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EDITORIAL

As We See It

In those sections of the country within "television reach" of New York City, very substantial numbers of American citizens have been entertained, astounded and at times profoundly shocked by the "show" staged by the Kefauver Committee. In some respects there is nothing comparable to it in our history. The American people have grown accustomed in recent years to reading in the daily press about such inquiries and those who had the interest and the persistence have doubtless read the verbatim proceedings of some of them. Here, however, millions have had the opportunity (and seized it) of seeing and hearing what heretofore was visible and audible only to a very few who could be physically present. There are a great many, particularly the professional politicians, who wish they could be certain what the effects of all this are to be. We are, of course, unable to enlighten them, but it appears certain that popular impressions have been vivid far beyond anything of the past.

Now it is perfectly obvious that very little of what was "revealed" is defensible in any sense of the word. Most of it was indefensible, moreover, quite without regard to whether it violated any law. It will be so regarded, we are certain, by all thoughtful citizens, even those who label themselves "realists" in matters political.

But, having set the record perfectly straight in this respect, we now feel constrained to put into black and white certain other considerations which in the heat of the day and in the spirit of the times may well be overlooked even by ordinarily more thoughtful citizens. We see, or think we see, in the technique here exploited to the full a very serious danger. In fact, we stand

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Television's Potentialities, Progress and Problems

By DR. MILLARD C. FAUGHT*
President, The Faught Co., Inc.

Commenting on impact of television, Dr. Faught contends its full potential is far from having been reached and no adequate forecasts can be made as to what television can do. Lists some technical problems confronting TV as well as question of advertising sponsorship. Discusses use of Phonevision, *i.e.*, box office television, both for entertainment and as communication and marketing medium. Holds Phonevision will not affect adversely commercial television, and it will make the home a center of family gravity.

It is a safe assumption that everyone here has watched television. Tonight well over 100,000,000 man hours in some 11,000,000 American homes will be devoted to this absorbing new process. Yet even these prodigious manpower figures will be overshadowed by the women hours devoted to TV, and they in turn by the children hours soaked up by the magic tubes before bedtime tonight.

Millard C. Faught

Never in the history of the sciences or the arts have the total living habits of a nation been so greatly modified by a technological phenomenon so quickly.

To presume any real measure of perspective on television at this stage would be to compound arrogance with impertinence. Perhaps the best clue as to the frame of reference in which we find ourselves vis-a-vis television, is seen in the very way we react as consumers of this new service. We suspend virtually all the accumulated habits, chores, conversations, recreations, social amenities and thought patterns of pre-TV peoples and huddle together in the dark, absorbed in the fleeting dance of

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*An address by Dr. Faught before 15th Annual Conference of the Central States Group of the Investment Bankers Association of America, Chicago, Ill., March 21, 1951.

Defense Program No Bar to High Level Export Trade

By JOHN F. CHAPMAN*
Vice-President — Publisher
McGraw-Hill International Corporation

Contending U. S. increased production capacity since World War II permits both a defense program and an adequate and even surplus production in certain lines for domestic consumption, Mr. Chapman warns this is no time to abandon profitable overseas business. Says home market in durables is overbought and need for export outlets will be greater than ever. Wants fair share of non-defense industrial output allocated for export.

This country's foreign traders are today face to face with one of the greatest challenges in their history. The challenge is precipitated by a series of spectacular developments of the last three months—the full significance of which isn't yet generally recognized even by the most astute among us.

John F. Chapman

In the short period since mid-December we have for the first time in 22 months recovered from the bigwigs in the Kremlin the initiative in today's great showdown with Communist Russia.

After near disaster in Korea, we're again calling the score, and the Chinese Reds, with no apparent help arriving from Moscow, are running for the hills north of the 38th parallel.

In Indo-China, instead of Communist victories forcing the government to the wall, there's a lull in the battle, and the reinforcements rolling into the country are coming from France and the United States—and not from China and Russia.

And in Europe, where many a knowing observer had

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*An address by Mr. Chapman at 31st Annual Get Together of the Export Managers Club of New York, Inc., New York City, March 20, 1951.

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 38.

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

Spencer Chemical Co.—Richard E. Ball, Security Analyst, Albert McGann Securities Co., Inc., South Bend, Ind. (Page 2)

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RICHARD E. BALL

Security Analyst, Albert McGann Securities Co., Inc., South Bend, Ind.

Spencer Chemical Company

One of the newer chemical organizations to make its entrance into American business destiny, Spencer Chemical was organized in 1941 as the Military Chemical Works, and has since become an established manufacturer of certain types of heavy chemicals which face a soundly growing future.

Richard E. Ball

Basically, this company is a producer of anhydrous ammonia and methanol, which provide the prime source for all company products sold. Specialty products include liquid carbon dioxide, ammonium nitrate fertilizer, ammonium nitrate solutions for industry use, and special derivatives from the anhydrous ammonia base chemical. In its early years of development, Spencer Chemical improved its production processes, enlarging from its primary plant near Pittsburg, Kansas, which is located near abundant supplies of natural gas providing cheap hydrogen for the economical synthesis of anhydrous ammonia. Recent research has been directed towards the development of new products which are expected to provide further diversification and improved sales volume in the future. Although new products have not been announced by the company in recent months, current research is concerned with the field of alcohol and nitrogen products, and with other products for industrial fuel usage.

One of the significant milestones in this company's career was the acquisition in early 1950 of the $15,000,000 Henderson, Kentucky, ammonia plant which was built by the Federal government during World War II, and which has a daily rated capacity of 200 tons of ammonia. For a purchase price of but $3,000,000, Spencer Chemical acquired a property which after some enlargement and revamping is expected by management to contribute substantially to a major expansion in sales volume and net income. This Kentucky plant is convenient to adequate and economical supplies of natural gas which is used as the prime raw material for ammonium synthesis. This gives the company a definite cost advantage over competitors who acquire their hydrogen supply primarily from more costly coke or less accessible natural gas.

Conserving expenditures for plant and equipment, Spencer Chemical has leased a unit of the Indiana Arsenal at Charlestown, Indiana, which was formerly devoted to chemical production during World War II. At this plant, company will process ammonia for fertilizer with sales aimed at the prosperous "bread basket" farming territory. Thus, within the short space of a year, Spencer Chemical has added resources which allow a potential sales expansion of more than 30% with a minimum expenditure of corporate resources, a concrete proof of management ingenuity and resourcefulness.

The financial structure has been maintained in good balance despite strong demands for funds to sponsor research and sales development programs. Latest public financing in June, 1950 consisted of an offering 85,000 shares of 4.60% preferred stock of $100 par value (listed on the New York Stock Exchange). In addition the company has $10,450,000 long-term notes payable and 1,000,000 shares of common stock outstanding which is actively traded in the unlisted markets.

Showing the results of the many improved factors in this aggressive organization, sales for the 12 months ending Dec. 31, 1950 increased 26% over a similar period in 1949, while net income rose 37.4% over a similar period in 1949 to produce record earnings of $4.61 per share on the adjusted capitalization. The fiscal quarter ending Dec. 31, 1950 showed earnings at a record quarterly rate of $1.31 per share, portending earnings of over $5.00 per share for the full fiscal year inasmuch as the highest earning season is ahead.

Dictated by the company's thirst for working capital to be poured into expansion, the dividend policy has been typically conservative, but recent action in raising the quarterly dividend rate to $0.45 per share indicates a minimum $1.80 annual rate. I estimate the excess profits tax shelter base to be approximately $4.25 per share, giving consideration to the many complexities which are inherent in computing a base. This should allow the company comfortable insulation against punitive reduction of earnings which may be the fate of many typical growth companies.

Currently selling over-the-counter for approximately $43.00 per share, the stock is capitalizing current earnings only nine times against much higher multiples for the better known, more established general chemical organizations. I am confident that the intrinsic values behind this security promise much higher markets and income eventually, a promise which is not diluted by the prospect of either a peacetime or wartime character of our national economy.

JOHN L. SHEA, Jr.

President, Shea & Co., Inc., Boston 9, Mass.

Warren Brothers Company

Not very far from the Massachusetts Institute of Technology on that part of the banks of the Charles in Cambridge, Massachusetts known as "Research Row," are the modest headquarters of the half-century old Warren Brothers, largest paving contractor in America. It has been the practice of this conservative management to pay out about one-third of the earnings in dividends so the current return of approximately 8% looks reasonably secure. This conservative policy also helps explain the company's strong financial position.

John L. Shea, Jr.

Its operations are national in scope and 1950 sales and operating revenues totaled thirty million dollars. Unfilled orders today are almost 75% greater than a year ago yet the management is quick to point out that this does not mean that sales in 1951 will increase by that amount. What it does mean is that the company can pick and choose the balance of 1951 business with even more than its usual care.

Its subsidiaries are strategically located throughout the United States and Canada and their facilities are available for construction in most large industrial and defense areas. In several cases strong local interests have been permitted to hold minority interest in subsidiaries.

While the largest part of the business is paving contracting the company has a wide diversification of interests. The company had an interest in Six Companies, Inc. builders of the Hoover Dam, and in the construction of the San Francisco Bay Bridge. Its subsidiaries also engage in harbor work along the Pacific Coast, the casting of concrete piling, wood preserving and revetment work along the Mississippi River. The company manufactures asphalt paving plants at its shops for its own use. None are sold to competitors. The shops also perform work of a varied nature for other industries. Such work includes stainless steel products, heavy weldments and plate assemblies. Recent customers include General Electric, Allis-Chalmers, Saco Lowell and National Research.

Using either the invested capital formula or the average earnings formula the company can earn roughly $1.80 a share before excess profits tax liability. 1950 earnings soon to be released should be slightly under the $3.10 shown in 1949, primarily due to the increase in taxes. Dividends totaled $1.05 a share in 1950, four regular quarterly dividends of 20 cents each and a year-end extra of 25 cents. The company has paid dividends every year since its reorganization in 1942.

Price range on the stock, which is actively traded over-the-counter, is quite interesting, ranging from 29½ high in 1946 to a low of 9¾ in 1948.

To summarize, if New England management, assisted by able local interests, strong financial position, well-secured dividends, appreciation possibilities, a low price-earnings ratio and an indicated return of almost 8% interests you, take a good look at Warren Brothers, largest in its field, necessary in peace or war.

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Income Bonds—For Income

By IRA U. COBLEIGH

Author of "How to Make a Killing in Wall Street and Keep It"

Giving some random comment on the origin, nature, and current position of the bond that sells like a flounder—flat, that is! Plus brisk treatment of four typical issues.

Along with the swoose (a "combo" of the swan and the goose), and the mule, the income bond has quietly joined the ranks of the famous hybrids of history. It's been dubbed "a common stock with coupons," a "preferred stock with a maturity," and in financial dog days, I dare say some investors have been tempted to take their "incomes" to garages for help — the ones that advertise, "We fix flats."

How did this chameleon come into being, anyway? Well, sir, I'll tell you—it was railroaded into existence! Even before this century began, railroads suffered from a rather chronic disease, traceable to periodic exposure to either over-optimism or over-capitalization—inability to meet interest and/or principal payments on indebtedness. Such failures constitute what the lawyers call an "event of default" (brother, have the railroads led an "eventful" life!). Now, almost always these failures to pay were on mortgage bonds; so the holders foreclosed. In early times they took over the road; but latterly concepts of equity, together with some consideration for possible recovery of earning power, have dictated throwing a bone or two to junior security holders. This has been done by reorganization (a word meaning "I owe you ten, want to try for five?").

For the past 30 years, a composite picture of what the average $1,000 railroad mortgage bondholder got out of bankruptcy reorganization would look something like this:

$500 new first mortgage 4½s.
$400 new income 4½s.
One share new $100 par $5 preferred stock plus a dash of cash to soothe the holder for interest he hadn't been getting for years!

That gives you a short rundown on the obstetrics of "incomes." They were given out with two ideas in view: to prevent the possibility of a recurrence of bankruptcy by (1) cutting down fixed principal and interest—often by a half; and (2) setting a maturity date on income bonds substantially beyond the life expectancy of the average holder! Seaboard 4½s due 2016, Frisco 4½s due 2022, and Milwaukee 4½s due 2044! See what I mean? You should live so long!

Usually the structure of the bond is strengthened by building in a lien; sometimes it is sweetened by a conversion privilege; and in recent years fairly heavy sinking funds have been set up to buy in the bonds. Generally, too, unpaid interest, if any, is cumulative for three years or so. Fact is, almost everything has been done to the bond except assure you of regular interest payments! That, as the title indicates, depends on income.

Let's move along a little. What with one-third of United States railroad mileage flitting into the financial flophouse (with its twin beds, receivership and bankruptcy) in the '30s, and the resulting "reorgs," just oodles of these income bonds came into being. My guess would be that there are now in existence about $1,000,000,000 face amount. Well, how are they doing? Let's take a gander at some of them.

First, New Haven 4½s due July 1, 2022. This road, through the years, has had its problems. Trolley trouble in 1913; too much interest to pay in the '30s; plus a not too well-balanced freight traffic. 1,800-odd miles of New Haven track serve southern New England, with over 70% of freight revenue derived from a broad assortment of manufactured products. Historically, too much of the freight has gone one way—heavy coal movements East, requiring empty hopper cars to rattle along lightly on their way back to the mines; and the road lacks those great, long-haul stretches which fatten the earnings of Western and Southern carriers. Also, there is a lot of unprofitable passenger traffic. Reorganization, concluded in 1947, cut a lot of fat off the financial structure, but still left $144,000,000 of fixed debt, followed by about $71,000,000 of these income 4½s, which have paid $45 per bond on each May 1 since 1948. Interest is cumulative up to 13½%, and a strong sinking fund has already retired $16,000,000 by buying in the market at a substantial discount.

O.K.—three years of good hunting during which these bonds have varied in price from 27 to 67. (1) How good are they today, and (2) will they continue to pay? Answer to (1) is, pretty fair, and to (2), probably. Earnings covered fixed and contingent interest about 1.62 times in 1950. Traffic solicitation is more aggressive. Present management is about the most cost-conscious in the business. Personnel and unused facilities have been sternly reduced. A big and "iffy" plus for traffic on this road is the projected New London steel mill. The building of this plant looks less likely now, however, than it did six months ago.

All in all, the big factors sweetening this bond are cost reductions, and the sinking fund "buy-in." With constantly less of these 4½s outstanding, their interest is surer, and their junior mortgage lien, a less diluted one. Also 4½ points of interest is due May 1, 1951—only a month away. At 64, New Haven 4½s, assuming payment of interest, yield 7%—a rate not to be sneezed at.

Got another live one here: Minneapolis, St. Paul and Sault Ste. Marie 4s due Jan. 1, 1991. Four percent has regularly been paid

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* Column not available this week.

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How Stop Inflation?

By WILLIAM H. RUFFIN*

President, National Association of Manufacturers, and President, Erwin Mills Inc.

Industrial leader contends mobilization needs and dollar-protection cannot be accomplished through higher corporate or middle-and-upper individual income taxes. Instead recommends: (1) effective use of Federal powers to control private credit; (2) government economies; (3) a uniform manufacturers' excise tax (as preferable to a consumers' sales tax); and (4) increased productivity and production.

Inflation stands today as the greatest threat to the national defense program and the future security of this nation.

Unless we check inflation the costs of defense will continue to soar and we will go on undermining and devaluing the social security, the pensions, life insurance and the savings of every American family.

The plight of those living on fixed incomes is the most tragic. They have had to accept drastic cuts in living standards in the last dozen years, but I want to emphasize as strongly as I can that inflation has hit every American family and that they have been hurt whether they realize it or not.

It's true that most wages have more than kept pace with the rise in the cost of living. But, while the American wage earner's income has been gooing up, inflation has been tearing down his family's future security. Inflation has been taking big bites out of the value of his savings account, his war bonds, his insurance policy, the money he paid into pension plans and social security.

Let me give you some examples. The $100 United States Savings Bond he bought just before the war is worth only about $55 in purchasing power now. He paid $75 for it. The $5,000 insurance policy he took out in 1939 provides only $2,750 worth of protection for his family today.

The savings account of $1,000 is worth only $550 today in terms of 1939 dollars. Now, when you figure that the American people have about $180 billion in personal savings and $214 billion in life insurance protection, it's easy to see the tremendous stake we all have in halting inflation.

*A statement by Mr. Ruffin at a press conference, New York City March 28, 1951.

Pocket-Picking Unrealized

The strangest thing about it is that many of us Americans don't realize how inflation has picked our pockets—how inflation has threatened our future security. There are more dollars floating around than in 1939, and so many get a feeling of prosperity. It is something like the man rowing a boat in the river above Niagara Falls. As the current gets stronger, life looks great. He doesn't have to worry about rowing any more. He puts the possibility of going over the Falls out of his mind and enjoys the ride.

Now, I'm not predicting that we are going to crash over the Falls tomorrow. I'm not predicting that we're inevitably headed for the type of runaway inflation that hit Germany after World War I or France after the Revolution—and other classical inflations.

But, during the past 12 years, we've had a taste of what inflation can do in this country. And we know that the time to halt it is before it starts galloping. We're faced today with a tremendous defense program—tens of billions of dollars a year for how many years we don't know.

How we meet this problem of financing our defense efforts is, I believe, as important to our nation's future as the plots now being hatched and executed in the Kremlin. Nothing would bolster Communist plans more than to have America drained and weakened by inflation.

What Makes Inflation?

At the risk of oversimplification, I think we can say that inflation is too many dollars chasing too few goods. The money supply outstrips the goods available. And the so-called "gap" between the two is reflected in price increases.

Now, what happens in a defense or war period? Let's look at the facts of what actually happened between 1939 and 1951. Between 1939 and today, total industrial production has just about doubled. According to the Federal Reserve Index, the increase has been from 109 to 219 (as of January, 1951). But the money supply has increased much more rapidly—from $36 billion in 1939 to $116 billion in 1951. **In other words, while the supply of goods has doubled, the supply of money has more than tripled.**

How did we get such a great increase of money—$80 billion—between 1939 and 1951? The statistics shows that $53 billion of it (as of June 30, 1950) had been created by the government by borrowing from the banks to cover its deficit. The other $27 billion resulted from private loans made by the banks to business, on real estate and to consumers for installment credit.

This points up the fundamental fact that increased money supply can come through deficit financing by the government; or credit expansion by the commercial banks; or both. I might say here that since Korea, commercial banks have increased their loans by $8 billion.

I believe nearly all economists agree that to protect the value of the dollar, neither the government nor our banking system should be allowed to increase the money supply faster than we increase the supply of goods on the civilian market.

The first requisite for sound private credit policies is sound financial policies by government. But sound government financial policies alone aren't enough to protect the value of the dollar. A definite program to prevent inflationary credit expansion by our banking system must be followed.

The need for sound private credit policies in this country led to the establishment of the Federal Reserve System. The basic responsibility of the Federal Reserve System is to protect the value of the dollar from being undermined by unwise private credit policies. In the last few years, the Federal Reserve has been prevented from using these powers by the Administration.

As you know, the Administration has insisted that protection of a specific price and the maintenance of an artificially low rate of interest for government bonds has been more important than protecting the value of the dollar. The upshot has been an enormous increase in private credit of an inflationary character.

The first place to stop inflation, therefore, must be the exercise by the Federal Reserve of its powers to control the private credit system. Nothing must be permitted to interfere with its determination to keep private credit from carrying the inflation still further.

Government Economy

The second great requisite for a successful anti-inflation program is to place Federal finances on a sound basis—force government to cut non-essential spending to the bone to make a balanced budget possible.

The Government Spending Committee of the NAM (headed by Mr. Dibble over here on my right) has just completed an anlysis of non-defense Federal expenditures for the fiscal year 1952, with recommendations for some sizable and realistic reductions.

This study is being released today, and you will find it in your folders, titled "Cut Non-defense Spending now."

We believe it is possible to cut almost $5 billion out of the Federal budget without touching foreign aid and the military program. You have a chart at the end of this statement showing just where we recommend these cuts be made, and if you have any questions about them we will discuss them in a few minutes.

When we are faced currently with a $70 billion-plus budget, $5 billion may not seem like much of a saving, but we must remember that this was more than half the national budget in 1940.

And while information is not available for appraising the potential saving in the military and foreign aid programs, investigation may show that several billion further could be eliminated—and I want to emphasize this—without weakening our military program or undermining the effectiveness of our foreign aid policy.

While we are releasing this study today and regard strict government economy as a key element in the anti-inflation program, it is only one of the several parts which must be considered as an integrated program if we are to beat inflation.

Additional Taxes

But even granting maximum economy, we can all see an enormous task of fund-raising ahead for government. Two possibilities are open: **Borrowing** or **additional taxes.** If we turn to borrowing, which means deficit financing, we'll be right back in the old inflationary spiral. History proves that. To protect the dollar, then, the only possible alternative is to increase taxes. No one knows exactly the amount of additional revenue that will be needed. But it's bound to come to a minimum of $10 billion and perhaps finally closer to $25 billion annually.

What are the possibilities for raising such a huge sum? The first thing that comes to mind is:

What About More Taxes on Corporate Profits?

In 1950, total corporate profits, before taxes, amounted to $39.8 billion. At first glance, this looks like good pay dirt. But before jumping to that conclusion, let's look at some of the details. Of the total of $39.8 billion, corporations paid nearly half in taxes—$17.7 billion. That pulls the total down to $22.1 billion. Of this $22.1 billion after taxes, $5.1 billion was the result of business inventories having increased in book value.

For example, a business inventory item which in 1949 was worth $1, by the end of 1950 had become worth, say, $1.25. This increase of 25 cents shows as business profit upon which taxes have been paid, although the company still has just the one unit. Obviously, since this "profit" is already invested and necessary for the continued operation of the business, the amount is not available for taxes. This brings the total of profits which could be taken in additional taxes down to $17 billion.

This balance of $17 billion is what is currently available for new capital investment and the payment of dividends to stockholders. Can we afford to tax a substantial part of this away?

Let's Look at Dividends First

In 1950, total dividends were $8.9 billion. Would it be desirable to reduce the total by taxes? The answer to this question rests on whether stockholders are getting

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Impact of High Taxes

Ernest T. Weir, head of National Steel Corporation, reveals total taxes paid by this company represents 12.76% of its sales in 1950, and $9.31 per share of stock, compared with net earnings of $7.85 a share.

In his annual report to stockholders covering the year 1950, Ernest T. Weir, President of the National Steel Corporation, the fifth largest steel concern in the United States, called attention to the increasing tax burden being borne by industry. Referring to taxes paid in 1950 by the National Steel Corporation, Mr. Weir pointed out that provision for Federal state and local taxes last year was $68,546,069. This, he added, was $10,000,000 higher than net earnings and represented 12.76% of sales, compared with the 10.77% ratio of earnings to sales. Taxes amounted to $9.31 a share of stock, compared with earnings of $7.85 a share, and amounted to $2,310 per employee, compared with $1,554 per employee in 1949, Mr. Weir pointed out.

Ernest T. Weir

"Our tax situation," he continued, "illustrates forcefully the impact of the cost of government on the American economy. On a mounting scale, government is taking money away from business concerns that otherwise would be paid to private individuals in dividends or would be used to improve and expand private business."

Kahn Heads Dept. for E. F. Hutton & Co.

E. F. Hutton & Company, 61 Broadway, New York City, members of the New York Stock Exchange, announce that Lawrence R. Kahn has joined their staff as manager of the investment research department.

Coburn & Middlebrook

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—John V. Flanagan has become associated with Coburn & Middlebrook, 75 State Street. Mr. Flanagan was previously with Kenneth B. Hill & Co., Clayton Securities Corp. and Frederick C. Adams & Co.

Perkins Co. Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — William J. Stewart has been added to the staff of Perkins & Co., Inc., 31 Milk Street. He was formerly with Trusted Funds, Inc.

Redemption Values of Extended "E" Bonds

Following the signing by President Truman on March 26 of the bill which provided for extension of maturing Series E Savings Bonds for ten years, Secretary of the Treasury, John W. Snyder, issued a statement outlining the options and reinvestment privileges together with the new redemption values available to owners of extended Series E Bonds. The table of redemption values during the period of extension of $100 Series E Bond follows:

John W. Snyder

Period Elapsed After Extension	Redemption Value
Less than ½ year	$100.00
½ to 1 year	101.25
1 to 1½ years	102.50
1½ to 2 years	103.75
2 to 2½ years	105.00
2½ to 3 years	106.25
3 to 3½ years	107.50
3½ to 4 years	108.75
4 to 4½ years	110.00
4½ to 5 years	111.25
5 to 5½ years	112.50
5½ to 6 years	113.75
6 to 6½ years	115.00
6½ to 7 years	116.25
7 to 7½ years	117.50
7½ to 8 years	120.00
8 to 8½ years	122.67
8½ to 9 years	125.33
9 to 9½ years	128.00
9½ to 10 years	130.67
End of 10 years (from date of extension)	133.33

Saunders, Stiver Adds

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — William N. Frederick, Robert D. Havens and Donald W. Sargent have become associated with Saunders, Stiver & Co., Terminal Tower Building, members of the Midwest Stock Exchange. Mr. Frederick was previously with Wm. J. Mericka & Co.

Observations . . .

By A. WILFRED MAY

Some Bull Market Investment Trust Considerations

The recent market behavior of closed-end investment trust shares, in which the size of their discounts from asset value has narrowed, again highlights an investment foible. The buyers and sellers of these shares, as in the past,* in this way are acting precisely in a manner directly contradictory to investment logic. The irrational investing public habitually reduces the discount during bull periods and widens it during falling markets—just the converse of sound practice. Reasons would dictate that at a high market level, which is more precarious (particularly where there is leverage), the discount from the trusts' underlying asset value should be greater, and vice-versa. But exactly the opposite characteristically happens in discount behavior during both up- and down-market swings. Bear market emotion entails a **double-discounting** process; that is, there is a growing discount on the trust shareholders' participation in assets which are already being depreciated in their own stock market valuation.

A. Wilfred May

The market community is concerned with forecasting future **price changes** in the discount, in lieu of the relation of its size **to value.**

In the market rise of the Dow Jones Average from 167 to 190 that occurred between March and September, 1948, the average discount on 11 representative trusts followed this characteristically illogical pattern by narrowing (instead of widening) from 33 to 26%. Now again during the bull market which has occurred since June, 1949, while the D. J. Average has risen by over 50%—from 161 to 250—the trust discounts have declined instead of risen—as follows:

DISCOUNTS OF REPRESENTATIVE CLOSED-END TRUSTS

Trust	Discount June 30, 1949	Discount March 27, 1951
Adams Express	29%	24%
American International	28	26
Petroleum Corp.	24	15
Carriers & General	31	23
Equity Corporation	44	33
General American Investors	12	4 premium
Lehman Corporation	1 premium	13 premium
National Aviation Corp.	21	17
Newmont Mining Corp.	34	13
Pennroad Corporation	33	4 premium
Railway & Light Securities	20	14
United Corporation	23	3 premium

The Unrealized Appreciation Factor

In considering the advantage of discount, as well as in appraising open-end funds, the element of past accumulation of unrealized appreciation of the holdings, although stated in the trust's reports to shareholders, is not understood by the investor as it should be. This is important because of the capital gains tax levy on the future dividend distributions to the shareholder which must be paid by him in getting at his assets; and which constitutes a levy on the return of his capital. To disregard such tax is to keep the discount a merely theoretical concept.

It may be answered correctly that this process also applies in the case of industrial companies the value of whose fixed assets has appreciated. But this factor is more important where the assets are liquid rather than fixed, because with the former they get sold off gradually, while in the latter there is usually complete liquidation—in which case there is no such tax—or else no major asset disposal.

In the case of the closed-end funds, since *discount* means a reduction in the price of the underlying assets, realism dictates calculating at what price the assets can be actually in the possession of the shareholders. Hence, if a tax unavoidable by the shareholder stands in the way of his realization of those assets' stated value, its extent must be taken into account, and the discount correspondingly reduced. Only in the case of a complete liquidation, as in open-ending, is such a levy on the shareholder avoided; in the case of future distribution of such accumulation of past gains, constituting a return of capital, it cannot be avoided.

This interaction of discount, tax, and net increment to the shareholder in the case of closed-end funds is illustrated in the following table:

Tax on Unrealized Appreciation Relative to Varying Discounts

1. Asset Value	100	100	100
2. **Discount**	**20%**	**25%**	**30%**
3. Market Price	80	75	70
4. Unrealized Appreciation	30	30	30
5. Unreal. Apprec. Distrib. in Capital Gains	30	30	30
6. New Asset Value	70	70	70
7. New Market Value*	56	52.50	49
8. Total proceeds if sold at market (5 + 7)	86	82.50	79
9. Gross Profit (8 — 3)	6	7.50	9
10. Capital Gains Tax (25% of 5)	7.50	7.50	7.50
11. *Net Profit*	*—1.50*	*0*	*+1.50*

*Assuming no change in the discount.

Thus we see that the discount at which the propective investor purchases his closed-end trust shares, must at least exceed the tax which he will have to pay on the included appreciation when it is paid out in dividends. Only in the cases of complete liquidation or the managers' permanent abstention from taking

*—Cf "Observations" Dec. 16, 1948, March 24, 1949.

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The State of Trade and Industry

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

Countrywide industrial production the past week was at a virtual standstill with steel output showing a very slight increase, while automotive production and building construction were somewhat below the levels of the previous week. But in keeping with the current trend total industrial output continued to hold considerably above the level for the comparable week of 1950.

In the field of employment it was noted that for the latest recorded week a slight rise in the overall number of claims for unemployment insurance occurred.

For the month of February, according to the United States Department of Labor, factory employment rose to 45,300,000, the highest since V-J Day. However, it pointed out, that the increase in industrial employment over January totaled only 140,000. Employment gains in defense industries were largely offset by declines in others. At mid-February, the Labor Department reported there was no "large-scale conversion of plants from non-defense to defense production."

Gross income of farmers during the first two months of 1951 was 15% above the like period last year, at $4,400,000,000, compared to $3,740,000,000 last year, the United States Department of Agriculture reported.

The gain is attributed to increases from livestock and livestock products of about 30%, with all the principal livestock commodities sharing in the rise.

Advancing wage rates and higher cost of materials and supplies have made it necessary for the nation's railroads to seek increased freight rates, and the roads announced the past week that an amended petition will be filed within a few days with the Interstate Commerce Commission for a 15% hike to replace their earlier request on Jan. 16, last, for a 6% boost.

The request for a general 15% rate hike will not apply to certain items, for which specific money amounts of freight increases will be sought. These include maximum hikes of 10 cents a hundred pounds on sugar and lumber and 15 cents a hundred pounds on fresh fruits and vegetables.

Changes in rates for coal hauling also are sought. The maximum increases requested will be 23 cents a net ton where the rate is $1.50 or less; 34 cents where it is between $1.51 and $2.25, and 50 cents if it is $2.26 or more.

The roads said they would ask the ICC to hear the new request as soon as possible.

This week steel tonnage is scheduled to attain the highest record in the history of the steel industry.

Defense and related emergency programs are taking an increasingly larger bite of steel production, but, according to "Steel," the weekly magazine of metalworking, while indications point to no change in the number of directives for June, a modest overall increase in requirements for established programs is expected that month, possibly up to 50,000 tons. Defense needs, however, are continuing to rise. Prospects are by July 1 approximately 40% of steel production will be destined for emergency account under some type of preference, leaving no more than 60% for non-rated civilian needs, the magazine adds. Translated into tonnage on the basis of average monthly production so far this year, this means the defense take by mid-year will be running somewhere in excess of 3,000,000 tons monthly, just under 5,000,000 tons being left for non-rated consumer durable goods.

With the steel supply problem becoming steadily more complex the control authorities are making all haste to put a Controlled Materials Plan into effect by July 1 if possible. But opinion is noticeably divided as to whether the new CMP should be open-ended or closed. Mounting defense steel needs are giving rise to misgivings in some quarters as to the advisability of establishing an open-ended CMP. Some trade leaders appear convinced a closed plan should be put into effect, or none at all. In any event, a decision, one way or the other, should be forthcoming shortly, "Steel" asserts, since June allocations for directive programs now are under consideration and June, presumably, was to be the last month under the loose priorities and alloeations system.

Notwithstanding a moderate decline in automotive production the past week, United States producers appear to be within reach of their March production goals, "Ward's Automotive Reports" observes. The agency estimated that approximately 607,000 cars will be built this month for the best volume since last October, when 660,116 units were completed. Truck output is expected to

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Serious Impacts of Credit Restrictions on Business

By HERBERT R. SILVERMAN*
Vice-President, James Talcott, Inc.
President, National Conference of Commercial Receivable Companies, Inc.

After reviewing dangers in current program of inflation control, factoring concern executive criticizes Regulation W relating to consumer credit as a strait-jacket which fails to furnish sufficient flexibility to meet local and special conditions. Foresees probabilty of many small businesses shuttng down because of credit restrictions and disruptions due to inadequate credit facilities.

Whether we like to admit the fact, or not, our economy today is sharply influenced by the statements and events emanating from Moscow.

Herbert R. Silverman

In 1924, Lenin—the so-called father of the Russian Revolution—is reputed to have made the remark, "The day will come when we will force the United States to spend itself to destruction."

Lenin firmly believed that the way to break down the free enterprise system of capitalistic countries, and open the way to collectivism, was to force them to print so much money, and issue so many bonds, that the capitalists—as he expressed it — "would choke on them."

Henry J. Taylor, the noted news commentator, remarked that the Russian Communist mind, typified in the Politburo, was of the unhurried, oriental variety, content to have Lenin's policy come to fruition with the passage of anywhere from 10 to 25 years. He put it aptly this way: **"The Soviet policy is to get the United States to knock itself out in its own gymnasium."**

Let us reflect on this thought. You will recall the catastrophic effect inflation had on the economy, the politics, and ultimately the morale of Germany. You will recall more recently the effect of inflation in France.

France, after the defeat of Germany in the first World War, began in 1919, to vote enormous armament budgets to build up and sustain the largest peacetime army in the history of Europe—3,000,000 men. Expenditures for the Maginot Line, ammunition, guns, and other materiel were so heavy that they led to the franc being devalued five times; inflation got out of hand; the country was a mess of controls; and the French economy a hollow shell, so that in spite of all of the military preparation the country fell an easy prey to the German Wehrmacht in 1940. I don't think the master minds of the Kremlin missed the significance of this lesson. How could they! It was right in line with Lenin's precept of 1924. Some of our economists, like Dr. Melchior Palyi, are wondering if we aren't being sucked into a similar trap.

*An address by Mr. Silverman before the Boston Rotary Club, Boston, Mass., March 7, 1951.

The Dangers of Inflation

What are the dangers of inflation?

One of the most serious dangers of inflation is its effect on the value of savings. No country in the world has as much to fear, and so much to lose from inflation, as the United States. Our individual liquid savings in the form of currency and bank deposits, alone, amount to some $60 billion. In addition, individuals hold $68 billion of government bonds, about $13 billion of savings and loan deposits, and have about $54 billion in the form of private insurance, to mention the more important groups of liquid savings.

Sooner or later inflation changes the savings habits of a nation. If people see their savings being washed away by a flood of watered dollars, the inclination and desire to save vanishes. Visualize, if you will, the staggering effect of this on our free society, on our economy, and on our free enterprise system. It has been the savings of our people that have financed the great development of this country, bringing it from a wilderness to the greatest industrial power in the world in less than 200 years. To destroy, or even seriously alter savings habits, is to court disaster.

Inflation and the Inflationary Gap

How can we stop or check inflation?

You know, Mark Twain once said, "Everybody talks about the weather but nobody does anything about it." Well, while it's true we are talking up the subject, something is being done about it. At least we understand the seriousness of the problem. We know that to check inflation we must reduce excess purchasing power or increase production, or both.

Malcolm P. McNair, Lincoln Filene, Professor of Retailing of the Harvard Graduate School of Business Administration, estimates that there will be excess purchasing power of $7 billion in 1951, $23 billion in 1952 and $37 billion in 1953. These figures, he says, are the measure of the so-called "inflationary gap" that provides the leeway within which the inflationary spiral operates.

The Program for Control of Inflation

What have we, as a nation, done since last July to check this inflationary spiral?

The seven-point program operating currently, or being contemplated, for the control of inflation is:

(1) **Curtailment of Credit**—At the present time there is a voluntary curtailment of credit on the part of banks and other private lending agencies. However, it is felt that something more must be done. There are some economists who look with alarm at the expansion in bank loans, which experienced a 30% increase in commercial and industrial loans over the six-month period following the outbreak of war in Korea. Bank loans—which included all types of lending—were at the all-time peak of $52.7 billion on Dec. 31, 1950. However, as I will mention later, we should take a critical view of proposals that might seriously interfere with the functioning of the private banking system in our economy. All the experience of recent years strongly indicates that business loans can hardly be regarded as a really significant inflationary factor.

(2) **Taxation**—Since last July two new bills have been enacted and a third is contemplated. A great deal of agitation is arising for the imposition of a national sales tax, or, in the alternative, for an increase in excise taxes with heavy rates on luxuries, moderate ones on conveniences, and none at all on bare necessities.

(3) **Encouragement of Savings**—currently, there is under way a national program to encourage savings. In any program for savings we must have a program of government economy at all levels: (a) Federal; (b) State; (c) City. For example, Senator Byrd of Virginia in a recent report showed how more than $7 billion could be cut from the government's civilian budget in the way of non-essential expenditures. As Senator Byrd so aptly expressed it, "If we are not to have 'business as usual'—let us not spend as usual." And, in addition, we as citizens must exercise personal restraint in our expenditures.

The remaining four categories of the program encompass: (4) Monetary and Credit Policies; (5) Price and Wage Controls; (6) Controls on Materials; and (7) A Longer Work Day.

There are a great many persons who doubt the effectiveness of some phases of the inflationary control program. There is a particular dispute on the tax increase program. Some say, for example, the controls have gone too far; others, that the controls have come too late. As for their coming late—that is true. But there is this to say for even such "late" controls—they enforce restraint where restraint is lacking and they help hold the line somewhat, while a more fruitful attack is made on the basic causes of inflation.

Credit Regulation

Let us examine, for a minute, some of the measures already initiated and others suggested for the regulation and restriction of credit.

As you know, there are two broad types of credit regulation. The first group, which is referred to by economists as general instruments of credit regulations, includes such measures as: (a) rediscount rate, (b) the Federal Reserve open market operations, and (c) the fixing of bank reserve requirements. Through the use of these devices the Federal Reserve can influence and, as a matter of fact, has greatly curtailed the supply of funds that banks may lend.

The second group of credit regulations, which are referred to as selective instruments, place limitations on certain types of credit. These include: (1) margin requirements on stock market loans; (2) regulation of consumer installment credit; and (3) regulation of real estate mortgage loans.

Thus far the Federal Reserve has imposed the following selective regulations:

(1) In August, 1950, the rediscount rate was raised from 1½ to 1¾%.

(2) Early in September, 1950, the Federal Reserve Board reinstituted a World War II device known as Regulation W. This regulation, as you know, controls the terms of purchases—on credit. The regulation had a test run of less than a month when, on Oct. 15, the Federal Reserve Board decided it was inadequate and therefore increased the requirements for down payments and shortened the period of repayment.

I think we all agree as to the desirability of control or regulation of credit, but certainly such controls or regulations should be invoked only after thorough study and consideration. Such study certainly did not occur before imposition of Regulation W, for if had there would not have been the necessity to amend it within a month.

The impact of revised Regulation W on business has been serious. Manufacturers preparing to convert to defense production were caught in a squeeze and are having difficulty in disposing of their full output during this transition period. It has worked a dual hardship on both the buyer seeking merchandise and the seller.

Not only manufacturers, jobbers and retailers, but a great number of consumers believe that the regulation is too strict or even unnecessary. Where, they asked, was the equality in the proposition that millions of American families must have their wants subordinated to other families who become favorites under a regulation that must remain obnoxious to the principles of democracy. As an inflationary factor, some felt that consumer credit, even if one were to take the Federal Reserve Board's figures at their face value, were of negligible consequence. Why, they asked, did not the government first tackle wage and price controls, allocations and priorities of raw material, a revision of our tax laws, a drastic cutting down of non-military expenditures and a more realistic approach to our manpower problems.

There is a great deal that can be said for these views. Some claim that the Administration made a serious blunder when it failed to take the advice of that old Nestor of our economy, Bernard Baruch, who advocated an immediate clamping down on wages and prices when hostilities broke out in Korea, and they argue that the inflationary spiral we are now so conscious of could have been avoided if Mr. Baruch's advice had been followed.

My own view is that insufficient care and study has been made by those in charge of Regulation W, of the various ramifications of installment credit. They prescribed a strait-jacket where a flexible control was indicated.

(3) On Oct. 12, 1950, the Federal Reserve Board through its Regulation X put curbs on residential building credit. The aim of this regulation was to restrict the flow of funds into the mortgage market and thus to reduce home construction activity. Of course its purpose was to bring about a decrease in building in order to provide materials and labor for the defense program. In a matter of a few months, on Jan. 12, 1951, the regulation was broadened to include credit on structures with more than two-family units. And then, on Feb. 14, the Regulation was again amended. It is not necessary to spend your time in reviewing the details of these amendments but suffice it to say that there were three separate orders issued within a short period of time. Is this an example of the careful study and consideration of credit problems? Is this the planning that private business requires in the conduct of its own affairs?

What has been the effect of this credit restriction on business? Hundreds of plans for new construction had to be abandoned. Affected by this order were such new construction as office buildings, warehouses, stores, banks, hotels, and other projects which are too numerous to mention at this time. Businessmen in your section of the country have been affected and the same is true of other sections.

To give you just another example: Throughout the southeastern part of this country there are innumerable small lumber mills. Their principal output up to now has been going into: (1) residential construction, and (2) wooden furniture. A recent survey conducted by the "Wall Street Journal" shows that their current orders are far below those of a similar period in 1950 and the likelihood of war contracts is negligible.

Indirect Credit Restriction

There is another form of credit curtailment—presently in operation—which I would like to call "indirect credit restriction."

Within recent months a great deal of pressure has been exerted by the Federal Reserve System on commercial banks to limit their loans and thus restrict credit. The reason behind this pressure is that bank loans have continued to increase to new peak levels week after week. But how can bank loans not increase when prices which reached an all-time peak before the end of 1950 have continued to climb—carrying the wholesale price index 14% above the pre-Korean level? You, in the New England area, who are familiar with shoe business know what happened to the price of leather.

The pressure of the Federal Reserve Board has now been formalized into a plan—by commercial banks—whereby banks and institutional lenders, such as insurance companies and investment bankers, may enter into a pact, acquiesced in by the office of the Attorney General, permitting banks to group together for the purpose of restricting credit. The authority for this voluntary restrictive pact is said to be Section 708 of the Defense Production Act of 1950 which authorizes the President to encourage financing institutions to enter voluntary agreements and programs to restrict private credit when such pacts will further the objectives of the Defense Production Act. Considering the traditional view of banks to avoid becoming involved with governmental supervision, this proposition had all the earmarks of "will you step into my parlor . . ."

On Feb. 26 the President requested government financial authorities to develop a plan which (1) would restrain expansion of private credit, and (2) maintain a stable market for government securities.

One week prior to this, Eric Johnston appointed a committee of leading economists to give the whole subject of private credit curtailment a thorough study.

It is anybody's guess as to what recommendations will finally be made concerning the restriction of private credit. The ramifications of this problem are so far reaching and could affect the existence of so many small- and medium-sized businesses that it is essential that the persons appointed to these bodies give the most careful thought, care and study to all phases of the problem and the ultimate effect that the restriction of private credit will have on our economy.

Rules on Bank Loans

What are inflationary loans?

Within the past three weeks banks have been supplied with a preliminary Statement of Principles which calls upon them to screen loan applications "on the basis of their purpose," in addition to the usual tests of credit-worthiness. Banks are being told that the criterion for sound lending in a period of inflationary danger boils down to the following: Does

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Coming Shifts in Export Markets

By STANLEY E. HOLLIS*

President, American Foreign Credit Underwriters Corp.
Editor, Exporters' Digest & International Trade Review

After reviewing geographical shifts in U. S. export trade and impact of rearmament program and ECA aid on overseas business, Mr. Hollis points out that there is likelihood of increased exports to Sterling Area and to certain other markets that only lately ended a "dollar shortage." Holds Western Hemisphere as well as other U. S. traditional markets will continue to receive major share of private shipments, and warns exporters not to neglect or abandon their established trade channels.

Any attempt to preview near-term export market trends must obviously give prime consideration to the impact on overseas business of the rearmament programs of the United States and other countries must also be based on the premise that all-out shooting war can be averted. Almost overnight, it seems, our export trade has taken on a new look. In many areas, the dollar shortage has given way to a dollar surplus. There's an upsurge of overseas buying, to meet urgent needs and to build inventories. Today's immediate problem is not so much to increase sales and expand market coverage as it is to determine *where* to channel the goods now available for export. From the individual company standpoint, the desire is to extend equitable treatment to valued customers: in our national interest we wish to exchange exports for vital raw materials and other import needs, and to strengthen, militarily and economically, those countries which are or which we hope will be on our side. Export managers will for some time be harassed by supply shortages, government controls and many other problems, but their resourcefulness will aid them in overcoming most of these handicaps, and export volume will surely be sustained at a high level during and well beyond 1951. Already, many export departments find themselves with mounting order backlogs and are deeply concerned over lengthening delivery delays. Meanwhile sales opportunities present themselves in many markets which but yesterday were closed—markets which may be needed in the not too distant future. To be sure, the most urgent demands are for items now in short supply, but in export we always have to look ahead and plan for the future.

Stanley E. Hollis

Against this general background, let's quickly glance over the world market map, to spot, if we can, those areas towards which our exports are most likely to flow, and the changes that may be indicated in our overseas market pattern.

Western Hemisphere

Last year, more than 40% of all U. S. exports went to the countries in this hemisphere, and we are on solid ground in predicting that this part of the world will continue to receive a very substantial share of civilian goods available for export.

Canada is, and will remain, our number one customer and supplier. U. S.-Canadian trade has been about evenly balanced at an annual level of around $2 billion on both the export and the import side. Last year Canada bought more of our goods than the entire continent of Asia. With the removal of Canadian import restrictions in January, with integration of American-Canadian defense production, and with present broad-scale development of Canada's resources, we can surely count on further two-way expansion in trade across our northern border. Those who include Canada in the export sales territory will do well to assure adequate coverage of all the provinces.

Next in importance, from the standpoint of private trade, is **Latin America.** In 1950, we bought more than $3 billion from Latin America—24% above any previous year in history—and we sold about $2.8 billion to the other American Republics. This year, our even greater need for Latin American products, coupled with the firm insistence of our friends south of the border that they be supplied with merchandise *now*, not frozen dollar credits, in return for their increasing shipments to us, can only mean that any shift in Latin American trade will be on the upside. Mexico, Cuba, Brazil, Venezuela and Colombia are likely to become larger and better Latin American markets, but relative prosperity and buying power are becoming so broadly distributed throughout that whole area that good volume sales will be possible with almost every country.

Argentina may be one exception to the general upswing, for, despite its steadily improving exchange position and inherent basic soundness, the policies of that country's present administration are so unpredictable that few exporters here, or importers in Argentina, feel safe in planning for early broad-scale business expansion. Colombia is said to be toying with the idea of following Peru's lead in removing import restrictions,† and there's a well-defined trend towards easement of controls throughout Latin America. From every standpoint, Latin America rates consistent cultivation. It supplies more than one-third of all our imports, being, apart from Canada, our nearest and most dependable source of essential raw materials. Indicative of its value as a customer, consider that 44% of all our automobile and truck exports go to Latin America, 40% of our textile exports, 38% of all chemical exports, 30% of all machinery, and 30% of all iron and steel product exports.

Before moving on to the next area, note should be taken of the British West Indies Trade Liberalization Plan which became effective Jan. 1. This now permits at least limited entry of certain U. S. products, including so-called luxury items, formerly on the prohibited list, into the Bahamas, Barbados, British Guiana, British Honduras, Jamaica, Leeward Islands, Trinidad and Windward Islands.

Europe

ECA, having put the participating European countries back on their feet industrially, is now primarily concerned with aiding them in strengthening their defenses. Some of these countries have been giving us stiff competition in certain lines in Latin America and other markets—competition that we will have to reckon with for the future. During this emergency, the United Kingdom and countries on the Western European mainland will strive hard to maintain exports, especially to the dollar area. However, it will be increasingly difficult for them to do this while at the same time meeting their defense obligations. Last year, largely financed by ECA, U. S. exports to Europe ran close to $3 billion, against imports of only $1.4 billion. Considering that last September we appropriated over $5 billion for military assistance to Europe, the dollar value of our 1951 shipments to that area may well reach higher totals, with perhaps little likelihood of a commensurate increase in our imports of European goods, leaving an unsolved exchange problem there. Some private business will, of course, continue to be done with the United Kingdom, Western Germany, France, Italy, Switzerland, Belgium, the Netherlands, Scandinavia and other European markets. Spain, which took less than $45 million of U. S. exports last year, may become a somewhat more important customer, because of U. S. Government financial aid and possibly heavier shipments of Spanish products to this country.

In Eastern Europe, only Yugoslavia, which bought $42 million of U. S. exports in 1950, is likely to show any increase in dollar volume.

Asia-Oceania

Japan is likely to grow in stature as our leading **Far Eastern** customer, followed by the Philippines, India and Pakistan. The recently established economic missions of ECA will probably stimulate business with Indo-China, Thailand, Burma and Indonesia. Also, ECA's new program in the Philippines should accelerate recovery in that republic. In common with other sterling area countries, Australia and New Zealand show a disposition to open their doors wider to American products. These are prosperous, sound, progressive countries with which every export manager will do well to maintain as close contract as he can.

Africa-Middle East

Having done a noteworthy job of rebuilding its exchange reserves and restoring its balance of payments equilibrium, the **Union of South Africa** is now progressively relaxing import controls and buying more freely from the dollar area. Already many export managers report a substantial increase in South African orders and look for even greater activity in that market. **Liberia and the Belgian Congo** are two other African markets with which our trade will probably increase.

Except for such items as transportation equipment and other American specialties, trade trends in the **Middle East** indicate a return to the prewar pattern of major dependence on Europe for both imports and exports. These are highly competitive, difficult markets for the average American exporter, yet because of their oil and other resources and due to their strategic importance, our national interest demands that we continue to do all possible to improve trade relations with the Middle Eastern countries and to meet their product requirements.

Before winding up this necessarily abbreviated and sketchy survey, note should be taken of the accelerated tempo of economic development and buying demand in our own U. S. territories and possessions, especially Alaska, Hawaii and Puerto Rico. High level sales to those growing dollar markets will be sustained. Significant, too, is the trend towards manufacturing license agreements and similar arrangements to produce, package, service and distribute U. S. products within the customer countries. To many areas now becoming more industrialized, this export of know-how, sometimes accompanied by investment capital, is likely to further increase. Usually the end-result is beneficial to all concerned.

Conclusion

To summarize, it seems clear that, though the rearmament program and the related forces now at work must inevitably bring some distortions and dislocations to existing market patterns, the major effect is likely to be an accentuation of our trade both ways with present main customers and suppliers. The outlook is for increased exports to the Sterling Area and to certain other markets which have lately had to get along without our products because they lacked the dollars to buy them, but the Western Hemisphere and other traditionally American markets will continue to receive a major share of our private commercial shipments. In the period just ahead, it will be increasingly difficult to apportion available supplies on the basis of the present and potential value of each customer country, yet the export manager's *future* "performance record" may be significantly influenced by the judgment and foresight exercised in meeting this problem. This emergency situation, we can be sure, is a period of opportunity and challenge. Certainly it is no time for defeatism or for abandonment of sales, sales promotion, advertising, market research and related constructive effort. American production equipment is capable of such broad and rapid expansion that, within a much shorter time than many people now anticipate, both military and home civilian requirements may be filled. What then? Then, once again, export orders will be essential to full-scale profitable employment of factories and labor. The wise, qualified export executive will study and prepare now the markets which will take up the slack when military production slides.

*A statement by Mr. Hollis at the Panel Session of the 31st Annual Get Together of the Export Managers Club of New York, Inc., New York City, March 20, 1951.

† Since removed except for a prohibited list.

With C. W. Hall

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Ore.—J. Theodore Steenbergen has been added to the staff of 419 Southwest Stark St.

With Goodbody Co.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Arthur D. Rodeckee is with Goodbody & Co., Penobscot Building.

Join Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo. — William N. Seelinger is with Waddell & Reed, Inc., 1012 Baltimore Avenue.

Dealer-Broker Investment Recommendations and Literature

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

Bank Stock Offerings—Recent price record of selected bank stocks available on request—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y.

Canadian Market Trends—Brochure—Western City Company, Ltd., 544 Howe Street, Vancouver, B. C., Canada.

Comparative Refined Sugar Prices—Chart of prices during World War I and World War II and the postwar periods—Lamborn & Co., 99 Wall Street, New York 5, N. Y.

Cream of Your Market, The—Analysis of America's 162 top marketing areas based on preliminary figures from the 1950 census—J. Walter Thompson & Co., 420 Levington Avenue, New York 17, N. Y.

Decade of Competitive and Negotiated Debt Financing—Study—Halsey, Stuart & Co. Inc., 123 South La Salle Street, Chicago 90, Ill.

Gleanings on Securities—Market review with brief data on **Stinnes, Due Mont Laboratories, South Bay Consolidated, New York Water Service, American Tobacco,** and **Sun Life**—Kalb, Voorhis & Co., 25 Broad Street, New York 4, N. Y.

Graphic Stocks—January issue contains large, clear reproductions of 1,001 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.

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

Investment & Speculation in Convertible Bonds & Preferreds—Sidney Fried—R. H. M. Associates, Dept. C, 220 Fifth Avenue, New York 1, N. Y.—$2.00 (or free descriptive folder on request).

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.

Progressive Investing Without Forecasting—Trend-following formula for long-term operation—$5.00 for four months, or $1.00 for next two discussions—Baker's Investment Timing, Port Huron, Mich.

Radio-Television Stocks—Analysis—Laird and Company, Nemours Building, Wilmington 99, Del.

Sheltered Stocks—30 selected utilities which appear in position to perform relatively better in a reactionary period—Francis I du Pont & Co., 1 Wall Street, New York 5, N. Y. Also available in current issue of "Market Pointers" is a study of **Department Stores,** a brief resume of **Marine Midland Corporation** and a list of interesting **Low Priced Stocks,** and a list of stocks with **High Yield.**

Speculative Merits of Common Stock Warrants—Sidney Fried—$2.00—Dept. C, R. H. M. Associates, 220 Fifth Avenue, New York 1, N. Y.—Or send for free descriptive folder.

Television in War and Peace—Analysis—Bache & Co., 36 Wall Street, New York 5, N. Y.

Utility Industry in General—Analysis—Newburger & Co., 1342 Walnut Street, Philadelphia 7, Pa.

* * *

Argo Oil Corporation—Analysis—Barclay Investment Co., 39 South La Salle Street, Chicago 3, Ill.

Audio Devices, Inc.—Analysis—Peter Morgan & Co., 31 Nassau Street, New York 5, N. Y.

Bridgeport Brass—Annual report—Bridgeport Brass Company, Bridgeport 2, Conn.

British American Oil Co. Ltd.—Memorandum—Smith, Barney & Co., 14 Wall Street, New York 5, N. Y.

Central Electric & Gas Company—Study—H. M. Byllesby and Company, Inc., 1500 Chestnut Street, Philadelphia, Pa.

Cinerama, Inc.—Analysis—Gearhart, Kinnard & Otis, Inc., 45 Nassau Street, New York 5, N. Y. Also available is an analysis of **Reeves Sound Craft Corp.** and a copy of their annual report (just released).

Commonwealth Edison Company—Comment—Faroll & Company, 209 South La Salle Street, Chicago 4, Ill. Also available is a discussion of the earnings outlook for **National Department Stores Corp.**

Creamery Package Manufacturing Co.—Analysis—Elworthy & Co., 111 Sutter Street, San Francisco 4, Calif.

Detroit Hardware Manufacturing Co.—Analysis—DePasquale Co., 25 Broad Street, New York 4, N. Y.

Emerson Electric Manufacturing Company—Bulletin—Walston, Hoffman & Goodwin, 35 Wall Street, New York 5, N. Y. Also available is a bulletin on **United Air Lines, Inc.**

Fresnillo Company—Report—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

Golden Cycle Corp.—Information—Peters, Write, & Christensen, Inc., 728 Seventeenth Street, Denver 2, Colo.

Harshaw Chemical Company—Special report—Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis.

Hoffman Radios—Report available to dealers—Wagenseller & Durst, Inc., 626 South Spring Street, Los Angeles 14, Calif.

Lion Oil Company—1950 annual report—Public Relations Department, Lion Oil Company, El Dorado, Ark.

Magnavox Co.—Memorandum—Fulton, Reid & Co., Union Commerce Building, Cleveland 14, Ohio.

McLouth Steel Corp.—Memorandum—Nauman, McFawn & Co., Ford Building, Detroit 26, Mich. Also available is a memorandum on **Woodall Industries.**

Mid Continent Airlines, Inc.—Bulletin—Republic Investment Company, Inc., 231 South La Salle Street, Chicago 4, Ill. Also available is a bulletin on **Trailmobile Company** and a memorandum on **Higgins, Inc.**

National Company, Inc.—Analysis—J. B. Maguire & Co., Inc., 31 Milk Street, Boston 9, Mass. Also available is a memorandum on **Keyes Fibre Co.**

National Utilities Company of Michigan—Analysis—J. G. White & Company, Incorporated, 37 Wall Street, New York 5, N. Y.

New Hampshire Fire Insurance Company—Table of related prices—The First Boston Corporation, 100 Broadway, New York 5, N. Y. Also available is a memorandum on **Connecticut General Life Insurance Co.**

Pennsylvania Water & Power—Memorandum—Josepthal & Co., 120 Broadway, New York 5, N. Y.

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

Richardson Co.—Bulletin—May & Gannon, Inc., 161 Devonshire Street, Boston 10, Mass.

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.**

Robertshaw-Fulton Controls Co.—Analysis—Halle & Stieglitz, 52 Wall Street, New York 5, N. Y.

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.**

Safety Car Heating and Lighting Co.—Report—Eisele King, Libaire, Stout & Co., 50 Broadway, New York 4, N. Y. Also available is a report on **Seaboard and Western Airlines.**

Socony-Vacumm Oil Company—Analysis—G. H. Walker & Co., 1 Wall Street, New York 5, N. Y.

Tilo Roofing Company, Inc.—Annual report including financial statements—Tilo Roofing Company, Inc., Stratford, Conn.

Trans World Airlines, Inc.—Special review—John H. Lewis & Co., 63 Wall Street, New York 5, N. Y.

United States National Bank of Portland—Summary—Pacific Northwest Company, Exchange Building, Seattle 14, Wash.

Westinghouse Electric Corp.—Follow-up comment—Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y.

Westinghouse Electric—Review—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

COMING EVENTS

In Investment Field

April 9, 1951 (Boston, Mass.)

Boston Investment Club Dinner Meeting at the Boston Yacht Club.

April 13, 1951 (New York City)

Security Traders Association of New York Annual Dinner at the Waldorf-Astoria Hotel.

May 18, 1951 (Baltimore, Md.)

Baltimore Security Traders Association annual Spring outing at the Country Club of Maryland.

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.

June 26, 1951 (Detroit, Mich.)

Securities Traders Association of Detroit and Michigan summer outing at the Plum Hollow Country Club.

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.

Elisha M. Friedman

The "Chronicle" notes with the deepest regret the passing of one of its oldest contributors, Elisha M. Friedman. He died in New York City March 25 following an operation.

Elisha M. Friedman

Mr. Friedman participated actively in many fields, comprising business, banking, economics, education, public service and communal welfare.

To us he was best known and respected as an economist, statistician and author. During the First World War he was a statistician for the War Industries Board and the Council of National Defense. After the war he continued in government service as a dollar-a-year man, specializing in the stabilization of government bond prices; and also functioned as a consulting economist for the Treasury Department.

In 1919-1920, he was associated with the Foreign Trade Adviser's office in the U. S. State Department, during which period he was engaged in studies of world petroleum resources.

Thereafter, he left government service to engage in finance teaching and writing. In the early 1920s he served as Vice-President of the Overseas Securities Corporation, one of the earliest American investment trusts whose portfolio consisted largely of foreign issues. He, with Sidney Hillman, helped to organize the Amalgamated Bank, and served that labor institution as its investment consultant.

Mr. Friedman's teaching included lecturing on finance at the New York University School of Commerce and the New School for Social Research.

Since 1938, he testified profusely before Congressional committees on questions concerned with railroading, banking and taxation. In the latter field he was an outstanding exponent of the opinion seeking to repeal the capital gains tax (his latest analysis of this situation appearing in last week's issue of the "Chronicle").

Mr. Friedman's full-length books included: "American Problems of Reconstruction" (1918); "America and the New Era" (1920); "Labor and Reconstruction in Europe" (1919); "International Finance and Its Reorganization" (1920); and "Russia in Transition" (1932).

Mr. Friedman was unmarried. He leaves his mother, Mrs. Miriam D. Friedman, three brothers, Samuel, Abraham and Dr. E. David Friedman, Professor of Neurology at the New York University College of Medicine, and a sister, Mrs. Paul Koenigsberg. To them the "Chronicle" extends its deep sympathy.

With Talcott, Potter

(Special to The Financial Chronicle)

CHICAGO, Ill.—Harry A White has been added to the staff of Talcott, Potter & Co., 231 South La Salle Street.

McDonald Moore Adds

(Special to The Financial Chronicle)

DETROIT, Mich.—Thaddeus W. Obuchowski has been added to the staff of McDonald-Moore & Co., Penobscot Building, members of the Detroit Stock Exchange.

Outlook for Heavy Consumer Goods

By R. A. WEAVER*

Chairman of Board, Ferro Enamel Corporation, Cleveland, Ohio

Mr. Weaver, in outlining prospects of heavy consumer goods industry and, more particularly, those of his own company, points out, as favorable factors, the growing population and additional housing, with more families using labor-saving home appliances. Reveals growth of business and earnings of Ferro Enamel Corporation and its foreign subsidiaries.

You have heard the story of how enamel is made—the application of glass to steel—and I am going to skip all of that this time. I am going to skip a good many of the figures because they are available to you, and I would just like to talk to you of some of the interesting things about the company.

Robert A. Weaver

In the first place, on this little ash tray that you have, the stampings came from our English company. My son is in the jobbing enamel business in Boston and he enameled them for me. He is a customer of mine. We have a policy in our company of no relatives in the company, so I did the next best thing—I got my boy as a customer.

There is quite a lot of information about the company and so I wouldn't miss anything; I wrote down some of the things. Let me say it is a real pleasure to talk here because I have known a good many of these men in the past and I am glad to have a chance to come back and talk to them. I was asked to talk on the short- and long-term position of what you call the white goods industry, but we call the home appliance industry in Ferro. Some people feel there is a weakness involved in Ferro being connected with the home appliance industry, but I think I can convince you that that is not so.

Here is a story, in just a very few words, to tell you what I think about the home appliance industry and about Ferro. A young man went to his bank to borrow $100,000 to build an addition and to expand his business. He had a nice little business. He was a boy of good character. After he told the banker his story, the banker said, "Well, now, young man, you're a nice young man, but we have to have a statement from you. We certainly couldn't loan that much money without a statement." The young man thought a minute and then he said, "Well, I'll give you the statement right now. I'm optimistic." That is, briefly, how I feel about this home appliance industry.

For the short range, Ferro had its best January in the history of the company this year. The February figures are not out, but it will be the best February. We realize that some people are buying ahead. We have thought this a good many times in the past—yet our customers are not loaded with inventories. There are a number of refrigerators in storage, but this is always the time of the year when they build refrigerators, because the sales season starts along in the latter part of March, April and May, and then they move out pretty fast. Always in the past they have built refrigerators during the wintertime and sold them in the spring and in the fall.

Last year, Ferro sales were $33 million, which was the biggest year in our history. This year, we expect our minimum sales to be $30 million. We arrived at that by taking the first quarter of last year and assuming that we would do as well with our home appliance friends and in our other divisions in the first quarter. Well, actually, we will be considerably better than we did last year. We took, and we thought we were quite conservative, a 50% drop for the last nine months, on the assumption that perhaps steel would be cut that much. Well, as you know, steel has been cut only 20%, or will be on April 1, and there will probably be another 10% cut by June 1, or a total of 30%, which is considerably below what we had anticipated; so I think our figure of $30 million is conservative.

To show you how this is broken down, we have about 25 divisions or subsidiaries on which we keep books; that is, we know each month how those divisions come out. Here are a few of them:

The frit (porcelain enamel) end of our business, in Cleveland and Los Angeles and Nashville, amounted to about $9 million last year, divided among those three plants. The sales of our foreign subsidiaries — and I will speak more about them in a little while — were approximately $8,800,000. Then we have Tuttle & Kift, Inc., in Chicago, which makes electrical equipment for ranges—they make the heating units, those curlicue things that you see on top of electric ranges; they make the switches; they make heating units for hot water tanks; they also make what they call industrial units which are sold in a wide variety of places for different uses. I tell some of my friends that the best way to explain the breadth of that field is to say that we make 400 heating units a day for Frigidaire to defrost refrigerators. When you sell a heating unit in a refrigerator, that certainly shows the broad scope of the field.

The two engineering companies that we own did approximately $2,200,000 last year. Our Allied Engineering Company, which makes kilns for brick plants, for potteries, and for tile plants, did $1,200,000.

Then we have a second engineering company that builds continuous furnaces for the enameling trade, and they did about a million.

Our chemical company, the Ferro Chemical Company, which makes driers for paints and stabilizers for plastics, did $1,600,000. We have a synthetic enamel division which makes organic finishes that did about one million dollars.

In glaze, which is the sort of thing you find on ordinary tea cups and so forth—that shiny stuff you see is a glaze—we did over a million in that department, and in the color oxide—this black finish on this ash tray is done with a black oxide, but you can get a red one, a green one, a yellow one—in fact, I think we have 2,000 different colors. And, by the way, this (indicating) is a current advertisement showing the actual colors of some new colors we got out for dishes or for the glaze on them. That glaze division, as I said, did a little over a million, and the color division did a little over a million.

We had a business of supplies, just odds and ends, of half a million dollars, and we have another company, called the Ceramic Supply Company, at Crooksville, Ohio, that makes saggers that go in the continuous kilns for both pottery and for tile. They did about $618,000. We are starting a new division, providing clay for various industries, which did $170,000, but is growing rapidly.

I will give you more information about Ferro in a few minutes, particularly about our war work, but here are a few things about the home appliance business currently: I have checked with a good many of my friends. I am a director of the American Stove Company and also in another company, both of which make gas ranges. I also talked with some friends in the refrigerator business. The gas range people expect a drop of about 24%, but that is 24% from a very high figure that they have ever had. The electrical range people and the refrigerator people expect a drop of about 33%, but last year they did 33% better than the year before, so if they do what they think they are going to do—and they are ahead of that schedule to date—they could do this year about what they did in 1949. Those figures are approximately the pattern for the rest of the home appliance industry.

As to the long range, here is what a good many of the experts think. Naturally, Ferro will be affected by the appliance demand, and here are some factors affecting that demand. However, our diversification program is building up strength for us in the other fields like the plastic I just mentioned—and, by the way, those colors that go into pottery, and that go on steel, are also sold to the plastic industry. You may remember some of the shower curtains that were done with the ordinary or organic colors. They faded. Well, these inorganic colors or mineral colors of ours don't fade, and our business has grown very steadily. We are currently increasing the size of that department. As I say, we are diversifying in fields such as plastic, chemical and electrical.

One of the most obvious trends influencing the appliance market is population. Everyone is familiar with the war-stimulated population growth story. The relative growth from 1940 to 1950 was much greater than the population experts had expected. The addition of 20,000,000 people since 1940, compared to an increase of 9,000,000 in the previous decade, broadens the sales base for all consumer products. There has been some postwar letdown in the rate of population increase, but the Korean war has again generated a new upward trend.

Last year, the Census Bureau estimated that by 1960, there would be close to 170,000,000 people in the United States, but because of the factor just mentioned, this figure will probably be larger. I don't like to bore you with details like this, but you have to get this background to believe me when I tell you what I think about the home appliance industry.

Tied in with the population is the number of families or households, which is really more important to us. These represent the actual buying units for appliances, and it is a fact that families for the past few years have been increasing at a greater rate than the population; for example, population increased 15% between 1940 and 1950, while the number of households jumped 25%.

Then, too, family incomes have grown substantially since 1940, and it is in this group where they spend their money. The number of families in the lowest income group has decreased 60% since 1940, while those in the upper group, with incomes of over $5,000, have increased 300%. These are the people who want every labor-saving device they can get. In 1949, about 40% of the families had incomes of over $3,000, compared with 12% in 1940. While it is true that prices have increased, real incomes have still gone up. When adjusted for price to the 1935-39 level, the per capita personal or real income has increased almost 40% since 1940. Personal savings have increased 244% since 1940.

We also find that per capita expenditures for consumer durable goods are two-thirds larger than they were in 1939. They have jumped from $51 per person to $83 per person in terms of 1939 prices.

More Spending for Appliances

We made another calculation to illustrate this point by adding up the retail sales value of major appliances, and have taken that as a per cent of total disposable income. This showed the consumer expenditures for these items has increased over 100% since 1940.

The growth in these home appliances has been fantastic. Look at the history of the refrigerator business and note that in 1927 they shipped only 375,000 boxes and that the sales have been steadily increasing until, this year, they shipped over 6,000,000. Then look at the history of electric water heaters, of which in 1935 only 70,000 were sold; yet last year a million were sold. Gas water heaters, in 1935, had shipments of 200,000—last year they shipped 2,300,000. This gives you some idea of the growth of the home appliance industry.

A word about the automatic dishwasher—which, by the way, uses a terrific amount of hot water. As the dishwasher sales go up, there will be more and more of the hot water tanks sold,

Continued on page 26

*A stenographic report of a talk by Mr. Weaver before the Association of Customers' Brokers, New York City, March 6, 1951.

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By R. A. WEAVER*

Chairman of Board, Ferro Enamel Corporation, Cleveland, Ohio

Mr. Weaver, in outlining prospects of heavy consumer goods industry and, more particularly, those of his own company, points out, as favorable factors, the growing population and additional housing, with more families using labor-saving home appliances. Reveals growth of business and earnings of Ferro Enamel Corporation and its foreign subsidiaries.

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Continued on page 26

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Foreign Exchange Controls—They Should Be Removed!

By A. M. STRONG*
Vice-President, American National Bank & Trust Co., Chicago

Mr. Strong reviews growth of foreign exchange controls since World War I, and reveals handicaps and difficulties they impose on conduct of international trade. Says such controls have failed to gain their objectives and have intensified risks in international trade transactions. Holds, since no relief can be expected by voluntary action of government agencies, foreign traders all over world should work persistently for abolition of exchange and trade barriers.

In the years preceding the First World War, international trade was a free enterprise. Transactions between countries were governed by normal business rules. Nations purchased goods from each other to the extent of their available funds, and payments were regulated by the free flow of gold. Exporters and importers were not concerned with governmental monetary problems, the balance of international payments or the dollar gap. The decades before the First World War were the liberal era in international economic relations.


A. M. Strong

At the outset of the First World War comprehensive systems of foreign exchange restrictions made their first appearance. The European nations involved in the war suspended the convertibility of their bank notes into gold and imposed other monetary regulations. Many of the restrictions were retained after the war in an attempt to protect weakening currencies and sectors of national economy. The restrictions continued in some countries until the depression of 1929-1933.

The depression period was an important milestone in the development of government controls and restrictions. Countries affected by a decline in exports, flight of capital and monetary disturbances resorted to exchange and trade controls. These controls were intended to reduce international payments and arrest the outflow of capital. However, they disrupted normal trade between nations.

Germany was the first country to introduce foreign exchange controls in 1931 and to establish an elaborate system of special types of currency for foreign trade. By 1938, there were 16 kinds of German marks, and each kind had a special value and a specific use. Many countries followed suit: Hungary, Yugoslavia, Czechoslovakia, Bulgaria, Denmark, Estonia, Latvia and Lithuania established controls in 1931; Rumania and Japan in 1932. In March of 1933, foreign exchange transactions were restricted in the United States and the dollar was subsequently devalued. Most of the Western Hemisphere countries imposed exchange restrictions during this period.

Prior to the Second World War, 38 countries exercised monetary controls of one kind or another which materially affected international commerce. These countries prevented payment for current transactions by limiting the transfer of funds and engaged in barter deals and special agreements. In 1933, there were 190 such agreements involving all phases of international trade. In June, 1933, two countries entered into an agreement trading tourist revenue for import of hogs, with a basis of $40 per hog and $60 per tourist.

With the advent of the Second World War foreign exchange and trade restrictions were intensified by the belligerent nations as a means of economic warfare. Currency controls, allocations, quotas and similar devices governed international commerce.

Long before the Second World War and during the war, it was generally recognized and accepted that foreign exchange restrictions should be minimized and eventually removed. Statements to this effect were made by governments, statesmen and business leaders.

The League of Nations adopted a resolution at the 1937 Assembly that the existing systems of quotas and exchange controls should be relaxed, with a view to their abolition at the earliest possible moment.

Resolutions of International Business Conference

The International Business Conference, representing 51 nations, which met at Rye, New York, in November, 1944, laid down the following objectives:

"We hold that for us, no further ground should be yielded to state activities, or controls, unless the ends to be served are clearly in the interests of all, and reconcilable with our basic concepts. We believe that controls which are adopted as emergency measures cannot be allowed to be exercised longer than the emergency itself, without serious damage to economic health."

The "Proposals for Expansion of World Trade" issued by our State Department in November of 1945 set forth the following principles:

"Release from Restrictions imposed by Governments. . . . These restrictions and the red tape connected with them have undoubtedly prevented many business transactions, cut down the total of world trade, and reduced to that extent the benefits which trade might bring to all parties concerned. The objective of international action should be to reduce them all and to state fair rules within which those that remain should be confined."

The first Annual Report of the International Monetary Fund on Exchange Restrictions dated March 1, 1951, states:

"In subscribing to the purposes of the Fund, all member countries have agreed that restrictions on current foreign exchange transactions, which cover the broadest sectors of international economic relations, even though they may be necessary under certain conditions, are undesirable in principle. The Articles of Agreement are thus a formal repudiation of restrictionism as a normal instrument of international economic policy."

The National Foreign Trade Conventions have persistently recommended the removal of foreign trade restrictions in resolutions adopted since 1945. The resolution adopted at the New York Convention in November, 1950 states:

"The continued prevalence of trade barriers and restrictions on foreign commerce constitutes a serious threat to the attainment of the increased volume of world trade and production required to maintain our domestic economy and facilitate the rearmament of the free world. The Convention calls for an intensified effort by the United States Government to secure the early removal, wherever possible, of these burdensome restrictions. . . . The Convention urges that United States Government controls directly affecting foreign trade be kept to the absolute minimum consistent with national security."

President Truman speaking at Baylor University, Texas, in March, 1947 said: "If this country does not take the lead in reducing international trade barriers, the world will plunge into an economic war which will pave the way for future armed conflicts."

Mr. Paul G. Hoffman, former Administrator of ECA, in a speech delivered in November, 1949 before the Academy of Political Science, Columbia University, New York, stated:

"It was only behind absolute trade barriers that Hitler was able to create a synthetic gasoline industry and a synthetic rubber industry. It was only behind the most rigid trade barriers that Hitler was able to convert the German economy from the production of butter to the production of guns. If the European economy had been integrated, with its resources used in the most efficient manner, with trade flowing freely from one unit to another, neither Germany nor any other country would have been able to put itself into a position to sustain an effective attack on its neighbors. From whatever point of view you look at it, trade restrictions have been the curse of Europe during the last 50 years, and I do not see how Europe will ever find military security or economic well-being until it sweeps these barriers away."

I could quote volumes of resolutions and statements by government and business leaders all over the world. In the face of these pronouncements and the agreement by the member nations of the International Monetary Fund to abolish monetary restrictions we had every reason to expect that these restrictions would soon disappear. No one would expect that controls which admittedly stifle international trade, which pave the way for future armed conflicts and which are obstacles to military security and peace would be maintained a single day after the emergency passed. But such is not the case.

Foreign Exchange Restrictions Continue

In spite of all the statements, resolutions, promises and agreements, foreign exchange restrictions have been continued all over the world. Some explanation for the retention of these controls was given in the First Annual Report on Exchange Restrictions of the International Monetary Fund, released on March 1, 1950. The Report states that it was inevitable that countries applying restrictions in their international economic relations would in due course discover that these restrictions permitted them to pursue policies which would not otherwise have been feasible. Hence, when the original need for protecting balances of payments receded, they were reluctant to abandon these convenient devices. Many countries found that their restrictions gave them an international bargaining counter which was particularly effective under the conditions of increasing bilateralism of world trade and payments, which itself was a direct result of the spread of restrictions.

Whether the retention of foreign exchange controls is motivated by national policies, by personal reasons of the promulgators and enforcers of these controls or by the spread of socialism and statism, exchange restrictions have been continued and enforced. Out of 156 trading countries and areas of the world, only 12 are free from foreign exchange controls.

It is inconceivable that an exporter can conduct his business under these conditions. There is no other enterprise that is so hampered by red tape, regulation and restriction as is foreign commerce. The American export trade is treated like an unnecessary business, a business that must be watched closely and strictly supervised. Foreign business all over the world is subject to government interference, to impractical schemes and unnecessary supervision.

Present foreign exchange controls which prevail all over the world have taken on a variety of forms, each one designed to improve the previous method. Exchange restrictions limit foreign payments through licensing and prohibitions, and the transfer of funds abroad is arbitrarily determined in terms of individual exchange allocations, quotas, and in the postponement of granting exchange for long periods. Cost restrictions are expressed in multiple exchange rates, import duties, excise taxes and taxes on the transfer of foreign funds.

One of the most restrictive devices is the method of multiple exchange rates now practiced by Argentina, Paraguay, Spain and to a milder degree by other countries. These countries maintain different rates of exchange for different export and import commodities. The difference in the rates is substantial. In Argentina, the importer of essential goods pays 7.5 pesos for one dollar, while the importer of non-essential goods pays 14 pesos for one dollar. In Paraguay, an importer of wheat flour can buy a dollar for 3.12 Guaranies; an importer of agricultural equipment pays 6.08 Guaranies per dollar; and an importer of bicycles pays 8.05 Guaranies per dollar. In Spain, the special rates for individual imports and exports range from 10.95 to 40 pesos per dollar. You do not need a vivid imagination to realize the repercussions of such an arrangement, the opportunities for favoritism and influence.

Controls Have Failed

Foreign Exchange Controls have so far failed to accomplish their primary purpose. They have not created balanced budgets or monetary stability. During the 10-year period between August, 1939 and the end of 1949 leading foreign currencies substantially declined in value.

Rates of Leading Foreign Currencies in August, 1939, And to the End of 1949

Country—	1939	1949	Percentage of Decline
Austria	$18.90	$7.00	—67
Belgium	3.37	2.00	—40
Czechoslovakia	3.42	2.00	—42
Denmark	20.34	14.50	—29
England	4.46	2.80	—37
France	2.51	0.29	—90
Germany	40.06	27.75	—31
Greece	0.81	0.01	—99
Italy	5.20	0.16	—97
Netherlands	53.33	26.30	—51
Norway	23.22	14.05	—40
Sweden	23.99	19.36	—19

Foreign Exchange Controls create many serious financial problems for exporters. An exporter who must wait for months for the dollar proceeds of his shipment is of necessity limited in his business. He can only use his bank credit line three or four times a year when he ships to countries with exchange restrictions and his turnover is curtailed. When foreign payments are delayed over a long period as was recently the case in Argentina and Brazil, smaller companies with tied-up funds may find themselves in a precarious position. The restrictions frequently create acute financial problems which cannot be solved by banks. Some exporters have to obtain private financing which adds to the cost of the merchandise and makes their business less profitable and sometimes impossible.

The exchange risks involved in local currency deposits are well known to you. Although in many countries an undertaking is obtained from the consignee guaranteeing any depreciation in the value of the deposited local currency, these guarantees could hardly be enforced in the event of a substantial decline in the rate or in the event of devaluation.

The uncertainties of exchange regulations make long-range buying and selling a hazardous business. The foreign buyer of Christmas goods for which he must contract during spring or summer, does not know whether his government will permit him to buy dollars in November when the goods arrive, or what he will be required to pay for the dollar. Similarly, the American exporter does not know whether his sales in a given country will suddenly be curtailed because of governmental restriction or a change in the currency rate.

Is There an Answer?

What is the answer to this generally recognized evil? What can be done to free world trade from this monetary restraint? Since no relief can evidently be expected by voluntary action of government agencies, foreign traders all over the world must bring about such action through public opinion, by exposing the futility and harm of the restrictions, and through representations to their law making bodies. They must persistently work for the abolition of exchange and trade barriers.

In the present emergency, the removal of exchange controls by our allies and other friendly nations will facilitate the movement of defense materials, and help check the spreading wave of inflation. The gradual abolition of such controls should therefore be made a part of the European defense program, and be stressed in our negotiations with other nations. The free countries of the world must reexamine the existing exchange restrictions in the light of the objectives which they are supposed to accomplish. They must not have controls for the sake of controls.

The recent price controls imposed in our own country are a form of monetary restraint upon foreign trade. The need for such controls should be carefully reexamined. We must make certain that the regulations will not impair our export markets or the importation of materials needed for our defense and our national economy. Our export community must take an active part in the regulation of exports and raise its voice to guide and help our government in this difficult task.

Whether or not the present strained international situation develops into a world war, peace will eventually prevail. Men will not forsake their freedom for the utopias of Communism, Fascism or any other form of absolutism. We must lay the foundation now for that peaceful world and make certain that foreign exchange and trade barriers will not be perpetuated.

*An address by Mr. Strong at the 31st Annual Meeting, Export Managers' Club of New York, New York City, March 21, 1951.

Inflation—And What We Can Do About It

By JAMES L. FITZGERALD*
Dean, Manhattan College, School of Business, New York City

Dean Fitzgerald defines monetary inflation and describes how it has developed since the last war and the factors that are contributing toward it. Warns current anti-inflationary measures are ineffective and concludes there is no genuine or sound remedy unless somehow it provides for increase in supply of civilian goods, or materially reduces the excess money supply, or does both.

I assume that every one realizes by now that we are faced with a serious monetary and credit inflation, which is steadily increasing and threatening to reach a dangerous stage. Many of us are in doubt and confusion as to how this dread disease attacked our economy. All of us are worrying about how it can be stopped before it does irreparable harm. We have turned to our government for guidance and for remedies, but so far the doctor's prescriptions for a cure have been few and ineffectual. As a matter of fact, the doctor himself is sick from the same disease. The fever is rising and economic health of every one of us is threatened through our pocketbooks and our standard of living. We are losing strength to effectively meet the strain of the military struggle ahead of us. Out of the confusion of utterances as to the cause of the inflation and who is responsible for its progress, one important point of view is emerging, which it is well for us to keep constantly in mind—that we cannot expect at this serious stage of the inflation, any quick, easy and painless cure. Accordingly, it is imperative that we beware of quack cures, that will only push the inflation fever higher and make the ultimate break-up of the economy more certain.


Dr. J. L. Fitzgerald

What Is Inflation?

In order to form a proper judgment about the efficacy of any proposed remedy for inflation, we must first get a clear-cut picture of **just what inflation really is,** and then how it has come to be. The efforts of Mr. John Q. Public to really get at the underlying causes of the inflation would be very much simplified, it seems to me, if various groups had not been trying hard in the past six or eight months to understate the illness, and working frantically to pass the blame upon the other fellow for the condition we are in.

Therefore, the first question we should answer is this: What is this inflation that every one is so troubled about, and what are the signs of its presence?

The answer in itself can be stated quite simply. Inflation is present in an economy when there are too many dollars in circulation, which are bidding for a given quantity of goods and services. The result is a rapid and sharp increase in the prices of almost every thing we buy with the swollen inflated dollars.

As of Dec. 31, 1950, the value of your dollar and mine for purchasing goods and services has shrunk to 55 cents' worth and **it is even lower now. This is the effect of inflation!** We prove it by showing that the general price level has increased by 78.4% in terms of the price level of the base year of 1939. In other words, the general cost of living for the moderate income consumer group is such that it now takes $1.78 to buy what one dollar bought in 1939. That again is inflation at work! An additional increase of least 5 to 7% by next May is promised by the Stabilization Board itself.

But this is not the whole picture! This Consumer's General Price Index is an average of many prices, including rent, gas, electricity and transportation. These latter items were controlled when the above index was prepared. Consequently, if they were left out of the calculation, the value of the dollar for uncontrolled items would be considerably lower than 56.5. For example, the index of food prices since 1939 had risen to 209.5. Figures since released show a further rise.

In connection with wholesale prices, we must not overlook the fact that the general wholesale price level has also risen since Korea, which increase is not yet reflected extensively in retail prices. In fact, since June, 1950 (Korea), some raw materials have shown price increases ranging from 25% to 300%. If these advances are ultimately passed on into retail prices the impact on the consumer will be terrific.

How Inflation Developed

The second basic question we have to ask ourselves is this: **How has this condition of severe inflation developed?**

Since 1939, the total number of dollars in circulation in the United States has increased more than five times, from 33 billion to 176.9 billion. During the same period our industrial production of goods to buy with these dollars has increased by only about 80%, and our farm production has increased by only about 33⅓%. What is the result? Over five times as many dollars, as in 1939, are chasing after less than twice as much goods. Prices must of necessity rise in those circumstances, unless more goods come into the market, or the excess purchasing power is taken out of the circulation stream.

It is interesting to note that we inherited the basis of this present inflation as a legacy from World War II. There are about $50 billion of purchasing power still in circulation from the end of the War, representing deficit spending of that period. The bonds are in the hands of the banks and have not been paid off as yet. In 1949 another inflation was loaded on top of the older war inflation. There was a potential government surplus in that period which might have been used to help reduce the $50 billion deficit. However, the viewpoint of the Administration was that a depression was in the making. Therefore, they argued that the price level must be pushed up and kept up. It was in this period also that the Administration embarked on the expensive Fair Deal Program with which we are familiar.

At the present time the government is spending more each year than the nation's annual gross savings and the increase is outstripping the growth in the national income. Since 1939, the national income has tripled, while public spending has increased four-fold. Our present federal deficit is more than $250 billion, with annual deficit spending on the so-called ascending plateau of $40 billion annually. Another decade of such deficit spending would mean a bill for defense costs alone of more than $100 billion above the total amount we spent during the war period of 1942-1945. The inflationary possibilities in this situation alone are difficult to comprehend.

War Generates Inflation

We must not forget that every war generates an inflation, regardless of how carefully the economy is watched. During war we shoot away the military goods that we have just produced and leave in circulation no new productive goods to show for all that has been spent. What we do have left, however, is an expanded amount of purchasing power in the form of wages and profits to be spent. In the process of providing on the home front, for a potential war, the production of civilian goods is of necessity curtailed. This will immediately widen the existing inflation gap and push prices upward. That effect is being felt already. Then too, more money has to be spent on the defense program since the government is also a consumer, because it must buy raw materials, finished goods and labor in competition with the consumer dollars. Already the government is realizing that each of its dollars will buy fewer and fewer tanks and guns and planes. The jump in prices of war materials has been sharp since last April. The $4.7 billion voted by Congress last summer has been more than canceled out in rising prices to the government even as far back as last October. No doubt some of the additional $16.5 billion asked for by Mr. Truman to carry on until July 1, 1951, will have to be spent in higher prices, resulting from the present inflationary spiral. Of course, the public always has to pay the inflation bill of its own government, through higher taxes, or must shoulder ultimately an undeservedly heavier bill, which results from deficit spending.

Effect of Manpower Situation

The possibility of a severe inflation developing in a country where there is a volume of employment, such as we had in World War II, is not nearly so great as it is when the country is operating at virtually full capacity. That is our situation at present. Hence we have another explosive inflationary factor in our manpower situation. Even back last fall employment scaled all previous peaks, to reach 62.3 million, with unemployment down to a little more than 2 million, which is a very small figure. Early in November, last, the United States Employment Service reported that there were 51 areas with less than 3% unemployment. Right now the employment situation is tight on the civilian front. To make it even tighter the armed forces have announced that they intend to step up their manpower requirements to 4 million instead of the 1½ million they had planned earlier to get by with. Spotty shortages of skilled labor are already developing, with major shortages in about a dozen occupations. This means labor competition for the production of civilian goods, which will be accentuated, as more and more men are drawn directly into service and wages rise and civilian production drops. That situation may enlarge the inflationary gap further. However, women, older men and the handicapped will be encouraged to enter the labor market to release the pressure a bit for the labor force of 70 million needed.

Wages As Inflationary Factor

Another ever-present and ever-dangerous inflationary factor is that of wages, which is a major component of production costs. The upward wage-price spiral that began with Korea in June has broadened into another general round of wage increases—the fifth in the last five years—and another is expected. The inflationary effects of these increases already granted are being felt and are a cause of deep concern. Some of them, in several hundred companies, ranged between 5 and 15 cents an hour. We recall the recent increase of $1.60 granted to the mine workers, *after* the wage freeze had been promulgated. They have been to a degree reflected in increased prices of the finished products, (note coal and automobiles). General statistics show us that wage rates have more than doubled since 1939, while total manufacturing payrolls are now pouring out more than 3½ times as many dollars as in 1939. In contrast, our nation's industrial output, stupendous as its performance has been, has not increased more than 100%, as against payroll increases of 350%. In other words, new wage dollars in circulation have increased over twice as fast as new goods. This again is another direct factor in widening the inflation gap. Strikes, the 40-hour week and reduced production per manhour are further factors relating to the volume of production we now have. It is not only the added money placed in circulation through increased wage rates that increases the inflation gap, but it is also the fact that as wages are increased the "floor" underneath production costs is built up under selling prices, which in turn have to be pushed up further.

Our money supply reached a new high of $176.2 billion on Dec. 31. It rose by $2 billion in one month from November and over $6 billion in the last half of the month. This phenomenal increase in money in circulation explains for itself why we have a severe inflation on our hands, discounting for the moment all other important causes, which have been mentioned. This inflation of the money supply reflects an increase of $8 billion in bank loans between June and December. In the first week of January, bank loans increased by $38 million, while deposits fell. This statement is to support the fact that bank loans for all purposes—working capital, instalment buying, mortgage financing and to carry stocks on margin—have risen heavily in the past few months and has invoked the credit curbs by the Federal Reserve Board to check the inflationary possibilities.

These are only some of the factors that have created and fostered the present inflation. It is an inflation which is at the moment fraught with explosive power, as the federal debt is piling higher and higher. Chairman McCabe of the Federal Reserve Board said: "Inflation isn't around the corner; it is right here now."

What Have We Done About It?

The next question and the most important of all is this: **What have we done about this present infla-**

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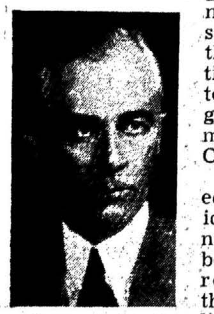
*An address by Dr. Fitzgerald at luncheon of the Bronx Rotary Club, New York City, February 13, 1951.

What Should Be Our International Economic Policy?

By GEORGE A. SLOAN*
Chairman of the U. S. Council of the International Chamber of Commerce

As vital elements of our foreign economic policy, Mr. Sloan proposes: expansion in investment abroad by private companies; all-out drive to stop inflation throughout world; increased control over raw materials for period of emergency; administration of all U. S. aid efforts under single agency; and development of non-Soviet world's strength.

The free world is faced with a grave crisis and perhaps its greatest challenge to survival. We must develop—and we have made a good beginning—the strength of the free nations to counteract the aggressive moves of Communism.



George A. Sloan

A foreign economic policy, by definition, should be the true reflector of the world we live in. Let us for a moment, therefore, examine the world at mid-century.

The paramount objective of our foreign policy should be the establishment and maintenance of a just and lasting peace. It should include friendly cultural intercourse among nations as well as **mutually** advantageous trade among nations.

What many of us knew for many years has been brought out into the open with the invasion of Korea by the Communist hordes. But Korea has carried us nearer to facing reality: Our lives are threatened by an aggressive force that has shown its intentions to eliminate from its well-planned path of imperialistic advances the obstacle represented by the freedom of the individual.

Today, more than ever before, we Americans are called upon for an expression of national unity, for a sense of purpose and for a decisive spirit. Unity must start at home in our foreign dealings, especially our international economic relations.

Worldwide Doubts About the U. S.

Nearly six years ago the United States was at its prime of strength as a world power. No one doubted this strength. Today there are doubts about our leadership and policy in many capitals of the free world, in London, in Paris, in Rome. Actually, the power of the United States has not diminished to warrant such doubts.

The Soviets have made two major gains. They have swung China into their orbit and they are said to have the atom bomb. On the other hand, the United States has made tremendous gains. Since Korea there is more of a spirit of unity. Production, economic growth have been our determining factors. Korea has awakened many of those who did not previously visualize the antagonism in the Soviet system.

The Western World, especially Western Europe, is better off today than in any period since the end of World War II. Western Europe has turned from an area disorganized by the effects of war into a smoother-flowing economic and political community. While not completely recovered from devastations, and dislocations the most difficult part of the Western European reconstruction task has been achieved.

The established centers of freedom have survived. They have withstood two attacks by German militarism. Where free institutions are maintained, men have continued to make advances in material wealth, in understanding of fellow men, in science, in tolerance and in decency.

Still, the world today has no peace. There are large masses of people—good, intelligent, industrious people—who, are being led to slaughter by political leaders, and are declined the right to the enjoyment of life, liberty and the pursuit of happiness.

The world continues to consist of the "haves" and the "have nots." You may ask, "Have or have not what?" And my answer is have or have not freedom of access to the world's raw materials (as promised in the Atlantic Charter to victor and vanquished alike)—have or have not the freedom to own, to use and to risk the mechanical means of production—have or have not the right to the just rewards of their honest labor—have or have not the right to determine and to control their own destiny as free men—because they are denied their rightful opportunity to utilize nature's endless bounty for their own well being and individual happiness.

Human misery in the Western World is certainly much smaller now than it was in the nineteenth century. That this was possible in spite of two World Wars is sufficient answer to those who claim Western civilization is in decay. Notwithstanding the post-war poverty of Europe and the rest of the world, the West as a whole is richer in kind and in spirit than ever. But the situation in many friendly countries still presents a challenge to the United States if the spread of Communism is to be held in check.

The twentieth century has witnessed the United States coming of age as a world power. "The leadership to which the United States has succeeded," said the renowned London "Economist" recently, "has turned out to be that not of a gloriously expanding world economy but of a half-world on the defensive, therefore imposing more in responsibilities than it provides in privileges. America has accepted these responsibilities with doubt and hesitation and now and then with inconsistencies. But on the whole," concludes the "Economist," "the performance has been one . . . of remarkable foresight and energy."

The present world situation requires an expression of utmost responsibility and leadership from the United States, from American businessmen. In the past, many of us have been most reluctant to accept this responsibility. We can offer as alibi the fact that we survived the early years of our Republic only by avoiding entangling alliances. World leadership has been thrust upon us so rapidly in the last decade or so that we appear to be inexperienced and in fact we are inexperienced. When we are faced with international problems we are frequently, if not mostly, indecisive because we have few precedents on which to base our policy.

A transformation so swift as that of the last ten years cannot be experienced by a relatively young nation without mistakes in action and without moments of doubt. It should be most reassuring to all of us who believe in the freedom of the individual that our system of democracy always induces self-doubt. The current Congressional debate on foreign policy is a true indicator of this.

Surely, America's future depends on how widely and how wisely it carries out the responsibilities of leadership. The central point must be the unification of the free world in the fact of aggression and threats of aggression. Each member of the free world acting alone is too weak to counteract these threats or to resist attack. Not even the United States standing alone can be powerful enough for self-defense. Acting together, the free nations by moral standards and productive achievements will bring about the currently lacking balance of power. In all these endeavors our basic aim must always remain the same: **The maintenance of peace but without sacrifice of freedom.**

The fear of what the next moves of the Soviets and their satellites will be is inherent in the policies and the thinking of free peoples everywhere. Hearings before Congressional Committees, debates before the House of Commons, discussions in the French Parliament—all are influenced by the foremost consideration of what the next moves of the Soviets may be.

With the free world in a twilight of war (which we hope will brighten rather than darken in due course by our own actions) the challenge is even greater. We have to superimpose a military economy on a civilian economy in the hope that the least amount of belt-tightening will be necessary. This situation brings with it an inflationary tendency.

Inflation, the Enemy

Actually, the foremost enemy of the Western World, at the present, is inflation. We must stop putting fuel on the flame, while, at the same time, feebly trying to put out inflation's flame with a sprinkling can. Either we all—and I mean **all**—make the necessary sacrifices **now** to stop inflation or we will be faced later with the reality of making much bigger, if not total, sacrifices.

If you want any substantiation of this, study the inflation experiences in Germany, in China, in France, in Italy. The after-effects of inflation in Germany helped in producing Hitler; it gave China Mao Tse-tung; to Italy Mussolini and to France an unhappy parade of cabinets that require a score card to keep track of. But more than this, inflation destroyed confidence everywhere in these countries. And even here in America, it has and is steadily undermining the confidence of our people.

Inflation is Stalin's best ally. Next to Soviet imperialism this is the most difficult problem facing America and our friends abroad.

This then is a bird's-eye view of the world we live in. It is the setting on which we must apply our foreign economic policy.

The first question that now arises is: What should be our short-range, our **immediate**, international economic policy?

Development of strength at a rapid pace to offset the military power of the nations in the Soviet orbit is, I should think, objective number one. The plans are becoming better defined. They are being carried out by the Office of Defense Mobilization in Washington on the American level and the Defense Production Board under the North Atlantic Treaty Organization (NATO). Businessmen are and should be the prime policy movers of these efforts. And, industrial operations, as can be wit-

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*An address by Mr. Sloan before the Economic Club of Detroit, March 26, 1951.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week—Insurance Stocks

The annual report of the Insurance Company of North America is always of interest to individuals in the investment field. In addition to it being one of the leading companies in the industry, the report is unusually informative on the company's insurance and investment operations.

The report for the year 1950 was generally favorable. It showed that despite extensive losses suffered in the November storm, net operating earnings were the second largest in the history of the North American Companies.

All of the principal divisions of the company showed an underwriting profit although in most cases considerably less than in 1949. Two of the major underwriting lines of the Indemnity Company, workmen's compensation and automobile liability, were unprofitable. Nevertheless, an underwriting profit for the casualty business as a whole was reported.

A summary of the consolidated operating statement for the last two years showing the increase in underwriting volume, losses and expenses is presented below.

	1950 $	1949 $	Increase or decrease $
Underwriting:			
Premiums written	176,393,914	163,983,132	+12,410,783
Incr. in unearn. prem. res.	15,263,793	12,426,488	+ 2,837,305
Premiums earned	161,130,121	151,556,644	+ 9,573,478
Claims and claims exps. incurred	83,479,925	70,354,301	+13,125,624
Exps. and taxes incurred	69,204,074	63,690,431	+ 5,513,643
Total claims and exps. incurred	152,683,999	134,044,732	+18,639,267
Statut. underwtg. profit	8,446,122	17,511,911	— 9,065,789
Financial:			
Int., divs. & rents earned	14,949,898	12,513,541	+ 2,436,357
Profit or loss on secs. sold	212,807	—319,632	+ 532,439
Investment income	15,162,705	12,193,909	+ 2,968,796
Gross operating income	23,608,827	29,705,820	— 6,096,993
Federal income tax accrued	5,533,556	8,002,000	— 2,468,444
Net operating income	18,075,271	21,703,820	— 3,628,549

The investment results were particularly favorable with income from this source showing a gain of over 19%. Federal income taxes were lower primarily because of the reduced statutory underwriting profits. Final net operating earnings were reduced 16.7% from the record year of 1949.

Converting these earnings to a per share basis and adjusting for the increase in the unearned premium reserve, the results would work out approximately as shown below. The figures are on the basis of 3,615,842 shares of $5.00 par capital stock now outstanding which is after the two-for-one split recently voted by stockholders.

	1950	1949
Statutory underwriting profit	$2.34	$4.84
Equity in increase in unearned premium reserve	1.65	1.36
Adjusted underwriting	$3.99	$6.20
Investment income	4.19	3.37
Net income before taxes	$8.18	$9.57
Federal income taxes	1.53	2.21
Net operating earnings	$6.65	$7.36

Net additions to security holdings for the year amounted to $23,076,700. Of this total approximately $10.4 million was invested in bonds, $3.4 million in preferred stocks and $9.3 million in common stocks.

Within these major groups, $9 million was added to the holdings of state, county and municipal securities, $3.9 million in public utility preferred stocks, $4.0 million in public utility common stocks and $5.1 million in industrial common stocks.

Common stock investments amount to 45.8% of the total portfolio of $380 million with bonds and preferred equal to 37.8% and 16.4% respectively. Some of the largest common stock holdings were Humble Oil 12.8 million, Sun Oil $5.2 million, Standard Oil of New Jersey $4.3 million, Gulf Oil $4.1 million and Christiana Securities $3.0 million.

Roadblocks to Progress

By CORNELIUS W. WICKERSHAM, JR.

New York attorney, commenting on growing government participation in business enterprise, notes that tendency handicaps progress and industrial expansion. Contends government should be limited to projects that are necessary for well being of the community, but which cannot be performed for profit. Holds that public will get more service at less cost if corporations operate utilities than if done under government managements. Decries fear that private enterprise will make excessive profit from utilities and says this attitude blocks progress.

Progress is painful and always arouses opposition from that minority which benefits from the existing situation. When the industrial revolution first really got under way 150 years ago in England, the weavers burned the power looms that were destined to give better clothes to a growing nation at the cost of unemployment for the rebelling weavers. Today the surplus workmen, skilled in trades which no longer need them, have changed their techniques to maintain their "job security." They do not seek anymore to destroy the diesel locomotive but merely to load it with unneeded "firemen." Locomotives that can pull 100 cars, they try by legislation to limit to 70. Trucks that can be handled by two men are required by the union contract to have three.

C.W.Wickersham, Jr.

The man who wove by hand could not compete with the machine which could in a matter of minutes produce more than he could in a whole day. From his narrow view he could not foresee that if cloth could be sold at a low price not only would the demand for cloth be increased but that there would be funds available to satisfy other demands and that he would be able to find a job—and quite possibly a more lucrative job—in another industry.

So today the fireman who wants to preserve an unnecessary job on the diesel locomotive sees only the fact that he will lose his present source of livelihood, that he will have to make a change, and that such a change will probably not be to his individual advantage. He does not care that the demand for railroad transportation would increase if made cheaper. He does not have confidence in the ability of the industrial system to absorb him into a new job if he is not needed upon the railroads.

What Private Industry Has Accomplished

Yet history to date has shown that private industry has been able to absorb the greatly expanding labor supply in new fields, and correspondingly it is only because of the increasing efficiency in old fields that we have a labor force that is available to undertake the task of making new devices to fulfill hitherto unsatisfied wants.

A hundred and fifty years ago, nine out of every ten persons gainfully employed worked upon farms. Now it has become possible, through improved techniques in farming, for only 18% of the employed persons to produce enough food to feed us all. The men so liberated from the farm have drifted into industry and to the performing of other services so that it is possible for the modern farmer to have in his home central heating, running water, a refrigerator, a radio, television, telephone, and for him to be able to drive in his automobile to town to see his friends and to enjoy many other comforts which our pioneer forefathers could not have.

The task of creating jobs for the men and women who have left the farms has generally been left to businessmen operating in a capitalist economy wherein those with vision have been encouraged, through the profit motive, to develop new industries. So far, this has been successful. Today our gainfully employed total over 60 million persons.

As one after the other of our more elementary needs becomes satisfied, the task of industry in finding new enterprises becomes increasingly difficult. There still exist such undeveloped enterprises and they still pay off in large dividends when found, but to find them is no easy task. A recent report by a subcommittee of the Congressional Joint Committee on the Economic Report declares:

"Perhaps the outstanding experience of these companies, according to their testimony, is the great shortage not of funds but of soundly conceived projects.

"On this point, J. H. Whitney & Co. stated that they had looked at approximately 2,100 propositions in the last four years. Thirty-five percent were rejected at once because outside the firm's purpose, or clearly lacking in merit. Another 52% were rejected after initial review. A further 12% were rejected after full consideration. Only 17, or 1%, resulted in investments, most in the range from one to five hundred thousand dollars, achieving 10 to 40% minority interest.

"Of the 17 projects, two have been extremely successful, five moderately so, two will involve moderate loss, four may possibly involve total loss, one definitely is, and three are in early stages, incapable of appraisal."

It is significant that as the need for new development by private industry is increasing, the government, like a dog in the manger, has moved into certain fields and has preempted others, yet lacks the funds or even the prospect of getting the funds to do a job in such fields. In some cases, governmental units have organized semi-public corporations to do the job, like the Tennessee Valley Authority, of "yardstick" fame.

The Discipline of the Profit Motive

That an organization long removed from the necessity of making ends meet and from the discipline of the profit motive becomes inefficient can quickly be demonstrated: Compare for instance the railroad losses of World War I under government operation with the large profits made under private operation in World War II. If that example is not sufficient, see the recent New York "Times" report which compares the operation of the TVA's 60,000 kw. hydro-electric plant at Wilson Dam, which to operate requires 200 men, with the new 60,000 kw. steam electric generating plant of the Central Hudson Gas & Electric Corporation which will require only 41 persons. As a yardstick the TVA is apparently as obsolete as New York City's piers. But examples could be *listed ad infinitum.*

It would seem that those functions should be performed by government which are necessary for the well being of the community, but which cannot be performed for a profit. Public health, of course, is one of these. Certain educational facilities and, of course, police and fire protection are others.

But some services now performed by government could be run for a profit. Yet it is in some of these fields preempted by the government that the need of the people is the greatest and, when atomic development is included, the fields which offer the greatest possibility for expansion. It is noteworthy that that region where public power is dominant, namely, the Northwest, is the area of greatest power shortage.

If one were to take a trip around the City of New York by automobile (or almost any city for that matter), the congestion of our city streets would be one of the first complaints that such a driver would make. That traffic should go bumper-to-bumper through the city is not only unpleasant, but by raising the cost of delivery of essential commodities, substantially raises the cost of living. One or more new express highways is required crosstown in the Manhattan midtown area to take a portion of the traffic which now chugs a few feet at a time across the city. Our municipal government admittedly does not have the funds for any such improvement.

Not only is such congestion beyond the limits of the city financially to cure, but private industry is not allowed to attempt to cure it, for no private corporation can build such a highway in the city. Instead, it is proposed that a public corporation, the Triborough Bridge Authority, whose bonds are tax exempt, should build it. Yet this public corporation has no taxing power. Its income must be derived from the profits in the operation of this and other enterprises. This authority, a corporation which is almost beyond the power of the people of the state to regulate, consequently operates upon the same economic principles as a private corporation. Recent experience has shown that toll-free bridges and express highways cannot be built in sufficient numbers to satisfy the demand by an increasing number of auto-drivers. The states and municipalities just do not have the funds to finance such expensive facilities toll-free. To name just a few of the roads and bridges which rely upon tolls to pay their charges there are the Pennsylvania Turnpike, the George Washington Bridge, the Sumner Tunnel in Boston, the Holland Tunnel in New York and the San Francisco-Oakland Bay Bridge.

All highways today are used by automobiles operated by persons capable of paying for the privilege of using the roads. Indeed, when gasoline and other auto taxes are considered, the auto drivers do pay in the aggregate the cost of building and maintaining the highways except in a few situations. The cost of building express highways in densely populated areas is tremendous and very often is beyond the financial power of the state or municipality to provide without charge to the user. The tariff that can be charged also depends upon the availability of alternate routes. Thus the Brooklyn-Battery Tunnel appears to be operating at a "profit" almost from the start at a minimum toll of 35¢ whereas the Queens-Midtown Tunnel for over a decade lost money at 25¢ because of the availability of the free Queens Boro Bridge.

Private Enterprise Means Lower Costs to Public

The theory that the public will get more service at less cost if the corporation that operates the bridge or tunnel or other facility is appointed by politicians does not seem sound. The Holland Tunnel, which is operated by the Port of New York Authority, has long since paid for itself, yet it still costs 50¢ to drive a car through. The profit now goes to pay debt incurred in the construction or operation of other tunnels and bridges, a bus terminal, airports and several other enterprises. It is fine that such services are being performed, but if the Authority had been a private corporation there would long since have been a great demand for lower tolls in the tunnel.

Certainly, if a private corporation were operating the tunnel there would be a recapture clause whereby the city or state could at some given date take over the tunnel for the public. But here the tunnel will continue as a toll road until all existing debts of the Authority are paid and those debts which the Authority will hereafter incur for improvements and other new projects.

The point is that here is a corporation whose members are appointed by politicians who have no direct financial interest in the work of the Authority. The corporation operates a business on the same basis as private enterprise, but is tax-free. Its tax exemption perhaps enables it to borrow money more cheaply than private enterprise. But it is doing something that a private corporation could do in the way private enterprise would do it.

If the Triborough Bridge Authority or any other authority for that matter builds the new crosstown elevated expressway it will be a toll road for generations—if the experience of the Holland Tunnel foreshadows future events.

If one should make the tour of New York City by subway, one would be amazed that any human being is willing to put up with the indignities which are the daily lot of the uncomplaining subway rider in this city. Among the facilities which are urgently needed in New York is a new transportation system underground in the Second Avenue area to connect with other subway systems. Such a subway system, it is estimated, would cost $500 million. Private industry built and ran for many years the subways and other transportation systems in this city. By a shocking refusal to permit these transportation systems to earn any return upon their funds, the subway systems and some of the bus companies were forced into bankruptcy and then at distress sale the city purchased them for a figure which is less than it would cost to build the Second Avenue system alone. Eventually, the city had to raise the fare even higher than the private companies had asked to do.

There is a terrific need for an improvement that private industry could provide. Yet because of a fear that private industry will make a profit out of the road, we do not seriously consider allow-

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Mutual Funds

By ROBERT R. RICH

AS BULL MARKETS go, Vance, Sanders reports, this most recent bull market is hardly anything to get excited about. Looking at the progress of bull markets since 1923, Ed Hale, our Vance Sanders correspondent and a knowledgeable man about little known and startling statistics, reports to us that:

PROGRESS OF BULL MARKETS SINCE 1923

Bull Market	No. of Days' Duration	Gain
1923-29	2,136	344%
1932-37	1,705	372
1942-46	1,491	129
1949-51	637	56

with issues of equal quality but selling at low price levels. At the close of the quarter 80 different stocks were held.

THE MERIT AWARD of Standard & Poor's "Advertising in Action" has been given to National Securities & Research for three pieces of sales literature which have been enthusiastically received by dealers—"Inflation and I," "Balanced Investment Fund Folder," and "Dividend Paying Common Stock Folder." Those desiring copies of these prize-winning pieces of sales literature should write directly to National Securities & Research, 120 Broadway, New York 5, N. Y.

DEALER COMPENSATION and changes in sales charges have been made by Hugh W. Long & Co. in response to a reported widespread demand from their dealer correspondents. The sliding scale of sales charges and dealer discounts on offerings has been revised to include "breaks" in two additional sales brackets as indicated below. The complete schedule, given below, is effective March 26, 1951.

Subscriptions	Sales Charge %	Dealer Discount %
0- $24,999	8¾	6
*$25,000- 49,999	6¼	4¼
50,000- 99,999	5	3½
100,000- 249,999	4	3
*250,000 and above	2½	1¾

*New sales brackets.

A new prospectus on Fundamental Investors, Inc., incorporating these revisions, will become effective March 26, 1951. Copies are available from Hugh W. Long & Co., 48 Wall Street, New York 5, New York.

CORPORATE EARNINGS were at a new high in 1950, according to annual reports now issued on all but 10 of the common stocks owned for **The Common Stock Fund** of Group Securities, Inc. The average per share earnings for 1950 on those stocks reporting were $8.01 and it is not expected that the final figures on the remaining 10 issues will change this average figure appreciably.

This figure compares with $6.29 in the previous year and with $6.89 in 1948, the previous peak. The 1950 figure is nearly four times the $2.11 of average earnings per share in the prewar period 1936-1939 inclusive.

Dividends at their 1950 rates were amply covered, since only 40% of available earnings was paid out. The prewar practice on average was to disburse at least 60%.

Market prices at March 21, 1951 averaged about 6½ times the 1950 earnings whereas prewar they averaged about 17 times the earnings in those years.

CHANGES IN THE investments for **The Low Priced Stock Fund** of Group Securities in the quarter ended Feb. 28, 1951, comprised (a) profit-taking in speculative rails, (b) a trend toward increasing the dividend income of the Fund, (c) greater industry diversification, and (d) liquidation of stocks which were originally bought as low-priced stocks but which have advanced out of that category, and their replacement with issues of equal quality but selling at low price levels. At the close of the quarter 80 different stocks were held.

"THESE THINGS SEEMED IMPORTANT," a weekly news digest published by Selected American Shares for the past seven years, was discontinued on March 13. A careful survey has demonstrated that other types of sales literature can better serve those interested in mutual funds.

Selected American reports that it has already initiated a program of producing more literature of a different type and that they intend to continue to issue a steady flow of new and interesting material.

At least once a month Selected will issue a graphic presentation of some economic point of interest; or there may be one of Ed Rubin's bulletins. Each of these sales pieces will be timely and will be identified with economic events or it will carry a specific idea related to Selected American Shares.

THE SOUTH'S VIGOROUS new economic growth is progressing along sound lines which will produce substantial long-range benefits for the entire nation, Earl E. Crabb, Chairman and President of Investors Diversified Services, Inc., of Minneapolis, declared in Jackson, Miss. on March 26.

Mr. Crabb, with Grady Clark, Vice-President and General Sales Manager of I.D.S., was in Jackson for a one-day meeting with regional distributors of the company from Jackson, New Orleans, Mobile, and Meridian.

"Through diversified farming, farm mechanization, more scientific and efficient use of abundant natural resources, and aggressive expansion of southern manufacturing, processing, marketing and service industries, the south is proving that there is no ceiling on opportunity in this region," Mr. Crabb said.

"This dramatic demonstration of courage, ingenuity and hard work by the people of an entire region representing more than 20% of America's total population has produced benefits and results which are in the best accomplishment traditions of our capital enterprise system.

"One most important immediate result is that the south's total income payments and per capita income have increased at rates higher than similar increases elsewhere. Another equally important economic result is that the people of the south are using their increased income wisely and productively. They are saving more. They are investing more, proving that they are willing to help America's capital enterprise system work by backing it with their invested money."

Thus the south is playing a particularly important part in the growth of a "new generation of Main Street capitalists" throughout the nation, it was emphasized by Mr. Crabb, whose company is investment manager for more than $800,000,000 in assets representing the invested funds of more than 511,000 certificate holders and shareholders of I.D.S. and its affiliates in the south and throughout the nation.

Residents of 10 southeastern states alone are currently holders of $326,687,897 in face amount certificates and mutual fund investment shares of the I.D.S. group of companies. More than $43,300,000 of this amount represents Mississippi holdings; $42,500,000, Alabama holdings; $43,900,000 Georgia holdings and $40,300,000 Tennessee holdings, Mr. Crabb said. Holdings ranging from $11,000,000 to $37,000,000 are reported in the other southeastern states of Florida, Kentucky, the Carolinas, Virginia and West Virginia, it was stated.

Current Financial Comment

There has been an increasing amount of discussion in recent years concerning the vital need of industry for new equity capital if the American enterprise-profit system is to continue to expand and prosper.

There are two ways for corporations to obtain this vitally needed equity capital. The first, which has been by far the more important source in the past several years, is by the retention of earnings by corporations over and above reasonable dividend payments to stockholders. The second is by the issuance to their stockholders of rights to subscribe to new stock and by offering new equity capital to the public. This second method has not proved, in recent years, to be as important a source for new equity funds as could be desired.

The statistics of the Securities and Exchange Commission for the 12 months ended Sept. 30, 1950, show that only 14%, or about $800,000,000, of the capital raised through security issues was represented by common stock, approximately 90% of the entire balance having been raised through the sale of bonds and notes, and the rest through the sale of preferred stock.

It is obvious to anyone that it is desirable to increase the proportion of new financing which is done through issuing stock rather than bonds. If too large a proportion of the national savings goes directly or indirectly into debt instruments, this may well result in unfavorable economic consequences.—*Massachusetts Investors Trust.*

STOCKHOLDERS OF Fidelity Fund, Inc. voted on March 13 to reduce the par value per share of the capital stock of the Fund from $5 to $1, decreasing all transfer taxes on sales and repurchases of shares of the Fund. On March 14, the directors voted a distribution of one additional share of the $1 par value capital stock of the Fund owned of record at the close of business on March 31, 1951. This is in effect a 2-for-split, increasing the shares outstanding and halving the per share cost. On April 2, the net asset value and offering price of all shares of the Fund will reflect the 2-for-1 split.

FREDERICK M. STERN, partner of Gruntal & Co., members of the New York Stock Exchange, has been elected a director of Mutual Shares Corporation, New York.

Investment Registrations

NATIONAL INVESTORS CORPORATION, New York, on March 19 filed with the Securities and Exchange Commission an investment registration covering 400,000 shares of $1 par value capital stock. Underwriter and distributor is Broad Street Sales Corporation, New York.

EQUITY FUND, Inc., Seattle, Wash., March 19, filed a registration statement with the Securities & Exchange Commission covering 500,000 shares of 20 cent par value common stock. Underwriter and distributor is Pacific Northwest Company.

TEXAS FUND, INC., Houston, on March 26 filed a registration statement with the Securities & Exchange Commission covering 300,000 shares of $1 par common stock. Underwriter is Bradschamp & Co.

INCORPORATED INVESTORS, Boston, on March 26 filed a registration statement with the Securities & Exchange Commission covering 400,000 shares of $5 par common stock. Underwriter is the Parker Corporation.

Crane With Gordon Graves

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—Myran J. Crane has become associated with Gordon Graves & Co., Shoreland Building.

With Slayton Co.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Bernard H. Melvin is with Slayton & Company, Inc., 408 Olive Street.

Business and Colleges

By ROGER W. BABSON

Mr. Babson urges closer cooperation between business and colleges as means of saving private institutions of higher learning, and recommends financial aid to young and needy potential business executives. Cites study and technical research effected by colleges on behalf of business and government.

Closer cooperation between business and education may save our private institutions of higher learning and, at the same time, bring about increased profits for business. Education and business, working hand in hand, can also make themselves of greater value to the country in this national emergency.

Roger W. Babson

One of the soundest ways to preserve private enterprise is to give financial aid to young and needy potential business executives studying in colleges which are especially appreciative of American business and sympathetic to its problems. Most professional colleges of business have this point of view. Young men therein educated are of especial value to business. They not only learn specialized techniques; but they also acquire a sound philosophy of American business. Business needs such young men.

Business also needs the brains and research facilities of the colleges. Many small and middle-sized companies cannot hope, by themselves, to keep pace with the research of big business; but by pooling their efforts with the colleges, their usefulness and profits can be increased. Business provides the funds; the colleges provide the research laboratories.

The College Needs Business

In these times of partial mobilization and declining enrollments, the college needs the help of business. Education is the bulwark of democracy. If America is to win the battle of ideologies, it will be by brains — not by brawn. The survival of private enterprise is, therefore, closely tied to the survival of our educational institutions. To survive, our colleges greatly need the financial support of business, which should feel obligated to help keep our system of higher education strong.

Colleges today are in a precarious position. They are victims of a war-time economy. With decreased income from tuitions and inflated costs of operation, plus being buildings-and-land poor, with income from endowments inadequate, colleges are having rough going. Some are already operating in the red. Many more will lose money next year. A cooperative venture between business and education is, therefore, an intelligent solution to many of the problems of both groups.

Ways of Cooperation

Many colleges are already doing a vast amount of technical research for Government and Business: Boston University in optics; Georgia Tech in Aeronautical Engineering; University of California in goods; University of Wisconsin in Naval Research; Stanford in radio; Michigan State in fuel; Massachusetts Institute of Technology in manufacturing; Babson Institute in marketing — to mention a very few.

Other possible areas of cooperation are workshop seminars for top management. These are custom-built courses of short duration to meet specific industry and company problems in consumer research, marketing, advertising, product development, taxes, etc. Refresher group conferences for foremen, sales managers, bankers and accountants can do much to keep both business and education on their toes.

Financial Engineering

Yale University has pointed the way in research in labor relations with its Labor-Management Center. Whole new areas are practically unexplored—such as atomic warfare, business decentralization and traffic problems. Other areas are job evaluation, job satisfaction, corporation conduct, public relations, organizational communication, corporate finance and statistics.

The subject of taxes alone offers rich possibilities for business-collegiate cooperation. Taxes have become far greater than a legal question. We have in the U. S. A. one of the strongest potential working teams any country has ever known: the research facilities of education and the wealth facilities of business. In harness together they can become invaluable helpmates. Now is the time to build our team and keep our country strong.

Staats Member of S. F. Stock Exchange

SAN FRANCISCO, Calif.—The election of Edward C. Henshaw, Vice-President of William R. Staats Co., Incorporated, to regular membership in the San Francisco Stock Exchange, was announced by Ronald E. Kaehler, President of the Exchange. The firm of William R. Staats Co., Incorporated, formerly held an associate membership in the Exchange.

The principal office of the firm is located at 640 South Spring Street, Los Angeles 14, California. In San Francisco its offices are at 111 Sutter Street.

William R. Staats Co., Incorporated, is the fourth corporation to become a member firm of the San Francisco Stock Exchange.

Jackson-Anderson, Inc.

BEVERLY HILLS, Calif.—Jackson-Anderson, Incorporated has been formed with offices at 214 North Canon Drive, to engage in a securities business. Jack G. Jackson is a principal of the firm.

Now I. G. Weston & Sons

LONG BRANCH, N. J.—The investment busines of I. George Weston, 210 Broadway, is now being conducted under the firm name of I. George Weston & Sons.

Public Utility Securities

By OWEN ELY

Washington Gas Light Company

Washington Gas Light and its subsidiaries distribute natural gas in the metropolitan area of Washington, including adjoining territories in Maryland and Virginia. The company (whose stock is listed on the New York Stock Exchange) has been in business over 100 years. It has paid dividends for 98 years (except for two Civil War payments which were delayed)—the longest record for any utility company. Due to the rapid growth of the Federal Government's activities in the capitol, the company's sales have increased over five times and its revenues nearly four times since 1930.

The company was the first company on the Atlantic seaboard to convert from manufactured gas to mixed gas in 1931; and it was also the first to convert to straight natural gas in 1947. Natural gas is obtained under contract from two Columbia Gas pipelines, one connected directly with the Texas fields through Tennessee Gas Transmission, and the other carrying gas from the Appalachian region. They are also tied in with the lines of Texas Eastern Transmission and with the new transmission system of Transcontinental Gas Pipe Line.

With the conversion to straight natural gas, the company's space heating sales have increased sharply, since nearly all new homes in the area now use gas for heating. From 1947 to 1950, revenues from space heating more than doubled, and in the latter year they amounted to 54% of total revenues. Domestic sales (including space heating) accounted for 80% of 1950 revenues, while commercial and industrial sales were about 16%.

The heavy volume of sales for house-heating has made the company's earnings somewhat vulnerable to warm weather. Following is a table of share earnings on the common stock showing the relationship:

Year—	Share Earnings	*Temperature in —Heating Season— Above Normal %	Below Normal %
1950	$3.21	5	--
1949	1.68	16	--
1948	1.69	1	--
1947	1.88	--	--
1946	1.41	17	--
1945	2.10	5	--
1944	2.08	--	4
1943	2.21	--	2
1942	2.02	2	--
1941	2.24	4	--

*As measured by "degree days."

Last year was the first year since 1945 when the company has been able to realize 6% on its average capitalization; during the four years, 1946-1949, it averaged only a little over 4½% return (ratio of gross income to average capitalization). In 1949, a rate increase was obtained from the District of Columbuia Public Utilities Commission, and 37 cents a share out of the $3.21 reported for 1950 reflected the resulting increased revenues during the first five months. After May 31, the amount earned under the rate increase had to be impounded under court order and hence were not reflected in earnings. The U. S. Court of Appeals declared the Commission's order "invalid because of the inadequacy of the record and findings with regard to rate of return, abandoned property and the standby plant." The case is now before the U. S. Supreme Court for review.

A new rate schedule for natural gas purchases by the company was filed with the Federal Power Commission by Atlantic Seaboard Corporation (Columbia Gas subsidiary) early in 1950. The company, in proceedings before the FPC, has protested this increase, which it estimates would increase its natural gas cost by approximately $1.5 million if the new rate were in effect throughout 1951. The matter is still before the FPC.

The company is offering to its common stockholders of record March 27 subscription rights in the ratio of 1-for-5. Assuming that this financing is completed, capitalization will be about as follows:

	Millions	%
Long-term Debt	$26	45
Preferred Stock	13	22
Common Stock and Surplus	*19	33
Total	$58	100

*Includes new stock issue at estimated $25 per share.

Assets include some $6 million items reflecting excess plant costs, and amounts being amortized due to the changeover to natural gas; if considered intangibles and omitted from surplus, these would reduce the common equity to about 25%.

Washington Gas Light has recently been selling on the board around 26. Based on the $1.50 dividend rate (paid since 1939) the yield is about 5.8%.

Predicts Drop in Electric Appliance Business

Richard L. White tells National Instalment Credit Conference of ABA high cost of living and increased taxes will cut down demand.

The electrical appliance business could not maintain its 1950 levels even if materials were available because demand for appliances will fall with increased taxes and the high costs of living, Richard L. White, President, Landers, Frary & Clark, New Britain, Conn., and past President of the National Electrical Manufacturers Association, told the National Instalment Credit Conference of the American Bankers Association in Chicago on March 14.


Richard L. White

"The present mandatory limitation orders will curtail by mandate production that would have been curtailed by the laws of supply and demand," Mr. White said. "The mandatory program will affect us more drastically than plain old economic laws, but I feel that our 1950 volume of appliance sales exceeded normal demand and could not be continued.

"We call appliances necessities," Mr. White continued, "but it nevertheless is true that they are purchased from income over and above that necessary to keep warm and keep from starving. High purchasing power is what makes high living standards. If the aggregate national purchasing power is high this nation can have high living standards—if this high purchasing power and high productivity can be devoted to high living standards. However, if we are going to put a substantial part of our manpower and material resources into war materials—which don't add up to comforts of life—and if we are going to pay for a large part of it through taxes, then down goes high purchasing power. That means that there will be less money for other than essentials, and that means trouble for the appliance manufacturers and television people and even trouble for the automobile people.

"While my forecast indicates that demand would fall below the levels of 1950," Mr. White stated, "it is indicated that supply might be even more sharply curtailed. Steel, nickel, copper, aluminum, tin—these are the materials from which our appliances are made. These are also the basic elements of our defense program—both stockpiling and production.

"The steel, copper, nickel and aluminum orders had one thing in common—while certain uses are prohibited, the manufacturers have been allowed to use some ingenuity as the consumption of metal has been limited rather than limits placed on quantity of end-product.

"Frankly, this has not been too helpful. If one metal is restricted, we could turn to other metals, but with steel, aluminum, and copper-brass restricted, substitutes are meagre possibilities. Plastics, while not under restriction generally, are hard to get and at best of limited application.

"So the outlook for the appliance business looks like this to me: A definite reduction in production in the second quarter of 1951, and a further and sharper reduction in the last half of 1951. probably at least 40% below the record-breaking points of the last half of 1950.

"We cannot rearm on a large scale and keep our 1950—or even normal—rate of production of civilian goods as world conditions are today. If we have to choose between tanks and toasters, you and I will both choose tanks.

"There is one aspect of the appliance business that troubles me greatly," Mr. White said, "and that is the proposed price rollback. It is reported for release this very week. The program is to roll back prices to those of June 30, 1950, subject only to adjustment for actual direct labor increases and to raw materials increases up to Dec. 31. This can be most serious because other costs have also increased during the period and declining production schedules mean increased overhead. Why the appliance industry is to be selected for this special treatment is not clear."

Turning to the post-emergency outlook for the appliance industry, Mr. White said: "The productive capacity of the appliance industry is substantially in excess of the 1950 production. In that year difficulty in obtaining steel was still a limiting factor. Given ample supplies of raw materials, these expanded, efficient, high-production plants can comfortably exceed 1950 levels. This means that at some future time when we return to peacetime conditions, competition will become very severe, indeed. Mass production plants can only operate efficiently at high levels. There will be a battle for the markets that will mean elimination of the weak, and narrow profit margins."

Business Man's Bookshelf

Investment & Speculation in Convertible Bonds & Preferreds—Sidney Fried—R. H. M. Associates, Dept. C, 220 Fifth Avenue, New York 1, N. Y.—$2.00 (or free descriptive folder on request).

PDQ Dividend Indicator — 3x5 pocket chart prefiguring returns on dividend paying stocks—$1.00 —Thomas Pub. Co., Box 190, Batavia, N. Y.

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.

"Security Dealers of North America" — 1951 edition of complete directory of stock and bond houses in the United States and Canada — Fabrikoid — Herbert D. Seibert & Co., Inc., 25 Park Place, New York 7, N. Y.—$10.00.

Business Side of Scientific Progress, The—E. C. Anderson—reprint of address before Patent Law Association in San Francisco—Dept. of Information, Radio Corporation of America, 50 Rockefeller Plaza, New York 20, N. Y.—paper.

Introduction to Statistical Analysis — Dixon & Massey — McGraw-Hill Book Co., 330 W. 42nd Street, New York 18, N. Y.—$4.50.

Modern Methods of Materials Handling — Material Handling Institute — Prentice-Hall, Inc., 70 Fifth Avenue, New York 11, N. Y. —cloth—$5.50.

Nationalized Transport Operations in Great Britain (Second Year: 1949) — Association of American Railroads, Bureau of Railway Economics, Washington 6, D. C.—paper.

Trust, Custody and Investment Services—Personal Trust Division, Irving Trust Company, 1 Wall Street, New York 15, N. Y.—paper.

World Resources and Industries —Erich W. Zimmermann—Harper & Brothers, 49 East 33rd Street, New York 16, N. Y.—cloth—$7.50.

Inflation — F. A. Harper—The Foundation for Economic Education, Inc., Irvington-on-Hudson, New York—paper—single copies, free of charge; quantity prices on request.

Cream of Your Market, The—Analysis of current markets based on advanced 1950 census figures —J. Walter Thompson Company, 420 Lexington Avenue, New York 17, N. Y.—paper.

Progressive Investing Without Forecasting—Trend-following formula for long-term operation—$5 for four months, or $1 for next two discussions — Baker's Investment Timing, Port Huron, Mich.

Speculative Merits of Common Stock Warrants—Sidney Fried—$2 —Dept. C, R. H. M. Associates, 220 Fifth Avenue, New York 1, N. Y. — or send for free descriptive folder.

SEC Executive Joins Wiesenberger & Co.

Reflecting the sharp increase of public interest in the purchase of common stocks and the consequent growth of the investment company idea, Arthur Wiesenberger & Co., leading specialists in the field and members of the New York Stock Exchange and Curb Exchange announces that Nathan D. Lobell, Executive Adviser to the Securities and Exchange Commission, has resigned from that post to become associated with their firm.


Nathan D. Lobell

Mr. Lobell's association with Arthur Wiesenberger & Co. is planned to equip the firm further in its expanding advisory activities to investors in the handling of their funds and the growing scope of the information services provided by the firm through its monthly bulletins, special reports and annual editions of "Investment Companies"—widely used as the standard reference manual on mutual funds and closed-end investment companies.

At the SEC Mr. Lobell was an adviser and consultant on special policy, legal and administrative projects in the field of financial and investment generally including administration of the Investment Company Act. He joined the SEC staff in 1939. He has served on committees conducting industry-wide conferences and studies on amendment of the Securities Acts, and is the author of a leading article on that subject. Throughout his career he has been associated with developments in financing and reorganization under the Utility Holding Company Act and he has recently published a summary of 15 years of administration of that Act.

In addition to his regular duties Mr. Lobell has, in recent months, assisted Senator Lyndon Johnson's Preparedness Sub-committee in the preparation of reports on the progress of industry in the defense mobilization effort.

The Impact of the Mobilization Speed-up

By FRANK R. GARFIELD*
Advisor on Economic Research, Federal Reserve System

Asserting boom in business activity and resultant rise in prices has been due more to heavy consumer and producer buying than to defense orders, Federal Reserve economist finds first impact is return of seller's market and rapid rise in incomes, accompanied by expansion in private credit. Sees uncertainties in future marketing situation, and urges marketing executives understand and cooperate in determined efforts to prevent further price advances.

These are days when events move swiftly and Federal officials work late at night. Consequently, the uncertainties of business life are now in some ways greater than usual. This is especially true for producers and distributors of consumer durable goods and others most directly affected by defense activities. Such activities do or soon will absorb important amounts of materials, manpower and plant capacity which otherwise might be used to produce goods to offer for sale in customary civilian markets at home and abroad. Rapid price changes, especially for materials, have also presented unusual problems and price controls now call for special study.

Business executives in this country, however, are used to dealing with uncertainties of one sort or another with a flexibility of thought and action which is perhaps unique in the annals of management. This conference, I take it, is called in that spirit, to exchange ideas concerning present uncertainties and the best ways to meet them. And my part is to summarize, in as few words as possible, the defense program; current and prospective economic developments; current and prospective control policies, and the impact of all this on marketing.

Back of the defense program, of course, lies an international situation which is more perplexing. The uncertainties in that area I shall not tackle. It may be noted, however, that the range of possible developments in Europe and Asia is considerable; that since the Korean outbreak shifts in military and diplomatic positions have had important immediate repercussions—on private as well as national policies; and that judgments concerning the effects of new international developments should be very selective.

Rise in Defense and Non-Defense Demands

International developments since last June generally have been highly stimulating in their effects on the economies of the world. In this country the armed forces have been expanded from 1½ million persons to about 2½ million and the rate of defense outlays and foreign aid combined has risen about three-fourths. In this early stage of armament expansion, defense orders have increased more sharply than outlays and these orders have been an important factor in current markets. Nevertheless—and this is a major fact—a larger share of the immediate impetus to increased production and higher prices since the Korean outbreak has come from increased consumer and business buying. This buying has been animated by prospects of rearmament, rising incomes, shortages of goods and advancing prices. Of a total increase of something over $40 billion, or 15%, in the annual rate of gross national product expenditures from the second quarter of 1950 to the present time, $30 billion, or nearly three-fourths, has been for non-defense purposes.

*An address by Mr. Garfield at the Marketing Conference of the American Management Association, New York City, March 12, 1951.

Consumer Buying Waves

Consumer buying this winter has shown an upsurge similar to that immediately after the Korean outbreak. In the recent period, as last summer, buying has been unusually high in relation to consumer income. Total expenditures for consumption are estimated to be nearly 20% higher during the current quarter than in the second quarter of 1950, reflecting a rise in physical volume as well as in retail prices. Sales of apparel and food reached new highs in January. Since January, consumer demand apparently has shown some abatement; nevertheless, in February, dollar sales at department stores were 17% above a year ago and recent demand for automobiles has been strong. In the period since last June consumer demand for durable goods generally has shown much more increase than for nondurable goods, reflecting greater concern over possible shortages of these items.

Increased Business Buying

Ever since the Korean outbreak business has been placing orders in very large volume—to meet heavy demands of consumers, for their current or future use; to build up business inventories; and to increase plant capacity. In the fourth quarter of 1950, when retail sales slackened, business succeeded in accumulating inventories—at an annual rate of $11 billion. This quarter inventories are still being built up. Demand for producers' equipment, including agricultural machinery, has been very strong and, currently, expenditures for producers' equipment are probably running nearly 30% above the second quarter of 1950, a tremendous increase for so short a time. New private construction outlays are up less than 10% in this period, but an extraordinary level had already been reached in the second quarter of last year.

Rise in Production

Generally strong demands from consumers and business buyers as well as from the government have resulted in production increases which have been substantial but not sufficient to prevent sharp price advances. Industrial production—output at factories and mines—increased from 199% of the 1935-39 average in June to 217 in October. It has since shown little further rise, as current capacity levels have been reached in numerous lines. As compared with 1940, the current level of output is up 70% for nondurable manufactures, 90% for durables. As compared with war highs, nondurables are up over 10% while durables are down 25%, and total industrial production is 10% lower. Durables are below the wartime peak chiefly because activity in the shipbuilding and aircraft industries and output of ordnance in the machinery industry are nowhere near as high as at that time. At steel mills, cement factories and lumber mills production is higher than in the war period by 20% or more. Output of consumer durable goods is up sharply and close to peak levels.

The increase in production in the economy generally since last summer has been achieved in considerable part by increasing employment, although hours and productivity have also risen somewhat. Nonfarm employment is now about 3 million higher than a year ago.

Rise in Prices of Commodities and Capital Assets

The extent to which extraordinary demands for goods have been reflected in increased prices is a matter of record. The price advance began just about a year ago, reflecting persistent recovery from the mild recession of early 1949, and was greatly accentuated after late June. Prices of 28 basic commodities are now nearly 60% above a year ago. All commodities at wholesale are up 20% and consumer prices for goods and services are up 9%. The rise for consumer goods alone was about 12%. Prices received by farmers are nearly one-third higher.

Spectacular advances in prices of imported materials continued through January and levels reached then have been generally maintained since. Tin, however, has dropped over 40 cents a pound or one-fourth since the announcement that no more would be stockpiled at the sharply advanced prices reached earlier.

Price advances since last summer have been rapid in markets for capital assets as well as for commodities, with marked advances for farm land values, urban real property values, and common stocks.

Expansion of Income

One important result—and cause—of all these developments has been a rapid rise in incomes. Wage payments are up partly because the labor force has expanded and hours have risen somewhat, and partly because average hourly earnings have risen—9% since a year ago. Corporate profits after taxes in the fourth quarter were one-third higher than before the Korean outbreak owing to the extraordinary increase of business and in some lines the more rapid rise in prices than in costs. Rising farm prices have been reflected in rising farm income.

This, in brief outline, is the story of economic developments so far since the Korean outbreak, except for some reference to the part played by fiscal and monetary and credit developments and by controls of various types.

Expansion in Credit to Private Borrowers

The boom has been facilitated by the ready availability of credit as well as by the large holdings of liquid assets accumulated during the war. Bank loans to private borrowers have risen rapidly, with business loans up a third since last summer and real estate loans up 10%. A very substantial part of the rise in business loans has been to finance larger inventory holdings, which in the case of cotton and some other farm products resulted from transfer of government stocks to private hands, but in most instances represented protective buying of current output at prices bid up in the process. Banks have not provided additional funds to the Federal Government partly because in this early stage of the armament program increases in Federal cash outlays—which lag behind defense production—so far have been generally matched by increased revenues. The increased revenues have arisen out of bigger incomes

Continued on page 24

Economic Mobilization To Be Discussed

World authorities meeting at White Sulphur Springs, April 6 to 8

CHICAGO — Sixty leaders in business, labor, economics, law and government will spend three days together to consider "The Economics of Mobilization," it has been announced on March 23 by Edward H. Levi, Dean of the University of Chicago Law School. The conference, sponsored by the Law School, will be held at the Greenbrier Hotel, White Sulphur Springs, W. Va., April 6-8.

"Economic mobilization for defense is one of the most important internal problems confronting our nation," Dean Levi said. "There is no single easy answer and we need more than slogans. It is our hope that by creating a single forum in which leaders of various backgrounds can meet continuously together, we should be able to find an area of agreement and clarify the issues of disagreement; and we might even arrive at a realistic program for mobilizing the nation's economy for defense."

Issues which the conference will consider at the first three successive sessions include: attempts to control prices and wages, the present tax policy and the conflict between the Treasury and the Federal Reserve Board. Two sessions of the conference will be devoted to the long-term consequences to free institutions of the present mobilization and to seeking agreement on a workable program.

One session will cover the impact of rearmament on the British Socialist economy. Two eminent economists from the United Kingdom have been invited to contribute from the experience in their economy. Coming from England will be John Jewkes, C. B. E., and Roy Forbes Harrod, both of Oxford University.

Others who will participate are: Roy Blough, Council of Economic Advisers; Michael V. DiSalle, Director of Price Stabilization; Benjamin V. Cohen, State Department; Beardsley Ruml; W. Randolph Burgess, National City Bank of N. Y.; F. A. Hayek; Leon Henderson; Prof. Ludwig von Mises; Philip Cortney, economist and industrialist; and Sen. Joseph C. O'Mahoney.

Blair, Rollins & Co. Issues Statement

In reference to press dispatches out of Grand Rapids, Michigan charging Howell H. Ridley with irregularities in handling client's accounts, A. E. Kelly, Treasurer of Blair, Rollins & Co. Inc. has issued the following statement:

"Mr. H. H. Ridley severed his connections with Blair, Rollins & Co., Inc., as of Feb. 27, 1951.

"Arrangements have been made to provide for the continuance of the services of the company to all customers who have previously carried on their securities transactions through Mr. Ridley.

"It is believed that any losses due to irregularities are fully covered by insurance."

Railroad Securities

Profit Margins: 1950, 1949 and 1941

The expansion in traffic volume last year was augmented, so far as railroad operating results were concerned, by the continuing benefits derived from large capital expenditures made by the railroads in the period since the end of World War II. This increased efficiency, which should gain further momentum in the current year from additional substantial outlays for new equipment and property betterment, found reflection in a reduction in the transportation ratio last year to 36.9% compared with 39.8% in 1949. This marked the fourth successive year in which the transportation ratio for the industry as a whole has been cut, and the ratio itself was the lowest for any year since the end of the war.

While transportation costs are the most important expense problem of the railroads, and quickly reflect the greater efficiency stemming from the large capital expenditures, they do not, by themselves, tell the whole story. The overall earnings status of any railroad is determined by the aggregate of its expenses, and is measured by the percent of gross that can be carried through to net operating income before Federal income taxes—the profit margin. Naturally, the profit margins vary widely as between the individual roads, and in some instances year-by-year for the same road.

For the industry as a whole last year the pre-tax profit margin was 17.3%, a sharp increase from the 11.0% margin of 1949 and the widest reported since 1944. In the accompanying tabulation we show 1950, 1949 and 1941 profit margins for 45 individual roads, making up by far the bulk of the industry in point of revenues. The roads are listed in descending order of their 1950 profit margins. Adjustments have been made in those instances where mergers have been consummated to show consolidated results. It will be noted that only two roads showed narrower profit margins last year than in 1949. One of these was Kansas City Southern which was still well up toward the top. The other was New Orleans, Texas & Mexico.

One thing this tabulation conclusively demonstrates. That is, that railroad securities can never be bunched together as one single investment problem. This is certainly true so long as profit margins vary all the way from better than 40% for Virginian to 6.5% for Central of Georgia and Chicago & North Western. It will be noted that five roads last year had profit margins above 30%. This group was comprised of three eastern coal roads and two western carriers. At the same time, there were five with profit margins of 10% or less. In this group geographical distribution was wide.

Comparison of the individual 1950 profit margins with those of 1941 are interesting as an indication of the extent to which individual managements have been able to offset the substantial increases there have been in the postwar era in wages and fuel and material costs. There were 14 of the 45 roads covered that showed wider margins last year than in the prewar year 1941. It will be noted particularly that in this respect the eastern roads were, generally speaking, laggard. Only two of the 14 (Chicago & Eastern Illinois and Western Maryland) were eastern carriers. Nine were in the west and the other three were southern carriers.

	1950	1949	1941
Virginian	40.8%	27.5%	49.8%
St. Louis Southwestern	33.0	27.3	26.9
Western Maryland	31.5	25.8	30.5
Norfolk & Western	31.4	20.8	44.0
Kansas City Southern	30.7	32.5	24.1
Western Pacific	29.6	12.2	19.1
N. Y., Chicago & St. Louis	28.6	22.4	32.1
Atchison, Topeka & Santa Fe	27.0	18.1	22.9
Chesapeake & Ohio	25.4	13.5	35.8
Chicago, Burlington & Quincy	25.2	13.9	18.7
Louisville & Nashville	23.1	11.4	29.2
Northern Pacific	21.9	10.3	25.1
Denver & Rio Grande Western	21.7	16.1	17.4
Southern Railway	21.7	14.1	27.7
Texas & Pacific	21.5	13.3	25.0
St. Louis-San Francisco	20.8	13.0	19.9
Union Pacific	20.0	9.4	14.9
Illinois Central	19.5	14.1	19.0
Seaboard Air Line	19.5	12.3	15.6
Great Northern	19.4	13.8	27.2
Gulf, Mobile & Ohio	19.3	12.9	14.8
Missouri-Kansas-Texas	18.6	15.0	11.4
New Orleans, Texas & Mexico	18.5	19.1	23.1
Missouri Pacific	18.2	8.8	21.5
Wabash	18.0	11.4	19.8
Chicago & Eastern Illinois	17.8	4.1	12.6
Delaware & Hudson	17.6	9.7	25.8
Erie	17.4	8.6	20.9
Southern Pacific	16.7	10.8	19.8
Chicago, Rock Island & Pacific	16.6	16.0	18.2
Reading	15.9	11.1	25.3
Chicago Great Western	15.3	10.5	17.5
Lehigh Valley	13.7	8.1	19.1
Delaware, Lackawanna & Western	13.6	10.3	18.5
Chicago, Mil., St. Paul & Pacific	13.1	5.8	20.2
Atlantic Coast Line	12.7	7.6	20.5
Baltimore & Ohio	12.2	10.1	21.6
Boston & Maine	11.3	7.1	19.3
Central RR. of New Jersey	10.9	7.0	11.7
N. Y., New Haven & Hartford	10.4	6.4	16.0
Minn., St. Paul & S. S. Marie	10.0	7.3	11.8
Pennsylvania	7.6	5.4	20.0
New York Central	6.9	4.9	14.7
Central of Georgia	6.5	0.6	19.9
Chicago & North Western	6.5	1.2	17.4

Backman Warns of Inventories

Economist asserts present high accumulation of goods by business and consumers may become determinant of prospective economic activity. Notes outstripping of sales by inventories in textiles.

"During the next few months, the large inventories accumulated by business and consumers may become the most important single factor determining the short-term outlook for economic activity," Dr. Jules Backman, Professor of Economics, New York University, School of Commerce, Accounts and Finance, told the Textile Fabrics Association at the Statler Hotel in New York City on March 20. "Business inventories increased by $10 billion during 1950, a rise of about one-fifth. At the same time, all the evidence points to a large increase in consumers' own inventories as a result of the buying spree of the past eight months. Should a peace scare develop, this situation could create a temporary curtailment of buying by consumers and some dumping of inventories by business. Nevertheless, any such development would be a temporary one since the fundamental fact is that our defense program will be continued with its attending curtailment of civilian supplies and inflationary pressures as the year progresses. Inventories of textile mill products have risen 43% during the past year, while sales had risen only 29%. In contrast, for all industry, sales have risen more than inventories."


Jules Backman

Dr. Backman forecast that, "Despite the imposition of general price controls, and some temporary hesitation in prices, higher prices seem probable under the impact of our defense program. Higher wages, large government budget deficits later this year, a political farm policy, and related pressures will combine to push prices higher. The major sources of inflationary pressure since Korea have been the expansion in bank credit and the activation of the inflation created during World War II. The period since Korea has been characterized by increases of more than $8 billion in business loans by the banks, largely to finance inventory accumulation; more active use of existing deposits, and a moderate utilization of liquid assets by consumers. This latter development is illustrated by the net redemptions of more than $500 million in Series E Bonds and the reduction of $175 million in postal savings deposits in the second half of 1950."

More Than "Jaw-Bone Control" Needed

The N. Y. U. Professor emphasized that it would require more than lip service and jawbone control to effectuate an adequate anti-inflation program. "Amendments are required to the Defense Production Act to eliminate the inflationary farm price policy which it endorses. Wage control must be tightened to convert the present wage raising to a wage stabilization program. Higher taxes to assure that our wage costs are not on a pay-as-you-go basis and general controls over credit to restrict inventory accumulation, are additional necessities."

World War II Prices Rose Despite Controls

The speaker pointed out that, "Despite price control, many prices continued to rise during World War II. Thus, for example, after the imposition of the general maximum price regulation of May, 1942, substantial price increases took place for apparel and other items. In addition, the war period was characterized by a deterioration in quality and a disappearance of low priced items. There will be a repetition of this experience on a modest scale under the present program. If the program is expanded, these developments may be expected to be intensified.

"Our wage stabilization policy will not accomplish its professed purposes," the speaker warned. "Wage increases to compensate for rises in living costs and probably for annual improvement factors and the proposed exclusion of fringe benefits from the 10% catch-up formula, make a mockery of wage stabilization. The sharp increases in wages in the automobile and related industries under this program, will create intense pressure for wage increases in other industries.

"Wage stabilization does not mean income stabilization for wage earners. Steadier work opportunities, overtime, incentive plans and related developments will mean higher wage incomes and also higher costs to textile companies." The speaker noted that in World War II, although the Little Steel Formula limited increases in base rates to 15%, hourly earnings in all manufacturing industries rose 50%, while weekly earnings increased 75%.

"Prices of all textile products have risen 35% at wholesale since last June. Prices of cotton goods have risen somewhat more. This rate of increase was more than twice the 16% rise in all wholesale prices. All wholesale prices have exceeded the 1948 peak by 10%, while textile product prices are 23% above those earlier peak levels. Sharp increases in cotton and wool prices have contributed significantly to higher costs and have helped to push up the prices of textile products."

Arnold Green to Head Dept. in Bache Branch

Bache & Co. announces the appointment of Arnold E. Green as Manager of the firm's Investment Trust Department in its Chrysler Building office, New York City.

Mr. Green is a graduate of the Wharton School of the University of Pennsylvania and also attended Columbia University and the New York Stock Exchange Institute where he took courses in Finance, Banking and related subjects.

During the war he served with the Navy and was stationed in Africa, the Philippines and Japan.

In making the appointment, the firm states that it is "consistent with our plans to broaden our merchandising and promotion of Mutual Funds as an investment medium suited to the needs of a large group of potential investors."

Schreier Named Trustee

Henry C. Schreier, a limited partner of the New York City investment firm of L. F. Rothschild & Co., has been elected a trustee of the Queens County Savings Bank, Flushing, Long Island, N. Y., according to an announcement by Joseph Upton, President. Mr. Schreier has been associated with L. F. Rothschild & Co. since his graduation from Yale University in 1920. He became a general partner of the firm in 1927 and a limited partner in 1950.

Will Our Food Supplies Be Adequate for Another War?

By HERRELL DeGRAFF*
Professor of Food Economics, Cornell University

Professor DeGraff, in depicting food situation in this country and the effect of mobilization or full scale war on food demand and supplies, denies U. S. has or will have surplus food, and holds it will be difficult and improbable that demands created by all-out military needs can be met unless weather, technique and other factors work in favor of abundant yields.

Recently in our Food Economics class we were discussing food problems and food requirements on a world-wide basis. In response to a question, I had expressed serious doubt that the United States could be looked upon as an important source of food supplies for other parts of the world. With much disbelief showing in her face and her voice, one student, a girl from one of the S. E. Asia countries, said, "But surely the United States could produce and ship almost unlimited quantities of food to other nations which might need it." How often we have heard variations of that same idea. Much of the rest of the world seems to look upon the United States as an inexhaustible larder, and even here at home many of our own citizens labor under the delusion that this country could at will assume the burden of feeding the world. Unfortunately, there is almost no truth in such an idea.

Herrell DeGraff

Too many people still think of this country as it was in the 1870's and 80's when we were a big net exporter of foodstuffs. But the combined effect of immigration and the natural increase of our own population built up the population of the country more rapidly than our agriculture could expand during the latter part of the last century and the early part of this one. Exports as a proportion of domestic food production gradually diminished until with the coming of World War I, the food imports of the United States were almost as great as the food exports. Under the pressure of a war and the needs of our allies for foodstuffs, we expanded exports during the first World War—but only temporarily. Beginning in 1922 and for the following 20 years of the inter-war period, our food imports were greater than our food exports, so that the United States was on a net import basis amounting to from 2 to 3% of the food supply of the country. Those facts are not widely realized. They tend to become lost in the widespread confusion over what we have so readily called food surpluses. The truth of the matter is that for some decades this country has not been a source of food for the world and is not likely to be again except as the result of pronounced changes in the character of the diet consumed by our own citizens.

World War II Situation

It is true that during World War II we again were able to provide large amounts of lend-lease food, and later of foodstuffs for relief feeding, to our allies and even to our one time enemies. But these shipments were possible only because of very unusual circumstances. Whether those circumstances may again be repeated is a matter of vital importance now that this nation again faces mobilization for war. From the late 1930's up to 1944 the food output from the farms of this country increased 40%. Probably never before in history has a developed nation achieved so great an increase in food output in such a short time. But the fact that we did experience this enormous increase in food production was, to my thinking, one of the reasons why the war was prosecuted so successfully. Out of the increase in production we were able to feed our own military forces better than armies ever before have been fed, we were able to send the lend lease foods to our allies, which kept them producing and fighting, and, perhaps of equal importance, we were able to upgrade the diet of the civilian population at home even while we were carrying on the intense war effort. The extra food and the better food was a military and a political weapon in our international relations, and was a morale factor of extreme importance at home.

The history of our World War II food experience is an enormously interesting story in itself, though it may not be particularly important to the present situation except as a review of our experiences in the 40's can serve to point up the problems we face at the presesnt time.

War Creates Pressure on Food Supply

War or even war preparation invariably increases the pressures upon our food supply. An expanding military force again needs food in increased quantity over the requirements of the same number of persons in civilian life. Food again becomes a political weapon. And the expansion of business activity and of payrolls and consumer purchasing power results inevitably in further demands from the civilian population for high quality, highly nutritious and morale-building types of foodstuffs. Since we almost certainly face this type of increasing food demand in the present year and the years immediately ahead of us, the question is vitally important whether our farms can meet this challenge and produce as abundantly in this national emergency as they did ten years ago.

From the average of 1935-39 to 1944, food crop production in the United States expanded 29%. In this same period the output of animal product foods increased 44%. It seems not only worthwhile but vital at this point to explain this almost unheard of increase.

Farm output in a country as large and diversified as the United States does not ordinarily vary much from one year to another. In fact for the past 40 years there has been an average annual variation in food output in the country of only 3%. The fact that farming is a biological business, depending upon plants and animals rather than upon machines and factories, and the further fact that most of our agriculture is organized on a family farm basis accounts for the traditional stability of our farm output. The expansion of production in the early 40's is illustrative of what can happen when all factors affecting our food supply become highly favorable all at one time.

Factors in Farm Production Expansion

I do not wish to be dogmatic or over-positive about any part of this analysis, but it seems to me that the following are the reasons more important than all others in the World War II expansion of farm production in the United States:

(1) This country has had no weather catastrophe since the great drought of 1936. There have been some years between 1937 and 1950 when growing season weather has been exceptionally favorable—when the rains came at precisely the right time, when the progression of temperatures as well as moisture over practically all of the country was unusually favorable. Equally certain there have been other years during the last fourteen when the weather was not so distinctly favorable, but when at the same time it has not been unfavorable. There is no question in my mind that weather did contribute very importantly to the food output of the 40's. But I am inclined to believe that weather should be thought of as being favorable since 1937 **in the sense that it was not unfavorable.** Weather then was a permissive factor which permitted the farmer to lay his production plans and carry them out, not vetoed by the weather man.

(2) If weatner was principally a permissive factor in the enormous food output of World War II, some other more positive influence has to explain a large part of the production increase. I think that factor may well have been a greatly increased application of improved farming science and improved production methods. Perhaps I can express myself this way: American agriculture went into World War II out of some twenty years of agricultural depression. During these two decades, experimental work was continuing in the laboratories and at the experiment stations, and important improvements in farm science were being proven. Farmers, however, who were operating under low price conditions and who could not see a dollar returned for a dollar invested in improved production techniques, were not putting this science fully to use as rapidly as it was being developed. One way to state the results would be to say that there was accumulating in inventory a great deal of not fully exploited improvements in agricultural science. Many farmers, of course, were using the improved techniques, but few farmers could be said to have used them fully, and large numbers of other farmers used them little or not at all.

However, under the improved price prospects of the early 40's, much of this scientific development came rapidly off the shelves and was put to use. For example, the use of hybrid seed corn and improved types of wheat and oats and other crops rapidly expanded. Fertilizer usage was doubled compared to prewar. New insecticides and fungicides were more widely used. Improved livestock feeding and breeding practices were expanded. Probably never before in history had such rapid changes been made in the production techniques used on our farms. And it seems clear to me that these changes in production methods were an extremely important factor in World War II increases in food production.

(3) When we went into the war, the country had a considerable accumulation of feed grains and wheat of feed quality stashed away in the Ever Normal Granary. These feedstuffs together with large imports of oats and barley from Canada were fed out in 1941, '42, and '43. Compared with current feed production, that made possible an unusually rapid expansion in livestock production —particularly hogs and poultry. By the end of 1944 we had built up on farms a number of livestock which could not be maintained from current feed production alone, with the result that from 1945 through 1948, we experienced a liquidation of some livestock. Thus, the windfall sources of feed available to livestock producers added to the food supplies of the country from 1941 through 1948.

(4) Farm machinery, probably for the first time in our agricultural history, became an important contributor to increased crop yields during World War II. For the most part, farm machinery has always been looked upon as mainly a contributor to increased productivity of labor, but not especially a contributor to yields per acre. Yet, during the early 1940's, the number of tractors and machines to use with those tractors had reached a point where it permitted crop planting and crop harvesting so much more timely that it seems almost certain that yields were increased.

For example, we had several wet springs in the Corn Belt during the 1940's. With the old horse farming methods of preparing the

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*An address by Prof. DeGraff at the Farm and Home Week Program of the New York State College of Agriculture, Cornell University, Ithaca, N. Y., March 22, 1951.

Securities Salesman's Corner

By JOHN DUTTON

The other day I saw a letter that was written to a sales manager from one of his men. The salesman had been in the business of selling tangibles for many years and had been quite successful. In fact he made so much money he was able to save enough to build quite an investment account of his own. Then he became interested in selling securities. He moved into the southland from the north—took up a residence—spent some time studying securities, and went out in a new territory to sell.

He had been working on leads—inquiries that the firm had received from their advertising. He went on to tell how he had called 30 people on the telephone and made but six appointments. Out of the six he called on he sold exactly none. It was his second month in the business and he was beginning to get discouraged. He said some of the people he tried to find in the phone book, and when he couldn't he wrote them, but most of them did not answer. Those that did would not give him an interview. He said, "In the sale of tangibles I used to make eight calls and I knew I would make a sale, but in this business it doesn't look like the law of averages works."

When this sales manager asked me what I thought about it I was only sure of one thing—the rest would have to come out as a result of more study of this salesman, his methods, and his attitude toward the business. The evidence was only clear on one point—this man was discouraged. It was not only because he made 30 calls on the telephone, and six interviews turned into no sales, but **that was the way it had been going for several months.** After all, 30 telephone calls is not enough of a trial, and certainly six interviews in a week is far too little work for anyone to do. A man should have at least 25 solid interviews in a week when he is getting started in this business.

My suggestion to the sales manager was to call in this salesman and spend some time with him. Find out how he went about making his telephone calls. What did he say? Find out if he knew how to qualify a prospect. Was he spending time working too hard on the wrong people? Was he trying to do business with curiosity seekers—or know it alls—or people who were not good prospects for one reason or another? Was he attempting to sell a security instead of trying to find out his prospect's needs and objectives? Was he actually working hard enough? If so, was he whipped before he started? Any one of these factors could be the difference between success and failure for a new man starting out as he did.

If you are selling merchandise to stores, whether it is heating plants for homes and factories, bug killers for farmers, or almost any other commodity listed as a tangible, you can almost go out on the street and find people who have a need for your goods. If you call on enough of them you are sure to do some business. But when you are selling securities you have to create a **desire** and expose a **need.** You have to be able to uncover your prospects by constant and intelligent work. All your advertising can do is give you a hint as to who **might be interested.** The salesman must do the rest. This seems to be the answer in this case.

Join Waddell & Reed, Inc.

OKLAHOMA CITY, Okla.—Alva L. Marlow and James J. O'Dea have become associated with Waddell & Reed, Inc., at its Oklahoma City office, in the Colcord Building.

Reynolds Adds to Staff

POTTSVILLE, Pa.—Reynolds & Co., members of the New York Stock Exchange, announce that Robert Morris Snyder is now associated with the firm as a registered representative in its Pottsville, Pa., office, Schuylkill Trust Building.

Charles Goldschmidt

Charles Goldschmidt, member of the New York Stock Exchange, and partner in Maples & Goldschmidt of South Norwalk, Conn., died at his winter home in Hollywood, Florida, at the age of 59.

Lloyd McDowell Joins Staff of Cohu & Co.

Cohu & Co., 1 Wall Street, New York City, members of the New York Stock Exchange, announce that Lloyd A. McDowell has become associated with the firm as a special representative.

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Television's Potentialities, Progress and Problems

electronic impulses across the face of a cathode ray tube. It is a bewitching process.

But television is more than electronic witchery, and its full significance must lie somewhere beyond the amiable puppets, reincarnated films, resuscitated vaudeville and already regurgitating commercial announcements which have flowered to date on its screen.

We have declared, somewhat in awe, that television is the greatest instrument of communication in history—a mighty statement in view of all the prior miracles of communication now commonplace.

But what gives me pause is the cosmic coincidence that this most versatile miracle should have arrived at a point in history when mankind is in its most desperate need of all time for better—indeed much better—communication and exchange of current knowledge. More people need more information about more things today than at any time in history. And nowhere is that more urgently true than in this democratic republic, where 150,000,000 people are in the process of virtually deciding the fate of the world—either positively or by default.

In so saying, I have no desire to sound melodramatic. The situation calls rather for a note of humility, for when I get through pondering what little I can think through about the meaning and challenge of television, the sheer responsibility which this new miracle carries with it scares the hell out of me.

Basic Question:—What Television Is to Do For Us?

The basic question of what we are going to do with television has to date been far more passively dealt with than has the dynamic question of what is television going to do to us. I would like to think it is going to do more for us than to us.

To date, the heralds of TV have belabored many adjectives to describe the impact of television—and they are so right. The loud outcries as to what TV is doing to when and how children eat, dress, play and talk; what TV is doing to movie-going, book-reading, beer-drinking; what TV is doing to the arts of conversation, courtship and interior decorating—all bespeak the impact of television.

At this stage I, for one, don't know what this all proves, except perhaps that we ain't seen nothin' yet. I doubt if any more than 5% of television's full potential impact on us is yet apparent. Such a view at least suggests to me that the one thing we can least afford to do about television is simply to let it take its course by chance, on the hope that it will somehow fit itself into our already muddled social and economic patterns.

Shortly, we are apparently going to be treated to a Chautauqua on standards of ethics and morality for television, including the configuration of televizable necklines and the tolerable ratio of murder to manslaughter in juvenile programming. Considering the national talent we now have devoted to public investigations these days, we could more appropriately afford a full-dress top-level National Commission of some kind to suggest what we can do with the unbelievably fantastic (and I use the words literally for a change) potentialities of television.

To my knowledge we have never before, as public policy, tried to guide the potentials of a new technological development until atomic fission came along. I want no part of a secret Government Commission dictating the use of television. Yet TV has already influenced our daily lives more than has the sundered atom. Maybe, therefore, we ought at least to get our minds together and accord television some prescient thought commensurate with its potentialities.

I would think for example that, on a national scale, it would be worth ten billion dollars to know in advance what television is going to do to:

(1) Capital now invested in enterprises which will be depreciated in various degrees by television.

(2) Real estate values and future location and design of homes, stores, theatres, schools, stadia, etc.

(3) Current product design, sales and marketing techniques.

(4) Family habits, mores, attitudes, and expenditure—preferences of both time and money.

(5) All other media of communication, including the fundamental capacities to use them which derive from education.

(6) Finally, whether the uses we make of TV's potentials will strengthen or weaken our democratic processes, all of which rest in one way or another on access to knowledge as opposed to exposure to controlled propaganda.

Per chance the price tag on advance knowledge of such things among television's potentialities should have 40 or 50 more ciphers added to it. And we could find out some of these answers in advance if we really tried in cooperative concert.

Current Progress and Problems

Now from the magnificence of television's potentialities, let's descend to the minuscule of some of its current progress and problems. They are minuscule only by comparison.

In spite of a transmitting pattern that has been frozen since September 1948, we already have some 11,000,000 sets in use, tunable to 107 stations. In several larger cities, the homes are already more than 50% "saturated" by sets. What happens to this billion-odd dollars worth of obsoleted equipment when TV expands into the UHF area of the spectrum? What happens when the jurists finally decide what the engineers should do about color television?

These are only some of the technical problems that confront nascent TV. It has still more socio-economic problems, and some of these may prove to be the toughest of all. I suspect that Solomon would remove his headgear and his sandals in awe, were he to enter an FCC hearing where television's problems are being decided.

On top of all this, the Commission is shortly going to be asked to decide whether it will authorize a system of "box office" television, which the Zenith Radio Corporation is currently testing here in Chicago, with FCC permission. As some of you may know, a cross-section of 300 Chicago families have their homes equipped with special television receivers, on which they can see feature motion pictures nightly upon payment of a family admission charge of $1 per picture. The films are telecast from a regular television station, but "scrambled" both as to sight and sound. However, the test families, upon request to the station, can have the picture "unscrambled" by means of a "key" sent to their special home television receivers via telephone. Appropriately enough, this system is called Phonevision.

This Phonevision experiment intrigues me more than anything else that is taking place amidst the dynamic progress of televison, principally because it seems to hold a key to some of the problems that are besetting television as a whole. Perhaps in this interest I am prejudiced by reason of being an economist and sociologist rather than an engineer. I'm also a Scotsman, so I will listen more intently to how to make a miracle if you can also tell me how to pay for the miracle. Some Scotsmen still refuse to believe that you can get something for nothing, and I am one of them.

This characteristic has long troubled me in observing the unfolding portents of television, the more so because I am also an incurable televisionary. I can see television as the vehicle which can bring the Metropolitan Opera to a snowbound living room in South Dakota; "South Pacific" to a home theatre-party in Atlanta; the Kentucky Derby to cowboys in a bunkhouse in Montana; the circus to crippled kids in homes from coast to coast; Hollywood's best colossal smash hits to a living-room armchair audience of 10 times the seating capacity of all the movie houses in the nation—including some 20,000,000 people who are too old or too infirm to go out to any sort of public place of entertainment. But most of all, I can see television bringing the vast stored knowledge out of hiding in the Library of Congress, the Field Museum, the Adler Planetarium, out of 500 universities—not to mention current events from the floor of the U. S. Senate or the Pentagon—and into the homes and minds of people who are too full of boredom and questions, and the fear and ignorance that go with them.

Question of Advertising Sponsorship

Television can do all of these things, but how to pay for them—beyond those fragments of these potentialities that advertising sponsorship can or would pay for? For such of these things as we now enjoy in the places where they are sold—the theatre, the stadium or the school—we buy a ticket or pay tuition. The same information or entertainment can be delivered via television. Finally, now it could be collected for via Phonevision.

Do you wonder, therefore, why I am intrigued by Phonevision as a system of box office television? Phonevision converts the miracle of television communication into a totally different miracle of distribution. As such, it is a brand new phenomenon in the field of marketing. It takes a bit of mental shifting of gears away from scores of preconceptions even to think about Phonevision or television programs-for-a-fee.

I submit, however, that if the potentialities of television are as X, then the potentialities of Phonevision are as X^2. On this proposition I can offer one tangible exhibit.

The 300 test families here in Chicago have been offered one kind of product on Phonevision—a variety of feature motion pictures, most of which are pre-1948 vintage, and therefore have had their first run of the regular theatre gambit. There are no double features or extra added attractions, no free dishes and no bingo on the Phonevision test programs. Yet the sample population of 300 families have been "consuming" from 300 to 700% more motion pictures at home on Phonevision than they are accustomed to consume as regular movie theatre patrons.

If one extrapolates these results to the nation as a whole, and takes into account only those families who now have television sets and telephones, the resulting figures of potential new business to Hollywood and to television run off the edge of the paper.

I am disinclined to offer my own personal interpretations of the Phonevision test for two reasons. First, the test is still in progress; but more importantly, it is being made under authorization from the FCC for the specific purpose of providing data for the Commission's use in deciding whether Phonevision should be authorized as a new and added service from television. I doubt if the FCC Commissioners would care to have the test data interpreted to death before they even get it. Besides, just the raw figures from the test to date are pretty heady stuff for a televisionary.

Potentials of Box Office Television

Nevertheless, I am not denying myself the great aid and comfort that this first acid test of box office television affords—and believe me, I needed it. More than a year ago, I went way out on a theoretical limb in predicting what I thought some of the potentials of adding a home box office to television could be. My predictions became something of a best seller, simply because there were so many people who wanted to disagree with me. Now that events have proved most of my "absurd" predictions about television costs to have been understatements, I am enjoying the discovery of more and more thoughtful people perched on the limb with me. As a matter of fact, the Phonevision limb is getting a little crowded, what with people of as diverse interests as Adolphe Menjou, Eddie Dowling, Tug Wilson, William Morris—together with a growing list of educators, businessmen, bankers, women's group heads, editors and others — becoming vocally interested in Phonevision's possibilities.

Such tangible as well as moral support makes me inclined to venture still further out among the twigs of potentialities for box office TV. If it bears fruit, I will at least be on that end of the limb where the fruit grows.

Phonevision vs. Commercial Television

And by this time I have learned to anticipate some of the most quick-flowering questions about this whole business. One of the surest to germinate is: "What will Phonevision do to regular commercial television—is it a threat?"

I think that Phonevision, or any workable system of box office telecasting, would be the best single thing that could happen to TV. In the interest of brevity, let me telescope my reasons:

(1) Phonevision would give television a huge second source of revenue and thus break down the economic barriers that now contain television, not only in its business growth but in its programming or cultural potentialities. TV can now do or offer only what advertisers can or will pay for. With Phonevision, it could also do and offer what the **public**, with all its now-neglected minority interest groups, would pay for.

To do a bit of limb-hopping: I'll wager there are enough people within signal range of this room to support a Phonevision series on a subject even as specialized as the hobby of taxidermy. I believe the obsolete, decrepit old Opera House in New York could be rebuilt on the network revenue from one week's presentations on Phonevision from just the receivers now in use. As things now stand, the Opera is unsponsored and therefore available only to those of its millions of friends who can crowd into the moldering old Met, where the great artists sing amidst the deficits and the scenery gets stored on the sidewalk.

To take a different approach to the potentials of a subscription TV, let me ask you—how many people would pay $1 for a home family-seat at the Kentucky Derby? Indianapolis Race? The World Series? The premiere of a "Gone With the Wind? Ringling Brothers Circus from Madison Square Garden? A super benefit show for the Red Cross? An Easter service for the benefit of community churches? A Lincoln Day Political Dinner? (This question for Republicans only.)

"Life" Magazine says that 30,000,000 people saw the LaMotta-Robinson fight, but only 14,802 paid. Suppose that only 10% of the home audience had paid?

Across the board the promoters of spectator sports, from the big-town professionals to the freshwater colleges, are tearing their hair about television because they can't collect from willing viewers —nor can the advertisers make up the difference. Yet all the while the ticket-buying American public sits by, willing to pay if somebody will figure how to collect it. Phonevision could cancel out all of these stalemates.

(2) In making all of these types of premium programs economically possible and thus infinitely expanding the "reasons for television," it is my contention that two things of direct benefit to commercial television would eventuate: (1) Millions of more people would be given more reasons to buy and use television sets; (2) And thus—with **two** sources of revenue, and more audience, TV-PV stations would be built in hundreds of towns and cities which will never support a television station (or stations) on advertising alone.

Moreover, advertisers and broadcasters should recognize that the average family budget would allow for the consumption of only about as much entertainment, education, etc. on box office TV as they now pay for elsewhere— perhaps five hours per week. During the balance of the time, this extra audience would be available to sponsored programs; not to mention the fact that the added station income from Phonevision would finally remove the advertiser and the present commercial stations from the bed of thorns they now share, by reason of having to be responsible for and pay for all that television now does. The thorns of public irritation will grow sharper for these same parties as they are held increasingly accountable for all of the great things that television could do, but won't, if added economic wherewithal is not forthcoming.

(3) Now if you will grant the hypothesis that Phonevision will ultimately become a generally available service — and speaking purely personally, I think that is as inevitable as was use of the telephone once it was perfected— I would like to suggest some possible results of such a service.

Phonevision and Resurgence of the American Home

For one thing, I believe the use of Phonevision will greatly accelerate an already apparent resurgence of the American home as the center of family gravity. It is now a platitude how the wide use of the automobile acted to tear down the importance of the home. But less attention has been paid to the fact that for years now, thousands of ingenious enterprisers—including the big auto companies—have been endlessly contriving via their gadgetry to make of the American home the most comfortable, healthful, convenient and aesthetic "natural habitat" that man ever had to live in. Moreover, as we live in increasingly frightening times the home becomes, more and more, the most psychologically desirable place to be.

Television is, of course, the latest and strongest force to be added to this "back home" trend. We are saying that television has "made a theatre out of the living room." This is true only to the extent that TV is bringing "theatre quality" programming into the home, and I leave to your private opinion how much of current TV is good theatre or good (period).

By contrast, I submit that Phonevision will bring the very best of all the theatrical arts into the home; and along with them the best in stadia sports spectaculars and a wealth of real honest-to-Socrates education.

If Phonevision does nothing more than provide a new free-enterprise method of selling knowledge for what it is obviously worth and thus removes higher education in this country from the twin horns of dwindling charity or mounting government subsidy, then I'm for Phonevision come hell and high water—because these two figurative anathemas are already lapping at the portals of hundreds of near-bankrupt colleges and universities. The incipient draft of 18-year-olds will administer the economic *coup de grace* to more than one shaky college and decimate the faculties of most for lack of payroll— a fine thing to have happen in the name of "national preparedness."

Scarcity of Stations

(4) There has appeared in television circles of late an increased bewailing of the pressures arising from scarcity of stations (29 network TV markets have only one station, 9 network markets have but two, and 16 markets have to be served by kinescope); scarcity of network availability; scarcity of prime evening time; and a mounting scarcity of talent and ideas in the limited areas of imagination where TV has thus far searched. There seems also to be a limit on the number of advertisers with the number of dollars it takes to do "good television."

Now even economists have learned to agree that where you have scarcities, there is a good place to look for monopoly, hoarding and some other unpleasant things. Sure enough, there have been dark mutterings of late about certain interested parties monopolizing shows, hoarding talent, bidding up costs recklessly to freeze out the smaller fry, etc.

Over and above the inner jockeying grows the fearsome realization that television has a quenchless thirst for talent and program ideas. New York's stations alone have to fill more program hours in a week than Hollywood produces hours of films in a year. But Hollywood can't afford to sell commercial television even her priceless storehouses of formerly-produced film, except the very marginal stuff. Indeed, Hollywood takes a dim view of TV use of her stars, and so do some of the stars themselves. And all this at a time when a Paramount executive calculates that some of their old films now valued at $1 might earn over $1,000 per share for Paramount stockholders if re-released on Phonevision.

If the Gordian knot of economics were cut that now keeps the worlds of film, stage, music, sports, science, education and all the correlative art forms from affording TV their best—what programming could flower on Television! Much of it would have to be paid for if enjoyed, as it now is. But so much more of it could also be supported "for free" out of the vast new revenue.

The creators of current commercial programming may well shudder at the thought of such competition — but everybody in advertising and in television believes in competition. It never hurt society yet, that I know of. Besides, Jack Benny's Maxwell can't last forever!

"Theatre Television"

(5) There has been suggested as a sort of toupee of synthetic fibres to cover the widening economic bald spots created by television's rubbing against the chasis of the film world, a methodology known as "theatre television." By this means, certain premium type TV programs would be shown in theatres, behind the usual box office.

This proposition embarrasses me because I cannot understand the logic of it, even after numerous tries. In the first place, the average neighborhood theatre is now an obsolescent marketing device. Some 1,500 ceased to exist in the past year. Urban congestion, concentric suburbanization, the ascendancy of preference for home recreation, intensified by television—plus perhaps 50 other factors, are responsible.

This obsolescence is no reflection on theatres. The old-fashioned farm is also obsolete and is being replaced by a new kind of farm. We already have some new kinds of theatres and we will have more. The theatre will surely never die. But I cannot see the process being expedited by the expensive process of adding costly theatre TV machinery to already marginal theatres — especially when, by the very nature of it, theatre television asks of a customer that he continue to go out of his home to a special place to pay for something that box office television can more easily bring to his home, and let the whole family enjoy for one fee. However, it does occur to me that Phonevision, as a methodology of distribution via television, could relay subscription programs to theatres at the same time it was delivering them to home Phonevision receivers.

I am also of the opinion that if Phonevision opens up a vast new home market for motion pictures, it will so enhance the capacity and budgets for making more and better films as to give surviving theatres a far better product to sell to those customers who prefer to "go out to the movies." Beauty parlors have survived home permanents, and there are far more cogent reasons, I submit, to expect that if Phonevision succeeds in doubling or quadrupling the number of movie patrons in the nation, both theatres and popcorn still have a considerable future.

A lot of kindred prognostications also occur to me, but you are already a much abused and patient audience. May I subside with Justice Holmes' observation that "It is often more important to emphasize the obvious than elucidate the obscure." I hope I have done more of the former than the latter.

Disinflation in Europe

By PAUL EINZIG

Dr. Einzig recounts recent developments in the Organization of European Economic Cooperation and steps to minimize the effects of end of Marshall Plan aid. Warns against excessive optimism about the practical influence that O. E. E. C. can exert in anti-inflationary struggle of member countries, and foresees little likelihood of Britain adopting higher interest rates or curtailing volume of credit, though this may be possible in other member countries.

LONDON, Eng.—On March 9, 1951, the Council of the Organization of European Economic Cooperation passed a resolution laying down the foundations for its activities after the termination of Marshall Aid. Even during the Marshall Aid period the O.E.E.C.'s functions went far beyond the mere allocation of payments received from the United States. Considerable progress was achieved in 1949-50 towards the removal of trade barriers between the member countries. Indeed it may safely be claimed that in that direction the O.E.E.C. has acheived more progress than all the various international trade conferences held with the same object in view since 1947. However, it seems that the prospects of further progress in the same direction are not very favorable, owing to the appearance of a new factor in the form of rearmament. There is every reason to expect a relapse into trade restrictions, owing to the adverse effect of rearmament on the trade balance of the countries concerned. Nevertheless, it is to be hoped that the efforts of the O.E.E.C. will minimize the relapse, at any rate as far as the trade within countries of Western Europe is concerned.

Dr. Paul Einzig

Meanwhile the O.E.E.C. has found new fields of activities. It has been trying for some time to establish a claim for playing an important part in the allocation of scarce raw materials. In this respect progress has not been very striking up to now. However, the O.E.E.C. is persevering. At the same time, at its meeting on March 9 it staked its claim to exert influence on the economic policies of the member countries. In particular it took it on itself to inspire Western Europe in the fight against inflation. A resolution was passed in favor of disinflationary measures to be taken by the participating governments.

The idea is indeed praiseworthy. Thanks to its success in organizing intra-European payments through the European Payments Union, and in inducing the participating governments to lower quantitative trade restrictions on intra-European trade, the O.E.E.C. has achieved considerable prestige. That prestige could not possibly be used for better purpose than for an anti-inflationary crusade. For, although each government is of course aware of the danger and is doing much towards averting it, the active interest taken in the problem by the O.E.E.C. is bound to be helpful. That organization enables the governments to exchange information about the measures adopted and their effect. This means that each government will have a chance of learning by the mistakes of other governments. Moreover, whenever there is some international body engaged in such a task, there is always a healthy spirit of competition among the participants to show that they are doing at least as well as the other participants.

It is necessary, however, to warn against excessive optimism about the practical influence that the O.E.E.C. can exert in the anti-inflationary struggle of its member countries. There can be no question of devising a set of rules which would be applicable to all Western European countries. The resolution passed on March 9 in favor of disinflationary measures was wrongly interpreted in many quarters as an attempt at enforcing uniformity in the measures to be taken against inflation. In reality, the O.E.E.C. had no such ambitious aim. For one thing, it is not in a position to impose its resolutions on its member countries. Moreover, it is fully realized that the circumstances of the participating countries vary very widely, and that the anti-inflationary measures required by them must vary accordingly.

For instance, although the resolution implied credit restrictions and higher interest rates, there is no reason to expect that Britain, for instance, would adopt such a policy. The increase of the interest rate on long-term government loans in the United States from 2½ to 2¾% gave rise to widespread expectations that Britain might follow the example. This impression has further strengthened as a result of the rise in the London discount rates on commercial bills (as distinct from fine bank bills and Treasury bills which remained unchanged), and the higher rate allowed on Savings Certificates and Defense Bonds. There is no reason, however, to expect a fundamental change of British monetary policy. Although Mr. Dalton's policy of forcing down interest rates was abandoned when he left the Treasury in 1947, the government remains in favor of cheap money. There will be no deliberate increase of interest rates for the sake of counteracting inflation. The rates on Savings Certificates and Defense Bonds were raised in February in order to counteract the falling trend of small savings. Commercial bill rates were allowed to rise owing to the increased risk attached to commercial operations, due to the sharp rise in prices. But the Treasury is not likely to offer a higher interest rate than is absolutely necessary for its operations.

Nor can there be a curtailment of the total volume of credit. This would be very difficult, because owing to the rising prices and wages there is a substantial increase in legitimate requirements of credit. What the authorities will aim at is to neutralize such increase by cutting down consumers' credits and other forms of nonproductive credits.

One of the reasons why it is possible in Britain to disinflate to a considerable extent without resorting to the orthodox methods of higher interest rates and credit restrictions lies in the existence of a high degree of economic discipline. Physical controls can be enforced more effectively in Britain than in most other democratic countries. The British banking system is highly disciplined and cooperates with the government to the utmost limits of its capacity. For this reason it is possible to enforce in Britain discriminatory credit restrictions instead of having to reduce the grand total of the volume of credit and trust luck that it does not hit the wrong people. In most other European countries there is no such discipline, and indiscriminate credit restrictions might become unavoidable. This is an example to show that it would be a mistake on the part of the O.E.E.C. to try to apply the same remedy everywhere, even if the disease is the same.

Foresees No Wild Inflation, Short of War

Dean W. I. Myers, of New York State College of Agriculture, lays recent price rises to fear psychology and hoarding. Says international tension and prospect of smoldering war may last longer than 15 years, and farmers should be prepared.

Speaking at the "Farm and Home Week" gathering at Cornell University in Ithaca, on March 19 about inflation, Dean W. I. Myers said that although there has been quite an inflationary flurry since last June the fears of wild inflation and flight from the dollar have been overdone, unless, of course, world war breaks out. A sharp rise in prices of a few important basic commodities led to fears of a general rise in prices and a shortage of automobiles and other durable goods. With memories of the recent World War shortages and inflation fresh in their minds, he added, individuals used savings and credit to buy things desired before price increases or shortages could occur. The government increased purchases of scarce commodities to augment inadequate stockpiles. Businesses raised wages and prices to get ahead of the expected wage and price freeze and enlarged their plants to meet swollen demands of consumers. A price control law was passed to prevent price increases made inevitable by these actions.

W. I. Myers

"Reasonable speed in mobilizing for defense is important, but if we're tempted to sprint we should watch our wind, for the contest is likely to be a long, gruelling cross-country race—not a 100-yard dash," Professor Myers said, adding that this nation faces the prospect of smoldering war and continuing tension for an indefinite future, perhaps five, 10, 15 years or longer.

Dean Myers expressed the opinion that if another world war is avoided, the greatest pressure on U. S. industrial capacity will come during the last half of 1951 and 1952. Recent fears of severe shortages should prove to be exaggerated since present estimated requirements of the defense program will take less than 20% of the nation's total output as compared with a peak of over 40% during World War II. Hence, there is reasonable prospect for relaxation of controls and increased production of consumer goods after 1952.

The most important single factor in controlling inflation, he said, is the great productive capacity of industry and agriculture. The inflation since June is due largely to private spending and public psychology and not to government-deficit financing, since the federal budget is in balance for the present fiscal year.

After the present period of hesitation further moderate price increases may occur, the Cornell Dean stated, but at a slower rate than in recent months. Retail prices of food didn't decline much in 1949 when farm prices dropped sharply and they have risen 11% since June. They will probably increase a little more to reflect higher wholesale prices but even at present levels, expenditures for food take a smaller proportion of the industrial worker's weekly pay check than before World War II.

Commenting specifically on farm prices he said that New York farm prices have risen 13% since June, but they are still 11% below the peak of June, 1948, while farm costs are considerably higher. Moreover, New York farm prices are still 4% below parity.

"Price increases since the beginning of the Korean War have reduced the price-cost squeeze on New York farmers because farm prices rise faster than costs, but they also fall faster," Dean Myers explained. "Prospective prices will not justify production at any cost but will give good returns to efficient producers."

New York farm prices are likely to fluctuate around parity—a little above or below—barring drought or World War III, according to the Dean. Food production is high, supplies are adequate, and the export demand will be moderate except in event of full scale war. The latter, he observed, is always possible but not probable in the next year or two. Avoiding it in the longer run depends on America's ability to make war unprofitable to aggressors through adequate defenses.

Recognizing that some consumer goods will be in limited supply and that consumer incomes will be considerably higher in the next few years because of more workers, longer hours, higher wage rates and overtime pay, Dean Myers said that the demand will be higher for meat, milk, eggs, poultry, fresh fruits and vegetables and other choice foods. These are important products of New York farms and he remarked that the best opportunities lie in continued full, efficient production of them.

Dean Myers listed seven suggestions for farmers: (1) Maintain farm production at full capacity, but emphasize labor efficiency and control of costs; (2) provide full employment for the available labor force on all family commercial farms; (3) strive to obtain higher yields per acre and per animal by improved production methods; (4) anticipate requirements and maintain reasonable inventories of essential production supplies such as feeds, fertilizers, pesticides and repair parts; (5) use credit necessary for efficient production, but pay debts as rapidly as possible; (6) postpone construction of new buildings when possible, but keep essential farm structures in repair; and (7) keep a financial reserve in Savings Bonds.

In conclusion, he also pointed out to the members of the Future Farmers of America that the present is a reasonably favorable time for young men to start farming, especially when it is possible to do so on a rental or partnership basis without heavy debts. Since the price level is very high and a sharp drop is possible sometime, a larger net worth is needed for reasonable safety to withstand bad years. In view of the rapid increase in population and food demand, the long run outlook for efficient, productive New York farms is favorable.

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The Security I Like Best

ALBERT G. WOGLOM

President, A. G. Woglom & Co., Inc., Boston 9, Mass.

Eastern Mass. St. Ry.

A little over a year ago my selections were the 5% preferred and common stocks of Maine Central Railroad. Both are about 50% higher today, a creditable performance, I think. However, due to various factors, notably the fact that cash is not being accumulated to take care of impending bond maturities, I feel that profits should now be taken in these two issues. Eastern Mass. St. Ry. (a better name would be Eastern Mass. Suburban Bus Co.) is, of course, a traction company, and traction securities as a whole are certainly in disfavor with investors now. But this company has made money for many years, and I would like to nominate its $100 par 5% cumulative Adjustment stock as a likely speculation.

Albert G. Woglom

My expectations of excellent capital appreciation on this stock are not based on the usually required conditions of high earnings, good yield and superior balance sheet. True, E. M. has fine management, good territory, and fairly good earnings, but it also has an earned surplus deficit, and, in fact, a deficit in working capital. The important thing to me is that it has arrears of $105 per share, is selling under $50, and I feel reasonably confident that I'm going to get a good slice of those arrears before too long.

E. M. operates 861 buses in a suburban territory about 50 miles north and south of Boston, under exclusive franchises, on a 10-cent fare, zonal basis. In common with all businesses, it had tough sledding in the depression '30s, and dividends on the 30,494 shares of preferred A, 21,178 shares of preferred B, and 64,603 of adjustment preferred were deferred. By 1938, however, business was good enough to resume the regular $6 dividend on the A preferred, which was continued to 1943. Then the big payments started, with $21 in 1943, $19 in 1944, $15 in 1945 and $15.50 in 1946, when arrears were paid up. Immediately, in the same year, dividends were started on the B preferred, with $22.50 in 1946, $21 in 1947, $21 in 1948, $31 in 1949 and $16 last year. The B preferred arrears are now down to only $10, and I have reason to believe that the fall of this year will see this small balance cleaned up, and a start made on the adjustment arrears.

It is worth noting that while the arrears were being paid off, the A preferred sold as high as $124, and the B preferred as high as $145. Bear in mind that at no time were arrears as high on these two stocks as on the adjustment stock today, but of course the quality of the senior issues would have some bearing on their respective prices.

In summation—I think the record proves the willingness of directors to give stockholders a fair play, and I can't see why they should, in view of that record, suddenly stop short of the adjustment stock.

Foresees Some Decline in Building

Mortgage Bankers Association of America looks for lower private building activity later in year.

While new home construction continues at record levels, it is becoming evident that government credit limitations have begun to exert an important restrictive influence which will be felt more clearly in the latter part of the year, according to "Washington Letter" of the Mortgage Bankers Association of America.

"On the surface the housing boom continues. With an estimated 87,000 units started during January, the year's beginning was the strongest ever — 8,300 units more than January, 1950. February, 1951, is expected to exceed the 82,900 of February, 1950; and the outlook for March and April is good. It is certain, however, that the bulk of this large volume is the result of plans made, financing arranged, and, in many cases, even of materials acquired months ago. All indications are that builders are using up land inventory rather than buying land for expanded operations.

"Other evidence of future decline shows up in the trend of FHA applications. Applications for Section 203 financing in January were about half those of a year ago — 13,000 as compared with 25,000—while because of the lapse of Section 608, applications for project financing during January covered less than 10,000 units compared with over 63,000 a year ago. In February, the one- to four-family house applications are expected to be about the same as January while project applications will be much lower. Although comparable records are not available, VA requests for appraisal appear also to be much below a year ago. These indicators point to a drop in activity after the carry-over of commitments has been worked off. It is certainly too early to conclude that the restrictions so far imposed will not bite deeply."

Industrial Conference Board Looks for Full Mobilization Burden Toward Year's End

Holds transitional phase of economy will then be completed and controls tightened.

According to "Business Highlights," a release of the National Industrial Conference Board, prepared by Albert T. Sommers, of its Division of Business Statistics events are putting a special frame around the first seven or eight months of 1951, setting it apart as the time for the uphill climb of the mobilization, the period when much of the transitional phase is to be completed.

The unique character of this period, the report states, stems from a number of considerations. In the first place, defense expenditures are expected to continue to rise rapidly. Weekly figures for early February suggest a military spending rate of about $23 billion annually as compared with the year-end rate of $20 billion. And there are underlying indications of a further speedup in procurement—among them the recent jump in steel set-aside percentages and the cutback in permissible use of steel for automobiles in the second quarter. At the same time there has been no major change in the outlook for total output.

Secondly, it seems doubtful now whether any new tools for forging the mobilization will be in use by summer. Consumer income won't be affected by new taxes. Rationing is not yet near. No significant intensification of voluntary savings programs has gotten under way. Manpower controls are still in an early thinking stage.

This combination of factors, according to the report, serves to illuminate developments in two key areas of the mobilization. During the intermediate run, piecemeal materials controls (with only a minor assist from credit controls) must bear the burden of shifting production into defense goods—in the face of unprecedented levels of disposable income bearing on the consumer goods markets. That means they must shift labor as well as materials, and they must keep the rate of diversion from the civilian sector in a running balance with the demands of military procurement.

Continuing, the report says:

"The wage-price controls (again with minor help from credit controls) are left almost alone in the field to stem the wage-price spiral (again in the face of inflationary income levels).

"Materials controls have now stretched across a major part of the industrial market. Cutbacks have gone deeper, and have begun to shift from simple percentage rates to end-use limitation. Aluminum, copper, nickel, tin, cadmium, cobalt and leather have been brought under such direct bans, effective now or in the near future, and in April steel comes under a ceiling limitation in automotive, appliance and other applications.

"At least for the time being, the technique of end-use limitation is apparently being developed as supplementary to the across-the-board percentage cutback, so that from now on the cutback percentages will no longer be accurate guides to the extent to which basic materials are being diverted from the civilian sector.

"Whether these cutbacks exceed, equal or fall short of the needs of military procurement continues to be a $64 question. Employment statistics seem to indicate that up to February the 'interim dip' that was widely expected to occur while materials were in process of diversion had not get materialized in any serious degree.

"But this picture could change quickly, and by mid-February there were signs that it was changing. Representatives of small business were complaining bitterly about metal supplies—particularly steel—even before the latest jump in steel set-aside percentages. Manufacturers of aluminum constructional specialties were taking a gloomy view of the future. Members of the rubber industry announced plans for cutting the work week, and laying off, in one case, as much as 10% of a plant work force (again before the latest restrictions limiting tire types, and before the announcement of another cut in non-defense use of rubber effected March 1). There were sporadic reports of supplies of various grades of stainless steel, zinc, cadmium, and brass ingots that were going without takers because of restrictions on civilian use.

"And the picture may sharpen rapidly in the next few months as restrictions tighten. In the first place, inventories at the producer level, which may have served as a buffer, have dwindled rapidly since Korea. To the extent that they reappeared in rising inventories of consuming industries, at least some of the protection furnished by them is doubtless expended now. The National Association of Purchasing Agents recently reported a significant drop in working stocks of industrial materials during February. (In any event, a number of the orders ban consumption as well as acquisition.) Output of the major materials, after reaching a peak in the second half of 1950, have shown little tendency to rise since.

"Again, while initial cutbacks in allowable consumption may be absorbed through substitution and elimination of nonessential parts and decorative applications, a second cutback of the same size may reach the vital zone of a consumer product, and reduce output severely. This may explain why automotive orders for steel have not fallen as rapidly as NPA anticipated. The industry has apparently absorbed an initial cut in its consumption of nonferrous metals without a proportional reduction in output of cars and demand for steel.

"There was some ground for believing that the 'interim dip' would show up quickly and severly in construction activity. No such sign has appeared as yet. While total construction expenditures were down somewhat more than seasonally, they were still about 20% above January, 1950. Expenditures on private residential construction were almost 25% above a year ago. Nonfarm housing starts in January set an all-time record for the month (and the industry may well have set another record in February). Expenditures for industrial construction were about double a year ago.

"Here, too, however, the test of the dip may come in the second quarter, when residential building activity normally ascends a pronounced seasonal pattern."

Estimates Value of All Listed Shares

C. A. Cole, of the Section on Exchange Registration and Regulation of the Securities and Exchange Commission, has compiled the following aggregate market values of stocks and bonds listed on securities exchanges in the United States:

STOCKS	
New York Stock Exchange	$93,807,269,000
New York Curb Exchange	13,874,294,000
All other U. S. exchgs. only	3,314,772,000
	$110,996,335,000
BONDS	
New York Stock Exchange	$115,951,939,000
New York Curb Exchange	957,839,000
All other U. S. exchgs. only	181,700,000
	$117,091,478,000
Total market value, stocks and bonds	$228,087,813,000

New York Stock Exchange and Curb figures are as set forth by those exchanges. There is no duplication of issues between these two exchanges, but many of the issues traded on them are also admitted to trading on various regional exchanges in addition to the amounts shown above for the regional exchanges only.

New York Stock Exchange bonds include $96,899,382,000 U. S. Government, etc., $17,447,778,000 U. S. companies, $912,684,000 foreign governments, etc., $441,545,000 foreign companies, and $250,550,000 International Bank.

New York Stock Exchange stocks include $8,119,520,000 preferred and $83,773,093,000 common of U. S. companies, and $29,631,000 preferred and $1,885,025,000 common of foreign companies.

New York Curb Exchange stocks include $705,786,000 preferred and $2,216,197,000 common of listed companies, and $856,659,000 preferred and $10,095,652,000 common of unlisted companies some of which are listed on regional exchanges.

Not all the outstanding amounts are available for trading. For example, about $2,220,000,000 of the $2,660,000,000 market value of Creole Petroleum and Humble Oil, traded unlisted on the Curb is owned by Standard Oil of New Jersey.

Hear! Hear! Hear!

"I think that the committee [Senate Rules Committee] could come up with helpful suggestions—not laws—which could serve as a basis for voluntary self-regulation by Congressional committees of their TV and related processes. Congress committees would be put on notice that televising of hearings should not be allowed to degenerate into a three-ring circus, a fourth-rate stage production with hamming and phony theatrics, or an unjust inquisition of people under klieg lights.

Alexander Wiley

* * *

"Now the usual history of some such development as this TV 'baby' is that the medium becomes more and more used, more and more wildly, with less and less restraint, until some dramatic instance comes up in which, say, an innocent man's reputation is completely ruined. Then the people strike back at the 'monster' they have created by passing repressive rules. I want us to anticipate this danger and prevent it from occurring in the first place.

"I do not want us to forget that a television camera is a two-edged sword which can wound the innocent as well as the guilty."—Senator Alexander Wiley, Republican member of the Senate Crime Investigating Committee.

We are gratified to observe that the Senator has become aware of a very real hazard and is determined to take appropriate action promptly.

The situation to which he turns his attention is, of course, but one aspect — albeit an important aspect—of a much broader evil, but it is one which needs attention in its own right.

Would Exempt Investment Income Up to $1,000 from Federal Taxation

Alexander S. Lipsett, of International Labor News Service, says it would offer welcome relief to small savers, elderly people and others living on fixed income, and also encourage ownership of government bonds and other securities.

Writing in the March 17 issue of "International Labor News Service," serving newspapers loyal to the American Federation of Labor, Alexander S. Lipsett, its Executive Director, proposes as a remedy to existing inequities in taxation, an amendment to the income tax law that would exempt the first $500 to $1,000 income derived annually from invested savings.

"Unless our tax system actually helps to inspire economic initiative and encourage thrift it is bound to fall of its own weight," Mr. Lipsett states. "To regard taxes as a cure-all for inflation and raise them to ever higher levels without regard to the consequences is merely to delude ourselves. It is to make sure that the American people and the system they represent will be the biggest all-time losers.

"What is the answer to the conundrum? It lies, I believe, partly in correction of some of the inequities of our federal income tax legislation, especially as they affect returns from individual savings, dividends, etc. Congress, I am so bold to propose, should give serious thought to an amendment which would exempt the first $500 to $1,000 income derived annually from invested savings.

"Although this proposal may run contrary to present tax trends, its advantages not only to the government but to all sections of the public are obvious. It would offer welcome relief to small savers, elderly people and others living on a fixed income. It would constitute a long overdue step toward revision of the destructive device of double taxation of dividends, and encourage owners of government and corporate bonds and stocks to retain and increase their savings. It would improve the outlook for long-term investments, thus strengthening the national economy.

"Specifically, a citizen in the 20% tax bracket with, say, $2,000 of savings invested at 3%, would benefit by a 25% income boost from this source. As to the government, this exemption would attract new savings to the bond market, place public financing on a stable basis, and last, convince small savers of the desirability of hanging on to their war bonds.

"It is true, of course, that the proposal would deprive Uncle Sam of a take estimated at $350 million annually. However, the loss of revenue will be more than compensated by saving the government billions of dollars in the cost of goods needed for the defense program. When we consider that inflation since June, 1950, has cost the U. S. $6 to $7 billion (thus wiping out earlier tax increases) and that, according to Senator Case, rising prices account for the loss of 100 times as many planes as were lost in actual combat, the need of tax remedies that go to the roots of the problem is self-evident.

"To conclude: If the government's revenue policy aims at preserving and stimulating the incentive and ambitions of the American people, here is a way to prove it. The issue is up to Congress. Unless the people's investments are shored up against the quicksands of inflation and new strength is again infused into the habit of national thrift, new and bigger taxes will prove but a snare and a delusion. To approach the problem in any other but a daring spirit is to lose the battle against inflation before it has begun."

Canadian Securities

By WILLIAM J. McKAY

All indications point to a period of unprecedented Canadian development in the coming fine weather season. Out-door operations of all kinds are naturally restricted during the winter months but with the spring thaw the Dominion becomes a hive of industry. This year there is an unusual accumulation of large-scale projects which will add to the normal seasonal acceleration of activity. Many ambitious schemes which have been in the discussion stage for many years are now likely to be put into immediate operation under the strong stimulus of the world rearmament program. In addition, the postwar industrialization boom had already created a persistent demand for raw materials which has been increasingly difficult to satisfy. It is only natural therefore that the vast dormant wealth of Canadian natural resources should now attract world-wide attention.

Preliminary work on the railroad which will connect the Quebec-Labrador iron-ore deposits with tidewater on the St. Lawrence has already started, but operations will move into high gear during the summer months. The tremendous importance of this new source of iron-ore has also stimulated renewed interest in the long discussed St. Lawrence Seaway. According to recent reports there is every probability that Canada will soon take independent action in the absence of U. S. agreement to embark on a joint operation. Canadian opinion is now unanimous that the construction of this Seaway and its related power projects will mark a new era of Canadian economic development. Furthermore the value of a sheltered water route which would permit ocean shipping to move from the Atlantic to the industrial heart of North America takes on all the more significance in view of the international situation. It requires little imagination also to foresee the transformation that would ultimately take place of the vast undeveloped hinterland bordering the Canadian side of the St. Lawrence.

Meanwhile there are similarly ambitious development plans under consideration on the Canadian Pacific Coast. Despite the failure to secure immediate U. S. collaboration in the Aluminum Company of Canada's scheme to establish a new aluminum industry in British Columbia it has nevertheless been decided to proceed with this enterprise. An agreement has just been concluded between the Government of British Columbia and the Aluminum Co. of Canada which prepares the way for the realization of Alcan's objective to add another 1,100 million lbs. per annum to Canadian aluminum production. In order to accomplish this $550 million project it will be necessary to dam the Lechako River, drive a 10 mile tunnel through the Cascade Mountains, install a power plant inside the mountain capable of developing 1.6 million h.p., and then connect the powerhouse to a smelter to be constructed at Kitimat by means of a 48 mile transmission line. Eventually it is expected that Kitimat situated on tidewater on the Douglas Channel will become a city of 50,000 and will constitute an important factor in opening up to civilization the rich but hitherto largely neglected mineral and farmlands of northern British Columbia.

Besides these important projects that should be in full swing this summer, there will also be intense activity in the rapidly expanding oil fields of Alberta and Saskatchewan. Numerous plans for exploration of fresh acreage, drilling for new wells, and construction of oil and gas pipe lines are already in their final stages and will be pressed into operation during the short fine weather season. It has also just been announced that the Anglo-Iranian Oil Co., presumably as a result of recent events, is investigating the possibilities of the fabulous Athabascan tar sands of Northern Alberta. It has been estimated that this 1,500 square mile tar sand area has an oil content of 300 billion barrels and is thus probably the richest potential source of oil in the world. Although the development of the Dominion's new oil fields will be the main attraction for U. S.-Canadian venture capital, the search for new base and precious metal deposits will also be energetically pursued in the coming months. It can be confidently anticipated therefore that the summer of 1951 will be recognized as an epic period of Canadian economic progress.

During the week activity in the bond market was largely confined to switching operations in Dominion internals. Attracted by the favorable differential of about 2⅜ points, holders of recorded bonds exchanged them for similar unrecorded issues. The resultant sales of the Canadian dollar proceeds was mainly responsible for the weakening of this exchange rate which declined to 5%. Liquidation by disappointed holders of internals purchased last summer in anticipation of a formal revaluation of the dollar was also a contributory factor in the decline. The current weakness is likely to give way to renewed strengthening of the exchange as soon as the summer seasonal demand exerts its influence.

In view of the interruption of the holiday in Canada no pronounced trend developed in the stock markets. The golds were inclined to continue their recent decline but the Western oils managed to push through their peak level of the year. Federated Petroleums was a particularly firm feature on rumors of an impending merger with Home Oil Co., the largest independent oil company in Canada.

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The Impact of the Mobilization Speed-up

in the economy as well as out of higher tax rates.

The rise in bank loans to private borrowers has been accompanied by a seven billion dollar increase in the money supply, i.e., the total of currency and deposits. The rate of use of money has also increased. These credit and monetary facts, along with the other facts already reviewed, help to explain why inflationary pressures have been so great and why as time has gone along the government has been developing new control measures and reappraising the possibilities of making old ones more effective.

Development of Production Controls

Federal control actions in the economic field since the Korean outbreak have been directed toward many objectives but three stand out:

(1) Increasing production and productive capacity, (2) diverting production to defense purposes, and (3) checking inflationary developments.

Production and capacity increases are going ahead in industry and agriculture.

Restrictive orders relating to the use of various materials, especially nonferrous metals, are now in effect. An important cut for steel becomes effective April 1. Even so, thus far output of most finished products, even of consumer durable goods, has been maintained at exceptionally high levels, as is evident in the recent high level of passenger car production of about 140,000 per week. Along the same line, housing unit starts in January exceeded the high year-ago level and the February figure probably will also. These facts illustrate the necessity for studying closely:

(1) The exact nature of cuts—important allowances have been made for inequities in the first half of 1950 base period;

(2) the differences between changes in materials consumption and output, due to material substitution and product redesign;

(3) the differences in timing between changes in production and in various stages of distribution, due to inventory accumulation of parts and finished products; and

(4) the possibility that restrictions may be changed one way or the other as changes are made in programs for defense production, stockpiling, and the like, or as a new stage is reached in the whole armament program.

Strengthening of Anti-Inflation Controls

For passenger cars and other consumer durable goods, and for residential building, selective anti-inflation credit controls were initiated promptly. As the record shows, the expansion in instalment credit has been stopped. From September to January instalment credit outstanding was reduced by $90 million whereas a year earlier it rose by $900 million. This has tended to lessen demand for consumer durables and other goods and thereby to check price advances but has not led to a reduction in sales or output below earlier levels.

New housing starts continue at a high level partly because a large volume of commitments was outstanding in October when the Reserve Board's Regulation X became operative and when FHA and VA regulations, already made less liberal in July, were tightened further. It is too early to tell what borrowers will do when these commitments are used up or what expansion in demand may result from the easing of credit terms on defense housing.

In the field of taxation the September increase in individual income taxes has already contributed substantially to approximately balancing Federal accounts in the fourth quarter. Corporate tax increases adopted in September and December will be reflected in revenues beginning this year. Finally, we now have direct price and wage controls. These, too, take time to establish and in our type of society, especially in a period of only partial mobilization, their successful operation may depend in good part on their being widely accepted as reasonable and being backed by strong anti-inflationary fiscal, monetary and credit policies — including general as well as selective credit controls.

Altogether, the price chart suggests that anti-inflation policies have not been adequate thus far. What about the future? Will prices of commodities and capital assets continue upward—and the value of savings and pensions downward? Will the control mechanisms now operating be adequate to check further inflation, thereby encouraging saving? If not and price advances and speculative buying continue how will this affect production controls?

Future Economic Developments and Changes in Controls

The control problem for the future certainly looks pretty big. Defense outlays in the next three quarters may expand twice as much as they have in the three quarters just passed and these are expenditures not matched by goods coming on the market. The amount and timing of tax increases to be authorized as an offset to these increased defense outlays is still uncertain. Formulae for wage and price ceilings permit further upward adjustments. Unless demand can be limited to supply at close to current prices by fiscal, monetary and credit action—or by voluntary action to increase saving — achievement of stability will be difficult indeed.

One fact tending to ease the situation is that substantial inventories are now on hand. Consequently, inventory accumulation may slow down. Inventories reported now, however, are not as high in relation to sales as in 1948. Emphasis in the present economic program on expanding capacity tends to limit market supplies now and to increase them later.

If somehow the situation could be stabilized and if consumers and business enterprises could look forward to a time of plenty not too far away, problems relating to production and price ceilings might diminish. But as long as the present international situation continues it is difficult to visualize such a development and extremely important to have production and price controls operating along lines that will be effective in the current situation. Unless further action is taken promptly, to offset the effects of increasing defense outlays at home and abroad, inflationary forces will be very strong and price controls very difficult indeed to operate. And if liquid assets are again accumulated as in the second World War, there will be danger of further decline in the purchasing power of money later.

Moderate, Selective Impact on Marketing

Boom conditions have made it easier to sell goods. They have sometimes made it more difficult to deliver goods but deliveries nevertheless have reached new peaks. Consumption levels, moreover, have reached new highs. In real terms, consumption is greater than in 1940 by over one-half in the aggregate and by a third per capita. Again, as in the early 1940's, we are faced with questions concerning cutbacks in consumption as the defense program develops.

In the second World War, even though output of passenger cars and some other consumer goods was stopped altogether and gasoline and some other products were rationed, consumption in the aggregate, not including new home building, which is regarded as investment, was maintained above the 1940 level and about at the 1941 level. There was a good deal of talk about a "bedrock" level of consumption but civilians ate more meat per capita than ever before or since, and generally raised consumption levels, except for a few types of goods in limited supply because of the war effort. Many of the so-called "shortages" were not shortages relative to prewar standards but simply shortages relative to wartime demands, swollen by sharply increased incomes.

This increase over the 1940 level was possible partly because we had substantial idle resources then which we do not have now and did not have in mid-1950. Thus, in 1940 there were nearly eight million unemployed, in mid-1950 only three million. In short, the level of consumption in 1950 was much closer to peacetime production potentials than in 1940. For this reason we could not now increase the share of gross product going to defense the way we increased it from almost nothing in 1940 to over 40% at the peak and at the same time have an increase in consumption.

The present program, however, calls for much less increase in the share of production going for defense — from 6% before the Korean outbreak to perhaps 15% at the end of 1951 and somewhat more later. With the share rising to 9% so far the increase in production has been greater than the rise in defense takings and there have been more goods to sell to consumers, to accumulate as inventories, and to use in plant expansion. In view of this and of the further increases in production which may be expected, it seems clear that, despite necessary curtailments in output and sales of some goods to civilians below early 1950 levels, consumption in the aggregate can be above the level of that period. Production may even be available to maintain present expanded takings of consumer goods as a whole—though clearly not for some important types of products. In the closely related field of residential building a considerable reduction was implied in the goal of 800 to 850 thousand units set last autumn.

Considering the further increase in output for defense purposes, the total of goods and services to be produced and distributed seems likely to be reaching new highs, barring any reversal in consumer and business attitudes. Irksome controls adopted to divert production to defense purposes or check inflationary forces can always be eased if they prove unnecessarily restrictive.

What has been said here might be interpreted as underestimating the seriousness of problems facing marketing, and exaggerating the seriousness of problems facing government. It sometimes makes a difference where one's responsibilities lie. But your speaker does recognize that the uncertainties facing marketing in many lines are very great.

Relationships established to maintain an even flow of goods will be disrupted. At a particular time stocks of products almost certain to be scarce later may be overflowing the warehouses available and may be salable only at a discount from previous (advanced) prices. For particular products, production and sales may be curtailed for a considerable period. For all consumer goods, shift in geographic distribution of products due to shifts in population and income will be of some importance, although not so much so as in World War II. Almost every enterprise must be prepared to fill out and send more forms and bigger checks to the Federal Government.

Moreover, there are many uncertainties and risks outside the limits of the assumptions made in this discussion regarding the continuation of present conditions relating to international affairs.

Need for Support of Anti-Inflationary Policies

In conclusion, I should like to express the hope, if I may, that in making business decisions marketing executives and their associates in industry and trade will take full account of the problems faced by government in carrying out the defense program. In particular, it seems to me important that you make a special effort to understand and cooperate in determined efforts to prevent further price advances and keep the economy on an even keel. As citizens we all have a direct interest in preventing further declines in the purchasing power of savings, insurance policies, retirement funds and pensions, and in maintaining an economic situation in which present great world problems can be met in orderly fashion. The more that is done on a voluntary basis the less will have to be done on a compulsory basis and the more effective will be the organization of economic activity in this period of partial mobilization.

Adriance-Finn Admit

Adriance & Finn, 14 Wall Street, New York City, members of the New York Curb Exchange, will admit John J. Miles, Jr. to partnership on March 31.

Allan H. Crary

Allan H. Crary, partner in E. F. Hutton & Co. with headquarters in Los Angeles, passed away on March 18.

Jacquin, Stanley Admit

Jacquin, Stanley & Co., 44 Wall Street, New York City, members of the New York Stock Exchange, will admit Barbara J. Parsons to partnership on April 5.

With Stone & Webster

CHICAGO, Ill. — Robert L. Meyers, formerly with C. J. Devine & Co., has joined Stone & Webster Securities Corporation in their Chicago office, 33 South Clark Street, the firm announced.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The government market is again in one of those in-between uncertain periods that plague it every now and then. Price movements, although wider, are still not decisive, and are not likely to be for a while yet. It takes time for a major change in monetary policy such as this one to be worked out and digested by the market and understood by the various operators. The element of risk from the standpoint of larger and more violent price changes has been tossed into the Treasury market and this means a new way or technique of contending with a less stable market must be developed. The market has been on the quiet side, which means volume has not been very heavy, but it has been, however, sufficient at times to keep things moving at a fair clip. Positions of traders are not being built up, but at the same time there is very little desire to sell short.

Buying in an outright way has been at best rather spotty, although there have been not a few purchases made through the medium of switches. The exchangeable 2½s have been in the spotlight, mainly because of their stableness marketwise and some rather sizable latent purchases, evidently to take advantage of the conversion offer. The bank issues, especially the longer ones, are still in a defensive mood and this makes for fairly wide and sharp price changes in both directions. The short market, although in an uncertain phase also, is getting a great deal of attention from the large deposit banks.

Exchange Offer Success Indicated

The market is awaiting the outcome of the offer by the Treasury to exchange the last two ineligibles for the nonmarketable, but note convertible 2¾s. The books opened Monday, the 26th, and indications are that the initial turn-ins have been very sizable, which bodes well for a very successful reception for the new higher coupon Treasury obligation. The closing of the books in about two weeks or so will also be an important development in the government market, because it is felt that the real test as to what will happen to the market will come then or shortly thereafter.

It is reported that a certain amount of sponsored or official support has appeared in the market from time to time in order to help along the exchange which is now taking place. However, with the conversion offer out of the way, it is believed there will be less inclination on the part of the monetary authorities to protect the market until the semblance of bottom is appearing. This could result in lower prices for many of the Treasury obligations because there are no real heroes in the market, when the Central Banks are not in there taking them.

The belief that the market must find its own level of stabilization without too much help from Federal does not mean quotations of government securities are going to fall out of bed by a long shot. There will always be the official interference, which will be important enough to keep the market orderly. Because of the large number of demand obligations that might get jittery if prices continue to decline, the market will have the benefit of official help, and this will establish the zone where quotations will bottom out. This area or level is what the market and its various operators are trying to find. Testing and probing will aid in this effort and from what the market has been going through, there has been no lack of this on the part of the interested parties in an endeavor to find air pockets.

To be sure, no one can say where the longer-term obligations are likely to find an area of stability. Nonetheless, some of the best operators in the Treasury market do not expect very much of a decline from present prices. Where the low quotations of the recession might be is also a matter of guesswork. Nevertheless, the opinion is being ventured that the 98½-98 level for the longest ineligibles should be the bottom, irrespective of what may come along.

Switching Tempo to Increase

It is evident that considerable switching which is being done among the taps will be accelerated when the exchange offer is out of the way. This operation would most likely be more vigorous if there should be further price declines in the shorter-nearer (bank) eligible tap issues. It seems as though the earlier bank eligible taps ar still attractive to many investors and this is bringing swops from the last two restricted issues into the shorter maturities of the ineligibles. It is being pointed out that the closeness of restricted issues to the time when the commercial banks can buy them is still a factor to be considered and is not costing the buyer anything additional. There is also a shortening of maturity which is not without its compensating features to certain purchasers of these securities. It should, however, be remembered that these switches are not being done in too sizable volume yet, but there are expectations it will reach much greater proportions, when the exchange of the June and December 1967-72's into the new 2¾s is out of the way.

The indecision and uncertainty which have been so prevalent in the longer end of the list are beginning to make their presence felt in the shorter end of the market. This was to be expected because it is evident that the authorities are not going to make the creation of reserve balances any easier. If the deposit banks want these balances they are going to have to take a loss in many cases in order to get them. Money has been tight and the bill rate has firmed as has the yearly rate, which is no approaching a yield that was considered very desirable for notes, not so long ago. The attractiveness of the short rate cannot but have an influence upon the longer maturities of Treasury obligations. This trend is being manifested in the market at the present time, because not a few banks which have been interested in the longs for income purposes, are now passing them up for the short and intermediate-term issues.

It is evident that the small spread in the yield after taxes and the large difference in maturity between the longest, the shortest and the intermediate-term taxable eligibles, is too narrow to warrant the acquisition of the most distant obligations. This has resulted in purchases of the shorts and the middle maturities at the expense of the longs. Nevertheless, this has not brought about liquidation of the long bank issues.

Despite rather wide price movements, which are nearly always the characteristics of a defensive market, the partials are not without considerable attraction to certain deposit bank investors. Higher taxes and greater stability in the market will eventually have a favorable influence upon the tax-sheltered obligations according to those that are taking them on now. They look upon the present as a buying opportunity. Although it is still quite a long way off, the "June financing" is coming in for discussion here and there. The big concern seems to be, will the market be all right by then, and, if so, what will be offered—a 2¾% or a shorter-term 2½%?

Deposits of Insured Banks Reach All-Time High of $168 Billions

Maple T. Harl, Chairman of Federal Deposit Insurance Corporation, reports, as of end of 1950 total deposits of all insured commercial and mutual savings banks were 7% higher than at same period of previous year. Reveals 22% expansion in loans.

Total deposits of all insured commercial and mutual savings banks reached a new all-time peak of $168 billion on Dec. 30, 1950, Maple T. Harl, Chairman of the Federal Deposit Insurance Corporation, announced on March 26. This was $11 billion, or 7% higher than at the end of the preceding year. Practically all of the increase occurred after the outbreak of the Korean fighting with its intensification of industrial and business activity.

Maple T. Harl

The growth in deposits was matched by an increase in assets to a record $183 billion. Chairman Harl noted that most of the additional assets came from the $11 billion expansion in bank loans, an increase of 22% during the 12-month period.

Insured Commercial Banks — Assets of the 13,446 insured commercial banks totaled $167 billion at the end of 1950, compared with $155 billion at the beginning and middle of the year. The growth from June to December was due in part to normal seasonal factors and in part to accelerated business activity.

The increase in loans was responsible for most of the growth in assets. Loans advanced over $7 billion to a total of $52 billion during the last six months of 1950. At the same time, insured commercial banks reduced their holdings of United States Government obligations by nearly $4 billion. Investments in other securities were $1 billion higher, with most of the increase occurring in obligations of States and their subdivisions. During the six months the banks added almost $7 billion to their cash and reserves, bringing the total to $40 billion.

Chairman Harl pointed out that the $52 billion of loans outstanding at the end of 1950 far exceeded any previous total. Commercial and industrial loans, the largest single category of loans, showed the greatest increase; they advanced $5 billion, or 30% during the six months to a total of $22 billion. Real estate loans totaling $13 billion were about $1 billion greater. Consumer instalment loans increased somewhat more sharply to a total of over $6 billion. Changes in the volume of real estate and consumer instalment loans extended recent trends in these fields, while the sharp advance in commercial and industrial loans reflected seasonal factors, accelerated production, and speculative activity.

Deposits of insured commercial banks totaled $153 billion at the end of 1950, compared with $142 billion at mid-year and $143 billion at the beginning. Nearly all of the increase was in demand deposits of businesses and individuals, which rose to $90 billion at the year-end. Savings and time deposits of businesses and individuals decreased slightly during the last six months of the year. United States Government deposits declined to their lowest level on Dec. 30. In contrast, interbank deposits more than recovered the decline recorded in the first half of the year.

Banks continued to add to their capital accounts, but not proportionately to their growth in assets. The ratio of total capital accounts to total assets fell to 6.8%, the lowest in two years. Chairman Harl emphasized that the growth in assets accompanying this decline in the capital ratio has been primarily in loans rather than government securities, and involves greater risks than the 1940-45 expansion in assets which caused the previous low capital ratios. "In fact," Chairman Harl said, "the present ratio of capital accounts to assets other than cash and United States Government obligations is the lowest since 1928. Banks should make every effort to strengthen their capital position in order to be prepared for any contingencies which may arise in the future."

Insured Mutual Savings Banks —Total deposits of the 194 insured mutual savings banks increased by almost $1 billion during 1950, reaching $14 billion at the year-end. Assets increased in comparable amount to $16 billion on Dec. 30. Loans and discounts, mostly real estate loans, increased over $1 billion, while investments in obligations of the United States Government declined moderately. Two banks with deposits of $74 million, assets of $83 million and loans of $48 million were added to the number of insured mutual savings banks during the year. The ratio of surplus and capital to total assets in all insured mutual savings banks increased slightly to 9.5% at the end of the year.

Boston Investment Club Dinner Meeting

BOSTON, Mass.—The next dinner meeting of the Boston Investment Club will be held April 9 at the Boston Yacht Club at 5:30 p.m. The speaker will be Harold H. Young, well-known writer and partner in charge of utilities for Eastman, Dillon & Co., New York City.

Continued from page 9

Outlook for Heavy Consumer Goods

because the essence of a good electrical dishwasher is really hot water. Dishwashers in 1937 sold 5,000; last year, they sold 230,000. There are two or three new people coming into this field. Everyone who owns an automatic dishwasher is the biggest booster in the world for them.

In 1937, there were 1,600,000 washing machines sold, and last year there were 4,345,000 sold. One of the biggest producers of electric washing machines; that is, Frigidaire, is now producing the entire machine, inside and outside, of porcelain enamel. Other producers have the tub of porcelain and the outside painted. This organic paint division that I spoke about a little while ago sells a lot of paint to customers of ours who use porcelain on the inside and paint on the outside, so we sell them both. Somebody said, "If you can't beat them, you join them," and that is the general idea of our policy of finishes.

In 1934, 123,000 electrical ranges were sold and last year, 1,800,000. It's really booming in that industry.

The number of wired homes has increased at a very substantial rate in recent years, from 24,000,000 to 39,000,000 at present, as compared to 1940. This, of course, increases the market for all house appliances.

Effects of More Houses

All housing starts mean sale of more appliances and our company, I would say, helps in 60% of the housing starts.

In the future, they are going to do a bigger job of prefabricated houses. We sold a good bit of the material for the Lustron house. It is a fine house. The survey made by Booz, Allen and Hamilton, where they talked to 10% of the people who lived in the houses, showed that every single one of them liked it. It is a good house. It is a house that won't burn; it is a house that needs practically no insurance; it is a house that you don't have to paint.

You probably know that the United States Steel Corporation owns the Gunnison housing outfit, which is a prefabricated house, and they make it of wood, but there is nobody who believes that the Steel Corporation is going to continue to make wooden houses, and it is my opinion, and I think it is reasonable that the minute there is any surplus sheets, why, you will see the Steel Corporation putting more and more enamel sheets on that Gunnison house of theirs.

Last year's housing volume of over 1,400,000 units is more than 36% over the year before and 49% over 1925, the peak year of the previous building cycle. It is estimated that for a long time to come, they will average about a million new houses a year. If you look at any community and see the condition and the age of the houses, you will agree, I believe, that the minute there is a real bargain in homes, such as the prefabricated house will bring, a lot of people will want new homes.

Now, we have a lot of outside people working for Ferro. You take the natural gas fellows in Texas who are piping natural gas into this area, into Boston, up the West Coast; that opens up a terrifically big demand for new gas ranges and, to a certain extent, for gas refrigerators. On the other hand, the electrical power companies are very powerful and very well financed; and they are making a most aggressive sales campaign to sell electrical appliances, so you have gas and electricity, each advertising its head off to get people to buy its appliances. Well, as far as our company is concerned, it makes no difference whether a customer buys gas or electric; they use our material or material like ours in either case.

Manufacture of Appliances in Stronger Hands

You also have another strong factor in that these appliances are getting into stronger hands. You have Norge and Kelvinator and Westinghouse and Frigidaire and General Electric, and all down the line, including, of course, the Sears group. They are people who understand promotion, who have plenty of money to advertise, plenty of money for research and development, and so you are going to have a continuous, big advertising warfare. Admiral and Philco and the whole crowd are in there with appliances. It isn't like the old days when a fellow had a little stove company and not a whole lot of money and just had a nice living out of it. These fellows today are very aggressive.

One of our biggest customers has given us an order for six continuous furnaces to be built as fast as we can build them. Well, he already had six, so he is doubling up. That is a million-dollar order. It is one of the outstanding ones. They are just smart people. They understand market research and they are not building six continuous additional furnaces unless they feel the business is going to be bigger. We have an order for Admiral for another one, and an order from Philco for one. As a matter of fact, I mentioned those two engineering companies. We have the biggest backlog of orders today—we have almost $5 million worth of engineering orders today to be put in as fast as we can. I told you that last year one of our divisions did a business of one million dollars and the other division did a million; so it is just amazing to me what people think about the future. These people are all going to make some kind of products and they are not spending that kind of money for new equipment unless they feel they are going to be able to sell the products.

I mentioned a little while ago the Ferro Chemical Co. that did $1,600,000 last year. It makes a good margin of profit. We are adding to that plant currently.

Then, the outfit that I spoke to you about, Tuttle & Kift, who make the switches and top heating units for ranges. Frigidaire currently is paying us a royalty on the top heating unit. They pay us about $250,000 in three years for the use of this idea. I went to see a president of one of the big companies. I was asked by one of our salesmen to go down to see him. He wasn't using our unit. I had met him before. He said, "Mr. Weaver, explain this unit." I said, "Actually, I can't, because I'm not an electrician or a chemist. I won't fool you. But I'll tell you that Frigidaire with all their engineers and General Motors with all their engineers have just agreed to pay us in three years $250,000 for that idea, so it must be a good idea." He said, "I think that's all I have to know about the thing." And he gave us their business on the strength of Frigidaire's engineering preference.

We have the outstanding electrical unit on the market. We did about seven millions last year in that division. I had asked previously all the divisions to let me know what they thought they could do in the next five years. I like to have some kind of an objective, even if you don't hit it; something to shoot for. We picked out $50 million for Ferro by 1955.

Our fellows in Chicago are very careful. They are very good planners. This man, Tuttle, was works manager of Hotpoint, which is a General Electric division, for 15 years. He is a very, very able man and quite an inventor. He said they thought that in a couple of years they could get the $6 million up to about $8 million, and in five years they could get it up to $20 million. They expect to be quite a factor in this industrial heating division, on which are are doing very little now. We have grown so much up there that we just haven't had room.

I mentioned to you our color oxide division. We are adding about 50% to that division. In the plant that makes the saggers that hold the pottery, we are adding another continuous kiln, and I think we are adding about 50% capacity. Those divisions ought to do better than they did last year because they are not affected by any steel shortage.

Without listing them in the order of importance, I want to give you some odds and ends of facts. We have in our company an amusing custom of sending to our customers at Christmastime a little bag called a grab bag. It is just a cheesecloth bag, in which we put a variety of very inexpensive novelties—tops, tricks, etc. It is quite a thing. We send out 5,500 of them, and we get the nicest letters from the finest people and all kinds of institutions. People save them for the time when the kids are sick in the spring or they have them on Christmas morning or Christmas night, and if anybody misses, we get a telegram about it. For an inexpensive item, it has been a great good-will builder. So let me more or less grab in the grab bag and pick out these facts, but they won't be in the order of their importance.

The first one is that at a recent meeting of the Board, we decided to negotiate for a license to make fibre glass. There will be no difficulties about it, I am assured, and I am quite sure. We make a lot of glass. We know a lot about making glass. We have known a lot about fibre glass, and we have great admiration for it. You probably know of the multitude of things that are made of it. From fibre glass are made molded chairs and sofas, card tables, boats—they tell me these dinghies are just crackerjacks — aircraft antenna housing, bread boxes, cafeteria trays, aircraft radar housing, helmet liners, automatic dishwasher lids—well, there are a couple of pages of them.

The end of it is that we are going into—I say "going into," but we are negotiating for it and I see no reason why we shouldn't go into it—is not the textile end of the business, which we know nothing about, but the molded plastic, with reinforcing of these cut fibres. We have one friend of ours, the Apex people in Cleveland, who make washing machines for Montgomery Ward, who have made a tub of fibre glass for about 18 months and like it. They are not all going to switch to that, but there will be people who use it. In this particular case, the tub is so intricate that it is almost impossible to stamp it and weld it. Now, we don't expect to make much money out of this new venture, if any, for two or three years. As a matter of fact, it has been my experience with all these companies that we started that it takes from three to five years before you get out all the "bugs." There is always something wrong that you don't know about in advance and, just as sure as heck, it takes you three to five years to start making money. But for the long run, there is just no limit to the fibre glass opportunity because it is growing to beat the band, and we are in a good position to cash in on it. A lot of it will go into the home appliance industry and we expect quite a lot for the future from it.

Now, as to our earnings, which will be published next week and which have already been mailed to our stockholders; they were $4.81 last year. That was after EPT for the last six months and after a 10% stock dividend in November. Roughly, if we had not had the EPT for the six months and if we had not put out the 10% stock dividend, we would have made a little over $6 a share.

What Is Enamel?

A great many people are confused about what enamel is. Many people think we are a paint company. Many people think we make pots and pans. I have had men telephone me from New York to ask if they couldn't borrow some steel. We don't use steel. We supply the glass—frit—to people who use steel. We are getting into the chemical business, we are in the electrical business substantially. We are going to change the name of the company, if our stockholders approve, to Ferro Corporation, eliminating the name "Enamel" and giving us a name that is broad enough for any thing that we might be ambitious to make in the future. I don't know, psychologically, how much difference that will make but I do know that most people just don't know the various things we make, and a good many of them think Ferro is a paint company.

Reaching again into the grab bag, many people have asked us about war work. In World War II, we were very important producers of incendiary materials, and our sales rose to the rate of $18 million a year. Our big growth or the company came during the war years. Currently, we are making Napalm and thermit, with a few other less important items. Both of those are incendiaries. As to Napalm, according to Hugh Bailey, President of the United Press, who just made a speech which I read in the paper in which he said that Napalm has become very important in the current war in Korea. He said, "The American Air Force has been able to compensate for the enemy's superior numbers by the use of Napalm, which can burn Chinese troops by the acre and asphyxiate many who are outside the range of the flames. As a killer, Napalm should be rated next to the atom bomb."

Now, I get no great pleasure out of producing a vicious thing like that. In the last war, we had eight men killed in one accident and three men killed in another. But I mention it because it is important and if we have to have wars, why, Ferro is prepared to make a lot of devilish devices. Our policy was to take all the difficult things because there is not so much competition for them, and our research work was helpful. As a matter of fact, we did some of the research work on Napalm.

We are working on a couple of bomb loading contracts, and if you are familiar with war work, you will know that outside of tanks and airplanes, the amount of substantial war orders let has been very small, until just currently. I haven't any idea just how much we will do.

I figured, for that computation of $30 million for 1951 after I had added up all the things the best I could, it came to $29 million and I took another 10% off, to be as conservative as I could, and brought it down to 26. Then I talked to our fellows about the orders we have for Napalm and thermit, and I put another $4 million down for those. That is a sheer guess. There isn't anybody who can guess on war work except somebody like Cadillac who has a big tank program or something like that, and nobody knows how fast that will be stopped in case there is any indication of peace.

On our foreign subsidiaries, I felt the same way about them as I do about the household appliance business. We are very strong in our foreign ventures and we are doing very well and we like the business a lot. Our vice-president in charge of those companies wrote me a little while ago and said, "On a total dollar investment of $612,000, Ferro's equity in its foreign subsidiaries as of Sept. 30, 1950, is worth approximately $2,700,000 at present exchange rates." Since the time we began operating in foreign countries, we have taken out only about a million dollars, and that gives us about 146% return on our investment, but the reason for drawing down so little is that we have grown so fast that we had to plow the money back in. It has only been in the last four years that we have really started to take out any money.

In 1947, we took out $150,000, delivered to us; in 1948, there was $170,000; in 1949, it was $300,000; and this past year, it was $470,000. That was the best year. Those earnings are not subject to excess profits taxes but are subject to our normal taxes except they credit us with the taxes we have already paid in the foreign countries, so it costs us approximately 10 to 15% only for dividends from foreign subsidiaries.

People worry about the Argentine. We have a nice little company down there, with not a very large investment, but just the other day we got $123,000 from

THEN and NOW...

Guess Who?

If You Can't Turn to Page 29

(A)

(B)

them in payment of past bills. You remember, the Argentine got a big loan from U. S. A. and paid up substantially on their American bills.

If you are impatient for immediate dividends, you shouldn't go into this foreign business, but if you are patient, it is a very good business. We make a bigger percentage of profit on our foreign sales, and we are rendering a real service to our foreign customers. Talking about the U. S. Point IV plan, we never got any money from the government or any government. We invested our own money over there, and we got our money back over and over again. It is going to be even better because, if you take the home appliance business in foreign countries, of course it is just in its infancy as compared with here, but they are more and more catching up with what we want to do.

In Canada, for the first quarter—we close our books in the foreign companies at the end of October so that we can get figures in and consolidate them for our own statement, so their quarter ends the end of January. Our Canadian sales were $456,000 for the first 1951 quarter, or up 24%. The profits were $47,000, up 16%. They had a million dollars' worth of engineering orders on their books for furnaces and kilns and so forth.

In January, we received $90,000 in cash from foreign plants. I am often asked the question, "Do you have trouble getting out your money?" and the answer, broadly speaking, is No. The foreign countries recognize the service we are rendering. They do have certain restrictions. Different countries differ a little bit. But I would say that it is not difficult to take 50% of your profits out in American dollars. Our Dutch company is one of our good companies. Our Holland company exports about 88% of its products, so it brings in exchange for the Dutch Government, and we have a very favorable position. They are getting some real hard money, Swiss money and a lot of sterling, and the Dutch Government looks with a great deal of favor on us and helps us on import licenses for raw material.

Research—and I say again that these thoughts are not in order of importance—is a very important thing to any company. Our company spent a half-million dollars last year on research. In our Cleveland plant, for every 88 square feet of production factory space, we devote 11 square feet to laboratory and research work; where we have 71 men employed in productive manufacturing—that is, not warehouse people, but fellows who are actually manufacturing—in the factory, we have 29 men in the laboratory and research work.

Now, everybody is interested in a company's EPT base. The figure with us is approximately $3.75 per share. If we make the same profit this year that we did last year, our per share earnings after EPT would be about $4.31 a share. One of the things that helps us there is that these foreign earnings or dividends are not subject to EPT.

We declared a 40-cent dividend in March, payable in March, on the 22nd, I think, and another one payable in June. In 1947, we paid $1.30; in 1948, $1.40; in 1949, $1.45, and so far we have declared 80 cents this year.

Now, 1949 was not a very good year. We had that inventory depression. A lot of the appliance people were down in the early part of the year, but we were able to pick it up later. Some of you were here when we gave a demonstration of our Mirowall, which is enamel on very light-gauge steel. We had a roll of it here one day, and we unrolled it for some of our investor friends. That business is done by a company down in Baltimore. We license them to use the machine. It is our invention. I just saw their annual statement and they are very enthusiastic. They have more than doubled their sales last year over the previous year. For instance, in a room like this, it would be simply beautiful. I have it in my kitchen and we have it in some new laboratories that we built. It is a wall covering without many lines in it. I think that every 24 inches there is a joint. In my kitchen, we just butt-jointed it. Sometimes they put an aluminum strip or stainless-steel strip over the joint. It is a beautiful finish and, of course, once you put it in, you never have any maintenance. If you have paid a painter lately, you know what that means. For hallways or rooms like this, it would be just perfect. You clean it just as you would a window.

Some people have asked me about our electric smelters. I won't try to tell you how this glass is made, because we demonstrated it a year ago, but it used to be like an open-hearth furnace in which the glass was melted. We used to do that first with coal and then with gas and then with oil and gas, and now we have developed electric smelters which are quite superior to anything that we had before. We have two of them in our Nashville plant; one in our Canadian plant, and an experimental one in Cleveland. With some other machines that we attached to it, it is quite revolutionary, so much so that it is going to be difficult for any small outfit to get into this business. There is quite a good patent position on it, and it is expensive, and there is a lot of know-how involved. I mention this as a safety factor because as the business is more successful, there are always people who think they would like to get into it.

I mentioned the figures for January and February, and I mentioned the stabilizers for the plastics. Now, here are just a few additional facts:

We have 459,296 shares outstanding.

We have a consolidated net worth of approximately $11,000,000.

We have a book value per share, on a consolidated basis, of $24.

The excess of current assets over current liabilities is a little bit over $7,000,000. Our ratio is 1.96-to-1. The value per share of the current assets over current liabilities is $15.68.

We have on hand cash and government bonds of over $3,000,000.

With respect to our foreign plants, we have them in Canada, England, France, Holland, Australia, Argentina and Brazil. We own all of those companies a 100% except the French company. There, we have just a nominal interest in the company and they pay us a royalty, so much per pound, and it is a good deal. At the time we went in there, the franc was very uncertain and we just thought we would skip that one. We are now completing a plant in Mexico which will be finished in May. It will be a very modern building. We are putting up all our own money. The rates on borrowed money down there are very excessive. The peso has been quite strong. I think the government is stable. Westinghouse and a lot of American companies have gone down there and built plants around Mexico City, and that is where our plant is.

We have made a deal this year with some Japanese interests. We started a company in Japan that will be almost entirely run with Japanese money. If you read the "Wall Street Journal" yesterday morning, there was quite an interesting story about the Japanese being very anxious to get American know-how. It was on the first page, in the left-hand column. Well, that is just what they are getting from Ferro. We are going to have the same kind of a deal with them that we have with our French friends.

There are two or three more very interesting things we are doing. We have a new product on which research has been progressing for some years, called "fritilizer." It is just what its name implies. It is frit used as fertilizer. It is an insoluble frit, containing tracer elements which will be released to the growing plant root in controlled quantities, and it is the most promising new product to come out of our research. Greenhouse and field trials have shown the product to be valuable for both soil and hydroponic culture. With the growing recognition of the importance of tracer elements in plant and animal tissue, and with the very encouraging results we have obtained, we think this will be a good product. The technical aspects are to be announced in technical journals in March, and we are planning a sales campaign to follow. Practically the same equipment is used to make this as is used in our regular business of making frit.

One of our research workers gave me this thought. He said, "This is a result of fundamental research on an entirely new idea in soil treatment."

Another of our potential new products is the method and machine for glazing cement blocks. This has gone through the pilot plant stage and we think will ultimately be practical. It is quite a difficult thing to do. It is what they call "surface glazing." It will open up a big field. You have seen the number of cement buildings, houses and so forth that have gone up. In a basement, for instance, you can enamel this block on both sides; say, green on the outside and brown or white or something else on the inside. There again you would be through forever with the paint job. As a matter of interest, one of our customers sold Timken 3,000 squares for roofage. I think that is 3x3 or 9 square feet of corrugated roofing. Instead of its being galvanized, it was enameled white outside and inside. I haven't been able to see it, but the customer called me the other day and he is very enthusiastic about it. He said the Steel Corporation had been there to see it and they were enthusiastic.

You can see what that would do in a factory building. In the first place, the white on the outside radiates heat away. It is a cooler roof. In the next place, the white on the inside gives you much more lighting capacity. Most of the reflectors you see in a ball park are made with porcelain, which is a standard material for reflecting light and is used with electricity in almost all kinds of lamps. You know the ones I mean—these big flare lights that you see in a ball park. They all have porcelain background.

I don't see why it couldn't be used in candy factories, for example. This first roof is at Timken, and the steel people have looked at it. I would say it could be used in almost any kind of factory that is apt to be dirty. You take a hose to clean it. In a foundry, for instance, you could hose it down in no time.

Now, I have talked to a good many analyst friends, investment friends, over a period of years, and I don't know that any of them ever set up an ideal company. They can tear down a company and they can check all the figures and make up their minds about it, but I don't know that any of them ever built up what they think would be an ideal company. I am wondering if such a list, necessary for an ideal investment, would not, first, have a company with experienced management, and with a product that is universally used. I think they would insist on a plentiful supply of raw materials and would like to have a low labor content. It would be desirable to have diversification of products and, maybe, diversification geographically. You would certainly want a growth record. You would insist on adequate financing. You would like to have a growing market. You want to be sure of good research policy.

I think, if you check all those items with our company, you will find Ferro will meet them. We are small in many ways compared with other big companies, but on all these qualifications we have given attention to them and I think we would qualify.

Now, here is something, in closing—and you can asked me any questions which you have in mind — an article I read in "Harper's Weekly." So many people are worried about this and worried about that, and don't know what is going to happen. I think this story is pretty good, and I hope you haven't all heard it. The article said, "It is a gloomy moment in history. Not for many years, not in the lifetime of most men who read this paper, has there been so much grave and deep apprehension. Never has the future seemed so incalculable as at this time. In France, the political cauldron seethes and bubbles with uncertainty; Russia hangs, as usual, like a cloud, dark and silent upon the horizon of Europe; while all the energies, resources and influences of the British Empire are sorely tried, and are yet to be tried more sorely, in coping with the vast and deadly Indian insurrection and with its disturbed relations in China. Of our own troubles in the United States no man can see the end."

That was written on Oct. 10, 1857. Since that time, things have not changed very much. This article was in "Harper's Weekly" of Oct. 10, 1857, and things looked very bad then, and they have looked very bad at other times in history. And yet, while we have been going through some mighty difficult times since that article was written—we have gone through four wars, a number of panics, a few nasty depressions—here we are today, with a powerful yet humble country—the hope and promise of succor to a troubled and bewildered world.

Since that article was written, we seem to be going clear around in a cycle. Once again, Russia hangs, as usual, like a cloud, dark and silent upon the horizon of Europe, and since we seem to be back at the beginning of the cycle again, does this mean, I wonder, that ahead of us lies still more progress in the future, as this fellow seemed to doubt when he wrote his gloomy article? It is my opinion that there is progress ahead.

He said, in ending his article—and this is pretty good and I hope you haven't heard this, either—he questioned whether somebody would be brave enough to say, "Yes, we had all those troubles, but I don't know." He says, "Yes, I know, but—*illegitamus non carborundum.*" And that is indeed the lesson that the "Harper's" item, reread today, teaches me—*illegitamus non carborundum.* Translated for you, and also for me, it means, I am told, "Don't let the bastards wear you down."

That is the thing we have to cope with. We get too close to a lot of our problems.

Then, as another fellow told me, somebody has said that every man and every company needs a pat on the back once in a while. Some need it higher up while others need it lower down. I hope you will agree with me that Ferro is entitled to one higher up.

Sees Increase in Bond Investments

Donald W. Campbell, Treasurer of State Mutual Life Assurance Company of Worcester, Mass., tells Eastern Mortgage Conference, with rise in interest rates, bonds may be more profitable to hold than mortgages.

In the course of an address at the Eastern Mortgage Conference of the Mortgage Bankers Association of America, in New York City on March 26, Donald W. Campbell, Treasurer of the State Mutual Life Assurance Company of Worcester, Mass., expressed the opinion that in view of the recent rise in interest rates, life insurance companies may again turn to government and corporation bonds as most desirable investments.

"Let us consider the overall investment position of the life insurance company, Mr. Campbell remarked: "Our own net return on mortgages underwritten in 1950 is on a par with the net return of securities purchased in that year. There are indications that a number of companies have had similar experience. At your Clinic in Chicago in January, Mr. Howard Tobin stated this was the case with the Northwestern Mutual. The action of the U. S. Treasury, announced on March 3, has started an increase in the return from corporate securities. At present writing (March 15) it is indicated that the adjustment in lower grade bonds may settle at a yield of ¼% to ½% higher than prior to March 3. For the immediate future, bonds may be looked upon with more favor for investment of available funds than are mortgages. It is true that mortgage rates ultimately follow the trend of bond rates and though the insurance companies may temper current investments by selecting more bonds than mortgages, the insurance companies are not going to abandon mortgage loans as a medium of investment.

"But what is brought out forcefully is that mortgage loans have a strong competitor in corporate bonds. The percentage of mortgages to assets of life companies has increased greatly during the past five years and in view of the action of March 3, a large part of their government bond holdings will now be more permanently invested, and not available for conversion into mortgages. The overall result as it concerns us here is that the cost of management of mortgage portfolios and the facility of that management is due for close attention by the life insurance companies."

Eastman, Dillon Open Branch in Dallas

DALLAS, Tex.—Eastman, Dillon & Co., members of the New York Stock Exchange, have opened a branch office at 109 North Akard Street. W. Rufus Brent, partner in the firm, will direct the new office.

Investors Trust of Texas

DALLAS, Tex.—Investors Trust of Texas, Inc., has been formed with offices in the Mercantile Securities Building, to conduct an investment business. William Ross Kennedy is a principal of the firm.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

At the regular meeting of the directors of **The National City Bank of New York** held on March 27 it was voted to recommend to shareholders a proposal to increase the capital funds of the bank by the sale of 1,000,000 additional shares of its capital stock, increasing the number of shares outstanding from 6,200,000 to 7,200,000. Par value would be unchanged at $20 per share. A special meeting of shareholders is called for May 2, to act on the proposal. Upon approval, the additional shares will be offered at $40 per share to the shareholders pro rata on the basis of one new share for each 6.2 shares held. Arrangements are expected to be concluded with investment bankers for the sale of any unsubscribed shares at not less than the subscription price. The proposed sale of stock will add $40,000,000 to the capital funds of the bank. The capital stock will be increased from $124,000,000 to $144,000,000 and the surplus from $136,000,000 to $156,000,000. With undivided profits of approximately $59,000,000, total capital funds will be approximately $359,000,000 compared with $319,000,000 at present. This total does not include either the capital funds of City Bank Farmers Trust Company, which exceed $30,000,000, or the unallocated reserves of the bank of slightly more than $30,000,000. The directors expect that the earnings of the bank will warrant the payment on the increased number of shares of the same dividend now being paid, namely $2 per share per annum. If the stock increase is authorized, warrants covering the subscription rights will be issued and mailed about May 14, to shareholders of record May 8, and the rights will terminate it not exercised on or before June 4.

* * *

Announcement was made on March 27 by William J. Dwyer, **President of The Franklin Society for Home-Building and Savings, 217 Broadway, New York**, that a program was being advanced to convert the 63-year savings institution from a State to Federal Charter. Preliminary approval of the conversion plan has been granted by the Federal Home Loan Bank Board in Washington, D. C. and a meeting of the Society's shareholders will be held on June 14, to adopt the new charter arrangement. It is expected the change-over will become effective on July 2. Mr. Dwyer emphasized that the move to convert originated with the Society's board of directors who reached the decision only after careful and deliberate study. In a letter to 55,000 savings members, located in 46 states and 39 foreign countries, it was explained that the sole purpose of the conversion is to make available, the broader advantages and facilities of the Federal System. The Franklin Society, organized by newspaper men and printers during the blizzard of 1888, claims the distinction of being the largest savings and loan association operating under the supervision of the State Banking Department. After the conversion program is completed, the institution will be known as **Franklin Society Federal Savings and Loan Association.**

* * *

Eugene F. Kinkead, Chairman of the Executive Committee of **Colonial Trust Company of New York**, was honored on March 27 at a dinner at the Lotos Club, marking his 75th birthday. The dinner was tendered by the directors of the company and guests included officers of the banking house. Arthur S. Kleeman, President of Colonial Trust, paid tribute to Major Kinkead's career as statesman, soldier and banker. A member of Congress from New Jersey during the years 1909-1915, Major Kinkead served also in the United States Army's Military Intelligence Division during the first World War. He is one of the founders of Colonial Trust Company and has been a member of its Board of Directors and Chairman of the Executive Committee since 1929.

* * *

The New York State Banking Department announced on March 23 that approval has been given to the **Chemical Bank & Trust Company of New York** to a certificate of increase of capital of the bank from $25,000,000 to $25,400,000. The stock is in shares of $10 each. The enlargement of the bank's capital occurs following the merger of the **National Safety Bank and Trust Company of New York** with the Chemical, approved by the stockholders of both banks on March 15, and referred to in our issue of March 22, page 1236. Details of the merger plans appeared in these columns Feb. 15, page 737. The merger became effective on March 19.

* * *

Directors of **Clinton Trust Company of New York** voted on March 21 to offer to stockholders an additional 5,000 shares of the bank's $20 par value capital stock for subscription at $30 per share at the rate of one additional share for each nine shares held of record April 6. Stockholders will be asked to approve the offer at a special meeting on April 25. Directors also declared a regular quarterly dividend of 25 cents per share on the capital stock, payable April 2 to stockholders of record March 23.

* * *

E. Chester Gersten, President of **The Public National Bank and Trust Company of New York**, announced on March 22 that Assistant Cashiers Raymond J. Clark and Robert P. Graham, associated with the credit department at the main office, have been advanced to Assistant Vice-Presidents.

* * *

Alvan B. Fehn, Vice-President of **The Bayside National Bank of New York, at Bayside, Queens Borough**, has been appointed Supervisor of Branches, according to announcement by J. Wilson Dayton, President. Mr. Fehn joined The Bayside National Bank in 1945, became Manager of the Turnpike office in 1948, and in February of this year was appointed Officer in Charge of the Little Neck office. He is Second Vice-President of the Queens County Bankers Association, Past President of the American Institute of Banking, Essex County Chapter, and a past member of the faculty of the Nassau County Chapter of the American Institute of Banking.

* * *

William L. Day, Executive Vice-President of **The Pennsylvania Company for Banking and Trusts of Philadelphia**, has been granted a leave of absence commencing April 2 for a period of from six months to one year to undertake work in Washington as a special consultant in a civilian capacity in Secretary of the Air Force Finletter's office. He is undertaking this work as a result of a request for his services on a part-time basis during the present emergency period. During World War II, Mr. Day served with the Army Air Forces in this country and in the European Theatre in communication work. He was discharged with the rank of Colonel, and he continues to hold a commission as a Colonel in the Air Force Reserve.

* * *

An increase in the capital of the **Citizens National Bank of Alexandria, Va.**, from $200,000 to $400,000, has been brought about through a stock dividend of $100,000 and the sale of $100,000 of new stock. The increased capital became effective March 8.

* * *

The National Bank of Eastern Arkansas, at Forrest City, Ark., reported a capital of $500,000, increased from $250,000 on March 8, by a $250,000 stock dividend.

* * *

In its issue of March 20, the St. Louis "Globe-Democrat" stated that an underwriting syndicate managed by I. M. Simon & Co. is offering 5,159 shares of stock of the **Boatmen's National Bank of St. Louis** at 42¾. The stock, it is stated, represents the unsubscribed portion of the additional issue of 50,000 shares for which present stockholders were given preemptive rights which expired on March 19. The capital is increased from $3,000,000 to $4,000,000 by the sale of $1,000,000 of new stock and an item with regard thereto appeared in these columns March 15, page 1149.

* * *

Allard A. Calkins, President, announces the appointment of Vice-President Elwood J. Schmitt as head of the foreign department of **The Anglo California National Bank of San Francisco** following the retirement of Mr. Curran. The retirement of Mr. Curran under the bank's retirement plan was noted in our Jan. 11 issue, page 176.

* * *

A. J. Gock, Chairman of the board of **Bank of America National Trust & Savings Association, of San Francisco**, recently presented diamond-studed service pins to four men in recognition of their 25th anniversary with the bank. The men initiated into the bank's Quarter-Century Club are: Otto Hirschi, Manager, Main at Pico branch; Leslie G. Adams, Manager, Vermont and 48th branch; Kenneth A. Nairne, Vice-President, San Diego main office; and Blair A. Stewart, Senior District Appraiser, Santa Barbara and Ventura counties. On March 22 similar ceremonies were held and pins presented to three women for the same term of service. They are: Eugenie Nivoche, Mrs. Bessie Roberts and Miss Merle Thomas.

* * *

The **Peoples National Bank of Washington, in Seattle**, announced through P. A. Strack, Chairman of the Executive Committee, and Joshua Green, Jr., President, that a charter has been granted for a new branch office to be located at 6520 Fourth Avenue South. The new office will be under the management of John King, now Assistant Vice-President and long associated with the First Avenue branch of the institution. This new branch office will be the sixth for Peoples National Bank in Seattle. Branch offices are also located in Anacortes, Everett, Renton, Hoquiam, Kent and Bremerton, which will bring the total to 12, all serving the Puget Sound area. The date of the opening of the new branch is expected to be some time about July 1.

Continued from first page

As We See It

appalled before the possibilities of harm inherent in such procedures, appalled not about the damage it may inflict upon underworld characters, demi-world figures or their cohorts, but upon quite innocent American citizens. If this were an isolated instance, or if it could be regarded as a procedure hit upon more or less by chance, and one which might well be avoided for the most part in the future, there might be less concern over the matter. The fact is that it is a sort of culmination of a long, long development, and at every stage of it designing politicians have made the utmost use of it for their own purposes.

Those "Hearings" of the Early '30s

To confine our attention to the past two decades, we may well begin with the so-called Pecora hearings centering about abuses, real and imaginary, in the securities markets, and hailing guilty and innocent more or less alike for discrediting before such parts of the public as could be reached at that time with such facilities as then existed. There cannot be the slightest doubt that such procedures as these produced the popular following which resulted in the extremes of the two securities acts and literally dozens of other provisions of law which have been a burden upon the nation ever since. Here was a typical Kefauver Committee "show" making full use of all the "props" then available. It stood out in sharp contrast to some of the inquiries of previous years which were conducted in a dignified, serious-minded way and well-designed to arrive at a sensible conclusion as to what ought to be done, and carefully avoiding those things which damage institutions and individuals which were clearly not deserving of injury.

More recently, the technique has been turned against individuals and in some instances institutions which had come into places of power and influence largely as a result, direct or indirect, of the employment of this same procedure in earlier years. There can be no doubt that the "scandals" with which the public had been entertained during the early thirties brought to Washington a large crop of "queer" geniuses some of whom were to become just victims of the "red herring" investigations in the earlier postwar years. They, for the most part, apparently deserved what they got and the country is the better off for their exposure—although, of course, one finds it difficult to be rid of the impression that not all of those pilloried had part in these goings on.

Then there were the "asinine" findings of the Fulbright group, and the later revelations which not even the President has had the hardihood to label in any such way. Now the Reconstruction Finance Corporation was, without warrant, so we think, brought into being prior to the arrival of the New Deal, and not as a direct result of sensational investigations, but it was vastly expanded and became the instrument for squandering of almost countless billions of the taxpayers' funds under the influence of men who were in Washington as a result of such sensationalism. At any rate, the Corporation has long outlived its usefulness and if Senator Fulbright, who has so far as we can discern conducted an inquiry without some of the fanfare accompanying some of the others, is able by means of his investigations to bring an end to this institution, we shall have reason to be grateful for the results of his work at any rate.

Use the Courts!

We are fully aware of the danger of being misunderstood when we ask whether such means are essential to constructive ends, but, after all, if men have been disloyal to their country, if there has been treason in our midst—and there has apparently been a shocking amount of it—are not the courts of law the place to try such charges and exact appropriate penalties—courts of law where the rights of the innocent (and for that matter of the guilty) are protected as provided in the Bill of Rights, for example? Are not the normal law enforcement officials of government the real culprits who should have to answer for their neglect to Congress? If such investigative work is essential to the proper functioning of Congress should it not be conducted in private at least to the point of being very certain that only the guilty are pilloried before the public? And would not such investigations as are necessary to supply information to Congress as lawmakers of the land be much better obtained in some way other than in the glare of public gaze with the dual danger of inviting circus "stunts" and developing a state of public mind in which remedies as bad as the disease are likely to spring up?

It seems to us that all these and many similar questions take on much greater significance now that these things are to be televised. How dreadfully easy it would be for some skilled cross examiner of a Congressional Committee (not bound by ordinary rules of evidence designed to protect the witness) to make even the best and most diligent public servant appear loathsome — unless, of course, the public servant was capable of "putting on a show" as good as that of his professional questioner! It seems to us disturbingly important that those who lead public thought—if anyone can lead it effectively in the presence of these "shows" now so popular—remind the rank and file of the very real dangers lurking in this type of procedure — dangers which are likely to be forgotten when the show is on.

NSTA Notes

BOND CLUB OF DENVER

On Friday, March 24, the Bond Club of Denver sponsored a trip to the Carleton Mill of the Golden Cycle Corporation located between Victor and Cripple Creek, Colo. This is the mill that was dedicated by Lowell Thomas about a week ago and is located at 9,500 feet above sea level about half way between Cripple Creek and Victor. It is the largest custom gold mill in the world, and serves an area of 20 miles in which there is sufficient ore definitely on hand to operate for 37 years at 1,000 tons per day capacity. This capacity can be stepped up to double its present amount as new mining operations warrant. The mill treats dump ores which were formerly shipped to their old mill in Colorado Springs and also treats ore produced in the virgin territory unwatered by the Carleton Drainage Tunnel from such mines as the Cresson Consolidated, Ajax, Elkton, United Gold Mines, Dr. Jackpot and many other mines located in that area. Mines which have long been dormant are now preparing to open up their shafts, and in those mines owned by the Golden Cycle Corporation various levels are being leased to individual workers. The corporation has found this more profitable than operating it themselves due to the scarcity of labor. While the lessees benefit from any high-grade strikes, the corporation in turn benefits.

It was, indeed, a revelation to the 55 members of the Bond Club to see the operation of this huge mill and the ease with which 20- and 25-pound rocks were broken up in the comparatively small Holland crusher. This crusher does the work of eight crushers formerly used in the old mill at Colorado Springs. Labor economies will keep their payroll to between 50 and 55 employees in the new mill against 250 employed in the old plant. A savings of $2 per ton is effected in handling the ore due to the old freight rates between Cripple Creek and Colorado Springs. The Southern Colorado Power Company is furnishing the power for this operation.

This new mill should bring to life an area that has been dormant for the last three years due to the fact that there was no place to mill the ore from the mines or the dumps.

Those members of the NSTA who took the trip to Cripple Creek when the convention was held at the Broadmoor in Colorado Springs would have been amazed at the activity going on today in comparison with a year and a half ago.

SECURITY TRADERS ASSOCIATION OF NEW YORK

The Security Traders Association of New York, Inc., announces their 15th Annual Reception and Dinner, to be held at the Grand Ballroom, the Waldorf-Astoria Hotel, New York, N. Y., Friday evening, April 13, 1951.

Reservations are $14 per person, and it is suggested that they be made as early as possible.

Members of the Arrangements Committee are: Daniel Gordon Mullin, Chairman, Tucker, Anthony & Co.; James V. Torpie, Vice-Chairman, Torpie & Saltzman; (Dinner Reservations), Thomas Greenberg, C. E. Unterberg & Co., Bowling Green 9-3565, Teletype No. NY 1-1666; (Hotel Reservations), Bernard Weissman, Siegel & Co., Digby 4-2370, Teletype No. NY 1-1942; John C. Blockley, Harris, Upham & Co.; Joseph C. Cabble, Abraham & Co.; David H. Callaway, Jr., First of Michigan Corp.; Joseph M. Kelley, J. Arthur Warner & Co., Inc.; Wilbur Krisam, Geyer & Co., Inc.; Salvatore J. Rappa, F. S. Moseley & Co.

BALTIMORE SECURITY TRADERS ASSOCIATION

The Baltimore Security Traders Association will have its annual Spring Outing on May 18 at the Country Club of Maryland. The activities will consist of golf, stock exchange, dinner and the usual evening entertainment.

The Entertainment Committee consists of Allison M. Berry, Chairman, Robert Garrett & Sons; Howard Kellermann of Alex. Brown & Sons; Harry Piet, Jr. of John D. Howard & Co.; Edwin Sunderland of John C. Legg & Co., and Thomas Yeager of Baker, Watts & Co.

SECURITIES TRADERS ASS'N OF DETROIT & MICHIGAN

The Summer Outing of the Securities Traders Association of Detroit and Michigan will be held on Tuesday, June 26, 1951, at the Plum Hollow Country Club, on Lahser Road, between 8 and 9 Mile Road.

Continued from page 3

Income Bonds—For Income

for the past six years. $14,800,000 of these incomes follow in lien only $6,309,000 of first mortgage 4½s on 3,100 miles of track. Thus exceedingly low (less than $7,000) debt per mile, resulting from an incisive reorganization in 1944, gives substance to the belief that regular interest payments here can be maintained. Management and control by Canadian Pacific surely is no debit against the property, while the geographic location of the line, connecting St. Paul, Minneapolis, Superior, and Duluth with a section of Canada enjoying dynamic industrial expansion, augurs well for future earning power.

Heavily dieselized, this road has a solid traffic in wheat, lumber, livestock, ore, coal and newsprint. Sinking fund has reduced "incomes" by about $5,800,000 since issuance, and is a factor for ready marketability. Income interest is non-cumulative, but was earned about twice over in 1949 and in 1950. A quite good bond in an expanding territory providing a current income at 66 of 6%. Next annual coupon comes up for treatment May 1, 1951.

A less entrenched, but more romantic item than either of the above, is Central of Georgia Railway Company general income "B" 4½s due 2020. Historically it looks as though interest coverage here is to be found only in good years. But a pickup in earnings on this property is a very real possibility, due to new industry locating in territory served, the high pace of current industrial activity, and increasing production of coal. 1,800 track miles run from Savannah to Atlanta, to Birmingham, Alabama, and Chattanooga, Tennessee. The port of Savannah got a big lift in World War II and the economic growth curve in this entire area is indeed impressive.

A total mortgage debt of a little less than $17,000 a mile is not excessive; and about $13,300,000 of income 4½s are preceded in lien only by $11,774,000 first mortgage bonds on trackage owned, terminal facilities, valuable coal lands, and the entire stock of Ocean Steamship Company of Savannah. There are a lot of swell assets lurking under this mortgage.

Well, what's the current pitch? First of all Central of Georgia expects some $2,700,000 in tax refunds shortly. If this is received, it's calculated to enable payment of 22½% back and current interest on these bonds (up to next official pay-date May 1, 1951). If you buy this income 4½ today at around 80, and by good fortune receive a $225 interest windfall, your bond will stand you 57½ with a fairly decent prospect of earning sufficient to pay 4½% interest annually from here on—an almost 8% basis at this written-down price.

There is also substantial possibility that Central of Georgia may take under its wing one or two smaller railroads operating in the territory, which could be consolidated effectively and profitably. Maybe after reading this, you'll get a new investment theme song —"Georgia On My Mind." Central of, that is!

Just one more, and this one is a futurity. A plan is now offered to reorganize the Missouri Pacific, for years in bankruptcy. Under this current plan, and assuming, for the moment, its ultimate confirmation, there will be outstanding $143,594,632 "A" income mortgage 65-year 4½s. They stand in line to receive back interest to 1948 ($135 a bond). This mortgage issue is slated to be junior to $207,-500,000 of fixed interest items; and annual interest on the whole debt, fixed and otherwise, could have been met by MOP earnings in each and every year back to 1938. Earnings have shown a great improvement in the last 24 months. You'll have to look into this more thoroughly, but it seems to me that this bond is intrinsically strong enough, as a mortgage income 4½, to be worth about 80. It is around 83½, when issued, today, bearing $135 of "if" money. If that is paid, a bond bought today would be reduced in cost to 70. At 70 this MOP 65-year 4½ is perhaps the soundest of the four. I've roughed it out for you. But these bonds may never see the light of day, unless the plan is approved by the requisite number of security holders.

Of course you realize that, in this breezy brief, I've only hopped about on my topic. I haven't mentioned income bonds stemming from industrial and real estate reorganizations — and there are quite a few of them. And I've only high-spotted four railway issues currently wending their volatile way through Wall Street. However, in the vast current search for offsets to inflation, and taking note of the ageless yearning for higher yield without a gambler's risk, this income deal does offer a solution of sorts. The triple dynamic force of (1) resurgent railway earning power (especially since Korea), and (2) higher operating efficiency through dieselization, and (3) voracious sinking fund purchases, operating steadily to strengthen the security, and improve interest coverage of income bonds, suggests their current consideration by yield-minded buyers. A number of these issues have upgraded themselves handsomely in quality and in market price in recent years. Rio Grande 4½s sold in 1947 in the forties; they will bring well above 85 today. Rock Island "incomes" rose from a heavy discount till they were redeemed. Look at Chicago and Eastern Illinois incomes at 81, Seaboard 4½s at 91, St. Louis San Francisco 4½s (convertible into 30 shares of common) at 84. Not gilt-edged, perhaps, by old-fashioned standards, but they're going around trying to look like high-grade bonds and getting away with it pretty well. Would you like to try some incomes on for size?

Marshall, Cleve. Mgr. For First Boston Corp.

Frank L. Marshall

CLEVELAND, Ohio—The First Boston Corporation announces the appointment of Frank L. Marshall as manager of its Cleveland, Ohio office, Union Commerce Building. Mr. Marshall has been associated with the corporation for the past 18 years in its New York office.

Georgeson Adds

(Special to The Financial Chronicle)

BOSTON, Mass. — Stuart O. Stearns has become connected with Georgeson & Co., 24 Federal Street. He was formerly with Elmer H. Bright & Co. and Bond, Judge & Co.

Did You GUESS?

Here's the 1951 version of the two angels appearing on page 26.

Edwin B. Horner Otto H. Steindecker

(A) Edwin B. Horner, Scott, Horner & Mason, Inc., Krise Building, Lynchburg, Va.

(B) Otto H. Steindecker, New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

Bankers Offer Jones & Laughlin Stock

One of the most important industrial equity financing operations of the past year or more reached the market with the public offering today (March 29) by a nationwide investment group headed by The First Boston Corp. of 1,000,000 shares of Jones & Laughlin Steel Corp. common stock at $25.25 per share.

Proceeds of the sale, with other corporate funds, will be used by the company, the nation's fourth largest steel producer, to retire $40,000,000 of 2½% serial notes which were issued on Feb. 1, 1951, to provide a part of the money required for its $200,000,000 improvement, expansion and modernization program for 1951 and 1952.

During the five years through 1950 Jones & Laughlin spent $190,000,000 for such purposes, affecting all phases of its integrated operations from raw materials to finished products. The current program, which includes projects related to national defense needs, calls for further development of raw material properties; an increase in rated annual ingot capacity by approximately 1,560,000 tons, or 32%; new finishing facilities, and continued improvement, replacement and modernization of existing facilities. The company's present ingot capacity is about 4,846,000 tons.

It is expected that the remaining funds required for the 1951-1952 program will be derived from retained earnings, depreciation, depletion and amortization balances, and borrowings arranged in 1950. All major projects included in the current program have been certified as necessary in the interest of national defense which permits portions of the costs to be written off over a five-year period as the projects are completed. The company estimates that under certificates granted to date approximately $115,000,000 may be so amortized.

With Waddell & Reed

(Special to The Financial Chronicle)

MINNEAPOLIS, Minn. — Raymond B. Munger, Gertrude S. Powers, and Elizabeth W. Rogers have joined the staff of Waddell & Reed, Inc., Metropolitan Bank Building.

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Serious Impacts of Credit Restrictions on Business

it commensurately increase or maintain production, processing and distribution of essential goods and services?

Time does not permit me to go into detail regarding the many observations made by the drafters of the Preliminary Statement. However, I would like to read one pertinent excerpt which is indicative of the trend in the thinking that perhaps the restriction of credit in and of itself does not meet head-on the long-term solution of controlling credit

". . . Any increase in lending at a more rapid rate than production can be increased, exerts an inflationary influence. Under present conditions of very high employment of labor, materials and equipment, the extension of loans to finance increased output will have an **initial** inflationary effect; but loans which ultimately result in a commensurate increase in production of an essential nature **are not inflationary in the long run, whatever their temporary effect may be.** It is most important, however, that loans for non-essential purposes be curtailed in order to release some of our resources for expansion in more vital areas of production."

Screening of Borrowers

While it is too early to say what types of loans will be granted by banks who adopt the principles of indirect credit restrictions, nevertheless, recognizing that between 20 to 30% of the nation's 1951 production will be devoted directly or indirectly to national defense, a very substantial proportion of commercial loans will, of necessity, be devoted to the financing of the production and growth of our industrial and commercial community.

I do not think we can overstate the importance of banks and other financing institutions in making a most judicious use of their lending powers. The businessman is going to look with a gimlet eye on the restriction of his credit.

Credit Expansion by Government

Any discussion of credit restrictions would not be complete without some comment on the part the government itself is playing in the extension of credit. For expansion of defense facilities, the government has four major devices for extending credit:

(1) Direct government loans;
(2) Government guarantees of loans;
(3) Purchase commitments (as provided by Title 3 of the Defense Production Act of 1950);
(4) Five-year amortization of new facilities for tax purposes.

To date, the record of accomplishment in these four categories has been disappointing.

(1) **Direct Government Loans**—It is reported as of only a few weeks ago (Feb. 15) that the Reconstruction Finance Corporation which makes the loans on the recommendations of other Federal agencies, had disbursed only 15 payments, for a total of $42,417,000. What is the reason for this delay? First, the Congressional intent in the enactment of the Defense Production Act was that these loans were to be used sparingly. A second reason has been overcaution on the part of those in the Administration who must recommend them. They seem to want nothing but gilt-edged risks. A third reason, is the difficulty under which RFC presently finds itself. The charge made by the Fulbright Committee that favoritism and political influence dominate its operations has placed the whole agency under a cloud of suspicion. Loans such as the one to the Mapes Hotel in Reno—where the top floor is a gambling casino — have been regarded askance by businessmen and the public generally. Certainly, this type of loan was a far cry from the lofty purposes behind the establishment of the agency.

(2) **Government Guarantee of Loans**—It is reported that as of Jan. 30, the Federal Reserve Banks had received but 220 applications for endorsement of loans totaling $142 million. Of these, 120 applicants have been approved for $111 million in loans. The reason is fairly obvious. Private banking is not very enthusiastic about giving up a part of the interest return as a consideration for the guarantee. Banks have had a great deal of experience with the V-Loan program in the last war and found that losses were extremely small. Naturally, they do not see the need, at the present time, of sharing their interest return.

(3) **Purchase Commitments**—Under Title 3 of the Defense Production Act of 1950 it was provided that the government could buy the complete output of a facility. To date, the General Services Administration which allocates purchase commitments on the recommendations of others has entered into only a dozen of these commitments.

(4) **Amortization of New Plant Facilities**—Of the various forms of government assistance programs to date the provision for a five-year amortization of new facilities for tax purposes has produced more actual new plants than any of the other aid forms.

As of February 16, 416 certificates for fast write-offs had been granted. They covered nearly $3 billion of new or expanded capacity. But this is not too great a record when it is considered that in that time industry filed 2,500 applications involving $8 billion of new facilities; and when it is further considered that steel and allied industries have accounted for nearly two-thirds of the $3 billion of certificates issued.

Credit Policies of Private Industry

The commercial finance companies and factors of this country which, last year, had a combined volume of $6.4 billion worth of financing are vitally concerned with any program of credit restriction.

As you know, such companies perform the function of supplying credit on a secured basis to small and medium-sized businesses by financing accounts receivable, imports and exports, industrial and commercial equipment and merchandise inventories. Over the past 50 years they have played a leading role in helping business to expand and to obtain the necessary working capital to manufacture and market new products.

In World War II commercial finance companies and factors experienced an unusual expansion in secured commercial finance loans, particularly as the requirements of first, defense contracts, and later, war contracts and sub-contracts became urgent. A tremendous volume of financing of government contracts was performed by them during this period — the security device employed being an assignment of the proceeds of the government contracts in question. All this was made possible when Congress enacted the Assignment of Claims Act of 1940 (Public Law No. 811, approved Oct. 9, 1940).

This particularly useful legislation has never been repealed and while it is still available today for the financing of government contracts, some unforeseen liabilities—mainly as a result of interpretations by the Comptroller General of contractual clauses pertaining to repricing and renegotiation—has necessitated amendatory language by the 82nd Congress in order to re-establish the Act as a potent weapon in helping the country to rearm.

Commercial finance companies and factors are concerned with making credit available for business operations; for productive purposes. They have had little or no part in the large expansion in consumer debt that has occurred in recent years largely as the result of record purchases of automobiles, washing machines, television sets and other durable goods on the installment plan. They have discouraged and have advised their clients against speculation in inventories. They have discouraged manufacturers and wholesalers from stocking up on commodities in excess of their usual requirements.

With businessmen giving serious consideration to defense work, including in their plans allocation of plant to government defense contracts, and with the Administration clamping down restrictions on non-defense inventories, the commercial finance industry is preparing for curtailment of the heretofore run-of-the-mill secured commercial financing and preparing itself to aid business in the financing of essential civilian and defense needs and particularly in the financing of government contracts.

However, as you know, commercial finance companies and factors, while they have sizable invested or permanent capital funds which have been built up through the years, nevertheless, are essentially retailers of credit and finance and depend to a large extent on wholesale short-term bank credit funds and term loans from institutional lenders such as insurance companies.

Consequently, it is only natural that commercial finance companies and factors view with anxiety the superficial thinking that is being shown in some quarters relative to restricting commercial credit. They feel that some of the matters presently being discussed such as restrictions on a percentage basis of loans previously obtained would be a serious mistake.

A judicious application of proper extension of credit may call for credit lines for some borrowers, which, in dollar totals may be larger than heretofore extended to them. For example, Manufacturer A, engaged in essential civilian production, has an inventory turnover of five times a year. He finds that because of the increase in unit prices, labor and materials costs, he will need a million-dollar credit line from his bank in order to maintain the same turnover, whereas last year he had no occasion to borrow from the banks at all. However, his bank because of a policy of reducing its lines to all its customers, proposes to give the manufacturer a credit line of $600,000 or $800,000 instead of the $1 million which he needs. To the manufacturers such a credit would not be of much value. He was able to make a profit only because of his sales volume and rapid inventory turnover. With an insufficient line of credit he could not have the same sales volume in view of the slower inventory turnover. With that his costs go up, his break-even point is not met, and his unit price must be increased. Consequently, because of the competitive picture, pricing and sales resistance, our manufacturer may very well find himself out of the market.

Let me give you another example. In the textile industry, collections—of late—have slowed up noticeably. On June 30th, the turnover of receivables was averaging approximately 28 days, whereas on Jan. 1st, it had stretched to 41 days. There are no signs that there will be any improvement in the rate of turnover in the months ahead. In fact, it will probably lengthen before it shortens. Why? Because of larger inventories. This condition will make for further demands on working capital or the necessity of continued or additional bank borrowings.

Like other financial agencies the factors are restricting credit, but only after a very careful and deliberate study with each case standing on its own merits and with no across-the-board general policy. In some cases, of course, they have had to increase the extent of accommodations heretofore extended. They have found that the smaller mills which have been able in the past to operate on limited capital, now find their financing requirements sharply increased in the light of substantial increases in raw material prices and by a gain in labor costs.

Conclusion

The economy of our country is the richest productive mechanism that the world has ever known. Its civilian working force is over 61,000,000. It comprises 4 million business enterprises, more than half of them in retail trade and services. Its 240,000 factories pay out $40 billion a year in wages and salaries to their workers. Its 6 million farms cover more than a billion acres. In 1950, alone, it built a record of 1,400,000 housing units.

If one were to attribute the main reason for the marvelous record America has established it is the ability of small enterprise to thrive.

But now that we are faced with a national emergency what is the prospect ahead for private enterprise?

In the two years following Pearl Harbor, some 16% of the 3,500,000 small enterprises, then operating, had to shut down.

Today, with 4 million small businesses operating, an injudicious restriction of credit may cause this casualty list to become much larger than necessary. It is, therefore, essential that during the period that our economy is changing over to a defense economy great care and study be applied to the problem of restriction of bank credit.

To believe that the inflationary consequences of a defense effort which we are now engaged in are unmanageable, or that the required sacrifices are unbearable, is to distrust and belittle, without reason, the productive power of this country and its free economic system. This is a challenge that we as Americans will meet.

We are now at the mid-point of the Twentieth Century. During the past fifty years we have seen the dynamics of the world accelerate tremendously. We have lived through two World Wars with their tremendous and horrible expenditure of blood and treasure, but perhaps the outstanding feature of our times has been the development of two things, contemporaneously parallel, but with very different end results—on the one hand the tremendous growth of the industrial potential of the United States, and on the other hand the development of the totalitarian state.

On the one hand, free enterprise, individual liberty and abounding material and spiritual benefits. On the other hand, the police state, agricultural and industrial slavery and a minimum standard of living. The prosperity of our country has been compounded of many things—the resources and natural wealth of the land, the ingenuity, technical skill and know-how of labor and management, the wise system of laws, the checks and balances under which we live—and—one other ingredient—I am tempted to call it the "Magic Ingredient," of credit, which has stimulated and supported the manufacture and exchange of all the goods and commodities which pour from our industry in a fabulous stream. In our free state, without credit, this stream would dry up and stop.

We have seen how because of the complexities of every day life people elsewhere in the world have tried to turn their problems entirely over to government, and have submitted to more and more government control. We have seen the final result of this course in the pathological and hysterical Nazism of Hitler, in the spurious cardboard Facism of Mussolini, and now finally in the brutal colossus of Communist Russia. We in this country will be slow to abrogate our individual freedom of judgment to Federal control. We must especially scrutinize long and carefully any attempts to federalize such a fragile and intangible commodity as credit—the "Magic Ingredient" which has played such an important part in the industrial development of our country.

Halsey, Stuart Offers Consumers Power Bds.

An underwriting group headed by Halsey, Stuart & Co. Inc. is offering today (March 29) $40,000,000 Consumers Power Co. first mortgage bonds, 3⅛% series due 1981, at 101.467% plus accrued interest. The group won award of the issue at competitive sale Tuesday on a bid of 100.80467%.

Proceeds from the financing, together with other funds of Consumers Power Co., will be used to redeem all of the $5,300,000 first mortgage bonds of Michigan Public Service Co.; to pay off $8,000,000 temporary bank loans incurred to provide funds for construction; to provide funds for acquisitions and improvements, and for the corporation's construction program.

Upon completion of the financing the company will have outstanding $178,825,000 first mortgage bonds; $7,250,000 bank loans, payable in instalments; 547,788 shares of $4.50 preferred stock; 200,000 shares of $4.52 preferred stock; and 5,615,176 shares of common stock. The preferred and common stocks are without par value.

Consumers Power Co., organized in 1910, is engaged, entirely in the State of Michigan, in the generation, distribution and sale of electricity in 1,455 communities and townships, including rural areas; in the purchase and distribution of natural gas in 265 communities and townships; and in the production and sale of propane gas in the town of Manistee. Population of the territory served approximates 2,960,000.

Gross revenues during 1950 totaled $114,350,814; gross income $23,286,500; and net income $19,004,340.

Clarence N. MacElvain Joins Cunningham & Co.

(Special to The Financial Chronicle)

CLEVELAND, Ohio — Clarence N. MacElvain has become associated with Cunningham & Co., Union Commerce Building, members of the Midwest Stock Exchange. He was formerly manager of the investment department for the Cleveland office of Paine, Webber, Jackson & Curtis. In the past he was with Otis & Co.

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Inflation—And What We Can Do About It

tionary wave, which in many respects looks worse than any we have ever had?

Our inflation situation has been snarled into a tangled problem for which there is no easy and no glib answer. It is honeycombed by political considerations, double-talk, and the use of twisted statistical interpretations. Any sound answer to the problem must start with this basic premise and stay with it through the muddled thinking with which we are afflicted until daylight appears. The premise is this: **No proposed inflation remedy is genuine or sound unless somehow it provides for an increase in the supply of civilian goods, or materially reduces the excess money supply, or possibly does both.** Since it is not likely that the production of civilian goods can be enlarged at this time, because of military demands, our only hope lies in stiff applications of all conceivable methods for reducing the money supply, i. e., the monetary-fiscal approach. I will seek to apply this test to a quick survey of the actions that have been taken to date to curb the inflation pressures now built up and prevent the lid from blowing off in our faces, as we move into the defense program.

Even before the Emergency was declared officially the Federal Reserve Board on October 11 announced Regulation X and Regulation W, to curb bank, real estate and consumer credit. The purpose of Regulation X is to reduce home building by requiring stiff down payments for all new houses and old ones financed by FHA aid, and check the heavy flow of bank credit into mortgages. Regulation W seeks to clamp down on the flow of consumer installment credit from our banks. The aim is again to reduce the flow of credit for installment items into the money stream and also to discourage people from buying goods at present in which essential metals are used.

These credit curb regulations by the Federal Reserve Board are sound anti-inflationary moves, because they meet one of the criteria of the premise I posited above—namely, they attempt to reduce the excess money supply in circulation. However, they are only feeble toy weapons with which to reduce the growing inflationary gap.

The Federal Reserve Board took another step in its monetary-fiscal approach to the inflation battle which was very significant. It increased the legal reserve requirements of the 6,900 member banks of the federal reserve system up to the maximum allowed by the law as a further measure to curb credit. This has forced the member banks to find $2 billion in cash to add to their legal reserves at the district federal reserve banks. The Board assumes that this $2 billion of impounded member bank cash will ultimately tie up about $12 billion of "potential bank credit" for the banking system as a whole. If effective, this would indeed take a large bite out of the excess reserves of member banks from which they make their loans and discounts. However, the desired effect will probably be nullified by the member banks themselves. Since they are loaded with government securities, all they have to do is sell enough of them to the Federal Reserve banks, who must buy them, to recoup the $2 billion the Board tied up by raising the reserve requirements. So now the banks have met the $2 billion additional legal reserve assessment very simply by a credit entry on the books of the Federal Reserve banks and so far they are all set with excess reserves to continue lending until a further check is placed upon them. So that hopeful approach to checking the flow of credit into the consumer market has not been effective.

As we know, Congress has increased individual and corporation income taxes and has passed an excess profits tax. These are a direct approach to resolving the problem of inflation because it will not only help balance the federal budget, but it will also siphon off dollars that would probably be fed into the money stream to swell the inflation gap. The exemptions on personal income taxes should be lowered with this aim in mind: that every one will pay something to the government. Manufacturers' and retail sales taxes and higher excise taxes are being considered to help finance on a pay-as-you-go basis, the $10 billion appropriation Mr. Truman is asking to carry expenses to June 30. Taxes siphon off the excess purchasing power at the source, as no other approach can do, and should cut down on deficit spending, which ought to be stopped if possible. However, excise taxes and sales taxes are inflationary, because they result in higher prices to the consumer.

Wage and price freezes were ordered by Mr. Truman suddenly on Jan. 26, after a long delay in making them operative. For some time previously, we recall, he had been saying repeatedly that there was no inflation present in our price-goods structure. The purpose of the order is to hold the line by freezing prices and wages at certain levels. You are all familiar with the details of the order and the difficulties the administrators are meeting in attempting to administer it with the swift changes, contradictory orders and internal dissensions that have arisen.

We are concerned in this discussion with Price and Wage Controls only in so far as they relate to this question: **Will They Check The Present Inflation and Curb Future Inflation?**

The outstanding protagonist of price and wage controls was Bernard Baruch. He and his group have from last June favored all-out controls. They presented the following program: a lid must be clamped tight on both prices and wages, as of a specified date, or period, in order to stop inflation in its tracks, and thus to hold the line on the prices of a diminishing supply of civilian goods; to keep defense costs within bounds; to prevent profiteering; and to avoid injustice to millions of persons on fixed incomes or who do not have pressure groups to represent them.

Those who oppose price controls, and apparently the number is increasing, raise serious questions about the possibility of wage and price controls for stopping inflation. They also question the desirability of this kind of an approach, even if it should be workable. This is for a number of very basic reasons.

First: Price and wage controls are futile and may be downright dangerous. It is true that controls hold prices and wages in line, **on paper.** This is, however, only a delusion. The power that generates the inflation has not been removed, because the inflationary gap between prices and goods is still present. Price controls have never added a unit of goods to the supply. The inflation lurks underground ready to spring forth in two possible ways: immediately through black markets and fantastic prices and ultimately through a blow-up in prices, as soon as the control lids are lifted. Our experience in World War II supports this position.

Second: Full, effective controls cannot be established by any group of stabilizers, however wise, impersonal or just. There are pressures in the price-wage structure which are self-generated from the many discriminations and exceptions now embodied in the law. Those situations are now giving the stabilizers much trouble as we learn from the newspapers, which must be recognized, and agreed to.

Third: Price Controls actually **impede** production, rather than increase it; therefore, they increase inflation instead of preventing it. As soon as our free price-supply and demand economy are arbitrarily interfered with, through artificial ceilings on prices and wages, production is discouraged, which again widens the inflation gap.

Fourth: Price and wage controlling puts huge economic and political power into the hands of politicians who of necessity use it in a political way. If it is really effectively administered there is the threat that our lives will be regimented, with possible destruction of our freedoms. That cost is far too high to pay, unless all other means at hand for stopping the inflation, which are still to be admitted and used by the Administration.

Fifth: The present controls appear to be the result of a hasty decision by the government to finally do something about the inflation situation, and quiet the growing criticism by our representatives and the general public. Critics also say that the control orders were issued to take attention away from the root of the inflation, swollen budgets and deficits.

Finally, prices are actually rising under Stabilization. Mr. Johnson concedes that the line cannot be held before mid-summer, and in the meantime he says prices will rise from 5 to 7%. As a matter of fact they are steadily rising each week now. Finally, Mr. Johnson indicates that the line can be held after midsummer **with the help of a balanced budget and higher taxes.** That to my mind, gives the whole argument away. I suggest a proper correction to the statement that the line could be held **only** if the budget is balanced. We admit the higher taxes; we are getting them now and will get more.

The basic cause of the inflation we now have lies in unbalanced budgets; deficit spending; waste and inefficiency in government, as the Hoover Report showed only too clearly; insistance upon the continuance of farm parities and subsidies; and the long list of social legislation comprehended by the New Deal. Those are the root causes against which the axe must be laid.

I said previously in this talk that the basic cure for the inflation lies in fiscal and credit reforms. I pointed out that the tightening of credit by the Federal Reserve Board was a move in the right direction, but that unfortunately is not effective, because the hands of the Board are tied by the Treasury. The Administration is thus aiding and abetting inflation, by insisting upon a cheap money policy through low interest rates to support the bond market. It is also aiding and abetting inflation by swollen budgets and deficit spending.

Senator Byrd is spearheading the demand in Congress for reducing the high cost of government. He has been supported by the recommendations of a Committee of 400 Economists and 6,000 business men and industrialists and a special Committee of 220 Economists, who have demanded a balanced budget and the elimination of all nonessentials.

Senator Byrd has accepted the President's challenge to reduce non-military expenditures to a minimum and has announced certain specific ways by which $9.1 billion can be and should be cut from the civilian part of the 1951-1952 budget of $71.6 billion. If this is done, he says the budget can be balanced and a surplus can be accumulated to begin a reduction on the Federal **debt** which is now something more than $250 billion—a quarter of a trillion of dollars. His recommendations would cut the civilian budget right in half, from $9.8 billion to $4.9 billion, without, he says affecting the defense program, except to cut down on its inflated civilian personnel, for which the armed forces are notorious.

As a final word on how the attack on inflation may be effectively waged, I want to say quite seriously that it is our privilege and our duty as citizens to support every sound measure and to practice every reasonable restraint to keep down prices and help close the economic gap and to do all possible directly or indirectly to increase production. We are all in this inflation situation. Let us not forget that for a moment. We all aid and abet it when we spend wildly and unnecessarily or in any way cause production to be lowered. So is our government in the inflation and just as responsible. Basically, the government created the inflation situation, though I emphasize, not entirely. Therefore the government must be brought into line in this emergency and made to realize that living on borrowed credit is dangerous, unjust and uncalled for. We should tell our Senators that we want them to support Senator Byrd and the others who are fighting for sound fiscal policies in Washington. They should have our full support and we should let them know they have it.

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Roadblocks to Progress

ing a private company to do the job that needs to be done.

But now to leave New York City and to turn to other enterprises. For many years there has been discussion as to the building of the St. Lawrence Seaway. There is not only the need for the canal system, but there is also a real need for the power which could be developed along this important river. Here is a field which has been pioneered by private industry. Private industry now operates the generators at Niagara Falls and at many other places throughout the country, yet in the long debates upon the St. Lawrence waterway there does not appear to have been one single voice advocating that the seaway and power project be built with private funds. If such were done, many of the objections of the railroads to a subsidized seaway would be obviated and the advantages of such a seaway could be obtained for the people of this country without taxing those to whom it would be of no direct advantage.

A final example will serve to show how far we are away from seizing opportunity to make private industry expand and improve our lot, and that is atomic energy. Under the complete and absolute control of the Federal government this new and revolutionary source of power, which has potentialities literally to permit us to visit other planets, is allowed to lie comparatively unused. David Lilienthal, former Chairman of the Atomic Energy Commission and a man denounced by many conservaties, advocates permitting private industry to develop this new source of energy. If such a man believes that private industry can do a better job than the government, surely there can be but little doubt that we are losing a great opportunity.

From an analysis of these factors, one would surmise that the people of this country have such confidence in their politicians that they believe that the politicians can produce miracles beyond the power of private industry. Yet, we all know that the politicians in this country are not regarded as supermen and for the very valid reason that most of them are men of mediocre or less ability. We all know that political enterprises have, on the average, been conducted with less efficiency than those run by private industry.

Rather than pride in our politicians, it is the lack of confidence in private enterprise and perhaps an unwillingness to let private enterprise earn the profits upon which alone any enterprise, public or private, can function. For a country such as ours, which has been so marvelously developed by private business, it is indeed strange that we are unwilling to allow it to do for us today what it did in the past.

A New Approach Needed

What is needed perhaps is a new approach, namely: Can this service be provided by private industry? If it can, let private industry do it. It is indeed true that in some of the fields mentioned above private enterprise would have difficulty without changes in some existing laws and without possibly giving some privileges—privileges now given to public corporations. Governor Dewey has taken a great step in this direction with his recommendations for the Long Island Railroad, for which he deserves great praise. For the past two decades government has greatly encroached upon the field of private enterprise; directly, as with TVA, and indirectly through its taxing power and regulating power. Now the stultifying effect of such government interference is being felt. If private corporations are not permitted, or even encouraged, to enter fields such as mentioned above we will not have such improvements—at least not in the near future—and we may have substantial numbers of recent high school and college graduates unemployed.

If we believe that the Lancaster weavers and the railroad firemen were wrong and that progress in efficiency is desirable, then government should assist business in providing jobs for those who are displaced—new jobs with a rising standard of living. This can be done legally, legitimately and for the advantage of all.

Dir. of American Airlines

James A. Jackson, New York investment banker, was elected to the Board of Directors of American Airlines, Inc., March 21. Mr. Jackson is a former president of the Continental Bank and Trust Company, and was formerly vice-president of the National City Bank with which he was associated from 1916 until 1935. He was once a partner in the investment and banking house of Lazard Freres & Company.

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Will Our Food Supplies Be Adequate for Another War?

land and planting the crop, these wet springs would have meant that the corn crop went in late. The great speed of tractor equipment, by making it possible to get the corn in more nearly on time, permitted the crop to mature without being cut off by frost at the tailend of the growing season. Numerous other illustrations might be given but this one at least serves as a typical example of improvements to crop yields made possible by the expansion of machinery.

To this factor might also be added the increase in food production or feed production for food livestock made possible by the decrease in horse numbers on farms.

No doubt there were other factors that contributed to the wartime increment in food output, but for the present I would like to emphasize these as probably having been most important. The question now, as we look ahead to what at the worst may be another war period, is whether this country can again achieve a like increase in farm output?

It is a bit shocking to all persons who are interested in the improvement of the diet for the American people, to find that for the past six years, 1945 through 1950, the total food production of the country has not exceeded the level attained in 1944. There have been, during the past six years, three years in which our total food output was the same as in 1944, and three years when it was slightly below the 1944 level. However, during all this time the population of the country has been increasing at a rate of about 2½ million persons a year or about 1.5% annually. The only way the quality of the American diet has been maintained is that food exports and foreign relief shipments of foodstuffs have declined over recent years, thus making more food available for the domestic market. Even so, there has been some deterioration in the quality of the diet of our civilian population since 1947. Meat production, for example, has declined almost 10 pounds per capita, and the consumption of dairy products is down about 40 pounds per person.

Question of Domestic Food Needs

All the present evidence would seem to indicate that for several years ahead we should anticipate a continuing growth of population of the country at about the same 1.5% annually which we have experienced during the late 40's. Thus, if diet quality is to be maintained, our food output will have to increase at the same 1.5% annually, and the rate of increase in food production will have to be greater than 1.5% a year if the American diet is to be restored to its 1947 level and improved even beyond that point as would be desirable. Whatever amounts of food we have to have for military purposes and other war-time needs would be additions to these amounts. I can summarize my thinking only by pointing out that I believe it will be difficult and improbable that this total demand can be met unless again everything works in favor of abundant yields.

It seems improbable that weather will continue as good for the years immediately ahead as it has been since 1937. And if we should have the ill luck to get adverse growing weather, it is almost certain that the diet of the American people would suffer whether or not we have war. Further, it seems to me that we do not now have, as we did in 1940, any great backlog of scientific knowledge not yet in use. Further improvements in food production from new applications of science will probably have to come from scientific improvements yet to be introduced. Still further, we do not now have, as we did in 1940, any important accumulations of feedstuffs or any prospect for getting them.

We do have farms more fully mechanized than ever before. But with an increasingly tight farm labor supply, American farmers will need still more machines if production is to be expanded.

I realize that this story adds up to almost an exact opposite of the views held by those persons who believe this country has large surpluses of food. As I see it, there are not surpluses nor have there been in any recent years. The food position of the United States could become tight or it could become very serious, if we should have adverse weather or if the essential needs of farmers for full scale production should not be met.

American farmers have reached a stage in their dependence upon machines and petroleum and chemicals and many other nonfarm services, which makes them extremely vulnerable. I don't know what the percentage figure should be but perhaps ⅓ of our crop production is based upon the use of chemicals in the form of fertilizers and pesticides. If those chemicals go to war and are not available to farmers in essential amounts, our food output will suffer. If machines and especially repair parts do not continue to flow in large volume, again our farms cannot meet the challenge of the food needs of the nation. An infinite number of production supplies of many kinds ranging from baling wire and twine and hardware to chemicals and tools and containers are essentials in the job to be done. I have a feeling that as never before farmers and farm organizations must analyze and anticipate their needs and be prepared to go to bat to get them. The more this country has prices and production controls, the more we attempt to manage the economic life of the country from the national or state governments, the more farmers will have to be prepared to fight the battle for their essential requirements in the free-for-all of pressures that characterize a controlled economy.

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The State of Trade and Industry

reach 137,000 units, the highest figure since March, 1948, when 138,479 trucks were assembled, it added.

Business failures fell 23% in February to 599, the lowest level for any month since January, 1949. In February of last year there were 811 casualties and in the year before, 685.

Dun's Failure Index, which extends the monthly failure rate to an annual basis and adjusts for seasonal fluctuation, decreased to a two-year low of 26.3 failures per 10,000 listed enterprises. This rate compared with 34.5 a year ago, 4.1 in wartime 1945, and 67.8 in 1939.

A decline also occurred in the size of liabilities involved in February failures. Declining 26% to $15,009,000, they were less than in the same month of any of the past three years. Compared with a month ago, all size groups included fewer failures. The sharpest drop from last year's level occurred among casualties involving $25,000 to $100,000 in liabilities, which were down 35%.

Liquidations among retail establishments accounted for a major portion of the month's decline, although failures in other categories also decreased appreciably. All industry and trade groups sustained fewer casualties than a year ago. The sharpest decline, 37%, occurred among manufacturers.

More than one-half of the February insolvencies were concentrated in the Middle Atlantic and Pacific States. All major geographical areas reported declines from a year ago and all but one, New England, reported fewer failures than in the first month of the year. Monthly declines in non-metropolitan failures were more marked than in the 25 largest cities.

Steel Tonnage Scheduled to Rise to Highest Level in Industry's History

Defense and essential civilian programs now account for about 50% of all orders on the books of two of the nation's largest steel producers, according to "The Iron Age," national metalworking weekly. Other steelmakers are not far behind in booking tonnage for essential programs. This does not include steel needed by the industry for its own expansion.

On certain products the percentage booked for essential programs runs much higher. On plates for example, one of the largest companies has more than 70% of its output booked for essential programs while another large company has 72% so booked. Other products booked above the average for essential uses are structural shapes, bars and hot-rolled sheets. This explains where all the steel is going to and why terrific shortages are showing up in certain products.

In surveying the steel market, we think it is highly significant that reports from steel users coincide so closely with reports from steelmaking centers, states this trade authority. Almost without exception products listed in shortest supply by steel users, also reflect heavy DO and essential civilian booking by steel producers.

In Detroit, bars (especially alloy) have replaced cold-rolled sheets as a measure of riches. Some auto makers have been trading sheets for bars, highlighting their fear that alloy bars will prove to be the Achilles heel of their ambitious production program. Several steel consumers have shifted their conversion business in order to have ingots made into bars instead of sheets.

Like other steel users they are producing pell mell as far as they can go with existing supplies. They are unable to plan beyond the second quarter. The full impact of heavy bookings of steel for defense and essential programs will begin to be felt in May.

Steel orders for repair maintenance and operation bearing the familiar DO-97 are stretching the present priority system towards the breaking point. Our immediate prediction that this order might be the straw that broke the camel's back as far as DO priorities are concerned, still stands, states "The Iron Age." Its impact on warehouses is terrific; some report two out of every three of their orders bear the symbol DO-97.

Some warehouse people now say that they can handle only 10% of total business offered them. They report inventories off 60% over a broad range of products—much more on tight items such as plate, sheets and bars. The revision of the warehouse order (M-6) is expected to help them when it begins to take hold in June. But some April and May quotas will average only about 40% of shipments last year.

The American Iron and Steel Institute announced this week that the operating rate of steel companies having 93% of the steelmaking capacity for the entire industry will be 103.5% of capacity for the week beginning March 26, 1951, based on the industry's increased capacity of Jan. 1, compared to a rate of 101.1% a week ago, or an increase of 2.4 points.

Scheduled steel output the current week represents the highest level on record for the steel industry. This week's operating rate is equivalent to 2,069,000 tons of steel ingots and castings for the entire industry, compared to 2,021,000 a week ago. A month ago the rate was 99.8% and production yielded 1,995,000 tons; a year ago it stood at 96.7% of the old capacity and amounted to 1,843,000 tons.

Electric Output Recedes From High Level of Preceding Week

The amount of electrical energy distributed by the electric light and power industry for the week ended March 24, 1951, was estimated at 6,847,786,000 kwh., according to the Edison Electric Institute.

The current total was 55,478,000 kwh. below that of the previous week, 854,724,000 kwh., or 14.3% above the total output for the week ended March 25, 1950, and 1,443,930,000 kwh. in excess of the output reported for the corresponding period two year ago.

Carloadings Reflect Further Slight Decline Below Previous Week

Loadings of revenue freight for the week ended March 17, 1951, totaled 745,365 cars, according to the Association of American Railroads, representing a decrease of 4,262 cars or 0.6% below the preceding week.

The week's total represented an increase of 19,831 cars, or 2.7% above the corresponding week in 1950, and an increase of 137,443 cars, or 22.6% above the comparable period of 1949 when loadings were reduced by labor troubles in the coal fields.

Auto Output Cut by Return of Five-Day Week by Ford and Labor Trouble at Chrysler Plants

Combined motor vehicle production in the United States and Canada the past week, according to "Ward's Automotive Reports," totaled 176,390 units, compared with the previous week's total of 182,781 (revised) units.

Responsible for the decline were wildcat strikes in Chrysler plants and resumption of normal five-day operations by Ford after 6-day output last week, "Ward's" stated.

Total output for the current week was made up of 137,644 cars and 31,243 trucks built in the United States and a total of 5,346 cars and 2,157 trucks built in Canada.

For the United States alone, total output was 168,887 units against last week's revised total of 172,333 units, and in the like week of last year 133,897. Canadian output in the week totaled 7,503 units, compared with 10,448 units a week ago.

Business Failures Recede From High Level of Week Ago

Commercial and industrial failures dipped to 170 in the week ended March 22 from 185 in the preceding week, according to Dun & Bradstreet, Inc. While casualties were down slightly from 186 in the similar week of 1950, they remained a little above the comparable 1949 total of 166. Continuing far below the prewar level, failures were down 51% from the 350 which occurred in the comparable week of 1939.

Casualties involving liabilities of $5,000 or more declined to 127 from 149 in the preceding week and were also less numerous than a year ago when 141 concerns failed in this size group. An increase, on the other hand, took place among small failures, those having liabilities under $5,000, which rose to 43 from 36 and were only 2 below last year's total.

All industry and trade groups except wholesaling, which rose 3 to 22, had weekly decreases in mortality. Both retail and wholesale trade had more failures than a year ago, while commercial service remained the same and construction dipped 1 below the 1950 level. In contrast, manufacturing casualties were about one-half their number last year.

Six of the nine major geographic regions reported small decreases in failures during the week. However, business failures in the Middle Atlantic States rose 14 to 74, the area's highest number in eight weeks; slight increases also occurred in the East South Central and Mountain States. Casualties were more numerous than a year ago in four regions—the New England, Middle Atlantic, East South Central and Mountain States—and they remained unchanged in the South Atlantic. The largest declines from the 1950 level were reported in the East North Central and Pacific States.

Food Price Index Moves Lower in Latest Week

Following the leveling-off movement of a week ago, the wholesale food price index, compiled by Dun & Bradstreet, Inc., fell to $7.23 on March 20, from $7.27 on March 13. It compares with $5.79 on the like date a year ago, or an increase of 24.9%. Although down 1.1% from the recent high of $7.31 on Feb. 20, the current index represents a rise of 21.3% above the pre-Korean level of $5.96 recorded on June 20, 1950.

The index represents the sum total of the price per pound of 31 foods in general use, and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Lifted to Slightly Higher Level

The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., continued to move irregularly last week.

Following a sharp dip at mid-week, the index turned upward to close at 324.67 on March 20. This was up from 323.65 a week previous, and compared with 249.48 on the corresponding date a year ago.

Grain markets continued irregular and uncertain last week.

Prices were generally lower largely due to liquidation prompted by continued favorable war news and talk of a possible settlement of the Korean situation.

Private forecasts of a larger than expected Winter wheat crop also had a depressing effect on wheat prices. The country movement of corn remained light. Corn prices went sharply lower at mid-week as offerings increased and demand, particularly from Eastern distributors, fell off. Oats were down moderately for the week but displayed a firmer tone at the close. Sales of grain futures on the Chicago Board of Trade declined slightly last week to a daily average of 35,000,000 bushels, from 35,700,000 the week previous, and compared with 29,500,000 in the same week last year.

Domestic demand for both hard and soft wheat flours was spotty and slow. Prices trended slightly downward, reflecting the recent weakness in the wheat market. Export flour business was very quiet. Spot cocoa offerings were small with prices firm at the ceilings. There was some easiness in futures at the close.

After early weakness the coffee market turned stronger following reports that producing countries were taking steps to raise farm price supports.

Trading in lard increased with prices mostly steady. Market receipts of live hogs were moderate last week; prices fluctuated within very narrow limits. Cattle prices were steady in moderate trading. Wooled lamb prices rose to new record highs, aided by an acute scarcity of supplies.

Prices in spot cotton markets held at or near ceiling levels during the first full week of dealings in the staple since the Jan. 26 price freeze order. Nearby futures were in demand at ceiling prices, reflecting a tight supply situation. The more distant deliveries were under pressure in the early part of the week due to selling influenced by the possibility of a large 1951 crop, beneficial rains over a large part of the belt, and talk of a possible peace settlement in Korea. Foreign inquiries were numerous but export sales were relatively small in volume. Activity in spot markets approached near-normal proportions.

Reported sales in the ten markets totalled 111,300 bales for the week, compared with 95,100 bales reported in the corresponding week a year ago.

Domestic consumption of cotton during the short February month, as estimated by the New York Cotton Exchange, equalled the all-time high established in May, 1943, of 46,300 bales per day, as against a daily rate of 42,500 bales in the preceding five-week period, and 37,600 bales in February a year ago.

Trade Volume Cut in Pre-Easter Buying by Bad Weather

The nation's consumers spent about the same amount of money in the period ended on Wednesday of last week as during the prior week. A seasonal pre-Easter rise was forestalled by inclement weather and, in the opinion of some retailers in scattered areas, by the widespread public interest in the daily televising of the Senate Crime Investigating Committee hearings in New York. Total dollar sales were noticeably above the level for the comparable week a year earlier, reports Dun & Bradstreet, Inc., in its current summary of trade.

The aggregate dollar volume of clothing bought, in comparison to a year ago, increased moderately.

There was a perceptible rise in both the unit volume and dollar volume of food bought in the past week; dollar volume was appreciably above a year ago, largely reflecting upward price adjustment in some items. Much of the increase was in meats, poultry, fresh produce and confectionery, for which impending festivities were deemed partly responsible.

The consumer demand for house-furnishings dipped somewhat last week; over-all dollar volume continued to be substantially above the level for the corresponding 1950 period. Floor-coverings were especially popular in many localities, with light furniture also frequently sought. The interest in housewares and similar small items rose very slightly. There continued to be a decreased demand for large appliances, some lines of electrical goods, and television and radio sets.

Total retail dollar volume in the period ended on Wednesday of last week was estimated to be from 10 to 14% above a year ago. Regional estimates varied from the levels of a year ago by these percentages:

New England and Northwest +7 to +11; East +6 to +10; South +11 to +15; Midwest +10 to +14; Southwest +13 to +17 and Pacific Coast +15 to +19.

There was a slight dip in wholesale ordering during the week; the total dollar volume of orders was moderately above the level for the similar week in 1950. The reluctance on the part of many dealers to increase their orders was attributed to the existence of top-heavy inventories. The number of buyers attending various wholesale markets declined sharply from the levels of last week and a year ago.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended March 17, 1951, advanced 11% from the like period of last year. This compared with an increase of 20% in the previous week and 18% for the four weeks ended March 17, 1951. For the year to date department store sales registered an advance of 21%.

Retail trade in New York last week failed to come up to expectations, notwithstanding the imminence of Easter. Estimates placed the gain in dollar volume at about 8%, at the most, above the calendar week of last year, which, in turn, was about 4% under 1949.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period of March 17, 1951, advanced 10% from the like period of last year. In the preceding week an increase of 20% (revised) was registered above the similar week of 1950. For the four weeks ended March 17, 1951, an increase of 16% was recorded over that of a year ago, and for the year to date, volume advanced 20% from the like period of last year.

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Observations . . .

profits, can this be escaped. While the incidence on the individual shareholder depends on his respective tax bracket (the above table assuming the 25% maximum tax), it must be concluded generally that there is a penalty involved through the future realization of the past gains, and that hence the amount of such accumulated appreciation should be scrutinized by the prospective investor.

The Case of the Open-End Funds

In the case of the open-end funds, the amount of the tax incidence is simpler, but also present. Supposing a buyer gets in after a rise in assets from $100 to $140, at $140-plus-load; and then after a further $10 asset rise, there is capital gain distribution of the $50 profit. The high-bracket buyer will have to pay a tax of $12.50 (25% of 50); which means he will be out of pocket $2.50 plus the load.

There is a possible offset to this situation if he sells his trust shares at the distribution-lowered price ($100 in the above example) and can use this "loss" income-tax wise. But this might well be impracticable, and he would lose the amount of the load. In any event, the timing of the tax incidence is disadvantageously left to the discretion of the fund managers, rather than to him.

Accent on Income

Our conclusion from this discussion is that in the case of the closed-end companies, the discount and unrealized appreciation factors should further accentuate the importance of concentrating on *income* derived from continued holding; and that in the case of both closed- and open-ends, the amount of the unrealized appreciation which has been previously built up, must be understood as carrying correlated degrees of contingent penalty, as a quantitative offset to the approval of its evidencing of a good management record. As is the increasingly prevalent tendency throughout finance, taxation acts to penalize good management discriminatorily.

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Defense Program No Bar to High Level Export Trade

predicted no longer ago than last November that Yugoslavia would by now be attacked by Moscow's satellites, the Russians instead are discussing in Paris the terms on which the Big-Four Powers might reach their first important post-war agreement on Europe.

The wily men in the Kremlin are unquestionably on the defensive. And as we look back this morning it is certain that five shrewd moves on our part are mainly responsible for the blasting of their hopes for a quick conquest:

(1) First was the announcement last December of our huge defense program, for Moscow was on our side in the last war and has a bitter but realistic respect for our capacity to rearm on a fabulous scale and with almost miraculous speed.

(2) Next—and probably far more terrifying to the fanatical imperialists in the Politburo—was our shrewdly staged display of atomic power last month. Atomic abundance that can be spent so lavishly in mere tests cannot possibly fail to send cold shudders down the spines of the men in the Kremlin. Never forget: their main supplies of oil and manganese are barely 1,500 miles from our vast air bases in the eastern Mediterranean, and barely an hour's flight from the rapidly-developing new airdromes in Turkey.

(3) Despite the defense weakness of Western Europe today, don't overlook the gradual development of a unified military establishment in Western Europe under General Eisenhower. Stalin's decision even to allow today's preliminary Big Four conferences in Paris apparently acknowledges now that the United States is sufficiently aroused and amply prepared in the air to reduce to a shambles not only Western Europe's factories, if they were captured by a sudden Russian drive to the Atlantic, but also those in the Soviet Union. Any doubts he held that we would strike back fast must have been dispelled last week by General Ike's warning that he wouldn't hesitate a moment to bomb an attacking enemy at the first sign of assault.

(4) Dissention inside the Communist camp has reached serious proportions. Czechoslovakia, threatening a Tito-like revolt, is undergoing a bloody purge. So is China. Emergency measures have become necessary in Italy and France to hold the party in line. It's been a nerve-wracking winter for the Kremlin, on which the West can undoubtedly heap more trouble if it starts a new and massive propaganda drive fast.

(5) But behind all of these new moves, nothing hangs so heavily on the minds of the Politburo as the magnitude and efficiency of American industry. It is exciting for Stalin to have a corps of top-flight German scientists tucked away in a laboratory, modern beyond anything the Russians knew until a few years ago, and turning out guided missiles and ultra-modern radar models, but it's another thing to be able to turn these models into mass production when not even the shrinking of consumer goods output to a bare trickle leaves sufficient modern plant capacity to do a job that can match a single key factory in the United States. A group of technical leaders and skilled workers like those who make Pittsburgh, Cleveland or Milwaukee the great production centers that they are would give Stalin, if he had them solidly under his thumb, more genuine satisfaction than the conquest of Indo-China and the whole Malay Peninsula. Hitler and the Japanese warlords taught him how hollow is a conquest of mere raw materials if you lack the capacity to fabricate them fast into the machines of war.

These, then, are the five flashy but decisive moves which have so dramatically and effectively changed the thinking of the Pentagon in the last few weeks. War—all-out war with Russia—will always be a possibility so long as the present fanatical crowd control the Politburo. But, in contrast with six months ago, the odds are now against it this year unless we become overconfident and relax our drive. If we play our cards properly—both on the production front and at the diplomatic conference table—it could be that Stalin has lost his grand opportunity for a successful showdown with us.

War Outlook and Foreign Trade

What is the significance to world traders of this radical change in the war outlook? It is that probably four-fifths of us in this room this morning need to shift our foreign trade planning for the coming year to fit this new outlook. This is no time to abandon profitable overseas business on the assumption that it's all going to be wrecked by war anyhow. Rather it's time to see to it that we hang on to our overseas customers for, sooner than many of us believe, a new importance is going to be attached to them, both by us and by the officials directing our defense planning.

Actually, if we are to lay our foreign trade plans intelligently for the immediate future, most of us need to recheck the real production outlook in our own plants. It's not what we had expected it would be by March 20. And neither is the real production prospect for the next 18 months what we had anticipated.

(1) In the first place, most of us have the wrong measure of the scope of today's defense program.

We're still thinking in terms of 1942 to 1945. Then we were building factories, machinery, and finished munitions—all at once. We were building ourselves into the world's largest naval power and creating an emergency merchant fleet of thousands of ships. We were building radar and loran systems for ourselves and for all our allies. We were building a greater air force than the world even dreamed of up to 1942. And all the time we were doing this, we were pouring machine tools, and planes, and munitions, and expanded food output to fronts as remote and diverse as Britain, Africa, India, Australia, and China. And—never overlook this important difference—we were calling up at home a defense force of 12,000,000 men, and frantically training replacements and additions of almost that number to handle the skilled work required as this country double-*doubled* its prewar factory output.

Defense Production Job

Let's get realistic about what faces us today as a defense production job.

With double the plant capacity we had when we started the frantic arms program of 1942 we're setting out now to build far less than a quarter of what we built in the last giant production program.

There's no great effort at all in the naval field. We are rounding out a few minor holes in the Navy's setup, and building a hundred fast cargo ships capable of outrunning submarines. That's no test of our capacity; it doesn't even provide what should be normal peacetime employment in the permanent shipbuilding yards of a country that is today the world's leading naval power.

And as far as munitions are concerned, let's adjust these perspectives too. When Korea was attacked last June we had in storage in this country guns and munitions equal to a full year's supply measured at the maximum rate of expenditure during World War II. There were a few gaps, but they were largely in weapons developed since 1945. And, admittedly, we have been drawing on these stockpiles since last June. But neither you nor I need be confused about the comparative outgo in Korea in 1950 and on the two massive fronts in Europe and the Pacific in 1944 and

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Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

This should be a well-rounded dissertation about the mechanics, and/or science, of the stock market. It should go into details of the market action of the past week and show by example that certain things have happened, ergo! certain other things will also happen.

* * *

I'm outlining what the column should say. As you read further you'll see that it says nothing of the kind.

* * *

The chief reason is that such a column requires research and close application, neither of which I have time for. And besides whatever is written today, no matter how pontifical, can be changed overnight if certain developments, now on the horizon, materialize.

* * *

Since a clear cut warning was given here that the market was in for a ten-point reaction, nothing has happened of any significance. The reaction came and a small rally followed. The wails of "bear market" were heard all over the Street. The reasons for this were many and varied. If you bought them at the recent highs the "reasons" were poor consolation for the actual losses, even though you didn't actually take them. If you bought them at last week's lows, you haven't had much to cheer at either, though your position is more comfortable.

* * *

The sum total is that a minor rally at this juncture, though indicated, will not, in my opinion, be significant. If you ask the question, what would I consider significant at this point, I'd have to answer that I don't know. Each day's market has within it certain elements which, if added together, make the outline of the future. For the past week or so these elements have been too hazy to distinguish. Perhaps the next few days will clear the atmosphere.

* * *

All this means that the outline given here a few weeks ago, still applies. This, in effect, said that after a sharp decline, there would be a rally, followed by another decline. We are now in the second stage. The third is yet to be witnessed. Should it occur, new opportunities will appear; opportunities that I hope I'll be able to point to.

In the meantime, hold on to your recent purchases if any, but keep your major available market funds liquid. Don't let the bugaboo of inflation frighten you into exchanging cash for stocks.

* * *

Despite all the articles you've read, and will no doubt continue to read, money hasn't gone out of style. Don't throw it away as if it had.

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

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Defense Program No Bar to High Level Export Trade

1945. Nor is a business audience like this group of export managers likely to be in the dark about our ability—given today's manufacturing facilities—to make up in a few weeks for the supplies we've exhausted in today's war. All you need is the reminder of how to measure the true perspective of today's production problem. Unless Stalin lets loose with something really big—and there's no sign of that—our present job is actually limited to restoring a production line and running it long enough to fill the gaps. That's a job which can't possibly take an all-out effort for very long in a country with the gigantic productive and organizing capacity of the United States.

Our Tremendous Production

(2) But there is a second factor which has helped to becloud our perspective on the current emergency and what it can do to our supplies for export.

We are today pouring out the greatest supply of industrial goods since the war. January output was ahead of December and far ahead of a year ago. And, despite the fact that the first important wave of defense contracts since Charlie Wilson was appointed hit the market more than a month ago, and were supposed to throw production into a temporary tailspin, output dropped less than 1% in February and that was actually due more to the railroad "sick strike" than to any upset in reorienting ourselves to defense building. What's really being proved is that (a) you have retained more of the organization pattern from the last arms program, and more of the ability to make quick and efficient transitions than you realize, and that (b) this time the job—large as it sounds when discussed as a $60 billion program—will absorb actually a relatively small slice of today's capacity to produce.

What may soon become visible to you and me in what's been going on for the last two months is that our home market is overbought. Just as everyone has rushed to buy a new car, television set, refrigerator, and even a new house, so a lot of industrial customers have been replacing boilers, road graders, motors and compressors before they would normally be required.

If the tensions precipitated by Moscow get worse this spring there will be no letup in this buying. But if, as looks likely now, the fear of immediate war is waning—if it continues for even two months to look as though we are going to get through this year with no outbreak—you can look for a slowdown of this scare-buying.

Foreign Trade Will Become More Important

(3) This leads me to the third vital factor influencing today's foreign trade planning.

With the huge plant capacity that we have today, there's not one indication that we can't build the bulk of the defense requirements we now need within 12 months from the time that we get fully set for action. In that short time we can make practically all of the materials of war both to replenish stockpiles and to build up the minimum backlog which the Pentagon thinks necessary to meet any likely threat from Moscow. With that backlog of equipment the plan then is to cut back to mere maintenance levels. This means that by the end of 1952—if we keep to present schedules—both men and goods will rapidly become available for civilian production, and at a capacity bigger than anything this country has ever known.

It is the combination of these two sets of facts—no immediate all-out war with Russia, and a defense effort so carefully planned as to bring us to at least full striking power of the Russians in barely a year and a half—which presents you and me today with our new challenge.

Can we—as far too many of us are doing—afford to write off our overseas business, or to relegate it to the indifferent place to which it has already been reduced in recent months by many firms?

Not if our shortage problem is going to last little more than a year, and especially not when, at the end of that time, we shall have added another 10% to our plant capacity.

Last year was a good one for our chemical industries, but they depended on export markets to absorb nearly $800,000,000 of their massive output. This year the chemical industry is boosting its capacity 11% to handle the abnormal defense demand. It can't possibly ignore the need for big overseas markets as soon as the present emergency has passed.

Or, let's look at the automotive industry. In 1950, it had its biggest year. But expansion plans now on the books for 1951 call for another 17% boost in capacity. Can we possibly absorb this massive output at home when the emergency has passed? The Automotive Manufacturers' Association indicates that it wants to face no such prospect and is already organizing within itself a plan to hold exports during the emergency at the same fraction of civilian output—whatever that turns out to be—as in the best three-year average since 1945. That's the kind of positive planning that all of us need to do. No single industry in this country will be called upon to make a greater overall effort on defense production than the automotive. But shrewd management leaders long conscious of the importance of exports to their well-run business are already insisting on a reasonable allocation of reduced supplies for old and important overseas customers. Here is a model for all of us to emulate, and as quickly as possible.

But there is a shorter range problem which, though critical, now can be turned to our advantage.

Today's defense effort, on which hangs our chances for peace, calls for a flood of strategic imports. In January, they reached an all-time peak of more than $1 billion. Even at that fantastic level they failed to provide us with enough copper, tin, steel, sulphur and rubber. And our allies—all of them with growing defense plans of their own—are in the same tight spot.

If our production program is going to succeed—and it must succeed if we are to hold Stalin in check—we must have more imports of a long list of raw materials.

In this emergency, when we are not actually engaged in all-out war, we can't expect other nations to skimp on daily requirements in order to send us supplies any more than we are willing to sacrifice for them.

Efforts Must Be Continued

Our Latin-American neighbors, with friendly but blunt forthrightness, have already forewarned us that they must have certain minimum supplies of basic equipment if they are to increase their deliveries to us of tin and copper and iron ore. Next week they will arrive in force in Washington to present their case. By no group in this country more than you export managers should their appeals be more readily understood. And to no other group than you should our government be more confident to turn for an honest and realistic appraisal of which claims are justified and which are nothing more nor less than political porkbarreling from south of the Rio Grande.

It is on the claims of these and other good overseas customers that you and I need to base our strategy for initiating a reasoned export policy for the next 18 months.

We must demand official cooperation from Washington to see that a fair share of our non-defense output is specifically allocated to export. Whether or not all of our foreign economic activities are soon to be coordinated into a single agency, it is not unreasonable to demand of existing agencies that they give us specific support by providing a minimum basis for DO orders in export.

And when we win this cooperation, it is our responsibility to sell our own managements on the necessity to make no greater cuts in normal export allocations than in domestic civilian deliveries. On nothing less than that basis of equality of supply can we win and hold the confidence of our overseas customers. Once we adopt it, even if we can deliver far less goods than they want in the immediate future, they will be on our side.

The Challenge to Exporters

The challenge to us in this room today should be clear.

Our country and our business need a new foreign trade policy shaped to meet both the short-term and the long-term emergency precipitated by the Russians last June.

This policy should be framed around three basic factors—all now clearly evident:

(1) Stalin is not going to precipitate all-out war in the immediate future.

(2) While our defense program is the major obstacle in Moscow's way to world conquest, we can fulfill our present program by the end of 1952 and will then desperately need export markets to absorb an important part of our expanded output.

(3) In the interim 18 months we should demand of Washington and of our managements equality of treatment for our export as well as our domestic civilian customers.

It requires no miracle of foresight to look two years into the future and see in sure detail the issue which will face the 33d Annual Export Managers Get-Together in the spring of 1953.

We shall still have a Russian problem because that is going to be with us for a long time. But in the perspective of 1953—backed by an adequate and well-trained Army, a supply of the urgent weapons to support it, and possibly with the H-bomb—we shall be turning our full attention to keeping our vast production machine in full gear.

Almost inevitably then, we shall be asking ourselves: How can we find and maintain overseas markets for at least $14 billion of exports?

The extent to which you export managers take away from these meetings beginning today the vision to see that far ahead, the courage to fight for a sound interim allocation policy, and the persuasive power to sell it to your managements, will determine whether or not you really are ready to meet the foreign trade challenge of 1951.

Edwin A. Stephan With Goodbody in Chicago

Edwin A. Stephan

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Edwin A. Stephan has become associated with Goodbody & Co., 105 West Adams Street. Mr. Stephan was formerly in the trading department of First Securities Co. of Chicago and prior thereto was with Fred W. Fairman & Co. and Kebbon, McCormick & Co.

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)	Apr. 1	103.5	101.1	99.8	96.7
Equivalent to—					
Steel ingots and castings (net tons)	Apr. 1	2,069,000	2,021,000	1,995,000	1,843,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output — daily average (bbls. of 42 gallons each)	Mar. 17	6,042,750	6,047,150	5,936,900	4,844,000
Crude runs to stills — daily average (bbls.)	Mar. 17	¶6,372,000	6,366,000	6,444,000	5,381,000
Gasoline output (bbls.)	Mar. 17	20,341,000	20,368,000	20,425,000	17,936,000
Kerosene output (bbls.)	Mar. 17	2,628,000	2,730,000	2,904,000	2,129,000
Gas, oil, and distillate fuel oil output (bbls.)	Mar. 17	8,792,000	9,249,000	9,430,000	6,663,000
Residual fuel oil output (bbls.)	Mar. 17	9,473,000	9,499,000	9,209,000	8,014,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Mar. 17	140,671,000	139,056,000	134,598,000	135,052,000
Kerosene (bbls.) at	Mar. 17	13,084,000	12,802,000	13,314,000	13,592,000
Gas, oil, and distillate fuel oil (bbls.) at	Mar. 17	44,966,000	46,022,000	49,420,000	43,102,000
Residual fuel oil (bbls.) at	Mar. 17	37,753,000	38,224,000	39,874,000	41,966,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Mar. 17	745,365	749,627	740,557	725,534
Revenue freight received from connections (number of cars)	Mar. 17	708,312	725,881	717,538	670,642
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Mar. 22	$159,761,000	$220,851,000	$223,777,000	$177,330,000
Private construction	Mar. 22	59,776,000	139,746,000	140,562,000	111,584,000
Public construction	Mar. 22	99,985,000	81,105,000	83,215,000	65,746,000
State and municipal	Mar. 22	83,330,000	69,065,000	61,169,000	49,363,000
Federal	Mar. 22	16,655,000	12,040,000	22,046,000	16,383,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Mar. 17	9,870,000	*10,020,000	10,685,000	13,676,000
Pennsylvania anthracite (tons)	Mar. 17	412,000	529,000	890,000	1,215,000
Beehive coke (tons)	Mar. 17	149,800	*143,000	155,600	55,500
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE=100	Mar. 17	292	*303	272	264
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Mar. 24	6,847,786	6,903,264	6,833,000	5,993,062
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Mar. 22	170	185	127	186
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Mar. 20	4.131c	4.131c	4.131c	3.837c
Pig iron (per gross ton)	Mar. 20	$52.69	$52.69	$52.69	$46.38
Scrap steel (per gross ton)	Mar. 20	$43.00	$43.00	$43.00	$28.42
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Mar. 21	24.200c	24.200c	24.200c	18.200c
Export refinery at	Mar. 21	24.425c	24.425c	24.425c	18.425c
Straits tin (New York) at	Mar. 21	134.000c	134.000c	183.000c	77.125c
Lead (New York) at	Mar. 21	17.000c	17.000c	17.000c	10.500c
Lead (St. Louis) at	Mar. 21	16.800c	16.800c	16.800c	10.300c
Zinc (East St. Louis) at	Mar. 21	17.500c	17.500c	17.500c	10.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Mar. 27	99.53	99.61	101.14	103.18
Average corporate	Mar. 27	113.12	113.50	115.63	116.41
Aaa	Mar. 27	116.61	117.00	119.20	121.46
Aa	Mar. 27	115.82	116.22	113.20	119.82
A	Mar. 27	112.37	112.56	115.04	115.82
Baa	Mar. 27	108.34	108.52	110.15	108.88
Railroad Group	Mar. 27	110.15	110.52	112.75	111.62
Public Utilities Group	Mar. 27	113.31	113.50	115.43	117.40
Industrials Group	Mar. 27	116.22	116.61	118.60	120.22
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Mar. 27	2.53	2.52	2.41	2.26
Average corporate	Mar. 27	3.00	2.98	2.87	2.83
Aaa	Mar. 27	2.82	2.80	2.69	2.58
Aa	Mar. 27	2.86	2.84	2.74	2.66
A	Mar. 27	3.04	3.03	2.90	2.86
Baa	Mar. 27	3.26	3.25	3.16	3.23
Railroad Group	Mar. 27	3.16	3.14	3.02	3.08
Public Utilities Group	Mar. 27	2.99	2.98	2.88	2.78
Industrials Group	Mar. 27	2.84	2.82	2.72	2.64
MOODY'S COMMODITY INDEX	Mar. 27	526.2	523.2	528.2	357.7
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Mar. 17	245,852	254,539	215,033	194,402
Production (tons)	Mar. 17	250,490	249,472	243,154	205,932
Percentage of activity	Mar. 17	106	106	105	92
Unfilled orders (tons) at	Mar. 17	751,036	759,490	718,490	382,006
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1926-36 AVERAGE=100	Mar. 23	154.5	154.7	153.3	121.9
STOCK TRANSACTIONS FOR THE ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON THE N. Y. STOCK EXCHANGE—SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—					
Number of orders	Mar. 10	33,189	33,069	44,437	28,120
Number of shares	Mar. 10	958,212	971,729	1,332,109	830,839
Dollar value	Mar. 10	$41,738,785	$42,241,308	$57,290,522	$29,257,620
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Mar. 10	30,559	31,448	42,365	27,676
Customers' short sales	Mar. 10	240	449	280	213
Customers' other sales	Mar. 10	30,219	30,999	42,085	27,463
Number of shares—Total sales	Mar. 10	840,359	863,406	1,209,250	776,288
Customers' short sales	Mar. 10	12,418	16,107	9,850	8,235
Customers' other sales	Mar. 10	827,941	847,299	1,199,400	768,053
Dollar value	Mar. 10	$34,100,807	$35,253,907	$50,604,718	$28,150,205
Round-lot sales by dealers—					
Number of shares—Total sales	Mar. 10	260,730	242,870	347,300	258,730
Short sales	Mar. 10	------	------	------	------
Other sales	Mar. 10	260,730	242,870	347,300	258,730
Round-lot purchases by dealers—					
Number of shares	Mar. 10	355,510	366,450	459,750	278,640
WHOLESALE PRICES NEW SERIES — U. S. DEPT. OF LABOR—1926=100:					
All commodities	Mar. 20	183.9	183.4	183.3	152.4
Farm products	Mar. 20	204.6	*203.3	203.4	158.7
Grains	Mar. 20	187.0	189.1	192.3	164.6
Livestock	Mar. 20	272.9	268.4	270.9	196.6
Foods	Mar. 20	187.9	*187.8	189.5	155.1
Meats	Mar. 20	273.6	272.0	274.3	211.9
All commodities other than farm and foods	Mar. 20	171.1	*171.7	170.9	146.2
Textile products	Mar. 20	185.1	185.1	181.8	137.2
Fuel and lighting materials	Mar. 20	139.0	139.0	137.8	131.5
Metals and metal products	Mar. 20	189.3	189.3	188.7	168.5
Building materials	Mar. 20	227.7	227.2	226.7	194.0
Chemicals and allied products	Mar. 20	145.7	146.9	147.7	116.7

*Revised figure. ¶Includes 468,000 barrels of foreign crude runs.

	Latest Month	Previous Month	Year Ago
BANK DEBITS—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—			
Month of January (in thousands)	$123,224,000	$125,435,000	$95,359,000
BANKERS' DOLLAR ACCEPTANCES OUTSTANDING—FEDERAL RESERVE BANK OF NEW YORK—As of Feb. 28:			
Imports	$303,996,000	$285,694,000	$175,129,000
Exports	99,269,000	99,799,000	44,893,000
Domestic shipments	13,292,000	12,536,000	9,125,000
Domestic warehouse credits	23,073,000	23,583,000	15,687,000
Dollar exchange	1,877,000	2,329,000	25,000
Based on goods stored and shipped between foreign countries	28,727,000	29,334,000	10,903,000
Total	$470,234,000	$453,275,000	$255,762,000
BUILDING PERMIT VALUATION — DUN & BRADSTREET, INC.—215 CITIES—Month of February:			
New England	$23,134,600	$21,768,494	$8,163,678
Middle Atlantic	54,938,333	91,078,455	92,900,340
South Atlantic	42,372,682	50,007,866	35,068,782
East Central	46,473,404	84,502,453	53,699,662
South Central	59,139,485	91,441,307	76,003,349
West Central	14,176,924	22,958,102	13,780,829
Mountain	12,495,823	12,216,683	9,393,887
Pacific	69,009,112	72,908,041	54,111,051
Total United States	$326,740,363	$446,881,401	$343,121,578
New York City	24,348,571	51,032,885	67,454,496
Outside of New York City	302,391,792	395,848,516	275,667,082
BUSINESS FAILURES—DUN & BRADSTREET INC.—Month of February:			
Manufacturing number	107	132	170
Wholesale number	69	73	100
Retail number	304	410	399
Construction number	60	97	73
Commercial service number	59	63	69
Total number	599	775	811
Manufacturing liabilities	$6,134,000	$5,175,000	$7,905,000
Wholesale liabilities	1,891,000	2,259,000	4,166,000
Retail liabilities	4,357,000	10,376,000	6,386,000
Construction liabilities	2,228,000	2,393,000	1,824,000
Commercial service liabilities	1,399,000	1,482,000	1,875,000
Total liabilities	$16,009,000	$21,685,000	$22,156,000
BUSINESS INVENTORIES, DEPT. OF COMMERCE NEW SERIES—Month of December (millions of dollars):			
Manufacturing	$34,000	*$33,000	$28,900
Wholesale	10,800	*10,500	9,000
Retail	16,800	*16,800	13,700
Total	$61,500	$60,300	$51,600
CASH DIVIDENDS — PUBLICLY REPORTED BY U. S. CORPORATIONS — U. S. DEPARTMENT OF COMMERCE — Month of December (000's omitted)	$2,141,800	$189,600	$1,482,100
COKE (BUEAU OF MINES)—Month of Jan.:			
Production (net tons)	6,769,376	6,606,464	5,482,034
Oven coke (net tons)	6,057,833	5,980,557	5,357,740
Beehive coke (net tons)	711,543	625,907	124,294
Oven coke stocks ta end of month (net tons)	1,100,157	1,106,208	1,280,984
CONSUMER CREDIT OUTSTANDING—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM — Estimated short-term credit in millions as of Jan. 31:			
Total consumer credit	$19,903	*$20,102	$16,368
Instalment credit	13,255	*13,467	10,836
Sale credit	7,691	*7,909	6,174
Automobile	4,056	*4,126	3,179
Other	3,635	*3,783	2,995
Loan credit	5,564	*5,558	4,662
Noninstalment credit	6,648	*6,635	5,532
Charge accounts	4,233	*4,239	3,506
Single payment loans	1,353	*1,334	1,027
Service credit	1,062	*1,062	999
CONSUMER PURCHASES OF COMMODITIES—DUN & BRADSTREET, INC. (1935-1939=100)—Month of February	340.6	*360.3	284.3
COTTON GINNING (DEPT. OF COMMERCE):			
Running bales (exclusive of linters) report as of March 20	9,899,417	------	15,908,591
COTTON AND LINTERS — DEPT. OF COMMERCE — RUNNING BALES:			
Lint—Consumed month of February	894,602	1,040,891	739,482
In consuming establishments as of March 3	2,336,732	2,253,240	1,826,792
In public storage as of March 3	4,634,507	5,635,221	9,403,001
Linters—Consumed month of February	109,854	116,031	128,272
In consuming establishments as of March 3	328,067	299,494	343,158
In public storage as of March 3	131,445	121,541	65,630
Cotton spindles active as of March 3	20,885,000	20,900,000	20,413,000
DEPARTMENT STORE SALES—SECOND FEDERAL RESERVE DISTRICT, FEDERAL RSERVE BANK OF N. Y. — 1935-1939 AVERAGE= 100—Month of February:			
Sales (average monthly), unadjusted	197	237	*166
Sales (average daily), unadjusted	218	233	*184
Sales (average daily), seasonally adjusted	263	291	*222
Stocks, unadjusted	273	240	*218
Stocks, seasonally adjusted	281	273	*225
PROSPECTIVE PLANTING FOR 1949 — U. S. CROP REPORTING BOARD — ACREAGES IN THOUSANDS—As of March 1:			
Corn, all	85,694	------	84,370
All spring wheat	21,850	------	18,509
Durum	2,894	------	2,814
Other spring	18,956	------	15,695
Oats	44,191	------	46,642
Barley	11,413	------	13,235
Flaxseed	3,921	------	4,064
Rice	1,931	------	1,620
Sorghums for all purposes	12,540	------	16,587
Potatoes	1,590	------	1,866
Sweet potatoes	444	------	573
Tobacco	1,745	------	1,594
Beans, dry edible	1,664	------	1,632
Peas, dry field	244	------	240
Soybeans	13,772	------	14,704
Cowpeas	941	------	1,089
Peanuts	2,614	------	2,752
Hay	75,656	------	75,741
Sugar beets	887	------	1,013

*Revised.

Continued from page 12

What Should Be Our International Economic Policy?

nessed so well in Detroit, are carrying the production effort.

I am confident that rapid rearmament of the non-Soviet world will — within a short period — create superiority of political, economic and military strength on our part. Such a state of conditions would make the Kremlin stop, look and listen before embarking on other diversionary invasion movements. The Western World must concentrate its efforts for the next two or three years on harnessing its resources for defense.

In the process of rearmament, some distortions in production, prices and trade already have become apparent. Resources that would otherwise be available to civil consumption and investment in the promotion of freer trade and raising standards of living have been transferred to military needs.

The businessman (wherever he lives in the free world) is committed to do all in his power to assist his country in utilizing the productive facilities for the rearmament of the Western World. In our defense efforts we will undoubtedly have to endure mental and physical strain for an indefinite period if we are to maintain our freedom and economic liberties. Without freedoms the heart will have been removed from our defense.

The free world cannot go on focusing exclusively on being strong enough to wipe out aggression before it actually occurs. At some point, whenever the Kremlin will decide, there has to come a break in the international tension. At some point the success of the free world will be measured not by self-preservation efforts, but by our ability to expand economic capacity to such an extent that we can offer to both our own people and the people in the underdeveloped areas increased standards, both material and moral, that dictatorships of any kind are in no position to provide.

In the knowledge of this important factor, it stands to reason that the free world must move forward to expand its productive facilities, its economic strength, its scientific knowledge. So we therefore come to objective number two:

U. S. Dependent on External Resources

We cannot withdraw behind a protective curtain of isolation because for many vital commodities the United States is dependent on external resources. Of the 15 basic minerals, the United States is relatively self-sufficient in only six: coal, petroleum, iron, sulphur, phosphate and potash. In the case of iron, various ferro-alloys must be imported before steel can be made. The automobile industry in Detroit is well aware of the fact that 100% of tin, chrome and cordage fibers are imported. Ninety-two percent of our manganese and cobalt, 73% of tungsten and 34% of our yearly requirements for lead are mined outside of the United States. Our foreign economic policy must be based on a full realization of these facts. In order to make their economies most productive, the countries of the Western World need an adequate and equitable supply of required raw materials together with a flow of essential consumer goods.

To assure an adequate supply of strategic raw materials for all countries in the North Atlantic Treaty Organization (NATO), the Organization for European Economic Cooperation (OEEC) and the other non-Soviet nations, it is necessary to have in permanent operation joint allocation boards, eliminating thereby the inflationary effects of free market competition for scarce material. The price effects of such an uncontrolled rush for materials is imposing severe strains on the economy of some countries, including our own.

It is gratifying to know that a start in the direction of international allocation and procurement of materials is now being made. The current sessions of the raw material commodity groups in Washington are one way of controlling this weakness. It is essential, however, that private channels be assigned, wherever possible, the responsibility to carry out this raw material goal. Also, an international arrangement like this should be maintained only for the period of the emergency. Then, it is imperative that free market competition must be reinstituted.

There is still a puzzle as to who in Washington is responsible for our own international allocation-procurement activities. About 10 agencies and departments are in the picture despite the fact that the first order issued by Mr. Charles E. Wilson as Defense Mobilizer created an inter-departmental Committee on Foreign Supplies and Requirements under the Chairmanship of ECA Administrator William C. Foster.

The United States Government should **immediately** clarify the raw material situation so that there will be an end to the kind of vacuum that seems to persist in Washington. Instead of the many over-lapping agencies in the field now, there should be one government agency—possibly ECA —in sole charge of the **temporary** allocation and procurement of raw materials.

One of the most crying needs of the moment is the elimination of the inconsistent performance by a host of administrative agencies—some 23 of them—that have a governmental finger in the international economic pie with resultant confusion to all concerned.

Three notable and informed sources lately have proposed that the proper exercise of our foreign economic policy demands the consolidation of all the scattered efforts within a single governmental agency. Headed by a man of outstanding ability with public acceptance, this agency should have the equivalent of Cabinet status.

First, there was the Gordon Gray report, rather out-dated at this time because it was originally conceived before Korea. Then, the speeches and writings of our own United States Council Executive Committee member Paul Hoffman (who certainly knows this problem first-hand and can speak with feeling about administrative foul-ups in the government). And finally, we are confronted with the recent report of Nelson Rockefeller's International Development Advisory Board. (This report, though its other recommendations require careful study before we can determine whether businessmen should endorse them is unqualifiedly correct on the demand for a single agency.)

The Hoover Commission in many other fields has pointed out the waste and inefficiency and stupid duplication of much of our administrative structure in Washington and abroad. Here, in the field of foreign economic policy, is a situation ripe for a Hoover Commission approach.

These then are some factors that make up our short-range foreign economic policy.

Business Must Look Beyond Emergency

It behooves businessmen to look beyond this period of emergency, the period when we have reached a balance of power, with rearmament complete so that no nation would dare attack us. What will we do then, I might ask, with the resources in materials and manpower that have been increased. Will we have to cut back and expose ourselves to the fear of depression and unemployment? I think that every businessman in the United States should look ahead to that future date and ponder over the possibility of formulating a program that would assist in furthering economic growth and apply the gains made to the common good. This would enable us to minimize unemployment and to utilize the expanded resources in such a way that they will be available to more and more people.

At the forthcoming Congress of the International Chamber of Commerce, which will be held in Lisbon, Portugal, from June 10 through 16, the world business community, including the American representatives, will discuss aspects of such a program for action by the world business community. We hope that the Detroit business group will be most helpful in looking ahead along these lines when the United States Council, together with some of your outstanding groups here in Detroit, will have a meeting in your city on May 3. And of course, we sincerely hope that Detroit will be represented in Lisbon. It seems to us that these meetings provide a tremendous challenge to the businessman to preserve a competitive enterprise system which otherwise might falter.

If the free nations of the world do not succeed in avoiding economic maladjustments — if they fail to establish an environment in which communities can advance materially and spiritually —there is always the danger that the people will be driven into Communism. Only by our performance can we hope to contain the advances of Communism. Take the example of the Chinese. The Chinese farmer who has accepted or even welcomed Communism as relief from the misery, oppression and corruption of his lot will learn in time that the promises of the Communists are hollow. Collectivism will soon take back the land made available to him. The cancellation of debts, which was made possible through liquidation of the money lender, will be replaced by oppressive taxes. Communism will soon become a yoke.

But, Communism has never yet been eliminated in any country where a Communist regime obtained power. We must act, therefore, before the cancerous growth of Communism can spread.

An economic strategy for peace should certainly include a drive to reform traditional modes of production and distribution and increase sharply the productivity of men and machines. This is one way to meet threats of foreign aggression and international collapse. One of the major steps in that direction is to demonstrate the adaptability and flexibility of the American productive system to our European friends. "Fortune" magazine, in its February, 1951, issue, made quite an essential point in this respect. "United States business is the best-qualified group in all the world for getting the American idea across to European top management. It is hardly necessary," said "Fortune," "to suggest the means: there could be seminars and international conventions—organizations such as the International Chamber of Commerce are ready-made for this—trips and private exchanges of all sorts."

American Capitalism—as exemplified in particular by industry in Detroit—has learned that the secret of national prosperity is to eliminate the idea that the many cannot have what the few enjoy. American Capitalism of 50 years ago can hardly be recognized when compared with American Capitalism of today. Unhappily, the same cannot be said for European Capitalism. One of the gravest weaknesses in the armor of the Western World's economic policy is the persisting, time-worn attitude of European Capitalism.

In the United States the living standards and working conditions of the average citizen have shown constant and remarkable improvement. In Europe this has not been true. There are many reasons for this, including the trend to Socialism and the emphasis which European Capitalism places on an outmoded cartel system. Many European businessmen dislike competition. I think there is great danger in this state of mind. We must distinguish between Capitalism which works for the few and Capitalism which works for the many. The trend of European Capitalism has been away from a sense of responsibility to the community. I am sure the morale of people of Europe would rise if they could identify European Capitalism with a positive rather than a negative policy.

Today many ardent anti-Communists abroad are suspicious of the motives of American Capitalism. By explaining the true contribution of American Capitalism to the world in terms of the gains of the individual working men and women here in Detroit and in other great industrial centers, I am sure we as businessmen will develop our most successful weapon against Soviet propaganda. This should be a major component of our foreign economic policy.

We must win people as well as diplomatic and military battles if we hope to stop Communism. Communism has been making progress in other countries under oppression and poverty. Our long-range international economic policy must keep in mind that a removal of these conditions is an obligation. The Communists have imagination, boldness and courage —all couched in a fanatical devotion to a cause. We can reply with far more effective boldness and courage.

It is significant that I am speaking to you on the same day that in Washington the foreign ministers of the 21 American Republics are opening their deliberations on, among other things, how the raw material and productive resources of the Western Hemisphere can be stepped up.

Point three on the agenda of the sessions is the following:

"Emergency economic cooperation: (a) Production and distribution for defense purposes; and (b) production and distribution of products in short supply and utilization of necessary services to meet requirements of the American Republics and measures to facilitate in so far as possible the carrying out of programs of economic development."

As we understand it, the Latin American countries are asking such questions as: Can a reasonable market be guaranteed after the emergency for expanded Latin American production? Will we (Latin Americans) be able to obtain sufficient technological know-how from the United States to expand production and increase standards of living? The question of additional American capital investment will also be on the minds of our friends from below our southern borders.

We are asking the Latin Americans to expand raw material production for the current defense program. And the Latin Americans are determined, as we understand it, to bargain for a position where the gains made during the emergency would be of benefit after the emergency is over.

International Expansion of Private Investment

As part of our long-range foreign economic policy, there should be an expansion in the investment of private companies abroad. Many American companies that have invested in subsidiaries and affiliates abroad have had satisfactory experience with the exception of transferring earnings to the United States. Naturally, we must do all in our power to convince the government that the obstacles to foreign investments, such as double taxation, lack of convertibility and other similar controls, be corrected so that American business will have incentives to take its dollars abroad.

Private investment going abroad is a desirable way to fortify the economies and raise the standards of living of foreign countries. It is a most effective countermove to the conditions that breed poverty and oppression. Private foreign investment would also relieve the taxpayer of the burden of providing through his government direct assistance and grants to other nations. When private capital goes abroad it brings with it American know-how and managerial skill and thus directly contributes to the welfare of the recipient nations.

But we must be realistic: Congress should provide much of the necessary encouragement by passing legislation deferring taxation of earnings on foreign activities of American companies until they are brought home. At the same time bilateral treaties must be concluded to assure the transfer of earnings to corporations in capital exporting countries and to eliminate double taxation.

You will hear more about such programs from the International Chamber of Commerce and the United States Council. Our Foreign Investment Committee is at work now to offer specific recommendations to governments and business looking to increased flow of capital across boundaries.

Summary of Recommendations

In summary, our foreign economic policy, both short-range and long-range, should embrace the following:

(1) Establishment and maintenance of just and lasting peace as our paramount objective.

(2) All-out drive to stop inflation in every part of the free world.

(3) Increase of efforts to develop, procure and allocate raw materials internationally—to be maintained for period of emergency only.

(4) Development of non-Soviet world's strength at rapid rate.

(5) Administration of all United States aid efforts under a single agency.

(6) Enlightened and active United States world economic leadership.

(7) Planning by business today beyond emergency period.

(8) Fulfillment of business role with enlightened cooperation by governments in making possible an extensive flow of foreign investment abroad.

These ideas reflect the discussions at the International Chamber of Commerce and the United States Council; they also reflect discussions with government leaders in many parts of the world.

In the past, the United States has followed a short-sighted course in our foreign economic relations. We sought and rejoiced in the expansion of our foreign trade. But we were reluctant to accept the fact that it lacked a healthy balance and that it was being sustained by loans and grants that in the end would be too great a burden on foreign debtors, not to mention our own taxpayers.

We claimed repayment of war debts which prejudiced prospects of solvency of private industrial development which we ourselves were encouraging.

It is a challenge to the American business community to learn from our mistakes and to act accordingly.

We would be right in risking much on the faith that economic improvement and development, widely shared and achieved by cooperative efforts, will make it more likely that the free nations will stand together. The ultimate result would be that at some day in the future the Soviets will realize the futility of their efforts in undermining the free nations and suspend their struggle for world domination. We must be ready to work in this direction and to rise above the problems of the day and plan as business statesmen.

Continued from page 4

How Stop Inflation?

too much money—are they getting too large a share of national income? Government statistics provide the answer to this question.

In the decade of the 1920's and again in the decade of the depressed '30's, stockholders received just about six cents out of each dollar of the national income. In 1950, the amount going to stockholders was only four cents out of each dollar of national income.

These stockholders are the ones who have provided the capital that gives American workmen the factories, machinery and equipment necessary to turn out our phenomenal production. And I emphasize that they're now getting only four cents of each dollar as against six cents of each dollar of national income during the '20's and '30's.

If we want to get continued sizable investment in corporations — production — increasing investment — it would be shortsighted to tax away even more of the share going to stockholders. Of course, stockholders pay personal income taxes on their dividends in any case.

Now, what of that portion of profits that has not been used for dividends or taxes? Is there a surplus here that could be taxed away without hurting our productive capacity? Again, the answer is to be found in government statistics.

In 1949, corporations had, after the payment of taxes and the payment of dividends, $11.4 billion. But they spent more. In that year corporations invested $13.1 billion in plant and equipment alone. In 1950, corporations had, after the payment of taxes and the payment of dividends, $8.2 billion. Again they spent more—much more. In that year corporations invested $17 billion in plant and equipment alone.

From these figures, it is evident that corporation profits have not been adequate for expansion and particularly the accelerated expansion we need now to build up our productive facilities for national defense.

To summarize: A further tax on corporations at this time means one or more of these three things:

(1) Reduced dividend payments despite the fact that stockholders are now getting less than their traditional share of the national income.

(2) Curtailment of investment or heavier borrowing by the corporations. (A curtailment of investment would mean less expansion and improvement of American productive capacity at this dangerous period in our history. Heavier borrowing would, in part, add to inflationary pressure.)

(3) The passing on of any increase in taxes to the public in the form of higher prices.

All of these alternatives are open to serious question when you consider the long-term welfare of the nation. And, obviously, none of them can yield a significant amount toward meeting our present revenue needs.

What About Further Taxes on Individual Income?

A second great potential source of revenue is individual income. The facts in this field are also provided by the government. Total personal income in 1951 is estimated to be $230 billion. Of this amount only $90 billion, or 39%, will be subject to income tax. Let's look at these two parts separately.

First the Amount on Which Taxes Now Are Paid

Of this amount, $77.5 billion will be in the taxable income brackets of $6,000 or less; $9.5 billion will be in the taxable income brackets from $6,000 to $26,000; and only $2.9 billion will be in the taxable income brackets of $26,000 and over. Again, it looks like we've found potential pay dirt. But again let's look at the facts. How much do these income taxpayers **now** have left after taxes? How much more could we get out of each of these groups?

The figures are quite amazing. They're from data supplied by Secretary of the Treasury Snyder in his statement before the House Ways and Means Committee, Feb. 5, 1951. If the government imposed a tax rate of 100% at the taxable income of $100,000 and above, it would yield only an additional $58.2 million. If the government imposed a tax rate of 100% at the taxable income of $26,000 and above, it would get only an additional $767 million. If the government imposed a tax rate of 100% at the taxable income of $10,000 and above, it would secure an additional $3½ billion.

Clearly, further large sums could not be secured by raising the income taxes of those in the middle and upper brackets. There just isn't enough income left after today's taxes to raise the funds needed.

All right. What of the $140 billion of income that is not subject to income tax now? Does this offer a possibility? Yes, this huge reservoir of income may be called upon to contribute a share to the increased expenses of the defense effort.

What is the best and fairest way for tapping it? There are three possibilities: (1) Income tax exemptions can be reduced; (2) a retail sales tax can be used; or (3) a manufacturers' excise tax can be used.

Now, most feel that reducing individual income tax exemption is a method which should be used only as a last resort. The retail sales tax is a real possibility but has certain definite disadvantages: (1) Twenty-nine states already are using the retail sales tax. (2) In view of this, the Federal government probably ought to stay out of this field. (3) It is extremely difficult to give any exemptions under a retail sales tax. For example, to exempt food and service. If such exemptions are attempted, they result in endless confusion and materially increase both the cost of collection of the taxes and tax avoidance.

With a retail sales tax, there would be a minimum of 3,000,000 business units collecting taxes for the government.

To handle the returns from such a large number would mean tens of thousands more people on the government's payroll. Even then tax avoidance doubtless would be widespread.

The manufacturers' excise tax has none of these disadvantages. First, there would be no duplication between Federal and state tax sources; second, it's simple to make exemptions at this level and thereby free food, food products and services from such a tax; third, there would be only about 300,000 collecting agencies.

Specifically, what type of manufacturers' uniform excise tax should be used? Our recommendations are clearcut. It should be only on the end-product of manufacturing. It should exempt food and food products.

Now, here's an important point. **Since food, food products and rent would be excluded, this would mean that nearly 50% of the budget of moderate income families would be exempt from the tax.**

Taxes on alcohol and tobacco, which now yield about $3.5 billion, should be held at the present level, rather than be subject to the proposed new uniform excise tax. The rates should be uniform for all items subject to the tax—thereby eliminating the present unjust hodge-podge of excise rates.

How much could such a tax yield? It's estimated that each 1% of the tax would yield just under $1 billion. Specifically, 10% uniform manufacturers' excise tax, with the exemptions indicated, would yield an estimated $9 billion. A 20% tax would yield about $18 billion.

I want to point out strongly that there is no evidence that a manufacturers' uniform excise tax would be pyramided between the manufacturer and the consumer. There is no more intensely competitive area of American business than merchandising. Trying to make an extra, easy profit by marking up goods enough to take an additional margin on the tax would immediately invite underselling by a dealer's competitor.

And, when the competitive situation in marketing is considered, it is inconceivable that there would be none to take advantage of this opportunity to undersell.

Now let me summarize NAM's four-point anti-inflation program:

(1) Through effective use of the powers of the Federal Reserve System, the private credit system can be prevented from leading us to further inflation.

(2) Through a serious program of economy, governmetn expenditures can be held to the minimum necessary for meeting the present emergency.

(3) Through broadening the base of the Federal tax system, by adoption of a manufacturers' uniform excise tax, government can raise the funds needed to keep the Federal budget in balance, thereby protecting the value of the dollar.

(4) Through increased productivity and production we must produce the volume of goods that will absorb the dollars that are chasing scarce goods and driving prices up today.

Now What About Controls?

Nothing must be permitted to interfere with carrying forward the defense program. Necessary supplies and necessary materials must be made available. And there must be no holding back on converting these materials into needed products.

This means that government must have the power to allocate material and issue priorities for defense production; and that government must have the power to force producers to carry forward the program.

What about price controls? Well, price controls have been tried since ancient Rome—and they have never prevented inflation. They have never worked so long as the supplies of goods and money were out of balance with each other.

Even death penalties for violations of price control rules, as some governments tried, failed completely. And we do not believe that price controls can protect the purchasing power of the dollar today.

This is true regardless of how well controls are designed and regardless of how expertly they are administered. It is true because prices are a reflection of the supply of buying power in relation to the supply of goods on the market.

With the program outlined, the supply of buying power and the supply of goods available for purchase will remain in balance. Under these circumstances the price level will not and cannot advance. Individual prices can move up or down, but not the over-all level of prices.

Even with the program outlined, would not labor continue to demand and get higher and higher wages? Undoubtedly labor unions would continue to demand higher wages. But wages can only be paid out of the sale of products, as determined by consumer demand. **If the over-all price level cannot advance,** then over-all wages will not advance except as production per man-hour increases, or at the expense of the income of some other segment of the economy.

Now, ladies and gentlemen, no one today can say how much of our production we will have to devote to our defense program during the coming years. At the peak of World War II some 46% of our output of all goods and service was taken for military needs. Current plans for the foreseeable future anticipate a maximum take for the military of around 20%.

This will be a heavy load, especially since there is no end in sight. It will mean substantial sacrifices all along the line. Whether these sacrifices are equitably distributed, whether we carry the load and remain strong, or whether the future strength of the nation is undermined and we fall prey to Communistic forces, will depend primarily upon the wisdom of the program we adopt at this time.

If the issue were merely paying-as-we-go or not paying, it would be comparatively simple. When you come right down to it, we always have to pay as we go. We either pay in taxes or we pay in inflation. During World War II, we paid about 40% in taxes and the other 60% in inflation—the inflation that doubled our price level and undermined the real value of our government bonds, our pension plans, the financial security which tens of millions of our citizens had succeeded in establishing for themselves.

We paid at the time. And we are still paying—through continuing inflation and through heavy taxes today to take care of the interest and principal of the huge Federal debt we accumulated.

The program outlined will prevent a repetition of this experience—or worse. It will protect the American dollar—and thus, the financial security of our people. It will protect the incentives which have made this the most productive nation in the world and all that this means during the present emergency. It will protect our economic strength and enable us to remain a nation of free men.

POSSIBLE BUDGET REDUCTIONS

Non-Defense Items

(Millions of Dollars)

	President's Request 1952	NAM Recommendation Fiscal Year 1952	Reduct'n of President's Request
1. Finance, Commerce & Industry	1,524	460	1,064
2. Labor	215	199	16
3. Transportation (excl. of Merchant Marine, Coast Guard, Panama & Alaska)	1,073	650	423
4. Natural Resources (excl. of Atomic Energy)	1,244	829	415
5. Agriculture & Agriculture Resources	1,429	943	486
6. Housing & Community Development	—102	—202	100
7. Education & General Research	483	93	390
8. Social Welfare, Health & Security	2,625	2,216	409
9. General Government (excl. of interest, refunds, claims)	1,228	1,106	122
10. Veterans' Services & Benefits	4,911	4,706	205
	14,630	11,000	3,630
11. Reduction in number of civilian employees			1,020
			4,650

Bankers Underwrite Utility Stock Offer

Washington Gas Light Co., a 102-year old utility operating principally within the District of Columbia, is offering today (March 29) to holders of its common stock, rights to subscribe to 122,400 additional shares of common stock at the rate of one new share for each five shares held of record March 27, 1951. The stock is priced at $24.10 per share with the transferable subscription warrants expiring at 3 p.m. on April 11, 1951. The First Boston Corp. and Johnston, Lemon & Co. jointly head an investment banking group which will purchase from the company any unsubscribed shares.

Washington Gas Light Co. and its subsidiaries were the first on the Atlantic Seaboard to convert to straight natural gas which they distribute and sell within the metropolitan area of Washington, and adjoining territories in Maryland and Virginia. Total revenues on a consolidated basis as reported by the company for the year 1950 amounted to $23,485,000 and net income was $2,489,000, equal after preferred dividends to $3.21 per common share compared with $1.68 per share in 1949. The company has paid dividends on its common stock for each of the past 93 years. The current annual rate of $1.50 per share has been maintained for the past 12 years.

With William J. Mericka

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Charles J. Ford has joined the staff of Wm. J. Mericka & Co., Inc., Union Commerce Building, members of the Midwest Stock Exchange.

With Minneapolis Assoc.

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn. — William G. M. Smith has been added to the staff of Minneapolis Associates, Inc., Rand Tower.

Securities Now in Registration

● INDICATES ADDITIONS SINCE PREVIOUS ISSUE

● Aberdeen Petroleum Corp., Tulsa, Okla.
March 14 (letter of notification) 5,000 shares of capital stock (par $1). **Price**—At market (about $5 or $6 per share). **Underwriter**—None. **Proceeds**—To Russell F. and Margaret Kerr Hunt, two selling stockholders. **Office**—First National Building, Tulsa, Okla.

● Air Power Publishing Co., Inc. (4/2)
March 23 (letter of notification) $65,000 of 10-year 5½% convertible notes due March 31, 1961. **Price**—At par (in denominations of $100, $500 and $1,000 each). **Underwriter**—None. **Proceeds**—For working capital. **Office**—15 West Clinton Avenue, Tenafly, 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.

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.

American Gas & Electric Co. (3/29)
Feb. 28 filed 339,674 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**—$52.25 per share. **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**—To be received up to 11 a.m. (EST) on March 29, at company's office, 30 Church Street, New York 8, N. Y. Statement effective March 19.

● Artloom Carpet Co., Inc., Philadelphia, Pa. (4/25)
March 27 filed 78,556 shares of common stock (no par), to be offered to common stockholders of record April 25 on basis of one share for each four shares held, with oversubscription privileges. **Price**—$10 per share. **Underwriter**—None. **Porceeds**—For working capital.

Black, Sivalls & Bryson, Inc., Kansas City, Mo.
March 15 filed 120,000 shares of common stock (par $1), to be offered for subscription by common stockholders at rate of one share for each three shares held. **Price**—$12.50 per share. **Underwriter**—F. S. Yantis & Co., Inc., Chicago, Ill. **Proceeds**—To acquire stock of Zenite Metal Corp.

● Brad Foote Gear Works, Inc., Cicero, Ill.
March 19 (letter of notification) 150,000 shares of common stock (par 20 cents). **Price**—$2 per share. **Underwriter**—Georhart, Kinnard & Otis, Inc., New York. **Proceeds**—For working capital. **Office**—1309 So. Cicero Avenue, Cicero, Ill.

Bristol Silver Mines Co., Salt Lake City, Utah
March 2 (letter of notification) 1,633,124 shares of common stock being offered for subscription by stockholders of record March 15, 1951, at rate of one share for each two shares held (with an oversubscription privilege); rights to expire on or about April 28. **Price**—At par (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 extended from March 26 to April 30. Georgeson & Co. soliciting exchanges. Statement effective Feb. 21.

Burlington Mills Corp. (4/4-5)
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.

● Burney Mines, Inc., Tucson, Ariz.
March 20 (letter of notification) 1,500 shares of common stock. **Price**—At par ($100 per share). **Underwriter**—None. **Proceeds**—To develop mining properties. **Office**—2422 N. Balboa Ave., Tucson, Ariz.

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."

● Calcasieu Paper Co., Inc., Elizabeth, La.
March 21 (letter of notification) 23,333 shares of common stock (par $10). **Price**—$15 per share. **Underwriter**—None. **Proceeds**—To retire indebtedness and to finance expansion.

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.

● California Water & Telephone Co. (4/5)
March 19 filed 40,000 shares of common stock (par $25). **Price** — To be supplied by amendment. **Underwriter** — Blyth & Co., Inc., New York. **Proceeds**—To repay bank loans and for new construction.

● Celanese Corp. of America (4/11)
March 22 filed 1,000,000 shares of cumulative convertible preferred stock, series A (par $100), to be offered to common stockholders of record April 11, 1951, at rate of six shares for each 35 shares held; rights to expire on April 25. The opportunity to exchange 7% second preferred stock for new preferred stock is to be given to existing holders. **Price** — Plus dividend rate, to be supplied by amendment. **Underwriter** — Dillon, Read & Co., New York. **Proceeds**—To retire $44,100,000 of first preferred stock, and for capital additions to plants and facilities.

● Celanese Corp. of America (4/11)
March 22 filed $100,000,000 of sinking fund debentures due April 1, 1976. **Price**—Plus other details, are to be supplied by amendment. **Underwriter** — Dillon, Read & Co. Inc., New York. **Proceeds** — To refund $75,908,750 funded debt, for capital and additions to plants and facilities and for general corporate purposes.

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 being 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 held as of record March 13. This offer will expire on April 3. 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. Statement effective March 12.

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.

● Chester Telephone Co., Chester, S. C.
March 15 (letter of notification) 360 shares of common stock. **Price**—$100 per share. **Underwriter**—None. **Proceeds** — For plant improvements. **Office** — 109 Wylie Street, Chester, S. C.

Chevron Petroleums, Ltd., Toronto, Canada
March 14 filed 900,000 shares of common stock (par $1) to be offered "as a speculation." **Price** — 50 cents per share. **Underwriter**—Willis E. Burnside & Co., Inc., New York. **Proceeds**—To take up option and develop properties.

Colorado Central Power Co.
Feb. 28 (letter of notification) 19,037 shares of common stock (par $5) offered to common stockholders of record March 1, 1951 at rate of one share for each 8.2 shares held with an oversubscription privilege; rights expire April 2. **Price**—$14 per share. **Underwriter**—None. **Proceeds**—For construction program. **Office**—3470 So. Broadway, Englewood, Calif.

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.

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.

● Coronada Mines, Inc., Tulsa, Okla.
March 15 (letter of notification) 160,000 shares of common stock (par $1), of which 70,000 shares are to be issued to repay loans made to corporation by stockholders and 90,000 shares are to be offered privately and personally to business associates of present stockholders. **Price**—$2.50 per share. **Underwriter**—None. **Proceeds**—For additional equipment and development costs. **Office**—Wright Building, Tulsa, Okla.

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.

● Cudahy Packing Co. (4/17)
March 23 filed $10,000,000 sinking fund debentures due April 1, 1966. **Price** — To be supplied by amendment. **Underwriter**—Halsey, Stuart & Co. Inc. **Proceeds**—To reduce bank loans by $9,000,000, and the balance added to working capital.

Culver Corp., Chicago, Ill. (4/10)
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 and to public at about $6.75 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.

● Daystrom, Inc., Elizabeth, N. J.
March 26 (letter of notification) not in excess of 900 shares of capital stock (par $10). **Price**—$17 per share. **Underwriter**—Probably Kidder, Peabody & Co., New York. **Proceeds**—To holders of fractional interests issued in lieu of fractional shares on Nov. 15, 1948.

Deep Rock Oil Corp., Tulsa, Okla.
March 16 filed a maximum of 7,000 shares of common stock (par $1) to be issued in connection with about 1,100 memberships in the stock purchase plan for employees involving anticipated contributions not to exceed $240,000.

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.

● Duke Power Co. (4/6)
March 22 filed 126,255 shares of common stock (no par) to be offered to common stockholders for subscription on basis of one share for each 10 shares held as of April 6, 1951, with an oversubscription privilege. **Price**—$75 per share. **Underwriter** — None. **Proceeds** — For construction program.

● Duke Power Co. (4/16)
March 22 filed $35,000,000 first and refunding mortgage bonds due April 1, 1981. **Underwriter**—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. **Offering**—Expected about Apr. 16.

Duncan Coffee Co., Houston, Tex.
March 20 filed 150,000 shares of class A convertible common stock (par $2.50). **Price**—To be supplied by amendment. **Underwriters**—Underwood, Nehaus & Co., Houston, Tex., and Dewar, Robertson & Pancoast, San Antonio, Tex. **Proceeds**—To H. M. and C. W. Duncan, President and Vice-President, respectively, who are the two selling stockholders.

● Elfun Trusts, New York
March 26 filed 100,000 units of trustees certificates (subscription limited to officers and employees of General Electric Co.). **Underwriter**—None.

● Equity Fund, Inc., Seattle, Wash.
March 19 filed 500,000 shares of common stock (par 20 cents). **Price**—At market. **Underwriter and Distributor**—Pacific Northwest Co., Seattle, Wash. **Proceeds**—For investment.

● **Erie Forge Co. (4/2)**
March 20 (letter of notification) 75,000 shares of common stock (par 10 cents). **Price**—$4 per share. **Underwriters**—Lee Higginson Corp. and P. W. Brooks & Co., Inc., New York. **Proceeds**—For working capital. **Offering**—Expected on April 2.

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.

Food Machinery & Chemical Corp. (4/10)
March 14 filed $25,000,000 of 25-year sinking fund debentures due March 15, 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.

Forming Machine Co. of America, Inc.
March 16 (letter of notification) 450 shares of common stock (par $1), to be offered to common stockholders of record about March 26 on a basis of one share for each five shares held (with an oversubscription privilege good to April 14); rights expire on April 4. **Price**—$100 per share. **Underwriter**—None. **Proceeds**—For working capital. **Office**—18 Hamilton Street, Bound Brook, N. J.

● **Gamble-Skogmo, Inc.**
March 19 (letter of notification) 1,345 shares of common stock (par $5). **Price**—At market (approximately $9 per share). **Underwriter**—None. **Proceeds**—To Edith L. Feldtkeller, the selling stockholder.

● **Gas Light Co. of Columbus (Ga.)**
March 9 (letter of notification) $250,000 of 6% cumulative preferred stock to be offered for subscription by common stockholders. **Price** — At par ($50 per share). **Underwriter**—None. **Proceeds**—From sale of stock, together wtih proceeds from private sale of $750,000 mortgage bonds to Northwestern Mutual Life Insurance Co., to expand natural gas distribution system. **Office**—107—13th St., Columbus, Ga.

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 Shoe Manufacturing Co., Inc., Buford, Georgia**
March 16 (letter of notification) $50,000 of 8% debentures (in denominations of $50 each). **Price**—At par. **Underwriter**—None. **Proceeds**—For working capital.

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.

Granite City Steel Co. (4/3)
March 14 filed 248,600 shares of common stock (par $12.50) to be offered for subscription by common stockholders of record April 3 on basis of one share for each 3½ shares held; rights to expire on April 17. **Price** — To be supplied by amendment. **Underwriters** — The First Boston Corp. and Merrill Lynch, Pierce, Fenner & Beane, both of New York. **Proceeds**—For expansion program.

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.

Gulf States Utilities Co. (4/24)
March 21 filed 200,000 shares of common stock (no par). **Underwriters**—To be determined by competitive bidding. Probable bidders: Merrill Lynch, Pierce, Fenner & Beane and Lehman Brothers (jointly); Stone & Webster Securities Corp. **Proceeds**—For new construction and general corporate purposes.

● **Gunnison Oil Co., Salt Lake City, Utah**
March 15 (letter of notification) 750,000 shares of nonassessable common stock. **Price**—At par (10 cents per share). **Underwriter**—None. **Proceeds**—To explore for oil and drill wells. **Office**—659 So. 11th East Street, Salt Lake City 2, Utah.

Gyrodyne Co. of America, Inc.
March 14 (letter of notification) 34,320 shares of class A common stock (par $1). **Price**—$5 per share. **Underwriters**—Company itself in New York, and Jackson & Co., Boston, Mass. **Proceeds**—For partial financing of anticipated military contracts and for acquisition of new manufacturing facilities. **Office**—80 Wall Street, New Fork 5, N. Y.

Hamilton Fire Insurance Co., Philadelphia
Oct. 2 (letter of notification) 64,000 shares of capital stock (par $5). **Price**—$4.50 per share. **Underwriter**—Jenks, Kirkland & Grubbs, 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.

● **Incorporated Investors, Boston, Mass.**
March 26 filed 400,000 shares of common stock (par $5). **Price**—At the market. **Distributors**—The Parker Corp., Boston, Mass. **Proceeds**—For investment.

NEW ISSUE CALENDAR

March 29, 1951
American Gas & Electric Co. 11 a.m. (EST)..Com.

March 30, 1951
Detroit Edison Co.....Common
Mountain States Telephone & Telegraph Co...Com.
Piedmont Natural Gas Co., Inc.....Notes & Com.

April 2, 1951
Air Power Publishing Co., Inc.....Notes
Erie Forge Co.....Common
Lone Star Steel Co.....Common
Lone Star Steel Co.....Common
North American Acceptance Corp.....Preferred
Rapid Film Technique, Inc.....Common

April 3, 1951
Granite City Steel Co.....Common
Honolulu (Territory of Hawaii)
2 p.m. (EST).....Bonds
Indiana Associated Telephone Corp.....Preferred
Potomac Edison Co. 11 a.m. (EST).....Bonds
Pyramid Electric Co.....Pfd. & Common
Southern Co. 11:30 a.m. (EST).....Common
Southern Pacific Co. noon (EST)...Eq. & Tr. Ctfs.
Tennessee Gas Transmission Co...Pfd. & Common
Worcester County Electric Co. noon (EST)..Bonds

April 4, 1951
Burlington Mills Corp.....Preference
Consolidated Cigar Corp.....Preferred
Thompson Products, Inc.....Debs. & Common
Vanity Fair Mills, Inc.....Common

April 5, 1951
California Water & Telephone Co.....Common
Inter-Mountain Telephone Co.....Common
Oklahoma Gas & Electric Co.....Common

April 6, 1951
Duke Power Co.....Common
Wisconsin Power & Light Co.....Pfd. & Common

April 9, 1951
Plywood, Inc.....Debentures
Sattler's, Inc.....Common

April 10, 1951
Culver Corp.....Common
Food Machinery & Chemical Corp.....Debentures
Mountain States Power Co. 11 a.m. (CST)..Bonds
Mountain States Power Co. 10:30 a.m. (CST).Com.

April 11, 1951
Celanese Corp. of America.....Debs. & Pfd.

April 16, 1951
Duke Power Co.....Bonds
Public Service of Oklahoma.....Bonds

April 17, 1951
Cudahy Packing Co.....Debentures
Peabody Coal Co.....Debentures & Pfd.
Warner-Hudnut, Inc.....Common
Wisconsin Power & Light Co.....Bonds

April 19, 1951
Illinois Central RR.....Equip. Trust Ctfs.

April 24, 1951
Gulf States Utilities Co.....Common
Monongahela Power Co.....Bonds

April 25, 1951
Artloom Carpet Co., Inc.....Common

May 1, 1951
Consolidated Edison Co. of New York, Inc...Bonds
Telegift, Inc.....Common

May 2, 1951
Ohio Edison Co. 11 a.m. (EST).....Pfd. & Com.

May 14, 1951
Consolidated Natural Gas Co.....Debentures

June 5, 1951
Georgia Power Co.....Bonds

July 17, 1951
Mississippi Power Co.....Preferred

September 11, 1951
Alabama Power Co.....Bonds

Indiana Associated Telephone Corp. (4/3)
March 19 filed 20,000 shares of $2.50 cumulative preferred stock (no par). **Price**—To be suppiled by amendment. **Underwriter**—Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp. **Proceeds**—For new construction, etc.

Inter-County Telephone & Telegraph Co.
March 12 (letter of notification) 3,000 shares of 5% cumulative preferred stock, series B. **Price**—At par ($25 per share). **Underwriter**—Florida Securities Corp., St. Petersburg, Fla., and H. W. Freeman & Co., Ft. Myers, Fla. **Proceeds**—For general corporate purposes.

Inter-Mountain Telephone Co. (4/5)
March 16 filed 142,500 shares of common stock (par $10) to be offered for subscription by common stockholders on basis of one share for each two shares held on April 5, 1951; rights to expire on April 26, 1951. Of the total, 64,164 shares will be purchased by two principal stockholders, to wit: Southern Bell Telephone Co. and Chesapeake & Potomac Telephone Co. of Virginia. **Price**—To be supplied by amendment. **Underwriter**—Courts & Co., Atlanta, Ga. **Proceeds**—To reduce indebtedness.

Israel (State of)
March 19 filed $500,000,000 of "Independence Issue" bonds, in two types, viz: 15-year 3½% dollar coupon bonds due May 1, 1966; and 12-year dollar savings bonds to be dated the first day of the month in which issued and to have a maturity value of 150% of par. **Price**—At 100% of principal amount. **Underwriter**—American Financial & Development Corp. for Israel. **Proceeds**—For economic development of the State of Israel. **Office**—Authorized agent is located at 11 East 70th St., New York, 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.

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.
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**—Only one bid was received by company on March 27, from Halsey, Stuart & Co. Inc., which was returned unopened. Statement effective March 14.

Jersey Central Power & Light Co.
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**—Only one bid, from Salomon Bros. & Hutzler, was received March 27, which was returned unopened. Statement effective March 14.

Kingsburg (Calif.) Cotton Oil Co.
March 8 (letter of notification) 42,187 shares of common stock (par $1), being offered to common stockholders of record March 10 on basis of one share for each 10 shares held; rights to expire on April 20. **Price**—$4.25 per share. **Underwriter**—None. **Proceeds**—To construct cotton gin. **Address**—P. O. Box 277, Kingsburg, Calif.

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.

Lone Star Steel Co., Dallas, Tex. (4/2)
March 8 filed an unspecified number of shares of common stock (par $1) to be offered first to common stockholders for a 10-day standby. **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.

Lorain Telephone Co., Lorain, Ohio
March 13 (letter of notification) 6,705 shares of common stock (no par), to be offered to common stockholders at the rate of one share for each 10 shares held. **Price**—$20 per share. **Underwriter**—None. **Proceeds**—For working capital. **Office**—203 West Ninth St., Lorain, Ohio.

Lorillard (P.) Co., New York
Feb. 28 filed 249,600 shares of common stock (par $10) being offered to common stockholders of record March 21 at rate of one share for each nine shares then held; rights to expire April 4. **Price**—$20.50 per share. **Underwriters**—Lehman Brothers and Smith, Barney & Co., New York. **Proceeds**—To reduce bank loans. Statement effective March 21.

● **Lynn Gas & Electric Co.**
March 27 filed $4,100,000 20-year notes, series A, due April 1, 1971. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kidder, Peabody & Co. **Proceeds** — To repay $3,800,000 2½% promissory notes due June 1, 1951, and the balance for new construction. **Offering**—Expected in April.

● **M. J. and M. and M. Consolidated, San Francisco, Calif.**
March 19 (letter of notification) 399,923 shares of capital stock (par $1) to be offered to stockholders for subscription. **Price**—75 cents per share. **Underwriter**—None. **Proceeds**—For working capital. **Office**—1715 Mills Tower, 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.

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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.

• **Monongahela Power Co. (4/24)**
March 23 filed $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.; Merrill Lynch, Pierce, Fenner & Beane; Glore, Forgan & Co.; Harriman Ripley & Co., Inc. **Proceeds**—From sale of bonds together with proceeds ($4,000,100) 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.

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.

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. **Bids**—To be opened at 11 a.m. (CST) on April 10 at company's office in Chicago, Ill.

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. **Bids**—To be received at company's office in Chicago, Ill., up to 10:30 a.m. (CST) on April 10.

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); rights expected to expire on April 30. **Underwriter**—None. **Proceeds**—To repay advances to American Telephone & Telegraph Co., the parent, and for general corporate purposes.

National Gypsum Co., Buffalo, N. Y.
March 14 filed 68,652 shares of common stock (par $1) to be offered in exchange for 22,884 shares of National Mortar & Supply Co. stock in ratio of three shares of National for one share of Mortar. **Underwriters**—None.

• **National Investors Corp., New York**
March 19 filed 400,000 shares of capital stock (par $1). **Price**—At market. **Underwriter and Distributor**—Broad Street Sales Corp., New York. **Proceeds**—For investment.

• **Neslo Products Corp., New York**
March 23 (letter of notification) 10,000 shares of class A common stock. **Price**—At par ($2 per share). **Underwriter**—None. **Proceeds**—For organization expenses and for new equipment, etc. **Office**—15 Park Row, New York 7, N. Y.

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. **Bids**—No bids were received for either issue on March 20.

New Hampshire Fire Insurance Co.
March 5 filed 75,000 shares of capital stock (par $10) being 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**—$37 per share. **Underwriter**—The First Boston Corp., New York. **Proceeds**—To increase capital and surplus.

North American Acceptance Corp. (4/2)
March 20 (letter of notification) 15,000 shares of 60-cent cumulative convertible preferred stock (par $5). **Price**—$10 per share. **Underwriter**—Michael Investment Co., Inc., Providence, R. I. **Proceeds**—For working capital.

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. Standard Gas & Electric Co. is entitled to purchase 121,009 shares and plans to purchase any of the remaining 94,371 shares not subscribed for by other stockholders. **Price**—To be supplied by amendment. **Underwriter**—None. **Proceeds**—For construction program.

• **Olympic Radio & Television, Inc.**
March 23 (letter of notification) 2,000 shares of common stock (par $1). **Price**—At the marekt (about $12.12½ per share). **Underwriter**—To be sold by Van Alstyne Noel & Co., New York, as broker on the New York Curb Exchange.

Pacific Gas & Electric Co.
Feb. 21 filed 1,419,562 additional shares of common stock (par $25) being 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. **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. Statement effective March 13.

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**—$28 per share. **Underwriter**—None. **Proceeds**—For further development of Israel industry. Statement effective March 22.

Palmer Stendel Oil Corp., Santa Barbara, Cal.
March 5 (letter of notification) 1,212,200 shares of nonassessable stock (par $1) being offered to stockholders of record March 10 on a basis of five shares for each eight held; rights to expire on April 6. **Price**—20 cents per share. **Underwriter**—Burnham & Co., New York. **Proceeds**—For working capital, etc. **Office**—First National Bank Bldg., Santa Barbara, Calif.

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.

• **Peabody Coal Co. (4/17)**
March 26 filed $6,000,000 sinking fund debentures due April 1, 1966. **Price** — To be supplied by amendment. **Underwriter**—Halsey, Stuart & Co. Inc., Chicago, Ill. **Proceeds**—For new construction.

• **Peabody Coal Co. (4/17)**
March 26 filed 160,000 shares of 5½% prior preferred stock (par $25). **Price**—To be supplied by amendment. **Underwriter**—A. C. Allyn & Co., Inc., Chicago, Ill. **Proceeds**—For construction program.

• **Pedlow-Nease Chemical Co., Inc.**
March 20 (letter of notification) 3,900 shares of capital stock (no par). **Price**—$10 per share. **Underwriter**—None. **Proceeds**—For working capital. **Address**—P. O. Box 144, Lock Haven, Pa.

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.

Piedmont Natural Gas Co., Inc. (3/30)
Feb. 20 filed 125,000 shares of common stock (par $1) to be offered to common stockholders at rate of one share for each 2½ shares held. **Price**—$4.50 per share. **Underwriter**—White, Weld & Co., New York. **Proceeds**—To construct and operate six lateral pipe lines.

• **Piedmont Natural Gas Co., Inc. (3/30)**
March 23 (amendment) filed $1,900,000 of 5½% interim notes due 1953 (payable at maturity in 38,000 shares of $2.75 cumulative preferred stock of no par value) and 38,000 shares of common stock (par $1) to be offered in units of $50 principal amount of notes and one share of common stock. **Price**—$52 per unit. **Underwriter**—White, Weld & Co., New York. **Proceeds**—To repay balance due to Duke Power Co., repay letter of credit and temporary bank borrowings, cover cost of construction, purchase of gas properties in Anderson, S. C., and for working capital.

• **Pioneer Fund, Inc., Boston, Mass.**
March 23 filed 100,000 shares of capital stock (par $2.50). **Price**—At market. **Underwriter**—Gammack & Co., New York, N. Y. **Proceeds**—For investment.

Plywood, Inc., Detroit, Mich. (4/9-14)
March 15 filed $1,500,000 of 6% sinking fund debentures, series A, due April 1, 1963 (with 7-year warrants to purchase 150,000 shares of common stock attached). **Price**—To be supplied by amendment. **Underwriters**—H. M. Byllesby & Co., Inc., Chicago, Ill., and P. W. Brooks & Co., Inc., New York. **Proceeds**—To redeem 5% debentures to erect plant and install equipment. **Offering**—Expected week of April 9.

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. **Bids**—To be received up to 11 a.m. (EST) on April 3 at office of The West Penn Electric Co., 50 Broad Street, New York 4, N. Y.

Public Service Co. of Oklahoma (4/16)
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 16.

• **Pyramid Electric Co., Jersey City, N. J. (4/3)**
March 27 (letter of notification) 56,000 shares of 6% cumulative convertible preferred stock (par $5) and 10,000 shares of common stock (par $1), of which 40,000 shares of preferred are to be publicly offered at par; 10,000 shares of preferred and 10,000 shares of common to suppliers and distributors in units of one share of each at $6.75 per unit and 6,000 shares of preferred to suppliers and distributors at $5 per share. **Underwriter**—Cantor, Fitzgerald & Co., Inc., New York. **Proceeds**—To repay debt and for working capital. **Office**—15 Exchange Place, Jersey City, N. J.

Rapid Film Technique, Inc., N. Y. (4/2)
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.

• **Sattler's, Inc., Buffalo, N. Y. (4/9-14)**
March 22 filed 200,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Underwriter**—Hornblower & Weeks, New York. **Proceeds**—To Charles Hahn, Jr., President, who is the selling stockholder. Expected week of April 9.

• **Scudder, Stevens & Clark Common Stock Fund, Inc.**
March 21 filed 80,000 shares of capital stock (no par). **Price**—At market. **Underwriter**—Scudder Fund Distributors, Inc., Boston, Mass. **Proceeds**—For investment.

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.

• **Seal-Peel, Inc., Van Dyke, Mich.**
March 19 (letter of notification) 225,000 shares of common stock (par $1). **Price**—$1.25 per share. **Underwriter**—None. **Proceeds**—For working capital and to retire indebtedness. **Office**—11400 East Nine Mile Road, Van Dyke, Mich., or 103 Park Avenue, New York, N. Y.

• **Seven Consolidated Gold Mines, Inc.**
March 14 (letter of notification) 125,000 shares of common stock. **Price**—$1 per share. **Underwriter**—None. **Proceeds**—To develop mine and build plants and mills. **Office**—405 No. 149th Street, Seattle 33, Wash.

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 7 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
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 (par $10) being offered to stockholders of record March 15 on basis of one share for each 10 shares held (with an oversubscription privilege); rights expire on April 15. **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 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**—To be received up to 11:30 a.m. (EST) on April 3 at company's office, 20 Pine St., New York, N. Y. Statement effective March 21.

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-Thomson Corp.
March 12 (letter of notification) approximately 13,750 shares of common stock (par $1). **Price**—At the market (approximately $7 per share). **Underwriters**—Lee Higginson Corp., Carreau & Co. and Reich & Co., New York. **Proceeds**—To four selling stockholders.

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.

● **Summit Queen Mining Co.**
March 15 (letter of notification) 75,000 shares of capital stock (par 10 cents). **Price**—15 cents per share. **Underwriter**—None. **Proceeds**—For mine development.

Superdraulic Corp., Detroit, Mich.
Feb. 23 (letter of notification) 100,000 shares of 6% non-cumulative convertible preferred stock (convertible into common stock (par $1) share-for share) now offered to common stockholders. **Price**—At par ($1 per share). **Underwriter**—None. **Proceeds**—For working capital. **Office**—14256 Wyoming Ave., Detroit, Mich.

● **Supreme Sunrise Food Exchange, Inc.**
March 23 (letter of notification) 54,500 shares of common stock (par $1). **Price**—$5.50 per share. **Underwriter**—Childs, Jeffries & Thorndike, Inc., Boston, Mass. **Proceeds**—For working capital and expansion program. **Office**—Lawson Avenue and Main Street, East Rockaway, N. Y.

● **Talisman Mining & Leasing Co.**
March 16 (letter of notification) 500,000 shares of common stock (plus a bonus of fully paid participating capital refunding certificates based on production in an amount equivalent to the sum invested in common stock by each subscriber), with no subscriptions for stock to be accepted for less than 500 shares. **Price**—15 cents per share. **Underwriter**—None. **Proceeds**—To develop mill and for other improvements. **Office**—730 Peyton Building, Spokane 8, Wash.

Telegift, Inc., New York (5/1)
March 20 (letter of notification) 60,000 shares of common stock (par $1). **Price**—$2 per share. **Underwriter**—None. **Proceeds**—To establish and operate a "Gifts-by-Wire" service to be known as the Telegift Service, and for operating capital. **Office**—40 East 49th Street, New York 17, N. Y.

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.

● **Texas Fund, Inc., Houston, Tex.**
March 26 filed 300,000 shares of common stock (par $1). **Price**—At the market. **Underwriter**—Bradschamp & Co., Houston, Tex. **Proceeds**—For investment.

Thompson Products, Inc. (4/4)
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. (4/4)
March 14 filed 131,190 shares of common stock (par $5) to be offered to common stockholders of record April 3 on basis of one new share for each eight held; rights to expire on April 17. **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.

● **United Wholesale Druggists of Chicago, Inc.**
March 20 (letter of notification) 665 shares of preferred stock (no par). **Price**—$50 per share. **Underwriter**—None. **Proceeds**—To purchase merchandise for resale to retail druggists and for working capital. **Office**—2321 West Pershing Road, Chicago, Ill.

● **United Wholesale Druggists of Pittsburgh, Inc.**
March 22 (letter of notification) 1,175 shares of capital stock (no par). **Price**—$50 per share. **Underwriter**—None. **Proceeds**—For purchase of merchandise for resale to retail druggists and for working capital. **Offering**—Expected on April 2. **Office**—6543 Penn Avenue, Pittsburgh, Pa.

● **Van Lake Uranium Co., Van Dyke, Mich.**
March 23 filed 500,000 shares of common stock. **Price**—At par ($1 per share). **Underwriter**—None. **Proceeds**—To develop uranium deposits in the Montreal River area in Algoma, Ontario, Canada.

Vanity Fair Mills, Inc., Reading, Pa. (4/4)
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.

● **Warner-Hudnut, Inc. (4/17)**
March 26 filed 320,000 shares of common stock (par $1). **Price** — To be supplied by amendment. **Underwriter** — F. Eberstadt & Co., Inc., New York. **Proceeds**—From sale of 185,000 shares to be used to reduce bank loans to $2,000,000 from $5,400,000, the company's principal stockholder to receive the proceeds from the sale of the remaining 135,000 shares. **Offering**—Expected around the middle of April.

Washington Gas Light Co.
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. **Price**—$24.10 per share. **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., Ft. Worth, Tex.
March 13 (letter of notification) 2,000 shares of common stock (no par). **Price** — At the market (estimated at $24.50 per share). **Underwriter**—Barron McCulloch, Ft. Worth, Texas. **Proceeds** — To Willis H. Thompson, the selling stockholder.

● **Wisconsin Power & Light Co. (4/6)**
March 23 filed 10,000 shares of cumulative preferred stock (par $100), to be offered for subscription by preferred stockholders of record April 2, subject to allotment in case of oversubscription. **Price**—To be supplied by amendment. **Underwriters**—Smith, Barney & Co. and Robert W. Baird & Co., Inc. **Proceeds** — For property additions and improvements.

● **Wisconsin Power & Light Co. (4/6)**
March 23 filed 96,069 shares of common stock (par $10), to be offered for subscription by common stockholders of record April 2, 1951, on basis of one share for each 20 shares held, for a 16-day standby. Unsubscribed shares to be offered to employees. **Price** — To be supplied by amendment. **Underwriters** — Smith, Barney & Co. and Robert W. Baird & Co., Inc. **Proceeds** — For property additions and improvements.

● **Wisconsin Power & Light Co. (4/17)**
March 23 filed $4,000,000 of first mortgage bonds, series E, due April 1, 1981. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Salomon Bros. & Hutzler; Glore, Forgan & Co.; Smith, Barney & Co.; White, Weld & Co. and Kidder, Peabody & Co. (jointly); Union Securities Corp.; Equitable Securities Corp. **Proceeds** — For construction program. **Bids** — Expected about April 17.

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**—To be received up to noon (EST) on April 3 at company's office, 441 Stuart St., Boston 16, Mass.

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.**
March 20 company applied to SEC for approval of plan to split into two companies, viz: Arkansas Natural Gas Corp. (into which Arkansas Fuel Co. will be merged); and Arkansas Louisiana Gas Co. For each share of 6% preferred stock there will be issued in exchange $10.60 par value of 3¾% preferred stock. Unexchanged 6% preferred stock will be redeemed at $10.60 per share, and any of the unissued 3¾% preferred stock may be offered 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.

● **Central & South West Corp.**
March 23 it was announced company plans to increase authorized common stock (par $5) from 8,000,000 to 10,000,000 shares and offer additional common stock to common stockholders. **Underwriters**—May be determined by competitive bidding. Probable bidders: Blyth & Co., Inc.; Smith, Barney & Co. and Harriman Ripley & Co., Inc. (jointly); Lehman Brothers and Lazard Freres & Co. (jointly); Kuhn, Loeb & Co.; Carl M. Loeb, Rhoades & Co.; Ladenburg, Thalmann & Co. and Wertheim & Co. (jointly). **Proceeds**—To be used to assist subsidiaries to finance a part of their construction 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. (5/1)**
March 23 the corporation disclosed it is seeking permission of New York P. S. Commission to issue and sell $40,000,000 of first and refunding mortgage bonds, series G, due May 1, 1951, and $25,000,000 of first and refunding mortgage bonds, series H, due May 1, 1981. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp. **Proceeds**—From sale of series G bonds to be used to finance part of the company's construction program scheduled to cost $104,600,000. From sale of series H bonds to redeem $25,000,000 Westchester Lighting Co. 3½% general mortgage bonds due 1967.

● **Consolidated Natural Gas Co. (5/14)**
March 13 it was reported that early registration is expected of $50,000,000 25-year sinking fund debentures.

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Underwriters—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Paine, Webber, Jackson & Curtis (jointly); Dillon, Read & Co. Inc.; Blyth & Co., Inc.; The First Boston Corp.; Morgan Stanley & Co. **Proceeds**—To finance construction program. **Bids**—To be received on May 14.

● Detroit Edison Co.
March 19 it was announced company plans to sell approximately $35,000,000 of first mortgage bonds early this Fall. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Coffin & Burr, Inc., and Spencer Trask & Co. (jointly); Morgan Stanley & Co.; The First Boston Corp.; Dillon, Read & Co. Inc. **Proceeds**—For construction program.

● Denver & Rio Grande Western RR.
March 16 company applied to the ICC for authority to issue and sell $40,000,000 of first mortgage bonds, series B, to be dated May 1, 1951, and to mature May 1, 1981. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Kuhn, Loeb & Co. **Proceeds**—Together with treasury funds, to redeem $35,062,200 outstanding first mortgage 3%-4% bonds, series A, and $8,666,900 of Denver & Salt Lake income mortgage 3%-4% bonds, both due Jan. 1, 1993.

● Eastern Edison Co.
March 21 an amended plan of reorganization of Eastern Utilities Associates was filed with SEC which provides for the acquisition by this company (organized on Feb. 16, 1951, as Eastern Edison Electric Co.) of the properties and business of Brockton Edison Co., Fall River Electric Light Co. and Montaup Electric Co. and all the securities of Blackstone Valley Gas & Electric Co. The surviving corporation will issue and sell to the public $28,000,000 of bonds and $12,500,000 of preferred stock and obtain a $3,500,000 bank loan (for construction purposes). Probable bidders: Halsey, Stuart & Co. Inc. (for bonds only); Lehman Brothers; Estabrook & Co. and Stone & Webster Securities Corp. (jointly); Glore, Forgan & Co. and Harriman Ripley & Co., Inc. (jointly). Proceeds would be used to retire bonds, preferred stock and bank debt of subsidiaries and the remainder used for construction program.

● Eastern Utilities Associates
See Eastern Edison Co. above.

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.

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.

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.

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.

Greenwich Gas Co.
March 13 it was announced that stockholders will on April 4 vote on authorizing the issuance and sale to common stockholders of 60,000 shares of common stock (no par). **Price**—$5 per share. **Underwriter**—F. L. Putnam & Co., Boston, Mass. **Proceeds**—To retire bank loans and for working capital.

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.

● Honolulu (Territory of Hawaii) (4/3)
Bids will be received at the Chemical Bank & Trust Co., 165 Broadway, New York, N. Y., until 2 p.m. (EST) on April 3 for the purchase of $1,700,000 bonds, to be dated April 1, 1951, viz: $700,000 flood control bonds, $500,000 public improvement bonds and $500,000 public park improvement bonds, all to mature on April 1, from 1956 to 1980, inclusive.

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. (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 recent 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.

● Medusa Portland Cement Co.
March 20 the stockholders voted to increase the authorized common stock (no par) from 250,000 to 500,000 shares. Although no immediate issuance of the 277,583 unissued shares is planned, the company may need additional capital in connection with its expansion program, which, it is estimated, will cost $500,000.

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."

● Minneapolis-Honeywell Regulator Co.
March 27 stockholders increased authorized preference stock by 50,000 shares to 160,000 shares and the authorized common stock to 3,440,000 shares from 3,300,000 shares.

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.

● Montana-Dakota Utilities Co.
March 24 company asked FPC authority to issue and sell $3,000,000 of first mortgage bonds due April 1, 1976; $2,000,000 of serial notes due $100,000 annually from April 1, 1952 to 1971, inclusive, and 230,000 shares of common stock (par $5). Traditional underwriters are Blyth & Co., Inc., and Merrill Lynch, Pierce, Fenner & Beane, New York. Proceeds will be used to repay bank loans ($5,800,000 in December, last) and to finance new construction.

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. (5/2)
March 19 company sought SEC authority to issue and sell 150,000 shares of a new series of preferred stock (par $100) and 436,224 shares of common stock (par $8) to be offered for subscription by common stockholders May 2, 1951, on the basis of one share for each 10 shares held, with an oversubscription privilege. **Price**—To be named by the company. **Underwriters**—To be determined by competitive bidding. 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**—To be received at 11 a.m. (EST) on or about May 2.

Ohio Match Co.
March 13 it was reported that stockholders will vote April 3 on authorizing an issue of 100,000 shares of preferred stock (par $10), in addition to splitting up the common stock on a 5-for-1 basis.

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.

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).

● **Rochester Gas & Electric Co.**
March 21 company applied to the New York P. S. Commission for authority to issue $5,000,000 of first mortgage bonds and 150,000 additional shares of common stock (the latter for subscription by common stockholders on a basis of one new share for each seven shares held). Bonds may be placed privately, with the common stock issue underwritten by The First Boston Corp. **Proceeds**—For new construction.

● **Sharon Steel Corp.**
March 27 stockholders voted to increase the debt limit of the company to $30,000,000 from $15,000,000 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.

Southern Pacific Co. (4/3)
Bids will be received up to noon (EST) on April 3 for the purchase from the company, 165 Broadway, New York 6, N. Y., of $12,000,000 equipment trust certificates, series EE, to mature in 15 equal annual instalments. Probable bidders Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harriman Ripley & Co. Inc. and Lehman Brothers (jointly).

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.

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

Larger underwriting firms who normally take on the task of setting up groups to bid for new issues of securities find themselves with an added cause for woe these days. And they put this one down as a consequence of the current market uncertainty.

For the present, at least, they find it is not safe to count too fully on the initial set-up of a given group. Syndicate managers have been finding this out the hard way particularly during the last fortnight, or since the period of most severe adjustment in the Treasury and municipal bond markets.

The business, as one observer sees it, is suffering at the moment from an attack of what he calls "drop-itis." In a word you go through the job of setting up a group to bid for a given issue and proceed on the theory that everything is set.

But you suddenly find that this is not exactly the case. Invariably, as the deadline draws near, a number of the original members of the group are either reducing their commitments or dropping out altogether. This action, it is pointed out, is not limited, by any means, to the "little fellows," but embraces some of their more hefty brethern as well.

Consequently, in organizing a syndicate these days, the sponsoring firm or firms must be prepared to step in and take up any slack arising as such "drop-outs" occur.

Touch of Indigestion

At least a part of the rising trend in "drop-outs" is ascribed to the backing up of most new debt issues in the last month, but in greater measure it appears a consequence of the sharp setbacks in government and municipal issues.

The tendency has been to "spread out pretty thin" in trading such issues, and with the market quite definitely in a real adjustment, people who have pursued such a course now find a portion of their capital tied-up.

And what really irks is the lack of really definite indications that the adjustment has been completed.

No Rush for Consumers 3⅛s

The investment fraternity, by and large, looked upon Tuesday's bidding for Consumers Power Co.'s $40,000,000 of new 30-year first mortgage bonds as a likely test of the new order of things.

Well, it was in several respects, but evidently it did not provide the full answer. When the company registered the bonds, it set a maximum interest rate of 2⅞%. This did not hold, the change in conditions forcing a revision so that the bonds were sold as 3⅛s.

Four bids were received, the highest for 100.80467. The next bid was only $1.10 per $1,000 less while the third bid was only about $3.60 per $1,000 under. The winning group set a reoffering price of 101.467 for a yield of 3.05%, making the issue attractive against the market.

But there was no indicated rush to buy the issue. Eastern institutions appeared aloof, temporarily at least, while inquiries from the West indicated that about a third of the total would be taken up in that area.

Utility Defers Sale

Another indication of the current uncertainty in the investment market developed when Jersey Central Power & Light Co., put off opening of bids for small amounts of new bonds and preferred stock.

The company received only one bid each for the $1,500,000 of bonds and $4,000,000 of new preferred, and returned both unopened.

Officials stated it had concluded that effective competitive bidding is not possible when only one bid is submitted. Since the funds are not immediately needed, it was stated that the postponement would not upset in any way the carrying forward of current construction activities.

DIVIDEND NOTICES

NATIONAL SHARES CORPORATION
14 Wall Street, New York

A dividend of fifteen cents (15c) per share has been declared this day on the capital stock of the Corporation payable April 14, 1951 to stockholders of record at the close of business April 2, 1951.

JOSEPH S. STOUT, *Secretary.*

March 22, 1951.

AMERICAN ZINC, LEAD AND SMELTING COMPANY
Prior Preferred Stock

A dividend of $1.25 per share has been declared on the Prior Preferred Stock of said Company, payable on May 1, 1951, to stockholders of record at the close of business April 5, 1951.

W. J. MATTHEWS, Jr., Treasurer.

DIVIDEND NOTICE

Burroughs

203rd CONSECUTIVE CASH DIVIDEND

A dividend of twenty cents ($.20) a share has been declared upon the stock of BURROUGHS ADDING MACHINE COMPANY, payable June 9, 1951, to shareholders of record at the close of business May 11, 1951.

Detroit, Michigan
March 26, 1951

Sheldon F. Hall, *Secretary*

DIVIDEND NOTICES

New England Gas and Electric Association

COMMON DIVIDEND NO. 16 and EXTRA DIVIDEND

The Trustees have declared the regular quarterly dividend of twenty-two and one-half cents (22½c) per share, and an extra dividend of two and one-half cents (2½c) per share, on the COMMON SHARES of the Association, both payable April 16, 1951 to shareholders of record at the close of business March 30, 1951.

H. C. MOORE, JR., *Treasurer*

March 22, 1951.

CONSOLIDATED NATURAL GAS COMPANY

30 Rockefeller Plaza
New York 20, N. Y.

DIVIDEND No. 15

THE BOARD OF DIRECTORS has this day declared a regular semi-annual cash dividend of One Dollar ($1.00) per share and an *extra* cash dividend of Twenty-five cents (25¢) per share on the capital stock of the Company, payable on May 15, 1951, to stockholders of record at the close of business April 16, 1951.

E. E. DUVALL, *Secretary*

March 22, 1951

DIVIDEND NOTICES

NATIONAL DISTILLERS PRODUCTS CORPORATION

DIVIDEND NOTICE

The Board of Directors has declared a quarterly dividend of 50c per share on the outstanding Common Stock, payable on May 1, 1951, to stockholders of record on April 11, 1951. The transfer books will not close.

THOS. A. CLARK, *Treasurer*

March 22, 1951.

GOODYEAR

DIVIDEND NOTICE

The Board of Directors has declared today the following dividends:

$1.25 per share for the second quarter of 1951 upon the $5 Preferred Stock, payable June 15, 1951 to stockholders of record at the close of business May 15, 1951.

$1.00 per share upon the Common Stock, payable June 15, 1951 to stockholders of record at the close of business May 15, 1951.

The Goodyear Tire & Rubber Co.
By W. D. Shilts, *Secretary*
Akron, Ohio, March 26, 1951

The Greatest Name in Rubber

DIVIDEND NOTICES

The Board of Directors of **Wentworth Manufacturing Company** has declared a dividend of twelve and one-half cents (12½¢) per share on the outstanding common stock of the Company, payable on May 22, 1951, to stockholders of record at the close of business May 1, 1951.

Checks will be mailed.

JOHN E. McDERMOTT, *Secretary.*

SOUTHERN STATES Iron Roofing Company
SAVANNAH, GEORGIA

Dividend on Preferred Stock

A quarterly dividend of thirty-one and one-quarter cents (31.25c) per share on the Preferred Stock of this company has been declared, payable on April 2, 1951, to stockholders of record March 20, 1951.

Ross G. Allen
Secretary and Treasurer

WORLD-WIDE BANKING
Chase

THE CHASE NATIONAL BANK OF THE CITY OF NEW YORK

DIVIDEND NOTICE

The Chase National Bank of the City of New York has declared a dividend of 40c per share on the 7,400,000 shares of the capital stock of the Bank, payable May 1, 1951 to holders of record at the close of business April 6, 1951.

The transfer books will not be closed in connection with the payment of this dividend.

KENNETH C. BELL
Vice President and Cashier

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—It will take a long time for it to sink in, still longer for it to be admitted by officials, BUT—the wise boys are coming to the conclusion that the only way anything can be done with the present mess of inflation control is to wipe all the present rules off the statutory blackboard and make an entirely fresh start.

This prospect will begin to percolate after the President has given forth with his recommendations for changes to be made in the Defense Production Act concurrently with the extension of its life beyond June 30.

In the meantime, the millions of businesses and individuals caught with price ceiling of one kind or another will have to continue to live with official propaganda drives against them if they don't behave; patriotic lectures on how they should sacrifice for the benefit of the public weal, and the continued uncertainty occasioned by threats to punish them if they don't watch out.

For although potentially the anti-inflation control program is moribund, the exhortations and the threats will continue for many weeks. It is probable that until the corpse of anti-inflation control begins really to stink, the pose of trying to make it work will not be abandoned.

While observers think that probably no patching or politically-compromising medication between and among pressure groups will give the present inflation control program little more than a few more gasping breaths, and that an entirely fresh start must be made, that does not indicate to them that any where in sight is that fresh start.

It is practically impossible at this point to conjure up any acceptable form of new wage and price control legislation.

Labor demands a veto of the operation of the mobilization program, its "greater voice equal to industry's." Congress just won't take that. Labor demands that through a wage stabilization board it shall subject "wage control" to continuous upward adjustment. Even if the present controllers swallow that one, Congress will regurgitate it, making sure it is not fastened into the new DPA. Labor demands a setup which will skirt around the limitations of the Taft-Hartley Act. Congress double darn well won't take that.

It is impossible to imagine persuading the farm bloc consenting to any impairment of prices to farmers as a means of limiting inflation. Even if Mr. Truman should propose to subsidize food prices in the British manner so that the consumer would pay less than the market price, this will scarcely be sufficient to mollify labor, and so long as they have the political power to swing it, the farm crowd is going to insist on taking its price in the market place, if you please.

So on the crucial issues of price and wage control there seems to be no basis for writing a clean slate that will work. Senator Burnet Rhett Maybank, Banking and DPA "Watchdog" Committee Chairman, bitten by klieglight-TV bug, is going on a hunt early in April to see if he can't turn up some kind of juicy scandal in the approval of certificates for accelerated amortization.

From this little diversion, the "Watchdog" and Banking committees, which are much the same, will slip into hearings on the extension of DPA, as soon as any pay scandal is worked out of the necessity certificates seam. The hearings on DPA will have all the charm of a hair-pulling contest.

* * *

As practically everybody here sees it, there can't be any kind of an inflation control program until most people want it. After the shock of reverses last summer in Korea, there was a great clamor to do something about controls, even on one's self. With danger finally dissipated, this turned into simply a kick about the high cost of living.

So what is needed, as it is seen here, is either a new crisis of major magnitude which will get everybody both scared and steamed up again, or a cut-back in the military preparedness program to a point where inflationary pressures will be reduced. It is reasonable to doubt that Truman, Acheson & Co., will ever consent to a curtailment of the military program, so what is called for, after the hair-pulling has gone on for a few more months, is a brand new military crisis.

* * *

Certain Congressmen were interested in some of the figures of the Canadian war effort, which have become available here. The Dominion is projecting a total of $1,700,000,000 of all military expenditures for its fiscal year 1951-52. This figure includes domestic military, military assistance to foreign countries, and even such "Point IV" aid to the Hottentots as Canada provides. In other words, it is strictly comparable to the $50 billion a year which the Truman Administration has undertaken.

The official measure of Canada's economy is that it is one-eighteenth of the output of the U. S. economy. So 18 times $1.7 billion would place the Canadian war effort at $30.6 billion. Thus, the Canadians are spending just about 60% of the U. S. effort, in comparative terms.

While Canada is one-eighteenth as productive as the U. S., its population is about one-twelfth. The Dominion has committed itself to raise a total manpower on active service duty of 115,000. Twelve times 115,000 men comes out to 1,380,000, which compares with a target for the U. S. of 3,500,000. Furthermore, there is a definite target date for the U. S., June 30, and it is being achieved. In Canada there is no date committed when 115,000 men will be put into uniform. That is because Canada's Federal Administration can no more impose conscription upon violently anti-conscription Quebec, mainstay of the party in power, than the Truman Administration can impose wage control on labor, mainstay of its power.

Finally, the Administration at Ottawa got re-enacted war powers to control inflation and prices, but its officials have shown no disposition to operate these powers.

Actually the Canadians have deliberately chosen the path of limited effort but as great as possible short of inducing an inevitable, acute stress upon the economy. The basic argument of Senator Robert A. Taft is that the U. S. could not stand the effort of the size projected by the Truman Administration without causing serious economic and political strains. The Canadians have chosen the cautious course.

In effect, Canada has adopted the Taft program.

* * *

Although the House will probably kill the project, the Senate recently gave another of those recurring demonstrations of how difficult it is, not merely to economize, but to keep from expanding permanent, annual, "do-good" commitments, when it passed a local health aid bill.

The U. S. Public Health Service, which runs one of the most successful of the bureaucratic lobbies in Washington, got the Senate to just barely pass a bill setting up an entirely brand new program of Federal aid to local public health activities, county by county.

Under the deal, the U. S. Treasury would provide one-third of the cost of operating county public health services throughout the entire U. S., the counties two-thirds. This would be only a national average, however, because the filthy rich states like New York would get less and the barefoot belt, not being able to afford its two-thirds local contribution, would get more.

The Senators were told the awful truth about public health. A very, very great proportion of the counties of the U. S. simply do not have adequate county public health installations, as measured by standards of the U. S. Public Health Service, and USPHS admits how terribly low are its standards, and if all the insurance companies are not going broke paying death claims on a disease-ridden nation, there must be a mistake some where.

It was also made clear to the Senate that this is not a very expensive thing, only $5 million being budgeted by Mr. Truman for the first year of its operation. True, the full program involves a $240 million Federal program and a $460 million local program, but since all that money is a couple of years away, why worry. Five million dollars is all they want—now.

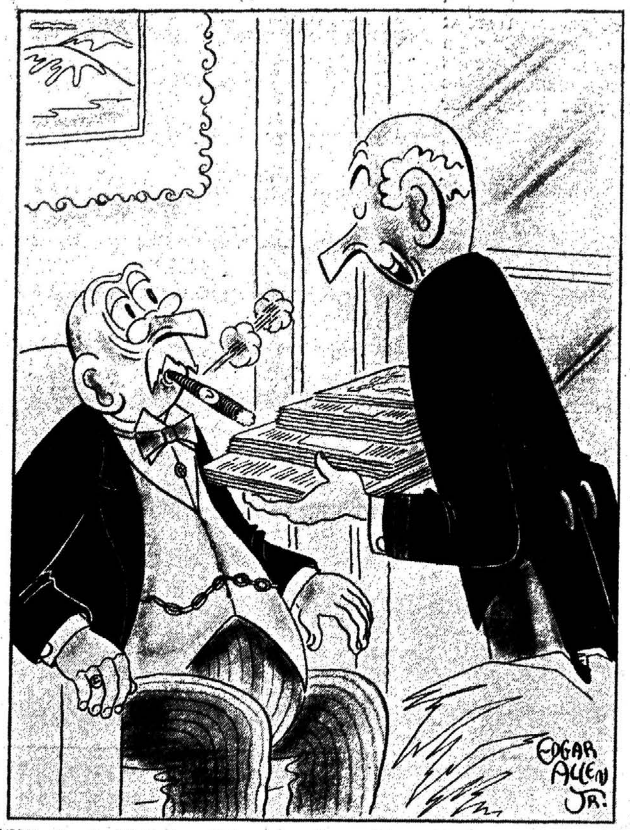
Also the Senate was told that there is no prospective Federal control over a local governmental activity involved in this case. The local public health officer draws up a plan of staff and operations. When the plan has been approved by USPHS, then the county gets the Federal health money. There is no Federal control involved so long as the county operates it freely according to USPHS dictates.

Although opposing measures to aid health is almost as classical politically as being against mother love and in favor of sin, 35 Senators voted against this program to 38 for it. Senator Everett Dirksen (R., Ill.) led the fight against it.

Under a curious jurisdictional quirk, the House Interstate Commerce Committee rather than the Labor Committee, as in the Senate, gets this bill. It is anticipated that the House will kill this proposition.

(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



"What shall it be this morning, Sir—'Commercial and Financial Chronicle,' The New York 'Times,' 'Wall Street Journal' or 'Superman'?"

Reports Slower Rate Of Gain in Savings Bank Deposits

Deposits in the nation's 529 mutual savings banks increased $2,000,000 during February, 1951, to reach $20,049,000,000 at the close of the month, according to A. Livingston Kelley, President of the National Association of Mutual Savings Banks, and President, Providence Institution for Savings, Providence, R. I. The gain occurred entirely in deposits other than regular accounts, such as Christmas clubs and school savings. Even though new deposits in regular accounts during February totaled nearly $400,000,000, they were exceeded slightly by withdrawals, so that there was a net decrease for the month in regular deposit balances.

A. Livingston Kelley

The month witnessed a further rise of $108,000,000 in holdings of mortgage loans and $13,000,000 in other securities, while holdings of U. S. Governments fell $109,000,000. Mortgage loans now stand at $8,283,000,000 or 36.8% of total assets. This is the highest proportion since 1942.