture of non-corrosive steel drums, which are lithographed in color, plus the company's entrance into the aircraft industry and allied lines, most certainly confirm my strong belief that management is top drawer in every respect. I recommend the purchase of Rheem Manufacturing common stock at present levels for both income and appreciation.

WARREN A. CASEY

Security Analyst, Hecker & Co., Philadelphia, Pa.

Ferro Enamel

Ferro Enamel has just finished the most successful year in its history, with preliminary sales figures placed at $33,500,000, almost 15% above the previous peak of $29,315,060 recorded in 1948. Net is tentatively stated at $2,191,000, or $4.77 per share of stock, another new high, far surpassing previous figures.

Warren A. Casey

Because Ferro, one of the largest manufacturers of porcelain enamel in the world, is primarily identified with peacetime pursuits, mainly in the household appliance and building fields, its stock has been largely neglected in recent past months. Thus today it sells around 19½, substantially below the high of 34 reached in 1945 and 1946, despite the excellent 1950 figures cited above and the projections of management that in 1951 sales will range around the $30,000,000 level and should reach $50,000,000 by 1955.

There is excellent reason to believe Ferro Enamel will be able to offset the generally expected decline in civilian production through substantial defense work. During World War II, Ferro helped develop, then produced millions of pounds of Napalm, the revolutionary new material used in the cluster incendiary bombs that devastated Germany and Japan. Ferro also produced most of the "Smoke Mix" used to conceal our landing parties and advancing troops. It ground magnesium into powder for flares, produced arsenic trichloride for poison gas and built critically-needed driers, kilns and furnaces for making aviation gasoline, dinnerware for the Army and Navy, steatite and electrical porcelains, magnesium, metal alloys, and for the heat-treating of armor plate.

Today the Ferro management proudly boasts that it can "produce more than 20 chemical materials, more than six types of munitions, plus many other items ranging from gyro heaters to galleys for ships; from power control cabinets to parachute parts; including various electrical components and precision assemblies." Research laboratories maintained in Cleveland, Chicago and Bedford, Ohio, have already been reactivated.

In normal times Ferro Enamel produces in its eight domestic and seven foreign plants the gleaming porcelain and liquid plastic finishes for refrigerators, sinks, stoves, ranges, bath tubs, washing machines and the like. Through new developments in steel and frit-processing, costs of enamel have been cut and the product made easier to handle. Thus industry now sees openings in new markets, from buildings to electric transformers. Window casements, bathroom wall paneling and complete prefabricated structures are now being porcelain enameled.

The writer for several years has been partial to Dewey and Almy stock as a growth issue. This company's sales increased from about $5,000,000 in 1940 to $22,500,000 last year. Dewey stock has meanwhile risen from $15 or so a few years back to $44 today. Ferro's sales have expanded from $5,000,000 in 1940 to $33,500,000 last year, yet its stock today at 19½ is six points below the average of the highs of its range for the past seven years of 25½, and far below the 1945-46 high of 34¼. We believe Ferro's excellent research personnel and facilities and its capable and aggressive management will be able to sustain this strong growth trend over future years.

Last year, as in 1948, Ferro declared a 10% stock dividend. In the final quarter it raised the quarterly dividend to 40 cents, and has declared two payments at this rate in 1951. The yield afforded at prevailing price levels is almost 8¼%. Finances are strong, with net working capital at present of probably $8,000,000 and cash alone of about $3,500,000. A $1,000,000 overall expansion and improvement program for a number of the company's plants is now being undertaken and has been made possible without recourse to additional financing.

Capitalization consists solely of about $4,000,000 in long-term debt and 459,296 shares of $1 par common stock.

On the basis of the foregoing, Ferro Enamel stock gives every evidence of being definitely undervalued. Seldom is it possible to buy a good growth stock at four times earnings to yield 8¼%, much less at a concession of almost 45% from its high made much earlier in its growth stage several years previous. The company should make a good showing in the present semi-war economy, particularly since it has a favorable EPT exemption base.

The writer has followed these articles in the "Chronicle" for some time with keen interest. Each contributor has thrown his Sunday punch, almost invariably with very positive effects. We believe we are doing no less in writing of Ferro Enamel.

EDWARD FRANCIS HAYES

Partner, Glore, Forgan & Co.
Members, New York Stock Exchange

The North American Refractories Co.

The securities market now appears to be in a look and listen attitude. That is understandable in view of the sustained general strength in prices over a period of months.

Edward F. Hayes

In the fall of 1950 I thought it timely to direct the attention of your readers to the refractories industry and its equities. A number of developments have occurred which would now justify a reexamination of this subject.

We have been gradually moving into a war economy and more particularly so during the past six months. This means for some types of manufacturing a conversion from the regular product to something more adapted for war preparation. It also means an extension of plant facilities to increase output.

Notable in this category is the expansion now taking place in the steel industry. Information now at hand indicates that the steel industry this year will expand a record sum of $1,200,000,000 for plant expansion and improvements. This is equivalent to three times the 1941 outlay. Expenditures next year may be even larger than in 1951. By the end of 1952 steel ingot capacity of the country is estimated at 117,700,000 tons, or more than 13,000,000 tons above the present capacity. Moreover some students of the steel industry feel that substantial further additions to capacity may well be made beyond 1952.

Detailed figures for expansion

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Atomic Bomb Can Destroy Russia, So No War

By VANNEVAR BUSH*
President, Carnegie Institution of Washington

Leading atomic scientist contends, if Russia sent armies rolling across the German plains, our A-bombs could destroy her and, knowing this, Russia will not provoke a war. Advocates defensive army in Europe together with continued increase in striking air and naval forces. Holds our new anti-tank weapons can destroy Russian superiority in artillery. Advocates training 18 and 19-year-old recruits as permanent reserve.

The Committee on the Present Danger is beginning tonight a series of weekly broadcasts on the peril that faces the American people and on how it can be met. The Committee is a nonpartisan group of citizens who have organized to work together as the nation prepares to safeguard freedom. I have never been a "joiner," as we call them on Cape Cod, but I believe so strongly in what this Committee stands for that I am glad to be a member of it. We believe the nation's preparation to meet the danger must be on the same scale as the danger itself. We believe balanced armed forces are the heart of such preparation. And we believe the utmost speed is essential. I have been asked to begin this series with a reckoning of the probabilities of the defense of the free world, and how the atomic bomb affects them.

Dr. Vannevar Bush

There is no doubt of the desire of the American people—and of our friends. We wish to avoid war. We wish to preserve our freedom and the free way of life. In a world where aggressive dictators are still at large, there is but one way to achieve these ends. That way is—to be strong. I am confident that the American people realize this. But we need to study just how to build that needed strength.

A-Bomb — the Key

The key to the matter, in my opinion, is the A-bomb. At the end of the war our allies were exhausted. We disarmed. We know what has happened. Russia moved in. Working by intrigue and by the subversive overthrow of governments, she took over enormous territory and millions of people. But Russia stopped. Russia stopped at the boundary where the Kremlin was sure there would be war with us if it proceeded further. We saw the matter tested out at the time of the air lift in Berlin, and we know when we confronted the Russians with true strength they did not force the issue.

The deterrent is nearly as powerful today as it was then. If Russia sent its armies rolling across the German plains tomorrow, we with our A-bombs and the planes to carry them would destroy Russia. We could do it without question as matters stand today. We could destroy not only the key centers from which her armies would be supplied, but also political centers and the communications of the armies on the march. Initially equipped with weapons and supplies, those armies might keep rolling for a time, but there would be no Russia behind them as we know it today. The answer to this is that the armies will not roll. No all-out war is in sight for the immediate future unless they or we make some very serious error indeed. If Russia knows that she cannot go beyond certain boundaries without provoking a war, she will not pass those bounds; no war will occur. This has been well shown in recent years. The only apparent exception is in Korea, and there we did not make our position clear.

The difficulty is that we cannot count indefinitely upon strategic bombing as the sole means of averting war. Today, it gives us a military stalemate. To maintain that stalemate is the real problem.

Defenses against strategic bombing have been mounting ever since the war. Jet pursuit ships controlled by ground radar can be enormously effective in bringing down high-flying bombers. Russia with its vast distances can have extensive early warning radar networks to alert its defenses. She can have great fleets of jet pursuit ships for defense, accurately controlled from the ground night and day. She can also have about her key positions modern anti-aircraft artillery and also perhaps ground-to-air guided missiles. Russia in time can thus protect her key points. Note that I say in time. She cannot do it now. She cannot at any time safeguard all the places in Russia we might wish to attack. But in time there is a strong probability that she can defend key points to the extent that we could not penetrate to them without prohibitive attrition. She is also building a stock of A-bombs of her own. The deterrent of our A-bombs is real. But we cannot count on its remaining fully effective forever. I trust we have time—time to prepare the defenses that will continue the balance and avert war. But we do not have time to waste.

Should Have Defensive Army in Europe

These defenses center in an allied army in Europe capable of

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*An address by Dr. Bush, broadcast over Mutual Broadcasting System for the Committee on the Present Danger, March 4, 1951.

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The Stock Market Outlook

By RAGNAR D. NAESS*
Partner, Naess, Thomas & Thielbar, New York City

Prominent investment adviser, on basis of fundamentally new economic as well as psychological factors, expects upward revaluation of stock prices over a period of years. Believes investors will capitalize future earnings and dividends at lower yields than in 1949-1950. Over near-term, asserts, barring outbreak of all-out war, market decline will be limited to technical reaction.

You are, and you should be, interested in the market outlook for the next few months, but in my opinion this aspect is less important than the longer range prospect, especially since the Dow-Jones Industrial Average is now about 250. The market reached 250 on the up side about 22 years ago, in Fall of 1928, and declined through 250 about a year later. It is a high level historically and everyone shouldering the serious responsibility of investment management feels concerned. I shall therefore give you my appraisal of the stock market trend over the next several years and this, I believe, will at least suggest to you the prospect for the next six to twelve months.


Ragnar D. Naess

The Fundamental Factors

What are the fundamental factors that will determine the level of stock prices over the longer term? Basically, they are first, the economic background which determines the long-term trend of earnings and dividends, and, secondly, the psychological attitude of investors in appraising or capitalizing these future earnings and dividends. It is difficult to forecast the outlook for both these factors. Nevertheless, as professional investment managers, we are, in any case, continuously forced to take action, and we might as well act on the basis of the most rational possible approach. If I may call your attention to certain long-range powerful trends that are having a profound influence on future earning power and, therefore, on future dividends, it may serve to aid you in thinking about the perspective for stock prices.

I believe we have tended to overlook certain fundamental changes that have occurred in this country over at least the last decade. Highly dramatic events have diverted our attention from the underlying trends in our economy. During the second World War we worried about the impact of controls and taxes, and after the war we worried about the size and duration of the postwar boom. Twelve years of artificial and inflationary stimulation, now to be continued for at least two or three more years, constitutes a span of years long enough to have wrought important basic changes which we may not appreciate sufficiently.

*An address by Mr. Naess before the Fourth Annual Convention of the National Federation of Financial Analysts Societies, New York City, March 7, 1951.

Underlying Influences

In dealing first with the long-range outlook for the volume of production, I wish to point out the simple fact that since 1939 our population has grown by 22 million, and several years hence the increase will have reached 30 million. This is better than a 25% gain, which by itself, will be reflected in an increase of at least this magnitude in the volume of consumption.

Next I emphasize that wage rates in manufacturing industries in the same period have increased nearly 2½ times and that in the next two or three years further increases are bound to occur. Against this rise in wage rates, the cost of living has increased about 1¾ times, and within a few years may be about twice as high as the level of 1939. The buying power of one hour's wage is therefore 40%-50% greater than it was 12 years ago, and will probably rise further. True enough, the rise in wage rates in manufacturing industries is greater than that in other industries, particularly in some of the service industries. It is true, however, that other industries "catch up" with manufacturing over a period of time so that in the final analysis the entire wage structure of the country falls in line. This should result in a substantial increase in the volume of consumption as compared with the level of 1939.

Thirdly, I wish to stress that since 1939 we have more than doubled our capacity to produce. In the next several years a considerable increase will take place. Over a period of years there is a definite relationship between our capacity to produce and the level of production. If capacity more than doubles the average volume of output is also likely to double.

The more than one-quarter increase in population, the 50% increase in the buying power of hourly wages, and the more than doubling of our capacity to produce, strongly suggests to me that the volume of consumption in this country in physical terms in an average year, say, five years hence, will be at least twice as great as that of 1939. In periods of unusual activity it will be greater than that.

I shall next deal with the long-range outlook for the price level.

The first and most important result of the changes in our economy since 1939 is the doubling of the unit cost of production in manufacturing industries. The cost of labor per unit of output, which is the dominating element in the cost of production, is now twice that of 12 years ago, and I see no evidence of any likely reduction in unit labor cost over the next few years. Improved productivity should offset in part the further rise that may occur in wage rates but everything points to a higher rather than a lower unit labor cost over the next few years. Similarly, I see no evidence of any considerable decline in the cost of raw materials.

A rise in the unit cost of manufacture since 1939 of this magnitude suggests that the price level over the next several years will be at least twice as high as that of 1939, and that a high price level will be permanently frozen into our economy. Certainly, this is the prospect unless we assume that upon completion of our defense effort, and whatever post-emergency boom there may be, it will be politically and economically feasible to return to a "free" enough economy for automatic deflationary forces to exercise their influence to any substantial degree. The far reaching events over the last decade, and those ahead, it seems to me, will make it difficult, if not impossible, for this to happen. I therefore believe that we cannot rely upon automatic economic readjustments to cause a substantial decline in wage rates or in other important manufacturing costs during future deflationary periods.

If the long-range prospect for physical volume of business is a doubling over prewar, and if the price level will be at least twice as high as prewar, average dollar sales of large and well-managed corporations should be at least four to five times greater than prewar. In other words, a company with $10 million sales in 1939 should have an average sales volume of $40 to $50 million year in and year out a few years hence.

A Four-to-Five Fold Sales Increase

An increase since prewar years of four or five times in sales should result in an increase in earnings before taxes of similar proportions unless we should be so circumscribed by government controls and regulations that profit margins will shrink materially. The history of the past 40 years suggests that we can rely on earnings before taxes being closely related to dollar sales. If earnings before taxes in 1939 were $10, the average earnings before taxes a few years hence should therefore be somewhat between $40 to $50 per share. In good years they would be higher, and in poor years they would, of course, be much lower.

My approach to the problem of estimating long-range earning power of American industry has been to consider the future prospects for the volume of production and for the price structure. Similar conclusions can be obtained from a consideration of financial factors, such as the money supply, or from a consideration of the profit return on invested capital of most corporations.

Corporate Taxes

I next wish to consider the item of corporate taxes.

I believe that we are approaching the end of the era of sharply increasing corporate tax rates. During the 1920s the corporate tax rate was about 13%, and even in 1939 it was only 19%. This year at about 55% to 60% the rate will be about three times as high as that of 1939. We must therefore be approaching the ultimate limit one can assume except for tax rates during war times. Further increases over a period of years in corporate tax rates are bound to be much less significant in their unfavorable impact on earnings than they have been since 1939.

Under the circumstances, it is difficult to escape the conclusion that within a few years the average earnings, after taxes, of manufacturing companies year in and year out will be at least two to two and one-half times as great as those of 1939, and that average dividend payments will be correspondingly higher. A company that earned $10 per share in 1939 should earn on the average $20 to $25 per share a few years hence.

I now come to the second major problem, namely, the point of view of the investing public toward earnings and dividends. From 1946 to 1948 average earnings were two to two and one-half times greater than those of 1939 but the investing public refused to value these earnings except on a very conservative basis. In my opinion, this conservative valuation stemmed from the proper recognition that those earnings at that time were much above the average to be expected year in and year out, from the fear of a postwar depression which would cause a severe decline in earnings, and because of the threat of another world war.

If the relentless passing of time and the profound economic changes that have taken place, and are still to take place, justify the belief that within a few years the earnings and dividends during average years will be as high as I estimate, the public is likely to capitalize those earnings and dividends on a more normal basis unless the threat of another world war continues unabated. We will tend to become accustomed to thinking in terms of such earnings and dividends as "normal." As we do, the rate of capitalization will tend to approach that applied during the period prior to the second World War.

At this point I may put in my personal opinion as to the danger on another war. I believe that this danger will lessen and that chances are substantially better than ever that a third world war will not engulf us in the foreseeable future. I even doubt that we will have any particularly disturbing developments in Europe this summer.

This background trend over the next several years leads me to the conclusion that the Dow-Jones Industrial Average, which admittedly may not be a particularly good standard for the general level of stock prices, is apt to rise substantially higher than the present level of 250. I suggest that we will have to adjust our thinking materially as to its future range, which is likely to be much higher than that of the last 10 years.

The Immediate Outlook

Now that I have unburdened myself of this long-term appraisal I will try to satisfy your interest in the immediate outlook.

My long-term point of view, at least to some extent, points to my attitude towards the near-term prospects. If, in a few years, the stock market may be considerably higher than it is now, no decline of a magnitude to be of serious concern to long-term investors is likely to take place in the near future unless earnings and dividends should be seriously curtailed in the next year or two.

The background for the stock market changed dramatically last Fall following the outbreak of war in Korea. Instead of a prospect of moderate business improvement following the mild readjustment of 1949, and some deflation in 1951 or 1952, we were faced last Fall with a huge defense program which provided a guarantee of a continued high level of business for an indefinite period ahead and is renewing the upward pressure on wage rates and prices.

After-Higher-Tax-Earnings Good

The discounting of the huge increase in government spending caused such a rush to buy that earnings before taxes rose about 50% from the first to the last quarter of 1950. Many companies with a mediocre outlook found themselves receiving such large orders that their earnings outlook improved dramatically within a few months. Earnings and dividends this year will be relatively good even after the unfavorable effect of sharply higher taxes, the impact of controls and the substitution of less profitable defense business for high margin civilian products.

The lower earnings and, in many cases, lower dividend payments this year and next year are much more secure than the higher earnings and dividends of last year. This is because last year's earnings prior to Korea were subject to a potential decline of considerable magnitude over a period of time and also because the higher tax rates under our defense program reduces the leverage in current earnings.

Under the circumstances, investors are bound to pay more liberally for the 1951 and 1952 earnings and dividends than they were willing to do for the 1949 and 1950 earnings.

The developments during the last six months of 1950 therefore have changed the near-term as well as the long-term outlook of the stock market.

A serious decline of more than 15% to 20% could take place in stock prices during coming months only in case a third world war should break out, in case of serious and threatening international develpoments short of another world war, in case peace should return to the point of a greatly reduced defense program, or in case taxes and controls and other restrictive government regulations should be much more serious than now anticipated and therefore the decline in earnings and dividends this year should be surprisingly serious.

I have already given you my ideas as to these possibilities but I leave it to you in the final analysis to decide if any one or a combination of these developments will eventuate. Barring such developments, a decline in stock prices, it seems to me, should be within the limits of a technical reaction. I would venture the opinion, however, that the market is now at a level which will prove to be about as high as it will go for a number of months ahead and quite possibly for the remainder of the year.

I hope to leave you with a feeling that a decline in stock prices in the near future is much less important to you than the decision you have to make as to the possibility of an upward revaluation in market levels over a period of several years which will result from the profound economic changes that have occurred in this country since 1939 and that are still to come in the future.

The State of Trade and Industry

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

No pronounced change occurred in total industrial output last week as production continued to hold at the high level of recent weeks. A comparison with the like period of 1950 shows overall output to be sharply higher.

Steel production surpassed its theoretical capacity the past week at 101.0%, but despite the fact that steel is being produced at a rate that is in excess of 100,000,000 tons a year an increasing supply shortage is indicated. According to "Steel" magazine, one authoritative estimate is that total requirements of finished steel this year will top output by at least 15,000,000 tons. This estimate, it adds, is based on a possible production of 75,000,000 tons against an estimated total demand of 91,000,000 tons.

Defense expenditures will total at least $123,000,000,000 in fiscal 1951 and 1952, metalworking weekly notes. The bulk of this, or about $87,000,000,000, will go for goods and services produced by the metalworking and related industries.

These defense expenditures will offset cutbacks in civilian goods production, necessitated by material shortages. Of the heavy goods expenditures, $16,400,000,000 already has been spent or obligated, mostly for aircraft and combat vehicles. The remaining $70,600,000,000 to be expended over the next 15 months will be for such items as ships, electronics and communications equipment, noncombat vehicles, plant expansions, tooling, ammunition and weapons, mutual defense assistance and military public works.

Mill delivery promises on DO ratings now extend well into third quarter and in numerous instances beyond. Some are so far ahead they are of little use for various critical requirements. Consequently, special directives are appearing. The resulting pile up of tonnage on mill books not only is cutting severely into supplies for the civilian goods market, but DO ratings are beginning to mean little more than "hunting licenses." Worse still, the situation is likely to deteriorate rapidly from here on with armament production starting to get into full swing, this trade magazine reports.

Current supply difficulties pretty much follow the pattern of the early stages of World War II, "Steel" points out. Distribution at that time got so badly fouled up the priorities system had to be dropped entirely in favor of the Controlled Materials Plan before order could be reestablished in mill scheduling and shipping. Government control authorities are cognizant of the difficulties of those days and, anxious to avoid a similar situation in the present emergency, are driving hard to get a CMP in operation by July 1, or as soon as an administrative force can be built up and a clearer picture of emergency needs can be ascertained.

Automotive production pushed into higher ground the past two weeks. This trend, Ward's Automotive Reports points out, contrasted with the ups-and-downs of February when production was affected by the rail strike.

The agency predicted that, if the present rate of production continues, approximately 600,000 cars and 137,000 trucks will be assembled during March for the highest month's output since last October. This would compare with 469,827 cars and 110,653 trucks produced in March, 1950, when Chrysler was closed by the UAW-CIO strike.

Scrap Shortage Threatens Steel Output

A growing scrap shortage facing hard-pressed steelmakers is not just a spectre; it is very real; and it is threatening to strangle steel production, states "The Iron Age," national metalworking weekly, in its current summary of the steel trade. Electric furnace output has already been reduced and openhearth furnaces will be next—if the tempo of scrap shipments does not increase soon.

Scrap has become a highly strategic commodity. Last year's consumption was an all-time record and this year's requirements are even higher. The National Production Authority has already made more than 100 separate allocations of scrap to consumers facing loss of production. It has promised that if steelmaking cutbacks become necessary they will be uniform for all companies in the industry, this trade authority notes.

Industry and government are preparing to make a strong effort to get out more scrap. Most logical and fruitful sources appear to be old equipment in their own hands and overseas. Heavy scrap in the hands of industry and government is of much better quality than lighter material in household items and it is also more readily and cheaply processed, this trade paper asserts.

This week NPA officials are debating the future scope and shape of the Controlled Materials Plan, which they will install July 1. Central point of controversy is whether the new CMP will be open-end or complete. Under an open-end plan, which seems favored at this writing, NPA would decide how much material is needed for military and essential uses and the remainder would be left "free" for non-essential consumers to scramble for. This could create one of the wildest procurement free-for-alls in history. It could also provide plenty of material for future Congressional investigations on distribution, this trade weekly points out.

"Iron Age" estimates last year that defense and essential civilian programs would be taking about a third of total steel output by the middle of 1951 appear to have been amazingly accurate. NPA now estimates that military and supporting programs will require 5,000,000 tons of finished steel during the second quarter. The MRO program just established will require

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Observations . . .

By A. WILFRED MAY

Market Advisers' Difficulties

The following communication is addressed to the question whether continuing evaluation of individual issues, or attempts to time movements of the market as a whole, should be the keynote of one's investing policy—with particular reference to Mr. B. K. Thurlow's recent discussion with this columnist of the adviser-client difficulties entailed in selling decisions. We publish it because it exemplifies widespread current thinking on the subject of market-timing and highlights basic forecasting problems.

A. Wilfred May

"Dear Mr. May:

"I have read B. K. Thurlow's letter and your reply published in the Feb. 1 issue of the "Chronicle." The gist of Mr. Thurlow's problem is that although he has been able to *buy* on a 'value' analysis, his *selling* on that basis has been faulty.

"May I respectfully suggest that perhaps the reason his 'buys' have been good is because we have been in a bull market since 1941. When the market reverses from bull to bear, he may find that only his 'sells' on a value basis are good; his 'buys' may then be faulty. Let Mr. Thurlow look back to the bear markets between 1929 and 1932, or 1937 to 1942 and see if perhaps I am correct in this.

"The point I am trying to make is that on a 'value' basis, there is never a time when any good statistician cannot produce a score of undervalued stocks. If we are in a bull market, these selections will prove to be profitable. If we are in a bear market, they will not. Note, I am not saying that there are not some stocks which will go counter to the general trend. The gold stocks were an outstanding example of an exception during the 1929-1932 bear market. But show me the statistician who recommended gold stocks, or the investment adviser who would have put all his 'eggs' in the gold 'Basket.'

Timing of Prime Importance

"All of which goes to show that the timing is far more important than the individual stock selection. In any event, market timing should not be ignored. It seems to me you offered a fair compromise when you suggested a predetermined maximum of say 60% in stocks and a minimum of say 25%. Yet it is all important that that 60% be timed to fit in with a period of depressed price and per contra that our investor hold the minimum of stocks in times of inflated prices.

"For 20 years I was in a position similar to Mr. Thurlow's; I was also born and bred in your school of sound analysis. And for years I got my clients in too early (before the bottom of the market); and I got them cut too soon (before the top of the bull market). On the other hand my 'technical' friends did much better; I perforce had to become acquainted with technical tools, against my better judgment!

"We have 'water witches' cut here, people who can tell where to drill and get water (or oil) by the way a split peach fork bends in the hands of the witch. Nothing but absurd numerological gibberish, you say, but these water witches find water where others cannot. Is it possible that there are things which work which we as yet do not understand?

Straddling the Dow Theory

"There are two things I have learned. One is that a trend once established is likely to continue some distance, hence my respect for the Dow Theory and my research in the direction for determining long-term trends. The other fact I have learned is that prices fluctuate over wide areas, hence my respect for 'counter-trend' formula plans, and my research to find a better formula, suitable for all long-term investors.

"Based upon these two simple facts: long trends and wide swings, I have developed what I call the Straddle Plan for Managing Investments. The Straddle Plan called for a sale in 1937, a buy in 1942, the latter buy signal being still in effect. Unlike most formula plans, the Straddle Plan does not contemplate piecemeal sales of stocks on the way up. Rather it waits until the trend turns down and then sells all at once.

"It is all very well, you say, to have bought in 1942 and continue to hold. But what shall I advise new customers coming to me now with all cash, and who want to get in on this rip-roaring bull market? Here is where the formula comes in. I am advising my clients to invest only 32% (Dow Jones 253) in stocks, if they come to me with all cash. If they have more than that I have

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Outlook for Television, Radio and Motion Pictures

By PAUL RAIBOURN*
Vice-President, Paramount Pictures Corporation

Asserting motion picture business is "not on way out," Mr. Raibourn points to possibilities of linking motion pictures with television, to profit of the producing companies. Estimates only about 10% of loss of moving picture business after 1946 is due to television, and says picture theatres are not headed for destruction. Tells of "cinerama" project, which may help motion picture business. Concludes motion picture industry is "in a schizophrenic situation," faced with a conflict of unusual ideas induced by war and misery, but which will eventually be overcome.

When I listened to the way I was introduced, I thought for a moment that perhaps I was more in television than in motion pictures. But actually, because there is so little difference between the two, I would say that I am in one just about as much as I am in the other. If you look at a television set in operation, you realize that television is just a motion picture which at the moment is being picked up at a distance. The effect is just about the same, except that you have much higher definition in your theatre.

Paul Raibourn

I doubt if many people here have stopped to think about the kind of age in which we are living. I don't see very many white hairs in this audience, although there are a few in the back that could belong to gentlemen who were born before 1900. Those gentlemen lived, as children, in a civilization which had quite a different basis from the one in which we are now living.

In the 1890's there were no automobiles. We had bicycles and we thought we were moving pretty fast. There were no airplanes. Telephones were rather scarce. Electricity had become prevalent only in about 1880.

Since that time we have had motion pictures, sound broadcasting, and we have had radio. Now we have television. Above all, at the same time we had mass production. Of all of these, probably mass production was most important.

At the same time those advances were being made, there was an enormous change in the political outlook of people. All the speed of transportation and communication has brought the whole world closer and made the political ideas of one nation impinge much more on every other nation.

Back in 1850, in Germany, a gentleman by the name of Marx, associated with another gentleman by the name of Engels, wrote a book called "Das Kapital," which had as its thesis the fact that materialism would control the world and that the proletariat, being more numerous, would finally control all political activity. We have that now under the name of Communism. But the full development of that political idea did not take place until after 1900.

There are further developments of the same idea taking place at the present time, and if you will think about this for a moment I believe you will reach the conclusion that there have been almost complete changes in the physical methods, in the political outlook, in the social outlook, and perhaps also in the moral outlook since 1900.

Those changes are quite important in the relationship of television to motion pictures. In fact, all forms of entertainment are now important, because prior to 1890 most laboring men worked 70 hours a week. In 1938 we had got it down to 38 hours a week. That gave at least 30 hours a week leisure time which didn't exist prior to then.

The whole situation can be summarized in a speech that was made in 330 B.C., when there was almost as fundamental a change in the outlook for civilization. Two generations before, the idea of a phalanx as part of an army had been developed by Philip of Macedon. His son, Alexander the Great, extended that idea over almost all the then-known world. Today, an idea exists which is having the same kind of fundamental impression on the world. That is the idea of Communism. An ancient Greek lawyer summarized the situation then, and it is the same situation we find ourselves in now. This ancient Greek used these words: "What is there in the list of strange and unexpected events that has not occurred in our time? Our lives have transcended the limits of humanity. We are born to serve as a theme of incredible tales to posterity."

I mention this because I think what I have to say to you this afternoon will sound just as incredible as the things that happened back then sounded to those people, and as the things which have happened since 1900 would have seemed incredible to our grandfathers and great-grandfathers.

Is Motion Picture on Way Out?

Everybody in general seems to have the idea that the motion picture is on its way out. Even here, I think this idea is rampant because certainly motion picture securities are completely deflated. The motion picture business is not on its way out. It has been in trouble, economically, and I am not so sure it is over its economic troubles. However, the situation results in statements such as these—and this one I will quote from "Life" magazine: "It may be that the old days of movie glamour are gone forever, and that is one more cross Hollywood has to bear in these melancholy days of television and tobogganing receipts."

Last night I picked up an analysis of certain stocks written by one of the economic experts, which said: "Ever since the top of the bull market which ended in 1946, relative price performance of motion picture stocks has been horribly negative. Those, for example, which reached in 1946 a high of 40⅜ are only 18 now, yet the industrial average is far above its best levels of five years ago. Theatre attendance had been fading even before television, and television has been dealing the industry a body blow.

"A rash of open-air theatres created a new vogue for a while and bolstered attendance, but the trend was pointing downward again as 1950 was ending. Motion picture stocks started rising in December in what looked on the charts like a temporary recovery which may be about over now. Part of the buying was stimulated by favorable reports on tests of Phonevision, but if Phonevision is to develop a new and profitable angle, it would seem as though interested investors should buy into Zenith which owns the patents rather than to risk capital in the motion picture industry where there are still further problems to solve."

That summary certainly gets right down into the guts of the market situation. I don't know that I can agree with the author. I don't know whether you should buy Zenith. If subscription television is the thing that is going to work economically, then there are about 17 different ways of subscription television; so are there as many companies, and any one of these many ways may be the successful one.

What About Phonevision?

Let's start with Phonevision, because I think that is probably what you read more about in your magazines and newspapers today than anything else.

The Phonevision experiment in Chicago started the first of January, and at about the end of January a statement was put out by the Zenith organization in Chicago which was published in full in "The Film Daily." Therefore, I feel at liberty to quote it to any extent to which you may be interested.

While I don't agree with the method of thinking used in the preparation of this Zenith statement, it showed that, assuming 40,000,000 television sets in this country, if you took the pictures phonevised to the sampling of Chicago families and projected the returns for the entire United States, you would see some amazing results. For example, "April Showers," which is carried on Warners' books at $1, is worth $14,800,000; "Welcome Stranger," carried on Paramount's books at $1, is worth $21,200,000; "Homecoming," which RKO carries on its books at $1, is worth $16,800,000; and so on.

If you follow this thinking—assume 40,000,000 television sets, ascribe half this number as a potential market for motion picture producers, and consider only those "sound" motion pictures which Paramount has turned out since 1930, the value per share of Paramount stock, on items carried at $1 on the balance sheet, is $1,430. If you want, discount this figure down to 10%. Discount it down much further, if you like. You still have a formidable figure compared with the present selling price. This is not taking into account the net current assets that show on the balance sheet.

This brings out a very important point, however, and that is that there is recorded on film in the libraries of the motion picture companies the l i t e r a t u r e, the thoughts, the ideas and the art of the last 20 years. Those 20 years actually showed an investment—a dollar investment—in this material of something in the neighborhood of $5 billion. Probably not over 25% of the people who were living at the time those pictures were released saw them.

We have today a completely new generation. We have a method of appealing to the emotions which is just as impressive on the mind of today's child as it was on the mind of the child of 20 years ago. These emotional values cannot be altered by any technical changes or improvements in the method of presentation. The values are there just the same for television as they are for the theatre.

That covers the situation with respect to the producing companies.

At this point, there is another little item I want to mention. I won't identify the specific company I have in mind—you can look it up yourself after I get through, although I'm sure you won't have to. This motion picture company is at the present time in negotiation for the use of certain of its films on television. The asking price which is being discussed for those films, now carried at $1 on that company's balance sheet, is almost exactly equivalent to the $4 per share at which that company's stock is selling now.

Television's Effect on Theatres

I presume you are all saying, "Lou didn't say anything about the theatres." And you are probably also saying, "Maybe it is going to turn out all right for the producing companies, but what is going to happen to the theatres? They are going to go by the board."

The first answer to that situation is that in the cities of Los Angeles, Baltimore and New York we now have a condition where between 50% and 60% of the families in those communities have television sets. The motion picture business is off from 1946 to the extent of 30% to 33%. I think some circuits might tell you it is 35% of the 1946 gross. Some might tell you it is 25%, but I think 30% to 33% is as good a guess as anybody can give in the situation without having exact figures for all the country.

If you should decide that all that is due to television, I think you would realize that with 60% of families having television sets, still the motion picture business goes off only 30%. I will go into the question of how much of that 30% is really due to television a little later. In fact, the best surveys indicate probably 10% of it is due to television.

If we are going to lose only 10% to 20% more due to television, as all the rest of the families get television sets, then perhaps the motion picture business isn't headed for the destruction that has been forecast by a great many television people.

It would be my conclusion that it isn't.

In the meanwhile, the theatres aren't going to sit still. Amazing things go on in the motion picture business, and one of them is the use of television in theatres. This involves further expenditures for equipment by some gentlemen who seem to be getting along very well and profitably as they are, and it is amazing to watch the interest in theatre television go up every time the receipts drop off, and then again go down as receipts begin to recover.

During December theatre television was pretty hot in the motion picture industry. Receipts in general aren't off so much from last year right now and haven't been for the past four weeks. Interest in theatre television is not so hot as it was. I think that is a shortsighted viewpoint.

I can give you another story, however, that comes out of the Zenith experience in Chicago, which might indicate to you some of the values that might arise in theatres from theatre television. There was a championship fight in Chicago about two weeks ago, and you know that such a fight is one of the worst competitors the motion picture business has ever known, because people stay home to listen to fights on their radios. Now they had the added advantage of being able to see this fight on television.

What do you suppose happened in the theatres? The theatre business was off, judging from the previous days, about 30% to 40% because of that fight.

How much do you suppose Phonevision was off because of that fight? It was off 90% from the previous day and the following day.

Suppose that fight had been in the theatres instead of being on free television. Where do you

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*An address by Mr. Raibourn before the Association of Customers' Brokers, New York City, February 27, 1951.

Television: No. 1 Growth Industry

By JOHN S. MECK*

President, John Meck Industries, Inc.

Predicting, at peak level, there will be 40 million TV sets in use, television manufacturer estimates industry will provide jobs for one out of every 65 working persons in U. S. Looks for 75% of American homes to have TV sets, with demand for larger screens and improved devices. Points out important social effects of TV and its value as advertising medium. Says industry must be competitive in order to progress.

Television is proving to be a problem to people in the financial world . . . not financially, because we all know how profitable the industry has been to date; but because it seems to defy efforts to chart its course, project its progress or otherwise pin it down to the laws of finance as bankers like to do.

John S. Meck

It's very difficult to plot a curve that goes almost straight up!

However, we can look at a few figures, a few conditions and a few predictions to see what appears to be in the future.

The best estimates show that 7,450,000 television sets were made, shipped and installed in 1950. At the beginning of that year, the most optimistic seers in the industry said there would be perhaps 6,000,000; the average of all predictions was about 4,500,000. So even this industry, which is not known for its conservative statements or predictions, was unable to foresee the rate of growth. At the beginning of 1950 there were about 3,000,000 sets in use, so in 1950 two and a half times as many sets were made as in all previous years combined.

The amazing speed with which television has caught the public's imagination is unprecedented in history. This rate of acceptance has clearly proved that TV is certain to become a basic influence in the lives of almost all Americans.

The "Saturation Point"

We can now safely predict that at a predictable "saturation" point, 30,000,000 families will have sets in their homes. We can expect that many of these families will have two or more sets, so the elders and the youngsters can watch their favorite programs simultaneously. Adding the sets in schools, institutions, taverns and other public places, this will mean a total of about 40,000,000 sets in use when we reach a sort of plateau in coverage.

Estimating that sets will be replaced, on the average, every five years, this gives us a normal annual market for 8,000,000 receivers — well in excess of the record-breaking total of 1950.

With the trend toward larger picture tubes — 17-inch and 20-inch are our current favorites—we can expect an average retail price of about $375. Thus we find a dollar volume of $3 billion as a "normal" market.

To this must be added service work and parts, radio and phonograph sales, and exports to arrive at the stature of the civilian electronics industry at maturity.

What does this mean to our economy? We can expect one of every 65 working people to get his income directly from the television industry. Making 8,000,000 receivers will require the year-around services of 300,000 persons, from materials to completed units. Service and installation will employ 200,000 more. Distribution and retailing will require 50,000. Then and there will be the personnel of television stations, talent, writers, film producers, advertising agency people and others, to bring the total close to 1,000,000. Thousands of others, of course, will be affected indirectly, such as miners, printers and other indirect suppliers of the industry.

If we do not get into a full-fledged war this level could be attained within five years. Perhaps it will take a bit longer; but even then, this will be a rate of growth and a resulting economic impact greater than any industry has ever known in the world's history.

And yet, looking at it objectively the development of television has been slow. Certainly, its real technological advancement has been no faster than that of other industries. There was television transmission in Chicago in 1928—23 years ago. Yet it wasn't until 1946 that we began to see promise of what was to come. Present-day sets incorporate only a half-dozen fundamental developments that are the results of the television industry's own development. All other factors that make TV possible are offshots of research in metallurgy, chemistry, electricity, basic electronics. The developments that stand out in TV's own research are the cathode ray tube, which is an adaptation of the Braun tube that was a testing device for measuring sound waves; the iconoscope; the inter-laced image, which is a development of transmission and not reception; and high frequency transmission that permits using the upper channels of the broadcast spectrum.

Gradual Changes in TV Expected

Because of the record of gradual development in television up to now and the dependence on progress in other industries for new advancements in this one, I believe we can safely predict future changes in TV will be gradual. It is highly unlikely that any one device or technique will skyrocket onto the scene and upset the industry as it is today. New developments as they appear will undoubtedly be adopted without a break in stride.

Advancements we can look forward to are color, in perfected form, which will provide an occasional show in full color to go along with a steady diet of black-and-white programs; transmission in some areas in the ultra high frequency channels, permitting a larger number of stations and solution of some technical broadcasting problems; and, perhaps, perfection of projection receivers for large-screen pictures and for those people who will prefer them to direct-view.

TV Social Effects

Even in looking at the future of this industry as an economic force, we cannot overlook its social effects, which will certainly be even more significant. For one thing, these sociological effects are already having important economic results, affecting the financial structure of the movies, book publishers, and others unfavorably and the furniture and decorating industries favorably.

Beyond these surface effects, however, are the results of TV's magic in influencing people. It combines the visual with the auditory like the movies, but it also takes right into the home, hours at a time, a tremendous variety of influences—from world events to puppet shows, from discussions of cultural subjects to slapstick. This variety and intensity of impact is what makes TV the most potent force the world has seen.

It is more important because its influence is greatest on the young and people with limited education. For them, TV broadens the horizons as nothing else ever could. Despite its flaws and weaknesses, television broadcasting is certain to raise the level of American understanding, to raise up the lower mental levels closer to the higher levels, thereby helping to eliminate some of the suspicion and

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*An address by Mr. Meck before the Chicago Chapter of American Institute of Banking, Chicago, Ill., Feb. 7, 1951.

Dealer-Broker Investment Recommendations and Literature

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

Commercial Bank Stocks—Tabulation of 17 out-of-date commercial bank stocks of interest to the Savings Banks of Massachusetts—First Boston Corporation, 100 Broadway, New York 5, N. Y.

Graphic Stocks—January issue contains large, clear reproductions of 964 charts complete with dividend records for the full year of 1950, showing monthly highs, lows, earnings, capitalizations, volume on virtually every active stock on the New York Stock and Curb Exchanges—single copy $10.00; yearly (6 revised issues) $50.00—special offer of three editions of Graphic Stocks, 1924 through 1935; 1936 through 1947 and up-to-date current edition, all for $25.00—F. W. Stephens, 15 William Street, New York 5, N. Y.

Griffith Letter—Investment and business commentary naming the only industry firm believes to be attractive—$10.00—B. Barrett Griffith and Company, Inc., Colorado Springs, Colorado.

How to Make Money in a Declining Stock Market—A book on short selling—$1.00 per copy—Dept. D-1, Mark Weaver, Box 1130, Santa Monica, Calif.

"Information Please!"—Brochure explaining about put-and-call options—Thomas, Haab & Botts, 50 Broadway, New York 4, New York.

Japanese External Bonds—Analysis—Richard E. Kohn & Co., 20 Clinton Street, Newark 2, N. J.

Motion Picture Industry—Study—Bruns, Nordeman & Co., 321-323 Broadway, New York 7, N. Y.

New York Stock Exchange Year Book: 1951—Summary of Exchange activities—New York Stock Exchange, Wall Street, New York 5, N. Y.

Oil Reserves—A study—Bache & Co., 36 Wall Street, New York 5, N. Y.

Over-the-Counter Index—Booklet showing an up-to-date comparison between the 30 listed industrial stocks used in the Dow-Jones Averages and the 35 over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over an 11-year period—National Quotation Bureau, Inc., 46 Front Street, New York 4, New York.

PDQ Dividend Indicator—3 x 5 pocket chart prefiguring returns on dividend-paying stocks—$1.00—Thomas Pub. Co., Box 190, Batavia, N. Y.

Pittsburgh Bank Stocks—Comparative analysis as of Dec. 31, 1950—Moore, Leonard & Lynch, Union Trust Building, Pittsburgh 19, Pa.

Planning for Profits in the Stock Market—Discusses three basic principles of correct investment procedure and outlines specific plan of action for applying these to individual investment programs on a week-to-week basis—Included with each copy is a current basic strength analysis of 440 leading stocks and 43 groups, primary trend graph, showing present actual trend of the market, and a complete analysis of the market's technical position—$1.00—Dept. 4-A, Investors Research Company, Mihran Building, Santa Barbara, Calif.

Public Utility Common Stocks—Brochure—G. A. Saxton & Co., Inc., 70 Pine Street, New York 5, N. Y.

Rail Stock and Bond Selection—Adaptation of an address given by Walter F. Hahn before the Railroad Forum of the National Federation of Financial Analysts Societies—Smith, Barney & Co., 14 Wall Street, New York 5, N. Y.

Stocks-Value Selections for March—Newburger & Co., 1342 Walnut Street, Philadelphia 7, Pa.

Television Stocks favorably situated in peace or war—Analysis of **Motorola, Inc.**, and **Zenith Radio Corp.**—Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y.

Value Line Investment Survey—Special subscription offer for four weekly issues of Ratings and Reports, Weekly Supplement reporting on new developments affecting the supervised stocks; special situation recommendation; Fortnightly Commentary, and one issue of Supervised Account—$5.00—Arnold Bernhard & Co., Inc., 5 East 44th Street, New York 17, N. Y.

* * *

Airline Foods Company—Four-page analysis—Eisele & King, Libaire, Stout & Co., 50 Broadway, New York 4, N. Y.

Allis-Chalmers Manufacturing Company—Analysis—David A. Noyes & Company, 208 South La Salle Street, Chicago 4, Ill.

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What If Peace Comes?

By CURTIS TER KUILE*

Author, asserting it is clear now we are approaching end of war in China, and Russian threat might gradually dissipate, foresees, as probable effect, a serious depression. Looks for rise in interest rates, and advises banks hold only short-term obligations. Says individual investors would do well to acquire high grade public utility and industrial stocks, and advocates return of U. S. to gold coin standard.

Whether or not it is fully realized by the average American citizen, it seems quite clear that we are now approaching the end of the Chinese War. The reasons for such a belief are derived from the consideration of many factors. To begin with, the Chinese are known to have a very limited supply of ordnance, gasoline, rubber tires, airplanes, trucks and food for their soldiers.

Curtis ter Kuile

They did have a certain amount of equipment captured from the Nationalist Army and also some supplied by Russia. However, there are signs that both of these sources are steadily drying up. On the other hand, the United States and her Allies have the advantage of enormous quantities of material, food, medicine, rubber and gasoline. The waters around Korea are heavily patrolled by the Allied fleet. The air is dominated by Allied aircraft. Moreover the Chinese losses have far surpassed their expectations. Red casualties in Korea are now understood to approximate 625,000, including 206,000 Chinese and 419,000 North Koreans. The industrial production, maritime supremacy and "will to win" of the Allies are steadily working toward the defeat of massed hordes of ill clothed, ill fed, poorly armed Reds, even granting that they have been commanded by exceptionally capable officers. It may still take a little time, but their defeat is clearly indicated.

Such a turn of events would free our General Staff to give its entire time to the Russian problem. Here conditions are different. Apparently the Russian leaders would like to conquer first Europe and later the rest of the world. However, this ambitious program has been tried twice before in the past 36 years, first by the Kaiser and later by Hitler. Both attempts looked very formidable at first, but the Allied armies and navies, backed by their countries' industrial productive ability, finally defeated both attempts.

In considering Russia's chances of world conquest, we should study the question of industrial might. Production of steel is probably the most important item to take into account. In 1950, the United States produced over 96,000,000 tons of steel as compared with about 27,000,000 by Russia. In 1953 it is estimated that the United States will produce 117,000,000 tons of steel. The figures on petroleum, airplanes and tanks are in about the same relative proportions. In 1950 we produced 6,672,700 passenger cars and 1,343,000 trucks and busses. We have 48,484,000 motor vehicles at present registered in the United States. It is doubtful whether Russia has more than 5,000 passenger cars registered in the whole country and their truck and tank production is understood to be lagging considerably below planned schedules. It is true that Russia maintains very large armed forces and a considerable number of ordnance pieces. However, there is considerable doubt as to the true extent of their air power and it is quite possible that a deficiency of petroleum supplies would hamper any large air offensive.

Our Basic Economy Never More Healthy

Our basic economy has never been more healthy. We have 60,000,000 civilians employed in our industries. Our air force is expanding steadily. About 216,000 jet engines are scheduled to be manufactured this year. We have tremendous production and stores of petroleum. Our railroad system is the finest in the world. And last, but not least, we have the atom bomb; not one atom bomb but apparently hundreds of them. Moreover, it is possible that we also have the hydrogen bomb, a very much more destructive weapon. The recent demonstrations near Las Vegas were reported by some experts to have been a series of explosions so violent in force as to indicate the possibility that hydrogen bombs of various sizes were being tested.

In view of the clear facts surrounding our position of industrial might, it seems quite possible that no nation, Russia or any other, would wish to become involved in a world war in which there is no doubt that in the end they would be defeated. It is true that Russia might be foolish enough to risk its own empire in the attempt but it seems more likely that they will probably elect to threaten, plot and encroach just as far as they believe they can go without actually precipitating an all-out conflict. They have their own internal troubles, which they realize quite well, and it may suit their purpose better to continue along present lines of antagonism rather than risk a total loss.

Now is the time to appraise the future.

If the Chinese War should stop and the Russian threat gradually dissipate, investors may well consider carefully what effect such a turn of events would have on their holdings. What about the aircraft manufacturers, the shipbuilding, armaments, meat packing, textiles, electronic industries and the railroads? It would be well to look up the activities of each concern whose securities you hold and make sure that they will fit in with a peacetime economy. However, it must be realized that conditions today are not comparable to those obtaining in 1945 after the end of World War II. This time the conversion of manufacturing plants from war work to the production of civilian goods would be rapid. There is very little in the way of destruction to rebuild. The economy of our country has not been seriously impaired nor has its supply of goods been severely drained off.

Serious Depression Possible

One of the most probable effects of a return to a peacetime economy in this country would be the development of a serious depression. It has been stated frequently by analysts that were it not for the artificial stimulation of the rearmament program, we would now be experiencing a major decline in business. The effects of years of excessive spending and lavish disbursement of our goods and money are bound to take their toll. Our national debt has been grossly mismanaged. The pegging of United States Government bonds at a 2½% rate is inflationary and so is the continued issuance of money without the proper gold backing. Interest rates are artificially low. The value of our dollar has now been reduced to only 46% of its 1940 purchasing power. The Federal Reserve Board is actually the fiscal representative of Congress. The law requires it to protect the value of the United States dollar. It was never intended that the President should dictate to the Board. Due to court interpretations of the Act in the past 15 years, the Federal Reserve Board has become subjected to the assumption of its prerogative by the Treasury. That state of affairs has caused a feud to develop between the Treasury and the Federal Reserve Board. Confidence of insurance companies and of the citizens in the price structure of United States bonds is threatened. The people have seen the effect of extreme inflation on the money and bonds of certain European countries. They realize that it can happen here unless our national budget is regularly balanced and the country reverts to a gold coin standard before it is too late. It was a betrayal of the "Bill of Rights" to pass any law depriving the citizen of his right to own gold coin and notes and it was purposely done to deny him the means of preventing inflation and the squandering of our assets.

It is clearly the responsibility of the banks to work for a solution of this problem. We must preserve our independent dual banking system. Officers of banks can be of great assistance in bringing about a sound fiscal policy, an independent Federal Reserve system and a return to the gold coin standard, by explaining to customers throughout the country the seriousness of this situation and the importance of its revision.

A Rise in Money Rates

As to the investment portfolios of banks, it would seem that steps should be taken to protect the banks' position against a rise in money rates. Perhaps the best way to attain such an end would be to rearrange investment holdings so as to maintain principal, even at the expense of income. The sale of long maturities and a substitution with short- and medium-term high-grade bonds would protect the bank against a decline in bond prices. Short-term government securities are the ideal medium for the purpose. Federal Intermediate Credit Bank debentures are issued each month and usually mature in nine months. The present yield is 1⅞%. It usually averages about 20 basis points above similar government maturities. They represent a secure revolving fund. There are also railroad equipment trust certificates which have a fine investment record. Wheeling and Lake Erie, Chesapeake & Ohio, Southern Pacific and Rock Island equipments are excellent and usually are obtainable in quantity and in maturities of from 5 to 10 years. Such a program, instigated at this time, regardless of low yield, would quite surely place a bank in a position to withstand a stiff decline in the bond market and to allow reinvestment of maturing obligations at the expected increasing yields.

Advice to Investors

In view of the need for income and the expectation of heavy taxation, individual investors probably will be better off in holding high-grade public utility and industrial stocks, particularly in corporations with excellent records in bad times. There are certain concerns that do well in declining commodity markets. General Mills and Corn Products Refining are examples of well-managed corporations which should show increased earnings when wheat, corn and rye start their market decline. Horn & Hardart Co. (the Automat) should be a good holding in a depression because the company specializes in providing wholesome food at moderate prices. This is also true of the Great Atlantic & Pacific Tea Co. The depression is usually a bull market for gold mining companies. Howe Sound has paid a dividend in each year since 1923 and Natomas since 1930. Moreover, if we did return to a gold coin standard with a free gold market, or if there should be any increase in the official United States purchasing price of gold, these shares should skyrocket. Southwestern Public Service Co. has an excellent rapidly growing territory in the Texas Panhandle and the stock yields over 7%.

Investors should purchase sound stocks for income. If we have a depression then dividends may be lowered, but commodity prices and the cost of living also would decline.

Article IV, Section 4 of the Constitution of the United States reads as follows: "The United States shall guarantee to every State in this Union a republican form of Government." Now this statement is important to investors. Political control over the citizen is diametrically opposite to the principles on which our Republic was founded. We cannot enjoy the privileges of a republic if we have central government control. The pen is mightier than the politician. Write to Congress until they get tired of hearing from you. Only then will they rectify present errors in the administration of our government.

Sound money means sound securities. The future of our country has never before been so promising. This is mainly due to new inventions, entirely developed by private enterprise. A few things need to be cleaned up; the system of appointing judges needs revision; we must stop the tendency of political domination over the citizens; the cost of government is far too high and must be drastically reduced; and the return to a gold coin standard is necessary. These thoughts should occupy investors' minds rather than fears of war and destruction.

*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.

Three With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich.—Robert A. Cole, Charles R. Kohn and Kenneth J. McKinnon have become associated with Merrill Lynch, Pierce, Fenner & Beane, 205 West Congress Street. In the past Mr. McKinnon was with H. V. Sattley & Co.

Educational Opportunities In Television

By FRIEDA B. HENNOCK*
Member, Federal Communications Commission

Hailing television's progress as a national asset, Commissioner Hennock compares its educational and political value to invention of printing. Explains reason for "freeze" imposed by FCC on additional TV channels, and outlines plans for expansion of TV into field of education and teaching.

These days, I suppose, television is almost as favorite a topic of conversation as the weather. When you meet a friend on the bus coming to work in the morning or at a cocktail party after office hours, the discussion usually gets around to "Did you see so-and-so on television, yesterday?" and "How did you like it?" For the most part, the comments usually range from "Wasn't she pretty?" to "Wasn't the program terrible?"

However, unlike the weather and Mark Twain's famous remark about it, as a member of the Federal Communications Commission I can tell you that while everybody talks about television, we have the power to do something about it. I am reminded of Groucho Marx's favorite quip. Groucho said he found television very educational. Every time someone turns on the television set, he goes into the other room to read a book. I think we can find room on television for both Groucho Marx and educational programs. That is why I have been advocating that the FCC set aside 25% of the remaining 2,000 available television frequencies for the exclusive non-commercial use of educational institutions.

I think the problem is a most urgent one. There are today over 10 million television receivers in American homes. When President Truman recently addressed the nation to declare the existence of a State of National Emergency, he was viewed and heard by one of the largest audiences ever to see or hear a President of the United States at a single time. His audience surpassed in numbers the total population of this country in 1850.

Recent surveys have shown that children in television homes spend more time watching TV than they do in school. This is a vitally significant statistic. If our youngsters are to be exposed in such degree to this new medium, it is high time we begin to examine just what this medium is doing for them and perhaps what uses it can be put to in order to favorably influence their cultural development.

Television's Popularity

Television has burst upon the American scene like no other invention of our time. It has quickly won the public's fancy and literally captured the imagination of our children. In their interest, we have the responsibility to see that this great natural resource is devoted in part for cultural advancement; to education as well as entertainment. There is no question but that the television spectrum is one of our greatest natural resources and, as has been amply defined, is in the public domain. Is there any reason then why television channels should not be treated with the same regard and the same consideration as has been given to numerous other of our limited natural resources? Certainly television is as important to the free exchange of ideas, public information and the development of our cultural heritage as mining coal, the production of newsprint and drilling for oil is to our economic and industrial growth.

It follows, therefore, that we should adopt the same policy for television as was formulated by our Congress as early as 1787 when, in writing the ordinance for the Northwest Territory, certain areas of land were specifically reserved for the educational institutions to be later established in those embryo states. In succeeding years, Congress went even further in its program of conserving America's natural resources by setting aside 154 national forests, 28 national parks and 185 national monuments as reservations in the public domain for the recreation, education and general welfare of our citizens. I am asking that 25% of the remaining television frequencies be treated in similar manner and set aside for the exclusive non-commercial use of our educational institutions and organizations.

The FCC Freeze

As many of you know, there is in effect today a "freeze" imposed by the Federal Communications Commission on the construction of any new television stations. This "freeze" has been in effect since September 1948, yet, despite this "freeze" and despite the fact that there are **only** 107 stations operating in the entire nation today, television's growth has been nothing short of phenomenal. There is good reason for this. I firmly believe that television is the synthesis of all the arts. Personally, I am completely sold on television. I think it will prove to be the most influential medium of mass communication ever devised. Already we have seen a small sample of its influence on the habits and morals of our younger generation. Hopalong Cassidy cowboy outfits and a heavy belt supporting a pair of six-guns have become standard wearing apparel for many of our small fry.

But think of what television could do if its energies and influence were turned to education and improving our standard of living. Television in the hands of educators can become one of the most vital forces for dynamic democracy that the world has ever seen. Think of the potentiality of turning every home into a classroom. Not that education must be dull or bookish—far from it. Education via television need not be compared to eating spinach or taking setting-up exercises. It can be informative and at the same time most interesting. Take for example the possibilities of teaching science on television.

At our recent educational television hearings before the FCC, Dr. Earl McGrath, U. S. Commissioner of Education, cited the example of a teacher trying to describe a cuttlefish. The cuttlefish, he said, is very much like a squid except that it is larger and has no calcified internal shell. That is a very concise description but I dare say that many of you here today are not likely to walk out of this luncheon and recognize the first cuttlefish you meet or be able to distinguish it from a squid. But, said Dr. McGrath, think of the greater impact and ineradicable impression you would have if you had seen these two animals portrayed on the television screen; you would not be likely to soon forget what they looked like and probably would always remember how to distinguish between them. The squid's calcified internal shell would mean more than mere words and would be indelibly impressed upon your memory, said Dr. McGrath.

Or, for another example, take the teaching of literature on television. A production of Shakespeare's "Henry V" similar to the one done by Lawrence Olivier would make the Bard's words and actions come alive as though he were one of our contemporary dramatists. And then, following the production, an illustrated discussion by a noted Shakespearean

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*An address by Commissioner Hennock before the Women's National Democratic Club of Washington, D. C., Feb. 1, 1951.

The Gold Standard—What It Means to Nation

By FREDERICK G. SHULL*

Connecticut State Chairman, Gold Standard League

Mr. Shull, after giving definition and application of gold currency standard, particularly to this country, describes New Deal legislation which devalued dollar and ended a century of gold as standard of U. S. currency. Says there is danger of further devaluation unless Congress restores gold standard. Contends U. S. has large enough gold reserve for a convertible currency.

Back in 1933 and '34 our political leaders were instrumental in getting the price of gold raised from $20.67 to $35 a fine ounce.

Frederick G. Shull

That may have seemed like a rather harmless measure to the majority of our people; but here is how that dishonest move actually penalized every person owning dollar - assets in the form of Government bonds, bank deposits and life insurance benefits to be paid at some future date—and that includes us all! This raise in the price of gold meant that the accumulated dollars of the people—dollars which had been earned and saved on the basis of their carrying a value of approximately one-twentieth of a fine ounce of gold, overnight were reduced in value to only one-thirty-fifth of an ounce of gold. In other words this raising of the price of gold automatically devaluated the American dollar by 41%, and here is how it affected us all: The national debt at the time stood at about $27 billion —represented by bonds owned by the people—and that 41% devaluation of the dollar robbed the owners of those bonds of more than $10 billion of their real value; also at that time bank deposits throughout this country stood at about $51 billion carrying a value of one-twentieth of an ounce of gold per dollar—and the devaluation clipped about $20 billion from the real value of those dollar-assets; and there was in force just under $100 billion of life insurance, of which an average of about one-half, or $50 billion, had already been paid for in the higher-valued dollars—thus meaning that the 41% devaluation resulted in a further loss to the people of not far from $20 billion. It will therefor be seen that that act of treachery penalized the American people to the tune of not far from $50 billion; and if the dollar were to be devaluated by 40% today, it would subject the people to a loss of some $200 billion of the real value of the three classes of dollar-assets just mentioned.

For those who think there is no danger of further devaluation of the dollar, I need only remind them that within the past 60 days there have been press reports from Canada, France and South Africa—all to the effect that the gold producing and speculating interests in those countries are making every effort to influence the International Monetary Fund to raise the world price of gold above its present $35 an ounce, which price is in U. S. funds. It therefore becomes apparent that this is a subject in which we all have a direct economic interest.

Getting down to the Gold Standard itself—it is most unfortunate that the majority of people regard it as a very complicated subject. The fact is, however, that it is actually quite simple. The gold standard, basically, involves just two important principles; and once one has a reasonable grasp of those two principles he has a good working knowledge of the gold standard. Those principles are as follows:

1. In order to operate on the gold standard, a nation must firmly fix the value of its monetary unit, such as our dollar, in terms of a definite weight of gold. That factor is known as "fixity-of-value."

2. And having so fixed the value of its currency, that nation must be willing at all times, to exchange gold for that currency, on demand, at that fixed value. That factor is known as "redeemability."

In order to appreciate how important those two factors really are, let's consider how they also apply in the common game of poker. In poker, before the game can start, the chips are given a definite value; and throughout the game nobody may change that value—which, in effect, is the gold-standard principle of "fixity-of-value." And at any time during the game, and at its conclusion, each player enjoys the privilege of exchanging his chips at that fixed value—which is a good illustration of the gold-standard principle of "redeemability."

Now this larger game-of-life that we are all playing for dollars is not unlike the game of poker. The paper money we use corresponds very closely to the chips of a poker game; for that paper money, in itself, possesses no intrinsic value other than as scrap paper—as is also true of the cheapest pressed-paper poker chips. If, therefore, in poker it is absolutely essential that the principles of "fixity-of-value" and "redeemability" be strictly observed—how much more important it is in this larger game-of-life that those principles strictly obtain.

Some may say, "Why bother with those frills—isn't the nice crisp paper money issued by the Treasury and the Federal Reserve System just as good money as anyone could possibly want?" The answer is that if it is, then the monetary experts of the leading nations of the world have been entirely wrong in their theories for a matter of centuries, as the following will clearly show:

Almost two hundred years ago —back in the year 1776, to be exact—Adam Smith's great book, "Wealth of Nations," was first published. That is the only book on economics included in Dr. Eliot's 50-volume "five-foot-shelf" known as "The Harvard Classics." That book is said to be the basis of the modern science of economics as taught in all the schools and colleges. It therefore may properly be regarded as authoritative.

In that book Adam Smith devotes a sizable number of pages to the subject of money; and he gives ample evidence that he was a firm believer in the gold standard. He cites the case of the Bank of England—long prior to 1776 —as having at times issued a greater quantity of paper banknotes than were needed for the normal conduct of business; that, as a result, the surplus of those notes was continually returning to the bank for redemption in gold; that this, of course, tended to deplete the bank's supply of gold—making it necessary for the bank to go into the open market and buy gold to replenish the supply. And, as pointed out by Adam Smith, the Bank of England often paid as high as 4 pounds sterling per troy ounce for that gold—coined that gold into English coins carrying a face value of only three pounds 17 shillings 10½ pence (the gold-standard value of the pound sterling for many generations), and thus took a loss of from 2% to 3% on the money itself. It did this for just one reason: that when the Bank of England had issued bank-notes claimed to carry a definite value in terms of gold, that bank had high enough regard for its honesty and for the integrity of its notes to see to it that they at all times be kept as-good-as-gold.

A century after Adam Smith we had in this country a man who became a recognized authority on what constitutes sound-money. I refer to Dr. Andrew D. White, who graduated from Yale in the Class of 1853; who some years later became the first president and co-founder of Cornell University; and who gained an

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*An address by Mr. Shull at the Luncheon Meeting of the New Haven Advertising Club, New Haven, Conn., Feb. 26, 1951.

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Television: No.1 Growth Industry

prejudice that are at the heart of many of our problems.

The terrific appeal of television is having other effects for the good. Competition is already forcing the movie industry to concentrate on making better pictures. Book publishers are searching for ways to make reading more appealing. People are spending more time at home, together; we shall undoubtedly see fewer children roaming the streets and fewer fathers avoiding the home.

TV as a Sales Force

Another question that has gotten a lot of attention is "Who is going to pay for television programs?" I believe that question has been answered while all the talking and jockeying were going on. There are now more sponsors seeking to get into television than there are desirable time spots to buy. As a result, stations can sell poor programs and are not driven to raise the level of offerings. When more stations are on the air and competition comes, the level of programming will rise and even more advertisers will be in the market.

To understand this we must appreciate television's magic as a sales force. As an example, there are the so-called "pitch shows," in which someone resembling a carnival barker sells a kitchen gadget or some other traffic item. Originally stations took on these shows on a percentage basis, accepting a cut on each $1.49 "Magic Slicer" rather than let the time go without producing any revenue. These brought in more money than they could ever get at regular time rates—and now the stations are looking for more gadgets to put on in the same way!

So there is no question about the selling power of TV. As the number of sets increases, the value of time will increase. It has been estimated that the selling power of television when there are 40,-000,000 sets in use will be so tremendous that a half-hour network show could be worth eight to ten times a half-hour show on network radio or a page in "Life." That means that if it pays the advertiser to pay $25,000 for a cover of "Life" or a half-hour on a radio network, he could sell enough (of most products) to justify a cost of $200,000 or even $250,000 for a half-hour on a TV network.

To make this medium available to smaller advertisers, the participation technique will undoubtedly grow, with four or more sponsors sharing the cost of an hour show. The results from even one commercial, on a consistent basis, would still make it pay off.

So there seems to be no question about who will pay for television programs. The public will pay through the traditional American way of supporting the press and the radio—through bettering their lives by buying the products they learn about from advertising.

Dangers in Path of TV Industry

There are a few real dangers in the path of this industry. They are not color, or subscription television or other innovations; these are healthy experimentation and efforts to advance. The industry will take such innovations or leave them, as the public wishes. But there are more serious pitfalls beyond the control of the industry as a whole or of the public that supports it.

These are any factors that in any way render the industry noncompetitive. They may be due to patent monopoly, government control, trusts or cartels. Whichever form it takes, anything that reduces competition in the industry will be a poison to its progress. Television has become the wonder of the age because all of us have been pioneering, breaking new ground to try to win a position in the race. The competitive urge has pushed us every step of the way. I hope all of us will remain ever vigilant to protect this competition and keep the industry, like America itself, free to grow and prosper.

Reports FCC to End Freeze on TV Channels

Scripps-Howard staff writer says new allocation plan for additional television channels will soon be announced.

According to a dispatch from Washington, dated March 13, by Chester Potter, Scripps-Howard staff writer, the Federal Communications Commission will end its 30-months freeze of television channels within a few days. The Commission is said to have a new allocation plan, giving many cities additional television channels so that in some localities there can be more than one program in operation at the same time. In September, 1948, the FCC issued an order suspending applications for new TV channels until there could be a check-up of frequencies so that interferences in the broadcasing might be avoided.

However, before the FCC could work out a new allocation plan, it became occupied with the color TV controversy and selecting a new allocation system was halted. Since the color controversy has been turned over to the courts, the FCC is about ready to announce the plan it has worked out to give additional channels to some of the communities where there is no television station or where only one or two channels exist.

Present television stations now operate on very high frequency channels. To meet the demand for more stations, the FCC is making available a dozen or more ultra-high frequency channels.

The new allocation plan, according to report, is to be worked out as follows: Suppose the FCC allocates two channels to a city but there is a demand for three or perhaps four. The FCC will then hold a hearing to decide whether there is justification for more than two channels. Suppose it decides to give the city two or more channels. The next step is to decide which applicants will get the channels being made available. If there are to be two new channels and a half dozen applicants for them, the FCC will have to hold hearings to decide who gets them.

J. Ryan Smith With Reynolds & Co.

Reynolds & Co., 120 Broadway, New York City, members of the New York Stock Exchange, announce that J. Ryan Smith has become associated with the firm in its Investment Division. Mr. Reynolds in the past was an officer of Harvey Fisk & Sons and prior thereto headed his own investment firm of J. R. Smith & Co., Inc., and was President of Smith, Roll & Co., Inc.

Elvin Halladay Opens

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Elvin J. Halladay is engaging in a securities business from offices in the Tabor Building.

Prices Ten Years Hence

By ROGER W. BABSON

Predicting dollar in 10 years may be reduced to 50% of its prewar value, Mr. Babson advises, as protection for savings, investment in health, education, and purchase of a home. Says farmers, merchants and even wage workers will force government to print more money and issue more bonds, and, if war comes, hair cuts will cost $5 and common labor earn $100 per day.

This week I am not discussing the immediate effects of inflation which I have already covered. Rather, I am telling you what will happen ten years hence. During the past ten years our dollar has declined in value to about fifty cents. If we should get into World War III, I expect, during the ten postwar years, our dollar will become worth less than twenty-five cents. How can readers protect their hard-earned savings under such conditions?

Roger W. Babson

Cold statistics show that the greatest wealth consists of good health and good judgment. The most wasteful people and the poorest investors are those who sacrifice their health for money, pleasure or social position. They will ultimately be treated by society as an orange peel is treated after one has sucked out the juice. Hence, wise investors will put health first. The next best investment is to give our children good, practical education and sane religious ideals. Therefore, storing up physical, mental and spiritual resources if of great importance. These are the best hedges against the long-term inflation. The less the dollar becomes worth, the more these reserves will be worth.

With these blessings you surely will also want a home. If you have none and have the funds, buy one now. When you buy commodities for less than they can be produced, or buy land for less than it can be cleared, or buy a house for less than it can be built, *all for your own use*, you are sure to make money. Some day people will see the light and switch some of their bank accounts, which may constantly become of less value, into good land and houses. Remember, there are over $200 billion almost idle in bank accounts or disposable government bonds which could be spent for better homes.

What About World War III?

Only Mr. Stalin knows whether World War III will start in 1951. His present policy seems to be to scare us, with violent propaganda, to spend hundreds of billions more on armaments and thereby force serious inflation and depression upon us. Russia may believe that the easiest way to beat the capitalistic system is to make it nonprofitable. If so, this surely will cause our people to scramble for real estate, commodities (oils, metals, etc.) and the stocks of merchandising companies. They will buy no bonds except "convertibles."

Some ask who will then have the money to buy farms, houses and other real resources? My answer is that the farmers, merchants and even wage workers who now have over a billion of almost idle funds will then have the money. Not being satisfied with what they now have and hating to pay taxes, I fear they will force the government to print more paper money and issue more bonds. As a result, if World War III should come, I expect to see, during the postwar years, letter postage at twenty-five cents, hair cuts at $5 and common labor at $100 per day.

We Have the Brains

Conditions in the United States will be tough for all who are now living on their money; but those with character, education and energy to work will come through okay. Just as the brains of man overcame the wild beasts, so the brains of the United States, England and Western Europe should overcome the savages of Russia and elsewhere. Their representatives now yelp and howl, like animals, at the sessions of the United Nations; but we have nothing to fear if we continue to build up our health, our intelligence, and put our money into real property instead of depending upon paper profits or perhaps even bank books.

We may temporarily "lose face" by quitting Korea. Indo-China, India, Burma and China will appear to scare us off. If we avoid fighting war with the Chinese, they will some day quit Russia and come back to us. We should now think of the needs of our children and grandchildren ten or more years from now. This means that we should now spend less on nonessentials, but along with military preparations, we should invest more in good religion, good health, good education, good land, and good houses, which should double in value, war or no war.

Coburn & Middlebrook

(Special to The Financial Chronicle)

PORTLAND, Maine—Merton E. Foster has become associated with Coburn & Middlebrook, Inc., 465 Congress Street. He was formerly with Bond & Goodwin, Inc. and R. H. Johnson & Co.

With Townsend Dabney

(Special to The Financial Chronicle)

BOSTON, Mass.—George M. Heathcote, Jr. has become affiliated with Townsend, Dabney & Tyson, 30 State Street, members of the New York and Boston Stock Exchanges.

Joins Merrill Lynch

(Special to The Financial Chronicle)

DETROIT, Mich. — Albert C. Heholt is now associated with Merrill Lynch, Pierce, Fenner & Beane, 205 West Congress Street.

With Joseph Jordan

(Special to The Financial Chronicle)

BOSTON, Mass.—Edmund G. Low has become connected with Joseph F. Jordan & Co., 79 Milk Street. He was previously with H. W. Armington & Co.

Baker, Simonds Adds

(Special to The Financial Chronicle)

DETROIT, Mich. — Peter S. Legothetis is now with Baker, Simonds & Co., Buhl Building, members of the Detroit Stock Exchange.

Schafer, Long Admits

Schafer, Long & Meaney, 15 Broad Street, New York City, members of the New York Stock Exchange, will admit Clinton G. Hough to partnership April 1.

With Goldman, Sachs

PHILADELPHIA, Pa. — Goldman, Sachs & Co. announce that James G. Davis is now associated with the firm in its Philadelphia office, 1416 Chestnut Street.

French & Crawford Add

(Special to The Financial Chronicle)

ATLANTA, Ga.—Philip L. Miller is now with French & Crawford, Inc., 22 Marietta Street Building.

Dempsey-Tegeler Adds

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Robert D. Spencer has been added to the staff of Dempsey-Tegeler & Co., 210 West Seventh Street.

Credit Curbs Are Justified

By R. M. EVANS*

Member, Board of Governors, Federal Reserve System

Defending selective credit controls, Federal Reserve Governor stresses responsibility of bankers in fight against inflation. Says if inflation fight is to be won, we must have fiscal program that will pay for cost of defense, and a debt management program that will encourage investors to buy and hold government securities. Urges credit restrictions which will curb spending.

The Federal Reserve came into being in 1913 and was specifically designed to meet the weaknesses of the National Banking System. The Act has been modified as events demonstrated the need for change. Very substantial progress has been made. For the first time in our financial history, the public's seasonal currency and credit needs can be met without disruptive effects in the banking system. Since the early thirties, for the first time in our financial history, it can be said that by and large the public can hold its money with greater safety in bank deposits than in currency. With the additional powers granted to the Federal Reserve Board, the Federal Open Market Committee, and with the establishment of the Federal Deposit Insurance Corporation, depositor runs on banks have become a thing of the past.

R. M. Evans

But such legislative progress towards a stable banking system may not be as real today as it seemed to be 15 years or even 10 years ago despite the solution of many of the currency and banking problems which have plagued us over the years. Even though our banking system is stronger today than ever before in its history, it is its very strength that, paradoxically, is the chief source of danger. How can this be? The answer is simple and is well known to this audience.

Because of the decision to finance the last war in large measure by deficit financing and to permit financial institutions to participate in this deficit financing, these institutions, including banks, acquired large amounts of marketable United States Government securities. The Federal Reserve System acquired a responsibility for maintaining an orderly market for these securities and, in the view of some people, a responsibility for supporting the market rigidly. So long as the Federal Reserve is expected to buy these government securities at par at the will of the holder, bank holdings of these securities become in effect interest-bearing reserves and other holdings interest-bearing cash. Moreover, in these circumstances, banks and other financial institutions are so liquid that ordinary standards of liquidity no longer apply; and the Federal Reserve becomes an engine of inflation. The consequences are too familiar to this group to need recounting. But I want to make this point:

Whenever the central bank—the Federal Reserve—is unable to influence the availability of its credit for reserves, there is very little more restraint over the creation of money than there was 100 years ago. Bankers, who by their lending activities are the principal creators of money and credit, must face the fact that, to the extent that the central bank is unable to do what it is intended to do, or is unable to do this in the degree originally intended, bankers must individually be more vigilant and bear a more direct responsibility to see to it that their lending does not contribute to a further depreciation of the dollar.

A large part of that responsibility could be discharged if the banking community were to support measures and policies adequate to control bank reserves or would come forward with a program on its own initiative. In measuring up to this task, bankers should remember that the people will not forever tolerate a debasement of their currency and an erosion of their savings any more than the people of Iowa did 100 years ago. There is a need, greater than ever before in our history, for bankers to take the lead, through individual and collective action, through word reenforced by action, and through support of effective public policy, in restraining those forces of inflation over which have some control. The efforts of representatives of the financial community to come forward with a workable program for cooperative restraint of credit is a step in the right direction, and it is to be hoped that all members of the financial world will give this constructive program full support. Such voluntary efforts reduce the burden which other measures may need to carry, but they cannot be expected to do the whole job.

Attitude Toward Credit Curbs

Sometimes bankers say they are in favor of credit regulation but they do not see why the banks should be singled out when credit curbs are suggested. I ask you this simple question — why shouldn't you be singled out if you want to call it that? After all, the banks are institutions doing business under a charter granted either by a state or by the Federal government. With this charter you have the power to create money.

By virtue of your business, you are the financial leaders in the territory you serve. You deal in money and credit. When people think of finance, those are the two things they have in mind. When people have health problems, they naturally feel that the doctor in their community is the best one to consult; and, likewise, when financial questions are involved, people seek the advice of the banker. The banker is more intimately acquainted with the conditions, financial and otherwise, of his customers than any other businessman; and he is a trusted person in the territory he serves.

In order that my position may be very clear, I want to digress for a moment right here to say that I have never had any desire to change this so-called dual banking system, and I can go even farther than that. In the nine years I have been a member of the Board of Governors, I have never heard any proposal dicussed or advocated at a board meeting to do away with the dual banking system. We accept the dual banking system as provided by law; and unless it is changed by Congress or the State Legislature, we will support it.

The connection between credit and money—of finance, in general—and prices is not always obvious to the public and, more to the point, to your customers. As recognized and respected dealers and experts in finance, you can do a very great service to your country if you take some time to explain to your customers the extent of the inflationary problem and some of the things we must do to maintain and enhance a strong economy.

Instalment credit regulations are a case in point. Such regulations constitute a very useful tool in helping to check the constant rise in the cost of living. They have demonstrated their value over a long period of time; and, vigorously applied, they will effectively do the job they are intended to do. But the public must understand that instalment credit regulations are only a part of an anti-inflationary program and are no substitute for voluntary restraint in other credit sectors, for the traditional general credit instruments, for a supplementary reserve requirement authority, and for a constructive fiscal program.

I might say at this point that there seems to be a growing disposition among some groups, including some bankers, to favor an extension to all categories of loans of selective regulations like the ones we now have covering the instalment credit and real estate credit fields. Apparently the basis of this disposition is the feeling that such methods of credit regulation are less onerous than other alternatives; for example, some form of additional authority over reserve requirements.

I'm sure that no one of you would disagree that this is a matter that has to be approached realistically. Selective credit regulations are applicable to, and can only be effective in, credit areas where the credit is used for well-defined purposes and where the terms and conditions of credit extended are customarily related to the purpose of the loan.

It seems to me that with these criteria in mind we've gone about as far in the direction of selective credit controls as we can go, intelligently. For there are not enough words in the lawyer's vocabulary to draft intelligible regulations that would do the job in the loan categories not now covered by selective controls.

It seems to me that you bankers should take the long view when you weigh the advantages and disadvantages of alternative programs for regulation of bank credit. Further authority there must be, and the sooner the better for all of us; but you should bear in mind that if this selective credit regulation is carried far enough, and in each case is as tough as the inflationary situation calls for, too much of the management of banking will be transferred from your shops to Washington.

In conclusion, let me say that if we are going to prevent the further depreciation of the dollar, it will be necessary, above all, to have a fiscal program that will enable us to pay for the cost of defense, as we go along and a debt management program that will encourage investors to buy and hold government securities. It will be equally necessary to have a regulation of credit and money creation that is really effective, for if you are going to curb spending power, it doesn't do much good to tax a dollar out of a man's pocket if he replaces it at once with a borrowed dollar.

Every one realizes the inconvenience of restraints on bank and other credit. We know it is particularly annoying to potential borrowers, and we know it is particularly annoying to you lenders. From personal experience, I can tell you it is no picnic for us. But the overall gain to the whole public and to your industry, as well as to financial institutions generally, far outweighs these temporary annoyances.

Let me repeat that your customers and the people who have their money invested in various forms of savings are entitled to look to the bankers in their community for leadership in this time of crisis. If you do not support a strong fiscal, debt management and credit and monetary program, it would seem to me that you are not serving your community and the best interests of the country.

On the other hand, if bankers take the lead in this fight against inflation, and in so doing contribute to the defense of our way of life, they will have earned and will get the respect of the people; and in so doing, they will provide the best possible bulwark against those who might otherwise gain support for measures inimical to the American tradition.

*Part of an address by Mr. Evans before the National Installment Credit Conference of the American Bankers Association, Chicago, Ill., March 12, 1951.

From Washington Ahead of the News

By CARLISLE BARGERON

You may have observed that the disclosure by the Fulbright committee that Senator Murray of Montana had interceded with the RFC for a loan in which his son was interested for a fee, was only a one-day sensation. This is because the Senator is a "liberal." None of our indignating "liberal" columnists have picked up the matter, though you will find them indignating almost daily about Senator Taft's association with Senator McCarthy, the two of them being in the Senate together and also Republican. But McCarthy is someone to be abhorred, according to these propagandists, and inasmuch as Taft won't repudiate him, which he has not the slightest right to do, then he has embraced McCarthyism. McCarthy and McCarthyism have got under the "liberals'" skin because it seems that his hide is too thick to give under their usual smearing treatment. The least that can be said for the Wisconsin Senator is that he is just as good at smearing as his propagandist detractors.

Carlisle Bargeron

However, a studied and extended propaganda campaign is now being made to tie Taft to him and the purpose of this is plain. Although the Ohio Senator has said that he will not be a candidate for the Presidency again, it is widely recognized as inevitable that by the time the National conventions come around he will be in there pitching against Dewey or Eisenhower; there will be a knock-down and drag-out fight between the "internationalists" and the so-called "isolationists" that would seem to foredoom the Republicans to another defeat if the Democrats were not just as badly split. This is the new approach to Taft; distinctly new, you might say. Heretofore, the argument against him has been that he was "honest and able" but he couldn't get votes. This latter he disproved quite conclusively last November so now his attributes of honesty and ability are to be dropped and he is to be pictured as something sinister, with back-alley associates.

The "liberals" see nothing wrong with this type of campaign but for the past few weeks they have been professing holy horror at the campaign in Maryland last November which unseated Millard Tydings. It seems that Tydings's opponents circulated a composite picture of him talking to Earl Browder. It was plainly labeled "composite" but the contention is that the voters of Maryland are so simple-minded they do not know what "composite" means. All of this ruckus which the "liberals" have stirred up is about as silly as anything I have heard of. It so happened that I voted for Tydings but he was roundly and fairly beaten and this composite photograph which makes the "liberals" so indignant is as mild a campaign tactic as ever occurs in any campaign. It couldn't touch with a 100-foot pole the viciousness of the literature circulated against Taft at the very same time.

The point I am trying to make is that these "liberals" have a queer sensitivity. The spectacle of one of their own intervening with the RFC in behalf of his son shocks them not in the slightest. But an incident of a year ago is frequently recalled by their propaganda columnists and cartoonists. This was the perfectly legal incident of Senator Bridges accepting a fee of $35,000 a year for serving as a trustee of the United Mine Workers' $100,000,000 welfare fund, a very small fee, indeed, for such a large responsibility. There must be something perverse in my makeup because for the life of me I have never been able to see the slightest thing wrong about this, but the "liberals" will never let him forget it.

It is commentary on the ways of our press that they make their indignation stick while such shenanigans as that indulged in by Senator Murray receive only fleeting attention.

For that matter, none of the RFC revelations are shocking to the "liberals." They are embarrassed but not greatly worried, and certainly they are not shocked. Go over the list of the "liberal" columnists and commentators and see if a single one has referred to this scandal. It will be even more shocking to the rest of us when the stories developed in executive sessions of the committee become known, if they ever do. As one example, one firm, an RFC borrower, spent $40,000 on whiskey and entertainment for RFC officials. The answer of the "liberals" to this sort of stuff is that after all, the RFC has been efficiently run and has made money.

I do not know what the final story on the celebrated Lustron loan is going to be, but this is one that the RFC resisted and the pressure for it came from the "liberals" around town, right in the White House, in fact.

For several years there has been considerable feeling in Congress that this lending agency had served its purpose and should now be liquidated. But it has developed too many friends. Because of this it is likely to be with us for a long time.

The Present Market Appeal of Convertible Bonds and Stocks

By SIDNEY FRIED

Gammack & Co., Members, N. Y. Stock and Curb Exchanges

Mr. Fried points out, investors, in order to hedge against inflation through common stocks, may gain this objective and still be assured of fixed income by purchasing selected convertible bonds and convertible preferred stocks. Lists specific issues.

With three-million-share days commonplace, the averages reaching 20-year highs, and an accelerating public participation centering in low-priced, speculative issues, it would seem to be the point of wisdom to run up a few warning flags. For, if past experience means anything, the above symptoms have led, sooner or later, to what may with some understatement be termed a "rude awakening" for less-experienced speculators.

Illustrative of the growing complexity of a troubled world, however, selling out one's security holdings appears, after some examination, to be somewhat less than a complete answer. When you sell securities you get dollars, and the concept of the dollar as a safe haven has been taking a mild battering these past years. The realization has penetrated the public consciousness that the true measure of the value of the dollar is what the dollar will buy—and for some time now the dollar has been buying less—and less—and less. As a consequence, another theory is gaining currency: that because equities represent ownership of land, factories and goods, and because "real things" must appreciate in value as the purchasing power of the dollar goes down, common stocks are the obvious and ideal haven for hard-earned savings.

Prompted by this logic, some "wealth-in-the-ground" stocks have easily romped through as much as a 500% appreciation in the 1950-51 market. Unfortunately, the typical difficulty with such theories is that their flaws are not usually apparent until we stand amid the wreckage, painfully trying to piece together what went wrong.

There is probably no easy answer to the questions raised above and certainly complete confidence could not be placed in any such answer. The market is high, judged by many previous standards. Yet, if we sell our securities and get dollars, we must question the future of those dollars as we prepare to underwrite the whole economy at its present frenzied pace and push it to even new heights with a seemingly endless flow of rearmament orders. It is not surprising to find the perils of holding securities fairly well balanced by some weighty arguments on the other side of the see-saw.

It is precisely in such a period of uncertainty as we are now passing through that properly selected convertible bonds and convertible preferred stocks have a unique appeal, promising such a welcome trio as Income **plus** Safety **plus** participation in any further market strength. Three specific examples of current interest will serve to demonstrate the appeal of the Convertible:

Chicago Pneumatic Tool Co.—Manufactures pneumatic and other tools for the aviation, oil equipment and mining industries. Chicago Pneumatic Tool convertible preferred pays an annual cumulative dividend of $3 per share and has fluctuated in a comparatively narrow range for the past six years. For the week ended 1-22-51 the preferred closed at 60½ and the common at 42½. Since the preferred stock is convertible at any time into 1⅓ shares of common stock, any further rise in the common would soon reach the point where the preferred stock would begin to enjoy a proportionate rise. Considering downside possibilities, the preferred did not sell below 53½ in 1950 even with the common as low as 26⅛, and the increase in net tangible assets per preferred share from $80.99 in 1945 to $140.06 in 1950 must be viewed as strengthening its market position. Chicago Pneumatic Tool Co. has an excellent earnings record, is in a strong position in several vital defense industries and could easily show substantial appreciation in any extension of the current stock market advance.

Oliver Corp.—A leading farm machinery manufacturer. Oliver Corp. convertible preferred pays an annual cumulative dividend of $4.50 per share and never sold below the low 90's even with the common at 17¾ in 1947. For the week ended 1-22-51 the preferred closed at 100 and the common at 28⅜. Convertible into 3 shares of common stock at any time, the preferred stock is a perpetual call on a good quality stock which is far behind its group. This preferred stock sold considerably above its conversion value in previous years and with net tangible assets of $606 behind each preferred share, would seem to possess a good margin of safety at current prices and a good chance for appreciation.

Glidden Co.—Principal producer of paints, varnishes, lacquers, enamels and food products. Glidden Co. convertible preferred pays an annual cumulative dividend of $2.25 and the price stability of the preferred is emphasized by the following: In 1945 Glidden common earned $1.06, paid 60c in dividends and had a price range of 12⅝ to 19½—the price range of the convertible preferred in that year was 52½ to 57; in 1950, Glidden common earned $4.11 in the first nine months, paid $2.10 in dividends and had a price range of 22⅛ to 31½—the price range of the convertible preferred in 1950 was 52⅝ to 59, almost identical with its price range of 1945. Since 1945 the net tangible assets behind each share of the convertible preferred has increased from $175.96 to $284.84. For the week ended 1-22-51 the preferred closed at 56 and the common at 30¾. Convertible into 1.48 shares of common at any time, the position of the preferred can be appreciated in the light of the fact that since 1945 the common has more than doubled in price from about 13 to 32 while the preferred has not advanced at all. The common stock has, in effect, come up to meet the preferred at a point where any further advance will soon begin to be reflected in the market value of the preferred.

The above descriptions of the convertible preferred stocks of Chicago Pneumatic Tool, Oliver Corp., and Glidden Co. should make apparent the unique appeal of the Convertible in the type of market through which we are now passing. There is reluctance on the part of some investors, not without reason, to make commitments in equities after an almost uninterrupted and somewhat dizzying climb of 21 months. There is, at the same time, a quite natural regret that handsome market profits are not being shared in. The convertible would seem to be of considerable help in solving the dilemma. To be of interest, the specific convertible bond or preferred stock must provide two important characteristics:

(1) The Convertible has maintained its price stability at, or somewhat near par value, through a number of years, through poor markets as well as good markets.

(2) The common stock has advanced in market price to the point where any further advance will begin to force the convertible bond or preferred stock to appreciate in price simply on conversion value.

Recent market history provides us with numerous examples: **Reynolds Metals** $5.50 cumulative convertible preferred had held near par (100) in 1949 when the common sold below 20 and did not go below 80 even with the common as low 7¼ in 1943. In 1950-51 Reynolds Metals common went from a low of 20½ to a high of 45 (after a 10% stock dividend). The preferred stock, convertible into approximately 3.5 shares of common, went from 100 to 162. Exhibiting the same element of price stability in depressed markets **Consolidated Edison** 3% convertible bonds went from par to 140; **American Cyanamid** 3½% "B" preferred from 99 to 178; **Dow Chemical** $3.25 2nd preferred from 101 to 185. In recent weeks, the convertible bonds and convertible preferred stocks of **Southern Pacific, Armco Steel** and **United Air Lines**, to mention a few, have shared in the advance of their respective common stocks through the conversion privilege.

As the stock market advance continues—if the stock market advance continues—individual stocks will share public favor in turn and the hundreds of convertible bonds and convertible preferred stocks will deserve close attention. For under such conditions, it should be possible to single out many commitments in turn, where the possible gain will appreciably outweigh the possible loss. Indeed, it is not too much to say that it is precisely in the most dangerous stage of a bull market cycle that Convertibles can prove most useful.

CHICAGO PNEUMATIC TOOL

	—Common (Per Share)—		——Preferred (Per Share)——		
Year:	Earned	Dividend	Earned	Dividend	Net Tangible Assets
1950	*$6.60	$3.25	*$15.74	$3.00	------
1949	7.94	2.50	19.24	3.00	$140.06
1948	11.21	3.00	25.92	3.00	128.94
1947	10.41	3.50	24.29	3.00	109.38
1945	5.37	1.50	9.61	3.00	80.99
1945	3.57	1.50	9.61	3.00	80.99

*9 months.

OLIVER CORP.

	—Common (Per Share)—		——Preferred (Per Share)——		
Year:	Earned	Dividend	Earned	Dividend	Net Tangible Assets
1950	$7.31	$2.00	----	$4.50	------
1949	7.19	3.00	$74.99	4.50	$606.24
1948	9.38	3.00	96.54	4.50	565.16
1947	4.61	1.00	49.66	4.50	501.88
1946	2.04	0.50	24.44	4.50	466.50
1945	1.63	1.00	20.44	4.50	451.38

GLIDDEN CO.

	—Common (Per Share)—		——Preferred (Per Share)——		
Year:	Earned	Dividend	Earned	Dividend	Net Tangible Assets
1950	$4.11	$2.10	$42.91	$2.25	------
1949	3.23	*1.60	31.03	2.25	$284.84
1948	5.04	1.90	46.49	2.25	270.04
1947	7.57	1.10	63.95	2.25	243.15
1946	2.97	1.00	28.64	2.25	192.99
1945	1.06	0.60	11.77	2.25	175.96

*Plus 2% stock.

Friedman, Brokaw Admit

ST. LOUIS, Mo.—Friedman, Brokaw & Co., 711 St. Charles Street, members of the New York and Midwest Stock Exchanges, will admit Leonard Serakoff of Chicago to partnership in the firm on April 1.

Joins Walston, Hoffman

(Special to THE FINANCIAL CHRONICLE)

STOCKTON, Calif.—Stuart Ross has become associated with Walston, Hoffman & Goodwin, 343 East Main Street. He was formerly with Raggio-Reed & Co. and Mason Bros.

Fifty State Co. Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Philip F. McLellan has become connected with Fifty State Street Company, 50 State Street. He was formerly with Vance, Sanders & Co.

Joins Bache Co. Staff

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Isadore Banks has become associated with Bache & Co., Penobscot Building. He was recently connected with Charles E. Bailey and Company.

Joins Roney Staff

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Herbert G. Miller is now associated with Wm. C. Roney & Co., Buhl Building, members of the New York and Detroit Stock Exchanges.

With Mitchum, Tully

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Allen Mitchum is now with Mitchum, Tully & Co., 405 Montgomery Street, members of the Los Angeles Stock Exchange.

C. von Gunten Opens

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—C. von Gunten is engaging in a securities business from offices at 79 Post Street.

With Paul C. Rudolph

(Special to THE FINANCIAL CHRONICLE)

SAN JOSE, Calif.—Merton J. Carpenter has joined the staff of Paul C. Rudolph & Co., 40-D South First Street.

Joins Oakes Staff

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—Kingsley Barham, III has joined the staff of Oakes & Co., 605 Lincoln Road.

Dean Witter Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Leslie K. Sands is now with Dean Witter & Co., 632 South Spring Street.

READING COMPANY 1950

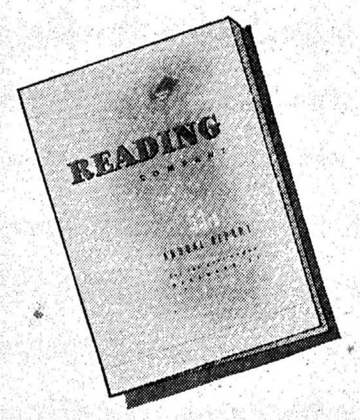
Revenues from operation were $118,952,178, an increase of 8% over 1949. Recovery from steel and coal industry work stoppages and freight traffic incident to defense effort contributed to this increase.

New equipment added included 24 1,500-hp. diesel road freight locomotive units, 6 1,500-hp. diesel passenger locomotive units and 1,600 freight cars of various types. On order for 1951 are 20 1,600-hp. diesel road switching locomotives and 1,500 freight cars.

All-electric car retarders were installed in Rutherford Westbound Classification Yard. Installation included new lighting, relocation of tracks and improved grade. Similar installation will be made in Rutherford Eastbound Classification Yard in 1951.

Annual Report compares operating efficiency between 1950 and 1940. It also shows in this period reductions of 12% in long-term debt, 36% in interest and 35% in net rentals.

President.



SIMPLIFIED EARNING STATEMENT

	December 31 1950	December 31 1949	Increase or Decrease
Revenues from Operation	$118,952,178	$109,747,175	$9,205,003–I
Expenses of Operation	93,530,278	91,266,297	2,263,981–I
Net Revenue from Operations	$ 25,421,900	$ 18,480,878	$6,941,022–I
Tax Accruals	$ 12,229,871	$ 8,900,159	$3,329,712–I
Net Equipment and Joint Facility Rentals	200,360	202,166	1,806–D
Net Railway Operating Income	$ 12,991,669	$ 9,378,553	$3,613,116–I
Other Income—Dividends, interest and rentals	$ 1,852,263	$ 1,932,286	$ 80,023–D
Gross Income Available for Fixed Charges	$ 14,843,932	$ 11,310,839	$3,533,093–I
Fixed Charges—Interest on funded and unfunded debt, rent for leased roads, and amortization of discount on funded debt	$ 5,536,281	$ 5,421,784	$ 114,497–I
Net Income Available for Dividends, Capital Expenditures and Other Corporate Purposes	$ 9,307,651	$ 5,889,055	$3,418,596–I

Are Stocks Too High for Prudent Investment?

By HORATIO L. WHITRIDGE

Associated with John C. Legg & Company, Baltimore, Md. Members, New York Stock Exchange

After analyzing basic facts and figures relating to stock market movements, Mr. Whitridge contends shares of leading corporations should continue to be held for investment, despite the many imponderables in present situation. Holds opportunities still exist for making prudent purchases in carefully selected issues, particularly in electric light and power industry.

Many investors are asking themselves at this time whether the Stock Market is at a level that is too high for prudent investment and whether it is not time to take profits. Having in mind Doctor Einstein's Theory of Relativity, the question is: "Compared to what is the Stock Market high?" It is quite natural that when investors read in the financial columns that the market is now at its 20-year high, they are reminded of the market collapse in 1929, the low of 1932 and the following depression of the 1930s.

However, the recent high of 255.71 as of Feb. 13 for the Dow-Jones Industrial Average has a long way to go to reach the Sept. 2, 1929, high of 381.17 and consideration must be given to the fundamental characteristics of the market itself contrasted with the speculative psychology of 21 years ago.

In 1929, capital gain was the main consideration and income was disregarded. Interest rates on call money rose to 15% and six months time money ranged from 7½% to 9%. During 1929, tax-free Government Liberty Loan 3½s sold as low as 96 while high-grade common stocks at the high of the market gave a taxable dividend return of only about 3¼%.

During 1929, the average number of shares listed, both preferred and common, was 942,492,000 while the stock trading volume during the year was 1,124,800,000, showing a turnover of 119% of the average shares listed.

Corresponding figures for 1950 show average shares listed — 2,259,445,000. Stock volume of trading was 524,799,000, showing a turnover of only 23%.

As of Oct. 1, 1929, the Stock Exchange members' total borrowings were $8,549,383,000 which represented 10.23% of the market value of all listed shares.

For Jan. 1, 1951, the Stock Exchange reported total member borrowings of $909,147,000 giving a ratio of only 0.74%, or less than ¾ of 1% of the market value of all listed shares.

Obviously, speculation was rampant during the "New Era" of 1929. On the other hand, the present market is predominantly an investment market with emphasis laid upon growth characteristics of the various industries, financial strength of the companies, earnings and dividend records, as well as conservative dividend rates compared to earnings.

The Dec. 31, 1950, value of all listed common stocks was $85,658,118,000 giving an average price of $38.09 per share for the 2,248,732,000 shares listed.

The 1950 cash dividends paid by 930 out of 1,039 listed common stock issues, aggregated $5,403,664,000. On the basis of these cash dividend payments, the 930 dividend paying common stocks at their Dec. 31, 1950, prices gave average yields of 6.7% on their year-end prices.

While it is true that the stock market has made a sensational advance in the last several years, this does not prove that it is too high from an investment point of view in relation to all of our economic conditions and the dynamic growth of this country in the last 10 years.

The National City Bank, in its monthly letter of February, devotes more than two pages to what it calls "Hindsight on an Old Bogey," meaning this country had reached maturity. From this article, we quote the following paragraph:

"Today as we look back on the anxieties and doubts of the '30s, we can recognize the old familiar pessimism of hard times. The '30s were not the first time that Americans have prophesied that opportunities for growth and development had come to an end, only to have their statements look foolish by what came after."

As to the outlook for 1951, the U. S. Department of Commerce has the following to say:

The Current Prospect

"The economy in the last half of 1950 was under the dominant influence of international events. These have set in motion programs which shape the outlook for 1951. Aggregate demand will exceed that of 1950 and the use of resources will be intensified. As a result, business will be called upon for a further increase in production. It will face many difficult tasks, including those of adjustment to defense work, to short raw material supplies, and to changing markets.

"More jobs will become available, and workers' aggregate income will rise as hours are extended and shifts are made to higher paying industries. Agriculture will be under pressure to expand output, with prospects of increased marketings and continued high farm prices.

"The Federal Government's basic concern will be with mobilizing the nation's resources to meet military goals, while at the same time controlling the forces of inflation. The basic challenge to production is well within the potential of the economy, a potential that will grow further in 1951."

Conclusion

On the basis of the facts and figures given in this article, I am of the opinion that the common stocks of this country's leading corporations should be held. I appreciate that at the present time there are so many imponderables in the world that forecasts have never been more difficult, and also recognize that military reverses to the Allied Nations on the one hand or peace overtures on the other could cause a sharp decline in the stock market.

However, I doubt if it would prove worthwhile for investors to take profits now, pay profit taxes, lose income for an indefinite period, all in the hope of repurchasing at sufficiently low prices, to make the operation worthwhile. Also, in the case of excess cash in the hands of investors to whom income is a vital consideration, I believe carefully selected new purchases can be made.

In this connection, I recommend that special consideration be given to the stocks of the electric light and power industry which seem to be definitely behind the market.

The New York Stock Exchange statistics are taken from the Exchange Magazine, and the New York Stock Exchange Year Book of 1951. The government statistics are taken from the Federal Reserve Bulletin, January 1951.

N. Y. S. E. STATISTICS 1940-1950 COMPARED

	1940	1950	%
Number of common stock issues listed	829	1,039	+ 25.4
Number of shares listed	1,355,396,000	2,248,732,000	+ 85.1
Market value of common stocks	$35,601,001,000	$85,658,119,000	+140.5
Approximate average value per share	$26.27	$38.09	+ 45.0
Est. aggregate common stock dividends	2,098,952,000	5,403,664,000	+164.1
Yield of total cash dividends on total market value of common stock	5.90%	6.32%	+ 7.13

NATIONAL STATISTICS 1940 AND 1950 COMPARED

Corporate Profits, Taxes and Dividends

(Billions of Dollars)

	1940	Est. 1950	%
Profits before taxes	$9.3	$40.2	+332.0
Profits after taxes	6.4	21.9	+242.0
Cash dividends	4.0	8.9	+122.0
Undistrib. profits	2.4	13.0	+440.0

Personal Income

(Billions of Dollars)

1940	1950	%
$78.3	$231.1	+195.0

Individual Ownership of U. S. Government Securities

(Billions of Dollars)

	1940	1950	%
Savings bonds	$2.6	$49.8	
Other govt. securities	7.5	17.6	
	$10.1	$67.4	+567.0

Population of U. S.

1940	1950	%
131,669,275	150,697,361	+ 14.5

Money in Circulation

(Outside Treasury & F. R. Banks)

(Billions of Dollars)

1940	1950	%
$8,732	$27,737	+218.0

Government Index Figures

	1940	1950	%
*Cost of living	100.2	175.6	+ 75.0
Wholesale prices	78.6	176.0	+124.0
Industrial produc.	125.0	217.0	+ 73.0

*The above cost-of-living index, showing the increase for the 10-year period 1940-1950 of 75%, shows that the purchasing power of the dollar has declined approximately 42%.

It is interesting that the decline in value of the dollar of 42% corresponds closely to the increase in the average price per share of 45% for all common stocks listed on the New York Stock Exchange for the same 10-year period.

Calkins Chairman of Albert Frank Agency

Howard W. Calkins has been elected Chairman of the Board of Directors of Albert Frank-Guenther Law, Inc., advertising agency, it was announced yesterday. He will assume the duties of the late Emmett Corrigan who had served as Chairman from Nov. 6, 1942, until his death in October, 1950.

Howard W. Calkins

Mr. Calkins joined the agency on Nov. 1, 1945, and became a Vice-President and director early in 1946. He has served as director of the public relations department and has been actively engaged in financial and business advertising. Prior to joining AFGL, he was associated with the financial editorial department of the New York "Times" for ten years.

Bickford With Goddard

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—John W. Bickford has become associated with J. H. Goddard & Co. Inc., 85 Devonshire Street, members of the Boston Stock Exchange. He was formerly Milford manager for Trusteed Funds, Inc., with which he had been associated for many year.

LETTER TO THE EDITOR:

Says Gold Statute Discriminates Against American Citizens

George F. Bauer, Vice Chairman of International Trade Section of New York Board of Trade, Inc., contends permitting holding of unrefined gold and prohibiting ownership by individuals of gold bars and coins in U. S. is an injustice and tends to increase gold prices and thus promotes inflation.

Editor, The Commercial and Financial Chronicle:

In his article on "Purchase and Sale of Unrefined Gold" in the "Commercial and Financial Chronicle" of March 1, 1951, Mr. Morton Seidel says, "History shows that gold has been one of the sure ways to protect one's self against inflation." He points out that gold can be legally bought in the United States for this purpose if it is in its natural state. If one can possess gold in its natural state legally, the awkward question comes up why cannot one hold gold in form of bars or coins legally. In these latter forms gold more properly functions as a monetary base and can more readily be handled than if in its raw state.

George F. Bauer

There have been introduced into Congress two bills which if enacted would make possession of gold in its refined form available to those desiring it at the rate of $35 per ounce. It is not necessarily an objective of such a gold standard to have holders of our paper currency turn it in and ask for gold in its stead. Rather does this commitment of our government to make good on the currency it issues in terms of gold tend to stress the fact that sound money must represent in itself a title to some product of universal worth, such as gold. Official extravagance is effectively discouraged if appropriations become commitments indirectly in units of gold and not just in paper money. By the letter the government is not committed to make good upon demand redemption with a substance of universal worth.

In one chart accompanying Mr. Seidel's article there is an inference that commodities based on the old dollar, or gold redeemable dollar at $20.67 per ounce, are not high compared with the 100-year average. In the second chart, a little forecasting is attempted to show that the price of gold has risen to 248 shillings per ounce of gold and that on basis of a trend-line the gold in terms of dollars should approximate $60 an ounce.

Why should it? Does England determine the amount of gold our government is supposed to give up on demand for a definite number of paper dollars or does out Congress decide it? Parliament may decide how many shillings shall be required to obtain one ounce of gold in England. That is its internal affair, just as it is our internal affair to decide the rate at which our paper money shall be exchangeable for gold.

Neither the English Parliament nor our Congress has, however, given their respective peoples the right to own gold at any fixed rate. Central banks are the only ones accorded the privilege of getting gold at the rate of 35 paper dollars per ounce of gold. Individual holders of paper dollars, both here and abroad, are not accorded that privilege. We, consequently, have two kinds of dollars. The one kind embodies a title to gold at $35 per ounce. This kind is available to central banks. There is the other type that embodies no such title to a definite amount of gold. These are dollars held by individuals who, if they desire gold for them, have to pay what the market of open supply and demand specifies and take gold in the form it is made available to them.

In the United States, the individual has access to gold in its raw state at a figure considerably higher than $35 when consideration is given to the added expense of ultimately refining it into "handleable" form. In some foreign countries the individual having paper dollars can buy gold bars or coin with them but not at the price of $35 per ounce available to the central bank. He has to give up more of his paper dollars than 35, depending on the offers made to him by other individuals, possibly 41 or more. This discrimination against the individual holders of paper dollars here and abroad comes from lack of any obligation of our government to make good to them on the money it issues at the rate of $35 per ounce.

With enactment of HR 324, our government would be required to make good in gold to all holders of its paper money at $35 per ounce. In that event the dollar and 1/35th of an ounce of gold would be identical. With the discipline imposed by this action in matters of fiscal administration, all rates higher or lower than $35 per ounce would soon evaporate. A fundamental step to retard inflation would also have been taken and fears about hedging against inflation no longer be warranted.

GEORGE F. BAUER
Vice-Chairman

March 2, 1951
International Trade Section,
New York Board of Trade, Inc.
New York 7, N. Y.

Halsey, Stuart Offers Public Utility Bonds

Halsey, Stuart & Co. Inc. on March 13 publicly offered $2,000,000 Lake Superior District Power Co. first mortgage bonds, series D, 3¼%, due March 1, 1981 at 101.931% and accrued interest.

Proceeds from the sale of the bonds and from the sale of 42,334 shares of common stock are to be applied to pay or reimburse the company in part for the cost of additions, extensions and improvements to the electric properties of the company.

Beginning in 1952 the company is required to retire bonds annually and for this purpose the bonds may be redeemed at prices ranging from 101.931% to 100%. In addition bonds may be retired at the option of the company at prices ranging from 104.931% to 100%.

Lake Superior District Power Co. is engaged principally in supplying electric energy in parts of northern Wisconsin and in the western portion of Upper Michigan. The territory has an estimated population of approximately 110,000 and includes the cities of Ironwood, Mich., and Ashland, Wis.

LANE-WELLS COMPANY

SUMMARY OF ANNUAL REPORT FOR 1950

SETTING a new peak, consolidated gross income for 1950 was $17,299,366, an increase of nearly 8% over the $15,990,908 reported for 1949.

Consolidated net income for 1950 amounted to $2,308,895, or $6.41 per share, compared with $2,273,910, or $6.32 per share earned in 1949.

In December, 1950, Lane-Wells acquired a half interest in Well Surveys, Inc. of Tulsa, Oklahoma, a company engaged in the development and exploitation of radioactivity well logging techniques and equipment. Lane-Wells has been the exclusive licensee under Well Surveys patents in the United States and Canada. The other half of Well Surveys stock is owned by Socony-Vacuum Oil Company, Inc.

Net current assets increased from $1,829,081 to $2,265,644, despite the reduction of $475,000 in funded debt and the investment of $328,497 in a non-affiliated company.

Net investment in property, plant and equipment increased only $88,731 to a total of $7,525,913.

New field stations were opened during 1950 in Falfurrias, Texas; and Stockton and El Dorado, Kansas. Lane-Wells is now operating 68 service and sales stations, including 57 in this country, 9 in Venezuela, and 2 in Canada.

During the year Petro-Tech Service Co. added new facilities in several field camps and opened stations in Tucupido and Casigua, Venezuela. Construction of new or additional shop and office facilities was completed during the year in Houston, Oklahoma City, Shreveport, Houma, Pampa and Bay City, and work was in progress at the end of the year on an office building in Oklahoma City and buildings in Snyder, Texas.

Marked progress was made during the year in the design and development of new and improved equipment and products. New electronic apparatus and recorders for electrical logging, major improvements in bullet type perforators, a new cast iron, open-hole, shaped-charge gun, and further refinements of a shaped-charge Koneshot gun were a few of the important accomplishments during 1950.

Four quarterly dividends and extras were paid during the year totalling $2.80 per share. Lane-Wells had 2285 stockholders of record at the end of the year. Company's capital stock is listed on the New York Stock Exchange and Los Angeles Stock Exchange.

LANE-WELLS COMPANY

(and subsidiary companies)

CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 1950

ASSETS		LIABILITIES	
Cash and advances for working fund	$ 1,632,456.75	Accounts payable and other accruals	$ 910,542.77
Accounts and notes receivable *(Less $115,660.44 reserve for doubtful accounts)*	2,231,779.61	Note payments due within one year	225,000.00
Inventories	1,287,733.13	Federal and foreign income taxes estimated	1,750,782.00
Investment in non-affiliated company	328,497.05	Long term debt	1,575,000.00
Property, plant and equipment *(Less $4,523,902.18 reserve for depreciation)*	7,525,912.81	Minority interest in subsidiary	170,676.74
Patents and other intangibles	157,350.81	Capital stock — *Authorized 500,000 shares, par value $1, issued and outstanding 360,000 shares*	360,000.00
Deferred charges	373,088.86	Capital surplus	1,607,714.00
		Earned surplus	6,937,103.51
	$13,536,819.02		$13,536,819.02

A Copy of the Annual Report will be sent on Request

LANE-WELLS COMPANY

Bullet and Koneshot Perforating • Radioactivity Well Logging
Electrologging • Packers • Bridging Plugs

GENERAL OFFICES AND PLANT • 5610 SO. SOTO ST. • LOS ANGELES 58

57 Branches in Principal Oil Fields of the United States.
Petro-Tech Service Co., a subsidiary, 9 branches in Venezuela.
Lane-Wells Canadian Co., a subsidiary, 2 branches in Canada.

Connecticut Brevities

Directors of **United Aircraft Corporation** have voted to submit to stockholders at the annual meeting on April 24 a proposal to increase the authorized number of shares of common stock from 3,-600,000 to 4,500,000. It is expected that if approved a one-for-five stock dividend will be paid in May. At the present time, there are 2,656,701 shares of $5 par common outstanding.

* * *

Niles-Bement-Pond Company's Pratt & Whitney Division has purchased a plant at East Greenwich, Rhode Island, from Crescent Corporation. The plant, which was formerly used as a worsted mill by Verney Corporation, will be used on war work for the duration of the present defense program. Employment at the plant is expected to rise to about 1,000 within 18 months. The plant contains about 100,000 square feet of floor space.

* * *

The Sikorsky Aircraft Division of **United Aircraft Corporation** is planning to expand its plant in Bridgeport by about one-third, making a total of about 500,000 square feet of floor space. Sikorsky is currently operating at capacity, producing three and ten place helicopters for the armed forces.

* * *

Hartford Rayon Corporation is planning a program of expansion in its facilities to produce carpet rayon. Stockholders will vote upon the recommendations of the Board of Directors at the annual meeting on March 29. **Bigelow-Sanford Carpet Company**, which at present owns 39% of the preferred and 38% of the common of Hartford Rayon, has stated that it plans to increase its holdings to a majority of the outstanding stock, at a cost of about $350,000.

* * *

Greenwich Gas Company has received approval from the Public Utilities Commission for its revised financing plans which provide for reclassifying the present preferred and issuing additional additional common shares will be offered to stockholders at $5 a share. Proceeds less expenses will be used to retire a $210,000 bank note and to provide approximately $53,000 of additional working capital.

* * *

The annual report of **United Illuminating Company** shows that revenues increased about 8% and earnings per share rose from $2.69 to $2.84 even after a 26.7% increase in taxes paid. During the year a 30,000 kilowatt unit was completed at the Steel Point Station at Bridgeport and plans have been announced for a new 30,000 unit at English Station in New Haven, to be completed in 1953. At the end of 1950 the company's 1,246,228 shares of common stock were owned by 14,125 stockholders.

* * *

During 1950 **Veeder-Root** increased its common earnings to $4.53 per share from $3.01 the year before. A material part of the increase was due to improved efficiency resulting from the new Homestead Avenue Plant. Prior to 1950 part of the operations were located in the older Bristol plant which was sold early in 1950, but at the present time all manufacturing of the part company is at the two adjacent Hartford plants. During the year Veeder's subsidiary, Holo-Krome Screw Corporation, built a small addition to its plant in West Hartford.

* * *

During 1950 **Powdrell & Alexander** converted its Danielson plant from production of curtain fabrics to other products, including dress goods and shirtings. As a result of this change, the company and its subsidiary, Gosnold Mills, produce a widely diversified range of textiles from cotton, rayon and nylon. The plant conversion, which was completed in late October, was reflected in operations during the fourth quarter when earnings rose to $0.56 per share compared to $0.43 for the first nine months of the year. At the year-end net working capital amounted to $5.9 million and the current ratio to 3.3 to 1.

common stock. The present $1.25 participating preferred will be changed to a $1.50 dividend non-participating preferred and 60,000

Lowenfels Re-apptd. by Curb Clearing Corp.

Bertram R. Lowenfels has been reappointed President of the New York Curb Exchange Securities Clearing Corporation for the ensuing year, it was announced following a meeting of the board of directors of the corporation. Mr. Lowenfels is a partner in the firm of Richard K. Kaufman, Alsberg & Co.

Other reappointments for the year include David U. Page as Vice-President, Wm. B. Steinhardt as Secretary and Treasurer and C. E. Sheridan as Assistant Secretary.

Thomas H. Hockstader, a partner in L. F. Rothschild & Co., was apointed Second Vice-President, and Philip F. Hartung of Harris, Upham & Co. was named Assistant Treasurer.

Mr. Hartung, Mr. Hockstader, Mr. Page and Mr. Steinhardt were appointed to serve with the President as the Executive Committee of the corporation for the ensuing year, it was announced.

"Vic" Cevasco 50 Yrs. With Albert Frank

Fifty years on any job is a long time, but fifty years as a "huckster" hauting the canyons of the financial district is an accomplishment that startles the imagination. However, that's the history of Victor J. Cevasco, Senior Vice-President and Treasurer of Albert Frank-Guenther Law, Inc., 131 Cedar Street, New York City.

Victor J. Cevasco

On March 12, "Vic," as he is affectionately known to a legion of business associates and friends, rounded out a half-century of service in "my first and last job."

Cable-drawn trolley cars were an innovation on that crisp day back in March, 1901, when Vic applied for his first job as a combination office boy, messenger, stenographer and general office assistant. Since he was the entire office staff, initially, he was forced to learn every angle of the business.

Vic's duties in the early days embraced picking up the newspapers and checking them for scheduled advertisements, handling correspondence, delivering ads and news items to the papers, billing the clients and then, in turn, paying the publications. In his spare time he made calls to discuss copy or solicit new business. He has run the gamut from filling inkwells to becoming one of the agency's leading producers and a top executive.

During his career, Vic has witnessed the transformation from a classified advertising agency doing a gross business of $25,000 annually to a general agency now handling approximately $10,000,-000 business annually. He has seen the offices and personnel mushroom from one room and one employee back in 1901 to a point where the main New York office now occupies three buildings at the corner of Cedar and Greenwich Streets and employs upward of 160 people. In addition, branch offices have sprung up in Boston, Philadelphia, Chicago, Washington and San Francisco.

A life member of the Downtown Athletic Club, and a member of the New York Athletic and Bankers Clubs, Vic's hobby is a citrus grove at Fort Pierce, Fla.

With Pohl & Co.

(Special to The Financial Chronicle)

CINCINNATI, Ohio—Alfred C. LeFeber is with Pohl & Co., Inc., Dixie Terminal Building.

With Waddell & Reed

(Special to The Financial Chronicle)

ST. LOUIS, Mo.—Robert L. Kelly has been added to the staff of Waddell & Reed, Inc., 408 Olive Street.

Missouri Brevities

The annual report of **Edison Brothers Stores, Inc.** with headquarters in St. Louis and operating 220 women's shoe stores from coast to coast shows consolidated net income of $2,727,544 for the year 1950.

This is equal to $2.91 per share on the number of common shares outstanding at the close of the year compared with $2,081,053 for the previous year, or $2.14 per share on the number of shares then outstanding.

Under the present Excess Profits Tax Law the company can earn approximately $2.65 per share before the Excess Profits Tax rate applies.

The consolidated balance sheet reflects a current ratio of 4.30 as compared with 4.56 on Dec. 31, 1949. The working capital was increased on Jan. 16, 1950 by the proceeds from a long term note in the amount of $1,750,000 maturing Jan. 15, 1967.

Cash and securities on Dec. 31, 1950 amounted to $9,037,001. This alone exceeded the total current liabilities by over $4,000,000. The company had no bank loans.

Inventories of $10,616,906 at the close of the year were considered normal as to quantities. The increase of $1,447,804 over the previous year-end is entirely due to additional stores and higher unit costs.

* * *

Southwestern Bell Telephone Company reports net income for 1950 of $26,229,337, compared with $16,159,965 in 1949.

Total operating revenues in 1950 reached $301,587,211 compared with $261,742,269 the year before and total operating expenses rose to $229,855,727 from $212,204,305 in 1949. Net operating revenues in 1950 were $71,731,484, compared with $49,537,964 the year before.

Fixed assets on Dec. 31, 1950, were $960,257,493 compared with $856,678,018 a year previous. Total assets were $1,017,773,102 against $908,844,010.

According to the company's annual report the earnings for 1950 were "too low to enable the company to show an adequate return on the money invested in the business," although some improvement over 1949 was recorded.

* * *

Kansas City Power & Light Co. reported net income for the year ended January 31 was $4,630,286, equal after preferred dividends of $700,000 to $2.04 a share on the outstanding 1,906,748 shares of common. This compared with net of $4,467,576, or $1.97 a share, a year earlier.

The company announced that the figures for the previous year had been restated to reflect the retroactive taxes of the 1950 revenue act.

Revenues for the 12 months were $31,887,565, against $29,805,-956. Operating expenses were $26,207,772 against $23,870,204.

* * *

The 42nd annual report of **The Western Auto Supply Co.**, a Missouri corporation, shows the company's sales in 1950 amounted to $156,093,000, the highest in its history. Net income after taxes amounted to $6,842,292, or $9.11 a share on outstanding common stock compared with $3,758,237 in 1949, or $5 a share.

* * *

American Asphalt Roof Corporation's sales for the year were $10,348,362, compared with $7,-953,283. Net profits were $454 191, equal to $6.89 a share on the outstanding 66,143 shares of common. In the previous year net earnings were $274,579, or $4.15 a share, after a flood loss of $231,419 on the Fort Worth plant.

Because of the huge demand for roofing materials, the company is building a new felt mill at Kansas City. The company's three felt mills are expected to provide ample dry felt for production of asphalt shingles, roofing, siding and saturated felts at each of its four roofing factories. Purchase of felt on the outside may no longer be necessary, a fact which should be of some influence in the more profitable operation of the company, Frank J. McGinley, President, said.

* * *

The report to stockholders of the **Johnson, Stephens & Shinkle Shoe Company** of St. Louis covering operations for 11 months ended Oct. 31, 1950 shows earnings for the period of $176,137 or $.80 a share on common stock compared with $226,213 or $1 per share for 12 months of the previous year. During the year under review and especially toward the latter part of 1950, costs materially increased and therefore wholesale prices of shoes materially advanced. The great majority of the shoes sold at advanced prices will be shipped in the fiscal year of 1951. This accounts for lower net earnings in 1950.

* * *

The annual report of the **Wagner Electric Corporation** of St. Louis for 1950 shows total net sales amounted to $80,967,620, the largest in the 60-year history of the company. This is an increase of $15,026,854, or 22.8% more than the total sales for 1949. The company's net income, after taxes (including excess profits tax) and overhead reserve amounted to $5,094,279 as compared with $3,-010,336 for 1949. This is 6.29% of the total sales and is equivalent to $10.21 per share on the 499,016 shares of common stock outstanding. Of this total $1,996,064 was declared and paid out in cash dividends. The balance, $3,098,215, was retained in the business.

LETTER TO THE EDITOR:

"New Deal's" Currency Policy Sired by Benighted Infidels And Damned by Dark Ages!

Editor, The Commercial and Financial Chronicle:

I take pleasure in presenting you herewith a copy of one of your old friends, "The Travels of Marco Polo," wherein I bespeak your attention to Book Two, Chapter 24, because it records to my mind the fact that the New Deal's currency policy which is now nourished by the men of Teheran, Yalta and Potsdam was sired by the benighted infidel Kublai Khan, and damned by the Dark Ages.

Berkeley Williams

Supplementing, I also present some incriminating bits of evidence from New Deal history for convenient reference.

Proceeding, I remind you that on Nov. 4, 1932 the New Deal candidate for President in a campaign address declared that there was no truth to a prediction the Republican candidate had made on Oct. 4, that the Democrats would debase and tamper with the currency, and that he unqualifiedly supported the plank of his party's platform which read,

"We advocate a sound currency to be preserved at all hazards."

Same New Deal candidate also cast strong implications against the Republican candidate for having suggested that the country was close to going off the gold standard and pronounced it

"Was a libel on the credit of the United States."

Yet on June 5, 1933, 42 days after the Treasury had launched a half billion dollars worth of government securities, payable in gold, the same said candidate who had become President, approved an Act of Congress abrogating the gold clause in all existing and future contracts, both public and private! The solemn covenant with the people was thereby wilfully broken, without one word of regret.

Later that New Deal President signed a bill authorizing himself to issue $3 billion in fiat money unsecured notes; and still later reduced the gold content of the dollar by 40.94%. Of which devaluation of the dollar Senator Carter Glass commented,

"To me it means dishonor. In my conception of it, it is immoral."

"Fair Deal" Truman, on Oct. 23, 1948 at Wilkes-Barre, Pa., said,

"We need controls on inflation. A Democratic Congress will give us these controls."

Well, the people elected a Democratic Congress but inflation, plus waste and extravagance are more uncontrolled than ever, to which have been added bickering, confusion and war.

Ergo, just as long as a New Deal-Fair Deal Administration is in power, just so long will this country not have a sound government, but will suffer for it has been proved that neither the New Deal's or Fair Deal's spoken word or public pledge can be trusted.

Both have discovered and put in practice what "the man" Bilbo said he discovered by visiting the Bureau of Printing and Engraving, namely, that it "cost no more to print a hundred dollar bill than a dollar bill." As everybody wants hundred dollar bills, hold your hat, here we go!

New Deal-Fair Deal technique has improved, but not its morals.

BERKELEY WILLIAMS

March 12, 1951
Richmond, Va.

Editor's Note: The chapter of "The Travels of Marco Polo" describing the early Chinese paper money follows:

"In this city of Kanbalu is the mint of the Great Khan, who may truly be said to possess the secret of the alchemists, as he has the art of producing money by the following process:

"He causes the bark to be stripped from those mulberry trees, the leaves of which are used for feeding silk-worms, and takes from it that thin inner rind which lies between the coarser bark and the wood of the tree. This being steeped, and afterwards pounded in a mortar, until reduced to a pulp, is made into paper, resembling, in substances, that which is manufactured from cotton, but quite black. When ready for use, he has it cut into pieces of money of different sizes, nearly square, but somewhat longer than they are wide. Of these, the smallest pass for a half tournois; the next size for a Venetian silver groat; others for two, five, and ten groats; others for one, two, three, and as far as ten bezants of gold. The coinage of this paper money is authenticated with as much form and ceremony as if it were actually of pure gold or silver; for to each note a number of officers, specially appointed, not only subscribe their names, but affix their seals also. When this has been regularly done by the whole of them, the principal officer, appointed by his Majesty, having dipped into vermilion the royal seal committed to his custody, stamps with it the piece of paper, so that the form of the seal tinged with the vermilion remains impressed upon it. In this way it receives full authenticity as current money, and the act of counterfeiting it is punished as a capital offence.

"When thus coined in large quantities, this paper currency is circulated in every part of the Great Khan's dominions; nor dares any person, at the peril of his life, refuse to accept it in payment. All his subjects receive it without hesitation, because wherever their business may call them, they can dispose of it again in the purchase of merchandise they may require; such as pearls, jewels, gold, or silver. With it, in short, every article may be procured.*

"Several times in the course of the year, large caravans of merchants arrive with such articles as have just been mentioned, together with gold tissues, which they lay before the Great Khan. He thereupon calls together twelve experienced and skilful persons, selected for this purpose, whom he commands to examine the articles with great care, and to fix the value at which they should be purchased. Upon the sum at which they have been thus conscientiously appraised he allows a reasonable profit, and immediately pays for them with this paper. To this the owners can have no objection, because, as has been observed, it answers the purpose of their own disbursements; and even though they should be inhabitants of a country where this kind of money is not current, they invest the amount in other articles of merchandise suited to their own markets.

"When any persons happen to be possessed of paper money which from long use has become damaged, they carry it to the mint, where, upon the payment of only three per cent, they receive fresh notes in exchange. Should any be desirous of procuring gold or silver for the purposes of manufacture, such as of drinking-cups, girdles, or other articles wrought of these metals, they in like manner apply to the mint, and for their paper obtain the bullion they require.

"All his Majesty's armies are paid with this currency, which is to them of the same value as if it were gold or silver. Upon these grounds it may certainly be affirmed that the Great Khan has a more extensive command of treasure than any other sovereign in the universe."

* "Early in the ninth century, bills of exchange came into use; and from the middle of the twelfth century paper money became quite common, and is still in general use all over China, notes being issued in some places for amounts less even than a shilling." Giles, "The Civilization of China."

Joins Saunders, Stiver Co.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—John W. Reeve has become associated with Saunders, Stiver & Co., Terminal Tower Building, members of the Midwest Stock Exchange. He was previously with T. H. Jones & Co. Prior thereto he was an officer of the Great Lakes Export & Import Corp.

Our Crumbling Price Control

By A. L. GITLOW*

School of Commerce, Accounts, and Finance, New York University

Dr. Gitlow warns Congress against maintaining leisurely attitude toward passing necessary monetary and fiscal measures, presumably under mistaken reliance on price control regulations. Maintains existing anti-inflation steps are crumbling; and, in any event, no price control law could prevent inflation. States organized farmers and labor are performing Alphonse and Gaston act, in which each succeeds the other in elevating price level.

Recent days have seen significant retreats by the price control authorities. Unfortunately, they have not clarified a basic flaw of the price control law. That flaw is the omission of effective control over farm prices which are below parity. This vital exclusion constitutes the basic justification for the demands of organized labor. As food prices rise, intolerable pressures are exerted upon labor leaders to press for increased wages. The reasons are obvious. First, food constitutes a major portion of the living expenses of wage earners. Second, wage earners are especially sensitive to food prices, because the housewife shops frequently for food and is conscious of daily changes in its prices.

Abraham L. Gitlow

Unfortunately, organized labor has not taken the initiative, in its public statements, in pointing out the problem arising from ineffective controls over food prices. Thus, nowhere in the lengthy United Labor Policy Committee statement explaining the mass resignation of labor's representatives from defense agencies is there a plain statement of the difficulties arising from this exclusion.[1] Instead, business is singled out as the culprit warranting labor's ire. This failing of labor's public pronouncements does not carry over into its less public statements. Thus, the "Economic Outlook," CIO publication, stated:[2]

"While ample power to control wages and salaries is provided by the Act, the rising cost of living cannot be effectively checked. *Despite the best intentions of the Stabilization Administrators Congress has tied their hands.*" (Italics mine.)

"No power is provided to hold down effectively the price of foods. (Under the Act, farm prices are allowed to rise to 'parity' levels. But many agricultural commodities are still selling below parity and thus their prices will be allowed to rise further. During World War II, a system of farm production payments was devised to hold down food prices for consumers while still assuring a fair return to the farmers. But no power exists under the Act to institute this system or any other which will accomplish the same ends.)"

Plainly, the authors of "Economic Outlook" understand the seriousness of subjecting control of food prices to the parity formula. What is not so clear is their evident distaste for "calling a spade a spade." Organized labor is meticulous in its care not to alienate organized farmers. Rising farm prices inflate the cost-of-living, which in turn presses organized labor to destroy meaningful wage stabilization. Labor understands this, but is impressed with the importance of "assuring a fair return to the farmers." However, it does not wish the "fair" return to be derived from "fair" prices. Contrariwise, it feels the prices necessary to yield a "fair" return are unfair. So the round-about technique of subsidies is suggested. Of course, subsidies are a way of hiding the true prices of goods from consumers.

*A summary of Dr. Gitlow's participation in a radio discussion on Station WEVD's (New York City) University Forum of the Air, Feb. 23, 1951.

1New York "Times," March 1, 1951, p. 18.

2"Economic Outlook," CIO, Vol. XII, No. 1, January, 1951, p. 2.

Are we to be witnesses to an exaggerated and tragic Alphonse and Gatson act between organized farmers and organized labor, in which each succeeds the other in elevating the price level?

The Logic of Retreat

The pressures forcing organized labor to combat effective wage stabilization were noted above. Reacting to these powerful forces, labor leaders withdrew from the defense agencies. Since vigorous and successful defense effort requires the voluntary cooperation of patriotic American labor, they must be brought back. This necessity produces extraordinary intellectual feats to justify paying as much of labor's price as seems necessary to win their return. Thus, Mr. Johnston issued a statement of policy, accompanying his approval of the Wage Stabilization Board's Regulation No. 6, which, in effect, ordered the Board to bury the approved regulation. For example, Mr. Johnston instructed the Board to prepare new regulations which would exclude fringe benefits from the 10% limit on wage increases. Wage Regulation No. 6 had included them in the permissible 10%. Mr. Johnston's reasons follow:[3]

"Health, welfare and pension benefits in general do not constitute payments which in fact compensate for increases in the cost of living. Nor do they add to the purchasing power of workers and thus to inflationary pressures.

"These benefits are a form of saving and to that degree are noninflationary. Furthermore, it is difficult to evaluate the cost of these plans accurately in terms of dollars and cents. Such an attempt would only result in confusion."

Fringe Benefits

Mr. Johnston's statement presents four reasons for excluding fringe benefits. First, they do not compensate for increases in the cost of living. Second, they do not add to purchasing power. Third, they are a form of saving and so noninflationary. Fourth, they are difficult to evaluate. Are these reasons valid?

We can consider points one and two together. Fringe benefits include programs such as health and pension plans. When such plans are non-contributory in nature (as a great many are), they represent the provision to workers of protection against illness and old age at no expense to them. To the degree that workers earlier provided such protection from their own incomes, they no longer need do so. Thus, in effect, their incomes have been expanded. Insofar as such expansion has taken place, fringe benefits represent a partial compensation for increased living costs. It would also represent an increase in effective total spending power, in the hands of wage earners, for the purchase of goods and services. If this effective increase in workers' spending power is accompanied by a reduction in stockholder incomes, there may be no overall increase in spending power (although lower income brackets tend to spend a larger proportion of their incomes for consumption than do higher income brackets). However, such a diversion of income from stockholders to wage earners is unlikely in an inflationary situation.

3New York "Times," Feb. 29, 1951.

Similar logic applies to Point 3. Fringe benefits may be a form of saving, and still inflationary, because the saving does not come out of the worker's income. As shown above, such benefits free a portion of the workers' income earlier held for contingencies. Therefore, it can be spent immediately on consumption goods, and have an inflationary effect.

In addition, all the points made by Mr. Johnston ignore the cost impact of fringe benefits. These benefits must be paid for by someone. If the someone is business, then business costs rise. Acceptance by price control authorities of the margin principle implies that such cost increases will be passed on in the form of higher prices. They will, therefore, be inflationary. If they were not passed on, of course, it would mean that a diversion of income from stockholders to wage earners had taken place.

The difficulties of evaluating a cents-per-hour equivalent of fringe benefits seem to be overemphasized by Mr. Johnston. Evidently, the wage board, in its original order, did not think them insuperable. Finally, if such benefits are omitted, they will be pressed by unions in lieu of wage increases.

Cost of Living Escalation

Mr. Johnston followed the above policy statement with an order allowing cost-of-living clauses in contracts effective as of Jan. 25. The order also stated that subsequent cost-of-living contract clauses "shall not exceed the 10% formula provided in Section 1 of General Regulation No. 6."[4] If the first provision alleviates existing inequities, the second creates new ones. This follows from the fact that collective bargaining is a year-round matter, with new contracts being negotiated at all times in different firms and industries. Any cut-off date is bound to curb some portion of organized labor. Allowing those cost-of-living contract clauses effective as of Jan. 25 invites a drive by organized labor to push the date forward. Thus, Dr. John Steelman negotiated a railroad settlement, effective as of Feb. 1, which included a cost-of-living clause. That settlement did not, strictly speaking, violate Mr. Johnston's order because the 12½-cent increase in basic wage rates, which it permits, constitutes some 8.4% of the $1.48 per hour these employees now average. However, it is likely that the first quarterly review of wage rates permitted under the settlement, will reach, or exceed, the 10% allowable under Mr. Johnston's order. Further, Mr. Johnston's order (General Regulation No. 8) has a time limit, as of June 30, 1951, on cost-of-living increases. Two serious questions arise. First, is the railroad settlement, which is government sponsored, going to be permitted to remain effective when, as appears likely, it comes into conflict with general wage stabilization regulations? If it is not, there are going to be difficulties, based on labor charges of bad faith. Two, if it does remain effective, how can the wage stabilization authorities refuse equal treatment to other segments of organized labor? For example, I would not expect Mr. Rieve, of the Textile Workers, to understand a type of logic which refused his rank and file members privileges extended to railroad employees. Therefore, it would not be surprising if the retreat on wage stabilization turned into a rout.

4New York "Times," March 2, 1951, p. 12.

Conclusion

Oddly enough, Mr. Johnston has provided the moral statement fundamental to proper price control. In the same statement calling for the exclusion of fringe benefits from the 10% limit on wage increases, he said:

"We can't hope to go on doing things in the usual way. Each of us must give up something. Each of us must practice self-discipline and self-restraint. That is the only way we can halt the inflationary disease eating at our economic vitals.

"Certainly we can't stabilize the economy if different segments race for advantage, and first one and then another shoots ahead of the rest. Our job in this agency is to see that the burden is shared as equitably as possible on the principle of equality of sacrifice."

We must all act upon the basis of these thoughts. Particularly, Congress must take them to heart. It must rectify the glaring exclusion of farm prices from control. After all, as of January 15, prices received by farmers were 110% of the prices paid by them. Generally, farm income is in a most favorable relationship to the income of other groups. Parity, which originally implied equity, no longer does so. While the word has continued to be used, the formula which it represents has been reworked in favor of the farmers.

Further, Congress is proceeding in a leisurely fashion in passing fiscal measures, presumably under the mistaken belief that existing price control measures provide time. If this is the belief, it is grievously in error. For reasons shown, existing anti-inflation measures are crumbling. And, more basic, any price control law could not, by itself, prevent inflation. Appropriate monetary and fiscal policies are necessary to achieve that goal.

Harris, Hall & Co. Official Appointments

CHICAGO, Ill.—Gene B. Heywood was promoted to Executive Vice-President of Harris, Hall & Company, 111 West Munroe Street, at the annual meeting of the directors and the following new Vice-Presidents were elected: Lore W. Alford in charge of sales, Carnot W. Evans in charge of the municipal bond department, Carl W. Jackson in the corporate buying department and Stuart C. Law in charge of the New York office. E. L. Heinemann was elected Secretary.

Norman W. Harris retired as a Vice-President but will continue as a director.

Duncan M. Rowles, who has had 38 years of service with the firm and with the bond department of the Harris Trust and Savings Bank, retired as Vice-President and director and plans to make his home at Grand Detour, Ill.

John W. Valentine, who has been a director and Vice-President in charge of the New York office, will resign and will be associated in the near future with White, Weld & Co., New York.

Officers re-elected were Edward B. Hall, President; Lahman V. Bower, C. Longford Felske and Hempstead Washburne, Vice-Presidents and Charles W. Carlson, Treasurer.

The new board of directors consists of Messrs. Hall, Harris, Heywood, Alford and Evans.

With Prugh, Combest Co.

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—James H. Matthews has become associated with Prugh, Combest & Land, Inc., 1016 Baltimore Avenue. He was formerly with Waddell & Reed, Inc., and in the past was Kansas City manager for Alexander & Co., Inc., of Chicago.

Not So Simple, After All!

Mr. Johnston [Economic Stabilization Administrator] said that the government could order a rollback all along the line and everyone would cheer "if the order didn't threaten to destroy your business; or threaten you with the loss of your farm."

Eric A. Johnston

"You might applaud that rollback if it didn't wipe out your job or cut your wage or salary back so far you couldn't meet instalments on your car or the mortgage payments on your home," he added.

That is what could happen, Mr. Johnston said, "if we arbitrarily shoved down the price of meat or suits or anything else to last year's figures when production costs—and wages—were lower, too."

"Would you want us to tailspin the economy in trying to stabilize it?" he asked.

"But we are going to roll back some prices—prices that are out of line with costs or conceal excessive profits," he promised. "We don't intend to permit any one to make a personal killing out of a public emergency. I think we can all understand that we shouldn't roll back prices just for the sake of a rollback."—From a radio broadcast as reported by the New York "Times."

Evidently Mr. Johnston has learned, and we hope the Administration has learned, that this business of "economic stabilization" by fiat is not as simple and easy as some commentators appear to suppose.

LETTERS TO THE EDITOR:

"European Attitude on Our Foreign Situation"

More letters on article by Ernest T. Weir, Chairman of National Steel Corporation, giving his impressions of a European trip of inquiry and in which he reported European attitudes adverse to our foreign policies.

We give in today's issue some more of the letters received by the "Chronicle" in connection with the article by Ernest T. Weir which appeared on the cover page of the issue of Jan. 18. Mr. Weir, who is Chairman of the National Steel Corporation of Pittsburgh, prepared his article "European Attitude on Our Foreign Situation," subsequent to a trip abroad where he had an opportunity to discuss the United States foreign policy with public officials and businessmen in various countries. Mr. Weir reported that an adverse attitude prevails toward U. S. policy in the Far East. Our European friends, he stated, do not hold Russia will soon precipitate war, and believe that the Iron Curtain hides weakness, not strength. Europe, according to Mr. Weir, desires direct negotiation between U. S. and Russia, as well as a better understanding of the Chinese problem, to prevent World War III.

Ernest T. Weir

The accompanying letters are in addition to those given in our issues of March 1 (page 3) and March 8 (page 13).

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

I have a very high opinion of Mr. Weir—very high indeed—but I do not happen to agree with him.

* * *

HON. EDGAR A. JONAS
U. S. Congressman from Illinois

The recognition of Communist China is one of the most controversial issues facing us today and I think Mr. Weir has presented his side of the case most convincingly.

* * *

ROBERT R. YOUNG
Chairman of the Board, Chesapeake & Ohio Railway Co.

I had already read Mr. Weir's views on our foreign situation and reacted most favorably. Indubitably, his proposals make sense to American overall interests—particularly to those individuals, and those to whom they are dear, who are asked to do the fighting.

The clash between a foreign policy which makes sense to Americans and the foreign policy which makes sense to those who seek to perpetuate political office (patronage or prominence) is one, however, which will only be resolved by prohibiting reelection. We are very naive when we describe American foreign policy of recent years as stupid. Indeed that foreign policy has accomplished its object for it has kept in power (patronage and prominence), election after election, those who conceived and facilitated it.

It will continue idle to debate foreign policy so long as we continue a political system directly contrary to that which our Founders conceived. It was farthest from their thoughts that our country should become ruled by the professional politician. Sixty-seven percent of our Senate are professional political lawyers, most of them still practicing. The percentage of political lawyers in Congress, Governorships, the Cabinet, and other offices is nearly as high. A lawyer's is the one profession which can legally describe a bribe as a retainer, or who can temporarily retire from but continue to **cooperate** with his business partners. Most political law firms make it their practice to have partners in both parties, so as to be sure to be able to continuously take care of clients. Many highly prominent Republican lawyer political figures are heavily in debt to the Administration for fees or favors. Just where the American Bar Association has been all these years on all these conflicts, in view of the ethics they profess, is an interesting question in itself.

As long ago as 1946 I said in a speech in accepting the "Financial World" Annual Report award for the Chesapeake and Ohio Railway:

"What we need today is a Truth in Politics Act to match the Truth in Securities Act, clause for clause. . . . The standards for measuring the honesty of our public servants, who ask us that we trust them with our liberties and our life, certainly cannot be lower than those they themselves have laid down for the custodians of merely our money."

Our Founders intended that our government should be run for a single term of office by successful men such as Mr. Weir, who would make their contribution to their country and get out, making room for some other successful man, in turn, to do his bit. Reward was intended to come in the deep satisfaction that comes from public service, not in "pap." The limitation of the Presidential office to two terms is a step in the right direction but the principle should be extended to every office and to one term—not to exceed six years.

The absurdity of the situation into which the Republic has been maneuvered is highlighted by the fact that for many years the list of men considered available for the office of President has included virtually no figures of practical business experience outside that "commercial" experience which comes in taking either side of any issue for a fee.

Until we return to the principle that the man is to serve in office, not be served, we will continue to get what we deserve in foreign policy which is an un-Godly mess.

* * *

C. P. CONRAD
President, Iowa-Illinois Gas & Electric Co., Davenport, Iowa

I have read Mr. Ernest T. Weir's "European Attitude on our Foreign Situation" and find in it much that I can agree with. I depart from his view as to the fundamental desirability of recognizing the Communist Chinese government. I believe one of the greatest mistakes in foreign policy made by the United States was to recognize the Communist Russian government. It would seem to me reasonable for the Christian nations of the world to establish minimum standards of conduct and to withhold recognition until these standards are met. Criminal nations, like Russia and China, would be boycotted and isolated. Certainly the United Nations today would make far more worthwhile progress without Russia as a member. The moral weight of such a truly United Nations would be sufficient to maintain the peace of the world.

On the other most controversial matter of the use of the atomic bomb, I agree with Winston Churchill that our possession of the atomic bomb has been the principal deterrent to aggressive action on the part of Russia. The United Nations, as reconstituted, should serve notice on the criminal nations that in case of aggression on their part the bomb will be used in its full power, and the United Nations should promptly so use it.

* * *

HON. GEORGE H. BENDER
U. S. Congressman from Ohio

I have found Mr. Weir's observations on recognition of Communist China most disquieting, and believe sincerely that any such sanction by our government or by the United Nations would be the signal for the communization of vast sections of Asia. In my judgment, this would be disastrous to the future of the world as we seek it.

* * *

ALBERT C. LORD
New York 5, N. Y.

You have done well, I think, in presenting Mr. Weir's remarks on the foreign situation in which our country finds itself today.

It is long past time when we should have some sound thinking applied to the long range effects of our actions in the world at large, when the people should have the real facts placed before them without any window-dressing of propaganda designed to cover up mistakes of the past. High time that the people put a stop to the making of half-baked commitments all over the world by administrators who would hide behind a so-called "bi-partisan foreign policy" and who cry for "unity," when what they really mean is vote yes and don't ask embarrassing questions.

Mr. Weir's article should have the widest possible distribution.

* * *

HORACE J. FULLER
Assistant Professor of Economics, The University of Connecticut New Haven, Conn.

Mr. Ernest T. Weir's article "European Attitude on Our Foreign Situation" in the Jan. 18 issue of the "Commercial and Financial Chronicle" is the most outspoken, frank, accurate, and courageous article I have seen. He expresses the ideas of great leadership, ideas which, if they can be implemented soon enough, will recapture world leadership for America, embark us onto the greatest period of prosperity we have ever known, and save us and the world from the tragedy of a futile world war.

I trust that you will make reprints of this article available quickly.

* * *

THOMAS SMALL
Boston 11, Mass.

The article is thought-provoking and especially effective coming from a man of Mr. Weir's position and reputation.

It is fashionable to attach the "Red" label to anyone who expresses the opinion that the present Chinese Government is truly representative of its people and is acting to protect what it considers to be its own national interest rather than at Russia's behest. Certainly, Mr. Weir's past actions preclude any possibility of calling him a "Red."

I wish it were possible for Mr. Weir's article and viewpoint to be spread through the general press, but I am afraid that the American people have been molded by their emotions resulting from the Korean war and are therefore little subject to dispassionate reasoning.

* * *

JOHN A. SCHOONOVER
President, The Idaho First National Bank, Boise, Idaho

This is an excellent article and I thoroughly agree with Mr. Weir. In my opinion, we have not used much intelligence in the conduct of our foreign affairs for many years. The Korean affair is inexcusable, and I suppose that stubbornness in government may eventually lead us into World War III. Headlines in today's newspaper give the inference that we are now fighting the Chinese Reds. A few more months of this sort of thing and we will be at actual war with them.

It is too bad that the many millions of folks who feel as Mr. Weir does cannot be heard by those who make the decision in Washington.

* * *

HARRY MORELAND
President, Great Lakes Pipe Line Company, Kansas City 13, Mo.

I agree with the conclusions reached and stated by Mr. Weir.

* * *

ABNER S. POPE
President, The Seaboard Citizens National Bank, of Norfolk, Virginia

I have had a number of thoughtful men express some of the views of Mr. Weir and I, myself, concur in some of the things he has to say. The problem, however, is not an easy one; for example, what are we to do about Japan?

I feel we should have never gone beyond the 38th degree line in the beginning—certainly we could not expect China to stand idly by as we approached her border—and I hold the view that China may not like Russia too well, but we are driving her into the arms of Russia. Just how to protect Japan, save face and get out of the mess is the problem.

* * *

H. E. MILTON
President, Milton Oil Company, St. Louis 5, Mo.

I am entirely in accord with Mr. Weir's views. I only wish that this information could be disseminated more widely.

Alfred Oldaker With Greenfield & Co. Inc.

Greenfield & Co., Inc., 40 Exchange Place, New York City, announce that Alfred E. Oldaker has joined the firm's trading department. In the past, he was with Greenfield, Lax & Co. and J. F. Reilly & Co.

Fewel Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Jerome Goldsmith has become affiliated with Fewel & Co., 453 South Spring Street, members of the Los Angeles Stock Exchange. He was formerly with Daniel Reeves & Co. and Morgan & Co.

Celanese Reports on

1950 in brief
with comparisons

(in millions of dollars)	1950	1949	1948
Net Income	40.4	20.6	39.5
Federal Taxes on Income	41.0	13.0	25.6
Net Income Before Federal Taxes on Income	81.4	33.6	65.1
Interest and Other Charges Less Other Income	1.4	1.6	1.2
Operating Income (percentage of sales)	82.8 35.6%	35.2 20.5%	66.3 28.8%
Wages and Salaries	58.3	56.6	66.2
Provision for Depreciation of Plants	11.7	10.8	8.5
Raw Materials and Other Costs	79.7	68.7	89.4
Sales	232.5	171.3	230.4
Dividends	17.1	16.3	15.2
Earnings per Common Share (dollars)	6.38	3.19	6.61
Expenditures for Additional Plant	6.1	7.9	41.1
Research	2.9	3.0	3.2

THE YEAR'S OPERATIONS:

Throughout the year the demand for our Company's products exceeded our capacity to supply. This situation existed in all the major divisions of our Company's operations—chemicals, chemical yarns and fibers, and plastics. Our facilities were operated substantially at capacity, with the exception of a limited reduction in the fourth quarter caused by the occurrence of some raw material shortages.

In an effort to meet the demand, steps were taken to increase production through process improvements, standardization of operations within individual plants, and by adding facilities to our existing plants. As a further step, construction of a new acetate staple fiber unit was begun at the Celriver plant, scheduled to come into production late in 1951.

As another step in our program to assure continuing and expanding sources of raw materials, the cellulose plant near Prince Rupert, British Columbia, was brought almost to completion by our Company's subsidiary, Columbia Cellulose Company, Limited. Production from this plant, which is scheduled to begin operations soon, should go far toward relieving the world-wide shortage of high grade cellulose.

The plant has been designed so as to be capable of expansion as our Company's requirements increase. This development ranks along with our chemical plant operation at Bishop, Texas. By these two long-range measures, a supply of our principal raw materials is being provided for use in the manufacture of our finished products, as well as for many defense requirements.

A further development in Canada was initiated late in the year with the organization of Canadian Chemical Company, Limited, with the object of producing cellulose acetate and industrial chemicals on a large scale, near Edmonton, Alberta, utilizing natural gases drawn from the extensive oil fields in the Province. Original processes for the manufacture of chemicals from natural gas, developed by our Company and utilized in the operation of its Texas plant, will be utilized extensively in this Canadian development.

Another significant development was the extension of our operations in Latin-American countries, particularly Mexico and Colombia.

Our Company stands on the threshold of a new era of development, not only for our domestic economy but for the economic growth of Canada and of other countries in the Western Hemisphere.

Mutual Funds

By ROBERT R. RICH

A NATIONWIDE SURVEY, representing a broad cross-section of opinion in the investment field, indicates that open-end investment companies emphasizing common stocks of American business in their investment holdings are widely favored over those of other types by individual investors, according to Kenneth S. Gaston, Chairman of the Board of Group Securities.

The survey, just completed, sampled over 400 investment dealers in all sections of the country. Its purpose was to seek helpful methods of presenting investment information in a clear and understandable way, particularly for the benefit of the many investors who are participating for the first time in ownership of common stocks through mutual funds.

"While first choice of individual investors, by two to one, today is in shares of companies primarily invested in common stocks," Mr. Gaston declared, "this preference is divided between common stocks of investment quality paying good dividend income, and common stocks in lower price ranges showing accelerated profit possibilities under the defense mobilization program."

In the second place, the survey discloses, are shares of the more conservative balanced fund, with investments composed of good-grade common stocks and high-quality bonds. The third position is shared by mutual funds restricting their investments to bonds, and those concentrating investments within a single industry or type of business.

The survey's overall results, said Mr. Gaston, indicate a trend to greater flexibility in the use of such shares by individual investors and emphasizes the need for stating investment policies and purposes of mutual funds in a clear and understandable way.

EDWARD G. LEFFLER, prominent as the founder of the Boston type of investment trusts, died at his home at the age of 58.

Mr. Leffler, who was born in Ellsworth, Wis., began in Boston in 1920 a mutual investment trust movement which reached a zenith with the organization of the Massachusetts Investors Trust of Boston in 1924.

He was associated with State Street Investment Corp. and was a co-organizer and director of Incorporated Investors. He was also consultant to a number of investment firms in New York prior to his retirement in 1943. During the war he was on the War Production Board.

THE COST OF Putnam Fund management during the last year was 3¢ a day for every 100 shares—taking a smaller part of the Fund's earnings than in any previous year. In fact, Putnam Fund proudly comments, last year's expenses, as a percent of income, was one-third less than it was five years ago. Finding something that **costs less** these days is kind of heartening.

Putnam Fund's total resources now tip the scale at something over $45,000,000, George Putnam, Chairman, announced at the annual meeting. He told shareholders that "we are living under a creeping shadow of inflation . . . Putnam Fund," he added, "proposes to take a middle of the road course, although it is not obvious just where the middle of the road is today."

A SUBSTANTIAL increase in holdings of public utility stocks featured investment changes in The Fully Administered Fund for the quarter ended Feb. 28, 1951. Through realization of profits in other sections of the list and reinvestment of the proceeds, public utility common stock holdings were built up to about 9½% and presently constitute the largest concentration.

Additions to the utility list were common stocks of Central South West Corporation, Consolidated Edison Company of New York, Montana Power Company, Niagara Mohawk Power Corporation, North American Company and Rochester Gas & Electric Corp.

WELLINGTON FUND has just completed a revision of its excellend folder, "Facts and Figures from Wellington Fund." The revised folder contains a new chart showing the results of an investment of $10,000 in Wellington Fund at offering price for the 10-year period from 1941 to 1950. The investment diversification and list of investments of the Fund as of Dec. 31, 1950, also are given. Copies are available from W. L. Morgan & Co., 1420 Walnut Street, Philadelphia 2, Pa.

Investment Registrations

FUNDAMENTAL INVESTORS, New York, on March 9 filed a registration statement with the Securities & Exchange Commission covering 1,500,000 shares of capital stock. Underwriter: Hugh W. Long & Co., Inc.

FIDELITY FUND, Boston, Mar. 9, filed with the Securities & Exchange Commission a registration statement covering 1,200,000 shares of $1 par capital stock. Underwriter: Paul H. Davis & Co., Chicago, and The Crosby Corp., Boston.

STEIN ROE & FARNHAM Fund, Mar. 6, filed a registration statement with the Securities & Exchange Commission covering 75,000 shares of capital stock. No underwriter.

MUTUAL FUNDS' earnings reports, dividend announcements, price quotations, registration notices, and other comprehensive statistical data regularly appear in the Monday Issue of The Commercial and Financial Chronicle.

And We Thought We Were Rich in 1929

1929 was the year in which everyone thought America had learned the secret of perpetual prosperity. From every corner of the world people came to study how the United States had achieved a prosperity unparalleled in recorded history. Prices of common stocks reached heights not since equalled.

This prosperity was not illusory to the people living then. But it soon developed that common stock prices had outdistanced even the great prosperity of those days. In the years since people have come to think of 1929 as a magic year when the country was richer than it ever would be again. How misleading this notion is can be readily seen from the figures shown below.

	1929	1951	% Increase
Industrial Production	100	216	116%
Population	121.7 million	152.9 million	26%
Receipts of Federal Govt.	$ 4.0 billion	$37.0 billion	825%
Expenditures of Fed. Govt.	$ 3.8 billion	$40.1 billion	955.3%
National Debt	$16.5 billion	$257 billion	1453%
Disposable Personal Income	$82.6 billion	$211.6 billion	156%
Non-agricultural Civilian Labor Force	31 million	54 million	74%
Aver. Hourly Earnings, Mfg.	$0.566	$1.542	172%
Wholesale Prices	95.3	175.3	84%
Consumer Prices	122.5	178.4	46%
Dow-Jones Industrial Aver.	381.17	255.71	—33%

From the vantage point of 1951 the figures shown for the condition of the country in 1929 make that year look more like a depression year than the year of a great boom. The enormous increase in our labor force, in our standard of wages, and in the productive ability of our economy have added great fundamental strength to the United States. And yet this increased strength has not been reflected in common stock prices.

Admittedly many stocks sold in 1929 at prices which were absurd in relation to their earnings. This, however, was not true of all stocks. General Motors, for example, sold at a high of 91¾ and a mean price of 62⅔. At its mean price, it sold at 11½ times earnings and at its high it sold at 16½ times earnings. There have been many years since when stocks have sold at similar price-earnings ratios.

How has this new prosperity been achieved? Partly through growth in population, partly through the expanding part the national government plays in the economy, partly through the enormous increase in the pay of labor (which has consequently expanded the ability of the nation to consume), and partly through the ever increasing productivity of labor per man hour. It is not true, as so many people seem to think, that these increases are really fictitious and are the result of higher prices.

On the contrary you will note that consumer prices have risen only 46% since 1929 whereas personal income after taxes has risen a whopping 156%. Notice also that while our labor force has risen 74%, our industrial production, which indicates only physical volume, has increased 116%. The difference is the result of increased efficiency.

If our economic system has no basic flaw, if it is not going to collapse as the Communists claim, we have built into our economy great and fundamental strength. In spite of the advance of the stock market over the last year and and a half, the American system is selling at a discount today.

The purchase of common stocks, whether through an investment company or otherwise, always entails risk. This is particularly true, of course, over short-term periods. Nevertheless, in our opinion, two things only are needed to advance stock prices to much higher levels: first, faith in the essential value of the American system, and second, recognition of how very greatly this country has increased in wealth and strength.

The Parker Corporation Letter.

Business Man's Bookshelf

Griffith Letter — Investment and business commentary naming the only industry the firm believes to be attractive—$10—B. Barrett Griffith & Company, Inc., Colorado Springs, Colo.

How to Make Money in a Declining Stock Market — Book on short selling—$1 per copy—Dept. D-1, Mark Weaver, Box 1130, Santa Monica, Calif.

Mutual Savings Bank Directory —1951 Edition—National Association of Mutual Savings Banks, 60 East 42nd Street, New York 17, N. Y.—$1.

Regulations Concerning Dealings in Gold and Foreign Exchange in France (8th Supplement) — in French—Monetary and Economic Department, Bank for International Settlements, Basle, Switzerland—The Supplement, 20 Swiss francs, plus postage — complete compilation (original edition and the eight supplements which have appeared to date), 90 Swiss francs.

Barrett Herrick Adds

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—Earl G. Bohnenkamp, Caspar A. Schneider, and George A. Wiley have been added to the staff of Barrett Herrick & Co., Inc., 418 Locust Street.

Passenger Automobile Situation

By MALCOLM D. BROWN*

Analyst, R. W. Pressprich & Co.,
Members New York Stock Exchange

Based on industry and relevant economic data, analyst concludes motor industry will become increasingly vulnerable over next five years, invalidating short-term estimates of demand and production. Predicts full supply of relatively new cars, increasing price competition, and disappearance of premium pricing. Expects eventual boom from pentup demand if defense program entails drastic and lengthy production curtailment.

For my contribution to this program, I want to discuss, in some detail, one aspect of the passenger car situation, the age distribution of cars and the implications thereof.

Malcolm D. Brown

First, let me tell a story—not to be funny, but to drive home one point. A guide showing a group of Americans through the Skoda Works in Czechoslovakia drew himself up proudly to inform them that "We, the people, own this factory" and "We, the people, receive the profits from its operations." There were three cars in front of that factory. They belonged to the Commissar of Defense, the Commissar of Industrial Production and the visiting representative from Moscow. Later, one of these Americans showed some Czechslovakians through the Ford plant in Detroit. He had to admit that the Ford family owns the factory and pockets the profits from it. But when he displayed the many thousands of automobiles parked at the Ford plant everyday, he, in turn, drew himself up to announce that "We, the people, own the automobiles."

The fact that we, the people, can own automobiles in overwhelming numbers is the fundamental of the automobile industry. It stimulates my imagination—and I hope it will stimulate yours—to trace the development of that ownership.

In 1900, at the dawn of the industry, 1/20 of 1% of American families owned a car. Eight years later this ratio was 1%. It became 10% in 1915 and 20% in 1917.

As of 1920, the registrations of passenger automobiles were equivalent to 33.4%—one-third—of the number of families in this country. Even then there was talk of a saturation point—that the industry would be unable to continue its growth. For application to the present day, we may ask who would have dared, in 1920, to predict that nine years later—in 1929—there would be 78 cars on American roads for every 100 families in this country?

The depression knocked the ratio down, but only to 65½% of the families in 1933—double the 1920 figure. The production of cars was much lower during the 1930s than during the 1920s but the number of cars on the road began climbing again after 1933. For a variety of reasons, cars were traveling more miles and were spending more time on their journey from the assembly line to the scrap heap. Because of the lengthening lives of cars production during the 1930s had a greater cumulative effect upon registrations. In 1940 the registrations exactly reattained the 1929 peak: 78.3 registrations for every 100 families. In the last year before the war, we made it 82, and now—that is as of 1950—it is 93.

Right here, this ratio should be clarified. It does not mean that 93% of our families own a car. A Federal Reserve Board survey has shown that only 56% of our families were equipped with a car in early 1949—51% of them had one car and 5% had two or more. From this it appears that ownership of some 25 to 30% of the cars was not vested in a family. Apparently 25 to 30% of the cars are owned by businesses, by governmental units and by charitable and other organizations rather than by families.

A Distant Saturation Point

This apparent facts puts a different complexion on the matter. A saturation point may be well beyond where we now stand. Over the last several decades the relative income level at which a car may be owned has been reduced in an astonishing degree. It is not at all clear that we must stop with car ownership restricted to 56% of our families as in 1949, or with passenger car registrations equivalent to 93% of our families as in 1950.

Most of these cars were not purchased from the automotive industry. Their owners bought them as used vehicles. The automobile industry is of course directly interest only in those people who buy new cars.

No one knows how many cars were owned, in any year, by people who bought them new. But it is not unreasonable to define cars aged less than three years as new cars, even though they may be sold to a second owner before they reach that age. It seems true, that before the war the buyers of new cars typically—although, of course, with broad variations—held them roughly for three years, then turned them in and again bought a new car.

In 1929 there were 340 cars aged less than three years for every 1,000 families. This ratio has already been adequately explained. The cars aged less than three years, after hitting a peak in 1929 at 340 for every 1,000 families, fell to 138 in 1933 and became 298 in 1937 and 276 in 1941, when the figure was held down by restrictions on production.

The 1929 ratio was not reattained until 1950, when it reached 352—not markedly higher than in 1929. These figures and similar ones which follow are of course estimates. They are based upon domestic shipments of automobiles and upon what appear to be reasonable rates of survival for cars made in each year back to 1926.

With a new high as to ownership of new cars—that is, of cars aged less than three years—this question naturally arises: Have we glutted the market for new cars? The question cannot be answered positively. Evidently, however, the new car market, if glutted, is only temporarily so.

As of 1950, there were very few cars in the fourth, fifth and sixth years of their lives. For convenience, these cars may be taken to represent the supply of good quality used cars. At the close of 1950, these were the cars made in 1945, 1946 and 1947—years of reconversion and strikes and years in which the industry attained far less than its full production potential. The estimates imply that in 1950 there were, for every thousand families, only 123 cars which were over three and under six years of age. This figure is lower than that for any year of the prewar decade.

There is, then, a shortage of used cars of good quality. Moreover, as of 1950, the only cars in the next age bracket—over six but under nine years—were those remaining from production in the first two months of 1942. As of 1950, these amounted to a mere 5 for every thousand families.

The total number of cars aged less than nine years remains at a very low level. Cars in this age bracket—up to nine years—have been traced back only to 1934, but, when expressed in relation to families, a figure lower than the current one probably did not exist before the war since well back into the 1920s.

Even though the domestic market has received twenty and one-half million cars in the five and one-half years from the close of the war to the close of 1950, the number of cars aged less than six years is by no means large. It figures to only 475 for every thousand families. This number was evidently more than 500 in 1932 and several years before that, and it was more than 500 in 1940 and 1941 as against the latest figure of 475.

A Shortage of Good Used Cars

There is a shortage of good used cars. Behind that, there are virtually no cars aged six, seven, eight and nine years. Some part of the people who would normally buy cars of those ages must bid for the younger used cars—thus imposing an additional demand upon the younger cars, which are in short supply even without that additional demand. Therefore, some people who would normally buy used cars of good quality are forced into the purchase of new cars. Such a situation obviously bolsters used car values and enhances trade-in allowances. All this tends to sustain a high demand for new cars—certainly a higher demand than would exist were there an adequate supply of good used cars.

The present abnormality in the automobile market will change its form as the hole in the used car market progresses to the older age brackets. In another five years (at the close of 1955) there will be virtually no cars in the eleventh to fourteenth years of their lives. The number of cars in their fifteenth or later years can scarcely be significant either in quantity or in quality. Also, at the close of 1955, cars made in 1946 will be in their tenth year. There are not many cars in that group. By the close of 1955, then, cars aged less than nine years will make up very nearly all the cars on the road.

An At Least 4 Million Unit Average

If that is to be the case—and an alternative is difficult to visualize—and if our people are to be as well supplied with cars as they are now, domestic shipments of passenger cars must average at least four million units annually over the next five years. And that figure assumes only a moderate increase in population. There may of course be a lessening of prosperity, which would lower the number of cars on the road and hence lower the required production. Or there may be a continued growth in registrations. If car population can be increased by another 10% in the next five years, the average production over that period may go to almost five million units annually.

Even four million as an average over so long a period is an impressive number. It was exceeded before the war only in 1929.

Unless a war intervenes, cars aged less than nine years may attain a new high by the close of 1952. Thereafter, this group must continue to rise if the present car population is to be maintained. With no hiatus in production there may be a very full supply not only of new cars but also of high quality used cars and of used cars in the second rank of quality by the close of 1955.

Two results will follow from such a situation.

First, the industry will become increasingly vulnerable over the next five years. Consider 1938. National income fell off in that year by only 5 or 6%, but shipments of new passenger automobiles fell by 50%. Yet the estimates show a very small drop in the cars aged less than three years and actually show more cars aged less than six years in 1938 than in 1937. In other words, the part of the car-buying public that deals directly with the industry suffered little lowering of the quality of its transportation despite a 50% drop in the output of new cars. That is a fact regardless of how economists may explain the sharp recession of automobile manufacture in 1938.

From here out, as before the war, the buying of new cars must come predominantly from those people who already own cars aged less than six years. Because of the unprecedented production, first of 1949 and then of 1950, the average age of the cars in the group aged less than six years was only about two years at the close of 1950. Were the owners of these cars to withdraw completely from the market for a full year, their cars would average only three years of age. The owner of a car now six years old would have a vehicle seven years old.

These people would still possess transportation equipment of a very high quality. Were they to become at all worried about the future of their incomes, they could easily refrain from the commitments involved in purchasing a car. The automotive market may therefore already be vulnerable to rather minor shocks upsetting the confidence of people in their future prospects. For that reason, short-term estimates of automobile demand cannot be reliable.

A second result of a full supply of cars in all age brackets from new to the second rank of used car quality, is an an extremely competitive situation.

In early 1949, it will be remembered, General Motors prepared a statement for the Sub-committee on Profits, headed by Senator Flanders. General Motors testified that in November, 1948, its cars were priced 75% above the 1941 model prices. "Company A," as General Motors called it, had lifted its prices by 80%; "Company B" by 90%; and four other companies, combined, by 110%. That was pricing in a non-competitive situation when there was a short supply of new and relatively new cars and when each company could price according to its needs or desires.

With a full supply of new and relatively new cars, there will be no premium pricing. All car builders will have to meet the standards of value set by the most efficient producers.

At the same time, a full supply of used cars will reduce resale values. Trade-in allowances may not be attractive and new cars may be hard to sell in competition with offerings on the used-car exchange. Even the most efficient companies may have to offer improved values. Under these conditions, certain companies may well have trouble in maintaining their positions in the industry and in maintaining profits.

The immediate outlook is, of course, clouded by the defense program. No one seems to have a clear idea as to how many cars can be made this year—or, for that matter, so long as defense needs are calling the tune. This fact is now stimulating the demand for cars—buy them while they can be had.

Without that stimulant, demand might already be much lower. The record number of new cars now on the road—of cars aged less than three years—would remain unchanged in 1951 with domestic shipments at only about 3.8 million units—some 40% less than in 1950. Shipments in that volume would also put the number of cars in the group aged less than six years at a level, with respect to population, which may have been reached during the 1920s but which was never attained after 1930. This does not prove that a reduced output would have occurred in 1951 even without a defense program, but shipments of less than 4 million units to the domestic market would certainly have been a possibility.

Moreover, an average production of some four million cars over the next five years implies a lower output in some of those years. This year is perhaps especially vulnerable, falling as it does after a year of almost unbelievable output. If so, the inception of defense production could scarcely be more opportunely timed.

The defense program insures a slashing of automobile production; but it will, as it gets rolling, also generate the purchasing power which sooner or later means a market for automobiles. Recent history proves that war accumulates and magnifies rather than destroys the demand for cars. It follows that to the extent the industry is prevented from supplying some four million cars a year over the next five years we may be building up a new pent-up demand with all its implications of another automotive boom.

*An address by Mr. Brown before the Fourth Annual Convention of the National Federation of Financial Analysts' Societies, New York City, March 7, 1951.

NASD Dist. No. 7 Elects Officers

ST. LOUIS, Mo.—The National Association of Securities Dealers, Inc. (N.A.S.D.) announces the following as officers and members of District Committee Number 7 (covering Arkansas, Eastern Missouri and Western Kentucky).

Chairman: George A. Newton, G. H. Walker & Co., St. Louis.

Vice-Chairman: James M. Canavan, Smith-Moore & Co., St. Louis.

Members: James A. Yates, Jr., Hill Brothers, St. Louis; Bert H. Horning, Stifel Nicolaus & Co., Inc., St. Louis; Irwin R. Harris, Scherck Richter Company, St. Louis; Louis A. Lanford, Hill, Crawford & Lanford, Little Rock; Andrew S. Mills, Newhard Cook & Co., St. Louis.

Secretary: Charles S. Glazer, Lewis, Rice, Tucker, Allen & Chubb, St. Louis.

Chairman Quotations Committee: Irwin R. Harris, Scherck Richter Company, St. Louis.

Chairman Uniform Practice Committee: James A. Yates, Jr., Hill Brothers, St. Louis.

With Hamilton Mgmt.

(Special to The Financial Chronicle)

DENVER, Col.—Fred H. Galbraith has been added to the staff of Hamilton Management Corp., Boston Building.

Joins Beil & Hough

(Special to The Financial Chronicle)

ST. PETERSBURG, Fla.—Dwight S. Ranney has become affiliated with Beil & Hough, 33 Fourth Street, North, members of the Midwest Stock Exchange.

With A. M. Kidder

(Special to The Financial Chronicle)

ST. PETERSBURG, Fla.—Ganson L. Bieder has become connected with A. M. Kidder & Co., 400 Beach Drive, North.

Electric Utilities in a War Economy

By WALTER H. SAMMIS*

President, Ohio Edison Company

Prominent industry leader asserts utility securities will remain attractive in war economy, provided taxation is not too inequitable. Calls attention of investors who are anticipating inflation and seeking securities of industries with raw material assets, that utility companies' assets are in long-lived structures and equipment whose value increases with inflation, and that volume of assets in dollars far exceeds annual gross earnings.

Whether or not we are at war may be technically debatable, but there is no doubt that we are already in a war economy. Increased rates of taxation and price and wage stabilization actions by the Federal government are sufficient proof.

Walter H. Sammis

Financial analysts and others have been endeavoring to estimate the effects of a war economy upon electric utility securities, particularly common stocks. This is not a simple or easy task as there are many factors that must be considered and the effect of these various factors varies to some extent with a utility's location, ratios of its different classes of business, its capital structure, etc. I shall endeavor to analyze many of these factors including growth, operating expenses, taxes, depreciation, rates and securities.

Growth

During the past 30 years the increase in kilowatt hour sales of electricity has averaged 7% per year. During World War II all classes of electric sales increased. In that period, however, the rate of growth of industrial sales increased more rapidly than in other years due to the greater industrial activity.

Further, during war periods the demand of the industrial customers in kilowatts increases but their rate of consumption of kilowatt hours increases at a more rapid rate primarily as a result of more two and three shift operations in industrial plants. This situation raises the utility system's load factor, that is, the ratio based upon the use (kilowatt hours) to demand (kilowatts). Therefore the utility operates its generating and other facilities at a higher percentage of its possible 24-hour output.

I particularly wish to call your attention to the material increase in load factor during World War II. Other factors being unchanged, the increment cost of supplying this additional electric energy to the customer at this increased load factor will be lower than average as the increment cost consists primarily of coal and maintenance expenses. Other items such as operating labor, meter reading, billing, collection expenses and general administration remain practically the same.

During a war economy, the normal growth of residential sales is handicapped by the restrictions on home building and the reduction in the manufacture of electricity consuming appliances, but in highly-industrialized areas this is offset to some extent by increased use of existing lighting equipment and appliances as a result of families doubling up or renting rooms to others as population flows toward the industrial centers and second and third shift production increases.

The extension of electric service to farm customers has to all practical purposes been completed; 93% of the farms in this country now have electric service and an additional 2% have it available from electric lines passing by. Incidentally, the electric utility companies, contrary to popular belief, serve approximately 50% of the total farms served. With the increased requirements for food as a result of the war economy and the lesser availability of farm labor, the farmer must resort to more mechanization which should give greater impetus to farm sales than was the situation during World War II.

Wages and Other Employee Benefits

Similar to any industry, a utility company should have good employee relations and pay wages and afford other benefits, such as pensions and insurance programs, which are in line with the going rates and conditions in the area. The electric utility companies, however, differ from most other industries in that the percentage of their gross earnings paid out for wages and other benefits only runs about 21%. The telephone and steam railroad utilities run 54% and 64%, respectively.

Further, the electric utility companies provide their employees with $56,600 of tools per employee. The latest figures available for all industry are for the year 1946, when the electric utility companies provided $53,500 of tools per employee as compared with $7,113 for all manufacturing enterprises.

Fuel

Another large item of utility expense is the cost of fuel. Increases in miners' wages and increased cost of transportation are factors tending to increase the price of coal; yet on the other hand the loss of sales to railroads as a result of dieselization and the loss of residential markets to gas and fuel oil, together with the increased mechanization of mines, have a tendency to decrease the price of coal. In general, the cost of coal (or equivalent in other fuels) delivered reached a peak in the early part of 1949, and since then has declined to some extent in the face of the miners' wage and welfare fund increases in 1948, 1949 and 1950 and the coal freight increases in 1948 and 1949. It is difficult to foretell the future cost of coal.

Most utility companies have coal riders in their industrial and wholesale rates and some utilities even extend coal riders to residential and commercial schedules so that a portion or all of the increased cost of coal is paid by the customers. This will vary for individual companies, but as an example, the company with which I am connected, picks up about 70% of the increased cost of fuel through the application of coal riders in its rate schedules.

Addition of New Generating Units

A utility company can rarely justify new highly efficient generating units solely on the basis of replacing old, less efficient units, but once the new units are installed to provide increased capacity to carry additional load they will be operated generally on base load, that is, as continuously as possible at full load thus reducing the hours of operation of the oldest and least efficient units with accompanying savings in generating costs.

Accelerated Amortization

The Revenue Act of 1950 provides for the accelerated amortization of facilities necessary in connection with defense programs. The present act together with the applicable regulations differs from that in existence during the last war in that presently "probable economic usefulness" at the end of the five-year period has been added to the considerations, and, further, that expenditures prior to Jan. 1, 1950 will not be considered. A number of utilities have already made application for certificates of necessity. As yet, to my knowledge, no utility applications have been acted upon, but I am informed that such applications are being looked upon favorably.

As you gentlemen know, you can only take depreciation for tax purposes once, so that from a long-range standpoint any additional depreciation that is taken during the five-year period reduces the amount of depreciation that can be taken in the future. However, in general, income tax rates are higher during war periods than during peace periods. In addition, one of the greatest benefits to the electric utility is that the accelerated amortization produces cash at a time very useful to the utility in its expansion program.

Taxes

Taxes are one of the largest items of electric utility expense. Electric utility companies pay 20 cents of every dollar of gross revenue for taxes. This is an unusually heavy burden as compared with other industries. The major portion of the utility's taxes, namely 11½ cents, goes to the Federal Government. In fact for the year 1949 electric utility companies paid 8.7% of their operating revenues as Federal income taxes as compared to 3.5% by all manufacturing corporations. These figures indicate that the electric utilities seem to be already carrying more than a fair share of the Federal income tax burden.

Further, I wish to call attention to the fact that the electric utilities are already paying and assuming themselves, i.e., not adding specifically to the customer's bill, a Federal excise tax of 3⅓% on all sales other than to industries engaged in manufacture.

In this connection I cannot refrain from calling attention to the inequity that exists in that local, state and Federal governments and rural electric cooperatives, which provide approximately 20% of the entire electric requirements in the country, pay no Federal income taxes, or the Federal excise tax on electrical energy.

Rates

The average price paid for electricity consumed in the home is lower today than a decade ago, and is one of the few, if not the only item of the household budget that has not increased during that period.

In general, rates charged by electric utilities are subject to approval by one or more regulatory bodies. Contrary to the belief of some, the most recent decision by the Supreme Court, namely the Hope case, provided that rates should be such as to enable a company to operate successfully, to maintain its financial integrity, to attract capital and to compensate its investors for the risks assumed, and did not provide as some believe, that the rate base should be original cost depreciated.

All rates of electric utility companies are exempt from the provisions of price control under the Defense Production Act of 1950, except that no utility may make any increase in its rates for service sold by it to others for resale to the public for which application is filed before a regulatory authority, unless the utility gives 30 days' notice to the Federal Government and consents that if the government desires it may intervene.

Regulatory authorities are cognizant of the fact that, if the utility is to provide the necessary increased requirements of existing customers and the extension of service to additional customers, it must be able to obtain the money required for expansion by selling securities in the competitive market with other utilities and other industries. During the past four years 139 electric utilities have received 224 rate increases of one form or another and it is my opinion, speaking in general terms, that when and where the utility companies need increases they will be permitted by regulatory authorities upon proper showing.

When revising residential rates, more and more companies are incorporating so-called demand features in their rate schedules for the larger demand customers. This has the effect of raising the rate level to these customers. At the present time only a small percentage of the customers will be affected, but as time goes on a greater and greater percentage will fall into this grouping as the larger connected load appliances and equipment are added.

Securities

The utility industry is not a mature industry and consistently needs funds for expansion of its facilities. Some of these funds, of course, are obtained from its depreciation and other accruals and from the earnings retained after dividends. The remainder, however, with perhaps the exception of a few severe depression years and World War II years, when expansion programs were at a minimum, must be obtained from the sale of securities.

The utility industry differs from all other industries in that it requires for its operation four dollars of investment for each one dollar of annual gross earnings, whereas many industries have a yearly gross revenue in excess of their investment. Thus with continual growth the utility companies are in the market for money quite regularly. The sale of the various classes of securities must in general be authorized by regulatory authorities. The utilities must provide suitable times earnings ratios in connection with bonds and preferred stocks, and must have earnings for common stock sufficient to attract capital whose owners seek not only a favorable return but a stability commensurate with that return. Records show that over a period of years the percent dividends on book value of capital stock and surplus has been more stable than for all manufacturing corporations and for all corporations and the percentage dividend has in general been higher.

Attention has frequently been called by investors to the fact that interest rates and preferred stock dividend rates are lower than years ago prior to the rapid decline in the purchasing power of the dollar. We all know that in general the Federal government's bond programs set the basic standards for the return on money invested. It is most unfortunate that prices of products and wages to individuals have increased materially over the past decade whereas the rate paid for money has materially decreased. As time goes on this factor, together with high taxes, may cause shrinkage of funds available for private investment and result in situations that we find in foreign countries. The general public must be constantly alerted to this, shall I say, socialistic trend that confronts us and apparently seems to be gradually increasing.

The percent dividend on electric utility commons has increased, which is contrary to the trend.

Further, some investors in connection with the investment of their money watch closely inflationary tendencies and, during periods of inflation or anticipated inflation, often favor securities of industries which have raw material assets. In this connection, one should not overlook the fact that the assets of the electric utility companies are in long-lived structures and equipment whose value increases with inflation and the volume of the assets in dollars is several times the annual gross earnings.

From 1926 to 1950 inclusive, a period of 25 years, the average return on electric utilities was 7.5% as compared with 7.8% for manufacturing corporations and 5.5% for all corporations. This shows electric utilities to be favorable both from an average return basis and from a stability standpoint.

In closing, the electric utility companies' securities in a war economy with taxation that is not too inequitable should be attractive.

*An address by Mr. Sammis before the Fourth Annual Convention of the National Federation of Financial Analysts' Societies, New York City, March 7, 1951.

Patriotic Mailing Matter Circulated By NYSE Firm

A patriotic and inspiring practice which should be copied by Stock Exchange houses and banking institutions throughout the country would be to reprint some of the admonishing quotations by the founding fathers of the Republic on the back outside flap of hundreds of thousands of mailing pieces which are put into the mail daily.

W. Everit Burnet

The foregoing suggestion is prompted by Thomas Jefferson's rating of economy and the dangers of wasteful public debt which W. E. Burnet & Co., 11 Wall Street, New York City, have recently reprinted on the back of all the firm's envelopes.

It is an idea that Mr. W. Everit Burnet, senior member of the firm, has urged and encouraged for a long time. The public-spirited passage which is now appearing on the back of all W. E. Burnet & Co.'s envelopes is both timely and suited to our country's present situation, viz.:

"I place economy among the first and most important virtues, and public debt as the greatest of dangers to be feared. . . . To preserve our independence, we must not let our rulers load us with perpetual debt. . . . We must make our choice between economy and liberty or profusion and servitude. . . .

"If we run into such debts, we must be taxed in our meat and drink, in our necessities and our comforts, in our labors and in our amusements. . . . If we can prevent the government from wasting the labors of the people, under the pretense of caring for them, they will be happy."

—*Thomas Jefferson*

Joins Butterfield Co.

(Special to THE FINANCIAL CHRONICLE)

JACKSON, Mich. — Roy E. Smith has become affiliated with H. H. Butterfield & Co., Jackson City Bank & Trust Company Building.

News About Banks and Bankers

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

Cyprian John Bridge has been elected to the post of Deputy Manager of the **London Office of Bankers Trust Company, of New York,** it was announced on March 14 by S. Sloan Colt, President. Mr. Bridge, a citizen of Great Britain, was educated at Eton and at New College, Oxford. He was associated with Guaranty Trust Company in New York from 1928 to 1933. He returned to London and joined the firm of Messel and Company, stock brokers, where he became a partner in 1938. He served in the Territorial Army from 1938 and through the war, attaining the rank of Lieutenant Colonel. After the war he became a partner in Messel and Company, where he is now associated. He will join Bankers Trust Company on April 9.

* * *

J. Marc Gardner was elected a Vice-President of the **J. Henry Schroder Banking Corporation** and the **Schroder Trust Company of New York** at meetings held by the Boards of Directors of the two banks on March 13. He formerly was an Assistant Vice-President of both banks. At the same time, announcement was made of the election of Emil Kuster as Assistant Vice-President and Max Stolz as Assistant Secretary of both banks. Mr. Kuster was formerly an Assistant Treasurer.

* * *

N. Baxter Jackson, Chairman of **Chemical Bank & Trust Co. of New York,** announced on March 9 the appointment of Robert L. Cushing as Assistant Secretary and of Robert W. Ostermeyer as Assistant Manager of the Consumer Credit Department.

* * *

The election of George F. Phillips as Secretary and Charles E. Rhodes, Jr., as Assistant Secretary of **Marine Midland Corp., New York,** was announced on March 7 by Charles H. Diefendorf, President, following a meeting of the board of directors.

* * *

At the regular meeting of the directors of **The National City Bank of New York** held on March 13, Assistant Vice-Presidents Robert P. MacFadden and Thomas R. Wilcox were appointed Vice-Presidents; and Assistant Cashier Walter W. Jeffers was appointed Assistant Vice-President. Mr. MacFadden will continue his association with the Canadian and transportation accounts, and Mr. Wilcox represents the bank on the West Coast. Mr. Jeffers' assignment is in the Middle West.

* * *

Edward R. McAuliffe has been appointed an Assistant Vice-President of the **Bay Ridge Savings Bank of Brooklyn, N. Y.,** it was announced by David B. McVean, President. For the past 21 years Mr. McAuliffe has been a senior bank examiner with the New York State Banking Department, the last two years of which he was in charge of the Division of Licensed Cashiers of Checks. Mr. McAuliffe was graduated cum laude from New York University with the degree of Bachelor of Science in Business Administration. He also holds the Standard Certificate from the American Institute of Banking and is a certified public accountant.

* * *

Advices March 7 from Joseph T. Donovan, Vice-President of the **Rockland-Atlas National Bank of Boston, Mass.,** state that at the meeting of the directors of the bank on Feb. 27 the usual quarterly dividend of 50 cents was increased to 60 cents per share, and was declared payable on March 20, to the shareholders of record as of March 9.

* * *

The election of Alexander Eagles as President of the **First National Bank of Madison, N. J.,** to fill the unexpired term of the late Henry L. Servoss, was announced by the directors of the bank on March 7. The death of Mr. Servoss on Jan. 26 was noted in our issue of Feb. 1, page 540. Indicating the election of Mr. Eagles as head of the bank, a staff correspondent at Madison of the Newark "Evening News" stated in part:

It was also announced that James E. Burnet, Jr. has been elected to the board. William L. Thebault was named First Vice-President to succeed Mr. Eagles and Ralph Peterson as Second Vice-President and Cashier. Other officers are James G. Barradale, Jr., Assistant Cashier and Assistant Trust Officer, and Miss Helen Thebault, Assistant Cashier.

Mr. Eagles is a real estate and insurance broker here. He was first elected to the board of directors in 1929, and was named Vice-President in 1934. Mr. Eagles was Chairman of the regional OPA office in the last war. He was an organizer of the James Savings and Loan Association and President since 1928.

* * *

Under date of Feb. 20 the Board of Governors of the Federal Reserve System reported that the **Peoples City Bank of McKeesport, Pa.,** a State member had changed its title to **Peoples Union Bank.** Later advices from the same source (Feb. 26) indicated that the Peoples Union Bank has absorbed **The Union National Bank at McKeesport,** and that with the absorption a branch was established in the former location of The Union National Bank to be known as Union Bank Branch.

* * *

An addition of $300,000 has been made to the capital of the **Central National Bank in Chicago, Ill.,** through a stock dividend of that amount, increasing it from $1,300,000 to $1,600,000. The new capital became operative March 6.

* * *

A proposal to increase the capital stock of the **Boatmen's National Bank of St. Louis** from 150,000 to 200,000 shares has been approved by the stockholders, according to the St. Louis "Globe Democrat" of March 6, which also said:

"The new stock will be offered to holders of the close of business on March 5 at the rate of one new share for each three old shares held for subscription at $40 per share. Rights expire at 12 noon, Monday, March 19. Any stock not subscribed will be taken by an underwriting group headed by I. M. Simon & Co."

The present capital of the bank is $3,000,000, par $20.

* * *

An addition of $150,000 to the capital of the **Commerce National Bank of Charlotte, N. C.,** through the sale of new stock, has brought it up to $750,000, from $600,000, effective Feb. 14.

* * *

The Peachtree Trust Co. of Atlanta, Ga., has changed its name to the **Peachtree Bank & Trust Co.** it was made known on March 1 by the Board of Governors of the Federal Reserve System; the bank is a State member of the System.

* * *

The capital of the **City National Bank of Tuscaloosa, Ala.,** has been enlarged to the extent of $150,000, a stock dividend, increasing it from $600,000 to $750,000, effective Jan. 16.

* * *

The capital of the **Citizens National Bank of Lubbock, Texas,** has been enlarged to the extent of $500,000, effective Feb. 8, raising it from $1,000,000 to $1,500,000. Part of the increase, viz. $400,000, resulted from the sale of new stock, while the further increase was brought about by a stock dividend of $100,000.

* * *

An increase in the capital of the **Broward National Bank of Fort Lauderdale, Florida,** from $500,000 to $1,000,000 as of Jan. 24, has been brought about by a stock dividend of $500,000.

* * *

Through a stock dividend of $500,000, the **American National Bank of Denver, Colo.,** increased its capital as of Jan. 24 from $500,000 to $1,000,000.

* * *

Plans to increase the capital funds of the **Anglo California National Bank of San Francisco** were approved by the shareholders at a special meeting on March 9, according to Allard A. Calkins, President. Mention of the intended plans was made in these columns March 8, page 1038. President Calkins' present announcement states that through the issuance and sale of an additional 250,000 shares of common stock, of the par value of $20 each, at a price of $30 per share, $7,500,000 will be added to the capital funds of the bank. Of this amount, $5,000,000 will be added to capital stock, increasing it from $15,000,000 to $20,000,000, and the remaining $2,500,000 will be added to surplus, raising it from $12,000,000 to $14,500,000. With the undivided profits and unallocated reserves of the bank, estimated at more than $6,000,000, the increase will bring Anglo's total capital funds to more than $40,500,000. Shareholders of record at the close of business on March 9 will receive rights to purchase one-third of a share of the additional stock for each share of the bank's stock held on that date. Subscription warrants evidencing the rights will expire at 5 p.m., Pacific Standard Time, on April 9. A group of investment houses headed by Blyth & Co., Inc. has underwritten the issue. The bank's purpose in issuing the additional shares is to increase its capital funds to a level more commensurate with the steady growth of the institution. Since the end of 1941, Anglo's banking offices have increased from 20 to 29, deposits at year-end have enjoyed a threefold increase from $202,859,015 to $607,920,478, and capital funds have risen from $26,281,023 to $33,396,139.

With Thomson, McKinnon

(Special to The Financial Chronicle)

CHICAGO, Ill. — William R. Dixon is with Thomson & McKinnon, 231 South La Salle Street.

Joins Laidlaw Staff

(Special to The Financial Chronicle)

BOSTON, Mass.—Winthrop C. Swain has become associated with Laidlaw & Co., 1 State Street.

With Wm. S. Prescott

(Special to The Financial Chronicle)

BOSTON, Mass.—Harry S. Alcorn has become associated with William S. Prescott & Co. He was formely with H. C. Wainwright & Co.

Railroad Securities

Missouri—Kansas—Texas

Missouri-Kansas-Texas stocks have been enjoying one of their periodic days in the spotlight recently. The preferred stock was particularly buoyant last week, and for many days ranked among the most active issues on the New York Stock Exchange. This is quite a distinction for such a relatively small issue—only 666,939 shares outstanding. The common also attracted quite a following but experienced a little more difficulty in moving ahead. As usual, it is difficult to decide whether increased activity in the stocks touched off rumors of a stock recapitalization plan or whether the rumors generated the activity. In any event the rumors were widespread. Also, additional stimulus was presumably provided by a considerable amount of short covering.

Rumors of a recapitalization of Katy are a recurring phenomenon. Some time ago a plan was formulated for satisfying the accumulated unpaid interest on the Adjustment bonds. It was turned down by the ICC, however, on the basis that there was no justification for paying these arrears off in new securities when it should be feasible in a reasonable period to pay them off in cash out of earnings. Since that time the company has made some progress in reducing the arrears through extra payments. Three semi-annual payments have been paid or authorized so far this year. Nevertheless, arrears will still amount to $175 per bond (three and a half years' interest) as of April 2, 1951.

Obviously nothing can be done about the preferred dividend arrears until the Adjustment interest is paid up in full. The amount involved is not very large. The Adjustment bonds are outstanding in the amount of $13,555,865 and the arrears as of April 1 will aggregate only $2,372,276. As a comparison, net income in 1950, after all fixed charges and regular interest on the Adjustment 5s, amounted to $6,348,000. As of the 1950 year-end the company had cash and special deposits of close to $15 million and net working capital topped $10 million. There is considerable ground for the belief that the problem of interest arrears will not be with the company for many more months.

While liquidation of interest arrears may be in reasonable sight, the dividend arrears on the $7 cumulative preferred present a much more formidable proposition. As of the end of last year these arrears amounted to $134.75 a share, or an aggregate of roundly $89,870,000. They accumulate at the rate of $4,668,573 per annum. Even the most arrant bull on Katy's long-term traffic and earnings outlook could not visualize the satisfaction of these accruals in cash out of earnings in the life span of any one now living. At last year's high level of earnings, and even if all net income could be used for the payment of current and accrued dividends, the job would take 53½ years.

Obviously, then, the only way the problem can be answered is through a stock recapitalization. Working out any such plan will certainly not be simple, and regardless of how many rumors there may be it is only realistic to recognize that possible consummation of any plan is still a long way off. Moreover, any plan that gives even reasonably fair recognition to the claim of the preferred holders for back dividends will have to deal drastically with the common.

Earning power of the property will hardly allow satisfaction of any substantial part of the back dividends in a new preferred stock. They will, therefore, have to be given a large share of the junior equity as is being done in the Boston & Maine readjustment plan. On this basis most rail analysts, while still feeling that the preferred has further price enhancement potentialities over the intermediate term, are inclined to take a dim view of the common stock around recent levels of 13-13½. In the two best of the past 10 years, 1948 and 1950, common share earnings amounted to only $2.27 and $2.08, respectively, and this was after allowing for only the regular dividend rate on the preferred stock now outstanding.

Thomas Pierce With Goodbody & Co.

Thomas S. Pierce

(Special to The Financial Chronicle)

ST. PETERSBURG, Fla.—Thomas S. Pierce has become associated with Goodbody & Co., 213 Beach Drive, North. Mr. Pierce was formerly proprietor of Thomas S. Pierce Company.

H. H. Sinclair Joins Hooker & Fay

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—H. Howland Sinclair has become associated with Hooker & Fay, 340 Pine Street, members of the San Francisco Stock Exchange. Mr. Sinclair was formerly manager of the industrial research department for Vilas & Hickey in New York City.

Joseph Andres, formerly with J. Barth & Co., and Robert P. Powers have also joined the staff of Hooker & Fay.

With Baker, Simonds

(Special to The Financial Chronicle)

DETROIT, Mich. — Henry B. Kinzie has become associated with Baker, Simonds & Co., Buhl Building, members of the Detroit Stock Exchange.

Canadian Securities

By WILLIAM J. McKAY

Canada perforce must follow to some degree the monetary policies pursued by her great southern neighbor. The intimate relationship between the two economies and the relatively greater force of U. S. economic pressures compel the Dominion to keep constant watch on developments to the south. At the same time however Canada has the advantage of a compact and more easily controllable economic system. In addition Canadian financial and fiscal management has been generally regarded as eminently sound and conservative. There is no reason therefore to follow blindly the measures adopted in a more complex situation, when independence of thought might suggest a more appropriate course. In the present confused state of economic reasoning Canada is well placed to set a strong constructive example.

As matters now appear the widely divergent opinions held on financial management here have created a highly dangerous situation. The economic sheet-anchor of a confident and stable government bond market is now slipping. Resort to manipulation of the basic rate of interest has replaced direct and more effective measures of credit control. Even before the Korean incident it was only too apparent that facilities for financing consumer goods and commodities were too readily available. Following the recognition of a state of national emergency still no effective check was placed on a consequently stimulated consumer demand. The mild curbs that were belatedly announced were not immediately operative as they should have been. The periods of grace that were permitted were open invitations for the consumer to beat the deadlines. In the meantime successive announcements of imminent cutbacks and widespread publicity concerning growing shortages added fuel to the inflationary flames.

The ever-mounting loan figures that were a direct consequence of failure to tackle the problem at its source led to deflationary action on the part of the authorities in the money market. From this point the problem of inflation has been progressively aggravated. In the first place the very fears of a decline in the government bond market provoked sales to the Federal Reserve and thus increased the inflationary potential. Further monetization of the public debt was also induced as a result of the open conflict between the respective aims of the Treasury and the Federal Reserve Board. The undesirable wealth of publicity concerning this controversy served only to accentuate the undermining of confidence in the government bond market. Attracted by higher loan rates following the raising of the rediscount rate the lending institutions naturally have been only too ready to liquidate their government bond portfolios and thus add to the already inflated volume of loans and mortgages.

Those directly interested in the bond markets which cover all phases of financing both domestic and foreign might ruefully inquire what has been achieved in the purported fight against inflation. The answer would appear to be still more inflation and a breakdown, which it is to be hoped is only temporary, in the hitherto smooth functioning of government, state, municipal, corporate, and foreign financing. It will also be recalled that without absolute confidence in the government bond market based on the gently declining rate of interest it would have been impossible to finance the vast expenditures of the war and immediate postwar periods.

Although Canada has so far followed a similar course, but without the doubts and confusion that have accompanied the Treasury-Federal Reserve dispute, it is not expected that the Dominion monetary authorities will yield to the current loud propaganda in favor of a basic policy of higher interest rates. Here also there are widespread doubts concerning the wisdom of the apparent abandonment of the stable interest rate policy, although those who share the views of the Treasury have been less vociferous than the hard money advocates.

There is little doubt that both here and in Canada it will be realized on deeper reflection that the pursuit of hard money policies holds many dangers for the U. S. and Canadian economies. Among these the most vital consideration is the harmful effect on the highly desirable principle of thrift. With the undermining of confidence in the stability of the 2½% rate, holders of Government Savings Bonds have no incentive to add to their savings but on the contrary feel it expedient to liquidate their holdings. Simultaneously with the present outcry for higher interest rates there is also a persistent expression of fears concerning the declining value of the dollar. This serves only to precipitate the liquidation of savings in the usual form of Government Savings Bonds. Consequently in place of satisfied holders of savings bonds we have a further body of potential purchasers of consumer goods. It will doubtlessly be once again demonstrated that reliance on the classic method of raising interest rates to combat inflation can have brutal results, among which is the almost inevitable economic depression. In countries such as Canada and the United States which are still in the stages of dynamic expansion continuance of some degree of inflation is still almost a necessity.

During the week there was naturally little business in either the external or internal sections of the bond market due to the current confusion in all bond markets. The Canadian dollar remained steady at 4⅜% and the trend should be progressively firmer as we approach the beginning of the Canadian export and tourist season. Stocks followed the decline in New York caused by uncertainty in the bond markets, but on the whole showed more resiliency, especially the Western oils.

THEN and NOW...

Guess Who?

If You Can't Turn to Page 32

(A)

(B)

Continued from page 2

The Security I Like Best

in the oil refining and chemical industries are not available at this writing, but it is known that they contemplate important additions to their capacity.

Increased capacity for steel plants, oil refineries and the chemical industry necessarily means greater demand for refractories products, and this suggests a commentary on the present position of North American Refractories Company.

The year 1950 was a good one for the North American Refractories Company. The final operating figures are not yet available, but the net earnings should approximate $3.80 per share on its common stock. Last year witnessed a sizable addition of $400,000 to working capital; a reduction of $100,000 in the funded debt and normal capital additions of $250,000 to its plant account. At the end of 1950 the sound book value of the common stock was approximately $31 per share and, of this amount, $13 per share was represented by net quick assets.

The company has authorized expenditures of about $1,000,000 at two of its strategic plants which are designed to increase capacity and effect important operating economies. Assuming there is no unusual delay in securing the necessary materials and equipment, the benefits of these expenditures will be partially reflected in 1951 and more fully in 1952. These expenditures will not require financing by the company. It may also be noted in passing that there is no conversion problem in this industry and, therefore, no special outlays necessary for that purpose.

The North American Refractories common stock occupies a satisfactory position with reference to excess profits tax. It is estimated that the excess profits tax does not come into play until $2.75 per share has been earned on the common stock.

The present position of the common stock may be briefly summarized about like this. It pays regular quarterly dividends of 20 cents per share, or 80 cents per annum, which takes only 21% of the 1950 estimated earnings. It is currently quoted around 13¾-14, or less than four times 1950 earnings and less than half its sound book value. All trade indications point to a satisfactory volume of business in 1951 and thereafter. For all these reasons the common stock should merit continued attention for the longer term.

EVERETT J. MANN
Associate Professor of Economics,
Duke University

Sheraton Corporation of America

Investors are continually on the lookout for growth stocks but find that many of them sell at premium prices. Sheraton Corporation of America is not only a growth stock but also offers an inflationary hedge. Furthermore, its stock can be purchased for a fraction of the sound value of its assets.

Everett J. Mann

Sheraton Corporation had humble beginnings during 1930s. In May, 1946, it was merged with U. S. Realty and Improvement, and total assets then amounted to $31,000,000. By April 30, 1950, total assets had grown to $73,000,000. In this time, the book value per share of common stock had increased from $8.23 to $15.54.

On April 30, 1950, company officials estimated the fair market value per common share to be $25. As of the present date, this figure has risen to $31.

The corporation owns a controlling interest in 29 hotels and three office buildings. The properties consist mainly of choice commercial hotels throughout the midwest, east, and Canada. The crown jewel of the Sheraton empire is the 1600 room Park Sheraton in New York City.

The Sheraton management is intent upon acquiring the leading commercial hotel in each of the cities in which it operates. Certain properties which did not fit into this classification have been sold. On most sales, capital gains have been realized.

The company has about completed the expansion of its chain of properties and is concentrating on cutting down operating costs throughout the chain. During 1949 a cost control program was inaugurated and savings in excess of a million dollars were achieved in 1950.

Financial Position

The reader of the April 30, 1950, balance sheet might feel the corporation has proceeded too far and too fast. The current ratio at this date is about one to two. The 41% ratio of fixed debt to total assets is likewise high. In the past year, however, some properties have been refinanced and tax claims have been settled. When retained earnings are considered, the April 30, 1951, balance sheet should show a current ratio of nearly one to one. This ratio is probably adequate for a hotel.

Originally the corporate capitalization contained 99,100 shares of preferred stock. Two-thirds of these shares have been retired with commensurate improvement of the earnings position of the common.

In times of depression, the prudent investor avoids corporations with heavy debt capitalization. If, as now seems probable, the 1950s will witness a deterioration of the dollar similar to that of the 1940s, the debt capitalized company has the manifest advantage of paying today's debts with ever cheapening dollars.

The Future

During a semi-war period, luxury hotels may feel a pinch. The Sheraton hotels, with their middle class clientele, however, should benefit from the increased travel both of businessmen and service personnel. As hard goods grow more difficult to purchase, spending in bars and restaurants should increase with salutary benefits to Sheraton's earnings.

There has been little building of commercial hotels in the past 20 years. With governmental restrictions, new building in the next two or three years will be at a minimum. When controls on commercial building are lifted, costs may be so high as to discourage further investment in hotel properties. Again, Sheraton should benefit from a scarcity of rooms available to transients.

Sheraton's earnings for the fiscal year ended April 30, 1951, are expected to run about $2.65 per share, with 65 cents of this being attributable to capital gains. At its current price of 11, the stock is selling for about four times earnings. When, on top of this fine earnings prospect, one is able to buy the stock at a price of 35 cents per dollar of fair asset values, is it any wonder Sheraton Corporation is "the security I like best"? The stock is listed on the New York Stock Exchange and, for investment purposes, constitutes a good businessman's risk.

Securities Salesman's Corner

By JOHN DUTTON

It is a well recognized fact that the salesman must manage the interview if he is going to make the sale. Certainly the prospect should never be allowed to put you on the defensive—if he does you're licked before you start. I heard one of the best stories about this important phase of sales work last week, when I was visiting with an old friend who has made quite a name for himself in his own home town, as sort of an authority on speculative stocks. During the past two years, salesmen who have been alert to the opportunity of developing customers who are primarily interested in situations that hold a promise of "price appreciation," have done very well. Such has been the case of this friend of mine, whose fame in this respect finally reached the country club where he was a member.

There are always some people who take a particular delight in putting the other fellow on the defensive. On this day, when my friend was relaxing in the locker room, one of the members whom he had known for years walked up to him and said, "I hear you are picking quite a few winners, how about giving me one." A remark such as this can be interpreted in several ways, either as a jest, or the opening remark of a more serious conversation. So playing it safe the securities man said, "How much are you thinking of investing?" The unexpected bluntness of the reply completely took the ball away from our would-be speculator and he replied, "Oh about $3,000 to $4,000." From there on the interview followed right through to a successful conclusion.

Realizing that the prospect was serious and that he had the initiative, our friend said, "Frankly, it wouldn't do you any good to know the names of the stocks which I have been buying; they are all traded over-the-counter, most of them are not very well known. In some cases I spend a great deal of money and time making investigations before I go ahead. If I gave you names they just wouldn't mean anything to you. Sometimes there is very little published information about them in the regular statistical services. I go out and meet the officers of these companies myself, and when I am satisfied that I've got something that looks like it is worth buying, I buy it for my own account. Some of the people that have been going into these situations with me have done pretty well as you know. My suggestion is, bring me a check for whatever you want to put into the next one and I'll go ahead. It may be a week or several months, I just don't know when, but I'll send you a confirmation after I've completed the deal." This sale was made and the customer bought his "speculative stock" without any more discussion.

There may be some criticism about this type of selling but I believe it is the only way that such business should be handled. The man who doesn't know he is speculating when he comes up to a securities man and says, "I hear you have been picking quite a few winners, why not give me one," just hasn't been born. If he wanted to take a chance on the judgment of the man who was selling the stocks to him, why go into a lot of unnecessary discussion? Either he wanted to put some money into such a situation, or he was only making idle conversation. The only way to find out was to call his bluff.

Idea?

According to the "Chronicle's" Edwin L. Beck, The First Trust Company of Lincoln, Nebraska, is using their postage metered stamp machine to do some advertising. Those firms which use such devices and send out a great deal of mail, might find that this is an inexpensive way of putting a message before their customers every time they write to them. The Lincoln Bank has a caption which reads, "Invest In Nebraska Securities—Consult Us About them."

Joins Chas. A Day & Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Sumner M. Chrimes is now associated with Chas. A. Day & Co., Inc., Washington at Court Street, members of the Boston Stock Exchange. In the past he was with Christianson, MacKinnon & Co.

With duPont, Homsey

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Sidney R. Gordon has become connected with duPont, Homsey & Co., 31 Milk Street, members of the New York and Boston Stock Exchanges. Mr. Gordon was formerly with F. L. Putnam & Co.

With Stein Bros. Boyce

(Special to THE FINANCIAL CHRONICLE)

LOUISVILLE, Ky.—David L. Gittleman is with Stein Bros. & Boyce, Starks Building.

World Trade in the Melting Pot

By PAUL EINZIG

Commenting on current lack of equilibrium in world trade, which hinders restoration of normal international exchanges of goods and services, Dr. Einzig ascribes situation to heavy demands for capital goods and raw materials in undeveloped as well as more advanced countries rather than to military stockpiling. Says outlook is confusing and unpredictable.

LONDON Eng.—Until recently it was widely if not generally assumed that the progress towards normal international trade was bound to continue. As a result of the devaluation of a number of currencies and the increase of productivity in countries that had been badly hit by the war, several countries have succeeded more or less in solving their balance of payments problems which were considered some years ago as being utterly incapable of solution. There has been a successful effort towards the elimination of trade barriers and towards the return to multilateral trading. Had it not been for the Korean conflict and its consequences, it would not have appeared unreasonable to assume that world trade would reach a new equilibrium within a year or two.


Dr. Paul Einzig

Yet even in the absence of war and rearmament race the world was heading for trouble. It is a popular mistake to attribute the present acute scarcity in raw materials entirely to rearmament and stockpiling. The quantities actually absorbed by rearmament and stockpiling represent a relatively small percentage of the world's total requirements. These requirements have swollen considerably by the increase of civilian demand. The standard of living has risen during recent years in most parts of the world, and industries are fully employed in producing the goods which can now be sold owing to the increased purchasing power of the consuming public. At the same time many countries embarked on ambitious investment programs calling for large quantities of capital goods. There appears to have been no corresponding increase in the production of raw materials. As a result, even in the absence of abnormal military requirements a shortage of raw materials would have developed, and the Korean conflict has merely accelerated the process.

The raw material shortage has contributed to a larger extent than the rearmament drive towards reversing the world trend towards normal trade. Long before rearmament will have gathered sufficient momentum to cause a fundamental change, raw material shortages have created a situation which has thrown world trade once more into the melting pot. It is no longer possible, as it appeared to be even a few months ago, to foresee future developments. Anybody who would prophesy a further narrowing of adverse trade balances and a continuation of the removal of trade barriers would be a very bold prophet.

First of all, the relative stability of prices has disappeared. There is a world-wide upward movement, but its extent varies from country to country and it is quite unpredictable. At present there seems to be a trend towards a growing overvaluation of the dollar, but it need not necessarily last. The extent of inflation is liable to fluctuate, and with it will fluctuate the purchasing power parities of currencies.

The attitude of Governments and Parliaments towards the freeing of international trade will depend on the degree of deterioration, actual or anticipated, of their respective balance of payments, and on the position and prospects of their stocks of essential raw materials. Even if a country has a balanced trade it might decide in favor of restrictions in order to safeguard its supplies of raw materials and essential capital goods. The attitude of most Governments has stiffened perceptibly in face of pressure in favor of the removal of trade barriers. The Torquay Conference on Tariffs was the least successful post-war conference of its kind. In the United States there is a tendency towards reversing the policy of concessions aimed at facilitating the import of foreign goods. The efforts to foster intra-European trade within the framework of the O. E. E. C. have come to a halt.

Nobody can foretell how exportable surpluses will be affected by rearmament and by raw material shortages. So foreign trade is liable to be affected considerably not only by the willingness and ability of the importing countries to import but also by the willingness and ability of the exporting countries to find the goods required by the importing countries. Indeed there is a growing trend towards a return of the sellers' market in many directions. Once more, as four or five years ago, luxuries will be the only kinds of goods with which most countries will be willing to part.

Amidst the prevailing international political situation, economic considerations will be overshadowed by considerations of national defense as factors determining the quantity, nature and direction of foreign trade. Goods will be diverted from their natural markets, and the desire to earn hard currencies will take second place behind the desire to secure essential strategic goods. Importers will be forced once more to disregard considerations of price and quality and to buy through "unnatural" channels.

The desire of Governments to accumulate gold and dollar reserves will be outweighed by their desire to buy reserves of essential goods. Some gold reserves accumulated at the cost of considerable effort are likely to decline considerably. On the other hand, some fortunately placed raw material producing countries are likely to accumulate large new gold reserves.

It may take years before progress towards a new equilibrium can be resumed. In the absence of another war a stage may be reached in rearmament at which it will be possible to slow down the pace. A rather high proportion of national incomes will continue to be earmarked for defense purposes, but the standard of living will gradually adapt itself to this. What matters is that the output of raw materials should be adapted to the increase in the combined civil and military requirements, or alternatively these requirements should be kept down to a level at which they cease to cause acute shortages.

Luttrell Maclin Is With Paine, Webber

Luttrell Maclin has been appointed director of advertising and public relations of Paine, Webber, Jackson & Curtis, 25 Broad Street, New York City, members of the New York Stock Exchange, it is announced by Lloyd W. Mason, New York managing partner of the coast-to-coast underwriting and brokerage firm. Mr. Maclin was formerly assistant sales promotion manager of Merrill Lynch, Pierce, Fenner & Beane.


Luttrell Maclin

Mr. Mason said that the appointment of Mr. Maclin was made in anticipation of an enlarged advertising and sales promotion program by Paine, Webber, Jackson & Curtis. "So far," Mr. Mason said, "we have only blocked out our enlarged program in rough outline. Details will be announced later. We are determined, however, that it be vigorous, up-to-date and in keeping with the traditions of the firm."

Mr. Maclin joined Merrill Lynch on his discharge from the Army Air Forces where he served as a glider pilot and intelligence officer. Prior to the war he was assistant to the President of the Association of Stock Exchange Firms and before that was, for eight years, a financial writer for the New York "Herald Tribune." He was one of the founders of the New York Financial Writers' Association.

Baltimore Bond Club Speakers Group Formed

BALTIMORE, Md.—The Bond Club of Baltimore has formed a new speakers bureau to publicize the advantages of private investment. The bureau is made of local investment bankers who will act as speakers for any gathering interested in finance and economics on a voluntary basis. Arrangements are under the direction of William L. Reed, Robert Garrett & Sons.

The group does not plan to advertise firms or investment situations, stressing instead the importance of individual savings and opportunity in the process of capital formation.

Among the speakers listed by the group was W. Lloyd Fisher, Baker, Watts & Co.; John Redwood, Jr., Baker, Watts & Co.; Harrison Garrett, Robert Garrett & Sons; Ralph L. De Groff, Robert Garrett & Sons; Frank D. Mead, Mead, Miller & Co.; C. Meredith Boyce, Mercantile Trust Co.; Theodore Gould, former President of the Baltimore Stock Exchange; John B. Ramsay, Jr., T. Rowe Price and Associates, and James B. Downing, Baumgartner, Downing & Co.

Joins Founders Mutual

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Mrs. Myrtle B. Hards is now affiliated with Founders Mutual Depositor Corporation, First National Bank Building.

Herbert Salomon

Herbert Salomon, senior partner of the New York Stock Exchange firm of Salomon Bros. & Hutzler, passed away at his home March 7.

Did You GUESS?

Here's the 1951 version of the two angels appearing on page 30.

W. Foster Webster Ludwell A. Strader

(A) W. Foster Webster, Hardy & Co., 30 Broad Street, New York 4, N. Y.

(B) Ludwell A. Strader, Strader, Taylor & Co., Inc., Peoples National Bank Building, Lynchburg, Va.

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following firm changes:

Harry Simon will retire from partnership in James M. Leopold & Co. March 31.

Alfred P. Otto will withdraw from limited partnership in Irving Lundborg & Co. on March 31.

Harry C. Thompson will withdraw from partnership in Scheffmeyer & Co. March 15.

Transfer of the Exchange membership of Murray Innes, Jr., to Harry E. Jonas will be considered by the Exchange March 22.

Transfer of the Exchange membership of the late Carl C. Shippee to Elmer K. Mason will be considered on March 22.

Transfer of the Exchange membership of the late Herman N. Scheer to George Hepburn will be considered by the Exchange March 22.

James Leopold Admits

James M. Leopold & Co., 15 Broad Street, New York City, members of the New York Stock Exchange, will admit Elizabeth S. Davies, Helen W. Davies and Harry L. Schein to limited partnership on April 1.

J. A. Francoeur With John A. Dawson Co.

(Special to THE FINANCIAL CHRONICLE)

WINTER HAVEN, Fla.—J. Alfred Francoeur has become associated with John A. Dawson & Co. of Chicago. Mr. Francoeur has recently been active as an individual dealer in Winter Haven. In the past he was associated with David A. Noyes & Co. and Brailsford & Co. in Chicago.

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

HERRIN, Ill.—William T. Dugger is with Waddell & Reed, Inc. of Kansas City, Mo.

With Robert Lewis Co.

(Special to THE FINANCIAL CHRONICLE)

ROCKFORD, Ill.—Elijah Lewis has become associated with Robert G. Lewis & Co., Rockford Trust Building, members of the Midwest Stock Exchange.

Joins Townsend, Dabney

(Special to THE FINANCIAL CHRONICLE)

LEWISTON, Maine—Edward C. Baylis is now affiliated with Townsend, Dabney & Tyson, 4 Park Street.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

Operating in a free market, with demand and supply the ruling feature so far, the government market has been putting on a defensive performance, on not too much volume. The panic selling seems to have abated and those that do not have short governments now have cash and the latter does not bring in earnings. Large institutions that have been sellers in the past have been buyers of long Treasuries, at prices not far from the lows. The conversion of the June and December 2½s into the 2¾% non-marketable bond is expected to be a very successful one. It is reported that some of the large life insurance companies, pension and state funds have been buyers of the last two ineligible issues, in order to turn them in for the non-marketable 2¾s. A part of this buying has been for rounding out purposes.

A favorable reception for the new 2¾% non-marketable, but not convertible issue should go a long way towards limiting the forces of inflation, and stalling much more drastic action by the authorities in their efforts to curtail the creation of inflationary credit. The successful exchange of the June and December 1967/72s for the new 2¾% securities might also bring about similar offerings for other outstanding long-term Treasury obligations.

Treasury Acted Fast

The money markets were again surprised last Thursday, when the Treasury, well ahead of the date set (March 19) announced the main features of the new security, the 2¾% issue, which is to be offered to holders of the June and December 15, 1967/72s in exchange for these 2½s. Anxiety over the features of the new non-marketable obligation was so great that the government market had been in a state of confusion, following the announcement that the Treasury would exchange the 2¾% issue for the last two maturities of the restricted bonds. Also it is indicated that very heavy liquidation at 100.22 was going on in the June and December 1967/72s, from the time the market opened on the Monday after the initial announcement was made until the plug was pulled at the opening last Thursday. The chaotic and confused conditions in the government bond market, which was dropping under not too much volume in certain issues, especially the eligibles, and the indicated heavy purchases by Federal of the Vics and the June 15, 1967/72s, were evidently sufficient reasons to make available well before the set time the most prominent details of the new issue. The atmosphere had to be cleared and Federal wasn't going to keep buying bundles of the exchangeable 2½s at the peg of 100.22. With the announcement of the main terms of the new 2¾% obligation, the government market was a free market, again something the financial district hasn't seen since the early days of World War II. The last of the pegs went out the window and the Vics were on their own, down to the par level. Since then, however, all of the taps have gone under 100.

Secretary of the Treasury Snyder disclosed that:

(A) The 2¾% non-marketable bonds which will be offered on March 26, in exchange for the outstanding 2½% due June and December 15, 1967/72, will be dated April 1, 1950, and will mature on April 1, 1980, and will be callable on April 1, 1975.

(B) The marketable Treasury notes into which the non-marketable bonds can be converted at the option of the subscribers, will be five-year notes bearing 1½% interest. The notes will be dated April 1 and October 1 of each year, with appropriate interest adjustment to the date of exchange.

(C) Interest on both the new bonds and notes will be payable semi-annually on the first day of April and October of each year.

New Debt Management Policy

The publishing of the pertinent features of the new 2¾% non-marketable bond convertible into a 5-year 1½% Treasury note, has beyond question brought with it a new policy in debt management. It seems as though the government bond market from here on is going to be a comparatively free market as far as Central Bank protection and pegged prices are concerned. Out of the maelstrom of confusion will eventually come order and this is the important word — order. It is believed the Central Banks from now on will maintain an orderly government market instead of a stable one which was the old pattern of support. With an orderly market, price fluctuations will most likely be wider, because there will be no set levels of support. Federal may or may not want to purchase issues even when they break par, because control of the initiative to create reserve balances must remain with the Central Banks this time. Under such conditions, it is believed the Vics and other long-term government bonds might stay below the formerly sacred level of 100.

The fact that the non-marketable 2¾% obligation will be convertible into a five-year 1½% note is evidently going to give the monetary authorities a new tool to use in their debt management program of the future. The managed money markets, with the management again back in the hands of Federal, will no doubt be used by the authorities to retard or hasten the conversion of the non-marketable bonds into notes and then eventually into cash. If there should be inflationary conditions as there are now the conversion would be made unattractive. The conversion at this time of the 2¾% bond into a five-year 1½% note would penalize the converter by more than 2 points. On the other end if there should be deflationary tendencies and the money managers should want to inflate the economy in order to retard declining business conditions, money rates would most likely be made attractive enough to bring about conversion of the bonds into the notes. These notes might even be sold at a profit and the funds used for mortgages and other business stimulating ventures.

Continued from first page

Curb Inflation With a Purchasing-Power Bond

Truman has asked additional taxes on personal incomes designed to yield revenues of about $4 billion a year. The President's proposal would close about one-fifth of the gap, but four-fifths of it would remain. In order for the gap to be entirely closed by the personal income tax, the yield of the tax would have to be nearly doubled. Can any one imagine Congress imposing an additional $20 billion a year in income taxes? Indeed, Congress is not likely to increase the personal income tax beyond the recommendation of the President. Hence, about $15 billion of the inflationary gap must be met by a higher rate of personal saving.

An increase of about $4 billion or $5 billion a year in personal saving can probably be brought about by reducing dissaving. Dissaving occurs when people spend more than their incomes. Some dissaving is made necessary by low incomes or by extraordinary expenses, such as those caused by accident or illness, but much dissaving occurs among the well-to-do or persons with moderate incomes who borrow to buy houses or durable consumer goods. This kind of dissaving can be limited by stricter credit terms — requirements of larger down payments and more rapid payment of loans.

The Need to Increase Personal Saving

If income taxes are raised to yield $4 billion more per year and if dissaving is cut by $5 billion a year, there will still be need to increase personal saving about $10 billion a year. How can personal saving be increased by this amount? Corporations can help by offering investors attractive securities, but in the main the job must be done by the government's offering savings bonds that are attractive to non-institutional buyers. The present type of E bond is not attractive, as is shown by the excess of redemptions over purchases during the last seven or eight months. The trouble is that most people expect that there will be some rise in prices during the next year or two and perhaps longer. Hence persons who buy the present E bonds are in danger of losing a considerable part of the purchasing power of their principal. This danger is made more vivid by the experience of millions of purchasers of E bonds between 1941 and 1948 who have already lost a considerable amount of their principal.

One way of offering a savings bond that is attractive to small savers would be to raise the rate of interest and to make the interest tax-exempt— as the British have recently done. Their new tax-exempt 15 shilling certificates, if held for 10 years, yield compound interest at slightly more than 3%, which is equivalent, at the standard British income tax rate, to more than 5½% on a non-exempt security. It would be desirable to offer American savers a tax-exempt savings bond.

But a tax-exempt savings bond should not be the only type offered. This conclusion rests upon three important reasons. In the first place, a tax-exempt bond of the conventional type would put buyers in the position of speculating on the movement of the price level. If a buyer wishes to speculate, that is his business, but certainly he should not be compelled to speculate. In fact, he should not be encouraged to speculate. In the second place, an offering confined to bonds of the conventional sort would expose the government to serious criticism and would injure the reputation of government securities in case prices did rise and there were a drop in the purchasing power of bonds of the conventional sort. The unfortunate experience of the buyers of E bonds during the Second World War cannot be held against the government. After all, there was a widespread belief that prices would drop after the war. But a **second** experience similar to that of buyers of E bonds during the Second World War would be seriously resented and would cause the government to be regarded as taking advantage of the lack of sophistication of millions of patriotic buyers of its securities. The government cannot afford to have a repetition of the Second World War experience with savings bonds. Hence, if it offers conventional savings bonds, it must give buyers a choice between conventional bonds and purchasing-power bonds. In the third place, it is unethical for a government heavily committed to supporting prices, if not to encouraging a rise in prices, to offer individual savers only bonds of the conventional type. Our government is committed to protecting the right of sellers of labor to organize for the purpose of raising their wages. Furthermore, it is committed by law to supporting the prices of agricultural products at high levels—under a formula which causes the government to spend large sums in support of prices of farm products even in periods of high employment. There is no prospect that Congress will modify the government's policy of encouraging high wages or high prices of farm products. When the government stacks the cards in favor of rising prices, it is morally wrong for it to invite small and unsophisticated savers to buy bonds of the conventional type without simultaneously offering them bonds payable in a fixed amount of purchasing power.

Particularly Important Now

It is especially important to issue purchasing-power bonds at the present time, because the mood of the public is inflationary—in contrast to public attitudes in the early years of the Second World War. Even before restrictions were imposed on the output of civilian goods and consumers could buy in unlimited quantities, consumers accumulated liquid assets. Total personal liquid assets increased from $45.1 billion in December, 1939 to $53.9 billion in December, 1941. The volume of personal saving grew rapidly from 3.8% of disposable income in 1939 to 10.7% in 1941.

Quite different is our attitude today. Individuals have been drawing down such liquid assets as savings bank deposits and government savings banks. Furthermore, there has been a general search for "inflation hedges." Consequently, there is danger of an unhealthy rise in stock prices and real estate prices. There is danger that many small investors in the next year or two will be persuaded to buy securities at prices that do not hold. If this were to happen, the public relations of business would suffer in much the same way that they did as a result of the stock market decline in 1929. In view of the widespread inflation-mindedness at the present time and the search for inflation hedges, the purchasing-power bond would be a prudent way of limiting the demand for stocks and real estate.

Recommended Provisions

The principal characteristics of the purchasing-power bonds should be as follows: (1) the bonds should be non-negotiable; (2) they should be redeemable after five years or more in the amount of principal plus interest both adjusted for changes in the purchasing power of the dollar; (3) they should be redeemable within five years at the number of dollars paid for them and without interest; (4) since the bonds would be a truly riskless investment, the rate of interest could be quite low, possibly no more than 1½% or even less; (5) the quantity of such bonds that each individual would be permitted to purchase each year should be limited. The purpose of the last provision would be to discourage the purchase of the bonds out of capital rather than income. The limit should probably be related to the individual's income as established by his last year's income tax return, with persons who paid no income tax permitted to purchase not more than a basic amount—say $500 a year.

The idea of a purchasing-power bond is not new. It was proposed by Irving Fisher over a generation ago, by Keynes in his testimony before the Colwyn Committee in 1927, by G. L. Bach and R. A. Musgrave in 1941, and by many others. Although the idea is old, there are still many misconceptions about it.

Answering The Objections

The best way to clear them up is to answer the principal objections one by one.

(1) *"Offering savings bonds payable in a fixed amount of purchasing power is virtually an admission by the government that inflation is inevitable. The issuance of such bonds would represent a defeatist attitude. It would mean that we are reconciling ourselves to inflation."*

The issuance of purchasing-power bonds is not defeatist in the sense that the government is giving up the fight against inflation. In fact, their issuance would mean that the government is fighting inflation with a new and powerful weapon. There would be, however, a certain wholesome realism in the issuance of purchasing-power bonds. Their issuance would recognize that many would-be savers expect prices to rise and, therefore, are looking for investments that will not lose purchasing power in case prices do rise. It is only common sense for the government to take notice of the mood and preferences of investors and to offer them securities that meet their desires. That is obviously the way to encourage saving in the face of rising prices.

(2) *"Purchasing-power bonds would be a form of built-in inflation. For example, if they were cashed when prices went up, they would add to the inflationary upsurge and put just so much more money into a rising market."*

This objection is made by a leading financial commentator. It is not well founded. If people expected a continuation of the rise in prices, purchasing-power bonds would be among the last assets that they would convert into cash and goods. Before purchasing-power bonds were converted into goods, savings bonds of the present type, savings bank deposits, and cash would be converted into goods, because as prices rise all of these assets would lose in value. It is the present type of savings bond, redeemable on demand and subject to loss in value if prices rise, that represents "built-in" inflation. Experience with E bond redemptions during the last seven months confirm this conclusion.

(3) *"The growth in the value of the purchasing-power bonds will encourage consumer expenditures even before the bonds are cashed and in particular will encourage expenditures after the emergency, thus bringing about a postponed inflation."*

It is true that as people accumulate savings, they become more willing to spend their current incomes. But the increased willingness to spend current incomes for consumer goods will be built-up gradually as savings accumulate. It is during the next year, when the government is increasing its expenditures on goods by $25 billion or more, that an increase in personal saving is badly needed. Two or three years from now, after the enlarged armed services have been equipped and the purchase of equipment is for replacement, the defense expenditures of the government will probably drop by $10 billion or $15 billion a year. At that time, larger expenditures for consumer goods will be needed. If the purchasing-power bonds bought in 1951 and 1952 create a higher rate of spending for consumer goods several years hence when government expenditures are dropping, they will have helped to stabilize the economy.

Incidentally, the postwar inflation of 1946, 1947, and 1948 was not financed to an appreciable extent by a reduction in personal holdings of war savings bonds or other liquid assets accumulated by individuals during the war. It was financed (1) by a liquidation of government securities held by non-financial corporations and unincorporated businesses; (2) by a rapid increase in business indebtedness; (3) by a rapid rise in personal indebtedness; and (4) by large gold imports. Much of the postwar inflation (though not all of it) could have been prevented by truly restrictive credit policies.

(4) *"The issuance of purchasing-power bonds would remove a powerful deterrent to inflation—it would 'sugar coat' inflation so that the public will to resist would be weakened or destroyed."*

It is a weak argument that the injustices of inflation are needed in order to make people opposed to it. The present arrangements for limiting the rise in prices are quite imperfect. There is no completely effective way to prevent people from converting their large holdings of cash and bank deposits into goods or to prevent trade unions from pushing up wages faster than management can raise output per manhour. There is nothing that the holders of government savings bonds can do about these causes for inflation—nothing, that is, except to offset their effects by increased saving. If for every additional dollar spent out of increased wages or out of liquid assets an additional dollar were saved, the total demand for consumer goods would remain unchanged. But to induce some people to increase their saving as fast as other people increase their spending, saving must be made very attractive. That is precisely what the purchasing-power saving bond does—it gives the thrifty part of the population an instrument through which it can offset the spending of the rest of the population. And it protects the thrifty part of the population from being exploited by the non-thrifty.

Incidentally, the people who worry lest the issuance of purchasing-power bonds so diminish the injustice of inflation that effective opposition would no longer exist may discard their worries. There will still be plenty of injustice caused by inflation. As a matter of fact, if the injustice caused by inflation were effective in preventing it, there would never be any inflation.

(5) *"Purchasing-power bonds would make Treasury bookkeeping impossible because the Treasury would never know from one month to the next what its debt would be. The size of the debt would be dependent upon the cost of living index."*

Although it is true that the Treasury would never know from one month to another what its debt would be, the conventional type of bond interferes with the bookkeeping of lenders because they do not know from one month to another what the purchasing power of their assets will be. They only know the dollar value of their assets. It is more important that small savers know the purchasing power of their assets than for the Treasury to know the precise magnitude of its obligations. A rise in the price level, which produced an increase in the dollar volume of the Treasury's obligations, would produce a rise in incomes, and thus, a rise in the yield of taxes.

(6) *"A man would not know how much he has saved because he would not know how many dollars he would get when he redeemed his bond."*

This statement is based upon a misconception. It is under **present** circumstances that a saver does not know how much he has saved. He only knows how many **dollars** he has saved—not how much purchasing power. It does not do savers much good to know that they have saved a certain number of dollars if they do not know how much these dollars will buy at some future date.

(7) *"It would be unfair to shift the losses of inflation from the holders of savings bonds to the public generally. In fact, a purchasing-power bond makes a privileged class out of the holders of savings bonds."*

As a matter of fact, there is nothing unfair about the government's agreeing to pay back its debt in the same amount of purchasing power that it borrows. Nor is that making a privileged class out of the lenders. They are getting back with interest only as much purchasing power as they lent—no more, no less. They are coming out no better than they would have fared if the government had done a perfect job of controlling prices and had maintained complete price stability.

(8) *"The 'escalator provision' of the purchasing-power bonds would subsidize another special group at the expense of the rest of the community."*

This statement simply represents a mistake in arithmetic. The holders of purchasing-power bonds would receive no subsidy—they would be paid only the same amount of purchasing power that they paid for the bond. Purchasing-power bonds would simply mean that the buyers of government savings bonds would be no longer called upon to subsidize the government.

(9) *"Purchasing-power bonds would directly discriminate against the holders of many other savings media such as depositors in mutual savings banks, shares in savings and loan associations, insurance policies, and other government obligations."*

No Discrimination Against Holders of Other Securities

Bringing out a new and more attractive form of security is certainly not a discrimination against the holders of other kinds of securities. I happen to be a fairly heavy holder of life insurance policies. Offering me the opportunity to buy purchasing-power bonds would not harm me in the least, and certainly would not discriminate against me. On the contrary, it would offer me a good opportunity to diversify my investments.

(10) *"All presently outstanding government bonds along with other bonds would be severely harmed."*

This statement amounts to saying that the government must never offer a more attractive security than it has been offering lest the people who have already bought government securities be harmed. This is a strange doctrine for a progressive country. It would be desirable, however, to design the purchasing-power bonds to limit their effect upon outstanding securities. If individuals were to shift a large part of their present holdings of cash into savings bonds, that shift would be desirable and would reduce the inflationary threat from the present large cash holdings of individuals. In that event, the government would need to hoard a considerable part of the proceeds from the sale of savings bonds. But the shift from savings accounts into the new purchasing-power bonds should be discouraged. This can be done by making the bonds non-negotiable and non-redeemable in terms of purchasing power within five years and by putting the rate of interest below the present savings bank rate. Of course, if the interest rates paid by savings banks were about right in 1949, when it looked as if prices had leveled off, they are too low today.

Purchasing-power bonds of the type that I have suggested would not affect the institutional demand for government securities. There is no reason why insurance companies or pension funds should be offered the opportunity to buy purchasing-power bonds, since their liabilities run in terms of a fixed number of dollars.

(11) *"Private borrowers would be unable to meet the competition of the guarantee provision of the purchasing-power bonds."*

As a matter of fact, the market for private bonds has long been mainly an institutional market. The purchasing-power bonds would not affect the institutional demand for bonds of the conventional type, since purchasing-power bonds would not be available to institutional buyers. If the purchasing-power bonds were to put pressure on corporations to finance their needs to a greater extent by equity issues, that would be desirable. But I do not believe that purchasing-power bonds are likely to have this effect—at least to any appreciable extent. Indeed, if the availability of purchasing-power bonds were to reduce the demand for equity securities, equity financing would be discouraged.

(12) *"The issuance of purchasing-power bonds would be of limited effectiveness in combating inflation because a large proportion of the funds used to purchase bonds would come from bank balances or would be diverted from the purchase of corporation securities. In very few cases would people actually curtail their consumption in order to buy the government bonds."*

Certainly there would be some tendency to buy purchasing-power bonds out of capital rather than out of income. But to assume that people cannot be persuaded to increase their savings in order to buy purchasing-power bonds out of income is to take a very pessimistic view of the willingness of the American people to save. Certainly if people will not increase their savings in order to buy purchasing-power bonds at a time when price increases are expected, they will not increase their savings to buy bonds of the conventional sort. Between 1947 and 1950, there has been a marked drop in the proportion of spending units holding various types of liquid assets. For example, the proportion holding no liquid assets increased from 24% to 31%, and the proportion holding no U. S. Savings Bonds increased from 44% to 61%. The proportion of spending units owning liquid assets in 1947 may be regarded as a rough target indicating the possibilities of increasing the holders of liquid assets, particularly government savings bonds. The problem is obviously to design a form of government security that is attractive even in the face of the prospect of rising prices.

Let me conclude these remarks by emphasizing again that increasing the rate of personal savings is the crux of the problem of controlling inflation. Personal incomes are bound to rise faster than the supply of consumer goods, at least for the next year or two. It is politically impossible completely to close the gap between personal incomes and the supply of goods by higher taxes. Consequently, most of the gap must be closed by a higher rate of saving. The way to raise the rate of saving is to offer individuals a security that they are eager to own.

With Braun, Monroe

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis. — William Lorenz is with Braun, Monroe and Co., First Wisconsin National Bank Building.

With Hamilton Managem't

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Lorain A. Tharp has been added to the staff of Hamilton Management Corporation, Boston Building.

NSTA Notes

NATIONAL SECURITY TRADERS ASSOCIATION INC.

SECURITY TRADERS ASSOCIATION OF NEW YORK

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

TEAM	Won	Lost
Burian (Capt.), Manson, King, Voccoli, G. Montanyne	10	5
Donadio (Capt.), DeMaye, O'Connor, Whiting, Workmeister	9	6
Greenberg (Capt.), Sullivan, Stein, Wechsler, Siegel	8	7
Hunter (Capt.), Lytle, Reid, Kruge, Swenson	8	7
Mewing (Capt.), Klein, Flanagan, Manney, Ghegan	8	7
Kumm (Capt.), Weseman Tisch, Strauss, Jacobs	8	7
Bean (Capt.), Kaiser, Growney, Gronick, Rappa	7	8
Leone (Capt.), Krasowich, Nieman, Pollack, Gavin	7	8
Goodman (Capt.), Casper, Valentine, M. Meyer, H. Frankel	7	8
Krisam (Capt.), Bradley, Montanyne, Weissman, Gannon	6	9
Serlen (Capt.), Gersten, Gold, Krumholz, Young	6	9
H. Meyer (Capt.), Smith, Farrell, A. Frankel, LaPato	6	9

Theodore Young (Theodore Young & Co.) had high game of 217. John DeMaye (Sutro Bros. & Co.) had second high game of 213.

Walter Mewing (D'Assern & Co.) and William Kumm (Dunne & Co.) both won their three games.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week—Insurance Stocks

The Glens Falls Insurance Company, Glens Falls, N. Y., recently issued its annual report showing one of the most favorable operating records for 1950 of any of the major insurance groups.

In contrast to most companies that have been reporting declines in earnings of from 25% to 50% for last year, Glens Falls was able to show a gain in income. The increase was accomplished despite the large losses experienced in the November windstorm.

Of primary importance in this showing was the fact that the casualty company was able to change the underwriting loss of $48,414 in 1949 into a profit of $521,891 last year.

A comparison of the underwriting results of the past two years for each of the three companies in the Glens Falls group is shown below.

	—1950—	—1949—
Glens Falls Insurance	$2,252,989	$2,690,546
Glens Falls Indemnity	521,891	—48,414
Commerce Insurance	382,220	464,697
Total	$3,157,100	$3,106,829

In other phases of the underwriting operations there were notable gains. Premium writing exceeded $50 million for the first time. Volume totaled $53,423,416 for 1950 and showed a gain of 9.6% over the $48,730,320 reported in 1949.

Other details of the underwriting and investment results of last year compared with those of 1949 are shown in the following tabulation taken from the annual report.

	—1950—	—1949—
Underwriting—		
Premiums written	$53,423,416	$48,730,320
Increase in unearned premiums	3,536,971	4,536,215
Premiums earned	$49,886,445	$44,194,105
Losses incurred	$21,068,802	$18,253,828
Loss expenses incurred	4,128,304	3,255,533
Underwriting expenses incurred	21,532,239	19,577,915
	$46,729,345	$41,087,276
Underwriting income	$3,157,100	$3,106,829
Investment—		
Interest, dividends and rents	$2,383,928	$2,134,098
Less: Amortization of bond premium	174,161	262,631
Investment expenses	153,752	191,089
	$2,056,015	$1,680,378
Net realized capital gains	434,762	250,579
Investment income	$2,490,777	$1,930,957
Other income	2,006	—30,146
	$2,492,783	$1,900,811
Total income before income taxes	$5,649,883	$5,007,640
U. S. Income taxes	1,677,244	1,434,269
Net income	$3,972,639	$3,573,371

The investment results for the year were especially favorable. The net investment income excluding profits realized on sales of securities showed a gain of 22%.

On a per share basis the earnings would work out approximately as follows. The equity in the increase in the unearned premium reserve has been calculated on the usual basis of 40% for fire underwriting and 35% for casualty.

	1950	1949
Statutory underwriting	$4.86	$4.78
Equity in unearned premium reserve	2.10	2.64
Adjusted underwriting	$6.96	$7.42
Net investment income	3.83	2.97
Income before taxes	$10.79	$10.39
Federal income taxes	2.58	2.21
Operating earnings	$8.21	$8.18

Federal income taxes were higher but did not prevent the company from showing an increase in earnings. The report points out that no company in the group is believed liable for the excess profits tax under last year's operations.

Concerning new investments made during the year, Glens Falls concentrated on those securities which are favored from the standpoint of the Federal taxes which they have to pay. During the year over $5,000,000 in state and municipal bonds, approximately $1,500,000 in preferred stocks and about $1,000,000 in common stocks were added to the portfolio.

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Atomic Bomb Can Destroy Russia, So No War

holding a defensive line, stopping the Russian hordes if they should ever start, and so dissuading them from starting. That army must be well trained and it must be supplied with the very best of weapons of every sort. It must be created before our present enormous atomic advantage is seriously lessened. Of course it needs to be combined with continued development of our striking air force and support of our Navy to keep the seas open, but there must be an army in being and on the spot capable of holding back the hordes of Russia. Such an army does not now exist.

This need by no means be a matter of opposing hordes by hordes. We have no idea whatever of invading Russia by land, nor should we develop any such idea. Ours should be a defensive line, a line to hold back the hordes while we strike by other means.

New Anti-Tank Weapons

Many elements enter into this. In the first place, take the matter of tanks. Russia has 40,000 tanks of various sorts. All her military doctrine resolves about the use of tanks and artillery. But there have been developed in the last few years anti-tank weapons of great power. Relatively small recoilless anti-tank guns mounted on a jeep or handled by four men can put a heavy tank out of business, with a high probability of doing it before the enemy can get off his first shot, even at ranges of 1,500 to 2,000 yards. These guns can be built in quantity by the hundreds for the cost of a single heavy tank. When the countryside is infested by stingers of this sort no tanks are going to roam that countryside long. There will still be a function for the light tank and for armored vehicles of various sorts. But the big tank has met its match, and unless techniques change in a way that I do not now see it will become a liability rather than an asset in due time. I do not say that the big tank is now obsolete; I do say we can make it obsolete if we put our minds to the job and build the things to counter it. With that problem settled, the defense of Europe is simpler.

There is another factor, moreover, which is of enormously great importance. Out in the Nevada desert there have recently been a number of explosions. Presumably they mean the testing of new types of A-bombs developed by the Atomic Energy Commission during the past five years. I will not speculate as to their nature, but we can certainly assume that we have not been idle and that we have more effective bombs today than we had five years ago. They may indeed be far more adaptable for a very important purpose.

We have thought of the A-bomb as a means for attacking great military production facilities or centers of political power. The A-bomb can also have important tactical uses. Suppose that a war were to break out three or five years from now and that the Russian hordes were held up by a much smaller number of well disciplined and well armed divisions. If the line were not too thinly held, if it were defended in depth with the land mines, anti-tank obstacles, artillery, and other weapons that we can have if we choose, how would the Russians break it? They could do so only by a huge concentration of armies, artillery, and tanks—the kind of thing the Nazis did in 1944 just before the Battle of the Bulge. But with A-bombs in existence this becomes a very different matter. An A-bomb delivered upon such a concentration by an airplane, or possibly by use of a gun or a guided missile, would be devastating. In its presence, concentration of this sort would not make sense. Tactical use of the A-bomb thus will help to make the defense of Europe with reasonable numbers of men a practical matter.

Europe Regaining Spirit and Strength

Further, Europe is regaining courage and spirit. The mission of General Eisenhower and the evident determination of the American people are aiding greatly in that regard. We can join our strong and well trained troops with those of our allies in Europe—we must assemble them in such numbers that they can hold the line. When enough men are mustered, there are important technical innovations to enable them to hold such a line against vastly superior numbers. It is not a matter of meeting hordes with hordes. Yet with even the most subtle of modern weapons there must be men to maintain the line and men to wield the weapons if they are to be effective.

I trust therefore that in our provision of manpower we will look well to the future. There is no thought in my mind that the men we bring in for training now will have to fight soon. Rather I think they will be the beginning of a well trained, well organized reserve. We need not only an army in being on the spot, but also behind it masses of trained men who can be called, if it becomes necessary, without a long period of indoctrination. If total war ever comes again it will break suddenly. I believe that the way to accomplish this purpose is to induct 18-year olds to have approximately two years training and service and thereafter to go into the reserve to build up the essential body of trained men.

Must Train a Reserve Force

We cannot build the forces we need without sacrifice. This sacrifice must come in many ways, in foregoing some of the pleasures we like to enjoy, in increased taxes and heavier burdens, and above all in the selflessness of our youth as they devote a part of their lives to training for the defense of decency and freedom. In my opinion we shall produce less interruption in the life of the youngster if we train him in the years of 18 and 19, after he has finished high school and before he launches his permanent career. Moreover the earlier the training starts, the longer will men be available for the reserve. It takes young men to fight a war.

As I said when I started this talk, the object of the free world is not to fight a war but to avoid the necessity of fighting. If we are wise I feel sure that we can avoid that necessity. We have today an able group of military leaders. We have a strength which Russia fears. The Kremlin will not strike unless it makes a mistake or unless we by the utmost foolishness cause it to make a false move in the belief that it can do so without bringing our retaliation upon it. We must keep such strength that we cannot be overwhelmed, such strength that to attack us would be suicidal. If we do, the attempt will not be made and we can live without a World War III. The sacrifices we shall make to that end, heavy though they may be, will be small indeed compared to the sacrifices we would make if through weakness or hesitancy we allowed a war to come upon us.

Russia Faces Whole Free World

Nor does America stand up to Russia alone. Russia today faces the entire free world, of enormous production capacity and enormous numbers of men, a vigorous free world. The free world has no idea of making war on Russia. But it is determined to live in peace and to be strong in order to do so. We of the United States have great allies. They are temporarily in some distress, for they suffered grievously during the war. But their might is rising. France is rising with all of its great traditions of strength and independence. Britain is rising with its pride at having maintained the peace of Europe by its strength for many years. So are other allies as well. Their growing strength combined with ours can be made ample to stand off the present danger. If it is held in check that danger will in time fade. We will face the threat shoulder to shoulder, and facing it thus we will keep the peace.

Lester H. Spalding

Lester Holt Spalding, associated with Bache & Co., New York City, died at his home March 6 at the age of 63.

With E. F. Hutton Co.

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—George F. Piper, Jr. has become connected with E. F. Hutton & Co., 623 South Spring Street.

Continued from first page

Electronics—The Growth Story of a Century

foresee the industrialized society we now have. Today it is difficult to foresee the full effect of the second industrial revolution in which electronic machines are already replacing the sensory and communicative faculties of human beings. This revolution can be pictured as one in which electronic devices are alternatives to the human brain. The arrival of this revolution can already be seen in the automatic devices now at work in mills and factories such as those producing tin-plate, paper, wire, steel and in other installations. Electronic machines are today outperforming human beings in virtually every function of the sensory and nervous system. A further phase in this revolution is the completely automatic factory with the electronic brain or computing machine at the core of the controls.

Professor Norbert Wiener of Massachusetts Institute of Technology, points out that it is fallacious to assume that the present high cost of computing machines or the "delicacy of the work needed in their construction and the variability of their functions precludes the use of the methods of mass production in constructing them." He foresees no barriers to mass production of high speed computing machines that can be used to guide factory operations with super human sensitivity.

This authority states that we are "already as far along in the process of developing a unified system of automatic control machines as we were in the development of radar in 1939. Just as the emergency of the Battle of Britain made it necessary to attack the radar problem in a massive manner, and to hurry up the natural development of the field by what may have been decades, so too, the needs of labor replacement are likely to act on us in a similar way in the case of another war. The personnel of skilled radio amateurs, mathematicians, and physicists, who were so rapidly turned into competent electrical engineers for the purposes of radar design, is still available for the very similar task of automatic-machine design." A new war, Prof. Wiener predicts, will "almost inevitably see the automatic age in full swing within less than five years." Without war the trend is just as inevitable, the pace of development is simply slower.

In speaking of growth, the investor may well ask: "What about the increasing tax burden?"—and in this respect the record of electronics companies is noteworthy. The record shows that electronics expanded so much in volume in World War II that profits more than offset the increased tax burden. One compilation shows that net profits of a group of electronic companies gained an average of 31% from 1941 to the top war year of 1944, contrasted with an 8% decline in the profits of industry generally. It is also noteworthy that the new tax law takes cognizance of growth companies and a number of electronics companies qualify under the new "growth formula."

A Word to the Investor

The investor as he sees the exciting and challenging promise of electronics unfolding has two specific problems. Any investor concerned with growth of his capital, will want to:

(1) Select the companies with promise of growth as primary producers of electronic equipment.

(2) Invest an important part of his portfolio in companies with promise of widening their profits potential by shrewd application of electronics to their own products and production methods.

What is a primary producer of electronics equipment? It might be defined as a company the major output of which is electronics in character. Such companies are not easily discernible. The major television set producers are obvious. Like the auto manufacturers they are basically assemblers. But, in electronics there is a considerable group of less obvious companies manufacturing components, parts and complete devices and equipment. Because such companies are not completely obvious and because of the many directions of growth electronics is now taking and may take in the future, the mutual fund approach has particular merit in this industry.

Unquestionably the investor is confronted with the greatest opportunity for growth in the history of investments. In this article I have tried merely to point to some of the ramifications, some of the potentials of electronics. What must be emphasized from the investor viewpoint is that these are not simply developments of the future but developments well under way today. They are developments that challenge the imagination and the flexibility in thinking and perspective of every growth-conscious investor today.

What it Means to the Investor

What does this mean for the investor concerned with the down-to-earth problems of investing his capital with realistic expectation of capital growth over a period of years? It means that unfolding before his eyes is a dynamic growth opportunity that far overshadows the so-called growth industries that have developed in the past half century.

Just look at one very small facet of the overall electronics industry—television. Here is one of the fastest-moving industrial developments on record, with a growth story surpassing the automobile or chemical industries. Television is a spectacular segment of electronics and some investors have made the serious error of concluding that television *is* electronics. It is an electronic development, but it is only a small part of the big picture of electronics.

These figures give a capsule, factual summary of growth of television over the last four years:

As of Jan.	1947	1951
Advertisers ----	31	4,600
Stations in Operation ----	5	107
TV Markets ----	3	63
Sets Installed --	16,000	10,500,000

These figures show graphically the tremendous upsurge in television set manufacture. A microscopic 7,500 sets were produced in all of 1946, while over 7 million were manufactured in 1950. Also revealed in these statistics is television's creation of an entirely new medium of advertising, one which combines the sales forces of practically all other media and, in addition, brings them right into the home. Behind these figures is an estimated $3,500,000,000 investment—covering receivers, telecasting plants and related facilities . . . larger than $2,880,000,000 total investment estimated for the motion picture industry established long before television emerged from the laboratory. Also hidden behind these statistics is an extensive wave-like reaction on our habits of life. As one observer has noted the Model T Ford brought the American family out of the home and television is putting it back. While psychologists are pondering over the effect of Kukla Fran & Ollie on the child mind, educators are striving to utilize television effectively as a teaching aid. Television has demonstrated its value in the classroom, particularly in classes such as surgery where it enables many instead of a few students to stand at the elbow of the instructor and watch operative techniques in action. Television has proved its effectiveness in mass communication; witness the most recent Presidential inauguration, seen and heard by more people than all preceding inaugurations combined.

Television in the short space of time it has become a commercial product has been used successfully in many industrial and business applications. Television, for instance, has created a sale conference hookup, whereby a sales manager in New York has discussed plans for a promotional campaign and actually shown salesmen in many distant cities what the products looked like and what the advertising program was going to be. Television is being used to observe a continuous coating mill in a tin plant, relaying accurate readings to a central point. Television is used to watch many operations where a human life would be endangered if a person had to make the observations. The army has used TV in the hazardous task of deactivating shells. The air corps is utilizing TV in analyzing jet engine operations. Several utilities have used a television monitor to watch a meter at some distance from the control room. These are just a few instances of television at work in industry. The point is that television in its educational, communications, commercial and industrial applications is growing, and will become increasingly important, although home demand for sets remains the basic market.

For the investor looking at television as an industry today the element of growth is very significant. While television's growth to date can properly be described as phenomenal it appears to be equally proper to say that growth has just started. The present state of television's progress can be viewed as an initial phase. As shown in the above statistics television is now available in 63 markets in various parts of the country. The expansion of television to new markets is now frozen by order of the Federal Communications Commission. The construction of additional stations also is now frozen by FCC order. Television's great growth in the last year has been despite this freeze and when new markets and new stations can be opened there will inevitably be a strong additional stimulus for growth.

In due course of time the FCC will release additional space on the spectrum. There will be more room for stations. Television will be able to reach virtually every section of the country, instead of being restricted to 63 markets.

There is another big plus factor on the growth horizon right now too. That's color. The use of color will be a big forward step. When the present controversy over which type of color reception to use is settled there will be unleashed another powerful stimulus for growth.

Meanwhile, there is great space for growth in the existing television area. Roughly 60% of the families in the area now served by TV do not own sets. The television area has some 26,400,000 families, of which 10,500,000 have sets. This leaves 15,900,000 families within the television periphery as a potential market for sets today.

Other Electronics Growth

While television may be the first segment thought of when we look at the overall electronics picture, the fact is that electronics, other than television, is at work all around us. Radio, of course, is an electronics development, and right in the home we also have the telephone and the phonograph. Electrostatic air cleaners are starting to find use in our homes and many a garage door now swings open in response to slight touch of a button in the car.

Electronics already is doing many varied jobs. We don't have to wait for the automatic factory to see electronics at work in industry. Some typical examples of present applications, listed by D. G. Fink, editor of "Electronics" include: induction heating of ferrous metals; gluing and drying; electrostatic precipitation; street lighting control; level control of liquids and materials; motor speed control; register control; welding control; relaying; control of flow of materials and fluids; generator voltage regulation; skew regulation; rectification; inspection; counting; sorting and grading; insulation testing; metal detection; surface analyzing; weighing; x-ray flaw detection; color measurement and analysis; density, opacity and transparency measurement; gas detection and analysis; geodetic, meteorological, and geophysical measurements; pH determination; speed measurement and analysis; strain measurement; thickness, distance and displacement measurement; wave form analysis; electron microscope and x-ray diffraction techniques for gas and mineral analysis; spectographic chemical analysis; combustion failure alarm and fire and smoke detection; automatic stopping of machinery; intrusion and miscellaneous alarm devices.

Transportation is a vast market for electronics equipment. The airlines and the shipping lines now use almost countless quantities and varieties of electronic devices. Electronics is working hand in hand with aviation in making air travel safer and more on schedule.

It can be said of electronics, as truthfully if not more so than of any other industry, it is essential in war or peace. To describe future wars as of the push-button type is misleading, but it can hardly be denied that superiority in electronics will be a major factor in any third World War. Radar, of course, is an obvious military use of electronics, but so is the entire field of guided missiles and proximity fuses. One economist has noted that "if Russia strikes this will be principally an electronics war, in which type of conflict our country can show to best advantage." The value of electronics equipment per man in uniform, it is estimated, will be at least three to four times as great as in the last war. And, the investor might note that the electronics industry in 1944 sold $4,500,000,000 of its products—virtually all to the armed services.

Today electronics research is proceeding at a fast pace, defense measures providing, as has been noted earlier, a tremendous catalyst to electronic development. As the laboratories yield their findings to military and commercial development, electronics moves rapidly in a pattern of growth, the outlines of which were established in World War II.

First California Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Cameron A. Mallory has been added to the staff of First California Company, 300 Montgomery Street.

Continued from first page

As We See It

(or is) anywhere else in the economy. It has been reported from Washington by experienced observers not ordinarily regarded as harboring any anti-labor sentiments, that the union leaders now combined into one super-cartel, as it were, are convinced that they can turn the defense effort off and on "like a spigot." Precisely how far they are ready to go in the use of this power, if they do indeed possess it, is not as yet clear.

Down With Wilson!

They evidently are determined to oblige the President to replace Mr. Wilson with some one more to their liking. But these leaders of organized workers were not born yesterday; they are old campaigners who know how to appeal to the great rank and file—and how to avoid or evade damaging issues or conditions. They are at present engaged in a furious campaign in which the key arguments and pleas are not based upon bald threats at all, but upon popular notions which have proved in the past to have appeal. They appear to have borrowed the British slogan "fair shares for all" to support their own rather shop-worn trade mark of "equality of sacrifice."

This "equality of sacrifice" notion appears to be a sort of descendant of Adam Smith's renowned first maxim as regards taxation in general. It was there that the father of classical economics asserted that "the subjects of every state ought to contribute towards the support of the government, as nearly as possible, in proportion to their respective abilities; that is, in proportion to the revenue which they respectively enjoy under the protection of the state." It is this maxim which the advocates of excessively "progressive" rates of taxation have employed to good advantage in recent years, and it is this general doctrine which is now-a-days broadened to include many things which are not strictly taxation, but which give rise to "sacrifices."

Now a close reading of Adam Smith's exposition of these matters leaves it rather more than doubtful, to say the least, whether that pioneer in the study of economic relationships had anything in mind remotely resembling the steeply graduated income tax schemes of this day and time. The sentence immediately following the one quoted above reads as follows: "The expense of government to the individuals of a great nation is like the expense of management to the joint tenants of a great estate, who are all obliged to contribute in proportion to their respective interests in the estate. In the observation or neglect of this maxim consists what is called the equality or inequality of taxation." Now, this would certainly appear to mean that if A receives an income of $50,000 a year while B has only $5,000, A should pay ten times as much in taxes as B—but no more, as for example, is required under virtually all income tax schemes at present.

Not the Whole Story

But that is not the whole story—whether discussion be confined to taxation or broadened as is the practice today. We are all too frequently disposed to forget that Mr. Smith set forth not one but four maxims of taxation, and that the fourth, just as important as the first, reads in part as follows: "Every tax ought to be so contrived as both to take out and keep out of the pockets of the people as little as possible over and above what it brings into the public treasury of the state. A tax may either take out or keep out of the pockets of the people a great deal more than it brings into the public treasury.... First, the levying of it may require a great number of officers, whose salaries may eat up the greater part of the produce of the tax, and whose perquisites may impose another additional tax upon the people. Secondly, it may obstruct the industry of the people, and discourage them from applying to certain branches of business which might give maintenance and employment to great multitudes. While it obliges people to pay, it may thus diminish, or perhaps destroy, some of the funds which might enable them more easily to do so. . . . Fourthly, by subjecting the people to the frequent visits and the odious examination of the tax-gatherers, it may expose them to much unnecessary trouble, vexation, and oppression; and though vexation is not, strictly speaking, expense, it is certainly equivalent to the expense at which every man would be willing to redeem himself from it."

Not So Simple After All

Any thoughtful reader of these sentences must leave them with the conclusion that "fair shares for all" or "equality of sacrifice," though recommending themselves at first blush, are by no means the simple requirements that they seem. Further reflection is, we believe, certain to bring the conviction that in many instances, at any rate, an attempt by currently employed or suggested means to reach such ends as these may result in materially less for all and greater sacrifice for all, including the very people who are now shouting for Mr. Wilson's head.

Such slogans as these are dangerous, precisely because so few take the time or the trouble to inquire carefully as to what they mean.

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The Gold Standard—What It Means to Nation

enviable reputation, both nationally and internationally, as an outstanding educator, diplomat and statesman. Among his many activities Dr. White made a detailed study of the unfortunate experience of France with irredeemable paper-money at the period of the French Revolution. He points out, in his book, how France—being in financial difficulty—started out in the year 1789 with an initial issue of 400 million irredeemable paper francs; and how, having embarked upon that course, she continued with many later issues of the same type. And by the year 1797—or within the comparatively short period of eight years—France had actually printed and put into circulation an aggregate of 45,000 million of those irredeemable paper francs. By that time that paper money had so depreciated in value as to have become practically worthless; and — as Dr. White tells the story in his "Fiat Money Inflation in France"—the people threw that paper out with other wastepaper and trash as of no value whatever.

When, therefore, the United States came to what was known as the "greenback era" of the 1870s—at which time we were using an irredeemable paper money—Dr. White became very apprehensive that we might follow too far in those earlier footsteps of France. He developed those French Revolution experiences into the form on an address, which he delivered before the New York State Senate—of which body he had formerly been a member; before a group of Congressmen of both political parties in Washington; and before a group of businessmen and bankers at the Union League Club in New York. And he later expanded that address into the book whose title I have quoted above—which book was first published in 1896, and which has been republished several times since. Dr. White therefore deserves great credit, not only for helping to get this nation back to a redeemable currency in 1879, but also for exerting great influence in combatting the Bryan "free silver" campaign of 1896.

There appears to be a rather general lack of awareness that the United States operated on the gold standard for more than a century prior to 1933—or for the greater part of our existence as a nation up to that time: It was in the year 1837 that legislation was put into effect which slightly reduced the gold-content of the American dollar and gave it a value of 25.8 grains of gold 0.9 fine—which is the degree of purity of our gold coins. That meant that the dollar thereby came to be valued at 23.22 grains of fine gold, which was the basis of that well-known value of $20.67 an ounce of gold which existed for many generations without change. In other words, there are 480 grains in a troy ounce; 480 divided by 23.22 gives 20.67 as the answer; and that is how we came to have that odd value for our dollar—that value of $20.67 an ounce of fine gold.

Now that value of the dollar was never changed one particle from 1837 until 1933, or for nearly 100-years—which is in strict conformity with the gold-standard principle of "fixity-of-value" to which I have already referred; and throughout that entire period there were only two short eras when our money was not redeemable in gold, namely: during the Civil War, and for the few years thereafter; and similarly for the First World War. Other than for those two brief periods our paper money was always redeemable in gold at face value—which conforms with the gold-standard principle of "redeemability," which I have earlier emphasized.

But when the New Dealers came into control in 1933 they evidently had some rather warped ideas as to what constitutes sound money. At that time the Treasury owned about 200 million ounces of gold—or just a little less than 7,000 tons avoirdupois. At $20.67 an ounce that gold was worth about $4 billion. Messrs. Roosevelt and Morgenthau were instrumental in getting the price of gold raised to $35 an ounce; and our stockpile came to represent $7 billion—or an apparent profit of $3 billion by that change of price. Actually, however, there was no real profit whatever: It merely meant that instead of our owning $4 billion in gold, with each dollar carrying a value of one-twentieth of an ounce of gold, we had come to own $7 billion in gold, but with each dollar carrying a value of only one-thirty-fifth of an ounce of gold. They could just as well have raised the price of gold to $70 an ounce, in which case the stockpile would have represented $14 billion, with an apparent profit of $10 billion; but in that case each dollar would have carried a value of only one-seventieth of an ounce of gold.

It becomes evident, therefore, that raising the price of gold creates no new value whatever—it merely gives a nation more dollars in its stockpile of gold, but with each dollar of correspondingly less value. What it does do is to inflict a severe penalty on people owning assets payable in dollars; and the devaluation of the dollar in 1933 and 1934 subjected the American people to the worst piece of dishonesty to which this nation has ever been subjected throughout its entire history. As I have already pointed out, that 41% devaluation of the dollar robbed the people of about $50 billion of the real value of the dollars they had accumulated and saved in the form of bonds, bank deposits and life insurance —and that a 41% devaluation of those dollar-assets today would result in a loss of about $200 billion of the real value of those assets. That is something that should never be allowed to happen again, and it can definitely be avoided only by a return of this nation to the honesty and integrity of the Gold Standard.

Again, we are being fervently urged to buy U. S. Savings Bonds —and quite properly so, for all essential activities of our government must be financed. We are being told that for each $3 we pay in we will get back $4 10-years hence; but we are being given no assurance as to what the quality of the dollar is to be when we are repaid. The dollar we pay in today is claimed to carry a value of one-thirty-fifth of an ounce of gold—dollars that have been earned by us on that basis of value. We are, therefore, entitled to be given definite assurance that the dollar we get back shall also carry a value of one-thirty-fifth of an ounce of fine gold. That assurance can be given us only by a return to the Gold Standard.

Now there are those who are fearful that if we were to return to the gold standard we might not have enough gold to meet the situation. Let's see how that stacks up: We have about $27 billion in paper-money, and other currency, in circulation; and we now have less than $25 billion in gold—not far from $23 billion; and if all of that currency were to be presented for redemption we wouldn't have quite enough gold. But past experience offers ample evidence that such a demand for redemption would be a most unlikely occurrence: Back in 1879 when the U. S. returned to "redeemability," after the so-called "greenback" era, there was in circulation about $347 million in paper "greenbacks"; the Treasury at that time owned considerably less than that amount of gold; and there were many skeptics who feared that as soon as "redeemability" was restored, the supply of gold would be quickly exhausted. But the new law restoring the privilege of redeemability went into effect as of Jan. 1, 1879; and it is a matter of record that during the next 12 years the paper money presented for redemption totaled only $28 million—or somewhat less than 1%, per year, of the total currency in circulation.

There is authoritative opinion that if we were to return to "redeemability" today, the demand for redemption would be no greater, percentagewise, than it was in 1879. On that basis it would amount to less than 1% per year of the currency in circulation; and we already have enough gold to meet that rate of redemption for almost 100 years without adding another ounce to our present stockpile. But new gold is being mined—and the U. S. Treasury is, quite properly, acquiring a sizable portion of that new gold at our statutory price of $35 an ounce, thus swelling our supply. Also, we are essentially an "export" nation; and as the other nations get back on their economic feet there is bound to be gold flowing to this country to adjust the balance of our international trade—which will swell our stockpile. Therefore by no stretch of the imagination can it properly be said that we lack the necessary gold to return to the honesty and integrity of the Gold Standard. We have very nearly 25,000 tons of gold — representing more than half of all the gold the world has produced since the year 1492.

The question is this: What can the people of this country do to help get us back on a sound-money basis? The answer is that there is already pending in Congress a bill to accomplish that very purpose — the Reed Bill, H. R. 324, reintroduced by Congressman Reed of New York on Jan. 3, 1951. (This was originally the Reed Bill, H. R. 3262, introduced in March, 1949, and pigeonholed with the House Banking & Currency Committee for the past two years.) But if the general public will take enough interest to write their Congressmen, demanding action on this bill, there is good reason to believe that those gentlemen will be aroused from their present lethargy. Therefore, my recommendation is that people, everywhere, write their own Congressmen and others who are prominent in our national affairs—such as Taft, Byrd, Lodge, Saltonstall, and so on—and demand that this country be promptly put back on a sound money basis, meaning a return to the Gold Standard.

If my effort on this occasion should cause you to carry out the recommendation I have proposed, I shall feel that this has been a very worthwhile effort.

Curb Dinner Honors Truslow, Retiring Pres.

The members of the New York Curb Exchange tendered a dinner in honor of Mr. Francis Adams Truslow, retiring president of the exchange, in the Sert Room of the Waldorf Astoria Hotel, March 12th.

Ferdinand Eberstadt, chairman and president of F. Eberstadt & Co., Inc., and an old personal friend of Mr. Truslow's, was master of ceremonies. Mr. Truslow was presented with a silver tea service on behalf of the members of the Exchange.

Among the guests present were Mr. Edward T. McCormick, who will succeed Mr. Truslow as president of the Curb Exchange; Mr. Robert P. Boylan, chairman of the board of the New York Stock Exchange; Dr. J. B. Berenquer Cesar, Brazilian Consul General of New York; General William J. Donovan, chairman of the American Commission for a United Europe of which Mr. Truslow is treasurer; John J. Mann, chairman of the board of governors of the New York Curb Exchange; the Hon. William McChesney Martin, Jr., Ass't Secretary of the Treasury; the Hon. Richard McEntire, senior commissioner of the Securities and Exchange Commission and the Hon. Paul R. Rowen, member of the Securities and Exchange Commission.

Mr. Truslow will relinquish his office on April 1st to Mr. Edward T. McCormick, who will retire as a member of the Securities and Exchange Commission. The Curb president will leave for South America in the near future on an assignment from the United States Department of State.

Edward A. O'Brien was chairman of the dinner committee. Other members of his committee were John J. Mann, Edward C. Werle, former board chairman, James R. Dyer, Raymond A. McMann, Charles Leichner, Jacob Feinstein, Alexander R. Piper, Jr. and Francis X. Gaudino, secretary.

Continued from page 6

Outlook for Television, Radio and Motion Pictures

think the business would have gone that night?

In the meanwhile, there is another way of getting business which television opens to theatres and to the motion picture industry which hasn't been used to any great extent as yet, largely because of union difficulties.

Trade Union Opposition

The broadcasters this afternoon are sitting up in one of the hotels in upper New York with a gentleman who is the head of the American Federation of Musicians and whose name I am sure is well known to you. They are wondering whether within a couple of days they are going to have a strike or not. That gentleman has made it awfully difficult to use any exploitation of motion pictures on television. One of these days that log-jam is going to break. I will not predict how soon it will be, because three years ago I might have said it would break by 1951. He has done an able job of controlling the musicians. When that log-jam breaks, the theatres are going to have a method of telling about their pictures and attractions which is a far-and-away better method than anything that they have had in the past.

Cinerama

We come now to another thing about the theatres. I don't know how closely you gentlemen keep up with what goes on in the motion picture industry. You have only to read the daily papers regularly about motion pictures, and you will get most of the ideas I am talking about here today. In last Sunday's "New York Times" there was a column devoted to a new venture in the theatre end of the business, to be undertaken by three men—Robert Flaherty, whom all of you over 40 remember as the man who made "Nanook of the North" in the late 20s; Lowell Thomas (I am sure you all recognize that name from radio and Fox Movietone News); and Michael Todd, who produced "Peep Show" and was the entrepreneur of the World's Fair in 1940 and ran the Midway.

These gentlemen are out to produce a new type of motion picture to be called "cinerama." Mr. Flaherty says cinerama is the most exciting thing that has happened since sound came to films. Mr. Todd merely calls it "revolutionary." They are putting, the "New York Times" says, $1,250,000 into a picture project which has a very unusual emotional effect. Cinerama is a process in which the audience is surrounded both by the sound and the sight. You are actually in the action.

Cinerama was invented and used originally for the purpose of training aerial gunners during the First World War, and the results at that time, I am told, were quite unusual. You probably have all heard of buck fever, especially if you have any hunting friends. That happens to people when they go out to shoot their first deer, and I understand something like that happens the first time you get on the end of a machine gun and start working on the enemy.

This process was used to simulate actual conditions of fighting in planes. By surrounding the gunners with the same sort of situation that would surround them if they were actually operating machine guns from planes, they were taught to aim correctly, with just the right amount of "lead."

The results were astounding in that the number of planes shot down by the gunners with this training was 50% higher than it was for those who did not have the training. In other words, the emotions of the individual were trained and controlled by being in the midst of the action.

Cinerama will be tried out on the basis of this experience sometime within the coming year. If it does everything that its backers hope it will do, there is more money in the motion picture theatre business than anybody has dreamed of so far.

These are amazing times; amazing times. All the new technical ideas that come up can be put into practice, and there is just as much forethought and effort going into the development of the amusement industry and the motion picture industry as there is going into television. What the results will be, nobody can foretell.

I can't remember what predictions I made the last time I was down here. I hope you don't think these are predictions I am making now, but I am pointing out to you the possibilities of a situation. I recall being down here talking to some group back around 1947, when I said (I think Paramount was selling around 28 then) that I couldn't quite understand why, with the earnings that existed then, the securities persisted in going off. We could see certain troubles on the horizon, but we didn't think they were going to wreck the business. Well, the troubles were much worse than I thought they were going to be, and they were definitely troublesome. There are two I would like to mention, leaving television out.

Recent Motion Picture Losses

Back in 1946—and I told you business in the theatres is now off 30% from what it was then—we also had the depreciation of foreign currencies taking place. This was due to the rise of nationalism in the film markets of the world, which rise increased through 1948 and 1949 and probably reached its zenith early in 1950.

The grosses that the companies were expecting out of their foreign business between 1946 and 1950 died away to the extent, I should say, of 50% to 60%. In other words, in 1950 we were getting 40% of what we were getting in 1947 from foreign sources. That, combined with a 30% drop in the domestic business during that period, is the source of all the deflationary attitudes toward the motion picture business. On the basis of the best studies we can make, approximately 10% (or maybe a little more) of that 30% drop was due to the inroads of television. This figure was arrived at by a study of individual families.

What is the other 20% due to? I am sure you are asking that question. That other 20% is due to a very unusual situation—a change in the moral and literary outlook of the country. The motion picture was made for a great many years on a comparatively simple basis: Wild West, sex, Pollyvania, would be the way the critics would describe it.

The most common plot might run something like this—and I use this as an example of a motion picture plot you have all seen and, I suspect, enjoyed:

"When I was an artist and lived in the city,
I had a model, very pretty.
She worked for me winter and summer,
That wasn't quite what I wanted from her.
I bought her flowers, I bought her candy,
She looked at me, said, 'Thanks, they're dandy.'
I took her home, we sat on the doorstep,
She never let me take one more step.
I thought of kiddies with her as the mother,
She said, 'To me you're just like a brother.'"

Remember that as a motion picture plot? Of course he wins her finally.

During the past 10 years we have had a war in Europe. We have had the development of a very bitter situation in Europe. We have had the repression of peoples. We have had all the horrors of war—death, poverty, starvation, rape, maltreatment of man by man.

We have had a great lessening of moral fibre. The motion picture critics of this country have reached the conclusion that only those films which depict this lessening of moral fibre can stir people emotionally to the point of keeping them interested. Most of these critics are intelligent, well-traveled individuals. They know what happened in Europe.

A Schizophrenic Situation

The rest of the United States is not entirely of the same frame of mind. Therefore, you have a schizophrenic situation for the motion picture business. You also have a schizophrenic situation for some of the magazines. I refer to "Life" magazine in particular, whose editorial page devotes itself to the buildup of capitalism and spirituality and whose motion picture reviewers believe that such things as "Bicycle Thief" are what the American people want to see.

I don't know how many of you saw "Bicycle Thief." I don't know how many of you saw "Bitter Rice." I don't know how many of you saw "The Miracle." But "The Miracle" won the New York Film Critics' award at the end of the year for being the best foreign motion picture, and it has just been condemned by the Board of Regents of New York State as sacrilegious.

We have the motion picture business, then, faced with the conflict of these unusual ideas. I don't want to be rough on the motion picture critics, but I am going to quote to you from the latest selection of the Book-of-the-Month Club, "The Age of Longing," by Arthur Koestler, who is probably the archpriest of the intelligentsia. He says about the intelligentsia: "With regard to positive ideas, the improvement of artistic taste and so on, the intelligentsia has only a small, slow influence over the masses; but in a negative way, as a corroding, destructive agent, its influence is enormous."

We see the motion picture business trying to make motion pictures which please a great majority of the country, but which is being damned for its efforts by the critics who have become emotionally blase because of their knowledge of what is going on in Europe.

There is only one thing I am sure of, and that is that in the end the spiritual and moral approaches to life which the motion picture business is trying to inject into its product, will come out ahead. But we may have some very trying times before that end is reached, and Arthur Koestler's latest book is about the trying times which can exist before then.

"Going Into Television"

We at Paramount decided a long time ago that the ideas presented in motion pictures were just as good for television. As a matter of fact, we were particularly happy to have the opportunity to go beyond the theatre, right into the home, with these ideas. Therefore we have gone into television.

We have watched our securities go down to the point where they sold well below the net current asset value of those securities. Nobody seemed to pay much attention to them. We have been able to buy an enormous amount of stock in the open market because of that situation.

We have had securities which, during the past year, have sold on a 10% return basis and below the net current asset value. So there appeared to be little reason why these securities should get much cheaper. After all, you can always liquidate a business and take the money out of it and give it to the stockholders, although we never thought that was quite a wise thing to do. But I was amazed about two weeks ago to find that one member of the Wall Street fraternity had thought our situation over, and had reached just about the same conclusion as I have.

If you go back to the "Commercial and Financial Chronicle" of Feb. 15, on page 36, you will find a story in "The Security I Like Best" forum written by a gentleman for whom I have always had great respect. I must say I was very much surprised when I got a note from him one day, saying: "I have just picked out the security I like best and I am writing about it for the 'Commercial and Financial Chronicle.' It is Paramount Pictures Corporation."

His reasons were very simple. At that time Paramount stock was selling at 22 or in that neighborhood. He stopped and figured out there was $21 of net current assets. He had figured out that we owned about 27% of Dumont, which was worth about $5 per Paramount share on the Curb market in addition to that, which left $17 as the selling price of the $21 of net current assets.

He had figured out that we still owned a portion of a theatre circuit in Canada which, I think, he calculated at a $7 value on the Toronto Stock Exchange. So he got down to $10 as the selling price of the $21 of net current assets per share.

He knew we had a television station in California which certainly, in the present glorious days of television, we wouldn't give away and which he valued at about $2,500,000. How one values television stations these days I am not sure, but some sales prices have a relationship to that figure. That was another dollar, and we are down to $9 for $21 of net current assets.

And he knew we had a color television tube which would work on any system, and he said that had some intangible value. So he figured he could buy these things (the motion picture business) at less than 50 cents on the dollar as far as net current assets were concerned; be an investor in television at the same time; get a 10% return on his money; and be in a deflated industry which, if experience in the last war means anything, is likely, under our present defense effort and the probable existence of a future state of war, to be one of the things which benefits greatly.

He said he felt that at least he wasn't buying at the top of a large rise. He said that Paramount Pictures Corporation was the security he liked best.

A great many of these things, particularly the deflationary situation, apply just as well to every motion picture company. How much they will be helped or hurt by the television situation depends on how they use it. But I told you about one company whose entire market value exists in one television deal they are now considering for pictures which are on their books at $1.

The situation with respect to the motion picture business arising from technical developments can change and change widely. I think I ought to quote again what Aeschines said in Greece back in 330 B.C.: "What is there in the list of strange and unexpected events that has not occurred in our time? Our lives have transcended the limits of humanity. We are born to serve as a theme of incredible tales to posterity."

Edward Potter

Edward Clarkson Potter passed away at his home at the age of 88. Mr. Potter, a former member of the New York Stock Exchange, prior to his retirement headed the firm of E. C. Potter & Co., New York City.

Joins Fairman Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Ralph M. Dahl has joined the staff of Fairman & Co., 210 West Seventh Street, members of the Los Angeles Stock Exchange. He was previously with Edgerton, Wykoff & Co.

Warren M. Rodgers Opens

Warren M. Rodgers is engaging in a securities business from offices at 8 West 40th Street.

Thompson, Treasurer Of Inv. Diversified

MINNEAPOLIS, Minn. — Announcement has been made by Earl E. Crabb, Chairman and President of Investors Diversified Services, Inc., Roanoke Building, of the election of Harry C. Thompson as Treasurer of I. D. S. to serve as the company's chief financial officer. It is contemplated that he will be elected a director of the firm at the annual I. D. S. board meeting April 24.

Mr. Thompson is a director of the Chesapeake & Ohio Railway Co. and a member of the C&O Finance Committee and Chairman of its Retirement Committee.

A former Vice-President of the Chemical Bank & Trust Co. of New York, he has long been prominently identified with New York banking circles. Throughout his banking career he has specialized in trust fund management and administration.

Mr. Thompson will make his headquarters in the home offices of I. D. S.

F. Thomas Kemp Joins Douglass & Co.

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—F. Thomas Kemp has become associated with Douglass & Co., 133 North Robertson Boulevard. Mr. Kemp was formerly with Taylor and Co. and J. Barth & Co. In the past he conducted his own investment business in Pasadena.

With Gottron, Russell

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Patrick A. O'Malley has been added to the staff of Gottron, Russell & Co., Union Commerce Building, members of the Midwest Stock Exchange. Mr. O'Malley was previously with Saunders, Stiver & Co., and Francis I. du Pont & Co.

John B. Joyce Adds

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, Ohio—Russell L. Brenneman has become associated with John B. Joyce & Co., Huntington Bank Building, members of the Midwest Stock Exchange. He was formerly with the Ohio Company.

Two With Davies & Mejia

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Leverne A. Swisher and Arthur K. White have become affiliated with Davies & Mejia, Russ Building, members of the New York and San Francisco Stock Exchanges.

With Hannaford Talbot

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Philip B. Taylor has become associated with Hannaford & Talbot, 519 California Street. He has recently been with Investors Diversified Services and William Leib & Co.

Four With Waddell Reed

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Louis J. Hirt, Gerald L. Lockhart, Howard F. Millett and Leona Ryan have joined the staff of Waddell & Reed, Inc., 8943 Wilshire Boulevard.

Sutro & Co. Add

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—James F. Ferron has joined the staff of Sutro & Co., 210 West Seventh Street. He was previously with Pacific Company of California and William H. Jones & Co.

Continued from page 5

Observations . . .

them hold. If they have less I urge them to buy up to the minimum of 32%.

"At the moment I continue to recommend the 'underground' stocks: oils, steel, natural gas, copper, zinc, lead, etc. My selections are based strictly upon market performance, but this is not an essential part of the Straddle Plan. Before I developed my own technical selector, I used to compare Standard's and Moody's approved list and pick the current leaders. This worked pretty well at that.

"What are some of the limitations of the Straddle Plan?

"(1) It is not talking all the time.

"(2) It does not get you in at the bottom or out at the top.

"(3) It will not make you rich.

"(4) It will make you look foolish at times. Thus we did not sell in 1946, '47, '48, or '49. Rather we added more from the 1946 peak to the 1949 bottom. And there were times when we mistrusted our pet Plan.

"On the other hand, it has certain advantages:

"(1) It tells you exactly what to do for every client; and every client is handled on a personal basis, depending entirely upon the time he enters the plan. You have positive advice to get at all times to every client.

"(2) It lets you sleep well; you dont care whether the next move is 100 points up or down.

"(3) Your position is improved whether the market goes up or down. If the market goes up, it makes profits for you; if it goes down it creates bargains for you and you have the cash with which to take advantage of the bargains.

"(4) It frees your mind so that you can go after new business.

"(5) You are never whipsawed by the Straddle Plan. That is you never sell at one price only to repurchase at a higher price, and you never buy at one price to sell out at a lower price.

"(6) The plan gives you a leeway. For instance, if you have clients fully invested and you feel bearish, you could sell them down to 32% stocks and still be on the Straddle Plan.

"(7) Some profits are certain if the market continues to fluctuate, and the swings are reasonably wide. If not, no one else will make any money either.

"Sincerely,

"HOMER FAHRNER.

"3000 Burnette St., Vallejo, Calif."

* * *

Begs-the-Question of the Cure-All

Mr. Fahrner makes several observations validly pointing out the difficulties in arriving at value-appraisals, but thereupon typically begs-the-question that trend-detection of the market as a whole can provide the remedy. Citing the rise in gold stocks which exceptionally occurred during the 1929-32 bear market, he challenges the statistician's or adviser's ability to pick issues moving against the "trend." It is such overemphasis of the obstacles to quantitative appraisal of issues on a business-value basis which has acted as a major stimulant behind the "escape" to the greener fields of market-timing.

Of course, rigorous self-discipline and conscientious effort, as well as analytic training and experience, are required for issue appraisal. And, of course, quantitative evaluation at best entails numerous shortcomings. But the point is that its practical results will be superior as well as more logically arrived at—the shortcomings being in the nature of ordinary business risks.

Actually the market record abundantly shows the broad field for selection of "counter-trend" issues. An analysis* just arrived on this desk gives fresh evidence of the fallacy typified in Mr. Fahrner's statement above: "On a value basis, there is never a time when any good statistician cannot produce a score of undervalued stocks. If we are in a bull market these selections will prove to be profitable. If we are in a bear market, they will not. . . ." With the Dow Jones Industrial Average now 18% above its 1946 high, the analysis lists 20 important stocks that are at least 50% *above* their 1946 peaks (including Aluminium, Merck, duPont, Proctor and Gamble, etc.); and 20 other issues selling at *declines* of 25-60% from the same period's highs (including Allis Chalmers, Montgomery Ward, Air Reduction, Chesapeake and Ohio, etc.). Over the longer term—from the 1929 peak to the present—also we must point out to the Fahrners that in the face of a 34% *decline* in the Dow-Jones Average, and of almost 20% in Standard and Poor's Composite Price Index (comprising one-third of all listed stocks), 300 individual issues are nevertheless priced *above* that bull market, all-time high of the recorded "trend."

Assuredly, then, there is available for profitable exploitation an ample supply of issues outside the confines of a "trend." It is of course difficult to prove that the logical devotion of attention to issue-appraisal rather than to trend-following, is borne out in actual practice; but it has been importantly substantiated recently by the results of a major study made by mutual funds analysts, showing that the results achieved by those trusts which have followed the policy of concentrating on individual security selection has appreciably surpassed those expert managements which have tried to catch the market swings.

Incidentally—and only incidentally—it usually happens that the finding of a goodly number of individual key issues on a reasonable quantitative value basis is followed by an upturn in the "general market." In the overall market and in individual issues, good investment turns out to be successful speculation as well.

Straddling-the-Formula Idea

While our correspondent's "Straddle Plan" differs in detail from most currently popular variations of "formula" technique, it evidently conforms to the formula-ists' central thesis of relying on the premise that past performance of the averages is a guide to the market's present "lowness" or "highness." Confirming the logical fallacies in formula reliance, we now have the empirical evidence from the market's recent performance in having sneaked up to a new area considerably above its previous mechanically arrived-at high boundary. And no addendum of gadgets can overcome the basic falsity of assuming the future from past performance.

In his "point 7" Mr. Fahrner states that reasonably wide fluctuations of "the market" are all that is necessary for profits, and that in their absence, no one else will make any money. This typical argument overlooks the fact that fluctuations in "the market" do not guarantee equivalent fluctuations in the particular stocks held by an individual; that "money" (capital gains) in individual issues *can* be made in the face of a stationary, or even declining, trend (as we have demonstrated above); and that investment "money" can indeed be made through dividend income.

No Compromise With Value

My own "fair compromise" with the formula idea, to which Mr. Fahrner refers, definitely does not admit the relegation of value-analysis to a subservient role. On the contrary, we would at all times keep our bond-stock balance limits, used for emotion-disciplining purposes, distinctly secondary to the constant testing of held and un-held issues according to value criteria.

The "Cure-All" Appeal

Several of Mr. Fahrner's closing numbered arguments advanced in support of his system seem typically to portray the dangerously tempting "escapist" appeal. ("It lets you sleep well"; "It frees your mind so that you can go after new business.") Apart from the question whether a particular method for beating-the-market involves quackery or not, it should be realized that the appeal of the entire *system* idea is grounded in the hoped-for "easy way out" from the rigors and uncertainties of sound investment procedure.

But—unhappily—in an investment world of realism, there is no easy way out!!

*"Market Microscope"—Francis I. DuPont & Co.; March, 1951.

Public Utility Securities

By OWEN ELY

Pacific Gas & Electric Company

Pacific Gas & Electric has had two big building programs—in 1926-31 and in 1947-51 (not yet completed). In both periods the company has followed the same procedure of doing equity financing annually through the issuance of rights, usually in the spring (in 1929, however, there were three issues). In the eariler period the rights were usually valuable, being offered at par except for one issue in 1929. The new series of offerings to stockholders in 1947-49 were also made at the par value of $25, but last year the subscription price was raised to 30, and this year is 31. Holders of common stock of record March 13 are now entitled to subscribe for new shares on a one-for-seven basis, the rights expiring April 4. The stock is currently around 34, making the rights worth about three-eighths (they are not yet traded at this writing).

Including the current issue, the market in a period of about four years has been offered over 5,000,000 new shares of the company's common stock and some 4,000,000 shares of its preferred stock. In the five-year period 1946-50, inclusive, the company has spent $663,000,000 for construction. The peak of its building activities, however, was reached in 1949, when $192,000,000 was spent. In 1950, $168,000,000 was expended, and it is estimated that the amount will be further reduced in 1951 to approximately $130,000,000.

Since 1945 the Company has added almost 1,100,000 kilowatts to its electric generating capacity. By mid-summer 1951 three additional 100,000 kilowatt units are expected to be placed in operation. The installed capacity of the company's plant will then be more than double what it was at the beginning of World War II. With an increased proportion of steam capacity the company should be less dependent upon weather conditions for an adequate supply of power. Recently the water supply has been well above normal, however, so that the company can take greater advantage of its large hydro-electric capacity. In 1950 7.2 billion kwh. were generated by hydro versus 5.2 in the previous year; and only 4.3 billion was steam-generated versus 5.4 in 1949. It is estimated that by 1952, as a result of installation of more modern units, the over-all efficiency of steam plants will have increased about 35% compared with 1948.

The third largest electric utility company based on revenues, Pacific Gas serves electricity through its interconnected system to 46 counties in the northern and central parts of California—including 153 cities, 225 small communities and an extensive rural area. Gas is distributed to 112 cities, 85 small communities and a number of rural areas. Among the larger cities served with electricity are San Francisco, Oakland, Berkeley, Richmond, San Jose, Fresno, and Stockton. Gas is also served to Sacramento. The company also sells electricity and gas at wholesale to various communities and companies. Of the 1950 electric output 52% was hydro, 30% steam and 18% purchased power.

The company's revenues and share earnings have been as follows in the past decade:

Year	Revenues (Millions)	Share Earnings on Outstanding Shares	Common Based on Average Shares
1950	$238	$2.51	$2.62
1949	217	2.06	2.10
1948	204	2.46	2.51
1947	184	2.45	2.57
1946	168	2.72	2.72
1945	160	2.16	2.16
1944	152	2.18	2.18
1943	139	2.23	2.23
1942	127	2.21	2.21
1941	115	2.30	2.30

Pacific Gas' earning-power has been handicapped in recent years by (1) the serious droughts in 1948-49, (2) the huge construction program requiring annual equity financing, and (3) the conservative rate of earnings in relation to the rate base. After a long period of years in which no rate increases were requested the company finally found it necessary to ask for readjustments. In November 1949 it obtained a $4 million (per annum) increase in gas rates, and in April 1950 an $8.8 million increase in electric rates. In February 1951 a $7 million interim increase in gas rates was also allowed. The company had asked for an $18.3 million increase, considered necessary due to substantially higher field prices for gas in California as well as the cost of importing out-of-state gas. A final decision on the application should be forthcoming later this year.

Capitalization on a pro forma basis is approximately as follows:

	Millions	Percentage
Long-Term Debt	$622	52.1%
Preferred Stock	245	20.5
Common Stock and Surplus Excluding Intangibles (11,356,000 shares)	327	27.4
	$1,194	100.0%

Including plant acquisition adjustments and intangibles, the common stock equity would be 28.7%.

Continued from page 5

The State of Trade and Industry

an additional 1,000,000 tons. These total 6,000,000 tons or 32.4% of estimated finished steel output during the second quarter.

The outlook for flat-rolled steel products is bleaker. NPA estimates that defense and related programs will require 700,000 tons of plate a month. Steel companies are being urged to produce more plate on strip and sheet mills.

Consumers buying plate produced on strip mills are being asked to: (1) accumulate small quantity orders of not less than 10 tons of size and grade, (2) waive standard tolerances and specifications which strip mills can't meet, and (3) place orders to come within strip mill sizes instead of ordering larger sizes to be cut as wanted. The steel plate industry advisory committee has recommended that government agencies work out standardization of plate gages as quickly as possible, concludes "The Iron Age."

Steel Production at Record High Level

The American Iron and Steel Institute announced this week that the operating rate of steel companies having 93% of the steel-making capacity for the entire industry will be 100.1% of capacity for the week beginning March 12, 1951, based on the industry's increased capacity of Jan. 1, compared to a rate of 101.0% a week ago, or a decline of 0.9 of a point.

This week's operating rate is equivalent to 2,001,000 tons of steel ingots and castings for the entire industry, compared to 2,019,000 a week ago. A month ago the rate was 98.5% and production yielded 1,969,000 tons; a year ago it stood at 89.8% of the old capacity and amounted to 1,711,800 tons.

Electric Output Registers Decline for Fifth Consecutive Week

The amount of electrical energy distributed by the electric light and power industry for the week ended March 10, 1951, was estimated 6,794,517,000 kwh., according to the Edison Electric Institute.

The current total was 27,581,000 kwh. lower than that of the previous week, 857,931,000 kwh., or 14.5% above the total output for the week ended March 11, 1950, and 1,263,888,000 kwh. in excess of the output reported for the corresponding period two years ago.

Carloadings Advance in Post-Holiday Week

Loadings of revenue freight for the week ended March 3, 1951, totaled 785,867 cars, according to the Association of American Railroads, representing an increase of 51,073 cars, or 7% above the preceding week.

The week's total represented an increase of 211,418 cars, or 36.8% above the corresponding week in 1950 when loadings were reduced by a general strike at bituminous coal mines, and an increase of 80,315 cars, or 11.4% above the comparable period of 1949.

Auto Output Rises to Higher Level in Latest Week

Combined motor vehicle production in the United States and Canada the past week, according to "Ward's Automotive Reports," totaled 180,532 units, compared with the previous week's total of 177,356 (revised) units and 124,563 units a year ago.

Total output for the current week was made up of 139,426 cars and 30,480 trucks built in the United States and a total of 7,908 cars and 2,718 trucks built in Canada.

For the United States alone, total output was 169,906 units, against last week's revised total of 166,893 units, and in the like week of last year 118,459. Canadian output in the week totaled 10,626 units, compared with 10,463 units a week ago and 6,104 units a year ago.

Business Failures Recede in Latest Week

Commercial and industrial failures declined to 153 in the week ended March 8 from 170 in the preceding week, Dun & Bradstreet, Inc., notes. Casualties were down considerably from the 221 and 179 which occurred in the similar weeks of 1950 and 1949 and were far below the prewar total of 286 in the comparable week of 1939.

Failures involving liabilities of $5,000 or more decreased to 114 from 127 and were off sharply from their total of 179 a year ago. Small casualties with liabilities under $5,000 were slightly lower in week.

Wholesale Food Price Index Turns Fractionally Higher

A slight increase in the March 6 wholesale food price index compiled by Dun & Bradstreet, Inc., did not offset the 6-cent drop reported in the previous week. This week's increase to $7.27 from $7.25 occurred although price declines among individual foods were more numerous than price increases. The index remained below the all-time high of $7.36 reached on July 13, 1948, but it was 24.3% above the $5.85 of a year ago.

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 Dips Moderately for Third Successive Week

The general commodity price level moved moderately lower for third successive week. The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., closed at 324.00 on March 6, comparing with 325.49 a week earlier, and with 249.79 on the corresponding date a year ago.

Although recuperating somewhat toward the close of the period, grain markets as a rule suffered further losses last week.

Wheat prices declined sharply on reports of favorable weather conditions in major producing areas and talk of peace induced by the continued improvement in the military situation in Korea.

The outlook for Winter wheat was greatly benefited by soaking rains over a large part of the Southwest last week. Corn and oats generally followed the lead of wheat with prices off sharply from recent high levels. Trading in grain futures expanded moderately as a result of liquidation. Sales on the Chicago Board of Trade totaled 274,397,000 bushels for the week, or a daily average of 45,700,000 bushels, the latter comparing with 42,800,000 the previous week, and 27,000,000 a year ago.

Despite recent price reductions, domestic demand for all varieties of flour remained very quiet. Shipping directions were likewise very slow. The cocoa market was more active and prices were slightly firmer with buying spurred by reports of heavy European demand. Green coffee prices were somewhat easier last week. Lack of interest was attributed to recent substantial arrivals and reports of slower demand for roasted coffees.

Domestic raw sugar prices developed a firmer tone at the close, aided by a renewal of strength in the world market. Lard showed further weakness. Hogs sank to the lowest since late January at midweek, but rallied later to close slightly higher than a week ago. Cattle prices were firm while lambs rose to the highest prices on record.

Over the past weekend, the Office of Price Stabilization announced specific price ceilings for domestic raw cotton at all sales levels, including the farmer, effective March 3.

In the meantime, trading on the organized cotton exchanges remained suspended through Tuesday of this week as the trade awaited further clarification of the order that would permit a resumption of trading.

A small volume of sales was reported in Southern spot markets at prices ranging considerably above those prevailing Jan. 26. Export inquiries for cotton were more numerous, but volume of business was small due to lack of offerings. The mid-February cotton parity price was officially announced at 33.11 cents a pound. This was the tenth successive monthly advance and represented a new record high. It compared with a mid-January figure of 32.98 cents and with 29.88 cents for mid-February a year ago.

Business in the Boston raw wool market continued at a practical standstill. Keen competition was reported in the wool auctions in Australia and South Africa at advancing prices.

Trade Volume Eases Slightly in Past Week

A very slight dip in consumer buying occurred in various parts of the nation in the period ended on Wednesday of last week. The overall dollar volume of purchases was still noticeably above the level for the corresponding week in 1950, Dun & Bradstreet, Inc., reports in its current summary of trade. A general shift away from durable goods and toward apparel-buying was deemed partly responsible for the slight let-down from the high contra-seasonal sales level of recent weeks.

There was a moderate rise last week in requests for apparel, as shoppers sought sizable quantities of suits, coats and children's wear. This pre-Easter interest in clothing also helped to increase somewhat the demand for quality dresses, accessories and, in some vicinities, footwear. The purchasing of budget dresses continued to be limited in scattered localities.

Total retail dollar volume in the period ended on Wednesday of last week was estimated to be from 12 to 16% above a year ago. Regional estimates varied from the levels of a year ago by these percentages:

New England and Midwest +13 to +17; East +11 to +15; South, Northwest and Southwest +12 to +16; and Pacific Coast +15 to +19.

There was a slight decline in order volume during the week with many retail stores throughout the nation reporting ample stocks. The total dollar volume of orders was moderately above the level for the similar week in 1950. The number of buyers present at the various wholesale centers rose somewhat and was slightly above the level of a year ago.

Department store sales on a countrywide basis, as taken from the Federal Reserve Board's index for the week ended March 3, 1951, advanced 18% from the like period of last year. This compared with an increase of 24% in the previous week and 19% for the four weeks ended March 3, 1951. For the year to date department store sales registered an advance of 22%.

Retail trade in New York last week responded well to spring apparel promotions indicating a successful Easter season.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period of March 3, 1951, advanced 14% from the like period of last year. In the preceding week an increase of 22% was registered above the similar week of 1950. For the four weeks ended March 3, 1951, an increase of 19% was recorded over that of a year ago, and for the year to date, volume advanced 21% from the like period of last year.

COMING EVENTS
In Investment Field

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.

Dempsey-Tegeler Adds
(Special to The Financial Chronicle)

ST. LOUIS, Mo.—Glennon G. Hauser has been added to the staff of Dempsey-Tegeler & Co., 407 North Eighth Street, members of the New York and Midwest Stock Exchanges.

Joins Braun, Bosworth
(Special to The Financial Chronicle)

CLEVELAND, Ohio—George D. Miller has become associated with Braun, Bosworth & Co., Incorporated. Mr. Miller for many years was associated with the Cleveland Trust Company.

With Milwaukee Co.
(Special to The Financial Chronicle)

ST. PAUL, Minn. — Elbert M. Beaunier is now affiliated with The Milwaukee Company, Endicott Building. He was formerly with Juran & Moody.

Joins Marache Sims
(Special to The Financial Chronicle)

LOS ANGELES, Calif.—William S. Keefer has become affiliated with Marache Sims, 634 South Spring Street, members of the Los Angeles Stock Exchange.

With Minneapolis Assoc.
(Special to The Financial Chronicle)

MINNEAPOLIS, Minn.—Allard K. Tvedten is now associated with Minneapolis Associates, Inc., Rand Tower.

Joins Slayton Staff
(Special to The Financial Chronicle)

ST. LOUIS, Mo.—J. Frank Smith has become affiliated with Slayton & Co., Inc., 408 Olive Street.

Two With Waddell & Reed
(Special to The Financial Chronicle)

LINCOLN, Neb. — James W. Chestnut and Claude E. Biggs are now connected with Waddell & Reed, Inc., Barkley Building.

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)	Mar. 18	100.1	101.0	98.5	89.8
Equivalent to— Steel ingots and castings (net tons)	Mar. 18	2,001,000	2,019,000	1,969,000	1,711,800
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output — daily average (bbls. of 42 gallons each)	Mar. 3	6,016,350	5,945,150	5,938,500	4,909,250
Crude runs to stills — daily average (bbls.)	Mar. 3	†6,596,000	6,524,000	6,395,000	5,316,000
Gasoline output (bbls.)	Mar. 3	20,489,000	20,815,000	19,981,000	17,707,000
Kerosene output (bbls.)	Mar. 3	3,043,000	2,632,000	2,843,000	2,184,000
Gas, oil, and distillate fuel oil output (bbls.)	Mar. 3	9,717,000	10,545,000	9,785,000	7,048,000
Residual fuel oil output (bbls.)	Mar. 3	9,630,000	9,471,000	9,561,000	8,140,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Mar. 3	138,209,000	136,870,000	129,700,000	134,208,000
Kerosene (bbls.) at	Mar. 3	12,794,000	12,527,000	15,634,000	15,466,000
Gas, oil, and distillate fuel oil (bbls.) at	Mar. 3	47,560,000	48,764,000	56,776,000	51,670,000
Residual fuel oil (bbls.) at	Mar. 3	38,268,000	38,995,000	40,271,000	46,086,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Mar. 3	785,867	734,794	651,124	574,449
Revenue freight received from connections (number of cars)	Mar. 3	742,544	729,311	593,632	517,513
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Mar. 8	$258,885,000	$352,081,000	$256,465,000	$210,567,000
Private construction	Mar. 8	163,899,000	274,560,000	162,322,000	122,135,000
Public construction	Mar. 8	94,986,000	77,521,000	94,143,000	88,432,000
State and municipal	Mar. 8	57,393,000	52,501,000	60,772,000	76,547,000
Federal	Mar. 8	37,593,000	25,020,000	33,371,000	11,885,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Mar. 3	11,120,000	*10,090,000	9,415,000	3,181,000
Pennsylvania anthracite (tons)	Mar. 3	693,000	933,000	859,000	662,000
Beehive coke (tons)	Mar. 3	154,400	*156,500	156,100	2,800
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE=100	Mar. 3	289	274	234	244
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Mar. 10	6,794,517	6,822,093	6,957,284	5,936,586
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Mar. 8	153	170	191	221
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Mar. 6	4.131c	4.131c	4.131c	3.837c
Pig iron (per gross ton)	Mar. 6	$52.69	$52.69	$52.69	$46.38
Scrap steel (per gross ton)	Mar. 6	$43.00	$43.00	$47.75	$27.42
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Mar. 7	24.200c	24.200c	24.200c	18.200c
Export refinery at	Mar. 7	24.425c	24.425c	24.425c	18.425c
Straits tin (New York) at	Mar. 7	162.000c	182.000c	182.500c	74.500c
Lead (New York) at	Mar. 7	17.000c	17.000c	17.000c	12.000c
Lead (St. Louis) at	Mar. 7	16.800c	16.800c	16.800c	11.800c
Zinc (East St. Louis) at	Mar. 7	17.500c	17.500c	17.500c	9.750c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Mar. 13	99.60	100.79	101.33	103.27
Average corporate	Mar. 13	114.08	114.85	116.02	116.41
Aaa	Mar. 13	117.60	118.60	120.02	121.46
Aa	Mar. 13	116.61	117.60	118.80	120.02
A	Mar. 13	113.50	114.27	115.43	115.82
Baa	Mar. 13	109.00	109.42	110.34	108.70
Railroad Group	Mar. 13	111.44	112.37	112.93	111.62
Public Utilities Group	Mar. 13	114.08	114.85	115.82	117.40
Industrials Group	Mar. 13	117.00	117.40	119.20	120.22
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Mar. 13	2.54	2.44	2.40	2.26
Average corporate	Mar. 13	2.95	2.91	2.85	2.83
Aaa	Mar. 13	2.77	2.72	2.65	2.58
Aa	Mar. 13	2.82	2.77	2.71	2.65
A	Mar. 13	2.98	2.94	2.88	2.86
Baa	Mar. 13	3.22	3.20	3.15	3.24
Railroad Group	Mar. 13	3.09	3.04	3.01	3.08
Public Utilities Group	Mar. 13	2.95	2.91	2.86	2.78
Industrials Group	Mar. 13	2.80	2.78	2.69	2.64
MOODY'S COMMODITY INDEX	Mar. 13	522.8	525.2	532.9	357.5
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Mar. 3	345,004	201,026	345,524	249,542
Production (tons)	Mar. 3	245,830	251,715	240,200	195,468
Percentage of activity	Mar. 3	105	105	103	88
Unfilled orders (tons) at	Mar. 3	758,562	663,339	761,828	371,003
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1926-36 AVERAGE=100	Mar. 9	154.1	153.9	152.4	121.8
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	Feb. 24	31,129	32,547	44,711	21,774
Number of shares	Feb. 24	873,386	973,779	1,316,015	650,791
Dollar value	Feb. 24	$37,903,344	$42,436,272	$60,156,890	$26,303,809
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Feb. 24	29,026	31,825	39,461	23,960
Customers' short sales	Feb. 24	273	240	264	141
Customers' other sales	Feb. 24	28,753	31,585	39,197	23,819
Number of shares—Total sales	Feb. 24	814,516	890,110	1,123,561	660,535
Customers' short sales	Feb. 24	10,144	9,157	10,531	5,464
Customers' other sales	Feb. 24	804,372	880,953	1,113,030	655,071
Dollar value	Feb. 24	$33,621,857	$37,516,646	$46,131,138	$23,227,829
Round-lot sales by dealers—					
Number of shares—Total sales	Feb. 24	244,690	257,770	324,140	204,980
Short sales	Feb. 24	------	------	------	------
Other sales	Feb. 24	244,690	257,770	324,140	204,980
Round-lot purchases by dealers—					
Number of shares	Feb. 24	290,040	331,300	522,200	206,280
WHOLESALE PRICES NEW SERIES — U. S. DEPT. OF LABOR—1926=100:					
All commodities	Mar. 6	183.5	*183.0	182.3	152.7
Farm products	Mar. 6	202.3	*201.5	200.3	159.4
Grains	Mar. 6	187.5	189.3	190.7	164.0
Livestock	Mar. 6	266.9	266.3	263.9	201.8
Foods	Mar. 6	188.9	*188.6	188.8	155.7
Meats	Mar. 6	273.8	273.2	274.4	215.0
All commodities other than farm and foods	Mar. 6	171.8	*171.2	170.2	146.0
Textile products	Mar. 6	182.8	*182.2	181.1	137.8
Fuel and lighting materials	Mar. 6	138.6	*138.1	136.2	131.2
Metals and metal products	Mar. 6	190.7	188.7	188.9	168.5
Building materials	Mar. 6	226.9	277.9	226.5	194.3
Chemicals and allied products	Mar. 6	148.7	148.5	145.5	115.9

*Revised figure. †Includes 469,000 barrels of foreign crude runs.

	Latest Month	Previous Month	Year Ago
ALUMINUM (BUREAU OF MINES):			
Production of primary aluminum in the U. S. (in short tons) Month of January	67,954	65,897	52,023
Stock of aluminum (short tons) end of Dec.	12,942	16,636	28,165
EDISON ELECTRIC INSTITUTE:			
Kilowatt-hour sales to ultimate consumers—Month of Dec. (000's omitted)	25,640,329	24,673,060	22,019,687
Revenue from ultimate customers—month of December	458,072,100	440,961,000	409,941,700
Number of ultimate customers at Dec. 31	44,986,292	44,840,531	42,850,781
FACTORY EARNINGS AND HOURS—WEEKLY AVERAGE ESTIMATE — U. S. DEPT. OF LABOR—Month of January:			
Earnings—			
All manufacturing	$62.97	*$63.80	$56.29
Durable goods	41.1	*42.2	40.0
Nondurable goods	58.47	*58.26	52.91
Hours—			
All manufacturing	40.6	*41.4	39.7
Durable goods	41.1	*42.2	40.0
Nondurable goods	40.1	*40.4	39.4
Hourly earnings—			
All manufacturing	$1.551	*$1.541	$1.418
Durable goods	1.623	*1.617	1.485
Nondurable goods	1.458	*1.442	1.343
MANUFACTURERS' INVENTORIES & SALES (DEPT. OF COMMERCE) NEW SERIES— Month of December (millions of dollars):			
Inventories:			
Durable	$15,533	*$14,997	$13,329
Nondurable	18,593	*17,905	15,674
Total	$34,127	*$32,902	$29,003
Sales	21,809	*21,277	16,083
MONEY IN CIRCULATION—TREASURY DEPT. —As of Dec. 31 (000's omitted)	$27,737,000	$27,595,000	$27,600,000
PERSONAL INCOME IN THE UNITED STATES (DEPARTMENT OF COMMERCE)—Month of December (in billions):			
Total personal income	$240.7	*$232.9	$208.4
Wage and salary receipts, total	153.5	*152.1	132.9
Total employer disbursements	156.4	*155.1	135.1
Commodity producing industries	69.9	*69.1	57.0
Distributive industries	41.8	*41.9	39.3
Service industries	19.3	*19.3	17.8
Government	25.4	*24.8	21.0
Less employee contributions for social insurance	2.9	3.0	2.2
Other labor income	3.4	3.4	3.1
Proprietors' and rented income	46.9	*46.2	40.6
Personal interest income and dividends	25.3	*19.4	18.9
Total transfer payments	11.6	11.8	12.9
Total nonagricultural income	221.5	*213.9	191.1
PORTLAND CEMENT (BUREAU OF MINES)— Month of January:			
Production (barrels)	17,433,000	19,116,000	15,202,000
Shipment from mills (barrels)	12,237,000	12,477,000	9,632,000
Stocks (at end of month—barrels)	18,215,000	13,021,000	20,275,000
Capacity used	79%	87%	70%
PRICES RECEIVED BY FARMERS — INDEX NUMBER — U. S. DEPT. OF AGRICULTURE—August, 1909-July, 1914 = 100 — As of December 15:			
Unadjusted—			
All farm products	286	276	233
Crops	258	250	210
Food grain	233	224	219
Feed grain and hay	202	192	168
Tobacco	436	428	394
Cotton	339	346	223
Fruit	202	194	174
Truck crops	211	188	196
Oil-bearing crops	366	351	225
Livestock and products	311	299	255
Meat animals	360	357	280
Dairy products	272	267	261
Poultry and eggs	249	209	194
SELECTED INCOME ITEMS OF U. S. CLASS I RYS. (Interstate Commerce Commission) —Month of November:			
Net railway operating income	$110,000,601	$134,629,278	$75,378,130
Other income	18,684,744	17,741,621	21,747,526
Total income	128,685,345	152,370,899	97,125,656
Miscellaneous deductions from income	3,573,214	4,031,300	3,818,574
Income available for fixed charges	125,112,131	148,339,599	93,307,082
Income after fixed charges	89,292,288	111,135,559	57,532,032
Other deductions	3,145,871	3,272,329	3,318,190
Net income	86,146,417	107,863,230	54,213,842
Depreciation (way & structures & equip.)	36,489,686	36,473,536	35,130,793
Amortization of defense projects	1,128,108	1,279,513	1,367,669
Federal income taxes	68,544,893	86,590,307	30,660,515
Dividend appropriations:			
On common stock	73,180,993	14,065,088	36,223,051
On preferred stock	12,814,806	12,232,312	5,245,742
Ratio of income to fixed charges	3.49	3.99	2.61
UNITED STATES GROSS DEBT DIRECT AND GUARANTEED—(000's omitted):			
As of February 28	$255,958,195	$256,142,642	$256,395,406
General fund balance	5,382,150	4,453,643	5,186,077
Net debt	$250,576,045	$251,688,999	$251,209,329
Computed annual rate	2.224%	2.224%	2.204%
UNITED STATES EXPORTS AND IMPORTS—BUREAU OF CENSUS — Month of Dec.: (000's omitted):			
Exports	$1,063,000	*$981,000	$944,000
Imports	862,100	*851,700	604,820
U. S. GOVT. STATUTORY DEBT LIMITATION As of Feb. 28 (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	255,940,679	256,124,868	256,368,355
Guaranteed obligations not owned by the Treasury	17,515	17,774	27,051
Total gross public debt and guaranteed obligations	$255,958,195	$256,142,642	$256,395,406
Deduct—Other outstanding public debt obligations not subject to debt limitation	696,692	699,595	739,111
Grand total outstanding	$255,261,502	$255,443,047	$255,656,294
Balance face amount of obligations, issuable under above authority	19,738,497	19,556,952	19,343,705

*Revised.

Continued from page 11

Educational Opportunities In Television

scholar such as the late Professor Kittridge would point up the nuances of the play and describe Shakespeare's motives and characters in crystal-clear terms.

At our recent hearings, one of the witnesses remarked that he had recently seen a production of "Macbeth" on television. The speaker was a college graduate with several degrees, yet this was the first time he had ever seen a stage production of "Macbeth." He remarked that it seemed like an entirely new play. From a mere reading, he had no indication that the play contained such drama, excitement and suspense.

TV as a Teaching Aid

Television can be invaluable as a teaching aid for subjects such as medicine, law or even languages. During the course of our hearings I saw a film that was used to teach French. The action was supplied by pair of stock-up dolls, and as they were dressed, ate their lunch, and performed essential daily little functions, the narrator described the action in simple French. It was easy, almost like a game, to match the French words and French phrases to the actions of the dolls. And the demonstration was so dramatic that the phrases and idioms remain identified in the viewer's mind with the action performed. How much easier and more retentive is it to study French in this way than by memorizing verb conjugations or vocabulary lists. A practical application of this method of audio-visual education was demonstrated during the past war when thousands of Chinese were taught sufficient English within eight weeks to operate complicated machinery and maintain communications lines with reference to lend-lease supplies.

Medical colleges have used television in numerous instances to demonstrate operations and delicate procedures that could not otherwise be seen by more than two or three observers peering over the surgeon's shoulder. Thus, hundreds have been able to sit in and gain the experience of an expert via the TV screen. Of course, these are limited instances of the potential educational or teaching use of television. But apply this theory on a mass scale, and examine how valuable television can become in time of a national emergency, when it is necessary to instruct vast numbers of people with simple measures of civil defense. For example, how many of you know how to properly apply a tourniquet, treat a burn, or reduce a fracture, should the need arise? Television would be your teacher. Words alone would not be graphic enough to explain rapidly and effectively how to perform these essential life-saving services.

Or turn to a study of American history. Most of us remember our history courses as jail sentences of from 30 to 90 dates. But the problems facing our founding fathers would become vividly clear if we were to see them dramatized in such form as Sidney Kingsley's "The Patriots." The wisdom and philosophy of Oliver Wendell Holmes comes to life vividly in playwright Emmet Lavery's reincarnation of the Judge as "The Magnificent Yankee." I could go on and on; the list is inexhaustible.

The catalogue from any prominent American college contains an infinite variety of program source material. As against this compare an observation by a noted showman, Billy Rose, who said, "The seven television stations in New York need 294 new half-hour shows per week if they are each to provide three hours of evening programming, and approximately 200 of these shows must be of national, or at least coaxial-cable-wise interest. I soberly submit that there isn't now and never has been that much top-flight show business at any one time—and that Barnum, Cohan, and Ziegfeld, working in shifts, couldn't have produced that many good shows in a single week if they'd had their pick of all the entertainment on this billious green earth."

Educators will not be bookish or dull on television. They have a great job to do. There are almost 11 million adult Americans who have had no formal education beyond the fifth grade. This is reflected in the great numbers of Americans who have been seeking one form or another of adult education in this country during the past decade until today they number over 30 million. The annual budget for education in the United States, both public and private, will approach $8 billion this year—a 100% increase over the figure of seven years ago.

More Educational TV Needed

Not only is there as great a potential audience for educational television but there is a great need for such types of television programs. In fact, one prominent educator has expressed the fear that the youngsters in the classroom may become so imbued with the present low standard of entertainment telecasts that the educators will of necessity have to lower their sights.

I believe that 75% of these 2,000 new television channels soon to be alloted are sufficient for commercial stations. Setting aside the remaining 25% would insure the educators of some 500 television stations for their exclusive non-commercial and educational use. There is no conflict here between the two services. Educational television broadcasting can exist side by side with the commercial TV stations. These educational stations would insure one of the basic precepts of American democracy, namely, freedom of choice to listen. There is today no choice between commercial and educational programs.

Philosophers have declared that the greatest impetus democracy ever received was the invention of the printing press. The press made possible the circulation of ideas and exchange of information on a mass scale. Education was taken out of the monasteries and private schools, where it had been sheltered through the Dark Ages by laboriously hand-copied documents and hand-written books, and made available to millions on a large scale at low cost.

Today, as the world's democracies face the greatest challenge in their existence, it may well be that television will prove to be one of the ultimate weapons for truth and education. The television screen is the teacher's electronic blackboard—reaching into every home and classroom to bring the wisdom and knowledge of the ages to every American regardless of race, religion or economic status. This is a basic concept of the American way of life and one that I think we should all strive to attain.

Treasury Reveals Gold Sales in 1950

Aggregate amounts to $1,797.3 million, of which more than one-half went to Great Britain.

The Treasury Department on March 1 made public a report of gold sales to foreign countries by the United States for the calendar year 1950. At the same time it was announced that publication of figures of gold sales and purchases will be made quarterly.

Analysis of sales in 1950 follows:

United States Sales of Gold to Foreign Countries[1]
Calendar Year 1950
(In millions of dollars at $35 per ounce)

Country	1st Quar.	2nd Quar.	3rd Quar	4th Quar.	Total 1950
Belgian Congo	--	--	--	$3.0	$3.0
Belgium	$35.0	$20.0	--	--	55.0
Canada	--	--	--	100.0	100.0
China (Nationalist)	--	--	$4.2	--	4.2
Colombia	10.0	--	--	--	10.0
Egypt	27.0	3.0	14.8	--	44.8
France	--	--	28.5	56.3	84.8
Greece	2.1	--	--	12.3	14.4
Indonesia	--	--	10.0	20.0	30.0
Mexico	15.8	--	40.5	61.9	118.2
Netherlands	--	--	--	79.8	79.8
Norway	--	4.0	--	--	4.0
Peru	--	--	--	3.0	3.0
Portugal	--	--	--	15.0	15.0
Salvador	1.5	1.5	--	3.0	6.0
Suadi Arabia	--	--	--	3.3	3.3
Sweden	--	3.0	16.0	4.0	23.0
Switzerland	13.0	--	25.0	--	38.0
Switzerland — Bank for International Settlements	12.8	12.5	5.7	34.3	65.2
Syria	1.1	--	.7	.4	2.2
United Kingdom	80.0	--	580.0	360.0	1,020.0
Uruguay	12.0	8.0	23.9	26.9	70.8
Vatican	--	--	--	2.5	2.5
All Other	--	--	.1	--	.1
Total	$210.2	$51.9	$749.5	$785.6	$1,797.3

NOTE—Figures will not necessarily add to totals because of rounding.

1 During 1950 the United States purchased a total of $68,000,000 in gold from foreign countries. Of the countries shown to which sales of gold were made, the only ones from which the United States also purchased gold were Uruguay ($6,000,000) and Nationalist China ($300,000).

Continued from page 8

Dealer-Broker Investment Recommendations and Literature

Also available is an analysis of **Burroughs Adding Machine Company.**

American Encaustic Tiling Company, Inc.—Annual report—from the company at Lansdale, Pa.

America Enca Corporation—Analysis—Sutro & Co., 407 Montgomery Street, San Francisco 4, Calif. Also available is a tabulation of **Growth Stocks** outside the blue chip class.

Audio Devices, Inc.—Analysis—Peter Morgan & Co., 31 Nassau Street, New York 5, N. Y.

Baltimore Porcelain Steel—Analysis—Gearhart, Kinnard & Otis, Inc., 45 Nassau Street, New York 5, N. Y. Also available is an analysis of **Consolidated Industries, Inc.**

Bigelow-Sanford Carpet Co., Inc.—Bulletin—Joseph Faroll & Co., 29 Broadway, New York 6, N. Y.

Canadian Admiral Corporation—Card bulletin—Rogers & Tracy, Inc., 120 South La Salle Street, Chicago 3, Ill.

Celanese Corporation of America—Annual report—Dept. 144, Celanese Corporation of America, 180 Madison Avenue, New York 16, N. Y.

Chicago, Indianapolis & Louisville 4s/83—Memorandum—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

City of Philadelphia—Summary of capital improvement program and financial statistics—Drexel & Co., 1500 Walnut Street, Philadelphia 1, Pa.

Equitable Life Assurance Society of the United States—Copy of President's Report to the Board of Directors—Equitable Life Assurance Society of the United States, 393 Seventh Avenue, New York 1, N. Y.

Fresnillo Company—Report—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

Giddings & Lewis Machine Tool Co.—Analysis—Walston, Hoffman & Goodwin, 265 Montgomery Street, San Francisco 4, Calif.

Hotels Statler Company, Inc.—Analysis—Dayton & Gernon, 105 South La Salle Street, Chicago 3, Ill.

Hytron Radio & Electronics Corp.—Analysis—Sills, Fairman & Harris, Inc., 209 South La Salle Street, Chicago 4, Ill. Also available is an analysis of **TELE-tone Radio Corporation.**

Kaiser Aluminum and Chemical Corporation—Analysis—Brush, Slocumb & Co., 1 Montgomery Street, San Francisco 4, Calif.

Landis Tool Company—Analysis—Cohu & Co., 1 Wall Street, New York 5, N. Y. Also available is an analysis of **Landis Machine Company.**

Lane-Wells Company—Annual report—Lane-Wells Company, 5610 South Sotot Street, Los Angeles 58, Calif.

Lion Oil Company—Booklet entitled "Looking at the Lion Oil Company," prepared originally for visitors to the company's plants—Lion Oil Company, Eldorado, Ark.

Minneapolis-Moline Company—Circular—Cruttenden & Co., 209 South La Salle Street, Chicago 4, Ill.

Mississippi River Fuel Corp.—Memorandum—Douglass & Co., 133 North Robertson Boulevard, Beverly Hills, Calif.

National Company, Inc.—Analysis—J. B. Maguire & Co., Inc., 31 Milk Street, Boston 9, Mass.

New England Public Service Co.—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Pabco Products, Inc.—Analysis—Shuman, Agnew & Co., 155 Sansome Street, San Francisco 4, Calif.

Pittsburgh Railways Co. — Memorandum — Shaskan & Co., 40 Exchange Place, New York 5, N. Y.

Placer Development, Ltd.—Analysis—John R. Lewis, Inc., 1006 Second Avenue, Seattle 4, Wash.

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.**

Rudolph Wurlitzer Co.—Analysis—Raymond & Co., 148 State Street, Boston 9, Mass. Also available are analyses of **Verney Corp., Simplex Paper, U. S. Thermo Control, Maine Central Railroad, Sanitary Products** and **Air Products.**

Rutland Railway Corp.—Analysis—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

St. Louis-San Francisco Railway—Analysis—Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

San Jose Water Works—Analysis—Elsworthy & Co., 111 Sutter Street, San Francisco 4, Calif.

Seaboard Air Line Railroad Company—Annual report—W. F. Cummings, Secretary, Seaboard Air Line Railroad Company, Norfolk 10, Va.

Sun Life of Canada Reports to You—Copy from Sun Life of Canada, Transportation Building, Washington, D. C., or Head Office, Montreal, Canada.

Texas Pacific Coal & Oil—Review—Ira Haupt & Co., 111 Broadway, New York 6, N. Y. Also available is a review of **National Container** and a memorandum on **Celotex Corp.**

Timken Detroit Axle Company — Analysis — Hornblower & Weeks, 40 Wall Street, New York 5, N. Y.

United Air Lines—Memorandum—Dempsey-Tegeler & Co., 407 North Eighth Street, St. Louis 1, Mo.

Securities Now in Registration

• INDICATES ADDITIONS SINCE PREVIOUS ISSUE

• Aerco Corp., Englewood, N. J.
March 13 (letter of notification) 272 shares of 5% cumulative participating non-convertible preferred stock (par $100) and 272 shares of class A common stock (no par) to be offered in units of one preferred and one class A share. **Price**—$101 per unit. **Underwriter**—None. **Proceeds**—For working capital. **Office**—214 Lafayette Place, Englewood, N. J.

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.
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. **Offering**—To be made through private channels. Statement effective March 9.

• Allied Petroleum Corp., Los Angeles, Calif.
March 5 (letter of notification) 51,236 shares of common stock. **Price**—At par ($1 per share). **Underwriter**—None. **Proceeds**—To drill a core hole on leased property. **Office**—704 Subway Terminal Bldg., Los Angeles, Calif.

American Dairy Products Corp., N. Y.
Feb. 16 filed 300,000 shares of preferred stock (par $4) and 300,000 shares of common stock (par 10 cents) to be offered in units of one share of preferred and one share of common stock. **Price**—$5 per unit. **Underwriters**—Emanuel, Deetjen & Co. and Barrett Herrick & Co., Inc., both of New York. **Proceeds**—To acquire plant, to pay indebtedness and for working capital. Expected after the middle of the month.

American Gas & Electric Co. (3/29)
Feb. 28 filed 339,832 shares of common stock (par $10), to be offered to common 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 supplied by amendment. **Underwriters**—To be determined by competitive bidding. Probable bidders: The First Boston Corp.; Union Securities Corp.; Dillon, Read & Co. Inc.; with bidders to name compensation following company's naming of price. **Proceeds**—To be invested in equity securities of operating subsidiaries as part of the System's plan for financing its large construction program. **Bids**—Expected to be received up to 11 a.m. (EST) on March 29.

American Hospital Supply Co. (3/20)
Feb. 28 filed 175,000 shares of common stock (par $4), of which 150,000 shares are to be offered to public through underwriters and 25,000 shares to employees. **Price**—To be supplied by amendment. **Underwriters**—Harris, Hall & Co., Inc., and Union Securities Corp. **Proceeds**—For expansion and general corporate purposes. **Business**—Hospital equipment.

American Research & Development Corp., Boston, Mass.
Feb. 1 filed 106,420 shares of common stock (par $1). **Price**—$25 per share. **Underwriters**—Harriman Ripley & Co., Inc., and Estabrook & Co. as joint managers. **Proceeds**—To make investments in certain enterprises.

American Telephone & Telegraph Co.
Jan. 18 filed not exceeding $420,000,000 12-year 3⅞% 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.

• Anchorage Mortgage & Loan Co., Anchorage, Alaska
March 1 (letter of notification) 10,000 shares of common stock. **Price**—At par ($10 per share). **Underwriter**—None. **Proceeds**—To invest in notes and mortgages on real estate investments. **Address**—Box 773, Glover Bldg., Anchorage, Alaska.

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. Statement effective March 6.

• Belock Instrument Corp., College Point, N. Y.
March 6 (letter of notification) 20,000 shares of class A common stock (no par) and 22,000 shares of class B common stock (no par), of which 9,200 shares will be offered in exchange for $115,000 outstanding preferred stock on an 8-for-1 basis. **Price**—For class A, $1 per share; for class B, $12.50 per share. **Underwriter**—None. **Proceeds**—To retire preferred stock, to pay for machinery and for working capital. **Office**—111-01 14th Avenue, College Point, L. I.

• Bristol Silver Mines Co., Salt Lake City, Utah
March 2 (letter of notification) 1,633,124 shares of common stock. **Price**—10 cents per share. **Underwriter**—None. **Proceeds**—For development of ore. **Office**—218 Felt Bldg., Salt Lake City 1, Utah.

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, 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; offer expires March 26 unless extended. Georgeson & Co. soliciting exchanges. Statement effective Feb. 21.

Burlington Mills Corp. (3/28)
March 5 filed 300,000 shares of convertible preference stock (par $100). **Price**—To be supplied by amendment. **Underwriter**—Kidder, Peabody & Co., New York. **Proceeds**—For additions and improvements to plant and equipment.

Bymart, Inc., New York
Feb. 28 filed 5,000 shares of 5% cumulative preferred stock (par $100) and 50,000 shares of common stock (par $1) to be offered "as a speculation," in units of one share of preferred and 10 shares of common stock. **Price**—$200 per unit. **Underwriter**—None. **Proceeds**—to repay bank loans and purchase equipment. **Business**—Production and sale of "Tintair."

• California Eastern Airways, Inc., New York
March 5 (letter of notification) 123,640 shares of common stock (par 10¢) being offered to common stockholders of record March 5 on basis of 11 shares for each 100 shares held; rights to expire March 31. **Underwriter**—Sterling, Grace & Co., New York, up to an aggregate price of $150,000. **Proceeds**—For working capital.

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. Statement effective Feb. 28.

Canadian Prospect, Ltd. (3/19-20)
See Prospect Exploration Ltd. below.

Carolina Power & Light Co. (3/20)
Feb. 28 filed 200,000 shares of common stock (no par). **Price**—To be supplied by amendment. **Onderwriters**—Merrill Lynch, Pierce, Fenner & Beane, New York; and R. S. Dickson & Co., Inc., Charlotte, N. C.—**Proceeds**—For construction program.

Central Illinois Electric & Gas Co. (3/21)
Feb. 28 filed 25,000 shares of cumulative preferred stock, series C (par $100). **Price**—To be supplied by amendment. **Underwriter**—Stone & Webster Securities Corp., New York. **Proceeds**—For construction 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.

Chanslor & Lyon-Palace Corp., San Francisco
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.

• Colorado Central Power Co.
Feb. 28 (letter of notification) 20,894 shares of common stock (par $5) to be offered to common stockholders of record March 1, 1951 at rate of one share for each 8.2 shares held. **Price**—$14 per share. **Underwriter**—None. **Proceeds** — For construction program. **Office**—3470 So. Broadway, Englewood, Calif.

• Composite Bond and Preferred Stock Fund, Inc.
March 12 filed 140,000 shares of capital stock. **Price**—At net asset value plus distributing charge. **Proceeds**—For investment.

• Consolidated Cigar Corp., New York (4/4)
March 9 filed 50,000 shares of cumulative preferred stock, series of 1951 (no par). **Price**—To be supplied by amendment. **Underwriter**—Eastman, Dillon & Co., New York. **Proceeds** — To prepay short-term bank loans and for working capital.

Consolidated Textile Co., Inc., New York
Dec. 27 filed 220,000 shares of capital stock (par 10 cents), offered in exchange for 200,000 shares of common stock of Bates Manufacturing Co. (Consolidated now owns 51,400 shares, or approximately 13% of the 391,500 outstanding Bates shares) on basis of 11 shares of Consolidated for 10 shares of Bates stock. Exchange offer to expire April 30. Statement effective March 2.

Consumers Power Co. (3/27)
Feb. 23 filed $40,000,000 of first mortgage bonds, due 1981, with interest not exceeding 2⅞% and maturing not earlier than 1981. **Unlerwriters**—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 at 11 a.m. (EST) on March 27.

• Continental Car-Nar-Var Corp., Brazil, Ind.
March 5 (letter of notification) 150,000 shares of common (voting) stock (par $1). **Price**—$2 per share. **Underwriters**—Sills, Fairman & Harris, Inc., Chicago, and Gearhart, Kinnard & Otis, Inc., New York. **Proceeds**—For working capital and general corporate purposes.

• Continental Electric Co., Geneva, Ill.
March 2 (letter of notification) $300,000 of 6% sinking fund debentures due Dec. 1, 1975 (to be issued in units of $100, $500 and $1,000 each). **Price**—91% of principal amount. **Underwriter**—Boettcher & Co., Chicago, Ill. **Proceeds**—To retire indebtedness and for working capital. **Office**—715 Hamilton St., Geneva, Ill.

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.

Crossett Lumber Co., Crossett, Ark.
Feb. 16 (letter of notification) an unspecified number of shares of common stock (par $5) to raise approximately $300,000. **Price**—$21.50 per share. **Underwriter**—Equitable Securities Corp. of Nashville, Tenn. **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. **Underwriter**—None. **Proceeds**—For investments.

Day Mines, Inc., Wallace, Ida.
Feb. 21 (letter of notification) 58,425 shares of common stock (par 10 cents), of which 48,425 shares are to be publicly offered at $4 per share by the escrow agent, without underwriting, and the remaining 10,000 shares are to be issued in exchange for 10 patented mining claims in the Hunter Mining District.

• Deluxe Check Printers, Inc., St. Paul, Minn.
March 1 (letter of notification) 2,160 shares of common stock (par $10). **Price**—$60 per share. **Underwriter**—None. **Proceeds**—For working capital. **Office**—530 North Wheeler St., Paul 4, Minn.

Detroit Edison Co. (3/30)
March 1 filed 850,000 shares of common stock to be offered to common stockholders of record March 30, 1951, on basis of one share for each 10 shares held; rights to expire April 26. **Price**—At par ($20 per share). **Underwriters**—None. **Proceeds**—For construction program.

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.

Electronic Computer Corp., Brooklyn, N. Y.
Feb. 2 (letter of notification) 90,000 shares of class B non-voting common stock (par $1). **Price**—$3 per share. **Underwriters**—Pioneer Enterprises, Inc., Bluefield, W. Va., and G. H. Hecht of Washington 5, D. C. **Proceeds**—To provide working capital.

● **Fidelity Fund, Inc., Boston, Mass.**
March 9 filed 1,200,000 shares of capital stock (par $1). **Price**—At market. **Underwriters**—Paul H. Davis & Co., Chicago, Ill., and The Crosby Corp., Boston, Mass. **Proceeds**—For investment.

First Securities Corp., Philadelphia, Pa.
Feb. 26 (letter of notification) 200,000 shares of capital stock (par 1 cent). **Price**—50 cents per share. **Underwriter**—Corporation itself. **Proceeds**—For working capital and expansion program. **Office**—1520 Locust Street, Philadelphia, Pa.

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.

● **Food Machinery & Chemical Corp.**
March 14 filed $25,000,000 of 25-year sinking fund debentures due 1976. **Price**—Plus coupon rate, to be filed by amendment. **Underwriters**—Kidder, Peabody & Co., New York, and Mitchum, Tully & Co., San Francisco, Calif. **Proceeds**—For new construction and other general corporate purposes.

Fosgate Citrus Concentrate Cooperative, Forest City, Fla.
March 2 filed 500 shares of class A membership stock (par $100); 5,000 shares of class B preferred stock (par $100); 8,000 shares of class C stock (par $100); 2,000 shares of class C stock (par $50); and 4,000 shares of class C stock (par $25). **Price**—At par. **Underwriter**—None. **Proceeds**—To construct and equip plant. **Business**—To process citrus fruit juices to a frozen concentrate form.

● **Fundamental Investors, Inc., New York**
March 9 filed 1,500,000 shares of capital stock. **Price**—At market. **Underwriter**—Hugh W. Long & Co., Inc., New York. **Proceeds**—For investment.

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.

Green Bay Drop Forge Co., Green Bay, Wis.
Feb. 27 (letter of notification) $200,000 of first mortgage 5% serial bonds due annually Feb. 1, 1952 to Feb. 1, 1961, inclusive. **Price**—At par and accrued interest. **Underwriter**—None. **Proceeds**—To pay debt and for working capital.

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.

Honeybugs, Inc., Brooklyn, N. Y.
Feb. 28 (letter of notification) $250,000 of 3-year 5% unsecured bonds due Feb. 15, 1954 (in denominations of $1,000 and $5,000 each). **Price**—At par and interest. **Underwriter**—None. **Proceeds**—To expand and increase volume of production and business. **Office**—601—39th Street, Brooklyn, N. Y.

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.

● **Jamaica Water Supply Co. (3/20)**
March 13 (letter o fnotification) 4,545 shares of common stock (no par). **Price**—At market (approximately $22 per share). **Underwriter**—Blyth & Co., New York, who have agreed to purchase said shares for resale to public. **Proceeds**—To seven selling stockholders.

Jerry Fairbanks, Inc., Hollywood, Calif.
Feb. 16 (letter of notification) 193,000 shares of common stock (par $1). **Price**—$1.50 per share. **Underwriter**—D. Gleich Co., New York. **Proceeds**—For production of motion pictures for theatrical and television purposes and for working capital.

Jersey Central Power & Light Co. (3/27)
Feb. 21 filed $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 at noon (EST) on March 27.

Jersey Central Power & Light Co. (3/27)
Feb. 21 filed 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.; Union Securities Corp. and Salomon Bros. & Hutzler (jointly). **Proceeds**—From sale of preferred, together with proceeds to be received from the sale of 350,000 additional common shares to General Public Utilities Corp., the parent, will be used for new construction. **Bids**—Tentatively scheduled to be received at noon (EST) March 27.

NEW ISSUE CALENDAR

March 15, 1951

Seaboard Air Line RR. noon (EST)	Eqp. Tr. Ctfs.

March 19, 1951

Canadian Prospect, Ltd.	Common
Pacific Gas & Electric Co.	Common
Prospect Exploration, Ltd.	Common

March 20, 1951

American Hospital Supply Co.	Common
Carolina Power & Light Co.	Common
Illinois Central RR. noon (CST)	Equip. Trust Ctfs.
Jamaica Water Supply Co.	Common
Middle South Utilities Co. 11 a.m. (EST)	Common
Pennsylvania Power Co. 11 a.m. (EST)	Preferred
Piedmont Natural Gas Co., Inc.	Common
Rapid Film Technique, Inc.	Common
River Brand Rice Mills, Inc.	Common

March 21, 1951

Central Illinois Electric & Gas Co.	Preferred
Lorillard (P.) Co.	Common

March 22, 1951

Great Northern Ry. noon (EST)	Equip. Trust Ctfs.
Lorillard (P.) Co.	Debentures

March 26, 1951

Jones & Laughlin Steel Corp.	Common
New Hampshire Fire Insurance Co.	Common

March 27, 1951

Consumers Power Co. 11 a.m. (EST)	Bonds
Jersey Central Power & Light Co. noon (EST)	Bonds & Pfd.

March 28, 1951

Burlington Mills Corp.	Preference
Sinclair & Valentine Co.	Common
Washington Gas Light Co.	Common

March 29, 1951

American Gas & Elec. Co. 11 a.m. (EST)	Common

March 30, 1951

Detroit Edison Co.	Common
Mountain States Tel. & Tel. Co.	Common
Tropical House Corp.	Common

April 2, 1951

Lone Star Steel Co.	Common
Vanity Fair Mills, Inc.	Common

April 3, 1951

Potomac Edison Co. 11 a.m. (EST)	Bonds
Southern Co. 11:30 a.m. (EST)	Common
Tennessee Gas Transmission Co.	Pfd. & Common
Worcester County Electric Co. noon (EST)	Bonds

April 4, 1951

Consolidated Cigar Corp.	Preferred

April 5, 1951

Oklahoma Gas & Electric Co.	Common

April 9, 1951

Public Service Co. of Oklahoma	Bonds

April 10, 1951

Mountain States Power Co.	Bonds & Common

April 19, 1951

Illinois Central RR.	Equip. Trust Ctfs.

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

Jones & Laughlin Steel Corp. (3/26-31)
March 6 filed 1,000,000 shares of common stock (par $10). **Price**—To be supplied by amendment. **Underwriter**—The First Boston Corp., New York. **Proceeds**—From sale of stock, together with other corporate funds, to retire $40,000,000 in serial notes issued on Feb. 1, 1951, in connection with expansion program. Expected week of March 26.

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., Kingsburg, Calif.**
March 1 (letter of notification) 6,000 shares of capital stock (par $1). **Price**—$5.25 per share. **Underwriter**—Fewel & Co., Los Angeles, Calif. **Proceeds**—To Fewel Bros., Inc., the selling stockholder.

Kittanning Telephone Co., Kittanning, Pa.
Feb. 15 (letter of notification) 6,021 shares of capital stock (par $25) being offered, first to stockholders of record Feb. 24 at rate of 223/1000ths of a share for each share held; right to expire on March 31. Unsubscribed shares to be offered publicly. **Price**—$45 per share. **Underwriter** — None. **Proceeds** — To convert to dial equipment and for expansion program. **Office** — 208 Arch Street, Kittanning, Pa.

● **Kootenay Copper Mines, Inc., Missoula, Mont.**
Feb. 23 (letter of notification) 1,000,000 shares of common non-assessable stock (par one cent). **Price**—10 cents per share. **Underwriter**—None. **Proceeds**—For exploration and development expenses, and for new machinery and working capital. **Address**—Box 875, Missoula, Mont.

Lithium Corp. of America, Inc.
Feb. 19 (letter of notification) 1,000 shares of common stock (par $1). **Price** — $6.75 per share. **Underwriter** — Riter & Co., Chicago, Ill. **Proceeds**—To Willis W. Osborne, the selling stockholder.

Lithium Corp. of America, Inc.
Feb. 28 (letter of notification) 12,500 shares of common stock (par $1). **Price**—At market (approximately $6.87½ per share). **Underwriters**—Peltason, Tenenbaum Co., St. Louis Mo.; and Riter & Co., Chicago, Ill. **Proceeds**—To Karl M. Leute of Minneapolis, Minn., the selling stockholder.

● **Lone Star Steel Co., Dallas, Tex. (4/2)**
March 8 filed an unspecified number of shares of common stock (par $1) to be offered to first common stockholders. **Price**—To be supplied by amendment. **Underwriters**—Dallas Rupe & Son, Dallas, Texas; Estabrook & Co., Boston, Mass.; and Straus & Blosser, Chicago, Ill. **Proceeds**—To amount to $6,000,000, to reimburse company for redemption of 4½% first mortgage bonds.

Lorillard (P.) Co., New York (3/21)
Feb. 28 filed 249,600 shares of common stock (par $10) to be offered to common stockholders of record March 21 at rate of one share for each nine shares then held; rights to expire about April 4. **Price**—To be filed by amendment. **Underwriters**—Lehman Brothers and Smith, Barney & Co., New York. **Proceeds**—To reduce bank loans.

Lorillard (P.) Co., New York (3/22)
Feb. 28 filed $15,000,000 of 25-year debentures due March 1, 1976. **Price**—To be filed by amendment. **Underwriters**—Lehman Brothers and Smith, Barney & Co., New York. **Proceeds**—To pay at maturity (Aug. 1, 1951) $6,195,450 of 5% gold bonds and to reduce bank loans.

Maine Central RR.
Feb. 12 (letter of notification) 4,800 shares of common stock (par $100). **Price**—At market. **Underwriter**—Stillman, Maynard & Co., New York. **Proceeds**—To selling stockholder.

Maryland Credit Finance Corp., Easton, Md.
Feb. 19 (letter of notification) 2,100 shares of 6% cumulative preferred stock (par $100). **Price**—$102.50 per share. **Underwriter**—None. **Proceeds**—For working capital. **Office**—National Bank Bldg., Easton, Md.

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.

Metal Products Mfg. Co. Inc.
Feb. 12 (letter of notification) 25,000 shares of class A voting common stock (par $1). **Price**—$5 per share. **Underwriter**—James T. DeWitt & Co., Washington, D. C. **Proceeds**—For organizational expenses and working capital. **Office**—Wolfe and Jackson Sts., Fredericksburg, Va.

Mexican Gulf Sulphur Co.
Feb. 16 (letter of notification) 42,800 shares of common stock (par 10 cents). **Price**—At the market (estimated at $7 per share. **Proceeds**—To further develop company's properties and for general working capital.

Middle South Utilities, Inc. (3/20)
Feb. 21 filed 450,000 shares of common stock (no par). **Underwriter**—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 invest $8,000,000 in additional common stock of Arkansas Power & Light Co., a subsidiary, and for new construction. **Bids**—To be received up to 11 a.m. (EST) on March 20 at office of company, Room 2033, Two Rector Street, New York 6, N. Y. Statement effective March 13.

Morton Oil Co., Casper, Wyo.
Feb. 21 (letter of notification) 100,000 shares of common stock (par 10 cents). **Price**—60 cents per share. **Underwriter**—Lasser Bros., New York. **Proceeds**—To Gordon R. Kay, the selling stockholder.

● **Motion Picture Financial Corp., Beverly Hills, California**
March 1 (letter of notification) 789 shares of 5% cumulative preferred stock (par $100) and 789 shares of class A common stock (par $1) to be offered in units of one share of each class of stock. **Price**—$101 per unit. **Underwriter**—None. **Proceeds**—For working capital. **Office**—214 California Bank Bldg., Beverly Hills, Calif.

● **Mt. Sopris Petroleum Co. (Colo.)**
March 5 (letter of notification) 1,500 shares of capital stock. **Price**—$100 per share. **Underwriter**—None. **Proceeds**—To drill discovery well. **Office**—715 S. Grand Ave., Glenwood Springs, Colo.

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Mountain States Power Co. (4/10)
March 7 filed $5,500,000 of first mortgage bonds due April 1, 1981. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Beane. **Proceeds**—To repay bank loans and for new construction.

Mountain States Power Co. (4/10)
March 7 filed 150,000 shares of common stock (par $7.25). **Underwriters**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc.; Merrill Lynch, Pierce, Finner & Beane; Lehman Brothers; A. C. Allyn & Co. and Bear, Stearns & Co. (jointly). **Proceeds**—To repay bank loans and for expansion program.

● **Mountain States Telephone & Telegraph Co. (3/30)**
March 9 filed 215,709 shares of capital stock to be offered to common stockholders of record March 30 in ratio of one share for each five shares held. **Price**—At par ($100 per share). **Underwriter**—None. **Proceeds** — To repay advances to American Telephone & Telegraph Co., the parent and for general corporate purposes.

● **Mutual Shares Corp., New York**
March 9 filed 20,000 shares of common stock (par $1). **Price**—At market. **Underwriter**—None. **Proceeds**—For investment.

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.

● **National Amalga-Pave, Inc., Reno, Nev.**
March 5 (letter of notification) 14,500 shares of common stock. **Price**—At par ($10 per share). **Underwriter**—None. **Proceeds**—To retire notes and to promote licensing of patent rights and production under patent. **Office**—Suite 211, 206 N. Virginia St., Reno, Nev.

● **National Screw & Mfg. Co., Cleveland, Ohio**
March 5 (letter of notification) 1,572 shares of common stock (par $1). **Price**—$50 per share. **Underwriter**—Merrill, Turben & Co., Cleveland, O. **Proceeds**—To a selling stockholder.

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, 129,367 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 competition biddnig. Probable bidders: The First Boston Corp.; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Lehman Brothers; Harriman Ripley & Co., Inc. (latter for preferred only). **Proceeds**—To retire $2,425,000 of 2⅞% bonds and the remainder to retire 4½% preferred stock of New England. Statement effective March 6.

New Hampshire Fire Insurance Co. (3/26)
March 5 filed 75,000 shares of capital stock (par $10) to be offered to stockholders of record March 26, 1951 at rate of one share for each four shares held; rights will expire on April 10, 1951. **Price**—To be supplied by amendment. **Underwriter**—The First Boston Corp., New York. **Proceeds**—To increase capital and surplus.

Norris Oil Co., Bakersfield, Calif.
Feb. 7 (letter of notification) 1,000 shares of capital stock (par $1). **Price**—500 shares at $3.50 each and 500 at $4 each. **Underwriter**—E. F. Hutton & Co., Los Angeles, Calif. as to 500 shares. **Proceeds**—To A. W. Scott, a selling stockholder.

● **Ocean Industries, Inc., Boston, Mass.**
March 2 (letter of notification) 2,900 shares of 5% cumulative preferred stock (par $100) and 7,000 shares of common stock (no par), of which the preferred and 2,900 shares of common stock are to be offered in units of one share of preferred and one share of common. The remaining 4,100 shares of common stock are to be offered to Coburn & Middlebrook, Inc. **Price**—Units, $100.10 each, and common stock 10 cents per share. **Underwriter**—Coburn & Middlebrook, Inc., Hartford, Conn. **Proceeds**—For working capital. **Office**—79 Milk St., Boston, Mass.

Oklahoma Gas & Electric Co. (4/5)
March 5 filed 215,380 shares of common stock (par $10) to be offered to common stockholders of record April 5, 1951 at rate of one share for each 10 shares held, with an oversubscription privilege; rights are to expire on April 24. **Price**—To be supplied by amendment. **Underwriter**—None. **Proceeds**—For construction program.

Oregon-Washington Telephone Co.
Feb. 14 (letter of notification) 1,500 shares of 5% cumulative preferred stock (par $100) and 5,000 shares of common stock (no par) being offered to stockholders of record Feb. 21; rights to expire March 20. **Price**—$100 per share for the preferred and $22 for the common. **Underwriter**—Conrad, Bruce & Co., Portland, Ore. **Proceeds**—For construction work.

Pacific Gas & Electric Co. (3/19)
Feb. 21 filed 1,419,562 additional shares of common stock (par $25) to be offered to common stockholders of record on March 13, 1951, on the basis of one share for each seven shares held (with an oversubscription privilege); rights to expire on April 4, 1951. The subscription period is expected to open March 19. **Price**—$31 per share. **Underwriter** — Blyth & Co., Inc., New York. **Proceeds**—To be applied toward new construction, estimated to cost $130,000,000 in 1951.

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.

Palestine Economic Corp., New York
Feb. 15 filed 200,000 shares of common stock (par $25). **Price**—$23 per share. **Underwriter**—None. **Proceeds**—For further development of Israel industry.

Pan American Milling Co., Las Vegas, Nev.
Jan. 24 filed 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.

● **Paraliner Co., Inc., Baltimore, Md.**
March 4 (letter of notification) $15,000 of 10-year 6% cumulative convertible debenture notes. **Price**—At par (in units of $500 each). **Underwriter**—None. **Proceeds**—To purchase material inventories and for other corporate purposes. **Office**—3201 Falls Cliff Road, Baltimore, Md.

Park-Ad Co., Chicago, Ill.
Feb. 19 (letter of notification) 1,500 shares of preferred stock and 1,500 shares of common stock. **Price**—The preferred at $100 per share and the common at $1 per share. **Underwriter**—None. **Proceeds**—For working capital. **Office**—333 No. Michigan Ave., Chicago, Ill.

Pennsylvania Power Co. (3/20)
Feb. 16 filed 40,000 shares of preferred stock (par $100). **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**—From sale of preferred stock, together with proceeds from sale to Ohio Edison Co., parent, of 40,000 additional common shares (par $30) for $1,200,000 cash, will be used to finance in part the company's construction program for 1951. **Bids**—Expected to be received up to 11 a.m. (EST) on March 20. **Additional Financing**—It is estimated an additional $7,000,000 of financing will be required before the end of 1952.

Pepsi-Cola Bottling Co. of Washington, D. C., Inc.
Feb. 20 (letter of notification) 50,000 shares of common stock (par 10 cents). **Price**—40 cents per share. **Underwriter**—Ferris & Co., Washington, D. C. **Proceeds**—To go to Samuel Schwartzman, the selling stockholder.

● **Personal Finance & Thrift Co.**
Feb. 28 (letter of notification) $50,000 of class "A" certificates and $250,000 of convertible class "B" certificates. **Price** — At 100%. **Underwriter** — None. **Proceeds** — To make small loans. **Office**—619 Cherry St., Chattanooga, Tenn.

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. Not consummated. Registration subsequently withdrawn.

Piedmont Natural Gas Co., Inc. (3/20)
Feb. 20 filed 100,000 shares of common stock (par $1) to be offered to common stockholders of record March 19 at rate of one share for each 2½ shares held; rights to expire March 30. **Price**—$4.50 per share. **Underwriter**—White, Weld & Co., New York. **Proceeds**—To construct and operate six lateral pipe lines.

Potomac Edison Co. (4/3)
March 2 filed $10,000,000 first mortgage and collateral trust bonds due April 1, 1981. **Underwriter**—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**—From sale of bonds, together with proceeds from sale of 200,000 shares of common stock to West Penn Electric Co. (parent) for $4,000,000, will be used for expansion program. **Offering**—Expected at 11 a.m. (EST) on April 3.

Prospect Exploration, Ltd. (3/19-20)
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. Name to be changed to Canadian Prospect, Ltd.

● **Public Service Co. of Oklahoma (4/9)**
March 12 filed $10,000,000 of first mortgage bonds, series C, due April 1, 1981. **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.; Kuhn, Loeb & Co. and Union Securities Corp. (jointly); Salomon Bros. & Hutzler; Harriman Ripley & Co., Inc. **Proceeds**—For new construction. **Bids**—Tentatively expected to be received on April 9.

● **Rapid Film Technique, Inc., N. Y. (3/20)**
March 8 (letter of notification) 60,000 shares of common stock (par 10¢). **Price**, $1 per share. **Underwriter**—Jacquin, Stanley & Co., New York. **Proceeds**—To reduce loans, for improvements, new equipment and working capital.

River Brand Rice Mills, Inc., N. Y. (3/20)
Feb. 28 filed 245,500 shares of common stock (par $3.50). **Price**—To be supplied by amendment (probably about $15 per share). **Underwriter**—Lee Higginson Corp., New York. **Proceeds**—To 16 selling stockholders.

Rotary Electric Steel Co.
Feb. 15 filed 48,419 additional shares of common stock (par $10) now offered for subscription by common stockholders of record March 5 at rate of one share for each four shares held; rights expire March 19. **Price**—$37 per share. **Underwriter**—W. E. Hutton & Co., Cincinnati, O. **Proceeds**—For expansion program and working capital.

Salem Gas Light Co., Salem, Mass.
Feb. 16 (letter of notification) 2,143⅓ shares of capital stock (par $10), to be offered on a two-for-three basis to stockholders of record Feb. 21, other than New England Electric System, owner of 93% of Salem stock, who will subscribe for an additional 28,092⅔ shares. Rights expire March 16. **Price**—$15 per share. **Underwriter**—None. **Proceeds**—To total $453,540, will be applied to the payment of indebtedness and to addition to plant.

Seaboard Container Corp.
March 1 (letter of notification) 12,000 shares of class A common stock (par $1). **Price**—$5.50 per share. **Underwriter**—Barrett Herrick & Co., New York. **Proceeds**—To Frederic R. Mann, President, who is the selling stockholder.

● **Shenango Valley Water Co.**
March 9 (letter of notification) 2,150 shares of 5% cumulative preferred stock (par $100). **Price**—$105 per share and accrued dividends. **Underwriter**—None. **Proceeds**—For repaying short-term debt and for construction program. **Office**—100 Shenango Avenue, Sharon, Pa.

● **Sherneth Corp., New York.**
March 7 (letter of notification) 13,214 shares of common stock (par 10¢) being offered to common stockholders of record March 14 on basis of one share for each five held (with an oversubscription privilege); rights to expire on March 30. **Price**—$10 per share. **Underwriter**—None. **Proceeds**—For working capital and used for general corporate purposes. **Office**—781 Fifth Avenue, New York 22, N. Y.

● **Sinclair & Valentine Co., New York (3/28)**
March 12 (letter of notification) 16,599 shares of common stock (no par) to be offered to common stockholders of record March 28, 1951, at rate of one share for each ten shares held; rights to expire April 18, 1951. **Price**—$15 per share. **Underwriter**—None. **Proceeds**—For working capital. **Office**—611 West 129th Street, New York 27, N. Y.

South Carolina Insurance Co., Columbia, S. C.
Feb. 28 (letter of notification) 5,000 shares of common stock. **Price**—$20 per share. **Underwriter**—None. **Proceeds**—To provide additional capital and surplus. **Address**—P. O. Box 1199, Columbia, S. C.

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 Petroleum Corp.
Feb. 23 (letter of notification) 15,750 shares of common stock (par $2). **Price**—$19.25 per share for 13,250 shares and $17 per share for 2,500 shares. **Underwriter**—For 13,250 shares, J. Barth & Co., San Francisco, Calif. **Proceeds**—For working capital.

Southern Co. (4/3)
March 2 filed 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; Harriman Ripley & Co., Inc. **Proceeds**—To purchase common stock of the following subsidiaries—Alabama Power Co., Georgia Power Co., Gulf Power Co. and Mississippi Co.—who will use the funds for construction expenses. **Bids**—Expected to be opened at 11:30 a. m. (EST) on April 3 at company's office, 20 Pine St., New York, N. Y.

Southern Industries Corp., Mobile, Ala.
Feb. 15 (letter of notification) 2,000 shares of common stock. **Price**—At par $100 per share. **Underwriter**—None. **Proceeds**—For additional working capital for subsidiaries, particularly Ewin Engineering Corp. **Office** — Waterman Bldg., Mobile, Ala.

Standard Factors Corp., New York
Feb. 23 (letter of notification) $100,000 of 5% subordinated debentures due Dec. 31, 1956, and 15,000 shares of common stock (par $1). **Price**—$950 per $1,000 debenture, and cash purchaser thereof may purchase 150 shares of stock at $2.70 per share. **Underwriter**—Crowell, Weedon & Co., Los Angeles 14, Calif. **Proceeds**—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.

● **Stern & Stern Textiles, Inc., N. Y.**
March 6 (letter of notification) 8,880 shares of common stock (par $1). **Price**—$11.25 per share. **Underwriter**—C. E. Unterberg & Co., New York. **Proceeds**—To two selling stockholders. **Offering**—Made on March 13.

● **Sunshine Oil, Inc., Seattle, Wash.**
March 2 (letter of notification) 500,000 shares of common stock. **Price**—At par (10 cents per share). **Underwriter**—None. **Proceeds**—To drill oil and gas well. **Office**—616 Jones Bldg., Seattle 1, Wash.

Superdraulic Corp., Detroit, Mich.
Feb. 23 (letter of notification) 100,000 shares of non-cumulative convertible preferred stock (convertible into common stock (par $1) share-for-share). **Price**—At par ($1 per share). **Underwriter** — None. **Proceeds** — For working capital. **Office**—14256 Wyoming Ave., Detroit, Mich.

Tennessee Gas Transmission Co. (4/3)
March 7 filed 100,000 shares of cumulative preferred stock (par $100) and 400,000 shares of common stock (par $5). **Price**—To be supplied by amendment. **Underwriters**—Stone & Webster Securities Corp. and White, Weld & Co., New York. **Proceeds**—To repay bank loans and for expansion of pipeline.

● **Thompson Products, Inc., Cleveland, Ohio**
March 14 filed $15,000,000 of 20-year debentures due April 1, 1971. **Price**—To be supplied by amendment. **Underwriters**—Smith, Barney & Co. and Shields & Co., both of New York, and McDonald & Co., Cleveland, O. **Proceeds**—To repay bank loans and for general corporate purposes.

● **Thompson Products, Inc., Cleveland, Ohio**
March 14 filed 131,190 shares of common stock (par $5) to be offered common stockholders on basis of one new share for each eight held. **Price**—To be supplied by amendment. **Underwriters** — Smith, Barney & Co. and Shields & Co., New York, and McDonald & Co., Cleveland, O. **Proceeds**—For working capital and general corporate purposes.

Trailmobile Co., Cincinnati, Ohio
Feb. 15 (letter of notification) 3,000 shares of common stock (par $5). **Price**—At the Market. **Underwriter**—None, but Bear, Stearns & Co., New York, will offer the shares for the seller on the New York over-the-counter market. **Proceeds**—To George M. Bunker, President, the selling stockholder. This offering has been withdrawn.

● **Transport Indemnity Co., Los Angeles, Calif.**
March 2 (letter of notification) 12,400 shares of capital stock (par $10), of which 11,500 shares are to be offered to stockholders of record March 15, 1951 at rate of one share for each five shares held, and 900 shares are to be offered to policyholders of Transport Insurance Exchange on Feb. 1, 1950 at rate of one share for each 50 shares of the same stock issued to them on that date. **Price**—$20 per share. **Underwriter**—None. **Proceeds**—To increase capital. **Office**—3257 Wilshire Road, Los Angeles 5, Calif.

● **Tropical House Corp., Lumberville, Pa. (3/30)**
March 14 (letter of notification) 166.19 shares of class A common stock (par $100) and 100 shares of class B common stock (no par). **Price**—For class A, $100 per share; for class B, $312.38 per share. **Underwriter**—None. Reoffered through offer of rescission. All of this stock was issued April 1, 1949.

● **U. S. Thermo Control Co., Minneapolis, Minn.**
March 2 (letter of notification) about 20,000 shares of common stock (par $1). **Price** — At market (approximately $3.50 per share to raise at least $70,000). **Underwriter**—None. **Proceeds**—To P. B. Steinfeldt, the selling stockholder. **Office**—44 So. 12th St., Minneapolis 3, Minn.

● **Vanity Fair Mills, Inc., Reading, Pa. (4/2)**
March 12 filed 200,000 shares of common stock (par $5). **Price**—To be supplied by amendment. **Underwriter**—Smith, Barney & Co., New York. **Proceeds**—To John E. Barney, President, the selling stockholder.

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.

● **Washington Gas Light Co. (3/28)**
March 8 filed 122,400 shares of common stock (no par), to be offered to common stockholders of record March 27, 1951 on basis of one share for each five shares held; rights to expire April 11 will be mailed on March 28. **Price** — To be supplied by amendment. **Underwriters**—The First Boston Corp., New York, and Johnston, Lemon & Co., Washington, D. C. **Proceeds**—To repay short-term debt and for construction program.

Welex Jet Services, Inc.
Feb. 9 (letter of notification) 2,000 shares of common stock (no par). **Price**—$20.50 per share. **Underwriters**—Barron McCulloch and Wm. N. Edwards & Co., both of Ft. Worth, Texas. **Proceeds**—To Robert H. McLemore, Vice-President, the selling stockholder. **Address**—P. O. Box 11307, Ft. Worth, Texas.

Welex Jet Services, Inc., Fort Worth, Tex.
Feb. 13 (letter of notification) 1,500 shares of common stock (no par). **Price**—$20.50 per share. **Underwriter**—Barron McCulloch, Ft. Worth, Texas; and Wm. N. Edwards & Co., Ft. Worth, Tex. **Proceeds**—To George A. Jaggers, Vice-President, who is the selling stockholder.

West Penn Electric Co.
Jan. 31 filed 320,000 additional shares of common stock (no par) being offered to its stockholders for subscription on the basis of one additional share for each ten shares held March 8, with an oversubscription privilege; rights to expire March 26. Unsubscribed shares to be offered to employees of companies in the West Penn Electric System. **Price**—$27 per share. **Underwriters**—Harriman Ripley & Co., Inc. and associates were on March 7 awarded the underwriting of this issue. **Proceeds**—To purchase additional equity securities of two of its subsidiaries—Monongahela Power Co. and The Potomac Edison Co. Statement effective Feb. 21.

Westerly (R. I.) Automatic Telephone Co.
Feb. 27 (letter of notification) 7,000 shares of common stock being offered to stockholders of record March 7, with rights to expire on March 27. Of these shares, 4,435⅔ are to be subscribed for by New England Telephone & Telegraph Co. **Price**—At par ($25 per share). **Underwriter** — None. **Proceeds** — To repay short term loans and for plant improvements. **Office**—38 Main St., Westerly, R. I.

Worcester County Electric Co. (4/3)
March 5 filed $12,000,000 of first mortgage bonds, series B, due March 1, 1981. **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 repay bank loans and advances and for new construction. **Bids**—Expected at noon (EST) on April 3.

● **Wyoming Mica & Metals Corp., Lander, Wyo.**
March 2 (letter of notification) 200,000 shares of capital stock. **Price**—$1 per share. **Underwriter**—None. **Proceeds**—For mining operations. **Address**—P.O. 33, Lander, Wyo.

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.

● **Algonquin Gas Transmission Co.**
Feb. 27 FPC authorized company to construct a pipe line system in New England to supply certain markets in Massachusetts, Rhode Island, Connecticut and New Jersey, which, it is estimated, will cost $30,477,800. It is planned to finance the project through sale of 20-year bonds (with interest to be about 3½%, equal to 75% of its capital and sale of common stock in an amount equal to 25% to be offered first to stockholders. Traditional underwriter: Dillon, Read & Co. Inc., New York.

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.

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 Natural Gas Corp., Charlotte, N. C.
Feb. 20 a fourth amended application was filed with the SEC for authority to build a natural gas pipeline system to serve certain areas in North and South Carolina. Estimated cost of the proposed facilities is $3,595,295, to be financed by the sale of first mortgage bonds and the issuance of junior securities. Underwriters may include R. S. Dickson & Co., Charlotte, N. C.

● **Celanese Corp. of America**
March 13 it was stated company plans to file with SEC on March 22 a registration covering $100,000,000 of new convertible preferred stock (par $100) and 100,000,000 of new debentures. The preferred would first be offered to common stockholders for subscription on basis of six preferred for each 35 common shares held and then probably in exchange for 7% second preferred non-callable stock (par $100). **Price**—To be supplied later. **Underwriter**—Dillon, Read & Co. Inc., New York. **Proceeds**—To redeem and retire present preferred stocks and funded debt and for expansion program.

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.

Columbus & Southern Ohio Electric Co.
Feb. 19, J. B. Poston, Chairman and President, announced company contemplates issuance and sale of additional common stock during the first half of 1951. If competitive, probable bidders may include Dillon, Read & Co., Inc.; Lehman Brothers and Kidder, Peabody & Co. (jointly); The First Boston Corp. **Proceeds**—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.

● **Consolidated Edison Co. of New York, Inc.**
March 13 applied to New York P. S. Commission for authority to issue and sell $25,000,000 of first and refunding mortgage bonds, series G, due, 1981. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; First Boston Corp. **Proceeds**—To redeem a like amount of Westchester Lighting Co. 3½% general mortgage bonds due 1967.

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.

Denver & Rio Grande Western RR.
Feb. 20 the company was reported to be considering issuance and sale, probably in May, of about $40,000,000 first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Kuhn, Loeb & Co. **Proceeds**—From sale of new bonds, together with other funds, to redeem $35,000,000 of 3%-4% first mortgage bonds, series A, due Jan. 1, 1993, and $8,666,900 of Denver & Salt Lake income mortgage 3%-4% bonds, due Jan. 1, 1993.

Duke Power Co.
Feb. 27 directors approved issuance and sale of $35,000,000 of new first and refunding mortgage 30-year bonds and not exceeding 126,255 additional shares of common stock to common stockholders at rate of one new share for each 10 shares held. **Price**—For stock, $75 per share. **Underwriters**—For bonds to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Stone & Webster Securities Corp.; The First Boston Corp. **Proceeds**—For construction program.

Englander, Inc.
Feb. 19, it was reported to be contemplating new financing. Underwriter—Glore, Forgan & Co., Chicago, Ill.

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.

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Foote Mineral Co.
Feb. 15 stockholders approved an increase in authorized common stock from 100,000 to 300,000 shares to provide for the payment of a 200% stock dividend on the 57,995 outstanding shares, par $2.50. G. H. Chambers, Vice-President, stated that the company is committed to a policy of expansion. "This," he said, "will require more money, and the directors later this year may seek some form of new capital." Traditional underwriter—Estabrook & Co., New York. Expected this Spring.

● **General Shoe Corp., Nashville, Tenn.**
March 5 (letter of notification) 7,500 shares of common stock (par $1) to be issued to The G. Edwin Smith Shoe Co. in exchange for capital stock of The Nisley Co. **Underwriter** — None, but it is expected that Smith, Barney & Co., New York, will make a secondary offering of aforementioned shares on behalf of the Smith Shoe firm. **Offering**—Expected latter part of this month or early in April.

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.

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 12. It is planned to raise $6,000,000. Traditional underwriter: Merrill Lynch, Pierce, Fenner & Beane, New York. Proceeds will be used for expansion.

Great Northern Ry. (3/22)
Bids will be received up to noon (EST) on March 22 for the purchase from the company, at Room 905, 2 Wall St., New York 5, N. Y., of $10,740,000 equipment trust certificates to be dated April 1, 1951 and to mature semi-annually from Oct. 1, 1951 to April 1, 1966, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Wood, Struthers & Co.

Green Mountain Power Corp., Montpelier, Vt.
Feb. 23 amendment to plan for reorganization was filed. This plan, among other things, provides for sale of 104,094 shares of new common stock (par $10) through underwriters, subject to the right of present preferred stockholders to subscribe for the new shares.

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.

● **Gulf States Utilities Co.**
March 9 company applied to FPC for authority to issue and sell an unspecified number of shares of common stock (no par) which will yield an aggregate price to company of $3,500,000. **Underwriters**—To be determined by competitive bidding. Probable bidders: Merrill Lynch, Pierce, Fenner & Beane and Lehman Brothers (jointly); Stone & Webster Securities Corp. **Proceeds**—For expansion program. **Offering**—Expected in April.

Harrison-Rye Realty Corp., N. Y.
Bids are invited for purchase of 5,000 shares of class A preferred stock (no par value) of the above company from Commodore Hotel, Inc., 42nd St. and Lexington Ave., New York 17, N. Y.

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. (3/20)
Bids will be received up to noon (CST) on March 20 at the office of A. B. Huttig, Treasurer, for the purchase from the company of $3,600,000 equipment trust certificates, series FF, to be dated April 1, 1951, and to mature in 30 equal semi-annual instalments from Oct. 1, 1951 to April 1, 1966, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Salomon Bros. & Hutzler; Harriman Ripley & Co., Inc., and Lehman Brothers (jointly).

Illinois Central RR. (4/19)
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 April 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.

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: 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); Union Securities Corp. and Stern Bros. & Co. (jointly). Probable bidders for common stock: Lehman Brothers; Glore, Forgan & Co.; Harriman Ripley & Co., Inc.

Kansas-Nebraska Natural Gas Co., Inc.
Feb. 15, it was announced that company plans to raise $4,200,000 through the sale of debentures or first mortgage bonds in the spring of 1951 (this is in addition to current sale of 10,950 shares of $5 cumulative preferred stock (no par) at $105 per share plus accrued dividends and 133,812 shares of common stock (par $5) at $15 per share (the latter to common stockholders). The bond financing early last year was placed privately through Central Republic Co. (Inc.), Chicago, Ill. The proceeds are to be used for the company's expansion program.

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).

Lake Shore Pipe Line Co., Cleveland, Ohio
Feb. 15 FPC authorized this company to acquire, construct and operate pipeline facilities which will carry natural gas into northeastern Ohio for the first time. Financing plan includes the issuance and sale of $1,075,000 in bonds to Stranahan, Harris & Co., Inc., Toledo, O., $225,000 in preferred stock and $150,000 in common stock.

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.

● **Merritt-Chapman & Scott Corp.**
March 13 it was announced stockholders will vote April 2 on increasing authorized common stock from 500,000 shares (no par) to 1,000,000 shares (par $12.50). The management says "no issuance of any additional shares is now contemplated."

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)**
March 12 applied to SEC for authority to issue and sell $10,000,000 of first mortgage bonds due April 1, 1981. **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**—From sale of bonds together with proceeds ($4,000,000) from proposed sale of 615,400 common shares to West Penn Electric Co., parent, will be used for property additions and improvements by Monongahela and its subsidiaries. **Offering**—Tentatively expected on April 24, with SEC registration on March 23.

Montana-Dakota Utilities Co.
Feb. 16 company applied to the FPC for authority to acquire natural gas facilities of three companies operating in Montana and Wyoming and to construct additional facilities, estimated to cost $5,864,094. In connection therewith, and the proposed funding of $5,800,000 short-term bank loans, it is planed to issue and sell common stock, preferred stock and mortgage bonds for a total of $11,500,000. Traditional underwriters are Blyth & Co., Inc. and Merrill Lynch, Pierce, Fenner & Beane. Financing expected before April 1, 1951.

● **National Utilities Co. of Michigan, Coldwater, Michigan**
March 6 company sought FPC authority to construct about 76.7 miles of pipeline, at an estimated cost of $1,-500,000, to be financed by issuance and sale of first mortgage bonds.

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 Jersey Power & Light Co.
Feb. 19 it was reported that company tentatively plans to issue and sell $2,500,000 of preferred stock to public and $1,500,000 of common stock to General Public Utilities Corp., parent. **Underwriters**—For preferred to be determined by competitive bidding. Probable bidders: Drexel & Co., Kuhn, Loeb & Co., and Lehman Brothers (jointly); W. C. Langley & Co.; Smith, Barney & Co. and Union Securities Corp. (jointly); Kidder, Peabody & Co. and White, Weld & Co. (jointly); Salomon Bros. & Hutzler. **Proceeds** — For 1951 construction program. Expected late Summer and early Fall.

New York, Chicago & St. Louis RR.
Feb. 23, it was announced that stockholders will vote March 29 an authorizing a new issue of cumulative preferred stock which may be offered in exchange for the present $36,056,700 of $6 preferred stock. Probable bidders: Blyth & Co., Inc.; Smith, Barney & Co.

Ohio Edison Co.
Feb. 28 it was announced company plans shortly to file with the SEC a registration statement covering 150,000 shares of preferred stock (par $100) to be sold at competitive bidding and 436,224 shares of common stock (par $8) to be offered for subscription by common stockholders. Probable bidders for preferred stock: Morgan Stanley & Co.; Lehman Brothers and Bear, Stearns & Co. (jointly); W. C. Langley & Co., Glore, Forgan & Co. and White, Weld & Co. (jointly); The First Boston Corp. Probable bidders for common stock: Lehman Brothers and Bear, Stearns & Co. (jointly); First Boston Corp., Lazard Freres & Co., Union Securities Corp. and Wertheim & Co. (jointly); Glore, Forgan & Co. and White, Weld & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly); Morgan Stanley & Co. **Proceeds**—For expansion program. **Bids**—Expected to be received in April or May.

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.

Pennsylvania Electric Co.
Feb. 16 it was reported company plans to issue and sell $3,000,000 of first mortgage bonds, $2,500,000 of preferred stock and $2,500,000 of common stock (latter to General Public Utilities Corp., parent). **Underwriter**—To be determined by competitive bidding. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Beane; Union Securities Corp. and White, Weld & Co. (jointly); Equitable Securities Corp.; The First Boston Corp.; Kuhn, Loeb & Co., Lehman Brothers and Drexel & Co. (jointly); Harriman Ripley & Co., Inc. Probable bidders for preferred stock: W. C. Langley & Co. and Glore, Forgan & Co. (jointly); Kuhn, Loeb & Co.; Smith, Barney & Co.; Kidder, Peabody & Co.; Harriman, Ripley & Co., Inc. **Proceeds**—For 1951 construction program. Expected late Summer or early Fall.

Piedmont Natural Gas Co., Inc.
Feb. 20 it was announced company plans sale of $1,800,-000 of interim notes (dischargeable at maturity by delivery of 36,000 shares of cumulative preferred stock at rate of one share for each $50 principal amount) and an unspecified amount of common shares, to be sold in units with notes. **Underwriter**—May be White, Weld & Co., New York. **Proceeds**—For conversion to natural gas and for new construction. (See also registration of 100,000 common shares above.)

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).

Seaboard Air Line RR. (3/15)
Bids will be received by the company at the office of Willkie Owen Farr Gallagher & Walton, 15 Broad Street, New York 5, N. Y., up to noon (EST) on March 15 for the purchase from it of $2,400,000 equipment trust certificates, series J, to be dated April 1, 1951, and to mature in 30 equal semi-annual instalments. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutler; Harris, Hall & Co. (Inc.).

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.

● **Texas Eastern Transmission Corp.**
Feb. 27 company was authorized to construct facilities which will increase the daily capacity of its system by 465,700,000 cubic feet to approximately 1,206,500,000 cubic feet. This project, it is estimated will cost $96,-

305,118, and includes approximately 791 miles of pipeline extending from a connection with United Gas Corp.'s system near Kosciusko, Miss., through Alabama, Tennessee, Kentucky, and Ohio to a connection with Texas Eastern's existing system near Connellsville, Pa. The company's financing program includes the sale of $78,000,000 first mortgage bonds (to be placed privately), the replacing of a $10,000,000 bank loan with a new bank loan of $20,000,000, and the sale of $45,000,000 of preferred stock, $20,000,000 of which already has been sold. Traditional underwriter for preferred stock: Dillon, Read & Co. Inc., New York.

● **United Gas Corp.**
Feb. 27 it was announced company plans to issue $145,000,000 debt securities and will loan the proceeds, together with other funds, to its subsidiary, United Gas Pipe Line Co. a total of $150,000,000 to be used for the latter's construction program. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Dillon, Read & Co. Inc.; Equitable Securities Corp.; Harriman Ripley & Co. Inc. and Goldman, Sachs & Co. (jointly); The First Boston Corp.

● **United Gas Pipe Line Co., Shreveport, La.**
Feb. 27 FPC authorized company to carry out an expansion program, which will include construction of approximately 1,000 miles of pipeline, at a total estimated cost of $111,861,749. Company will finance construction by borrowing $150,000,000 from its parent, United Gas Corp. (which see above).

● **Utah Power & Light Co.**
March 8 it was announced company during 1951 proposes to issue and sell 200,000 shares of common stock and estimated $10,000,000 of first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: (1) For bonds: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; Lehman Brothers, and Bear, Stearns & Co. (jointly); White, Weld & Co.; Salomon Bros. & Hutzler; First Boston Corp., and Blyth & Co., Inc. (jointly); Union Securities Corp., and Smith, Barney & Co. (jointly); and (2) for stock: Blyth & Co. Inc.; W. C. Langley & Co., and Glore, Forgan & Co. (jointly); Union Securities Corp., and Smith, Barney & Co. (jointly); Lehman Bros. & Bear, Stearns & Co. (jointly); Kidder, Peabody & Co., and Merrill Lynch, Pierce, Fenner & Beane (jointly). **Proceeds** — To repay bank loans and to provide additional construction funds.

Virginia Electric & Power Co.
March 6 directors announced tentative plans for the sale of approximately 450,000 shares of additional common stock to common stockholders at rate of one new share for each 10 shares held. **Price**—To be determined by market and other conditions. **Underwriter** — Stone & Webster Securities Corp., New York. **Proceeds**—For construction program. **Offering** — Tentatively planned for June.

Warner-Hudnut, Inc.
March 3 it was announced company plans issuance and sale to public of 300,000 new shares of common stock (par $1). An additional undetermined number of new common shares may be sold for the account of the Estate of Gustavus A. Pheiffer. **Price**—To be supplied later. **Underwriter**—F. Eberstadt & Co., Inc., New York. **Proceeds**—To retire bank loans and for working capital.

● **Washington Gas Light Co.**
March 8 it was announced that company may issue approximately $9,000,000 of bonds or obtain bank loans (or some combination thereof) during 1951 and apply the proceeds toward its construction program. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Smith, Barney & Co. and White, Weld & Co. (jointly); W. C. Langley & Co. and The First Boston Corp. (jointly). (See also registration of 122,400 shares of common stock under "Securities in Registration" in a preceding column.)

Our Reporter's Report

The current upheaval in the Treasury market, spilling over into the tax-exempt section and making itself felt in the high-grade corporate list as well, naturally is unsettling to sentiment in the field of new underwritings.

Fortunately new issues were sparse this week and from the standpoint of debt offerings this condition will prevail pretty much in the period ahead.

Accordingly, both underwriters and potential buyers of new securities will have an opportunity to sit back and consider the effect of the prevailing trend in the basic market on the general situation.

To say that observers and men of long experience in the market are confused by what has been going on in governments would be putting it mildly. They are plainly confounded, having assumed that the recently reported agreement between the Treasury and the Federal Reserve Board indicated at least a period of relative stability.

But now, one of their number likens what has happened to "rocking the house." When that happens, he says, you find that you can't open the windows and that the doors don't work properly until the carpenter has made necessary repairs.

Well, he feels that now it will be necessary to observe the situation and let things adjust themselves to the new conditions that have been brought about in the wake of the imbroglio between sections of the official family.

10 Percenters Pinched?

Simultaneous weakness in the equity market brought some wrinkling of brows around the Street. There was a disposition to seek a connection with the drop in government and municipal bonds.

One opinion was that perhaps the "ten percenters," that cagey aggregation of traders who make a business of "swinging" large amounts of bonds on small amounts of capital, might have become "caught in the wringer."

The theory behind this assumption was, of course, that these traders, operating in bonds on thin margins, as they do, had been forced to jettison holdings of equities to keep their bond positions good.

Turning One Loose

Underwriters have shown a growing tendency to let go without too much delay when, for one reason or another, they find they have a "bear-by-the-tail" in the form of a sticky new issue.

The latest such episode involves Tennessee Gas Transmission Co.'s $35,000,000 of new 3⅛s, brought out near the close of last month at a price of 101¼.

With termination of the syndicate on Tuesday, this issue was left to seek its own level and under none-too-propitious conditions. It dipped to a level of 98¾ bid and 99⅛ offered.

Equities Next Week

Next week, unless market conditions bring a change in plans, will be marked by a number of sizable stock offerings. Pacific Gas & Electric will open books on its offering of 1,419,562 shares of additional common to shareholders.

The following day bankers are slated to offer 200,000 shares additional of Carolina Power & Light common, and Middle South Utilities will open bids for 450,000 shares of new common and Pennsylvania Power Co. will sell 40,000 shares of new preferred of $100 par.

On Wednesday bankers are slated to market 250,000 shares of P. Lorillard Co. common via "rights" to shareholders, and on Thursday they will open books on $15,000,000 of the tobacco company's new debentures.

"Street Size" Loans Due

Several utilities are planning issues of the size bankers really like to go after. Monongahela Power Co. seeks to sell $10,000,000 of new first mortgage, 30-year bonds, plus 615,400 shares of common, the latter to its parent firm, West Penn Electric.

Public Service Co. of Oklahoma, contemplates an issue of $10,000,000 of new first mortgage bonds, due 1981, via competitive bidding.

And Consolidated Edison Co. of New York proposes to market $25,000,000 of 30-year first and refunders to redeem an equal amount of Westchester Lighting Co. general 3½s due in 1967.

DIVIDEND NOTICES

AMERICAN MANUFACTURING COMPANY
Noble and West Streets
Brooklyn 22, New York

The Board of Directors of the American Manufacturing Company has declared the regular quarterly dividend of 25c per share on the Common Stock, payable April 1, 1951 to Stockholders of Record at the close of business March 15, 1951. The stock record books will be closed for the purpose of transfer of Common Stock at the close of business March 15, 1951 until March 28, 1951.

COLUMBUS MOISE, Treasurer.

CITY INVESTING COMPANY
25 BROAD STREET, NEW YORK 4, N. Y.

The Board of Directors of this company on March 8, 1951, declared the regular quarterly dividend of $1.375 per share on the outstanding 5½% Series Cumulative Preferred Stock of the company, payable April 1, 1951, to stockholders of record at the close of business on March 19, 1951.

EDWARD FRAHER, Secretary.

GENERAL REALTY & UTILITIES CORPORATION
DIVIDEND ON CAPITAL SHARES

The Board of Directors has declared a semi-annual dividend of 25 cents per share on the Capital Shares of the Corporation payable March 30, 1951, to stockholders of record at the close of business March 16, 1951.

SAMUEL M. FOX, Treasurer.
March 15, 1951.

INTEREST PAYMENT

GENERAL REALTY & UTILITIES CORPORATION
4% Cumulative Income Debentures
Due September 30, 1969
NOTICE OF PAYMENT OF COUPON NO. 13

Payment of the amount called for by Coupon No. 13 representing interest for the six months' period ending March 31, 1951 on the above-mentioned Debentures of General Realty & Utilities Corporation, will be paid on March 31, 1951 at The Commercial National Bank and Trust Company of New York, Trustee, 46 Wall Street, New York 15, N. Y.

GENERAL REALTY & UTILITIES CORPORATION
By SAMUEL M. FOX, Treasurer
March 15, 1951.

DIVIDEND NOTICES

WESTERN TABLET & STATIONERY CORPORATION

Notice is hereby given that a dividend at the rate of $.50 per share on the issued and outstanding shares without par value of the Common Stock of Western Tablet & Stationery Corporation has been declared payable on April 16, 1951, to holders of record of such shares at the close of business on March 29, 1951.

E. H. BACH, Treasurer.

THE SAFETY CAR HEATING AND LIGHTING COMPANY, INC.
DIVIDEND NO. 215

The Board of Directors has declared a dividend of 25¢ per share on the outstanding Capital Stock of the Company of the par value of $12.50 per share, payable April 2, 1951, to holders of record at the close of business March 14, 1951.

J. H. MICHAELI, Treasurer
March 6, 1951

LION OIL COMPANY

A regular quarterly dividend of 50¢ per share has been declared on the Capital Stock of this Company, payable April 16, 1951, to stockholders of record March 30, 1951. The stock transfer books will remain open.

E. W. ATKINSON, *Treasurer*
March 13, 1951.

New York & Honduras Rosario Mining Company
120 Broadway, New York 5, N. Y.
March 14, 1951.

DIVIDEND NO. 394

The Board of Directors of this Company, at a Meeting held this day, declared an interim dividend for the first quarter of 1951, of Seventy-five Cents ($.75) a share on the outstanding capital stock of this Company, payable on March 28, 1951, to stockholders of record at the close of business on March 21, 1951.

W. C. LANGLEY, Treasurer.

Dividend Notice

THE ARUNDEL CORPORATION
BALTIMORE MARYLAND

The Board of Directors, of The Arundel Corporation has this day (March 13, 1951) declared 25 cents per share as the regular quarterly dividend, on the no par value stock of the corporation, issued and outstanding, payable on and after April 2, 1951, to the stockholders of record on the corporation's books at the close of business March 20, 1951.

MARSHALL G. NORRIS,
Secretary.

DIVIDEND NOTICES

UDY
UNITED DYE & CHEMICAL CORPORATION
Preferred Dividend No. 121

A dividend of $1.75 per share on the Preferred Stock of the corporation has this day been declared, payable April 2, 1951, to stockholders of record at the close of business March 16, 1951. Checks will be mailed.

HAROLD E. MITCHELL, *Treasurer*
Dated: March 7, 1951

Old Town
OLD TOWN RIBBON & CARBON COMPANY, INC.
DIVIDEND No. 35

The Board of Directors has declared a dividend of 30 cents per share on the Common Stock of the Company, payable on April 2, 1951 to stockholders of record at the close of business on March 21, 1951.

JEROME A. EATON, *Treasurer*
March 13, 1951

NEGEA
New England Gas and Electric Association
PREFERRED DIVIDEND NO. 16

The Trustees have declared a quarterly dividend of $1.12½ per share on the 4½% cumulative convertible preferred shares of the Association payable April 1, 1951 to shareholders of record at the close of business March 15, 1951.

H. C. MOORE, JR., *Treasurer*
March 8, 1951

Exide BATTERIES
THE ELECTRIC STORAGE BATTERY COMPANY
202nd Consecutive Quarterly Dividend

The Directors have declared from the Accumulated Surplus of the Company a dividend of fifty cents ($.50) per share on the Common Stock, payable March 30, 1951, to stockholders of record at the close of business on March 15 1951. Checks will be mailed

H. C. ALLAN.
Secretary and Treasurer
Philadelphia 32, March 2, 1951

DIVIDEND NOTICES

MRS WAGNER'S PIES
WAGNER BAKING CORPORATION

The Board of Directors has declared the regular quarterly dividend of $1.75 per share on the 7% Preferred Stock, also a dividend of 15 cents per share on the Common Stock of this Corporation. Both dividends payable April 2, 1951, to stockholders of record March 23, 1951.

J. V. STEVENS, Secretary.

Locks & Builders' Hardware
Material Handling Equipment
YALE & TOWNE
249th Consecutive Dividend
Since 1899

On March 8, 1951, dividend No. 249 of fifty cents (50¢) per share was declared by the Board of Directors out of past earnings, payable on April 2, 1951, to stockholders of record at the close of business March 19, 1951.

F. DUNNING
Executive Vice-President and Secretary
THE YALE & TOWNE MFG. CO.

GT
GENERAL TIME CORPORATION
Dividends

The Board of Directors has declared the following dividends:

PREFERRED STOCK

Regular quarterly dividend of $1.06¼ per share, on the 4¼ per cent Cumulative Preferred Stock, payable April 2, 1951 to shareholders of record March 14, 1951.

COMMON STOCK

A dividend of 50 cents per share on the Common Stock, payable April 2, 1951 to shareholders of record March 14, 1951.

JOHN H. SCHMIDT
Secretary-Treasurer

March 7, 1951.

WESTCLOX · BIG BEN
SETH THOMAS
STROMBERG RECORDERS
HAYDON MOTORS

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—Legislation aimed at changing the government rules for the conduct of this or that phase of the securities business seems destined to stay parked in the Congressional cooler for several weeks and perhaps for much longer.

Earlier in the month the House Interstate Commerce Committee had Chairman Harry A. McDonald of the SEC into a little private seance. The purpose of this executive session was to ascertain whether SEC wanted any "emergency" legislation enacted, and what else, if anything, did Mr. McDonald want the Congress to pass, please?

There was said to be no particular significance in calling in the SEC. Actually it was something of an unusual stunt. What the House Committee is doing is calling in and consulting, behind closed doors, the chieftains of all the bureaucratic tribes whose legislative aspirations come under the jurisdiction of the ICC Committee.

In the process the Committee is making up something of an inventory of both emergency and general legislation required by all the tribes. Then the Committee presumably will go about deciding what it can do about which and when.

Even if the ICC Committee was particularly steamed up about the idea of blanketing in the unlisted securities industry via the Frear bill, or amending the provisions relating to prospectuses—probably two of the most desired of the SEC's projects—there is little indication that the Committee could get going on either of these projects before about May at the earliest.

And there is no evidence, it is reported, that members of the Committee are particularly anxious to plunge into amending either of the Securities Acts.

In the first place, the House is going to take a nice 20-day Easter holiday pretty soon. Then the House Committee is going to play with that little problem of war risk insurance. Then the Committee is going to work on a fur-labeling bill. So even if SEC legislation were top after that—which it is unlikely such legislation will be—there is April to vanish before it can be considered.

Senator J. Allen Frear, Jr., Chairman of the Senate Banking Subcommittee on Banking, Securities, and Insurance, is working on a new draft of the unlisted securities bill. He is trying to incorporate into the new draft all the modifications of the original Frear bill which, in his opinion, evoked rather general agreement, based on the hearings last winter before his subcommittee.

The Senator may have this new draft ready in a month or six weeks, and thereafter will be all set to hold further hearings, the subcommittee being able and willing. However, any time from the middle of April on, the Banking Committee as a whole will be rather preoccupied with the legislation to modify and extend the Defense Production Act of 1950, which expires June 30 unless renewed. Senator Frear unlikely will press for hearings on his bill while the attention of the members of the Committee become rather heavily engrossed in this subject, it is believed.

Meanwhile Rep. Abraham J. Multer (D., N. Y.) has taken over as his own the 1950 draft of the Frear bill, and offered it as a proposal for House action. Mr. Multer is not a member of the House Interstate Commerce Committee, which in the lower chamber has jurisdiction over this legislation. Usually when a committee hears legislation, the subject of the hearings is a bill introduced by one of its own members, and, anyway, the Frear bill did not look so hot last year to the House Committee.

Chairman McDonald has no emergency legislation to pop out to Congress, it is understood. Under the SEC Act of 1934, the Commission has the power to lock up the exchanges for 90 days, provided the President of the U. S. approves. SEC has always kept current, since the outbreak of the Second World War in Europe, the texts of orders ready to be submitted to the White House for the formal OK on closings. It is indicated that if an atom bomb dropped on New York City any time, and didn't hit the Stock Exchanges, the SEC probably would march to the White House at the opening of business with an order suspending trading until order was restored.

SEC is expected to press first for the "simplified prospectus" legislation. It recently received recommendations on this subject from the securities industry, and shortly should come up with its views about the industry's ideas. However, whether the industry and SEC can see eye to eye or not on all the provisions of this legislation, SEC, it is believed, will come forward and champion a draft of a bill asking Congress to approve the bill.

It is said that second priority in new legislation is given to including the companies of $3 million of assets or 300 stockholders within the policing of the registration, reporting, proxy, and insider trading provisions of the SEC—the subject of the Frear bill, roughly.

With respect to this legislation, the SEC is still asserted to be open to dickering about details, but there is every indication that the agency believes it has all the answers, and pretty darn soon, by gosh, it would be a swell idea to get this thing on the books.

* * *

Senator J. William Fulbright (D., Ark.) is given a great deal of credit by his colleagues for finally getting this RFC mess out for ventilation, for he worked for two years studying the operations of that agency in order to get it in shape for reform.

Fulbright's remedy for cleaning up RFC, adopted too late by the President to hush up the public disclosures, is to kill off the present RFC Board and place its management in the hands of a single administrator.

His idea is that in view of the low state of prestige to which RFC has sunk, no competent board of five men could be enticed to take over the sick agency and try to run it in a respectable manner. On the other hand, such a thing as a complete change in the setup, offering one individual complete authority to take control, will make the deal attractive for some outstanding name. (Incidentally, there are rumors that former Senator Tydings will be offered the job!)

This theory may prove correct, and the complete reorganization may make it possible to bring in a man of known ability, integrity, and character to manage the RFC, provided Mr. Truman will name such a man.

However desirable this particular mechanical reform may prove to be for the short run, however, its long-run efficacy is not so highly regarded. For one thing, if not at first, then eventually, the individual selected must play ball with the Democratic National Administration. Hence the bipartisan character of the management of the RFC is destroyed.

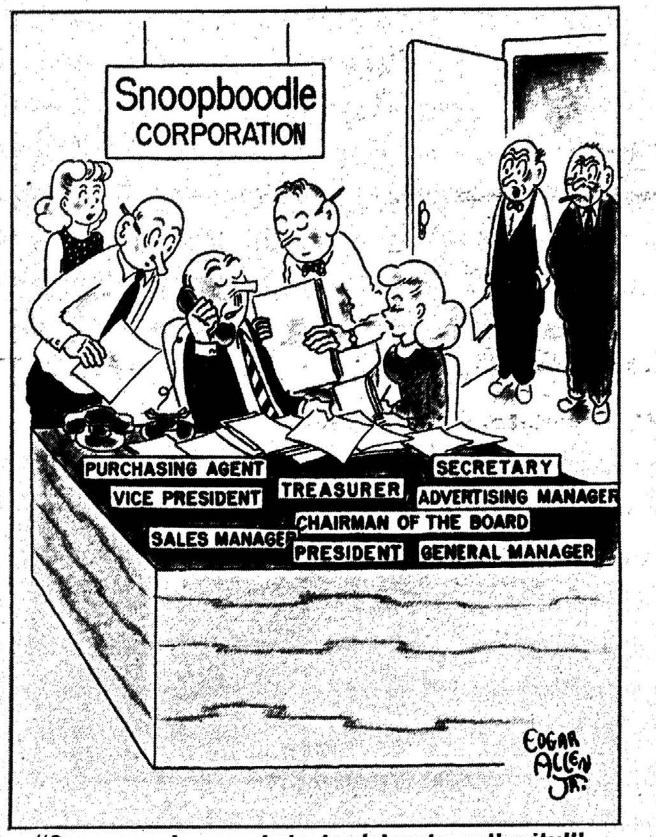
With a single administrator to run the works, the character of the RFC as an agency of Congress is also threatened. The single administrator will be more beholden to the President than to the Congress, and many of his appointments will be "suggested" or "cleared" by the same Donald Dawson, White House assistant in charge of recommending VIP personnel to the President, who is reported to have had such an extraordinary preoccupation with RFC business.

Finally, Fulbright's sympathy with the idea of barring Congressmen from dealing with "sensitive" agencies plays beautifully into the hands of the bureaucracy, who are going to be "influenced" by somebody, and it is hardly a good bet that local politicos who can get through to the top are going to be any more ethical than Congressmen.

There is hardly any law or organization or reorganization that can guarantee a government agency will be honest except one type of law—that is a law abolishing the government agency.

(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



"Some people sure hate to delegate authority!"