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EDITORIAL

As We See It

The old order changeth, giving place to new. This generalization of the poet can be applied almost universally in this day and time. There are a good many who seem to suppose that these changes are synonymous with progress, that the new order which is replacing the old is of necessity and obviously better than the old. Indeed it would appear at times that these malcontents proceed on the assumption that whatever is, is wrong. With this view of the matter we find ourselves in sharp disagreement. Change and improvement are not synonymous in this instance any more than in millions of others.

Yet in some real sense the times are new, and it would be idle and foolish to shut our eyes to the fact. Nowhere perhaps is this truth more observable at the moment than in international relations. These changes reflect themselves in the Far East, where the Korean war and the muddled Chinese situation speak eloquently. They are stewing in India and surrounding regions, where anti-British, anti-French, anti-Dutch and anti almost everything else Western is the order of the day. Nearer home the same virus has struck in Iran, and in Egypt and is quite possibly incubating elsewhere in this part of the world. Britain as well as Iran is suffering seriously from lack of Iranian oil, and the Suez Canal has long been regarded as a vital link in the British life line. Not only Britain, but most of the remainder of the world has a stake in what takes place in these regions.

It is, accordingly, definitely worth while to make an effort to gain a real understanding of what is taking place. "Reform" of the New Deal

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"The Camel's Nose Is Under the Tent"

By C. E. WILSON*
President of General Motors

Citing old Arabian proverb as illustrating gradual penetration of totalitarianism in nation, General Motors executive accuses government of using present emergency to promote regimentation under false assumption that this is best way to get job done. Urges removal of price and wage controls during defense period as alternative to shifting into the very economic system we are opposing. Warns of danger to our economy from overpreparedness, and says controls reduce rather than increase essential materials supplies and at same time, divert attention from inflation evils.

The title I have chosen for my talk, as most of you know, is "The Camel's Nose Is Under the Tent." The expression comes from an old Arabian fable, and to an Arab it spells trouble and disaster. The fable of the Arab and His Camel goes something like this:



C. E. Wilson

One cold night, as an Arab sat in his tent, a camel gently thrust his nose under the flap and looked in. "Master," he said, "let me put my nose in your tent, for it is cold and stormy out here."

"By all means, and welcome," said the Arab, and turned over and went to sleep. A little later he awoke and found that the camel had not only put his nose in the tent but his head and neck as well.

The camel, who had been turning his head from side to side, said, "I will take but little more room if I place my forelegs within the tent. It is difficult standing without."

"You may also plant your forelegs within," said the Arab, moving a little to make room, for the tent was small.

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*An address by Mr. Wilson before the Dallas Chapter, Society for the Advancement of Management, Dallas, Texas, Oct. 10, 1951.

The Immediate Outlook—A Supply-Demand Stalemate

By EDWIN B. GEORGE*
Director, Dept. of Economics, Dun & Bradstreet

Reviewing recent business trends and the immediate outlook, Mr. George foresees an approximate balance in supply and demand factors. Finds output of goods gradually increasing along with steady rise in consumer expenditures, but not enough to be of particular consequence to public policy. Predicts civilian supplies will be more plentiful than in World War II.

The debate between those who are awed by the inflationary potential of our growing defense program and those who feel that there are now too many tired markets for defense spending to hold them all up, seems likely to wind up in little better than a draw during the current fiscal year.

My own estimate is (1) that the trends in both aggregate supply and demand will be slightly upward through the remaining nine months of this period, and (2) that although the advantage in the race should still be with demand it will be so slight as to exert little new upward pressure on prices in general. The prospect of another turn in the cost-price screw, as through a new round of wage increases, is a separate question, but even a successful flank attack on the indexes from that quarter would probably not upset a near supply-demand stalemate if it were otherwise in the cards. I have confined myself to developments during this fiscal year because too many assumptions about highly mercurial and arbitrary matters would have to be made for a longer look. These concern primary upward revisions in military program, of which the now widely advertised expansion of the aircraft program from 95 to 140 groups (composition as among types of fighters,



Edwin B. George

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*An address by Mr. George at the 23rd Boston Conference on Distribution, Boston, Mass., October 15, 1951.

NSTA CONVENTION ISSUE READY NEXT WEEK—In addition to the usual issue, the CHRONICLE will publish next week an 84-page special supplement devoted to the Annual Convention of the National Security Traders Association at Coronado, Calif.

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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.)

HENRY C. KEISTER

Partner, H. C. Keister & Co.,
New York City

Standard Fruit & Steamship Co. (Preference Stock)

The security I like best at the present time is the \$3 participating preference stock of the Standard Fruit and Steamship Company. This stock represents the senior capital of the company, as there are no bank loans, notes or bonds ahead of preference stock. The capitalization consists of 106,234 shares of participating preference and 264,504 shares of common stock.

The preference stock is callable at \$110 per share, and has preference as to assets and \$3 dividend. In addition, it is entitled to receive the same dividend as is paid on the common shares. All arrears on the preference were cleared in 1945 and the stock received \$5 in dividends in 1950.

For the last 10 years average earnings were about \$1,600,000 annually. For 1950, net earnings amounted to \$1,898,305 or \$17.87 per share on the preference stock. For the first six months of 1951 a net of \$1,538,915 was reported which compares with \$808,711 for the first six months of 1950. The net for the first six months of 1951 was after charges of \$1,175,000 for depreciation, \$2,180,000 taxes and \$200,000 special reserve. The indications are that the earnings for the last six months of 1951 will continue at the same rate.

The company is the second largest engaged in the production, transportation and distribution of bananas. Although small in comparison to United Fruit Company, it does a sizable business. The company owns seven refrigerated ships and charters three additional. It owns plantations in Central America and the West Indies, and to supplement its own production purchases bananas from native growers. In addition, the company is seeking a subsidy from the Maritime Commission to construct four new ships. The company's income is supplemented by passenger, mail and freight revenue. As of Dec. 31, 1950, the fixed assets were valued at \$17,000,000.

A very able and aggressive management has recently acquired control of the common stock of this company and have made an excellent start to vastly improve the earnings and size of this company. The first effect of this new management was shown in the figure for the first six months of 1951.

The participating feature of the preference stock dilutes the earnings available for the common. It is, therefore, very much to the interests of the management to eliminate the preference stock. The exchange of the preference stock with a like amount of debentures would permit the deduction for income tax purposes of interest paid. Add this savings to the additional amount paid on the preference because of the participating features and it amounts to a substantial sum.



Henry C. Keister

A larger proportion of the fixed assets of Standard Fruit are in foreign countries. Earnings put into improvements and renewals and not transferred to the United States are not subject to U. S. income tax.

The preference stock currently selling around 79½ and callable at 110 offers the possibility of very attractive capital gains and adequate yield on the stock of a soundly financed and growing company.

ROBERT J. LEVY

Partner, Robert J. Levy & Co.
Members: New York Stock Exchange
Associate Members: New York Curb Exchange

Fansteel Metallurgical Corporation (Common)

At this time, I offer a caution as to the general price level and suggest that "The Security I Like Best" will probably decline in price when and if the security markets decline materially from current levels. After nine or ten years of prosperity and increasing industrial activity and in the light of the great international uncertainties, purchasers of securities should hesitate before increasing their net commitments in equities at this time. With this admonition and with a reference to du Pont as my choice as the greatest individual company in the country (a reference I made last year in my article on American Cyanamid Preferred as the "Security I liked best" at that time), I select this year Fansteel Metallurgical Corporation.

"Growth Company" is a term that has been misused and overused but it certainly applies to Fansteel. I have liked companies with aggressive, intelligent and bold, yet sound managements, that maintain research to develop products and improve methods. Science is the by-word of the age. The miracles of chemistry are well known; chemical and technological progress has necessitated and inspired wonderful new developments in metallurgy. Fansteel is one of the two largest refiners and fabricators of rare non-ferrous metals. It is preeminent as a refiner of tantalum and columbium. It has achieved notable successes in handling tungsten and molybdenum. Its products consist of rods, sheets, strips, wire and ribbon and such finished products as electronic tubes, radar equipment, electrical contacts, rectifiers, capacitors, battery chargers for railway signal, telephone and fire alarm systems, acid-proof chemical plant equipment. Abrasion and corrosion resisting alloys are produced. Johnson & Johnson distributes Fansteel surgical products made of tantalum. Vascolet-Ramet Corp. and Weiger Weed & Co. are wholly owned subsidiaries, the former manufacturing tungsten, tantalum and columbium carbide cutting blanks, tools and wire drawing dies and precision castings, the latter resistance welding alloys and accessories. Fansteel



Robert J. Levy

This Week's Forum Participants and Their Selections

Standard Fruit & Steamship Co. (preference stock)—Henry C. Keister, Partner, H. C. Keister & Co., New York City (Page 2)

Fansteel Metallurgical Corporation (common)—Robert J. Levy, Partner, Robert J. Levy & Co., New York City. (Page 2)

United Corporation—E. Bates McKee, Partner, Richard W. Clarke & Co., New York City. (Page 30)

serves chemical, aircraft, automotive, electrical manufacturing and other industries.

In a short presentation, no space can be devoted to a detailed discussion of individual products and methods. Fansteel's forty-four years of research are now beginning to pay big dividends as technological progress in industry has developed new demands and uses for its products and services. Out of many products, I have selected, as an example, one new product, a tantalum capacitor of exceptionally stable characteristics which is approximately one twentieth the size of the conventional capacitor of similar rating and which has much longer life expectancy.

For the layman, a capacitor or condenser is a device used originally to accumulate or store an electrical charge in electrical form, but now having manifold industrial and scientific applications in electrical circuits. Capacitors are used by Bell Telephone, in television, proximity fuses, aircraft fire control equipment and the advent of television and other electronic applications has developed a very large and growing demand for Fansteel's product. Increased facilities cannot yet come close to supplying this demand. While the company is making important useful contributions to the rearmament effort, it is generally believed that return to a peace time economy will find the company well situated and well supplied with materials now scarce. The company is doing well in a semi-war economy and should do better, especially if and when excess profits taxes are reduced or eliminated. Presently, there are two principal limiting factors: (1) an unfavorable excess profits tax base, and (2) a shortage of certain metals such as tungsten, platinum group metals, copper and nickel.

The following are some significant facts and comments:

(1) **Sales:** From a high of \$12,753,000 in 1943, sales declined to a low of \$5,620,000 in 1946, and reached \$13,815,000 in 1950. 1951 sales for six months were \$11,583,000 and full year sales are estimated at approximately \$26,000,000, or about twice 1950 sales. With increased capacity provided during 1951 and planned for 1952, sales in 1952 should show substantial growth.

(2) **Net Income:** From a peak of \$1.37 in 1943 (adjusted for 2 to 1 stock split in 1946) earnings declined to 47c per share in 1949, and were \$1.87 in 1950. 1951 earnings for six months were \$1.46 (after substantial reserves for inventory revaluation) and full year earnings are estimated at \$3 to \$3.25. Because the company's earnings are subject to ceiling excess profits tax rates, growth in net can only be moderate but 1952 earnings should be somewhat larger than 1951, with a substantial improvement in net before taxes. The company may get some relief from the new

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Your Stake in American Business

By H. P. LIVERSIDGE*

Chairman of the Board, Philadelphia Electric Company

Utility executive, asserting, in order to continue our spectacular business expansion in next half century, we must take steps to safeguard sound elements of economic life; to uphold and protect responsible use of private capital; to reestablish sound currency; and to effect drastic reduction in Federal spending, attacks higher taxes as leading to confiscation. Urges expanded ownership of industrial enterprises as personal incentive to maintain our economic system.

I believe sincerely in the principles underlying the "Invest-In-America" movement. There is no question but that this movement can and will develop into a most effective force opposing the steady drifts toward the destruction of our free enterprise system.



H. P. Liversidge

It is also my belief — too rosy, perhaps, to fit the conservative estimates of some — that the spectacular business expansion of the past half century is but a forerunner of the growth we should expect during the next 50 years.

The reasons for this belief are quite obvious for we have at our command all the basic elements needed for a brilliant future: a land blessed with an almost limitless store of natural resources; the accumulated wealth of centuries still at our disposal; and a system of free enterprise that guarantees to the individual all the rights and privileges of a free society. If the next 50 years do not bring an even better way of life, if we fail to take full advantage of the opportunities that surround us today, we shall have no one to blame but ourselves. It is we, the citizens of this generation, on whom rests the responsibility of determining the kind of country this will be 25 and 50 years from now.

Actions speak louder than words. What we do, not what we say, will shape the pattern of things to come. We must take steps to safeguard the sound elements of our economic life; to uphold and protect the responsible use of private capital; to reestablish a sound currency; and last but not least, to effect drastic reductions in the expenditures of our Federal Government. These are some of the more important obstacles that lie ahead. Their solution is our immediate challenge, and when attained, will be the certain guarantee of a better future.

In the light of some of the fanciful theories that are guiding our destinies today, such things as I have just enumerated seem difficult to attain. Production and distribution as measured by our gross national product must keep pace with the demands of a growing population and the steadily

rising standards of living. But when that same economy is explosively expanded to meet the needs of war or defense, we must face the hard, cold facts that the result plays little, if any, permanent part in contributing to our national wealth or our standard of living.

Destroying Our National Wealth

We might go further and say that for more than a decade this nation has been involved in a business of destroying, as well as giving away, a substantial part of our national wealth, and in amounts exceeding anything ever before experienced in the history of the world. It requires but little imagination to predict where such a trend will lead us. The immediate result is increased taxes, the end result confiscation of private wealth.

These are not idle words—there is abundant evidence today in support of this statement. The trend of taxes has been moving steadily forward toward just such a disaster. It will never be changed unless the people of this nation wake up to what is happening, and then act to prevent it. We are still a free people. We still have it in our power to demand changes that will safeguard our future prosperity, and our individual liberties.

Today it is estimated that there are approximately 2½ million employees on the civilian payroll of the Federal Government, and it is stated that there is urgent need for another half million. We refer to them casually as bureaucrats, but bureaucrats have an uncanny habit of multiplying rapidly when given the slightest encouragement, endlessly conceiving new plans, new agencies, new ways of spending our money.

A Washington correspondent recently commented on the scientific treatises published by the Bureau of Wild Life Service for the education and enlightenment of the public. These studies covered almost everything from the Collared lizards to the scissor-tailed flycatcher, including skunks, squirrels, woodchucks, magpies, bats, and believe it or not, a treatise on the economic status of the English sparrow.

This sort of thing may be all right, I wouldn't know. But one fact I do know. The costs of these and similar projects add up to taxes that not only are destroying incentive, but actually are sapping our ability to produce new wealth. I say that it's high time we postpone such expensive

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Canadian Prairie Profits —The Crude Way

By IRA U. COBLEIGH
Author of the Forthcoming Book,
"Expanding Your Income"

Giving a brief account of the fantastic oil exploration north of the border—or through Alberta with drill, derrick and stockholder.

When the Province of Alberta got its name, back in 1882, presumably from the Royal consort of Queen Victoria, this outpost prairie province gave small promise of the more mundane royalties that lay in store for it. Today this provincial plateau is literally checker-boarded with oil drillings which are now jumping a great many intrepid investors and prospectors into the King Row—financially, that is. Not since Spindletop blew its top 50 years ago in Texas has there been such a scurrying for oil; or such a widespread belief that a new oil basin with a potential equal perhaps to that of Texas, had been marked out.

The geographical position of Alberta toward the Northern end of a belt of sedimentary rock formations running from the Gulf of Mexico to the Arctic Ocean, is a "natural" for oil and gas. But early explorations just never hit the "big time." As far back as 1914 drilling in the Turner Valley brought fourth commercially worth while oil, but not in great quantity; and dabbings a decade later unearthed some more profitable wells. But, whether because costs were too high, exploration techniques too inefficient, transportation inadequate, productive fields too scattered, or markets too remote, nothing really stirred here till Imperial Oil, Ltd. brought in a big one at Leduc in 1947. Only then did the world come to think of Alberta as a burgeoning billion barrel petroleum reservoir, instead of the (1) grower of the world's best wheat; (2) premier pasture land of steers for steaks; (3) possessor of a proven coal reserve equal to a couple of centuries of Canada's present needs; and (4) land of a scenic beauty unsurpassed by the Alps (Banff, Lake Louise, Jasper National Park).

Well, the four years since Leduc have rerouted not only the fame of Alberta but the entire economy of Western Canada. From a pint-sized producer of crude and natural gas, Alberta blossomed out and in 1950 produced over 28 million barrels. Against a Texas output currently running at the rate of 1,000 million bar-

rels a year this total may fail to impress; but remember Alberta has only been in this game, really, for four years. During the time, there has been no worry about the capacity to increase production; rather there was concern about how to get all this oil to market. An important answer to that was the completion, within the past year, of a pipeline from Calgary to Lake Superior—1,127 miles. Originally scheduled to ooze along 85,000 barrels a day, the line has been stepped up twice; and only this week, a plan to further "rev" up this flow to 146,000 bbls. a day was announced. About the natural gas, which is now lurking under ground in the paltry amount of an estimated 5 trillion cubic feet, probable marketing is a two-stage affair. The first phase is to use this fantastic supply of cheap fuel as factory bait to lure major industries to Alberta. Paper and chemical enterprises are natural candidates for such gas-induced Western migration. The second phase is, in due course, to agitate this gas by pipeline East to Toronto and Montreal; the same as was done from Texas to Philadelphia and New York. So get ready now for several tens of millions of Canadian pipeline securities; and if they all work out as well as Interprovincial Pipe Line Convertible 4s (which came out at par three years ago, and now sell at 370) investors may be in for some good hunting here.

Before attempting any appraisal of the companies gunning for oil, perhaps a word about access to Alberta land is appropriate. In the United States most oil producing land is privately, corporately or state owned. If you want to drill for oil on it, you either buy the land, or lease it on a royalty basis. As a result, oil-lush land here, sought for purchase, has been bid to as high as \$180,000 an acre. Royalties customarily range all the way from 1/8th to 1/4th of production, plus bonuses in certain cases. Well, in Alberta it's different. Over 90% of all oil rights are owned by the province itself. On unproven areas, you can rent the oil rights on a big chunk of real estate for a lowly \$1 an acre; but you have to agree to drill right away. Then if you're lucky, and find oil, they give you 90 days to checker-board your lease. Half of these squares go back to the province; and you also kick in a 15% royalty to Alberta for oil produced on the half you keep. This all sounds pretty complicated but it accomplishes two things. First it permits an individual or a company to prospect for oil at an amazingly low initial cost, since no land need be bought; and wide swaths of land can thus be probed economically. Second it brings in a wonderful revenue to Alberta. The drawback, of course, is that a company (or individual) may run out of dough, or have his lease expire, before he has time to dig deeply or in enough places to locate black gold.

Naturally this low cost lease deal appeals to the big companies. Thus we see outfits like Gulf Oil, with lease holdings of 4,280,000 acres in Alberta; and Texaco Exploration Co. with extensive acreage in the new Wizard Lake field (Central Alberta).

Because of the glamour of all this, investors, though eager to

place their money at work in such a promising hunk of mineral terrain, are baffled as they run through the Toronto List of dozens of exploration companies. It's hard to tell which ones have real promise. So to blaze some sort of trail, let me set down some companies which either because of land location, management, or reputed talent for locating oil, or all three, seem to deserve further study and, possibly, a high priority position on your stock shopping list.

First, let's talk about Calgary and Edmonton. 2,415,000 shares here represent fee ownership in the mineral rights to 1,142,109 acres of Alberta land. This land ownership itself is unusual, in this territory, and permits company property to be developed without time limit. Calgary is no newcomer—profitable drilling has been conducted for years. Currently Calgary gets its income from (1) leases; (2) participating interests; (3) options, and (4) investments including the Alberta Salt Co. Its land is spread in the middle of good oil country, 500,000 acres lying north of Calgary, and 600,000 running south from that city to the Montana border. Read the annual report of this enterprise, and you'll be impressed by the area of its drillings and the distinguished names (including the President of Canadian Pacific) on its board of directors. Stock has varied since January 1949 from 3 1/4 to 16.

Another interesting situation is Dome Exploration (Western) Limited. Launched under the guidance of Dome Mines, Ltd., a long and highly successful extractor of gold (which today owns 24.39% of common), this company has acquired and is developing a wide series of leases in Alberta in favorable areas. 23 wells were in production as of June 15, 1951 in the Redwater field alone, and numerous drillings are now in progress in other proven sections. Management is impressive, directors including eminent names from the banking and brokerage fraternity. Currently around 11 1/4, Dome Exploration appears to have interesting possibilities.

A third favored entry in the petroleum sweepstakes is Canadian Superior Oil. This one starts off with a load of glamour, as its sire, Superior Oil of California, is one of the sable beauties on the Stock Exchange, selling today at a plushy 560. Superior Oil owns 51.7% of Canadian Superior and brings to this venture a fabulous flair for locating lush oil. Company holds about 1,700,000 of free hold leases, and can benefit by the bird-dogging of other companies, since its leases are spread-eagled over Alberta, Saskatchewan and Manitoba. Dividends are not in any immediate offing, but if Canadian Superior inherits the oil producing talents of its parent, these 4,450,000 common shares might some day be worth considerably more than today's price tag of about 16 1/2.

These three have been invested in by a number of persons with traditional discernment in oil matters. No warranty goes with any of them but if you delve further into them you might decide to assemble a package like this.

One Share of—	Cost About
Calgary & Edmonton	\$14.00
Dome Exploration	11.75
Canadian Superior	16.50
Package Price	\$42.25

If you make the vital preliminary investigation and then decide to wrap up multiples of this package in your own vault, one of these three might turn out, with a little luck, to be a junior model Amerada.

On the Canadian oil checker-board it is now your move. Perhaps you, too, can rack up some prairie profits—the crude way.

The State of Trade and Industry

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

The uptrend in over-all industrial production in past weeks was continued last week, though on a very small scale. Total output was moderately higher than that of a year earlier as the impact of defense spending on the economy became increasingly more pronounced. It was also noted in the week that expanded production for defense needs more than offset the decline in the flow of consumer durables.

Steel ingot output continued last week at a rate in excess of 2,000,000 tons weekly with the national rate placed by the American Iron and Steel Institute at 101.8% of capacity, or a decrease of 0.8 of a point from the week previous. The long campaign of capacity operations, however, is taking toll and steelmakers are meeting growing difficulty maintaining facilities at peak efficiency. Further, sporadic labor trouble and slowdowns at various producing centers are hampering operations seriously.

The current week, "The Iron Age," national metalworking authority, states that if Washington officials aren't able to unsnarl the controls tangle, they'll have to look somewhere other than the steel industry to find a whipping boy. This became clear last week when steel leaders broke their long silence and fired a list of point-blank suggestions on how to improve production planning. These suggestions can not be ignored.

They strike at the causes of the distribution snafu and offer concrete proposals which, if put into effect, can help correct inequities and make the Controlled Materials Plan work. Above all, these suggestions are the fruit of real industry experience, this trade weekly asserts.

The next move is up to top mobilization officials, since the industry suggestions were requested by Chief Mobilizer Wilson. It is presumed, this trade journal adds, that he will direct certain alterations be made in controls tailored to fit industry's needs.

Consumer appeals to NPA for relief from fourth quarter allotment cutbacks are reported to have all been processed about a week ago. But as yet there is no sign of any sizable tonnages being cancelled.

The carryover control order, also aimed at opening mill space, is achieving no better results. Steel producers are beginning to doubt that either of these moves will cause substantial cancellations for some time. Consumers whose third quarter tonnage was shipped after Oct. 7 are expected to hold off cancellation of any of their fourth quarter tonnage as long as they can legally do so.

There are several reasons why mills aren't booking orders (except military) very far ahead, "The Iron Age" states. They feel most of these would be dummy orders—that the consumer doesn't really know sizes and specifications he will need. Also, later government regulations might make the orders invalid. The cost of altering orders is running administrative expenses sky high.

Steel people are gravely concerned with the problem of procuring materials needed to complete steel expansion projects and keep present facilities adequately maintained. Cuts in structural, extended delivery of mill equipment and shortages of certain parts are pushing completion dates further into the future.

Under these conditions it is extremely difficult to keep all phases of an expansion program progressing at the same rate.

Raw materials, of course, are a worry too. Scrap is at the head of the list. Some are also concerned about ore boats to feed the enlarged capacity. They point out that several of the boats now planned won't be ready for 18 months, "The Iron Age" concludes.

It is currently learned that the automotive industry faces a cut of about 13.6% in the first quarter of 1952 from the 1,100,000 cars scheduled for the present quarter. A high official in the National Production Authority stated last week the government will try to allocate enough controlled materials to the auto industry in the first quarter of next year to permit production of 950,000 cars.

Steel Output Scheduled to Rise Slightly in Current Week

Finished steel order cancellations due to duplications or tonnage placed in excess of final National Production Authority allotments for fourth quarter are developing slowly, says "Steel," the weekly magazine of metalworking. Steelmakers report volume canceled to date negligible despite the government ruling that third quarter carryover not shipped by Oct. 7 be charged by consumers against their fourth quarter allotments. It still is too early for final conclusions as to the efficacy of this latest

Continued on page 35

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Observations . . .

By A. WILFRED MAY

Implications of the British Election

What are the implications of next week's British general election for the American citizen? What conclusions can we draw concerning a prognosis of our own political course in 1952, and the impact on our international relations?

In the professional polls and other experts' forecasts of Conservative return to power Oct. 25 there is considerable analogy to our own pre-November election situation of 1948. On both sides of the Atlantic, the formerly rock-ribbed conservative (small c) party has become appreciably liberalized by the political exigencies of "welfare" championing, while the "welfare-ists" have necessarily slowed up; resulting in a blurring if not extinction of issues. A Conservative return to power would, of course, imply absence of further nationalization, a more free pound, and some other changes in the degree of socialization. But on both sides of the Atlantic, the party out of power seems to have fallen into the routine of merely waiting to cash-in the Gallup Poll chips. Is such ducking of live issues perhaps an unavoidable characteristic of today's election process in all the democracies; and is it really the most effective course?



A. Wilfred May

North Atlantic Me Too-ism

In England just before the bye-elections in 1949, this writer inquired of a number of Conservative members the nature of the specific aims and general philosophy on which they hoped to get to power. *Me too-ism* with more efficiency appeared uniformly (with the exception of colorful Stassen-like David Eccles) as the basis of the outs' plea for change—a motif which bogged down, at the polls, despite the many dissatisfactions created by the stale ins.

Again in England last August, the writer encountered a similar negative issue-less condition regarding home front matters. This conclusion is wholly valid even in the face of a 36-page policy statement just issued by the Conservative Party under the engaging title "Britain Strong and Free." Running through this "manifesto" is the merely vague reiteration of familiar themes of endorsement of free enterprise reduction in controls to create wealth; of the need for stimulating incentive at all levels; and about taxation the following: "the government must help by a taxation policy directed to reward extra initiative, efficiency and ability, and to assist the necessary provision of new capital." Typical of tweedle-dum tweedle-dee choice before the voters is the Churchill-Butler proposal to substitute excess profits taxation for the castigated Gaitskell proposal for dividend freezing.

The conclusion that the Conservative outs are leaving British citizens confined to a mere choice between slogans, personalities (most of them seemingly tired); and between the detailed means to overlapping ends in lieu of differences in the ends themselves; was recently confirmed by Mr. Anthony Eden in his visit to this country. Mr. Churchill's past and prospective second-in-command and heir-apparent revealed himself as surprisingly docile and wishy-washy in his observations on his opponents' policies; foreign as well as domestic. Under questioning at a press conference in New York, the former apostle of opposition to appeasement merely went as far as wishing to amend, rather than decisively reverse, all the Socialists' actions and aims—even overseas.

The Laborites on their side, no less than the ruling regimes in Iran or Egypt, are using grievances abroad as a scapegoat device to avoid the politically distasteful duty of acknowledging as the real domestic issue the necessity for dis-inflating and reducing the standard of living to what the country can really afford.

U. S. the Goat

Specifically, the United States is being made the whipping-boy with a variation of alibis for the resurgence of Britain's enormous trade deficits and loss of dollar exchange. In the first place, the loss of dollar reserves amounting to \$638 million during the past quarter is being pinned on America's high activity and the shortage-with-high prices of raw materials. A thesis that the United States must transform itself into maintaining its prosperity on a high-price buying but low-price selling basis, in lieu of getting her own house in order at home by ending subsidies and featherbedding for the benefit of production, may be politically convenient, but assuredly is economically false and illogical. A second count in the indictment against this country, advanced by Gaitskell et al., in disclaiming responsibility for insolvency, stimulated by Mr. Bevan's politically effective strategy, lies in blaming the entire West's need for Defense preparations and sacrifices on America's selfish "militarism" in preparing for "her" War. While such epithet hurling about U. S. and Pentagon war-mongering in order to gain political advantage from dubbing the Conservatives as a kow-tow-ing "War Party," may be cynically condoned as a legitimate election stunt, nevertheless it unfortunately does add permanent scars to the already difficult enough state of trans-Atlantic camaraderie.

Such are the effects, abroad and at home, of the muddling-through workings of present-day democracies!

The British contest at the polls Oct. 25, which will be decided according to how the voting goes for about a hundred key seats, furnishes us with a valuable laboratory of practical politics. It will supply conclusions as to the actual relative effectiveness of, on the one hand, courageously fighting on the real but unpopular home-front issues, or instead of hiding behind "me too-ism," slogans, and foreign scapegoats.

The Defense Program And the Business Future

By A. W. ZELOMEK*

Economist, International Statistical Bureau, Inc.

Economist predicts expanding level of defense activity provides foolproof guarantee of high business operations; and in 1952 sales, prices, and production will average higher. Asserts soft lines will be stimulated by growing excess of purchasing power.

I am very happy to be here at this time, to talk about the Defense Program and the economic outlook. I am particularly happy because, for quite a few months now, many businessmen have expressed a feeling of great uncertainty. I do not believe this is justified.

This uncertainty about the economy is understandable—I don't deny that. Prices in many markets have been weak, inventories of many items have been excessive, and there has been a lot of liquidation. The Defense Program, so far at least, has certainly not insulated our economy against recessions of fairly important magnitude.

This uncertainty and pessimism, however, is not justified. Those who let it affect their planning for next year will be starting off at a disadvantage. This is one time, and I speak from many years of experience, when the businessman can feel a great deal of confidence about business and price prospects in 1952. Let me very briefly put my own views on record at this point:

The recent recession is just about over. This recession was not a basic one in the sense of having a serious affect on employment and earning power. It was an aftermath of last year's speculation.

I do not imply that all of the excessive inventories have been completely cleared up. But evidence of a moderate recovery, in new orders for consumers goods, in industrial production and even in wholesale prices, is already at hand.

I am quite willing to admit, however, that for a few months longer this recovery will be moderate. Nevertheless, the economy is beginning, more than a year after the invasion of Korea, to feel some of the expected impact from the Defense Program. This is small so far, but it will rapidly become greater. Economic activity in 1952 will, for the first time, reflect the full force of an expanding defense production.

The inflationary trend should also be in evidence again next year. There will be a chronic Federal deficit and this will have a basic influence on the money supply. The background will be inflationary in nature, and prices generally will respond more easily to stimulating influences than they will to depressing ones.

This outlook, as I have described it to you, is favorable. It does not imply that there will be no ups and downs in prices, or that there will be no business problems. It does indicate strongly, my belief that the general level of economic activity next year will be high and probably, during most of the year, tending to rise gradually. It is an outlook that justifies you in planning aggressively and constructively for next year's business.

*An address by Mr. Zelomek before the Purchasing Agents Association of Chicago, Oct. 11, 1951.



A. W. Zelomek

However, I do not expect you to take my word for it. I merely want you to understand my reasons, and draw your own conclusions.

Political Certainties

A part of the recent fears and uncertainties have stemmed from the international situation. The Defense Program is recognized as a stimulating influence, but where would we be if the Defense Program folded up or was suddenly cut back?

This question involves us in world-wide political considerations. It is only conceivable that the Defense Program would be cut back if there should be a peaceful settlement of international problems.

Do any of you, honestly, expect this to come about?

If you do, then you may be justified in feeling uncertainty about next year's economic trend.

It is simply inconceivable to me, however, that anyone can really hold such a belief. I am not implying that war is inevitable. That would be a defeatist attitude of the worst possible kind. I do not believe, however, that a United States that is militarily weak will be able to reach any sort of a settlement with Russia. In fact, I think that the risk of war would be greatly increased, if the United States failed to continue its program of increasing its armed strength.

We can look back over a period of years now and see that every move made by Russia has been intended to strengthen that country's position, put us at a disadvantage and cause us difficulties at home and abroad. There is nothing that I know of in the history of totalitarian governments, or any information about Russia's present condition and policies, that would give us any reason to believe that world tensions will suddenly be replaced by peaceful settlements. Avoiding war, and reaching peaceful settlements, will, I am convinced, have to be worked out the hard way.

What I am saying in very simple terms is that the uncertainties of the foreign situation actually add up to one great big certainty, that the Defense Program will have to be continued and quite probably enlarged.

What About a Cease-Fire in Korea?

I do not mean to imply to you that we have passed all of our psychological hazards. The Korean War has been going on now for more than a year and in the past few months the rumors of a cease-fire of some sort of a settlement have been frequent. I do not eliminate the possibility that a cease-fire agreement in Korea may possibly be reached. If it is, I suggest to you that its importance will be minor.

First of all, a cease-fire agreement in Korea would not prove that Moscow wanted a real peace agreement in the Far East. As a matter of plain and simple fact if, as and when Moscow gets to the point—if it does—where it believes that a major war will further its purposes, this war seems more likely to come in the Far East than in other areas.

It is in the Far East that Russia is in the most favorable position in terms of logistics and manpower.

It is an area to which Russia

can easily send supplies; and she can rally Asiatic manpower to an extent which would be impossible in Europe.

It is in the Far East that Russia would get the major advantage from her submarine force, which was partially inherited from the Germans. Any of you who remember the early stages of the last war, and the heavy and distressing shipping losses along our coasts and almost in our harbors, will appreciate the importance of this.

I feel sure, therefore, that a cease-fire in Korea, if it occurs, will not mean peace for us in Asia.

The war in Korea began at a time when Japan was completely disarmed. An immediate success of the Communist forces in Korea would have weakened the American position in Japan to such an extent that the entire Far East might have been lost. The mere fact that it has not been lost rep-

Continued on page 29

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Strength of U. S. Economy and Its Meaning for the World

By HARRY A. BULLIS
Chairman of the Board, General Mills, Inc.

Prominent industrialist gives data regarding the nation's remarkable economic progress in last decade, and stresses importance of increased productivity. Says American economy is strong because of marked acceleration in capital formation. Though seeing threat of more inflation, holds deflationary forces may overcome it provided: (1) high taxes continue; (2) labor is efficient; (3) technical progress is accelerated; (4) new housing construction and new plant expenditures are reduced; and (5) inventory accumulation subsides.

At the beginning of 1950, the American economy was producing at the rate of \$250 billion a year. When the conflict in Korea began, at the end of the second quarter of the year, the rate of gross national product has increased to \$275 billion annually. By the fourth quarter of 1950 the rate had risen to \$300 billion, and by mid-1951, to \$326 billion a year.

Our highest prewar production was \$100 billion a year in 1929. That rate was not again achieved until 1940. The price level in 1951 is about 50% higher than it was in 1929. Allowing for this increase in price level, it is evident that the physical volume of production in 1951 is twice that of 1929. On a per capita basis, we now have a total output of 55% more product per person than we did in 1929.

This country's tremendous production in the last decade made possible not only the hundreds of billions of dollars for war material and military assistance including the \$55 billion lend-lease program, but also the expenditure of \$35 billion for postwar economic aid to other nations; and it still leaves us the richest as well as the most productive nation in the world.

Within the last 20 years we



Harry A. Bullis

have experienced two contrasting sets of conditions:

(1) The depressed state of the 1930's, when we were unable to do anything to help the rest of the world.

(2) Our present state of high production, which makes it possible for us to assist other nations and still have enough left for high consumption at home.

There is no question that our present economic condition is greatly to be preferred to that of the 1930's.

Increase in Productivity

Table I shows United States production of various manufactured articles in 1949 and 1950, with the percentage increase (a one-year gain).

Since 1929 and 1940 we saw our \$100 billion economy move into a \$200 billion economy in the war years and then by the end of 1950, into a \$300 billion economy. Certainly in another ten years—perhaps in five—we shall touch the \$400 billion mark. Last year, national output and productivity per worker increased at a rate that has been exceeded in only three or four years of this century. Productivity has increased largely because of more power-using equipment per worker, technological progress, and more efficient management. Workers cannot claim all the gain for themselves. If productivity increases at the rate of only 2% per year and if industry can continue to provide productive jobs for our young people as they reach employment age, the national output will exceed \$400 billion in ten years, even

without further inflation. (Ten percent addition to the labor force and 20% increased productivity should produce at least 30% added product as compared with present \$326 billion.)

Between 1949 and the second quarter of 1951, the country's gross national product rose from \$257 billion to an annual rate of \$326 billion. An analysis according to the groups which purchase the total national output helps us to understand how this has been achieved is contained in Table II.

Capital Formation and What It Means to the Economy

Total consumer purchases rose by \$20 billion and "capital formation" increased \$33 billion. Although part of these increases are due to higher prices, the increase in capital formation is significant. It was this remarkable rise in capital expenditures that provided the real "kick" in our economy last year. The consumer was second in importance and government third. Our American economy is strong because we have had such marked acceleration in the rate of capital formation. It is this capital formation increase, as one factor, together with staying in the upper reaches of output, which produces an extraordinarily good expectation for the American people.

Under "capital formation" we group the purchases of inventory, machinery and equipment, and new factories and houses. Here we have the expenditures for "the machines which make machines" and for consumers' use in the future, not only for today's use.

The processes which lead to greater production in America are first to build a new factory, a new machine, and more transport equipment. Then we produce and distribute more goods to consumers. For example, if an automobile company wants to make more automobiles, it builds an additional factory, buys a lot of machines, and accumulates inventories of raw materials and processed goods. Only then are the "consumers' machines"—the automobile—available in larger quantities. The figures for "capital formation" break down as shown in Table III.

Construction for consumers—housebuilding—rose very sharply from 1949 to 1950 and attained the highest level ever known. Then tight credit cut it back. But in-

comes in the United States today are sufficient to permit about two-thirds of our families to buy new homes if they could purchase them at prices not exceeding the average price of all homes constructed last year. We have a country whose people are fed to overweight, clad in Sunday serge or soft flannel for leisure, supplied with 40 million motor cars, and able to buy new homes almost without limit.

The amount of \$37 billion spent by businessmen for producers' durable goods is highly important because it is through such expenditures that we will have a continued larger flow of consumer goods when the demands for production for defense have been met.

Building Military Security

Our defense needs include the assistance which we must give to our allies in the North Atlantic pact. We are over one stiff hurdle in meeting those needs. That hurdle in the initial planning, the accumulation of stockpiles, and the building up of inventories; and (still more important) the equipping of the new war plants have been built by the taxpayer and by private industry. The next hurdle is to develop the flow of war material so urgently needed both here and in Europe.

Our rearmament program is taking form in an encouraging way. Under General Eisenhower's leadership we are building in our European allies the confidence that we mean business and will meet our share of the responsibility for the mutual defense of free nations. There are many evidences of the firmness with which the United States and the North Atlantic pact countries are meeting the need for restraining any further invasions by Communist countries. We have a strong ally in Turkey; we have air bases in Western Germany; we are building an air base in Cyprus and probably another in Turkey, as well as one in French North Africa, where we have the hearty cooperation of our loyal ally, France. We have bases elsewhere in North Africa, and a fleet in the

Mediterranean. We are beginning to realize that the Far East is worthy of our assistance in the defense against Communism. Furthermore, in the European theater Russia's position with its satellite countries seems to be deteriorating, while we are making progress with our allies.

By resisting in Korea we are engaging in a war in a place where the conflict can be limited in scope. At the same time we have served notice to Communist China and Russia that they can no longer obtain their demands from frightened countries on their borders by merely raising their rifles. In that way Korea may have prevented a European war, the major catastrophe we seek to avoid.

The San Francisco peace treaty, signed by 48 nations, brought to a close six years of Japanese occupation and symbolized the new role which the United States now assumes in the world. Obviously Asia is an immediate important area of military and ideological conflict, with the issue still in doubt.

The United Nations Organization has helped our side by bringing us many allies and associates. The UN is gradually building an acceptance of the rule of World Law backed by adequate force.

The world today is on the threshold of the greatest advance it has ever seen, and the important gain which we can expect from our defense effort is to have military security which will assure political and economic security. In Korea today we are building military security.

Inasmuch as the Korean crisis marked a turning point in our economy, perhaps it would be well to examine in some detail the changes which have taken place since June, 1950.

Developments in the American Economy Since June, 1950

In the year following the outbreak of the Korean conflict, the annual rate of gross national product increased \$51 billion, from \$275 billion to \$326 billion. This

Continued on page 24

TABLE I

	1949	1950	Gain
Automobiles	6,254,000	8,003,000	28%
Electric refrigerators	4,450,000	6,200,000	39
Washing machines	3,033,000	4,290,000	41
Vacuum cleaners	2,887,000	3,529,000	22
Electric ranges	1,056,000	1,830,000	73
Radios	10,500,000	14,590,000	39
Television sets	3,000,000	7,464,000	149
Rubber tires	76,369,000	92,700,000	21
Men's suits	19,220,000	23,200,000	21
Hosiery (dozens)	145,000,000	159,000,000	10
Shoes and slippers	473,000,000	492,000,000	4
Refined petroleum (barrels)	1,874,000,000	2,008,000,000	7
Cigarettes	385,000,000,000	392,000,000,000	2

TABLE II

	Annual Rate of Output (Billions of Dollars)		
	Year 1949	Second Quarter 1951	Increase
Total national expenditures	257	326	69
Consumer purchases of non-durable goods and services	156	176	20
"Capital formation" (construction, machinery, houses, inventories, and consumer durables)	57	90	33
Government purchases	44	60	16

TABLE III

	Annual Rate (Billions of Dollars)		
	Year 1949	Second Quarter 1951	Increase
Capital formation—gross private investm't	57	90	33
All consumers' durables (autos, radios, electrical appliances, etc.)	24	26	2
Residential & other private construction	9	13	4
Producers' durables (machinery, equipment, farmers' tractors, etc., including construction)	27	37	10
Net change in business inventories	-3	14	17
Public construction (not included in above total)	6	9	3

Source: Economic Indicators and Mid-year Economic Report.

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HAMILTON WINDSOR BRANTFORD SUDBURY BRAMPTON

Defense Mobilization Moving Into High Gear

By CHARLES E. WILSON*
Director of Defense Mobilization

Defending U. S. mobilization program as insurance against World War III, Defense Mobilization Chief asserts "a fat, lazy and militarily weak Uncle Sam would be duck soup for Soviet Russia." Reveals data indicating defense mobilization is moving into high gear, but warns scarcity of raw materials, particularly metals, is continuing problem. Points out because of defense mobilization we are expanding our entire production base, but warns program can be wrecked by runaway inflation. Predicts civilian shortages.

I haven't been in Washington long enough to get used to billions—let's hope I won't be there that long. It's really hard to understand what



Charles E. Wilson

\$1 billion means spending \$1 billion means every minute since the birth of Christ, minus 49 years? In round numbers, the cost of defense mobilization will be 50 billion a year for three years, or \$150 billion. It is difficult to visualize just how much that is.

Our national debt is approximately \$250 billion. To put that in another way, it is one-fourth of a trillion. Most of us still shy away from that word "trillion."

Yet, to use a more comforting figure, the total value of goods and services produced in the United States last year exceeded \$300 billion. It was close to one-third of a trillion.

Along with these Buck Rogers figures come complicated laws and regulations which need trained interpretation and calculation. In the last 10 years, the number of CPAs has almost doubled, but the demand for them is still growing.

Defense Mobilization has produced many new accounting problems, and I know you would like to have me tell you how best to cope with the orders of the Office of Price Administration and the rules of the National Production Authority.

*An address by Mr. Wilson before the American Institute of Accountants, Atlantic City, N. J., Oct. 8, 1951.

You would like to know the most efficient way of applying for a certificate of necessity for rapid tax amortization.

You would be glad to have a thorough explanation of the procedure in wage and salary stabilization.

You would like to know if all your bright young men are going to be taken by Selective Service, or whether deferments will be granted.

You would appreciate information on how to advise your clients to cooperate in the defense effort.

Over-All Look at Defense Mobilization

I feel, however, that you are even more interested in getting from me an over-all look at defense mobilization—where we stand and where we're going.

We are living in an age when anything can happen—and usually does. We are fighting a good-size war against Communism in Korea—yet it is only one of many places in the world where trouble already exists or is threatened.

The French are fighting Communists in Indo-China, the British in Malaya.

In addition to open warfare, the free countries are being attacked by infiltration, subversion, espionage and deceptive propaganda.

All of this fits into a pattern of world conquest as dreamed up in the Kremlin, because, as Stalin has said, quoting Lenin, our kind of civilization cannot live side by side with the Soviet Union.

We have tried to deal with the Communists in numerous ways, but without success. They have broken promises, flouted treaties and scorned civilized usages.

The Communists helped organize the United Nations at San Francisco in 1945, but ever since then their actions have been calculated to harass and defeat the UN's efforts to bring about harmony among nations.

A classic example of the difficulties of dealing with Communists is the exasperating course of the truce talks at Kaesong. They began early in July, nearly three long months ago, and there is still no sign of settlement.

Armistice talks in World War I consumed only five days. Two days' negotiation were enough to bring about cease-fire order in Europe in World War II. Four days' talk brought about the end of shooting in the Pacific. But after nearly 90 days of palaver, the Korean war still goes on.

It has long been obvious that the only diplomacy that impresses the Communists is the diplomacy of strength. If the United Nations had not used its strength in Korea, that unhappy peninsula long ago would have been taken over by the Reds, and their huge armies would have been released for use elsewhere.

We are now building America's industrial power to equip a mighty Army, Navy and Air Force, and to assist our allies in the free world to strengthen their defenses.

We are also creating production lines and standby facilities that can be brought quickly into action in any emergency.

At the end of this three-year period, we should be strong enough not only to meet any challenge, but to discourage any challenge from being made.

For the supreme objective of defense mobilization is not to fight a war, but to prevent one.

An Insurance Policy Against World War III

As I have often said, the nation is taking out an insurance policy against World War III.

There are those who fear that the result of an armament race is likely to be war, rather than

otherwise. But if we look back at history, we find that war has often been the result of unpreparedness.

In 1939, neither England nor France was prepared for the war that Hitler started, and it may well be doubted that Hitler would have dared to precipitate World War II if they had been well-armed.

In any event, what alternative do we have except to build America's might? A fat, lazy and militarily weak Uncle Sam would be duck soup for Soviet Russia.

As General Nathan F. Twining, Vite Chief of Staff of the U. S. Air Force said in a recent address:

"Among nations as among men, the best protection against a criminal is the power and the determination to strike back swiftly and decisively. Today the people of the United States have the determination and they are building the power."

Going Into High Gear

Defense Mobilization is now moving into high gear.

The first half of 1951 was devoted largely to contract-signing, the drawing of specifications and blueprints, the tooling-up of industries and the other birth pains that are the necessary preliminary to mass production.

In the three months from July through September, deliveries of military goods totaled more than five billion. This was four times the rate just before Korea.

This is a stream that will soon become a torrent.

We are getting heavy and medium bombers, light and medium tanks, guns of all kinds, electronic fire control systems, various types of rockets, while the Navy has completed modernization of a number of warships.

The delivery rate from here forward is plotted on a constantly ascending curve. It will reach a peak of \$4 billion a month in the first half of 1953.

You saw production miracles during World War II. You are about to witness them again.

You will see not only volume production in the best American tradition, but you will also see the result of superior methods and new technological processes developed since the last war ended.

The new weapons will have refinements in operation in the interest of speed and accuracy, as well as unbelievable punishing power.

Of course, we are having some temporary disappointments and difficulties. Of course, we are having to smash bottlenecks and to cope with scarcities.

You know how we had to move in various ways to overcome the shortages of machine tools, which lie at the very heart of any mass production effort.

The machine tool industry fell into the doldrums at the end of the war. It needed price incentives, super-priorities for raw materials, and new manpower. It is getting these things, so that it may attack its backlog of orders with vigor and confidence.

The scarcity of raw materials, particularly metals, is a continuing problem. This was foreseen and long ago we took steps to increase the supply of steel and aluminum.

Part of our scarcity problem arises from the expansion of these industries. It takes steel to build new steel and aluminum plants.

But this is bread cast upon the waters, and it has already begun

Continued on page 32

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The Impact of Electronics

By PAUL A. JUST*

Executive Vice-President, Television Shares Management Co., Inc., Chicago

Though stating it is too early to assess full impact of electronic developments, Mr. Just reviews progress leading up to invention of radio and television. Discusses further progress of electronics in computing machines and other devices. Pictures second Industrial Revolution arising out of electronic age, with electronic production already in excess of \$4 billion annually. Concludes electronics will be important constructive factor in future economy, but investor must exercise selection in this field.

One of the few things that can be salvaged from war is the acceleration of science and invention. World War II speeded up the



Paul A. Just

developments in electronics by many years, and the present crisis apparently will have the same result. It is too early for us to assess the full impact of these developments, but we can already outline within certain limits the tremendous effect which electronics appears destined to have on our lives.

Peculiarly enough, the implications of great inventions are rarely understood in their early stages. This has been true of the steam engine, the railroad, the electric motor, the motor car, and the airplane. It has been true, also, of electronics which has its roots in a discovery of the great inventor, Thomas Edison. For the electronic tube, which was Edison's greatest scientific discovery, was perhaps the only one which he did not capitalize into an invention. It was in 1883 that he discovered what became known as the "Edison effect," which put into simple language means that the flow of a large current could be controlled by a small one. The great inventor did not appreciate his discovery and little research was done on the subject until 1904 when Fleming developed an electron tube detector. Two years later a further development was perfected by Dr. Lee DeForest, which he called the audion. In 1915 the telephone company gave the audion its first commercial use as an amplifier to replace existing components in long distance telephone circuits. Five years later, more than 30 years ago, commercial radio broadcasting became a reality. But who, except a handful of scientists, had any conception of the role the vacuum tube would have in shaping the future.

Television Developments

Although it was in 1928 that the first regular broadcasts of television commenced from WGY in Schenectady, it was not until 1941 that WNBT, the NBC outlet in New York, was authorized to begin commercial operations on July 1. And the first television newscast was made later that year when the Columbia Broadcasting System went on the air to telecast the story of Pearl Harbor. There were perhaps 10,000 television sets in use in the United States. How many of us then foresaw that less than 10 years later a coast-to-coast television network would give over 40,000,000 Americans a seat in the first row at the conference where the peace treaty would be signed?

Industry had made considerable use of the vacuum tube and

*An address by Mr. Just at meeting of business leaders and investors sponsored by George D. B. Bonbright & Co., Rochester, N. Y., Oct. 5, 1951.

its sister, the photo cell. The applications of electronics included induction heating of ferrous metals; electrostatic precipitation; various control operations such as of the flow of materials and fluids and of the speed of motors and of electric current in welding; various uses in measuring speed, thickness, strain, weight, transparency and color; and various detection and alarm devices such as metal and flaw detection, burglar alarms, fire and smoke detection and the automatic stopping of machinery as well as the familiar door opening devices. The place of electronics was still largely in communications as a supplement to existing techniques, and as Professor Wiesner's colleague at M.I.T., the great mathematician Norbert Weiner, has pointed out, "these uses did not as yet form a reasoned new technique, nor were they associated in the engineering line with the task of communication."

The war, with the urgency for invention of new weapons and the unlimited resources of money and men made available for research, brought about a great new wave of developments. In 1938 the British had completed the first five of a great chain of stations to transmit ultra high frequency waves, and to catch their reflection from airplanes many miles away. This we all know now as radar. But radar alone, although a magnificent help, was not enough. The great increase in the speed of the airplanes made it necessary to perfect a device to control anti-aircraft fire with a speed and an accuracy of prediction far beyond the capacity of the human being. It was to this problem of computing machines which the scientists gave their attention.

Electronic Computing Machines

The idea of the computing machine was by no means a new one. Over 125 years ago, Charles Babbage of England conceived the theory of a computing machine to handle large-scale problems at high speed but had insufficient means at his disposal to put his ideas into workable form. After \$85,000 had been spent, a lot of money in those days, of which \$30,000 was his own, the project was abandoned.

Dr. Vannevar Bush was perhaps the first to develop a successful large-scale computer, although his first model was not electronic and used electricity only to operate the motors which ran the machine. Vacuum tubes were employed in subsequent improvements.

The work on computers has accelerated since the war, and the great electronic machines, which solve with breath-taking speed the complicated mathematical problems posed by scientists, have been the subject of many articles. The names of these "giant electronic brains," as the writers have termed them, range from simply Mark I and its successive models to such weird names as ENIAC, BINAC, UNIVAC, AND Northrop Aircraft's desk-side Maddida.

One of the latest, built by RCA for the Navy at a cost of \$1,400,000 has been named "Typhoon." It has over 4,000 electron tubes, several

miles of intricate wiring, and its components are exact to better than one part in 25,000. A week ago last night General Sarnoff, at dedication ceremonies of the RCA Princeton Laboratories, rechristened the David Sarnoff Research Center, disclosed that within less than one year of operation "Typhoon" has saved the government \$250 million and years of time by simulating nearly 1,000 test runs of guided missiles in the last ten months "before the missiles were actually built and flown."

But these machines are more than high speed calculators for the solution of mathematical problems. They are the basis of an entirely new era, almost awesome in its aspects. They are the core of the completely automatic production line of the future. We already have electronic devices out-performing human beings in virtually every function of the sensory and nervous system. The electronic computer makes possible the integration of the operations of all of these devices. Obviously electronically controlled production will not be economical in certain fields where the scale of operations is so small as to prevent reasonably long runs without changes in specifications. But as far as the mass output industries are concerned, it is a foregone conclusion that within the lifetime of all of us here, we will see factories with production lines centrally controlled by something like the modern high-speed computer. It is quite probable that more than one "brain" will be used in the same factory, possibly under the guidance of a master computer-controller. One "brain" may control the devices which handle raw material receiving and inspection; a second, the actual production facilities; a third, the inspection and packaging of the actual finished product.

Ironically, the vacuum tube which had made all this possible was becoming a block to further progress. Its limitations had been apparent for some time. These include reliability, size, operating temperatures, and power consumption. The newest transistors developed by the Bell Telephone Labs, when perfected, will overcome these limitations, permitting electronic devices and especially computers to attain levels of complexity far greater than allowed by vacuum tubes. Louis N. Ridenour, writing in the August "Scientific American," estimated that the use of transistors instead of vacuum tubes would permit a further 100-fold increase in the complexity of computers. Taking into consideration all factors including speed, he states that we can make a machine now with tubes which is about 1,000 times less competent than the human brain. The transistor will enable us to build in no greater space and with smaller power requirements an electronic computer perhaps as much as 1/10 as competent as the human brain.

The introduction of James Watt's steam engine inaugurated the first industrial revolution—a revolution which has freed man almost entirely from physical labors. It took well over a century to achieve anywhere near the full effect of this transition from the use of human brawn to almost complete mechanization of production. Now it has carried over even into our homes where the vacuum cleaner, the automatic washing machine and the automatic dishwasher have so greatly reduced the tiresome chores of housework. Electronics, which, of course, includes radio, television, radar and microwave as well as the amazing electronic brains, has already begun a second industrial revolution which will free human beings from the routine tasks of production involving the hand and the sensory system.

It has been said that history is but the portal through which

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Dealer-Broker Investment Recommendations and Literature

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

- Airforce Expansion and Aircraft Stocks**—Review—Dean Witter & Co., 14 Wall Street, New York 5, N. Y.
- Industrial Classification of Securities Traded on the New York Curb Exchange**—Booklet—New York Curb Exchange, 86 Trinity Place, New York 6, N. Y.
- "Information Please!"**—Brochure explaining about put-and-call options—Thomas, Haab & Botts, 50 Broadway, New York 4, New York.
- New York Bank Earnings**—Preliminary 3rd quarter earnings—New York Hanseatic Corp., 120 Broadway, New York 5, N. Y.
- New York City Bank Stocks**—Third quarter comparison and analysis of 17 New York City Bank Stocks—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.
- New York City Bank Stocks**—Comparative figures at Sept. 30, 1951—The First Boston Corporation, 100 Broadway, New York 5, N. Y.
- Over-the-Counter Index**—Booklet showing an up-to-date comparison between the 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 a 12½-year period. Of the 35 companies represented in the National Quotation Bureau's Over-the-Counter Industrial Stock Index, 12 trace their ancestry to years before the Civil War and another nine had their beginnings in 1900 or earlier. Twenty-three of the companies have been paying dividends continuously from seven to seventy-nine years. Of the other twelve, one started paying dividends 119 years ago, and its stockholders have received annual dividends regularly with the exception of the years 1833, 1840 and 1858—National Quotation Bureau, Inc., 46 Front Street, New York 4, New York.
- Shields Research Service**—Brochure discussing its value to investment dealers, institutions, trustees and individuals—Shields & Company, 44 Wall Street, New York 5, N. Y.
- Spiking Inflation**—List of stocks suitable for forming the basis of a long-term investment program—H. M. Byllesby and Company, Incorporated, 1500 Chestnut Street, Philadelphia 2, Pa.
- Television Industry**—Review—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. Also available in the current issue of "Market Pointers" are selected lists of high income stocks and of low-priced shares. In "Gleanings" there is a brief discussion of Florida East Coast Railway and two suggested portfolios.
- Titanium**—Study of progress in the commercial utilization of the metal—Baker, Weeks & Harden, 1 Wall Street, New York 5, N. Y.
- Undervalued Stocks**—Bulletin—A. M. Kidder & Co., 1 Wall Street, New York 5, N. Y.
- What Do You Know About the Stock Market and Your Investment Dealer?**—Brochure—Joseph Mayr & Company, 50 Broad Street, New York 4, N. Y.
- * * *
- Allegheny Ludlum Steel Corp.**—Memorandum—Oppenheimer, Vanden Broeck & Co., 40 Exchange Place, New York 5, N. Y. Also available are memoranda on Aluminium Ltd., General Electric and Oliver Corp.
- Black Hills Power & Light Co.**—Card memorandum—G. A. Saxton & Co., Inc., 70 Pine Street, New York 5, N. Y. Also available is a bulletin on Public Utility Common Stocks.
- Canada & Dominion Sugar Company, Ltd.**—Review—James Richardson & Sons, 367 Main Street, Winnipeg, Man., Canada, and Royal Bank Building, Toronto, Ont., Canada. Also available is a review of Hamilton Bridge Company, Limited.
- Climax Molybdenum Co.**—Analysis—Freehling, Meyerhoff & Co., 120 South La Salle Street, Chicago 3, Ill.
- Connecticut Light & Power**—Descriptive data—Chas. W. Scranton & Co., 209 Church Street, New Haven 7, Conn. Also available are data on United Illuminating, Connecticut Power, New Haven Gas Light, Hartford Electric Light, and Hartford Gas.
- Continental-Diamond Fibre Co.**—Memorandum—Hirsch & Co., 25 Broad Street, New York 4, N. Y.

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William R. Staats & Co. New Partnership

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The new firm, one of the largest in the West, will maintain a membership on the New York Stock Exchange in addition to its charter membership on the Los Angeles Stock Exchange and membership on the San Francisco Stock Exchange.

Partners of the firm are: Donald Royce; George Hepburn; J. Earle Jardine, Jr.; Edward C. Henshaw; Richard W. Millar; Harry B. Brooks; Paul V. Barnes; John E. Jardine; Wm. S. Patterson; J. Lester Erickson; Allen B. Beaumont; Chester M. Glass, Jr.; John F. Kelsey; John S. Staats; John E. Cameron; Marvin M. Roberts. Entire personnel formerly associated with William R. Staats Co., Incorporated will continue their association with the new partnership.

In addition to the head office in Los Angeles, William R. Staats & Co. have offices in San Francisco, Pasadena, Beverly Hills, Santa Ana, San Diego and Phoenix. Through its New York correspondent Clark, Dodge & Co., established in 1845, the firm will maintain direct private wires to all principal stock and commodity centers in the United States.

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Formation of William R. Staats & Co. was previously reported in the "Chronicle" of October 4th.

E. F. Hutton Adds

(Special to THE FINANCIAL CHRONICLE)

FRESNO, Calif.—Paul H. Darrow has been added to the staff of E. F. Hutton & Company, 2044 Tulare Street. He was previously with Bailey & Davidson.

From Washington Ahead of the News

By CARLISLE BARGERON

In the propaganda of the times, the impression in political Washington is that the political saga of Harold Stassen is nearing an end. It is not a question of whether he can make his charges against the State Department stick, a question of who said what at a particular conference. I think he is substantially right but I wonder where he has been all these months. I think also that he is rendering a service by speaking up, even though tardily, to say the least.

But insofar as his personal political fortunes are concerned he has now given support to McCarthy and this will alienate the support he has had. He is now saying pretty much the same things McCarthy has long been saying. Mark my word, the Leftist propagandists will go to work on him. From the status he has held with them, an acceptable Republican who, notwithstanding the mossbacks in his party, was a forward-looking young man who kept abreast of the times, etc., he will become just another one of the despised "isolationists" who doesn't realize the world has shrunk.

You would probably say that his attack on the State Department doesn't affect his standing as an "internationalist," a broad-minded, progressive thinker at all; that indeed, this standing adds weight to his charges. But it can't be that way. He has left the church. He was one of the State Department crowd, the fact that he enjoyed its blessing, ran with the same people, shared the same thoughts, was responsible for his political stature. There is no room or career for him among the Taft-thinking, those backward, reactionary Republicans.

The rather widely held impression in political Washington is that he has seriously erred in a desperate attempt to build up his declining political stock.

If this is true, his story should afford a profitable lesson to those youngsters who, inspired by the accomplishments of Alexander the Great, want to set the world on fire. They should study the career of this veteran youth leader carefully.

Harold was elected Governor of Minnesota at the age of 31; his sketch in "Who's Who" brags that he was the youngest governor in Minnesota history and the youngest at the time in the United States. This was at the height of the New Deal and there was an awful lot written about how youth was asserting itself and that perhaps, such forward looking, progressive youth as Harold represented was the answer to the New Deal. Such a youth movement never worried those master politicians, Roosevelt the Great



Carlisle Bargeron

and Eleanor. They were forever talking up youth and acting youthfully themselves.

Nevertheless, Harold seemed to have a charmed political existence. His daddy had been a Republican County Leader and was said to have known his way politically around among the Scandinavians and Germans of Minnesota. Harold was said to have gotten his political astuteness from him.

The youth movement held sway in Minnesota for six years, and Harold served three two-year terms. He seemed to have the knack of acquiring the right financial people as friends and as early as 1944 he figured in the Republican Convention as a possible Presidential nominee. By the time of the 1948 convention it is amazing how much financial and delegate support he had mustered.

At the time he was 41 years old but he had an unusually "broad" mind on international affairs; he had the "fresh" viewpoint of the young towards globalism and the relationship between management and labor. In other words, he was in perfect accord with the advanced writers of the times, and he turned out literary works just exactly like theirs although his effusions were far more in the abstract. Yet his sophomoric discussions of world and domestic affairs impressed a lot of wealthy and influential men who backed him in his political aspirations to the hilt in the feeling they were making a champion.

But so impatient was he to be served that he went into Ohio in 1948 seeking to take Presidential delegates away from Bob Taft and in doing this he almost had to come out for repeal of the Taft-Hartley Act. He lost prestige here but when he came to the Philadelphia convention a few months later he was still a formidable factor. He had a sizable block of delegates and plenty of money behind him because he was an "intelligent, forward looking Republican with an understanding of world affairs." Knowing how to do the right things, he had played ball with Roosevelt to the extent of getting appointed to Admiral Halsey's staff in the Pacific and if you look over his "Who's Who" biography it is amazing how a fellow, in a desk job, can garner as many decorations as he did; also he was just the right sort of cooperating Republican for Roosevelt to name as a delegate to the United Nations formation conference in San Francisco. He was always in there on the big things, "broadening" himself and becoming versed in international and statesmanlike affairs. Indeed, he had come, by the time of the Philadelphia 1948 convention, to be called a statesman by the global minded editors and columnists who said that if we had to have a Republican President it should be such a man as he.

However, even here at Philadelphia in what has now developed to have been his "greatest hour" his "youth" did him wrong. He had set himself up as a "youth" leader; "those of us who saved the world in World War II must be served."

By way of accentuating his leadership of youth as against such old fogies as Dewey and Taft, a hot shot New York publicity man sold Stassen on the idea of having a hundred or so youngsters follow him wherever he went, squealing in rapture like Frank Sinatra's fans. Well sir, you should have seen the way in which the mature delegates looked upon this spectacle. It was a silly thing for Stassen to have permitted and it ruined any chances he may have held for the nomination.

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What is Happening To Railroad Profits?

By G. T. PEREGRIN*

Merrill Lynch, Pierce, Fenner & Beane,
Members New York Stock Exchange

Analyst states outlook is disturbing in that Class I railroads' gross will this year reach all-time record, but net income will fall considerably below 1950. Cites revenue absorption by higher expenses, taxes and miscellaneous deductions. Explores potentialities from possible cessation of Korean hostilities. Favors Great Northern.

Railroad revenues in 1951, so far as Class I railroads are concerned, should reach an all-time record, but net income will not. So far as the overall rail picture is concerned, it should be somewhat disturbing to all of us that this indispensable industry will report around \$10.3 to \$10.5 billion gross revenues this year—passing the \$10 billion mark for the first time in railroad history—but net income may be a good \$130 to \$180 million less than the \$783 million net earned in 1950. Included in 1951 net was about \$67.5 million back mail pay for 1947-1949, so that the real net earnings of 1950 were \$715.8 million.



George T. Peregrin

What is happening to rail profits? You all know the answer—in the first seven months this year, gross revenues increased \$857 million or 17.1%, to \$5,853 million, but all of the gain was absorbed by higher expenses, taxes and miscellaneous deductions. Result—net income of \$272 million was \$1 million lower than the \$273 million reported for the corresponding 1950 interim.

There are several ways of estimating 1951 earnings of the rails. Using the carriers' own forecasts filed in the rate case, the railroads estimated about \$10.2 billion gross and \$757 million net railway operating income for 1951. Our railroad contacts in Washington estimate the recent rate boost will give Class I railroads about \$100 million additional gross for the final four months, which would raise overall gross to about \$10.3 billion, and net railway operating income, after a 50% income tax rate, to about \$807 million. Estimating 1951 "other" at about \$270 million, miscellaneous deductions at \$50 million, fixed and contingent charges at \$465 million, the AAR's estimate rounds out to about \$562 million net income for

Class I railroads this year. This looks a bit on the low side to us.

A straight seasonal projection of railroad earnings for the first six months of 1951 shows the carriers were earning at the annual rate of \$715 million net income in the first half this year, but partly because of the effects of the Kansas floods in July and partly because of lower traffic, the annual rate of earnings for the first seven months dropped to \$582 million. Undoubtedly the annual rate of net for the first eight months dropped somewhat lower, possibly to \$565 million—but from here on the annual rate of net income should improve because of the higher freight rates now in effect, and some reduction in maintenance outlays compared with the rate in effect during the spring and summer months.

While railroad net earnings in the final four months will show good improvement over the low rate of July and August, we believe they will remain well below the profits of the closing months in 1950, when they averaged better than \$100 million per month. Without allowing for reversal of accelerated amortization charges and additional back mail pay, (retroactive to Jan. 1, 1951), our present estimates indicate about \$600 to \$620 million net income for 1951. If the ICC orders reversal of accelerated amortization charges, which amounted to \$19.3 million in the first six months, and may approximate \$40 million by the end of October, this could boost 1951 rail net to around \$640 million, to \$660 million. If the ICC hands down a final decision in the pending mail pay case, which some observers expect this year, and the rails get a 50% permanent boost retroactive to Jan. 1, 1951, we figure it would add roughly \$30 million more to 1951 net, which would boost Class I profits to around \$670 to \$690 million. It may be noted in passing the latter range would make Standard & Poor's Railroad Department's estimate of \$685 million look pretty good!

One of Our Favorite Rails

Great Northern: We like certain other favorably situated rails, of course, but we like GN because (1) it has enjoyed better than average growth of ton miles since

1929, or 58.7%, vs. 31% for Class I railroads; (2) longer than average haul; (3) better than average profit margin—16.2% average for the 1947-50 period, vs. 14% for Class I railroads (by profit margin we mean ratio of net railway operating income before income taxes to gross revenues); (4) the road's 31.7% reduction in non-equipment debt and 41.7% reduction in fixed charges since 1940; (5) its very profitable investment in the "Burlington" and assurance of continued good income from this source, which is 85% tax exempt; (6) average earnings of \$7.84 per share in last four years 1947-50, rising to \$9.11 last year and to an indicated \$10.50 to \$11.00 this year; (7) its conservative price-earnings ratio of only about five times; (8) excellent management; (9) high credit standing; and finally (10) the liberal return of 7.3% from the well protected \$4.00 dividend rate, plus possibility of an extra around the year-end.

As to the fear of high-grade iron ore running out—at the St. Lawrence Seaway hearings in Congress earlier this year, Secretary of the Interior testified there were over 30 years' reserve of high grade iron ore in the Lake Superior district. There are also huge reserves of taconite in the same region. While GN has very little land for possible oil exploration, growth and development of the entire northwestern region should naturally benefit this very fine rail system.

What Rails Would be Especially Affected in the Event of Complete Cessation of Hostilities in Korea?

This is a rather difficult question to answer with any degree of accuracy because complete statistics are not available as to rail shipments of war materials to the Far East. There is also to consider that at such time as the "hot" war is over, certain rails will continue to benefit from the standpoint of shipments of supplies and materials for rehabilitation of Korea. However, some statistics are available which clearly indicate that the Western transcontinental systems have obtained considerable traffic as a result of the war in Korea. Since the Korean hostilities started in June, 1950, a comparison of freight revenues for the last half of 1950 compared with the last six months of 1949 throws some light on what railroads have benefited from the Korean incident. The comparisons are shown in Table I.

Some statistics are available as to shipments of certain types of war materials. Table II shows the gain in revenues in 1950 over 1949 derived from shipments of military vehicles, airplanes, aircraft and parts, guns, small arms and parts, ammunitions and explosives of certain western railroads, both in dollars and percent.

It is presumed that other railroads serving the big industrial centers, such as Pennsylvania, N. Y. Central and B. & O., for example, are also benefiting from shipments of war materials to the west coast, but at such time as the shooting ends in Korea, we would expect that traffic and earnings of the western transcontinental systems mentioned will be adversely affected to a greater extent than other carriers, for a while at least.

To Be N. Y. Exch. Members

George Sirota & Sons, 60 Beaver Street, New York City, will become members of the New York Stock Exchange on Oct. 25 when George Sirota acquires the Exchange membership of Wesley M. Oler. Other partners in the firm are Norman L. Sirota and Benjamin Sirota.

British Favor Free Gold Market

By PAUL EINZIG

Dr. Einzig, referring to decision of International Monetary Fund to withdraw its embargo on free gold dealings for industrial purposes, analyzes probable effects of restoration of free gold markets. Expresses doubts whether free gold trading will benefit gold producers or increase gold output. Foresees no remedy for gold shortage in worldwide currency revaluation.

LONDON, Eng.—The decision of the International Monetary Fund to withdraw its embargo on free dealing in gold at a premium "for industrial purposes" was welcomed with relief in London. For even though the British Government supported the United States Government in its opposition to free dealing in gold, British opinion was strongly in sympathy that the efforts of South Africa and Canada to achieve the removal of the ban. It is widely realized in London that gold producing countries—especially South Africa—have been treated unfairly and unreasonably, having been forced to sell most of their gold at prewar price in spite of the sharp rise in the cost of gold mining. There is naturally much sympathy in Britain with the point of view of the gold-producing countries of the British Commonwealth. Moreover, a very large proportion of South African and other gold mining stocks is held by British investors. Indeed "Kaffirs" constitute now one of the most important items in Britain's diminished list of overseas investments.



Dr. Paul Einzig

It remains to be seen, however, whether the gold producing companies and countries will really benefit by the change. It means that their respective governments are now responsible for ensuring that the gold which is sold in the free market should be sold for industrial purposes. The practice adopted after the war, that gold so sold is sold in the form of crude objects weighing one ounce or the multiples of one ounce, is expected to be upheld, in order to keep up appearances that the gold is really used for industrial purposes, even though it is quite obvious that the buyers acquire it for speculation or hoarding. A larger percentage of the output will henceforth be allowed to be so treated, even though the governments will have to earmark a substantial proportion for their own requirements.

The result of the increase of the supply of gold in the free market will be a declining tendency of the premium over the official price. The extent of this decline will determine the effect of the change on gold mining profits. If the volume sold at a premium is doubled but the premium is halved then producers stand to derive no benefit from the change. And the free gold market is very sensitive to changes in the supply. In the absence of an increase of the demand the release of large quantities of gold is bound to affect the premium appreciably. Admittedly, the chances are that, owing to the uncertainties of the political and economic outlook, hoarding demand will tend to increase rather than diminish. Moreover, any decline in the premium is bound to stimulate buying for hoarding or speculation. Even so it remains to be seen whether the market can absorb a substantially increased quantity without a sharp fall in the premium.

Unless the premium is reasonably well maintained the advantages of the change will be heavily outweighed by its disadvantages. From the point of view of the general interest, as distinct from the sectional interests of the gold producers, the maintenance of a high premium would be advantageous, for it would encourage an increase of gold output. The main argument in favor of free dealing in gold was precisely that the additional profit it secures to producers would tend to cause an increase of the output. Should a decline of the premium wipe out more or less the additional profit there would be no increase of the output. In that case the net result of the change will be simply that a larger percentage of the current output will disappear in private hoards instead of satisfying the monetary needs of the gold producing countries.

Now that the dollar gap has reappeared with a vengeance, this consideration has assumed some importance. Any increase in gold hoarding, unless corresponding to an increase in the output, will tend to increase the deficits in dollars and other hard currencies. Indeed the agitation in favor of a free market was based exactly on the assumption that the increase of the profits of gold producers would result in a sufficient increase in the output to ensure that, in spite of larger demand for hoarding, the monetary gold stock would increase.

If we should find that, owing to a decline of the premium, the increase in the output does not offset the increase of hoarding, then the decision of the International Monetary Fund would have to be deplored as having got for us the worst of both worlds. An increase of the dollar deficit would mean that the United States would have to provide even more dollars, whether in the form of grants or loans.

In such circumstances there would be a strong revival of the agitation in favor of an increase of the dollar price of gold. This agitation would not assume the form of a demand that the United States should devalue the dollar. Such a change would stimulate American exports and discourage American imports, and would therefore aggravate the evil which it is expected to cure. The alternative solution would be an all-round increase of the gold value of all currencies of the countries associated with the International Monetary Fund. Provision for such a change was made in the Bretton Woods plan, and it is arguable that the application of the relevant provision is called for in existing conditions.

The main argument against such a change is that it tends to produce an inflationary effect. This would only be true, however, if the increased volume of gold is allowed to result in an increase in the volume of currency and credit. Under the systems operating in the United States and elsewhere this could easily be prevented. An increase of the gold output is needed, not to widen the basis of the internal currency and credit structure, but to reduce the dollar gap. While in the old days of the automatic gold standard it was impossible to separate the internal effects of an increase in the volume of gold from its international effects, in our days this would not present an unduly difficult problem.

TABLE I
FREIGHT REVENUES
(Last Half of 1950 vs. Last Half of 1949)

	Percent Gain	Dollar Gain
Western Pacific	46.7%	\$8,241,000
Union Pacific	29.4	53,833,000
Northern Pacific	28.2	19,888,000
Texas & Pacific	23.4	6,063,000
Atchison, Topeka & Santa Fe	20.2	40,597,000
Southern Pacific	18.9	44,000,000
Great Northern	18.8	18,898,000
Chicago & North Western	16.4	11,400,000
Chicago, Milwaukee, St. Paul and Pacific	15.9	16,100,000
Denver & Rio Grande Western	15.8	4,696,000

TABLE II
GAIN IN CERTAIN TYPES OF WAR MATERIALS
(1950 vs. 1949)

	Dollar Gain	Percent Gain
Atchison, Topeka & Santa Fe	\$12,000,000	500%
Southern Pacific	7,100,000	200
Great Northern	9,100,000	3,000
Northern Pacific	8,700,000	970
Union Pacific	6,500,000	440
Western Pacific	3,000,000	600
Denver & Rio Grande Western	900,000	240

*A talk by Mr. Peregrin at the Railroad Industry Symposium, New York Society of Security Analysts, Sept. 28, 1951.

Long-Range Implications Of "Welfare State" Measures

By WALTER E. SPAHR*

Professor of Economics, New York University
Executive Vice-President, Economists National
Committee on Monetary Policy

Dr. Spahr quotes from Earl Browder writings to demonstrate that so-called "progressivism" of New Deal was along lines of Socialism and Communism. Says people were taken into a governmentally-managed economy when they lost control of public purse by adopting an irredeemable currency, "the most important tool of the dictator."

The expression "Welfare State" requires definition. Although it appears that those who use the term to describe their governmental programs assume that the label automatically justifies them and that the majority of the public so believes, the fact is that apparently every tyrant from ancient times to the present has sponsored a "Welfare State." It seems doubtful that one could find a case in which the most ruthless tyrant did not contend that what he proposed or did was in the interest of the general welfare—as he chose to see it or to state it.



Walter E. Spahr

In this country, the New Dealers have regarded themselves as advocates of the Welfare State and have labeled themselves as Progressives and Liberals. The Communist, Earl Browder, has stated that progressivism is Socialism. "Socialism," says he, ". . . is the continuation of historical progress. It is 'progressivism' developed to the point where it can solve the crisis resulting from the breakdown of capitalism." (Earl Browder, *Keynes, Foster and Marx, Part II, Progress and Socialism*, published by Earl Browder, 7 Highland Place, Yonkers, N. Y., 1950, p. 4.)

Says Browder further (*op. cit.*, p. 91): "F. D. Roosevelt, throughout the 13 years of his national leadership in developing the progressive program, found it tactically expedient to emphasize that it is not a socialist program. . . . There is reason to believe, however, that Roosevelt himself was fully aware that the progressive program consists of steps toward socialism, and that his reasons for avoiding discussion of that issue was expediency."

How Truth Is Obtained

As we endeavor to obtain an accurate understanding of what the Welfare State is, abroad and here, perhaps we should remind ourselves of the method by which truth is ascertained. People obtain truth only by pursuit of the methods of science. Basic requisites in scientific methodology are accurate classification, definition, and description. These extend to premises which must be stated (described) clearly if the ends of science are to be served.

Therefore, as one attempts to determine what the Welfare State may mean in a given case, it is necessary that it be described precisely. To appraise it objectively, as required by scientific method, we must understand what "objective" means, and we must state clearly our premises as to what are good political and economic systems and good government.

*An address by Dr. Spahr before the Freedom Forum, Harding College, Searcy, Arkansas, Oct. 18, 1951.

Premises as to Good Political and Economic Systems

The contention advanced here is that when the method of science is applied in the economic world we are taught the following principles:

(1) The greatest benefits are gained by the greatest number of people when free and fair competition prevails in those areas in which it can function. The test of fairness, briefly, is found in whether or not the rules devised tend to produce the conditions that would prevail if the competitors had equal strength and accorded to each the same freedom in their rivalry.

(2) In those areas in which natural monopolies operate, their regulation should be of such a nature as to produce the conditions that result from free and fair competition.

(3) Government should operate only in those areas in which competitive private enterprise or regulated monopolies cannot or do not function, and only when the cost accounting system of private enterprise is employed and the people in general understand and approve the costs involved.

(4) A governmentally-managed economy degrades human beings and brings economic and social retrogression and stagnation.

The Basis of Objective Standards of Right and Wrong in the Economic World

It clearly needs to be emphasized these days that we have no objective—that is, scientific—standards of right and wrong, of good and bad, in the economic world except those yielded by the operation of the forces of free and fair competition. There are no principles of Economics that meet the test of science except those learned from the operation of the forces of free and fair competition. The principles of monopoly are stated against the background of those of competition. Monopoly prices are said to be high because they are measured against the lower prices which competition tends to produce. The productive activity and costs of a Socialist State are measured and appraised, if measured and appraised objectively, against the conditions that tend to prevail under free and fair competition.

If a million buyers and sellers, operating in a wheat market, under conditions of free and fair competition, establish a price of \$2 per bushel, there is no proper basis on which any person, including a government official, may say that the price is too high or too low, or improper. All those directly concerned—the buyers and the sellers—reached a common ground of agreement. A correct or proper price has no other meaning in an objective sense. A different opinion as to proper price is subjective in nature and has no standing in science.

Subjective Appraisals and Dictatorship

The subjective approach to human problems is the approach of the untutored, of the tyrant, of the person who would substitute his notions, will, and power for

what scientific procedures teach us to be correct, good or bad, right or wrong.

When government officials substitute their subjective appraisals as to what is desirable or undesirable in the Economic world for the judgments of all people directly concerned and freely recorded in the market place, that government has substituted the will of those in authority for the objective standards of right and wrong provided by all the people directly concerned—by those who make some sacrifice in goods, services, or money as they record their judgments.

Just law is provided by informed officials who utilize the objective standards of science as guides. Just law is not derived from the mere desire or the will of the lawgiver.

The nature of law based merely upon the will of the dictator has a classic illustration found in one of Juvenal's *Satires* in which a willful wife commands her husband to crucify a slave for no better reason than that she desires the slave's death. When her husband asks her why he should do so, she answers in a sentence that has become, in the legal field, the classical expression of law as mere will: "Hoc volo; sic jubeo; sit pro ratione voluntas"; which means, "This I will; thus I order; let my will be in place of reason." (Juvenal, *The Satires of Juvenal*, with introduction and notes by A. F. Cole, G. P. Putnam's Sons, New York, 1906, Satira VI, p. 110.)

When laws and governmental practices rest upon the mere will of the lawgivers who have the power to enforce their will, there ceases to be any standard of right, practically, except that found in the will of the lawgiver. Objective standards of right and wrong, applicable to both the ruler and the ruled, cease to exist. There is no longer a recognized prescribed limitation on the power of the State over the people. States become what St. Augustine called them—"great bands of robbers." (Augustine, *De Civitate Dei*, Cap. IV, col. 115, Thesis 7.)

The framers of the Constitution of the United States never intended that arbitrary power should exist in any department of our government. That Constitution was designed, states the Preamble, to secure the blessings of

liberty to ourselves and our posterity; it was not designed to impair our liberty or that of our posterity. To these ends, a legal system of checks and balances was provided. Our Federal government was designed to be one of delegated and limited powers; not a government of general powers. The "general welfare" clause in the Preamble of the Constitution does not mean that the Federal Government is free to do anything it may choose to promote what it may declare to be the general welfare. The Federal Government may legally act only under the specified and limited powers granted by the Constitution and under those clearly implied in those specified.

Our Drift Into Subjective Appraisals, With Slogans and Labels, and Into Dictatorship

To a high degree—apparently to what is for us an unprecedented degree—we have drifted from objective, to subjective, appraisals of what is good or bad, desirable or undesirable, in the economic world. This is revealed in the political field by the persistent practice of treating our United States Constitution as though it granted general powers to the Federal Government; in a readiness, on the part of the legislative and executive branches of our Federal Government, to violate the Constitution; in the frequency with which the Executive acts in defiance of laws of Congress; in price-fixing, subsidy, and a multitude of other measures based upon nothing more than the subjective appraisals and arbitrary will of government officials. In the academic world it is revealed in those cases in which textbooks in Economics, Government, Sociology, and related fields have departed from the standards of science and have become, essentially, subjective appraisals and agitations by their authors—in short, in high degree an arm of the Socialist political movement in this country, with the focal point in Washington. It is revealed in much of our journalism and in a great proportion of the debates among our people as to what is desirable and undesirable in Economics and Government.

It is not clear that we are keenly and generally aware of what we are doing in these respects or

of the significance of it.

We are engaging in still other unfortunate practices as a part of our battles in the realm of subjective appraisals and of our drift into government dictatorship: We have slumped to the level of slogans and labels in lieu of employing the careful thinking characteristic of science. We see many of our people, including many of our so-called social scientists, adopting attitudes instead of getting and presenting facts. We see them adopting and following leaders, thus disqualifying themselves as independent, competent, truth-seeking individuals. We see these posers and assumers-of-an-attitude attempt to settle issues in the economic world by proclaiming themselves as "Liberals," "Progressives," "Conservatives," or "Reactionaries." They are not careful, as is the scientist, to explain what it is they are liberal about and why, or what it is toward which they think they are progressing and why, or what it is they wish to conserve and why, or what it is they are reacting against and why. As one observes the common use of the word "Liberal" these days, and the attitude and proposals of those who like to call themselves "Liberals," it seems proper to conclude that, in many, if not most, instances, "Liberalism" means Socialism, or Communism, or being liberal with other people's money.

There are intelligent, thoughtful, and responsible people who find no defensible basis in which to be liberal with other people's money instead of with their own; who do not wish to progress in the direction of government dictatorship; who wish to conserve our great heritage of freedom, private enterprise, and wealth; who react against measures that promise to impair or to lose for us this great heritage; who understand that the Welfare State means government paternalism and dictatorship. And such people find that their conclusions rest upon reliable evidence.

We should profit from the impressions of the Communist, Earl Browder, as to how far our drift into government dictatorship has taken us as we pursue the way of the Welfare State. Writing in 1950 he said (in his *Keynes, Fos-*

Continued on page 26

This announcement is not an offer of securities for sale or a solicitation of an offer to buy securities.

New Issue October 17, 1951

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Subscription Price to Warrant Holders

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Copies of the prospectus may be obtained from the undersigned (one of the underwriters named in the prospectus) only, by persons to whom the undersigned may legally offer these securities under applicable securities laws.

Dillon, Read & Co. Inc.

Outlook for the Chemicals And Petrochemicals

By JOHN F. BOHMFALK*

Clark, Dodge & Co., Members N. Y. S. E.

Expert maintains that while management aggressiveness and research quality are most important factor in evaluating individual chemical companies, recognition of the industry's fastest-growing areas must also be recognized. Includes among latter: drugs and pharmaceuticals, synthetic fibers, and agricultural chemicals; with special consideration of petrochemicals. States Union Carbide controls nation's largest petrochemical operation.

Since growth is the most appealing characteristic of the chemical industry, a philosophy of investing in the industry must be concerned with the discovery of those areas which are likely to experience the most rapid rate of growth. I should like to say at the outset that those areas would necessarily include drugs and pharmaceuticals, synthetic fibers and agricultural chemicals. A look at petrochemicals which feed these and other areas would also be profitable.



John F. Bohmfalk

Drugs and Pharmaceuticals

Almost every drug and pharmaceutical concern, proprietary and ethical, is researching very actively in several directions in the hope of carving out a chunk of the \$1 billion plus ethical drug business. The major concerns are shooting for a drug which cures tuberculosis and which does not develop resistant strains. As the broad-spectrum antibiotics are ineffective in the control of smaller microorganisms as the viruses, this field of research is also extremely active. Some very promising compounds have been developed which exhibit anti-cancer activity and even produce dramatic regressions in some forms of cancer. Drug toxicity and side effects are the bane of the industry, but a successful drug must overcome these problems. Another very active area in drug research is concerned with the development of oral forms of penicillin which

must be slowly absorbed. Three drug concerns will probably introduce new types of penicillin before very long. Recent price reductions in the broad-spectrum antibiotics represent an attempt to bring these products into a preferred position vis-a-vis penicillin. Lower prices will broaden markets sufficiently to more than overcome the reduced profit margins. This action demonstrates the philosophy of the industry: You don't kill the goose that laid the golden egg—you nurse it.

The cortisone story makes fascinating reading and has been well told. Our concern here will be an attempt to predict the unfolding of the wild scramble for larger cortisone production. In the various routes to cortisone, there is first the partial synthesis of cortisone from naturally-occurring steroids such as desoxycholic acid from cattle bile; cholesterol from wool fat and egg yolk; stigmasterol from soy beans; ergosterol, a product of yeast metabolism; and diosgenin, extracted from a Mexican yam. Problems of supply eliminate desoxycholic acid, cholesterol and stigmasterol from serious consideration as plentiful raw materials. For example, extraction of the annual 600,000 tons production of soybean oil would yield sufficient stigmasterol to make only one ton of cortisone which would approximately double present output. There is a commercial demand, however, for at least 20 times as much. Furthermore, the cortisone synthesis from stigmasterol requires a few more steps than that from ergosterol. Ergosterol supply at present is very limited, and it is sold at a price of \$150 a kilo. (A kilogram is a thousand grams, so that if we assume a 5% yield of cortisone from ergosterol, the cost of ergosterol per gram of cortisone becomes \$3. Cortisone sells for \$20 a gram now, but it

is exceedingly unlikely that this price will be maintained.) Consequently, a much greater supply of ergosterol at a lower price is needed. In this connection, Pfizer has become interested in developing an ergosterol extract from the mycelium of citric acid production. While a large capital investment in equipment to grow yeast would be required, it is quite possible that quantity production could bring the price of ergosterol down to a competitive point. If so, it will have to compete with diosgenin, extracted from the Mexican yam at a cost of \$25 a kilo. And diosgenin is easily collected from the Mexican yam, which grows abundantly anywhere in tropical America. Plantations growing the yam are in the works. Consequently, diosgenin must be accorded the leading position at present in the race for more cortisone.

A total synthesis, starting from a coal tar raw material, is only in the academic stages, but does offer a fruitful approach.

The biosynthesis of cortisone has attracted a great deal of interest. Searle and Upjohn have given it a lot of attention. Briefly, adrenal glands which are kept alive by tissue culture, or an adrenal cortical mash, are profused with a solution containing blood, oxygen, penicillin and a steroid. An enzyme in the glands converts the steroid to a more desirable compound, for instance, compound F, when starting with compound S, a readily available steroid obtained from soy beans. Compound F, medically speaking, has the same therapeutic value as cortisone in the treatment of arthritis. The hitch is that the supply of adrenal glands is limited; they are needed for whole adrenal cortical extract, used in treating Addison's disease; and the biosynthesis from live glands is industrially too difficult. Nevertheless, Upjohn has used this process to produce laboriously some 50 grams of compound F, at a cost of \$800 a gram.

I would not write off the biosynthetic technique, however, for it is an attempt to use an enzymatic synthesis and thereby duplicate the processes of nature. Consider the fact that it takes the chemist some 20 steps of complicated organic chemistry to produce cortisone, while an enzyme can do it in one step. Unfortunately, enzymes are themselves very complicated substances, and full development and utilization of enzymes is some distance in the future. It is a very bright spot in

the overall chemical picture, however.

In simple terms, Merck has dominated the cortisone market. Success for the future depends on research for the competition is in research; however, Merck is more than holding its own. Continuing price reductions in cortisone will prevent newcomers from making a killing.

Synthetic Fibers

Usage of synthetic fibers, excluding rayon, is expected to reach 750 million pounds by 1960—some are thinking in terms of one billion pounds. The acrylonitrile fibers, such as Orlon, Dynel and Chemstrand, have been most publicized, but the chemists are more excited about the properties and future for Dacron, the ethylene glycol-terephthalic acid polymer. Possibilities for new synthetic fibers would have to include the polyurethanes which are basically high-cost polymers, however, and a caprolactam fiber which has outlasted nylon in Germany. As in synthetic rubber, fibers of varying properties can be synthesized, and the textile industry will benefit from an assured supply of raw material at a level price. Just as synthetic rubber improved the investment stature of the rubber companies, so will synthetic fibers improve the investment quality of the textile industry. We are just in the beginning of a textile renaissance, but eventually we will have to see the development of these or other fibers at a low enough cost to service the mass markets.

Agricultural Chemicals

Approximately \$4 billion worth of food and fiber is destroyed each year by insects—grasshoppers, boll weevil, leaf hoppers and corn earworms and borers. The use of insecticides has grown into a major industry with the development of DDT, benzene hexachloride, Parathion, Toxaphane, Aldrin and countless others. Every major chemical company produces one or more insecticides. One of the newer ones, Lindane, illustrates the character of the chemical industry. Lindane is the gamma isomer of BHC and occurs in a concentration of about 15%; the remaining isomers, some 15 in all, have no insecticidal value. For this reason, Hooker sells Lindane at a price of \$6.75 a pound, and sells all it can make, but the waste isomers begin to pile up. A partial solution to this problem was found when the waste isomers were cracked to trichlorobenzene which was converted to trichlorophenol. Upon reaction with formaldehyde, hexachlorophene was obtained by Givaudan-Delawanna and labeled G-11. It is used as an antiseptic and germicidal in baby lotion, shaving cream and soap.

The total output of agricultural chemicals amounted to one billion pounds in the latest selling season, and government targets for next year indicate a larger market potential for all products except the arsenates. The industry is limited only by the amount of chlorine available to it.

Petrochemicals

Carbide & Carbon Chemicals has perhaps the largest petrochemical operation in this country. Dow also has a large investment in this field. The most important recent development is the production of acetylene by the partial combustion of methane in the German Sachse Process. Carbide & Carbon has successfully operated a semi-commercial plant utilizing this process and has integrated its petrochemicals around both ethylene and acetylene as raw materials. I would be inclined to predict that sooner or later, Dow will be forced into the production of acetylene. While you can do many things with

ethylene, you can do some better with acetylene, and you can do a whole lot more with both.

Monsanto also is in the process of constructing an acetylene plant in Texas, and Chemical Construction Corp., an American Cyanamid subsidiary, will construct a Sachse Process acetylene plant for Alamo Chemical Co., the General Alilone-Borden-Phillips venture. I believe this latter project will prove very successful, as volume production of one major product will support the commercial development of high-pressure, acetylene derivatives.

All in all, the petrochemical outlook is very bright when you consider the tremendous range of products which can be synthesized from ethylene, acetylene and ammonia, all derived from natural gas.

Conclusion

In conclusion, while management aggressiveness and research quality are probably the most important factors in evaluating chemical companies, there is a great deal of merit in the supplementary approach which examines the fastest growing areas of the industry.

Ross, Knowles & Co. Is New Firm Name

TORONTO, Ont., Canada—Miller, Ross & Co., 330 Bay Street, members of the Toronto Stock Exchange, announce the change of their firm name to Ross, Knowles & Co.

Partners of the firm are Donald G. Ross, George C. Knowles, S. M. MacKay, E. R. Pope, G. A. Taylor, W. W. Stratton and L. W. Scott. Offices are maintained in Hamilton, Windsor, Brantford, Sudbury and Brampton, Ont.

Gross, Rogers Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Russell L. Miller is now with Gross, Rogers & Co., 559 South Figueroa Street, members of the Los Angeles Stock Exchange.

COMING EVENTS

In Investment Field

Oct. 18, 1951 (New York City)

New York Chapter of Special Libraries Association meeting at the Federal Reserve Bank.

Oct. 26, 1951 (Cincinnati, Ohio)

Ohio Valley Group of the Investment Bankers Association of America annual Fall Meeting at the Cincinnati Club.

Oct. 25, 1951 (Boston, Mass.)

Boston Investment Club dinner meeting at the Boston Yacht Club.

Nov. 9, 1951 (New York City)

New York Security Dealers Association 26th annual dinner at the Waldorf-Astoria Hotel.

Nov. 14, 1951 (New York City)

Association of Stock Exchange Firms Annual Meeting of the Board and Election.

Nov. 25-30, 1951 (Hollywood Beach, Fla.)

Investment Bankers Association Annual Convention at the Hollywood Beach Hotel.

Sept. 28-Oct. 1, 1952 (Atlantic City, N. J.)

American Bankers Association Annual Convention.

Oct. 19, 1952 (Miami, Fla.)

National Security Traders Association Convention at the Roney Plaza Hotel.

New Issue

\$70,000,000

Federal Land Banks

2½% Consolidated Federal Farm Loan Bonds

Dated November 1, 1951

Due November 1, 1954

Not Redeemable Before Maturity

The Bonds are the secured joint and several obligations of the twelve Federal Land Banks and are issued under the authority of the Federal Farm Loan Act as amended.

The Bonds are eligible for investment by savings banks under the statutes of a majority of the States, including New York and Massachusetts. The Bonds are also eligible for the investment of trust funds under the statutes of various States.

100% and accrued interest

This offering is made by the twelve Federal Land Banks through their Fiscal Agent, with the assistance of a Nationwide Selling Group of recognized dealers in securities.

Macdonald G. Newcomb, Fiscal Agent

31 Nassau Street, New York 5, N. Y.

October 18, 1951.

Progress in the Air Transportation Industry

By JAMES H. CARMICHAEL*
President, Capital Air Lines

Aviation executive recites progress of air transportation in last two decades and reveals air lines revenues in 1951 will be near \$650 million or 25% ahead of 1950. Warns, however, there is inflation in present business and service should be improved. Points to rising costs and problem of adjusting rates. Discusses question of government subsidy to air transportation and concludes there is less lack of dependence of scheduled air lines or mail pay subsidy. Says some mergers of airplane companies may be in public interest, and urges creation of sound coordinated system. Foresees no immediate use of jet planes in civil aviation. Looks for stronger market for aviation stocks.

The thing I want to stress most and the thing I would like to get across most particularly is the fact that in 1951 you can look upon air transportation as relatively big business. It has been through 25 years of growing, suffered all the growing pains that one might expect in those years, but it has finally emerged as one of the major forms of transportation serving our nation, and on the basis of any of the usual statistical yardsticks, it certainly can be measured as big business.



James H. Carmichael

In 1951, it will do business somewhere in the neighborhood of \$650 million—incidentally, about 25% ahead of 1950.

Revenue in 1950 approximated \$522 million, of which some \$428 million is represented in passenger revenues.

We employed, domestically, somewhere in the neighborhood of 60,000 people, and had about 1,100 airplanes in service. Just to give you a little background as to where Capital stands in 1951 in relation to the overall industry picture, depending upon the particular yardstick you choose to use, we rank fifth in the number of passengers carried—this year we will carry very close to two million passengers; and we rank sixth in the number of route miles.

We have some 5,500 route miles; we serve 77 cities and employ about 3,900 people to do our job. We will do about \$38 million gross business in 1951. So, from a rather humble beginning, our company, too, has approached or developed into a company of substantial size.

A Decade of Aviation Growth

It is particularly interesting, I think, if you take a look at what has happened in the last 10 years. Capital, for instance, in 1941 did about \$10 million. This year it will be about \$38 million.

In 1941, the industry did about \$96 million. In 1950, it was about \$522 million, with the expected growth that I mentioned for 1951.

The industry, generally, has been through the mill. We have had our ups and downs, and I mean that literally, not figuratively. We have experienced everything that any business might in its development and growth, and I think that we have reached the point we have now arrived at after traveling a pretty rough road.

We grew in leaps and bounds up to the point of 1946 and 1947, when we fell into a situation which might have been expected, I suppose. Certainly, in hindsight,

it seems rather silly to have gotten into the scrape we did, but at that time I believe it was a perfectly natural development of a business that was growing too fast.

The War Years and After

We had through the war years an enforced control, or priority system, which utilized all the space we offered to the public almost 100%. We became so accustomed to operating with load factors up to the high 90's and close to 100% that we all began to think that was what life held for us forever and a day. The net result was that we, all of us—and I think Capital led the group—went into an expansion program which proved to be quite disastrous in the ultimate.

We were at that time, I think, basically contemplating the thought that anyone who moves is going to fly and, therefore, we had the obligation to prepare and provide a sufficient number of seats so that anyone that wanted to move would find us ready to move them.

In our particular instance, you may remember that we went out and borrowed \$10 million worth of money and bought four-engine airplanes to the point that we just didn't have enough airports to park them.

Then, the whole industry started providing the most peculiar type of service, I think, that had ever been provided by any transportation agency. We made so many mistakes that it is sort of hard to put your finger on which one produced the worst results.

The overexpansion planning was certainly the greatest mistake we made. We tied into that service which was so poor that the public literally stayed away by the thousands. Our people took a don't-give-a-damn attitude; they were rude; they wouldn't answer telephones. If they did answer them, why, they couldn't have been more disagreeable. We lost baggage—which we still do, incidentally. We had oversales. We had just all the things that we could possibly have to effect a dislike for our form of transportation, and we seemed to do particularly well.

Then, to cap the climax, we had a series of accidents, one in the winter of 1946-1947, and the latter in the late spring of 1947, all of them spectacular in nature, sensationally covered by the news agencies. The ultimate result was that the bottom fell out of our business entirely, that is, in the summer of 1947.

That is when, I guess, from personal experience again, we can claim the dubious distinction of having gone farthest down the road in comparison to any other company. In September, or late August, of 1947, Capital was bankrupt, and we had no business whatsoever to continue operation; yet we did. It culminated in a managerial reorganization, at

which time I went into my present job and took with me a good many of the fellows who have collectively pulled this company of ours out of the hole.

Without going into any statistics—because I am sure you are quite well aware of them—the recovery of Capital has been quite substantial. We still have quite a long way to go. We recognize the fact that we have some major problems still ahead of us, and I think—and hope—that we are approaching them intelligently.

I think our goals are classified more or less in this order: We wanted to get out of the red and operate in the black.

We wanted to get out of debt. We wanted to get a service rate of mail pay, and we wanted to provide some return on an investment to our stockholders. We wanted to do these things concurrently while simultaneously operating a safe, dependable, friendly and courteous airline.

It was on that basis that those of us who stayed with the company embarked upon an attempt to pull Capital together and make a real company out of it. We stopped kidding ourselves entirely as to what the Civil Aeronautics Board might do in the way of making life easier for us, either through increased and better mail rates, or by revision of our route structure, putting us into better markets—things of that nature—and decided that with the mail rate that we then had and with the system we then had, we could make Capital a sound business venture providing the type of airline service that we felt was necessary.

I think we have done it. At that time we had close to a debt of \$15 million. That has been reduced in the ensuing 33 months and as of Sept. 30, to \$3,026,000.

We are completely current with all of our indebtedness. At the same time, we have changed from an earned surplus deficiency to an earned surplus.

We have acquired some working capital. We have added some 12 new airplanes to our fleet, paid for out of earnings, so that at the moment our picture is quite a healthy one.

We have additional airplanes on order to meet our problem. Those, too, we anticipate being able to pay for out of earnings without additional borrowings.

We have had an earnings record now stretching into its seventeenth month, so we have accomplished goal No. 1. We are in the black.

We have approached the point where we are about at a service rate in so far as mail pay is concerned. That was another goal accomplished.

We are out of debt to the extent that we paid off our banks and have substantially reduced our bonded indebtedness, as well as being completely current with interest and sinking fund provisions, so, there, another goal has been more or less reached.

Little by little, we are moving ahead, and we continue, and expect to be able to continue on that basis, to develop Capital into the kind of company that you fellows would respect from a financial point of view, as well as from an operating point of view.

As of Sept. 30, we will be very close to having met the indenture requirement as it relates to our earned surplus position, so that in the relatively near future there will be no restriction as far as the contemplation of a dividend program is concerned.

I would expect that our directors who have been of inestimable value; as far as guiding management is concerned, will certainly consider a dividend program sometime in 1952.

I would think that we would want to accrue a reserve upon which we might fall if things get

tough, and also obviously need to earn the money with which to pay the dividend, but it is ahead and in the near future and I think, again, indicative of the kind of successful recovery which we feel we have made.

Aviation Now a Big Business

I think that despite the fact that the industry has reached a pretty solid position—it does represent big business—we certainly want to continue along the same line of philosophy which has brought us to this point. We continue to be completely realistic about our business, about what lies ahead. As a matter of fact, the situation today is not unlike the situation that existed in 1946. Things are booming. We have never carried load factors such as we are carrying now. We have never seen optimistic thinking more justified than it is now, by reason of the amount of business we are doing.

For that reason I think we have to be awfully careful. We know that there is a certain amount of inflation in the business we are doing at the moment, aside entirely from the inflation that exists in the normal travel.

We have a substantial amount of military travel which I don't think should be considered normal. We in Capital are trying to separate that inflation travel from our real market and then so gear our planning and thinking as to develop Capital's future in relation to the real market rather than to this inflated peak that we are experiencing.

I think that is true of other companies in the industry. I cer-

tainly hope it is, because if they can't operate on that realistic basis and there is any change whatsoever in the present condition, it is going to be awfully easy to find other companies out on the same limb that we were on back in 1947.

Frankly, we don't expect to get out on that limb again. I think that holds true of the majority of other companies. I think the industry as a whole is taking a pretty realistic look, and therefore I don't anticipate any serious trouble lying ahead.

The old-time ballyhoo and the press-agentry type of operation is gone. We no longer are permitted to operate in that manner, but rather have to operate as any other sound business venture would.

We have a financial solidity that needs to be enhanced and maintained and you don't do that operating the way we used to years ago.

We are not unlike chain stores in our operation in that we are entirely dependent on volume to make money and to continue profiting.

We have got to improve our service. We have got to continue to make every effort to revise our procedures and operating techniques so as to give the public what it wants. In the old days, we used to try and jam down the public's throat what we wanted them to have. Now, we have learned that rather than attempt that, we have to provide the type of service that they want in order

Continued on page 28

This advertisement is neither an offer to sell nor a solicitation of offers to buy any of them securities. The offering is made only by the Prospectus.

NEW ISSUE

October 16, 1951

80,000 Shares
West Virginia Coal & Coke
Corporation
Common Stock
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Price \$17.625 per share

Copies of the Prospectus may be obtained from any of the several underwriters only in States in which such underwriters are qualified to act as dealers in securities and in which the Prospectus may legally be distributed.

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- Kay, Richards & Co.
- Newburger & Co.

*Transcript address by Mr. Carmichael before the Association of Customers' Brokers, New York City, Oct. 8, 1951.

Missouri Brevities

On Oct. 9 an offering of 216,694 shares of Stix, Baer & Fuller Co. common stock (par \$5) was made at \$20 per share. Of these 73,294 were for the account of the company and 143,400 for the account of certain stockholders. Of the company's stock, 29,549 shares were first offered to common and preferred stockholders of record Oct. 5 at \$20 per share, with rights expiring at 12 o'clock noon (CST) on Oct. 17. Mercantile Trust Co., St. Louis, acted as subscription agent. The offering was underwritten by Goldman, Sachs & Co. of New York.

The net proceeds to the company, will, in the first instance, be added to the general funds of the company to be available for general corporate purposes, including additional working capital and for the reimbursement of funds already spent and to be spent for completing the additions to the parking garage. Such general funds will also be applied to the payment of \$600,000 of short-term indebtedness incurred for working capital purposes.

Consolidated net sales of The May Department Stores Co. and subsidiaries for the six months ended July 31, 1951 were \$186,304,000 compared with \$183,183,000 for the corresponding period of 1950, the company reported in its semi-annual statement. Net earnings for the 6 months were \$3,471,000, equal after preferred dividends to 49 cents per common share against \$7,049,000 or \$1.11 per share in the first half of last year. The earnings per share for both periods have been adjusted to reflect the two-for-one stock split in June, 1951.

Sales for the 12 months ended July 31, 1951, amounted to \$419,810,000 against \$396,023,000 for the preceding 12 months. Net earnings were \$17,793,000 equal to \$2.85 per common share against \$20,017,000 or \$3.23 per share for the 12 months ended July 31, 1950. Earnings for the 12 months' periods have also been adjusted for the two-for-one stock split made in June of this year.

The report said the Southtown store of Famous-Barr Co. was opened last Aug. 24 and that sales have been up to expectations. This is the second of the May company's branch stores in the St. Louis area.

The offer to exchange American Investment Co. of Illinois \$1.25 convertible preference stock for Domestic Finance Corp. common stock on a one-for-five basis, originally to terminate Sept. 25, has been extended so that it will now terminate at 3 p.m. (CST) Oct. 25. Donald L. Barnes, President of both companies, recently announced. Under the offer, American would accept tenders to the extent that Domestic shares acquired, plus the 407,999 shares

already owned at Sept. 5, by American, would total not more than 79% of Domestic's outstanding common stock.

A contract to build a jet-powered "Cargo unloader" type helicopter has been awarded to McDonnell Aircraft Corp., St. Louis, the Navy announced on Sept. 24.

Rice-Stix, Inc., St. Louis, for the three months ended Aug. 31, 1951 reported a net loss of \$10,254, with sales at \$14,174,501, as compared with a net profit, after provision of income tax, of \$315,144 and sales of \$16,211,620 for the corresponding period of last year. For the nine months ended Aug. 31, this year, net profit totaled \$694,079 from sales of \$42,505,345, as against a net profit of \$754,420 and sales of \$38,256,806 for the nine months ended Aug. 31, 1950.

Stifel, Nicolaus & Co., Inc., St. Louis, has been named as principal underwriter of a proposed offering of 50,000 shares of common stock (par \$5) of A. B. Chance Co., Centralia. No part of the proceeds are to go to the company, as the stock will be offered for the account of certain selling stockholders. It is expected that the stock will be offered for public sale at \$12.50 per share, with an underwriting commission of \$1.15 per share.

Laclede Gas Co., St. Louis, for the 12 months ended Aug. 31, 1951 reported operating revenues of \$28,206,209, as against \$20,603,313 in the preceding 12 months' period. Net income after interest and taxes totaled \$2,687,422, equal to 88 cents per share on the 3,039,860 outstanding common shares. This compared with a net of \$2,420,913, or 80 cents per common share, for the 12 months ended Aug. 31, 1950.

Mid-Continent Casualty Co. on Sept. 17 filed a letter of notification with the SEC covering 29,000 shares of common stock (par \$8) to be offered at \$10 per share, without underwriting. The proceeds will be used to increase capital and surplus. The company's office is located at 3527 Broadway, Kansas City.

Poplar Ridge Coal Co., St. Louis, a subsidiary of Union Electric Co. of Missouri, on Sept. 21 filed an application with the SEC for authorization to issue and sell \$500,000 of bank loan notes to the First National Bank in St. Louis. The proceeds are to be used to pay for improvements to company's property and for equipment.

Sales of Western Auto Supply Co. for the month of September, 1951 were \$13,105,000, and compare with \$14,237,000 for the like month of 1950, a decrease of 8%. For the nine months ended Sept. 30, 1951, sales aggregated \$116,546,000, versus \$114,285,000 for the

comparable nine months of 1950, an increase of 2%. At the end of September this year there were 266 retail units in operation, against 268 last year. There were 2,591 wholesale accounts at the end of the latest period, versus 2,586 a year ago.

Walter W. Prosser Is With Chesley & Co.



Walter W. Prosser

CHICAGO, Ill.—Walter W. Prosser has become associated with Chesley & Co., 105 South La Salle Street. Mr. Prosser for the past ten years has been associated with J. P. O'Rourke & Co.

N. Y. Stock Exchange Appoints J. A. Brown

G. Keith Funston, President of the New York Stock Exchange, announced the appointment of Jonathan A. Brown as Director of the Department of Research and Statistics.

Mr. Brown has been associated with the Sprague Electric Company, North Adams, Mass., for the past three years. Previously he was senior research associate for Stewart, Dougall and Associates, a management consultants, New York City.

With Daniel Reeves

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Jeannett C. LaTouf has joined the staff of Daniel Reeves & Co., 398 South Beverly Drive, members of the New York and Los Angeles Stock Exchanges. Miss LaTouf was previously with Walston, Hoffman & Goodwin.

Rejoins Inv. Diversified

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Paul R. Davison has rejoined the staff of Investors Diversified Services, Inc., 3761 Wilshire Boulevard. He was recently with Lester & Co.

With Mitchum, Tully

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Richard C. Secord has become affiliated with Mitchum, Tully & Co., 650 South Spring Street.

With Inv. Secs. Co.

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif.—John L. Ainsworth has been added to the staff of Investment Securities Company of California, 880 East Colorado Street. He was formerly with Dean Witter & Co.

Connecticut Brevities

Pratt & Whitney Aircraft Division of United Aircraft Corp. has leased some 70,000 square feet of floor space from the Manufacturers Foundry Co. in Waterbury. The space will be used as a machine tool depot to receive and distribute the large number of machines that will be required in the new plants in East Hartford, Southington and North Haven which are being built to permit expanded production of jet and piston engines.

Bigelow-Sanford Carpet Company has borrowed \$17,500,000 from the Prudential Insurance Co. of America and five commercial banks. Of this amount \$4,820,000 has been used to repay the balance due on a long-term debt made in 1946 and \$2,500,000 will be used for modernization and expansion of carpet rayon production facilities of its subsidiary, Hartford Rayon. The balance of about \$10,000,000 will be used for payment of current bank loans. The \$17,500,000 loan provides for interest at 3% for the first seven years and 3 3/4% thereafter. It is repayable at the rate of \$500,000 a year for 19 years with the balance of \$8,000,000 due in 1971.

The Bridgeport Gas Light Company has obtained permission from the Connecticut Public Utilities Commission to issue \$1,750,000 of 3 1/2% series B refunding and general mortgage bonds, due Sept. 1, 1976. Proceeds of the issue will be used to retire \$1,000,000 of 4% first mortgage bonds which mature on Jan. 1, 1952 and \$750,000 of outstanding bank loans. The new bonds will be sold privately to six savings banks and one insurance company.

On Oct. 1, Arrow-Hart & Hegeman Electric opened a branch office and warehouse in Atlanta, Georgia. This brings to eleven the number of branch sales offices located in this country.

Pitney-Bowes, Inc. is planning to construct an addition to its present plant in Stamford at a cost of about \$720,000.

New Haven Clock & Watch has obtained a loan of \$370,000 from the Reconstruction Finance Corporation. The additional funds will be used to pay operating expenses in connection with the company's defense contracts.

Bridgeport Brass Company has announced its intention of entering the aluminum business. In the past the company has done some experimental rolling of aluminum sheets. It is not contemplated that the company will embark on a large expansion program but rather that the new products will be used to supplement present production of brass and copper mill products.

Conversion of Connecticut Light & Power Company's 3% debentures due Jan. 1, 1959 into com-

mon stock continues at a steady pace. In September \$157,300 of debentures were converted. The Dec. 31, 1950 total of \$3,970,000 debentures has been reduced to \$2,611,100. The present conversion rate of four shares of common for each \$50 of debentures is changed to four shares of common for each \$50 of debentures plus \$4 cash after Jan. 1, 1952.

National Fire Insurance Company has opened its metropolitan department in New York under the supervision of W. L. Bellmer, Vice-President and Secretary. The new office will make available the home office facilities of the National Group for the convenience of agents writing insurance in the New York area.

Announcement has been made of the purchase by The Phoenix Mutual Life Insurance Company of the Fawcett Building, a 21-story store and office building in New York City. The reported purchase price was \$2,800,000. Phoenix has signed a 15-year with the seller providing for annual rentals ranging from \$200,000 to \$265,000 and option to lease for additional periods at the expiration of the initial 15-year agreement.

Heller Uptown Offices To Be Open Thurs. Night

Stanley Heller & Co., members of the New York Stock Exchange, have announced that their office at 601 Madison Avenue, New York City, will remain open every Thursday evening until 10 p.m. to assist those desiring guidance in planning their investments but who are unable to visit a broker during ordinary business hours.

Joins Gross, Rogers

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Cal.—Herbert J. Hilgen has joined the staff of Gross, Rogers & Co., 559 South Figueroa Street, members of the Los Angeles Stock Exchange. He was previously with Marache, Sims & Co.

Joins Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn.—Arthur R. Behrens is with Waddell & Reed, Inc. of Kansas City.

Business Man's Bookshelf

Automobile Facts and Figures—31st Edition—Automobile Manufacturers Association, New Center Building, Detroit 2, Mich.; 366 Madison Avenue, New York 17, N. Y.—Paper.

South Africa Today—Alan Paton—Public Affairs Committee, Inc., 22 East 38th Street, New York 16, N. Y.—Paper—25c.

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Television's New Era

By H. C. BONFIG*
Vice-President, Zenith Radio Corporation

Mr. Bonfig, hailing rapid growth of television industry, expresses optimism regarding future of new Ultra High Frequency stations and on development of subscription or "box office" television. Cites value of Ultra High Frequency stations having insufficient commercial advertising to support regular TV channels. Looks for system of subscription television which will permit public to pay for special events without going to theatre or stadium.

I do not believe that the world has ever seen an industry with a growth curve equalling that of television. We can ignore the decade preceding the last World War when television was floundering around with fruitless, false starts, and begin our appraisal with 1946 when postwar TV production got underway. In that year the television industry produced the magnificent total of 6,476 receivers.



H. C. Bonfig

1947 marked the beginning of a sustained expansion. In that year members of the Radio Manufacturers Association produced nearly 180,000 receivers, a spectacular output that was multiplied fivefold in 1948. Then came 1949 with 2,400,000 receivers and rosy predictions that 1950 would see production by RMA members of between 3 and 4 million. Actually output for 1950 was nearly 7½ million TV receivers, to give us a grand total at the beginning of this year of more than 11 million television receivers produced and sold to the American public. Sales slowed down early this year, but have picked up so rapidly in recent months that our only problem today is to build as many television sets as we can sell.

This growth, mind you, was in spite of a serious handicap imposed in 1948, when the Federal Communications Commission felt it necessary to freeze the expansion of television broadcasting. A situation had developed which had a familiar ring to those of us who have lived in this burgeoning, expanding radio industry—technical performance of new frequencies had exceeded the prognostications of technical experts.

Here is what happened: On the basis of the theoretical coverage of television stations in what we call the Very High Frequency channels, the Commission allocated the different channels to different cities. In theory, a station operating on Channel 2 in Chicago, for example, could operate without interference provided there were no other stations on Channel 2 within 150 miles. Channels were allocated accordingly.

Then the engineers designed and built the transmitters, and put them on the air. Instead of the limited radius predicted, these television stations began sending their signals many miles further than anticipated. The result, as more stations came on the air, was a serious interference problem—one station in Detroit, for example, found that a station on the same channel in Cleveland was interfering with its reception at points within five miles of the Detroit transmitter. It became perfectly obvious that as more of the stations granted in the allocation plan then in force came on the air, there would be intolerable interference in many localities

*An address by Mr. Bonfig before the Kansas City Electric Association, Kansas City, Mo., Oct. 16, 1951.

with two or more television pictures fighting to get on the same living room TV screen. To prevent this chaos and the staggering financial losses it would involve, the Commission froze all applications and began working on a new allocation plan that would permit national television service without excessive interference between stations on the same channels.

Not Enough Channels

Back in 1945 the Federal Communications Commission had stated that there were not enough VHF channels to provide a truly national and competitive system of television. To establish such a national and competitive system, the Commission said, it would be necessary to use channels higher in the spectrum in what we now call Ultra High Frequency or UHF.

When the Commission began work on the new allocation plan after the freeze in 1948, it was evident that the time had come when television must expand into the UHF. There were many more applicants for stations than there were channels available. In January, 1949, Chairman Wayne Coy of the Commission, told the Radio Executives Club of Boston that a total of 50 to 70 television channels might be required to provide for a nationwide competitive system. Since there are only 12 channels in the VHF, this meant that the industry must prepare to operate from 38 to 58 channels in the new, untried, uncharted UHF area.

At this point, it is difficult for me to refrain from saying, "I point with pride." Although the radio and television manufacturers as a whole had given little thought to UHF or had felt that this was a problem for the far-distant future, Zenith had taken seriously the Commission's statement of 1945 that television would have to utilize these UHF channels. Commander McDonald had refused to authorize the sale of any Zenith television receiver to the public that could not accommodate the new UHF channels that we felt were inevitable. In my opinion, that was one of the wisest decisions ever made in this industry. Zenith, alone among manufacturers, can truthfully state that every television set we have sold to the public can accommodate any of the new UHF channels proposed by the Federal Communications Commission. All that is needed is the simple insertion of a UHF tuning strip in one of the spaces available on our tuner. Some months ago we demonstrated this feature to the hard-boiled radio and television editor of one of the leading trade journals in the merchandising field. We took him to Bridgeport where there is a UHF station on the air, and let him, with his own hands, insert a strip in the tuner of a standard Zenith set in a dealer's store so it could receive signals from the experimental UHF transmitter in Bridgeport. It took him exactly five minutes to complete the operation. This is simplicity personified.

UHF Channels

The UHF channels are very important to the future of television as a great communications system

and, of course, to the radio and television industry.

Only a short time ago the industry was highly skeptical of UHF. We were told that its range was short, that it was highly subject to reflections, that large areas of any broadcast service range would be shadowed by buildings, terrain, etc.

It is no wonder that TV applicants began to jockey for VHF rather than UHF. In addition to the doubts about UHF service, would-be broadcasters were concerned about the audience. There is in existence an audience of millions who own receivers that will receive VHF channels satisfactorily but they can receive UHF only with the use of an outside converter. The history of our industry shows that converters to any frequencies have never been accepted as satisfactory by the public so that for practical purposes many potential broadcasters could assume that the present audience would not be available for new UHF stations. So they wanted VHF.

In recent months there has been a change and many broadcasters are beginning to look eagerly at UHF. Some of the best technical brains in the broadcasting industry now feel that the UHF channels offer as great or greater opportunity for good broadcast service than do the VHF.

It has been the history of broadcasting that we approach the use of new frequencies with doubt and fear. Back in the days when I was selling radio receivers in Kansas City, we utilized only a tiny portion of the radio spectrum. In those days we spoke of "wave lengths" rather than frequencies. We considered valuable only those wave lengths from 200 meters and up, and tossed to the amateurs, as worthless, the short waves below 200 meters.

Our terminology has changed in recent years and we now identify radio signals by their frequency rather than their wave lengths. Translated into the terminology we use today, our industry believed 28 years ago that only those frequencies lower than 1500 kilocycles were worth a tinker's dam. The whole high range of frequencies in which short wave communication, TV, FM, Radar, and a myriad of new radio services operate, was unknown, untried, and unvalued.

It was the radio amateurs—kids who tried things that they didn't know the book said could not be done—who blazed the trail into the higher frequencies.

When they first were given the spectrum from 1500 kilocycles on up, the majority stayed close to their dividing line. Then some began to venture into what we at that time called short waves, and with very low-powered transmitters began to make surprising distance records.

In 1923, Commander Donald B. MacMillan took short-wave radio into the Arctic and succeeded in maintaining regular contact through radio amateurs with the United States. In 1925 the Navy commissioned an amateur and sent him with short-wave apparatus on board the U.S.S. Seattle when it left with the rest of the U. S. Fleet on a goodwill cruise. At about the time the fleet left the West Coast and headed for the Orient, Commander McDonald sailed north with short-wave equipment. While McDonald was at Etah, Greenland, and the U. S. Fleet was cruising off Tasmania—almost half the world away—radio amateurs of the respective expeditions maintained direct radio communications by short wave. McDonald even had a group of Eskimos sing a song for the benefit of the Admiral of the Fleet, 12,000 miles away.

Until these amateurs demonstrated the long-range possibility

of short wave, ships at sea, although equipped with powerful long-range transmitters, were completely out of touch with land during daylight hours, if they were any substantial distance from shore. The successful communication between Greenland and Tasmania led to the introduction of short-wave radio in the U. S. Navy. Other navies of the world and merchant ships soon followed.

Many people in the radio industry thought that this successful utilization of short wave, or as we began to call them, high frequency channels, represented the ultimate in spectrum use. Engineers in radio factories charged with the job of designing receivers for high frequency reception rebelled openly. They were confronted with new technical problems that seemed insoluble. They had to take wires off of coils until there weren't any coils left, and after reaching that point had to develop other methods of tuning.

However, they soon learned how to handle these high-frequency signals, and as they came into more general use, we discovered many new characteristics that made them invaluable.

Our next step upward in the radio spectrum was to the Ultra High Frequency band. Again the engineers tore their hair as they tackled the new problems.

History again repeated itself as solutions to these problems were discovered. We found many new and desirable characteristics in the VHF band, where television and FM are today.

Not long after we had reached—and I quote—"the absolute limit

of high frequencies"—unquote, our technical pioneers led on into the Ultra High Frequency range. I can well remember the struggle of Zenith engineers in developing the tuning strips for UHF channels. I also recall industry-wide comments to the general effect that work in UHF was a waste of time because nobody knew how to broadcast in these channels with enough power to do any good. Gentlemen, I was not impressed by this grouching because it had a very familiar ring.

So, when the industry was grumbling about the UHF, I was confident of what would happen. Our men developed a turret tuner with tuning strips that could operate efficiently throughout the UHF range where the new TV channels are to be located. Other engineers developed transmitting equipment in these frequencies. While they have not yet reached the power attained in lower frequencies, it follows as the night the day, that there will be no limitation on the power needed for operation of UHF stations.

Experimental UHF Stations

There are several experimental UHF stations in the country, one of which is in Bridgeport, Conn. It has been established long enough to give a very good measure of UHF potentialities.

One outstanding characteristic of these UHF stations was the clarity and freedom from ignition interference of the pictures. In New Haven we got better pictures from the UHF station in Bridge-

Continued on page 16

This announcement is neither an offer to sell nor a solicitation of offers to buy any of these securities. The offering is made only by the Prospectus.

NEW ISSUE

October 16, 1951

372,205 Shares Aluminium Limited Capital Stock

(Without Nominal or Par Value)

Aluminium Limited proposes to offer 372,205 additional shares for subscription at \$65 (Canadian) per share by the holders of its outstanding shares at the rate of one share for each ten shares held of record at the close of business on October 19, 1951. Arrangements have been made to facilitate the purchase by United States resident subscribers of the necessary Canadian funds. Reference is made to the Prospectus for further information. The Subscription Offer will expire at 3:00 P.M., Eastern Standard Time, on November 8, 1951.

THE FIRST BOSTON CORPORATION has agreed with the Company to act as Dealer Manager to form and manage a group of securities dealers for the purpose of soliciting subscriptions in the United States. A. E. Ames & Co. Limited have a similar agreement to act as Dealer Manager in Canada. Such dealers may under certain conditions offer and sell shares of the Capital Stock as set forth in the Prospectus.

Any securities dealer may obtain a Prospectus and a copy of the Soliciting Dealer Agreement containing full information with respect to this offering, the solicitation of subscriptions and the fees payable therefor, by communicating with the nearest office of the undersigned.

The First Boston Corporation

NEW YORK BOSTON PITTSBURGH CHICAGO
PHILADELPHIA CLEVELAND SAN FRANCISCO

Tomorrow's Markets

Walter Whyte Says—

By WALTER WHYTE

A minor reaction during the week gave bulls a little heart failure and bears something to cheer at. The end result, however, was a standoff for both sides with valid arguments that could be convincing for whatever side you happen to be on. The market's high enough to make a reaction from the current levels highly dangerous. It's also acting like it will do nothing of the sort. All this, I suppose, means you'll have to make your decisions on the toss of a coin. And don't think such a method is so far fetched.

Some years ago the toss of a coin was the basis of a study at the University of Colorado. The purpose was to determine if heads or tails was better than the Dow Theory. The researchers took the Dow average; set the opinions of its leading exponents in one column and then tossed a coin at critical junctures. The final results were in favor of the coin. Now if I could find a coin I'd try the same method.

Well, be that as it may, I guess I'll have to go back to conventional methods. So here goes. From everything I can see the industrials will continue to go up. As the rails get higher and higher rates they'll also creep up. I don't believe a confirmation of one average by the other will mean much except as something to point to. The groups I continue to favor are the coppers, oils, amusements and steels. If you want to get aboard don't do it on strong days. Wait for sell-offs.

[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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Continued from page 15

Television's New Era

port, 17 miles away, than from the local New Haven VHF stations.

There are, of course, definite problems in the use of UHF. It has been anticipated that the range of these stations will be less than VHF and there are problems in receiving and transmitting antenna, yet to be solved. However, the very nature of UHF points to a solution of some of the problems.

Crystal gazing is always a rash venture, but on the basis of what we now know about the UHF and what we know about the ability of engineers to discover new advantages in new frequencies, I make the prediction that the stations on the UHF channels are going to render as good or better all-around service than the VHF stations now in operation.

It is now expected that the great freeze of television will begin to thaw within a few months and that before too long there will be a steadily growing number of new VHF and UHF stations throughout the country. These will bring service to areas which now have no television and will give a multiplicity of stations in many cities which now have only one or two. The result will be a swiftly growing market for television receivers and a rapidly growing use of this great new means of communication and information.

Who's Going to Pay?

There is still, however, a major questionmark on the part of television. Will it be able in coming years, after it has developed into a truly national service, to bring to television set owners all of the fine entertainment, education and information of which it is technically capable?

I am referring, of course, to the old bogey of who's going to pay for what. We have seen a lush growth of television so broad in scope that it has already changed the behavior patterns of millions of families. We have seen splendid entertainment features developed for television alone. We have participated with a new feeling, an awareness, in such great national events as MacArthur's triumphal sweep of the country and the precedent-breaking Kefauver hearings. Most of us are deeply impressed by having an opportunity to observe the solemn ceremonies at the signing of the Japanese Treaty which inaugurated trans-continental television.

Through the brief span of television's active growth, we have

seen an abundance of fine sports events such as the world series; major football games, both collegiate and professional; championship prize-fights; professional hockey games, etc., etc.

But over the past year or two something has been happening to these sports events. All last year, in Chicago, I did not see a single Big Ten team in action on television except for a few games such as Wisconsin - Pennsylvania and Purdue-Notre Dame that were played outside the conference.

I did not once see our Chicago Bears in action on my television screen. And I did not see any hockey. All of these once-televized sports vanished from the screen because the promoters found that televising hurt them more in gate receipts than they could gain from television rights.

Subscription Television

There was nothing too alarming in this slow disappearance of sports events from television because there was still an abundance on the air. We could still see fights every Wednesday night with an occasional headliner like the Sugar Ray Robinson-Jack LaMotta fight last Valentine's Day. But suddenly something happened. A bunch of theaters installed TV and successfully bid for rights to the Louis-Savold fight, leaving a big vacuum on the program of televised sports. This was bad enough, although it was not a very important fight. But then came the Robinson-Turpin fight which almost everybody in the United States wanted to see. The promoters had already learned that keeping their events off of television was a terrific box office stimulus at the stadium and that it also added great value to motion pictures of the fight. So they sold exclusive rights to the Robinson-Turpin fight to a small group of theaters and got a hefty guarantee for exhibition rights to motion pictures.

The result for producers was a smashing box office success. Their gate at the fight exceeded \$700,000 and established a new record for fights at this weight. The return from motion picture rights ran far above \$200,000, so that their gross return from this venture was well beyond \$1,000,000. One leading sports authority told me that keeping this fight from so-called "free" television was worth nearly half a million dollars to the promoters.

Here is the crucial economic problem confronting TV:

Promoters and producers own the entertainment properties they create, and they have found from bitter experience that televising of their events quite frequently means a disastrous drop at the box office. They have also found that the public is willing and eager to pay for these events, and will even break down theater doors as they did in Chicago at the Robinson-Turpin fight, when the event is good enough. When everything is added up, the price the promoters must put on television rights to many great events is so great that advertisers will not be able to pay it.

Similarly, the National Collegiate Athletic Association has strong evidence that the televising of major football games not only causes a drastic drop in gate attendance for most of these games, but also deals a heavy body blow to attendance at smaller colleges within the area. This is a matter of critical importance to the entire physical education program of our colleges. With most schools it is football revenue that carries the financial burden of financing money-losing sports such as cross

country and crew, and of conducting physical education programs.

The NCAA is making an earnest effort to solve this problem because they do not want to keep these great spectacles from the American television screen. This fall we are having a partial blackout of football broadcasts as part of their continuing study to determine the effect of television upon gate attendance. In my mind, there is little question as to what their findings will be. College athletics, which almost certainly means our whole system of inter- and intra-collegiate sports, cannot survive if college football is telecast for prices that advertisers can afford to pay.

It seems inevitable that if television is to depend solely upon advertisers these great sports events and many others will soon vanish from the air.

There is just one way to keep these great events on the air and to provide the greater abundance of entertainment and the full-fledged educational service of which television is capable—that way is subscription television, some method by which people viewing costly box office features in their own homes can be charged an "admission fee."

Zenith has pioneered in the development of subscription television. We began working on it in 1931, and more than three years ago announced Phonevision as a technical solution to the problem of providing a box office for home television.

With Phonevision, a television transmitter can broadcast the picture in a scrambled form. The subscriber can have the picture cleared up by making a telephone call and having the correcting signal sent into his receiver over his telephone wire. Without this correcting signal his television screen will show only a jittered, scrambled picture. This provides the box office, since he can be charged for receiving the correcting signal.

For the first 90 days of this year Zenith conducted, with the approval of the Federal Communications Commission, a limited commercial test of Phonevision. We wanted to find out if the public wanted subscription television and if people were willing to pay for premium programs on television in their own homes. Three hundred families were selected for the test by the National Opinion Research Center of the University of Chicago. Each was provided with a television receiver which would also receive Phonevision.

Nine major picture producers cooperated with us by making a total of 90 feature pictures available to us. These represented a cross section of Hollywood production through the years preceding 1948. All of them had completed the first, second and third theater runs and some had been reissued.

We presented on the average one new motion picture a day for 90 days with three showings of each picture. Our 300 test families had the privilege of seeing any of these pictures they wished by accepting a charge of \$1.00 for each showing, or of watching any television programs they saw fit. In other words, our box office television was in direct competition with the four commercial television stations on the air in Chicago.

Our test families bought pictures at the average rate of 1.73 per week, which is about three times the national average attendance at motion pictures. On the average, each picture was purchased by 25% of the potential audience, which is somewhat greater than the percentage of these families that had originally seen the pictures in theatres.

Projection of these test results to a theoretical 10,000,000 Phonevision-equipped receivers indicates a Phonevision box office value for

many of the features shown as great or greater than they originally yielded in theatres. And, remember, there are already 13 million television receivers in service, with millions more to come.

Moreover, a television station operating on Phonevision would, on the basis of these results, earn far more during the period devoted to Phonevision than it does from regular commercial operation.

A major feature of Phonevision is that if it is established as a commercial service it can make possible television stations in many communities too small to support a station on advertising revenues alone. Moreover, it can make possible the presentation of many great events, such as Grand Opera, which are too costly for advertising-sponsored televising. Also—and this is an extremely important feature—Phonevision can make possible the use of extension teaching methods on television so that countless thousands of youngsters may secure a major portion of their college education without leaving home.

We believe that subscription television is one of the most important tools that can be used to help television fulfill its destiny. We know from our test results that the public wants it and we believe that it is highly in the public interest. Therefore, we are in the immediate future going to apply for the establishment of subscription television as a commercial service to operate in conjunction with and over the same stations as advertiser-sponsored television. If FCC grants our petition, television will become the greatest educational and entertainment medium that the world has ever known.

Robbins Mills Stock Offering Underwritten

Robbins Mills, Inc. on Oct. 17 offered to holders of its common stock, rights to subscribe for 166,864 shares of 4.50% cumulative convertible preferred stock, series A, \$50 par value, at \$50 per share and at the rate of one share of preferred for each five shares of common held. An investment banking group headed by Dillon, Read & Co. Inc. will purchase from the company any shares of preferred stock remaining unsubscribed at the end of the subscription period, Oct. 30, 1951.

The new stock is convertible into common stock at any time on or prior to Nov. 30, 1961, at \$36 per common share taking the preferred stock at \$50 per share. A sinking fund of 5% per annum is provided for, commencing Nov. 30, 1961.

Of the proceeds from the financing, \$6,000,000 will be utilized to reduce outstanding bank loans and the balance will be made available for capital expenditures, working capital and other corporate purposes.

Robbins Mills, Inc. is engaged in the manufacture and sale of a wide variety of fabrics from synthetic yarns. Fabrics are sold principally to the cutting-up trade and are used for year-round men's and women's suits, dresses, underwear, blouses, shirts, draperies and other household furnishings. The company recently added to its line a number of industrial fabrics including automobile upholstery and seat covers.

Capacity for the production of synthetic staple fabrics is expected to be doubled early in 1952 when the company's new \$12,500,000 plant at Raeford, N. C., reaches full operation. Other mills are located at Robbins, Red Springs and Aberdeen, N. C., and Clarksville, Va.

SPECIAL CALL OPTIONS

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Western Union	@45 Dec. 7	287.50
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Huds. Bay Mg.	@62 $\frac{1}{4}$ Jan. 2	475.00
Std. Oil N. J.	@70 Mar. 5	487.50
Radio Corp.	@23 $\frac{3}{8}$ Jan. 7	237.50
Int'l Tel & Tel.	@18 $\frac{3}{4}$ Dec. 24	87.50
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Truman Again Proposes Peace Talk

In address at Wake Forest College, N. C., he renews invitation to Soviet Union to talk peace and disarmament, but warns free world must continue to arm and develop strength, because of lack of faith in Russia's pledges.

In the course of an address marking ground-breaking ceremonies for a new campus at Wake Forest College, near Winston-Salem, N. C., President Harry S. Truman renewed his invitation to the Soviet Union to conduct talks on peace and rearmament.

The portion of President Truman's address dealing with this topic follows:

Our country is standing before the bar of history today in a very conspicuous place. All the world is watching us, because all the world knows that the fate of civilization depends, to a very large extent, on what we do.



President Truman

At the present time, this nation of ours is engaged in a great series of positive actions to secure peace in the world. This effort is costing us a great deal—in taxes, in energy, in unwellcome changes in our daily living. It is even costing us the lives of some of our bravest and best young people who are fighting in the front lines against aggression.

Like any positive effort, this one is being questioned and criticized. There are people who ask whether it is worth doing. There are people who point to the sacrifices, the inconveniences, the cost, and who say it would be better to do nothing—or as close to nothing as possible.

But it is clear, to most of us at least, that the effort is worth making—indeed that we have to make it.

Our great effort for peace is a national effort. It is not the decision of one group or one person. It is the result of our entire national experience over the last few decades.

We Support United Nations

By the end of World War II we had learned, as a nation, that we could not have peace by keeping out of the affairs of the world. We were determined to act, positively and vigorously, with other nations, to preserve peace. That is why we embraced the United Nations, and pledged to support it.

Everything that we have done since has been the result of this decision. All we have done, our treaties with other nations, our defense program, our aid to other countries has been the result of our determination to uphold the principles of the United Nations. It has been harder and more dangerous than we expected, because of the refusal of one of the great powers to carry out the spirit of the United Nations, and to live peacefully and cooperatively with its neighbors.

But, if I understand this country correctly, there is no desire to backtrack on the path we have taken toward peace. There is no intention of running out on the obligation we undertook to support the principles of the charter. We made our decision, it was the right decision, we are going to follow it out—and that is that.

It is important to remember, as our defense program begins to turn out more and more weapons, and our alliances for defense begin to take effect, that our basic objective—our only objective—is peace.

I am afraid that some people, here and abroad, believe that the

creation of armed defenses must inevitably lead to war. This is not the case. We do not think war is inevitable.

We believe that the creation of defenses will make war less likely. So long as one country has the power and the forces to overwhelm others, and so long as that country has aggressive intentions, real peace is unattainable. The stronger we become, the more possible it will be to work out solid and lasting arrangements that will prevent war. Our strength will make for peace.

We saw the folly of weakness in the days of Hitler. We know now that we must have defenses when there is an aggressor in the world.

But once we have defenses strong enough to prevent the sneaking, creeping kind of aggression that Hitler practiced, what is the next step? Must we then have a showdown, and a war until one side or the other is completely victorious?

Our Policy Is Based on Peace

I think not. Our policy is based on the hope that it will be possible to live, without a war, in the same world as the Soviet Union—if the free nations have adequate defenses. As our defenses improve, the chances of negotiating successfully with the Soviet Union will increase. The growth of our defenses will help to convince the leaders of the Soviet Union that peaceful arrangements are in their own self interest. And as our strength increases, we should be able to negotiate settlements that the Soviet Union will respect and live up to.

For example, the Kremlin may then be willing to discuss the possibility of genuine, enforceable arrangements to reduce and control armaments. Since the end of World War II, we have been trying to work out a plan for the balanced reduction and control of armaments.

Long before the Soviet Union got the atomic bomb, we developed a plan to control atomic weapons. Other nations endorsed this plan. It was a good plan. It would work. It would free the world from the scourge of atomic warfare. But the Soviet Union rejected it.

Working with other nations, we also developed initial plans looking toward the balanced reduction and control of other types of weapons. The Soviet Union rejected these plans, too.

Last year, before the United Nations, I proposed further work on the problem of disarmament, and a new approach. I proposed a merger of the two United Nations commissions working in this field, the one on atomic energy, and the one on other types of weapons. Work on this proposal has gone forward and good progress has been made. We are ready now, as we have always been, to sit down with the Soviet Union, and all the nations concerned, in the United Nations, and work together for lifting the burden of armaments and securing the peace.

We are determined to leave no stone unturned in this search not only for relief from the horror of another world war but also for the basis of a durable peace.

I hope that the growing strength of the free world will convince the leaders of the Soviet Union that it is to their own best interest to lay aside their aggressive plans, and their phony peace propaganda, and join with us and the other free nations to work out practical arrangements for achieving peace.

This is the goal we are working toward. It is for this great goal of peace that we have a defense program, and higher taxes, and a program of aid to other nations. It is for this purpose that our men, and the soldiers of other free nations, are striving and fighting in the hills of Korea.

Kremlin Can Plunge Us Into War

I cannot guarantee that we will reach our goal. The result does not depend entirely on our own efforts. The rulers of the Kremlin can plunge the world into carnage if they desire to do so. But that is something this country will never do.

This I can say. Peace comes high in these troubled days, and we have shown that we are willing to pay the price for it. We have shown by positive acts that we are willing to work and sacrifice for it.

Twice within one generation we have spent our blood and treasure in defense of human freedom. For six long years now we have contended, with all the weapons of the mind and spirit, against the adherents of the false god of tyranny. When the nations of Europe, our neighbors, were left, like the man in Scripture who fell among thieves, robbed and wounded and half dead, we have offered them our oil and our wine, without stint and without price. When one of the newest and smallest nations of Asia was invaded, we led the free world to its defense.

These positive acts have not been easy to do. They have brought upon us the hatred and threats and curses of the enemies of freedom—and may bring upon us even worse troubles. Nevertheless, if this nation is justified by history, it is these things that will justify it, and not the negative virtue of meaning no harm.

God forbid that I should claim for our country the mantle of perfect righteousness. We have committed sins of omission and sins of commission, for which we stand in need of the mercy of the Lord. But I dare maintain before the world that we have done much that was right.

To the sowers of suspicion, and the peddlers of fear, to all those who seem bent on persuading us that our country is on the wrong track and that there is no honor or loyalty left in the land, and that woe and ruin lie ahead, I would say one thing: "Take off

your blinders, and look toward the future. The worst danger we face is the danger of being paralyzed by doubts and fears. This danger is brought on by those who abandon faith and sneer at hope. It is brought on by those who spread

cynicism and distrust and try to blind us to our great chance to do good for mankind." "Yet, at heart, I do not greatly fear such men for they have always been with us, and in the long run they have always failed."

New England Leads in Per Capita Stock Ownership

Wallace H. Fulton, Executive Director of NASD, releases data on stockholder distribution covering 494 stocks in over-the-counter market.

There are more owners of corporation stocks in New England, in proportion to population, than in any other section of the country



Wallace H. Fulton

just released by Wallace H. Fulton, Executive Director of the National Association of Securities Dealers, Inc., discloses. Connecticut has the highest population density of shareholders, 8.8%, and then come: New Hampshire, 3.7%; Maine, 3.5%; Rhode Island, and Massachusetts, 3.2% each. Vermont ranks 13th in the list with 1.5% of its population owning stocks, according to the survey which does not take into account the fact that one person may own two or more different stocks. The ratios are, therefore, not exact measurements of stock ownership among citizens of a State, but they indicate the relative positions of the various States in the matter of such ownership.

Although New York has the largest number of stock owners of any State, it ranks 7th in the ratio of such owners to population. California, threatening New York as the residence of the largest number of stock owners, ran sixth, after the New England States, in proportion of citizens owning stock, according to the NASD survey.

The survey covers 494 stocks in the over-the-counter market. Included were 40 banks, 60 insurance companies and 394 industrial companies. In all, the 494 have

1,923,980 stockholders. The NASD survey shows that the number of owners of mutual funds now exceeds 1,190,000. These mutual fund owners were not covered in the State-by-State survey of stock ownership.

Leading States in numbers of resident stockholders according to the survey of the 494 issues of stock: New York, 296,369; California, 278,642; Connecticut, 177,284; Massachusetts, 150,861; Pennsylvania, 134,232; Illinois, 119,728.

The 494 stocks included represent issues active in the over-the-counter market.

Brooke-Willis Branch In Norfolk, Va.

NORFOLK, Va.—Brooke-Willis, Inc., of Richmond have opened a branch office at 9 Selden Arcade, Norfolk, Va., with John H. Willis as the firm's representative.

Joins King Merritt Co.

(Special to THE FINANCIAL CHRONICLE)
ST. CLOUD, Minn.—Conrad M. Lidstrom has joined the staff of King Merritt & Co., Inc., 1616 St. Germain Street.

With Barrett Herrick

(Special to THE FINANCIAL CHRONICLE)
ST. LOUIS, Mo.—Lawrence Knopfel and Arthur C. Langtry have become connected with Barrett Herrick & Co., Inc., 418 Locust Street.

With F. I. du Pont

(Special to THE FINANCIAL CHRONICLE)
LOS ANGELES, Cal.—Ulysses G. Roman is now with Francis I. du Pont & Co.'s Los Angeles office, 722 South Spring Street. He was formerly with the firm in Chicago.

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October 17, 1951

Impact of Population Shifts

By ROY V. PEEL*

Director, Bureau of the Census, U. S. Dept. of Commerce

Census Bureau head reveals the changes that are taking place in the regional shifts of population and their effects on the increase and composition of the people. Points out nation's population is now predominantly urban as farm population continues to decline. Finds average age of population up five years in one generation and home owners now exceed renters in the nation, while family income rises.

In the decade ending in April, 1950, the population of the continental United States increased by 19 million, or 14.5%. Since the turn of the century, the country's population has doubled and on Aug. 1, 1951, was estimated at 153½ million as compared with 76 million in 1900.

Tremendous shifts of the population between geographical areas, given more than normal acceleration by dynamic influences of the war years, marked the decade. Migration to the West was responsible for the greatest of regional changes. Movement of the population to urban centers was accompanied by net population losses for about one-half of the 3,000 counties in the United States.

About four-fifths of the nation's population increase was centered in the 168 standard metropolitan areas of the country with central cities of 50,000 or more population. The greatest proportional growth was in the sections of the metropolitan areas outside the central cities, largely in the immediate suburbs of these cities. While the central cities had nearly one-third of the national population gain, the remainder of their metropolitan areas accounted for half of the national gain.

The farm population showed a great loss during the decade. The rural farm population decreased by about one-fifth and stood at 23½ million.

Regional Migration Modifies Natural Increases

All except about 1 million of the country's 19 million population gain between 1940 and 1950 was represented by natural increase, the excess of 32.3 million births over 14.3 million deaths. Net immigration of 1.6 million was offset by net outmigration of two-thirds of a million military personnel. Of the 18 million natural increase in the population, about 8 million or 44%, occurred in the South, but the South's total population gain was reduced by net outmigration of nearly 2½ million. Natural increase in the North Central Region exceeded 4.6 million, amounting to about 26% of the country's natural increase, but its population gain was tempered by net outmigration of about a third of a million. The Northeast had a natural increase of a little more than 3¼ million, or 18% of the total natural increase, plus a third of a million gain by net immigration. The West, with the greatest total numerical and proportional gain, had a natural increase of 2.2 million, or 12% of the total natural increase, which was greatly augmented by a net immigration of about 3½ million.

While each of the nine major geographical divisions of the

*Abstract of an address by Dr. Peel before the Association of National Advertisers, New York City, Sept. 26, 1951.



Roy V. Peel

country has shown a numerical population gain since 1900, the rates of gain among them have varied so that their relative proportions of the country's whole population have shown a 50-year decline in five divisions and an increase in four divisions. The divisions whose growth has not kept the country's pace over the 50-year span are New England, Middle Atlantic, East North Central, West North Central, and East South Central. The divisions whose growth has exceeded the national average to give them plus-proportions are South Atlantic, West South Central, Mountain, and Pacific. The greatest gains in the proportions were in the Pacific and Mountain divisions. There being no manifest reasons for any immediate change in these general trends, it seems reasonable to assume that the rates of population growth will continue higher in the Southeast, Southwest, and West, bringing about a further increase in their relative proportions of the national population. However, despite the slowing of their growth rates, the gain in total numbers in divisions with larger population bases, namely the Middle and South Atlantic and East North Central, means that they will continue to offer the larger markets in terms of total number of new consumers.

Nation's Population Now 64.0% Urban

The population of the United States is now 64.0% urban with the highest degree of urbanization in the Northeast, 79.5%. The West is next with an urban population of 69.9%, and the North Central Region third with an urban population of 64.1%. Only the South has an excess of rural population over urban population, with a rural population of 51.5% and an urban population of 48.5%. By 1950, the urban population of the country totaled 96 million, an increase of 21.5 million from the 1940 urban total of 74.5 million. A new definition for urban population in 1950 included about 7.5 million as urban, which would have been counted as rural under the 1940 definition. Under the 1940 rule the 1950 urban population would have been about 88.5 million. The new areas of population included under the new 1950 urban definition are principally the urbanized areas adjoining central cities of 50,000 or more population, whose residents live under typically urban conditions and who are economically integrated with the central city populations. This new rule recognizes the fact that in 157 urbanized areas of the country the urban population has overflowed from the cities into their suburban areas to form urbanized areas marked by continuous street patterns, common utility services, 2,000 or more population or 500 dwelling units per square mile, and the other things that set the population apart from the rural category.

Nearly 69 million Americans, or 46% of the total population of the country, live in the 157 urbanized areas of cities with 50,000 or more population. Of these 69 million, about 48 million live inside the central cities and 21 million in their suburbs. More than 37½ million, or about ¼ of the total population of the country, reside in 12 urbanized areas each

having more than a million population. The combined population of these 12 large urbanized areas amounts to about 40% of the country's urban population and 55% of the population of the 157 urbanized areas. Briefly, this means one in four of us lives and works and trades in the 12 largest urbanized areas and more than half of those of us in the urbanized area population live in clusters of a million up to New York's peak 12 million.

Farm Population Continues Decline

While the urban population increased by 64.0%, the rural population declined by 4.5% between 1940 and 1950. While the rural nonfarm segment of the rural population increased by 15.0%, the rural farm population declined by 22.0% during the decade. In total numbers this was an increase of a little over 4 million in the rural nonfarm population, a decrease of near 6½ million in the rural farm population, and a net decrease of about 2½ million in the rural population. However, it must be borne in mind that under the new 1950 definition for urban population, approximately 7.5 million were classed as urban who under the 1940 rule would have been counted in the rural population. Taking this into account, the rural population under the 1940 Census definition would have shown a gain of about 5 million instead of 2½ million loss. As for the rural farm population, its numbers have been declining over the long range and by a total of 25% since separate figures for the rural farm population first were compiled in the 1920 Census.

Average Age Up 5 years in One Generation

As a whole, the population of the United States is growing older. In 1920, a generation ago, the average age of the population was about 25 years. In 1950, the average age was 30 years.

Among us, there are about 12½ million who are 65 years of age and over, representing 8.2% of the population. Ten years ago, those aged 65 years and over numbered 9 million and represented only 6.8% of the population. In 1935, at the time of the enactment of the Social Security Act, those aged 65 and over numbered about 7.8 million, or about 6% of the total population.

The last decade likewise brought a great gain in the population under 10 years of age. In 1950, the 29½ million children under 10 years of age represented ¼ of the total population. In 1940, they numbered about 21¼ million and represented 16% of the population.

The 15-to-19 age group, from which the new workers will be drawn during the next few years was 13% smaller in 1950 than in 1940, its number having declined by 1.6 million to a total of 10¼ million from a figure of 12¼ million a decade earlier. This is the effect of the lower number of births during the depression years of the 1930-40 decade.

Females Outnumber Males in the Population

The 1950 Census marked a shift in the balance of the sexes in the country's population from an excess of about half a million males in 1940 to an excess of about one and one-half million females in 1950. The 1950 sex ratio for the country was 98.1 males for each 100 females. A general decline in the sex ratio of the population has been in progress since 1910 when males outnumbered females by 2½ million. The 1910 sex ratio was 106 males for each 100 females. According to a preliminary examination of the sex data in the 1950 Census, only the West still maintains an even balance of the sexes with a proportion of 100.4 males for every 100 females. In the Northeast, there were only

96.4 males for every 100 females. Many of the larger cities of the country however have reported an excess of females over males for a generation or more.

Home Owners Now Exceed Renters

For the first time in the last 50 years, more than half of the householders in the United States owned their homes. The 1950 Census showed that 55% of the occupied dwelling units were occupied by owners. This compares with 45% in 1900 and about 44% in 1940. Home owners numbered over 23½ million in 1950.

Between 1940 and 1950, the number of owner-occupied dwelling units increased by about 8.2 million. This increase represents more than one-half of the total increase of 16.2 million in owner-occupied dwelling units during the last 50 years. While renter-occupied dwelling units increased by nearly 10 million between 1900 and 1950, their number actually declined by more than half a million between 1940 and 1950.

The Kind of Houses We Live In

Three out of five dwellings in the United States are one-family detached houses. Another fourth of all dwellings is in 1-to-4 dwelling unit structures. Only one in 25 of all dwelling units is in an apartment building of 20 or more apartments.

One-fifth of all dwelling units counted in 1950 were in structures less than ten years old but two-thirds of all dwelling units were in structures built before 1929, and nearly half of all dwelling units were in structures built before 1919.

Almost every home had a radio in April, 1950 and four out of five had mechanical refrigerators. While the 1950 Census reported that one in eight homes had television, the manufacture and sale of television sets since then has outmoded this figure. Most homes still are heated with coal and about half of the homes had central heating. Utility gas is the chief cooking fuel, being used in more than half the homes, but one in ten homes still used wood for cooking. About 15% of the households used electricity for cooking.

Practically all dwelling units in urban areas had electric lighting but electric lighting was lacking in 10% of the rural nonfarm homes and in 22% of the farm homes. About 6 million, or 15% of all homes, had no kitchen sink.

Industrial Employment Up, Farm Employment Down

Over the 10-year period, the number of employed persons engaged in manufacturing increased by 3½ million, or 33%, from 10.6 million in 1940 to 14.1 million in 1950. About 1.3 million, or more than a third of the total U. S. gain was in the North Central States.

Employment in wholesale and retail trade increased by 2.9 million, or nearly 39%, from 7.5 million in 1940 to 10.4 million in 1950. About 1 million, or over a third of the national gain, was in the South.

Employment in the service industries increased by 1.9 million, or 19%, from 10.1 million in 1940 to 12.0 million in 1950. The greatest proportional gain, 46%, was in the West and represented nearly one-third of the national increase in service trades employment.

The number of persons employed in agriculture decreased by 1.3 million, or 18%, from 8.4 million in 1940 to 7.1 million in 1950. Of this decrease, approximately one million was in the South and represented three-fourths of the national decrease in agricultural employment.

Mechanization of the Farm

In spite of the decrease in the ratio of farm workers to the country's population from 1 in 15 in 1940 to 1 in 20 in 1950, American

farms have been able to keep up with the larger demand for agricultural products. By reason of farm mechanization, fewer workers have been able to supply the greater need. Substitution of gasoline power for mule power also has diverted a large acreage from the production of feedstuffs to the production of food. In 1945, the Census of Agriculture reported nearly 2½ million tractors on farms, an increase of about a million over 1940. During the same period, the number of trucks on farms increased by nearly half a million to a total of about 1½ million. The number of automobiles remained unchanged at a little over 4 million, the obvious effect of the war years. What the 1950 census figures will show, when tabulations are completed, is indicated by independent estimates of agricultural statisticians that there now are about 3¼ million tractors, 2¼ million trucks, and nearly 6 million automobiles on farms. With more than 5 million farms in the country, there still remains a great initial market for tractors and trucks and a large replacement market for automobiles, as well as trucks and tractors.

Electrification of the Farm

In 1940, about 2 million farms reported electricity in the farm dwelling. By 1945, the number of farm homes with electricity had increased by three-quarters of a million. As farm electrification continues, the farm market for electric refrigerators, washing machines, vacuum cleaners, food mixers and other electrical devices that make the housewife's work easier keeps growing. In the farm shop, the use of machinery powered by electricity is rapidly expanding. As a market for durable consumer goods, the farm offers a greater potential than ever before. Today, the farmer can use many things he once envied his city cousin, and has the cash to buy them. One has only to look at the advertising in publications which are directed to the farmer to observe that the manufacturer and the marketer are fully aware of the potentials of this great and growing market.

Incomes of American Families

The median income for American families in 1949 was \$3,068. This means that one-half of the nearly 36½ million families reporting to the Census on their incomes had incomes below this median and the other half had incomes over the median amount. The highest median income, \$3,435, was found for the 5 million families in the West and the next highest median, \$3,362, for the 10 million families in the Northeast. With almost an equal number of families, 11.8 million in each region, the North Central Region had a median family income of \$3,257 as compared with the South's \$2,248.

Four out of five families had incomes under \$5,000, while about one in 35 families had incomes of \$10,000 or more. At the low end of the scale, 5½ million families, or one in seven of all families, had incomes under \$1,000 a year and one in 12 of all families had incomes under \$500 a year. Of all families in the under-\$1,000 income group, nearly one-half (49%) were in the South and of these Southern families about one in three were non-white families.

Annual Population Estimates

One of the frequently asked questions in the Census Bureau's mail is "What is the latest estimated population of the United States?" By reason of the compilation of monthly and annual estimates, based on birth and death registration reports of the States, on migration figures from the Immigration and Naturalization Service, and on movement of the armed forces, the Census Bureau

is able to make rather accurate reply to this question. In fact, the final estimate for 1950, made several months before the results of the 1950 Census were known, exceeded the Census figure by only 80,000—a minor difference indeed when a total of over 150 million is involved. The annual population estimates for individual States are much more difficult, involve much more complicated calculations to arrive at migration factors, and are subject to a wider margin of error. However, subject to their limitations, these regional and State estimates present reasonably accurate information on trends and are kept tried up by means of current population surveys which the Census Bureau conducts each month by examining a scientific sample of the population.

Drexel & Co. Launches Advertising Campaign

PHILADELPHIA, Pa.—Drexel & Co., 1500 Walnut Street, one of the oldest and most distinguished names in the world of finance, is launching its first advertising campaign to acquaint the public with its services and facilities.

The campaign also is the first of its kind ever to be sponsored by any of the firms that have borne the name—"Drexel & Co." It will run over the next eight months and will utilize, for the most part, daily newspapers.

The original Drexel & Co. was founded in 1838 when Francis

Martin Drexel, a successful portrait painter, put aside his paints and palette and, at the age of 46, began, in Philadelphia, another successful career as a private banker. Since then, partnerships bearing his name have been leaders in fostering the growth of American enterprise.

Throughout this 113-year span in the dynamic development of the United States, the Drexel partners have devoted their energies to finance in its various fields, and have played a full part in the nation's economic development by bringing together those who have funds to invest and soundly managed enterprises in need of capital funds. Through wars, panics, good times and bad, the successive partnerships have

served investors — institutions, banks, insurance companies, estates and individuals—and governments, municipalities, railroads, utilities and industrial corporations.

For many years prior to 1940, J. P. Morgan & Co. of New York and Drexel & Co. in Philadelphia constituted a single partnership which until the amendments to the Federal Banking Act, effective in 1934, was both a bank of deposit and an investment banking organization, engaged in underwriting and dealing in securities. Compelled, under the provisions of the amendments, to choose one or the other of those fields of operation, the firm elected in 1934 to confine its activities to commercial banking.

Subsequently, in 1940, J. P. Morgan & Co. and Drexel & Co. became entirely separate organizations; the former incorporated its business as a commercial banking corporation under the laws of New York State, while several individuals associated with the Philadelphia office formed a partnership under the name of Drexel & Co. to engage in investment banking, with the principal office in Philadelphia and branch office in New York. During the ensuing 11 years, the activities of the Drexel firm have expanded in many important respects.

The advertisements, to run in series, describe in simple language the various services that Drexel & Co. offers today.

An Estimate of the Population in 1960

Forecasts of the future population size of the country have been made for many years by demographers but the Census Bureau has only lately entered this field. Making population forecasts is a risky business, as those who could not foresee the influences of war and prosperity in the last decade discovered. About a year ago, the Census Bureau issued a report estimating the 1960 population of the United States under three sets of assumptions. Assuming a high mortality rate, a low birth rate, and low net migration, the estimate for 1960 was set at 161½ million, an increase of 10 million from 1950. Assuming a medium position for these factors, the estimate for 1960 is 169½ million, an increase of about 18½ million over 1950. On basis of a low mortality rate, high birth rate, and high net immigration, the estimate for 1960 rises to 180¼ million, an increase of 29½ million over 1950. The actual gain between 1940 and 1950, as a basis for comparison, was 19 million, with the governing set of circumstances being a low mortality rate, high birth rate, and low net immigration. Those who may wish to study the background for these estimates should write for a copy of the publication entitled "Illustrative Projections of the Population of United States, 1950 to 1960."

Facts for Advertisers and Marketers

A recitation of only the high spots in Census data bearing on the changing American picture becomes so weighted with statistics that the listener must become confused. But what a welter of confusion there would be if the great mass of Census data which is available did not exist. Happily, however, the statistical means are at hand for the national advertiser to make careful measurements of the market he seeks to reach.

Some of the 1950 Census tabulations have not yet been completed and much desired data will not be available before next year. But within a month, the Census Bureau will have published final population figures for every city, town, and village, and for every county and its minor civil divisions. Information on selected characteristics of the population has been published for each of the 57 largest standard metropolitan areas and for nearly all of the States. Detailed data on population characteristics for States, metropolitan areas, urbanized areas, economic areas, and cities will be available next spring. There is now in publication at the Government Printing Office a "Key to Tabulated Data of the 1950 Census" which presents in detail a description of all information to be available, both in published and unpublished form, when all the Census compilations have been completed.



HOW Radio-Relay WORKS

The microwaves used for telephone transmission travel in a straight line. So relay towers, like those shown, are usually built on hilltops, averaging about 30 miles apart. Each tower picks up microwaves from its neighbor, and with complex electronic equipment amplifies and focuses them like a searchlight, then beams them accurately at the next tower. And hundreds of Long Distance telephone calls ride the beam at the same time.

New skyway spans nation with words and pictures

BELL SYSTEM Radio-Relay BUILT FOR LONG DISTANCE CALLS AND TELEVISION

There's something new on the national horizon! Bell Telephone construction crews have completed the last link in a coast-to-coast Radio-Relay system that is unique in all the world. Today, communications ride on radio microwaves, flashed through the air from tower to tower.

It was an historic event in 1915, when wires first carried the human voice across three thousand miles of mountains and prairie. By 1942, telephone messages

were carried across the United States by another means — cable, both underground and overhead. And now comes Radio-Relay to supplement wire and cable!

The new system is already in use for Long Distance telephone service and coast-to-coast television. This new skyway helps make America's vast communications network even stronger and more flexible. And it could hardly happen at a better time. The demands of defense are heavy and urgent.

BELL TELEPHONE SYSTEM



Canadian Securities

By WILLIAM J. MCKAY

Recent troublous events have served to throw into sharper relief the lack of spontaneous political cooperation on the part of the Western powers. Developments in Iran and Egypt, which although the direct responsibility of one member of the Western bloc, constitute nevertheless a serious threat to the general stability of the free world. Once again the primary aim of aggressor powers to divide and conquer has been only too clearly demonstrated.

Apart from the obvious situations in Korea, Indo-China, Malaya, Persia and Egypt there are other fields in which a higher degree of international collaboration is vitally necessary. In addition to the military and political fronts the economic front is no less important. In fact, it is well known that the protagonists of world Communism hold the firm belief that the free world will not necessarily fall by force of arms but rather by economic disruption.

Some notable postwar efforts have been made to promote the economic stability of free nations of the world, and as a result of the operation of Marshall Plan aid the inroads of Communism in Europe in particular have been successfully checked. The new U. S. program of military aid will also operate in a similar direction. Superficially, therefore, it would appear that cooperation is fully effective in the economic field. However, there is one aspect of the economic situation that is unquestionably less favorable. That is the lack of effective international collaboration for the stabilization of the currencies of the Western world.

It must now be admitted that the objectives of the International Monetary Fund have not been realized. Fixed parities of exchange have been the targets for international speculation and have been subjected to additional pressures with every change of sentiment concerning the immediate outlook. The resources of the Fund have not been available to bolster exchange weaknesses even of a temporary nature. As matters now stand the defense of the standing of any particular currency is the sole responsibility of the country concerned. Up to a certain point

the system of the European Payments Union provided some measure of international cooperation in combating temporary exchange pressures, but recent developments show that the resources of this organization are clearly inadequate when subjected to major strains.

The vital necessity of a greater measure of cooperation in matters of exchange is now quite apparent following recent developments which have undermined confidence in the pound. When it is considered that more than half of the foreign trade of the free world is financed on a sterling basis, any serious impairment of the standing of the pound must be regarded as an economic blow to the entire Western world. Every effort, therefore, should be made to restore confidence in the pound and this can only be achieved effectively with the support of this country and Canada.

In the course of various election campaign speeches, Winston Churchill has emphasized the importance of strengthening the international standing of sterling. He clearly recognizes that a further devaluation following on the heels of the previous drastic cut in the value of the pound would have irreparable consequences. It is probable therefore that in the event of the return of a Conservative Government, Britain will take the initiative to arrange immediate U. S.-British Commonwealth discussions on currency matters.

A formal U. S.-United Kingdom-Canadian currency agreement backed by a substantial stabilization fund would not only restore confidence in sterling but would also permit inter-convertibility of the Western world's key currencies. Moreover with the inclusion of Canada in a Tripartite currency pool there would be a healthier balance in the U. S.-British Commonwealth exchange position. Without U. S.-Canadian assistance Britain can not be expected to support adequately the financial and economic responsibilities of the vast sterling trade area which is undoubtedly a key factor in the free world's economic system.

During the week there was still a somewhat heavy tone in the external section of the bond market with offerings slow to move. Liquidation on the other hand of internals was a less difficult process as a result of the strong trend of the Canadian dollar. Following initial buoyancy stocks turned downwards with selling most pronounced in the Western oil and paper groups. The base-metal issues showed a tendency to resist the general trend and the golds also were only moderately affected.

It's the Government Now—Always

"What provision, if any, is there for resolving policy conflicts between the Treasury (or other agencies of the executive branch) and the Federal Reserve System? Do you believe that this power should lie with the President (or already does under the Constitution)?"

"If you do not believe that the President should (or does) have such power, how, in your opinion, should policy conflicts be resolved? Is it necessary that they be resolved or could the agencies directly responsible to the President, on the one hand, and the Federal Reserve System, on the other, pursue conflicting policies indefinitely?"—Subcommittee of the Joint Committee on the Economic Report in preparation for another extended inquiry into fiscal and monetary matters.

"There has been much disagreement, however, both inside and outside the Government, with respect to the proper steps to be taken in the present emergency in the fields of credit policy and debt management; and notwithstanding the 'accord' announced by the Treasury and the Federal Reserve System in March this year, much of the course to be followed remains to be charted.

"The policy disputes of the past year have also brought into sharp focus the question of whether our machinery for the determination of monetary policy—set up for the most part many years ago—is appropriate to cope with the problems of the present day and to carry into effect the policy of the Congress with respect to economic stability as set forth in the Employment Act of 1946."—Representative Patman, Chairman of the above Subcommittee.

What disturbs us most about all this is the obvious implication that all such matters are now assumed to be within the province of government.

Stetson & Company Is Formed in New York

The formation of Stetson & Co., members of the New York Stock Exchange, has been announced by the partners, Eugene W. Stetson, Jr., Charles P. Stetson and Horton R. Prudden. The company will be located in mid-town New York, with offices in the Lincoln Building, 60 East 42d Street.



E. W. Stetson, Jr.

The firm will conduct a general investment business with complete facilities for the purchase and sale of securities. Transactions will be cleared through Dominick & Dominick.

Eugene W. Stetson, Jr., is a director of Canada Dry Ginger Ale, Inc., and of Yale & Towne Manufacturing Co., and is a member of the advisory board of the Chemical Bank and Trust Company, of which he was formerly a vice-president. He has been active in the banking and investment fields since his graduation from Yale University in 1934. He is also a member of the board of managers of St. Luke's Hospital in New York.

His brother, Charles P. Stetson, is a director and member of the finance committee of the Reinsurance Corp. of New York. He recently resigned as a partner in the firm of J. & W. Seligman & Co., with which he had been associated since 1946. Prior to that time, he had four years of Naval service, having graduated from Yale University in 1942.

Mr. Prudden has been associated for several years with the underwriting division of Merrill Lynch, Pierce, Fenner & Beane, and has a background in municipal securities. He is also a member of the District of Columbia Bar, a graduate of the Yale Law School, and was separated from the Army in 1945.

The Stetsons are sons of Eugene W. Stetson, well known in banking circles as former President and Chairman of the Guaranty Trust Co. of New York, from which he retired in 1947. Mr. Stetson, Sr., now serves as Chairman of the Executive Committee of the Illinois Central Railroad Co.

Lanston Co. Elects Montgomery V.-P.

Marshall H. Montgomery has been elected a Vice-President of Aubrey G. Lanston & Co. Inc., 15 Broad Street, New York City, and is now associated with the firm at its main office in New York City. Mr. Montgomery, formerly associated with D. W. Rich & Co., is widely known in banking circles as a student of the money market and his duties with the new firm will be concerned with an enlargement of their activities in short-term Treasury securities and money market dealings.

Aubrey G. Lanston, President of the firm, also announced that James P. Duffy, Assistant Vice-President has been made Vice-President; Edward T. Cranley, Assistant Vice-President, has been made Assistant Vice-President and Assistant Treasurer; and Daniel J. Callahan has been made Assistant Vice-President.

William F. Reilly

William F. Reilly, partner in Laird & Co., New York City, passed away at the age of 49.

Need Exists for Another Million New Homes!

Frank W. Cortright, Executive Vice-President of the National Association of Home Builders, says building industry is capable of keeping up its production pace if materials are available and mortgage financing is not restricted.

The United States will need another million new homes next year if the demand is to be met, the chief of the nation's home builders told the American Gas Association on Oct. 14.

Speaking before the American Gas Association Convention in St. Louis, Frank W. Cortright, Executive Vice-President of the National Association of Home Builders, asserted that the building industry is capable of keeping up its production pace if it can get the necessary materials, and mortgage finance regulations permit down payments average families can afford.

"The need for new homes is still at the rate of at least a million units a year," Cortright said. "As we see it, 850,000 units is the minimum number that can be produced if defense workers and other families are to be properly housed."

Cortright told the convention that the rapid development of gas facilities and technical improvement in gas appliances and home heating systems have been a major factor in the enormous building volume in recent years.

"The world has never seen such a burst of building as has occurred since 1946," Mr. Cortright said. "One out of every seven persons in the United States is living in a new home or apartment. We have put up enough new homes and apartments in the last

five years to completely rehouse the eight largest cities in America—about 21 million people.

"Not only that, but we have completely reversed the traditional proportion of renters and home owners. Whereas in 1940, there were people who rented than owned their homes, today more families own their own homes than rent. And 56% of all homes are free and clear of mortgages.

"These are startling facts. But if it had not been for these tremendous development of gas facilities, we probably would have had a harder time in setting this record."



F. W. Cortright

Boston Inv. Club to Hear Arthur Jansen

BOSTON, Mass.—The next dinner meeting of the Boston Investment Club will be held Thursday, Oct. 25, at the Boston Yacht Club at 5:30 p.m.

Speaker will be Arthur Jansen, partner of J. R. Williston & Co., New York City, whose subject will be "Boom Ahead for Rails."

Exch. Firms Meeting Changed to Nov. 14

The date of the annual meeting of the Association of Stock Exchange Firms has been changed to Nov. 14, 1951, from the Nov. 21, 1951, date previously announced. The meeting will be held in New York City.

Sergei Alasheieff

Sergei Alasheieff, associated with Hayden, Stone & Co., passed away at the age of 57.

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Investment Bankers Association of America Announces Details of Convention Registration

The 1951 Annual Convention of the Association will be held at the Hollywood Beach Hotel, Hollywood, Florida, beginning on Sunday, Nov. 25, and ending on Friday, Nov. 30.

The details of the convention program have not yet been fully completed but will, however, follow the pattern of recent years. There will be a convention session each morning from Monday through Friday. Prominent speakers will address these sessions. In addition to the convention sessions, there will be two or three meetings of the Board of Governors; and most of the national committees of the Association will hold meetings during the convention and will present their annual reports at the convention sessions. An open meeting of the Municipal Securities Committee will be held on Sunday afternoon. With the exception of this meeting, and possibly one or two other committee meetings, it is not planned to schedule any business sessions in the afternoons.

Hollywood furnishes an unusually satisfactory site for an IBA convention, and has proved to be one of the Association's most popular meeting places. Those who have attended earlier conventions there will recall that they were among the most successful in the Association's history.

It is an established policy of the Association that only those who are definitely eligible under the By-Laws may attend an annual convention. It will therefore be impossible to comply with requests to take guests to the convention, other than members of the immediate family of a delegate or alternate.

A registration fee will be charged for each delegate and alternate and his wife or other member of his family attending the convention. This fee will be \$40 for men and \$20 for women.

Hotel Arrangements

All reservations for hotel rooms for the convention must be made through the Chicago office of the Association.

In addition to the Hollywood Beach Hotel, arrangements have been made whereby the Hollywood Beach Apartments, Seacrest Manor, the Surf Hotel, and the Town House will also be available if needed to accommodate an overflow attendance. If there is an overflow, as appears likely from the experience of recent years, it will be necessary to limit member organizations to no more than two rooms at the Hollywood Beach Hotel and place their additional representatives at the other hotels. It should be noted that this limitation does not necessarily imply that each member organization will be assured of at least one room at the Hollywood Beach Hotel, as that may not be possible if the attendance is a large one.

The hotel will be able to accommodate those who wish to arrive a few days ahead of the convention or stay over a few days afterwards. It will not be necessary for such persons to communicate directly with the hotel, provided they indicate their arrival and departure plans on their reservation forms. It may, however, be necessary for them to change rooms at the opening or close of the convention.

Convention Transportation

Special trains for the convention have been arranged from New York and Chicago to Hollywood and return. In addition, special cars are planned from Cleveland, Detroit, Pittsburgh, and St. Louis.

New York Special Train—Pullman reservations for the going trip should be made through the New York Transportation Committee, of which W. Scott Cluett, Harriman Ripley & Co., Inc., 63 Wall Street, New York 5, N. Y., is Chairman.

Chicago Special Train—Pullman reservations for the going trip should be made through Robert A. Podesta, Cruttenden & Co., 209 S. La Salle Street, Chicago 4, Ill.

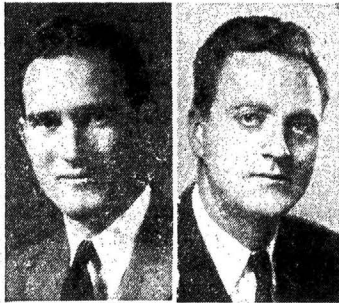
Cleveland Special Car—Pullman reservations should be made through Charles M. Colyer, Central National Bank of Cleveland, 123 W. Prospect Avenue, Cleveland 1, Ohio.

Detroit Special Car—Pullman reservations should be made through Ralph Fordon, Fordon, Aldinger & Co., Penobscot Bldg., Detroit 26, Mich.

Pittsburgh Special Car—Pullman reservations should be made through M. M. Grubbs, Jenks, Kirkland & Grubbs, Union Trust Bldg., Pittsburgh 19, Penna.

St. Louis Special Cars—Pullman reservations should be made through Harry Theis, Albert Theis & Sons, Inc., 314 N. Fourth Street, St. Louis 2, Mo.

Morris, Love Head Depts. for Talmage



William S. Morris Edward A. Love

Talmage & Co., 115 Broadway, New York City, members of the New York Stock Exchange, announce the opening of a municipal bond department and a corporate financing department.

William S. Morris, formerly with the bond department of Hirsch & Co. and the government bond department of The First Boston Corp., has been appointed manager of Talmage & Co.'s new bond department.

Edward A. Love, previously associated with the buying department of The First Boston Corp. and Bear, Stearns & Co., has been appointed manager of the corporate financing department of Talmage & Co.

With Mitchum, Tully

(Special to THE FINANCIAL CHRONICLE)
SAN FRANCISCO, Cal.—Joseph F. Edelstein is with Mitchum, Tully & Co., 405 Montgomery Street, members of the Los Angeles Stock Exchange.

Three With Paul Rudolph

(Special to THE FINANCIAL CHRONICLE)
SAN FRANCISCO, Cal.—Gene R. Edwards, Wilbert E. Rojewski and Robert W. Thomas are with Paul C. Rudolph and Co., 127 Montgomery Street.

Stone & Youngberg Add

(Special to THE FINANCIAL CHRONICLE)
SAN FRANCISCO, Cal.—David Frankel has been added to the staff of Stone & Youngberg, Russ Building, members of the San Francisco Stock Exchange.

Public Utility Securities

By OWEN ELY

Central & South West Corporation

Central & South West Corporation, which emerged from the Middle West System, as an integrated holding company a few years ago, controls Central Power & Light Company, Public Service Company of Oklahoma, Southwestern Gas & Electric Company, and West Texas Utilities Company. These utilities furnish electric service to a population of 2,260,000 in Texas, Oklahoma, Arkansas and Louisiana. The area thus served covers 142,000 square miles and contains some 773 communities. Among the larger cities served are Tulsa, Oklahoma; Shreveport, Louisiana; and in Texas, Corpus Christi, San Angelo, Laredo, Abilene, Texarkana, etc. Revenues are 97% electric and 3% ice. The electric properties of these subsidiaries are effectively interconnected, forming a well-integrated system. Gas is used as fuel, being available in ample amounts at a recent average (delivered) cost of about 8c per mcf.

During World War II and in the postwar years, there has been a substantial growth in population and economic activity throughout the service area. During the past year, industrial activity has been further stimulated by the defense program of the Federal Government. During the five years and six months ended June 30, 1951, the estimated population of the territory now served by the system companies with electricity increased 32%, the number of electric customers 49%, and total kilowatt hours sold by system companies 97%.

The territory served by the system is basically agricultural, its main products being cotton, wheat, corn, rice, citrus fruits, winter vegetables and livestock, including cattle, sheep and goats. It has also important reserves of such natural resources as petroleum, natural gas, gypsum, sulphur, coal, iron ore, salt and timber, which have been a contributing factor in the expansion of manufacturing in recent years. Manufacturing industries include the processing of oil and natural gas products, chemicals, carbon black, zinc, glass, cottonseed products, building stone, ceramic material, cement, clay tile and brick.

The company's capitalization, including the estimated proceeds of 500,000 shares of common stock being currently offered, is approximately as follows:

Debt	\$155,000,000	53%
Preferred stock	40,000,000	14
*Common Stock Equity (8,485,000 shs.)	98,000,000	33
	\$293,000,000	100%

*Including intangibles.

Average residential revenues per KWH in the 12 months ended June 30th, were 3.89c and average annual usage 1,292 KWH. While these figures would compare somewhat unfavorably with the national averages, the widespread character of system operations, together with the competition of cheap natural gas for the use of appliances, must be taken into account.

During the post-war period ending June 30, 1951, there was a net increase in property account of \$132 million. The system construction program for the last half of 1951 and for the calendar year 1952 will aggregate \$63 million. Construction funds will be provided about as follows: \$15 million from subsidiaries' cash on hand, \$6 million from the current proceeds of sale of common stock by the parent company, \$25 million from sale of other securities by subsidiaries, and about \$17 million from depreciation, amortization and retained earnings.

Since the Company emerged from the Middle West System on a recapitalized basis in 1946, the common stock record has been approximately as follows:

	Earnings	Dividends	Price Range
12 Months ended June 30, 1951	\$1.44	\$.90	15 1/4-13 1/4
Calendar Year	1.44	.90	16 1/2-12
	1.40	.82 1/2	14 1/2-10 1/2
	1.38	.75	12 - 8 1/2
	1.38	.35	12 - 9

The stock has been selling recently around 15 to yield 6%, with a price-earnings ratio of about 10.5. Earnings during the summer benefited by abnormal sales of electricity for air-conditioning requirements due to the hot weather in the areas served, and for the calendar year are estimated at around \$1.50 on the old basis; adjusted for the pending increase in tax rates and for the dilution due to the issue of new stock, they are estimated at \$1.30-1.35. The current dividend payout is below average even on the basis of the diluted 1951 earnings, and with the anticipated gain in earnings in 1952 it seems reasonable to anticipate an increase in the rate to \$1.00 in 1952.

City National Wins Annual Report Award

KANSAS CITY, Mo.—City National Bank & Trust Co. has just been awarded the "Oscar of Industry" by "Financial World" for publishing the best annual report of any national bank, according to the findings of an independent board of judges.

R. C. Kemper, President of the bank, will receive the coveted award at the award banquet, Hotel Statler in New York City, Oct. 29.

A total of 5,000 annual reports were considered this year in the

international competition. City National won a runner-up second award for its statement in this contest in 1949, and last year was in the last classification of 30 from which the final award is made.

The annual report is the work of Edward F. Lyle, Vice-President and Comptroller, and Tom Collins, Publicity Director of the bank. The art work and layout was the work of Felix Kubicki, staff artist with Burd and Fletcher Printing Co., publishers of the report.

The jury who made the final selections is headed by Dr. Carman Blough, research director of the American Institute of Accountants, and he was assisted by Dr. Pierre R. Bretey, President

of the National Federation of Financial Analysts Societies; Elmer Walzer, financial editor of the United Press; Denny Griswold, publisher of Public Relations News, and Guy Fry, Past President of the National Society of Art Directors.

Weston Smith, Executive Vice-President and originator of the annual report surveys, will present the "Oscar of Industry" trophies at the annual awards banquet, which will be attended by more than 1,300 business and financial executives from all over the United States and Canada.

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D 14

Mutual Funds

By ROBERT R. RICH

THE THREE BILLION DOLLAR mark in total net assets for the mutual funds industry was passed during the third quarter of 1951, it was announced Tuesday.

Net assets for 103 mutual funds totaled \$3,045,707,000 on Sept. 30, 1951, recording an increase of \$691,367,000 for the last 12 months, and a growth of \$515,144,000 for the first nine months of this year.

Sales of new shares in 1951 amounted to \$480,571,000, compared with \$383,439,000 during the same period in 1950, and net sales, after redemption, were \$221,171,000, compared with \$185,477,000 in 1950, the National Association of Investment Companies stated.

Total repurchases, as a percent of total assets, increased moderately from 2.62% in the second quarter to 2.75% in the third quarter. Repurchases, as a percent of assets, increased for the common stock fund group from 2.03% to 2.84%, and for the balanced fund group from 1.59% to 1.76%. For the bond and specialty fund group, however, repurchases, as a percent of total assets, declined drastically from 5.56% to 3.99%, a situation even more dramatic if one recalls that, in the first quarter of 1951, the repurchases of the bond and specialty group totaled over 9% of assets.

Mutual Funds' Repurchases as Percent of Assets (by quarters)

		January 1, 1950 to September 30, 1951 (Total Repurchases as Percent of Total Assets)							
No. of Funds in Group	3rd Quarter 1951	2nd Quarter 1951	1st Quarter 1951	4th Quarter 1950	3rd Quarter 1950	2nd Quarter 1950	1st Quarter 1950		
All Funds.....	103	2.75%	2.62%	3.92%	3.27%	2.70%	3.71%	2.64%	
(Fund Group Repurchases as Percent of Group Assets)									
Common Stock.....	46	2.84%	2.03%	2.77%	2.32%	2.16%	3.54%	2.31%	
Balanced Fund.....	31	1.76%	1.59%	1.93%	1.82%	1.44%	2.26%	1.76%	
Bond & Specialty	26	3.99%	5.56%	9.20%	7.09%	5.30%	5.76%	4.33%	

Sales during the third quarter, for all funds, were 1.99 times greater than repurchases, compared with a figure of 1.90 in the second quarter, indicating an accelerated rate of growth for the industry.

For the first time in a year, the bond and specialty funds, in aggregate, showed sales exceeding repurchases. The rates of growth of the common stock fund and balanced fund groups declined.

Ratios of Mutual Funds' Sales to Repurchases* (by quarters)

		January 1, 1950 to September 30, 1951							
Fund Group:	No. of Funds in Group	3rd Quarter 1951	2nd Quarter 1951	1st Quarter 1951	4th Quarter 1950	3rd Quarter 1950	2nd Quarter 1950	1st Quarter 1950	
All Funds.....	103	1.99	1.90	1.70	1.64	1.88	1.57	2.51	
Common Stock.....	46	1.91	2.06	2.10	2.02	2.12	1.34	2.58	
Balanced.....	31	3.52	3.90	3.82	3.69	4.32	3.17	4.54	
Bond & Specialty	26	1.16	.93	.83	.71	.89	1.10	1.48	

*Figures are sales divided by repurchases. Figures less than 1 indicate net repurchases for the quarter.

OPEN-END INVESTMENT COMPANY STATISTICS

For the period ending September 30, 1951

103 Open-End Funds (000's omitted)

Total Net Assets		Sept. 30, '51	June 30, '51	Dec. 31, '50	Sept. 30, '50
46 Common Stock Funds.....		\$1,543,560	\$1,363,899	\$1,221,697	\$1,120,465
31 Balanced Funds.....		900,210	806,972	727,679	675,318
26 Bond & Specialty Funds		601,937	554,440	581,187	558,557
103 Total		\$2,045,707	\$2,725,311	\$2,530,563	\$2,354,340

Sales		3rd Quarter 1951	2nd Quarter 1951	1st 9 Mos. 1951	1st 9 Mos. 1950
46 Common Stock Funds...		\$83,754	\$56,892	\$216,288	\$159,564
31 Balanced Funds.....		55,618	49,978	163,233	132,395
26 Bond & Specialty Funds		27,928	28,705	101,050	91,480
103 Total		\$167,300	\$135,575	\$480,571	\$383,439

Repurchases		3rd Quarter 1951	2nd Quarter 1951	1st 9 Mos. 1951	1st 9 Mos. 1950
46 Common Stock Funds...		\$43,797	\$27,645	\$107,532	\$83,155
31 Balanced Funds.....		15,821	12,805	43,701	33,780
26 Bond & Specialty Funds		24,050	30,813	108,167	81,027
103 Total		\$83,668	\$71,263	\$259,400	\$197,962

Net Sales		3rd Quarter 1951	2nd Quarter 1951	1st 9 Mos. 1951	1st 9 Mos. 1950
46 Common Stock Funds...		\$39,957	\$29,247	\$108,756	\$76,409
31 Balanced Funds.....		39,797	37,173	119,532	98,615
26 Bond & Specialty Funds		3,878	-2,108	-7,117	10,453
103 Total		\$83,632	\$64,312	\$221,171	\$185,477

New York Stock Exchange Volume (No. of shares—not dollars; 000's omitted)		3rd Quarter 1951	2nd Quarter 1951	1st 9 Mos. 1951	1st 9 Mos. 1950
		98,025	100,149	345,214	373,505

Figures compiled by National Association of Investment Companies.

A HIGH LEVEL of business and national income, supported by an accelerated rearmament program which will keep corporate earnings and dividends at satisfactory level, is expected by Wellington Fund.

The Wellington management, in its quarterly report, told shareholders a recession in some lines of business continues, but added: "There are indications that the decline is leveling off, with certain lines already showing improvement."

In view of this outlook, the 70,000 shareholders were informed that Wellington Fund has continued to keep about 60% of investments in common stocks. Because of foreign uncertainties the fund is maintaining a substantial backlog of senior securities and cash reserves with the twofold objective of providing a balanced investment program and reasonable stability. This backlog was listed at 16% of resources in government bonds and cash and 21% in investment bonds and preferreds.

Walter L. Morgan, President, pointed out that the Fund's net assets of \$187,040,605 on Sept. 30, last, were an all-time high. This figure represented a \$33 million increase over the \$154,486,613 in net assets of the Fund at the close of last year. "Wellington's continued growth in assets and new shareholders," Mr. Morgan said, "reflects the confidence of investors in the Fund and their preference for a conservative balanced program."

The report gave this summary of portfolio changes during the September quarter: "Reductions were made in the building, food, beverage and tobacco stock groups, whose near term earnings outlook was considered less favorable. Increases were made in common stocks considered to have a good long-term outlook in the drug, electrical equipment, insurance, merchandise and paper industries. Increases were also made in the automobile, auto accessory and steel common stocks at prices considered attractive. The investments in the chemical and oil stocks were slightly reduced after their substantial rise."

TOTAL NET RESOURCES of The Putnam Fund on Sept. 30 ex-

ceeded \$51,700,000, an increase of nearly \$10,000,000 during the year, for a new high record in assets. Net asset value per share also reached a new high of \$19 on Sept. 30, compared with \$17.56 on June 30 and \$16.91 a year ago.

The proportion of the fund invested in common stocks increased slightly during the quarter, from 58% of the total on June 30 to 63% on Sept. 30.

The 10 largest common stock investments of The Putnam Fund on Sept. 30 were:

Freeport Sulphur, Pure Oil, Standard Oil of New Jersey, Cities Service, International Cellulose, International Paper, National Lead, Seaboard Air Line RR., Union Carbide & Carbon, Allied Chemical.

COMMONWEALTH INVESTMENT Company reports that on Sept. 30, 1951, net assets amounted to \$39,049,957, with 5,552,243 shares outstanding and over 22,000 shareholders.

Commonwealth at the present time owns 324 different securities representing more than 25 industries. These securities were diversified as follows: common stocks, 64.9%; preferred stocks, 23.2%; corporate bonds, 3.3%; and cash and governments, 8.6%.

THE ASSETS of National Securities Series reached a new high of more than \$88,000,000 on Oct. 3, 1951, according to Henry J. Simonson, Jr., President of National Securities & Research Corp. The current market value of portfolio issues is \$8,700,000 in excess of cost.

Total assets under "National" management also have reached a new high exceeding \$92,000,000. The largest single fund in the National group is National Stock Series, with assets of over \$31,000,000. National Income Series is second in size, with assets of over \$23,000,000. Since both of these funds are said to feature a better than average current return, it appears that investors continue to place important emphasis on current income.

THE JOHNSTON Mutual Fund reports net assets of \$1,227,529.46 as of Sept. 30, 1951, a 60% increase over net assets of \$767,048.83 on Sept. 30, 1950.

Net asset value on Sept. 30, 1951

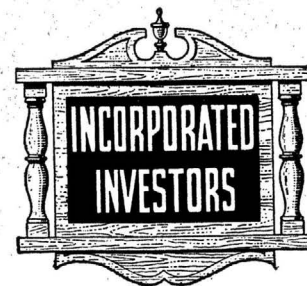


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was \$31.60 per share, compared to \$27.92 a year ago.

At the end of the quarter, the portfolio of the Fund shows 66.9% in common stocks, 19.6% in cash and governments, and 13.5% in preferred stocks.

GAS INDUSTRIES FUND reports net assets of \$15,545,854 on Sept. 21, 1951, with 783,046 shares outstanding and a net asset value per share of \$19.78.

CLOSED-END REPORTS

TOTAL NET ASSETS of Carriers & General Corporation at Sept. 30, 1951, with securities valued at market quotations and before deduction of principal amount of outstanding debentures, were \$10,589,700, excluding unamortized debenture financing costs of \$71,342. These compared with total net assets of \$9,561,723 on June 30, 1951. Net asset value of the common stock was \$15.54 a share on September 30, 1951 compared with \$13.71 a share on June 30, 1951.

The asset coverage per \$1,000 of debentures outstanding on September 30, 1951, excluding unamortized debenture financing costs amounted to \$5,657. Interest and amortization requirements on debentures outstanding were earned 6.79 times.

Net income applicable to common stock for the nine months ended September 30, 1951 (exclusive of profits on sales of securities) was \$280,642 compared with \$231,322 for the nine months ended September 30, 1950, an increase of 21.32%.

AMERICAN EUROPEAN reported total net assets on September 30, 1951 of \$6,456,283.50. Undistributed investment income amounted \$1,724,505. Net income for the nine months ended September 30 was \$284,866.

GENERAL AMERICAN Investors, in its report for September 30, 1951, stated that net assets were \$54,888,459. After dividends of \$743,471, the increase for the nine months was \$8,892,093.

Net assets, after deducting \$6,200,000 Preferred Stock, were equal to \$27.34 per share of common on 1,780,738 shares outstanding compared with \$22.89 on June 30, and \$22.35 on December 31, 1950.

Net profit from the sale of securities for the nine months was \$2,463,501, and net income from dividends and interest for the period, after expenses and state and municipal taxes, was \$1,054,298.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

Lawrence C. Marshall, President of the **Bank of the Manhattan Company, of New York**, has been elected a Director of the **Commerce and Industry Association of New York, Inc.**, it was announced on Oct. 16 by Thomas Jefferson Miley, Executive Vice-President of the Association. A native of East Orange, Mr. Marshall attended Dartmouth College and started his banking career in 1925 with the American Exchange National Bank in New York City. Following that institution's merger with the Irving Trust Company, he was associated with the Stock Exchange firm of C. D. Halsey & Co. In 1934, Mr. Marshall went with the United States Trust Company continuing there until 1946, when he became a Vice-President of the Bank of Manhattan Company, assigned to the division handling New York City business. He was elected a Director in June, 1948, and became President in December of the same year. Mr. Marshall is a Director of the Baltimore & Ohio Railroad Co. and the Commercial Union Assurance Co., Ltd.

Corn Exchange Bank Trust Co. of New York announces the election of Harold H. Boswell as Vice-President, Secretary and Treasurer, and William H. Blum as Vice-President and Comptroller.

On Oct. 15, following completion of the remodeling of the Fifth Avenue office of the **Bank of New York and Fifth Avenue Bank** at Fifth Avenue and 44th Street, New York, John C. Trapnager, Chairman of the bank, and Albert C. Simmonds, Jr., President, joined with John I. Downey, Vice-Chairman and head of the Fifth Avenue office, to welcome customers and friends. The four-story mansard-roof brownstone landmark, built in 1866, was purchased by the Fifth Avenue Bank of New York in 1889 from John B. Cornell, an original director. The two adjacent brownstone houses were subsequently purchased and the combined ground area of 15,000 square feet have comprised the Fifth Avenue office of the Bank of New York and Fifth Avenue Bank since 1948 following the merger of the two institutions. The chief change in the interior arrangement is the elimination of the brass and wainscoted peninsula of tellers' cages which formerly took up the preferred space on the main floor. "The new layout consolidates the banking department on the main floor into a more efficient unit," explained President Simmonds. On the main bank floor on Oct. 15 there was an exhibit of early documents connected with the history of the Bank of New York—New York's first bank which was founded by Alexander Hamilton in 1784. Among the exhibits are the ledger containing Hamilton's account before he became Secretary of the Treasury and a cancelled check for six pounds fifteen shillings made out by Aaron Burr. Also on display is a \$10,000 warrant from the first United States loan totaling \$200,000 which the Bank of New York subscribed in its entirety.

The New York State Banking Department announces the approval on Oct. 2 of a certificate under which the capital of the **Lafayette Bank & Trust Co. of Suffern, N. Y.**, is increased from \$150,000, consisting of 3,000 shares

(par \$50) to \$200,000 consisting of 4,000 shares, par \$50 each.

William R. K. Mitchell, President of **Provident Trust Company of Philadelphia**, announced Oct. 15 three appointments: William B. Carr, as Assistant Vice-President; Carl F. Flood, as Assistant Treasurer; and Henry C. Farr, as Assistant Trust Officer. Mr. Carr previously had been associated with General Electric Co., serving in various capacities with the company and its affiliate, International General Electric Co. For the past three years he has been a regional auditor, responsible for the audits of various departments of the parent company and its affiliates. Mr. Flood has been associated with Provident since 1933, serving in the real estate department and more recently in the commercial banking department. Mr. Farr entered the bank's employ in 1929 and has held various posts in the audit, court accounting and trust tax departments.

William A. Mitchell, President of **The Central Trust Company, of Cincinnati** announced on Oct. 9 that Fletcher E. Nyce, Vice-President of the **New York Trust Company of New York**, was to become Executive Vice-President and Director of the Central Trust. He will assume his new duties sometime in November. Mr. Mitchell also announced that Thomas M. Conroy, Executive Vice-President and Director of the bank has been named Senior Vice-President and Vice-Chairman of the Executive Committee in addition to his position as Director. Mr. Nyce has had a broad business, investment and banking background. He was associated for 10 years with the New York City office of Scudder, Stevens & Clark, a Boston investment company. During World War II, Mr. Nyce served as Executive Officer of the Facilities Committee of the War Production Board. The Committee's major function was that of determining the necessity for expanding industrial facilities to meet the requirements of the armed forces and related programs. For the past seven years, Mr. Nyce has been associated with the New York Trust Company and since 1946 was Vice-President in its commercial banking division where he handled the banking business of many of its public utility, railroad, steel and oil customers. Mr. Nyce graduated cum laude from Yale University in 1930 with an A.B. degree. He is the author of numerous articles on the Federal Budget, the last of which, published by the New York Trust Company in March 1951, analyzed the impact of the projected defense program on the economy.

The sale of new stock to the amount of \$250,000, has increased the capital of the **Citizens National Bank of Evansville, Ind.** from \$750,000 to \$1,000,000 of Sept. 26.

The directors of **La Salle National Bank of Chicago** have called a special meeting of the bank's shareholders, to be held Oct. 24, for consideration of the board's proposals to change the par value of the bank's presently outstanding capital shares from \$50 to \$25 per share, and to increase the total capital funds of the bank through issuance of subscription rights to

shareholders for purchase of additional shares. The proposed reduction in par value of the presently outstanding 30,000 shares from \$50 per share to \$25 per share would be brought about by the issuance of one additional common share for each share held to shareholders of record at close of business Oct. 24, bringing the number of common shares to 60,000 of a par value of \$25 each. The proposals also include offering an additional 20,000 shares of \$25 par value common stock to the shareholders at \$32.50 per share. Shareholders appearing of record on the books of the bank at the close of business Oct. 24, would have the right to subscribe for and purchase at \$32.50 per share the 20,000 new \$25 par value shares in proportion to their respective holdings of common shares on that date. The net effect is that each shareholder will receive rights to subscribe for one additional share of the new \$25 par value shares for each three shares of the \$25 par value shares which he will hold subsequent to the change in par value. If approved by the shareholders, these changes will increase the bank's capital stock from \$1,500,000 to \$2,000,000, and total capital funds from \$3,406,000 to \$4,056,000.

Accompanying the notice of the special meeting, received by the shareholders over the weekend, was a letter from Laurance Armour, Chairman of the Board, and John C. Wright, President. This letter calls attention to the fact that the board of directors, in recommending adoption of the proposals, is influenced by the continuing growth of the bank, and the corresponding increase in the demand upon the bank for necessary loan accommodations. The letter also points out that deposits of the bank increased from \$7,254,000, when the bank moved into its present location in the Field Building in 1940, to \$91,743,000 on June 30, 1951, an increase of over 1,100%. This growth had previously called for an increase in the bank's capital stock in 1948, from \$600,000 to the present \$1,500,000, with a further increase to \$2,000,000 now proposed. In the period since 1940, the bank's surplus has increased from \$140,000 to \$1,150,000. With the adoption of the proposed changes and the transfer of \$200,000 from undivided profits, the surplus account will be increased to \$1,500,000.

The **Merchandise National Bank of Chicago** announces that as of Oct. 1 Kenneth K. DuVall has assumed his duties as Chairman of the Board of Directors and President. The election of Mr. DuVall to his new posts was noted in these columns Aug. 30, page 780.

On October 11 the directors of the **First National Bank of Chicago** called a special meeting of stockholders, to be held Dec. 18 to consider payment of a proposed 20% stock dividend. The "Wall Street Journal" (Chicago Journal of Commerce edition) reports that if this is approved, the bank's capital stock would be increased from \$75,000,000 to \$90,000,000 with the \$15,000,000 dividend coming from present surplus. The dividend would be paid on the basis of one share for each five held. The additional stock would be distributed to stockholders of record at the close of business Dec. 7 said the paper from which we quote, and it added: "The last increase in the bank's capitalization was made in December, 1948, when authorized capital stock was boosted from \$60 million to \$75 million through payment of a 25% stock dividend. The directors also declared a regular quarterly dividend of \$2 a share, payable Jan. 1 to holders of record Dec. 7. Barring major changes for the worse in business conditions, the

board intends to maintain dividend payments at an 8% rate on the increased stock."

The capital of the **National Bank of Commerce, of Lincoln, Neb.**, has been increased from \$600,000 to \$800,000, the enlarged capital, effective Oct. 4, was brought about by a stock dividend of \$120,000, and the sale of \$80,000 of new stock.

At a meeting of the board of directors of **Mercantile Trust Co. of St. Louis** held on Oct. 11, W. O. Crawford was elected a Vice-President. He will be in charge of the Banks and Banker's Division of the Trust Company.

According to the **St. Louis "Globe Democrat,"** rights to buy one share of stock of **Boatmen's National Bank of St. Louis** at \$33 on the basis of each eight shares held were mailed to the bank's stockholders on Oct. 1 following ratification of the plan to sell 25,000 new shares. Stockholders also are being given a stock dividend of 12½% of record Oct. 1, said the paper indicated, which added: "This latter amounts to 25,000 also, making a total of 50,000 shares being issued. Rights to buy will expire Oct. 15. An underwriting group for the issue is headed by I. M. Simon & Co."

The **First National Bank in Doniphan, in Doniphan, Mo.**, opened for business on Sept. 29, following the issuance of its charter on Sept. 25. The officers of the new bank are: S. H. Lawrence, President; E. V. Snodgrass, Vice-President, and L. E. Hood, Cashier. The bank has a capital of \$50,000.

The sale of new stock to the amount of \$100,000 has served to increase the capital of the **First National Bank of South Carolina at Columbia** (on Sept. 28) from \$500,000 to \$600,000.

Effective Sept. 24, the **American National Bank of San Bernardino, Calif.**, increased its capital from \$200,000 to \$500,000. \$200,000 of the increase was brought about by a stock dividend of that amount, while the further addition of \$100,000 to the capital resulted from the sale of new stock.

Alger J. Jacobs has been promoted to a Vice-President of the **Anglo California National Bank of San Francisco**, it was announced on Oct. 4 by Paul E. Hoover, President. Mr. Jacobs has been connected with Anglo's investment department since he joined the bank's staff in 1931. He was appointed an Assistant Vice-President in 1948. A graduate of the University of California, he is a member of the Bond Club of San Francisco and of the Municipal Bond Club of San Francisco.

Directors of **Union Bank & Trust Co. of Los Angeles** at their October meeting declared a stock dividend of 5,000 common shares distributable Jan. 2 to stockholders of record Dec. 17. This is equal to one new share for each 14 now held. Scrip certificates will be issued for fractional shares. This board action, according to Chairman of the Board Ben R. Meyer, follows approval by the stockholders of the issuance of 30,000 new shares, increasing the total number outstanding from 70,000 to 100,000. Of this total 25,000 shares will be held for future disposition. Stockholders also approved an increase in the number of authorized directors from 19 to 21. Concurrently with the distribution of the stock dividend, transfers authorized by the directors will be made to the capital and surplus accounts increasing the combined total of these ac-

Continued on page 31

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Bank and Insurance Stocks

By H. E. JOHNSON

This Week—Bank Stocks

The most significant development of the week affecting bank operations was the increase in the prime loan rate in New York City from 2½% to 3¼%.

Increasing demands for credit reflected in record borrowings by business, plus a general firming of interest rates prompted the action. It had been anticipated in investment circles for the past month. The previous change in the rate was last January. Also, there is some thought that should current conditions continue it is possible that a further increase in the rate to 3% might be made.

The full impact of the higher rates will not be reflected in earnings for some months yet. While the increase in the prime rate will necessitate upward adjustments in other rates, the higher rates will have little influence on the earnings for this year.

Loans outstanding at present were made at the old rates and it will take some time before renewals or new loans made at the current rates become an important factor in the earnings picture.

Nevertheless, it is very important from the standpoint of earnings next year. The higher rates could aid the banks in offsetting higher taxes, increases in expenses and in maintaining a satisfactory level of earnings.

With earnings reports for the nine months to Sept. 30 available, a review of the results so far this year can now be made.

In general, most of the New York banks in spite of higher tax burdens made a favorable showing—better than had been anticipated. All of the institutions, which report operating results, showed higher earnings in the third quarter than a year ago except one. In some instances a favorable increase in the reported earnings was shown.

This is the same pattern as has prevailed in the two previous quarters. As a result, earnings for the nine months, with one exception, are above those of a year ago.

Shown below is a tabulation of the earnings reports of 17 of the principal New York City banks for the quarter ended Sept. 30 compared with those of a year ago. Also shown are the earnings for the nine months and the indicated earnings based upon changes in book values and dividends paid so far this year.

	—Operating Earnings—				Indicated Earnings	
	Third Quarter 1951	Third Quarter 1950	Nine Months 1951	Nine Months 1950	1951	1950
Bank of Manhattan	\$	\$	\$	\$	\$1.57	\$1.61
Bank of N. Y. & 5th Av.	\$6.02	\$5.74	\$18.42	\$17.43	16.05	15.76
Bankers Trust	0.85	0.57	2.46	1.86	1.79	1.86
Chase National	0.69	0.57	2.00	1.78	2.04	2.06
Chemical Bank	0.84	0.76	2.53	2.17	2.56	2.23
Corn Exchange	1.16	1.19	3.67	3.88	3.54	3.76
First National	\$	\$	\$	\$	55.83	59.01
Guaranty Trust	4.59	4.18	13.45	12.75	13.39	13.54
Hanover Bank	\$	\$	\$	\$	4.20	3.94
Irving Trust	0.39	0.37	1.14	1.07	1.01	0.95
Manufacturers Trust	1.25	1.12	3.65	3.39	3.65	3.39
Morgan, J. P.	5.90	4.44	15.20	11.45	13.77	11.77
*National City	0.86	0.71	2.47	2.17	2.08	2.02
New York Trust	2.15	1.70	6.18	5.16	6.18	5.17
Public National	1.01	0.97	2.91	2.66	2.91	2.63
U. S. Trust	\$	\$	\$	\$	12.86	12.12

*Includes City Bank Farmers Trust Company. †Per share figures adjusted to present capitalization. \$Not reported.

Earnings are in most instances after taxes at the current corporate tax rate of 47%. No allowance for the prospective increase in tax rates to 52% has been made.

Should the new revenue bill become effective in the current quarter and be retroactive to April 1 as now seems likely, the banks would be liable for a substantially higher tax provision. Had the banks made some provision for higher taxes in the third quarter, it is likely that there would have been fewer increases in earnings.

Thus, depending upon the nature and timing of the new tax bill, earnings of the banks may not show the same gains as in previous periods. It seems likely, however, that most of the banks will be able to show earnings for the year slightly above or close to those reported in 1950.

Continued from page 6

Strength of U. S. Economy and Its Meaning for the World

\$51 billion is made up as shown in Table IV.

Table IV shows that only 41% of the expansion in total production after one year of defense effort was due to expansion in defense expenditures. The increase in the outlays of business for new construction, machinery, and equipment, plus the increase in inventories, amounted to 32% of the total. Approximately a third of the increase was accounted for by expenditures for personal consumption and net exports. Thus of the expenditures that brought about the boom only a little over a third were actually for the production of war materials.

In this same year the use of credit expanded markedly. Consumer credit rose by about \$3 billion, real estate credit rose substantially to finance the largest number of new houses ever built in a 12-month period, and bank loans increased more than \$10 billion. This expansion in credit financed a considerable part of increased business expenditures. Consumer expenditures were financed by loans and by a rise in labor income of \$25 billion. Labor income is still increasing at a rate of almost \$20 billion a year.

Except for defense expenditures, the government did not contribute to last year's boom. In the fiscal year ended June 30, 1951, its total cash receipts exceeded total governmental expenditures by \$7½ billion. Thus the boom that we have just been experiencing was financed by income enlargement and credit expansion, not by government "deficit spending," although the deficits of earlier years created over \$200 billion of liquid assets which became activated during the Korean buying spree and thus helped to feed the price rise. The boom forced prices up; by March 1951, wholesale prices had risen 18%, and the cost of living 8½% over June 1950. Now the cost of living appears to have flattened out. Wholesale prices have declined by about a fourth of the increase since Korea.

Inflation vs. Deflation

At present some forces are working toward inflation and some toward deflation, as the following table will show:

INFLATIONARY FORCES

(Billions of dollars)

Prospective wage increases	20
Increase in defense outlays	20
Increase in stockpiles	1
Total	41

DEFLATIONARY FORCES

(Billions of dollars)

Increase in rate of taxation	6
Increase in productivity	12
Decline in housing expenditures	2
Shrinkage in plant expansion expenditures	8
Decline in rate of inventory accumulation	14
Total	42

With inflationary forces of \$41 billion and deflationary forces of

\$42 billion, the issue is in doubt. The deflationary forces had their origin last spring in the budget surplus, the application of several types of credit control, and the heavy inventories. This combination not only stopped the upward movement of prices, but brought about a 4½% decline in wholesale prices between March and August 1951.

Just what does this mean for the future? Will prices remain at their present levels, moving neither up nor down?

It seems possible that the deflationary forces will prove more powerful than the inflationary forces, provided certain conditions prevail. These are:

- (1) High taxes.
- (2) Efficient labor.
- (3) Increased productivity resulting from technical improvements in plants and equipment.
- (4) New housing construction of no more than 900,000 units, compared to 1,400,000 units in 1950.
- (5) A decrease in expenditures for plants and equipment.
- (6) A cessation of inventory increases.

Monetary factors financed and made possible inventory accumulation, which was one of the forces that produced inflation in the nine months following Korea. The inventories that were accumulated at that time helped to cause the recent decline in wholesale prices. In the first period the economy was producing, and was being paid for producing, more goods than it was allowed to consume. More dollars in pursuit of goods brought rising prices. When inventory accumulation ceased, and the economy as a whole was allowed to consume as great a quantity of goods as it was being paid for producing, prices ceased to rise.

Inventory liquidation brings lower prices, for more goods are being placed on the market in a given period than the economy is being paid for producing. A further element in the price decline was the fact that consumer demand was less in the second quarter of 1951 than it had been in the first quarter, though incomes continued to rise. Thus personal savings increased.

However, the downward price pressure that results from the ending of inventory accumulation is a "one-shot" affair. Consumption increases in the next six months may absorb the inventories.

Whether prices will go up again depends largely on whether the authorities in Washington continue to increase taxes, whether they keep credit controls, and whether they impose restrictions that effectively limit the rate of plant expansion by business. There is a considerable opportunity for reduction here, since current business expenditures are at the rate of \$26 billion annually, whereas just before Korea they were at the rate of \$18 billion annually. Then if the productivity of labor continues to rise, there

TABLE IV

	Billions of Dollars	%
Increase in expenditures for personal consumption	13	25%
Increase in gross private domestic investment:		
New construction	1	
Purchases by business of machinery and equipment	6	
Investment in increased inventories	9	
Increase in net exports	2	4%
Increase in defense expenditures	21	41%
Decrease in other government expenditures	-1	-2%
Total	51	100%

seems to be a good chance of avoiding further inflation. Factors pointing to rising productivity are the continued increase in workers' incomes (which should bring high morale), and the improvements that have already been made in plants and equipment.

It would appear that we are in a period of relative stability with possibly a slight inflation of prices during the next six months. Some economists believe that we will have cyclical difficulties—perhaps a major recession—some time after 1952, although they think it will hit some industries before then.

Productivity and Civilian Purchasing Power

We can have a high degree of economic welfare and economic strength, provided we maintain military and political security. Therefore, it is evident that our present defense of Korea and our assistance to the countries of the North Atlantic pact are of real importance to everyone in the United States. What we will gain by fighting in Korea will more than compensate for the sacrifices which we, as a people, are now called upon to make.

Our real problems in the years ahead are going to be at home. Our production rose sharply last year because of the prospective demand for war supplies. It will continue to rise until we have won the struggle against Communism. Then we will have an expanded productive capacity, and it will be our job to sell the product of that capacity.

We are sure that we can expand output and increase productivity, but how about the purchasing power to buy such huge production? The fact is that the American people will have a very large aggregate income which will come from both military and civilian production. That incomes will exceed in value the civilian goods which are available to consumers. So a backlog of purchasing power will be built up just as it was during World War II, ready to be used whenever more goods are available to civilians. Therefore, when the need for military production declines, people should have plenty of money to buy an expanded output of consumer goods.

The potentials are so great that the young men and women of today can expect to earn from \$5,500 to \$7,000 a year as average workers by the time they are 50. If they acquire special skills, their earnings power will be substantially higher. Even today, as Benjamin Fairless recently stated, a skilled workman with U. S. Steel can earn as much as \$12,000 a year. But all of this is dependent upon steady increase in output and equally steady improvement in productivity.

The purchase rate of consumers' non-durable goods in the second quarter of 1951 was \$20 billion over 1949 and the purchase rate of consumers' durable goods was up \$2 billion. Residential building increased by another \$3 billion. This was possible because in 1951 personal income had increased to an annual rate of \$250 billion as compared with \$205 billion for 1949. The increase was sufficient to purchase the enlarged production and to leave almost \$20 billion more to be added to savings.

The annual rate of compensation to labor increased by \$32 billion from January, 1950, to December of the same year. Incomes are increasing steadily as output rises. Furthermore, with our price level under control (as it has been for several months now), we shall have the banking ability to product additional credits as well as to use our accumulated liquid assets to buy goods which

COMPARISON & ANALYSIS
17 N. Y. City Bank Stocks
 Third Quarter 1951
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will keep up the high level of economic activity.

The Expanding Economy

One more thing is required to make this picture of expanding economy complete and that is the ability to sell goods. We will need new techniques to sell our huge production and we will have to devise new means to finance the sale of the additional goods which our productive machine turns out. Of course, exploration and technical research must go forward to compensate for inevitable increases in shortages of critical items—metals especially.

Since the end of 1945, industry in the United States has invested about \$140 billion in new plants and equipment. If we are to continue to have mass production, industry must continue to invest many billions of dollars in plants and equipment of advanced design and improved efficiency. Only thus can the productivity of labor continue to increase.

It is the responsibility of industry to see to it that incomes of workers increase along with productivity and that there are enough jobs for our growing labor force. This may seem to be a brave and daring program, but it is a discerning one which is not undertaken at a sacrifice of profits. Instead, it recognizes that incomes as well as productivity must increase if the enlarged output is to be distributed and consumed. Such large production should create the greatest material well-being ever known in the world if we use it wisely and share it generously.

What of the Future?

I am optimistic as to the future, but I am fully aware that we are facing very serious problems. If we are to solve those problems, it is going to be necessary for our leaders in business and politics to develop a mental and spiritual toughness which is not evident at present. While the United States is a very rich country, there is a limit to what we will be able to undertake. If the Russians proceed to give us more trouble by stimulating additional situations like that in Korea, we most certainly would be forced to re-examine our containment policy. As a matter of fact, this containment policy needs re-examination now.

Economy in All Federal Activities Is Essential

We must reduce inefficiency and waste and eliminate unnecessary programs and projects—both civilian and military, and especially the military. Any substantial reduction in our Federal budget will be a powerful force for increasing our production and expanding our economy.

It works out like this: After World War II we taxed for 32% of the cost of the Federal budget. In World War II we taxed for 46% of the Federal budget—\$100 billion expenditures with taxes of \$46 billion. Then we reduced expenditures \$68 billion, down to \$32 billion, and we had \$14 billion of tax reductions and a completely balanced budget. So far, in this present limited war, we are taxing for nearly 100% of the Federal budget. After this defense period is over, and it will be over eventually, when we reduce expenditures \$10 billion, we should be able to reduce taxes approximately \$10 billion. If we can reduce expenditures \$30 billion, we should reduce taxes by nearly \$30 billion. Then corporations can reduce prices to the ultimate consumer and thus increase the demand for the additional goods which our productive machine can turn out.

Extension of Economy Essential

But, being realists, we must admit that during this cold war period, even if we go as far as possible

in reducing expenditures, we will still have a very heavy budget and high taxes. We must re-examine our containment policy and we must reduce expenses. But there is another way and that is to expand our economy. In order to make our Federal budget bearable, we must expand our private economy.

We will do that by (1) continuing to increase capital formation by investing many billions of dollars in plant and equipment of advanced design and improved efficiency and installing cost reducing machinery and equipment in order to increase further the productivity of labor; (2) developing technical research and exploration, and (3) developing new products and services and broadening the market for our products and services. This kind of expansion will make the Federal budget a smaller factor and therefore more bearable.

As yet, we have found no solution to the problems of inflation. Buying power in the hands of the public is increasing. If consumer goods should become short in supply, or if the government should resort to deficit financing, we would have further inflation and our dollars would buy less. I believe it is highly important that the value of our dollars should not be further impaired, not only because of the serious effect on savings, but because of the effect on international trade and the added dollar cost of rearmament. If we, as a nation, permit ourselves to become over-committed, we will find our dollars growing weaker. Weak currency saps the strength of the entire economy and shakes confidence both at home and abroad.

If we are to do our share in bringing about world peace, it is absolutely necessary that we keep our economy healthy and prosperous. To do this we must face our problems squarely and live within our means. We must accept the responsibility of being citizens of the world's most powerful nation. We must realize that the strength of a nation, like that of an individual, is not static, but dynamic. It dwindles away if it is not constantly renewed.

Never in our history was the quality of our national leadership so important. We need leaders who are men of understanding, courage and integrity. They must also have imagination and the flaming zeal that inspires courage and devotion to the cause of freedom. For it is not America's future only that is at stake, but the future of the world.

Harry L. Schmid, Jr., to Be Lundborg Partner

SACRAMENTO, Cal.—Harry L. Schmid, Jr., will be admitted to partnership in Irving Lundborg & Co., San Francisco, members of the New York and San Francisco Stock Exchanges. Mr. Schmid has been manager of William D. James Co., Sacramento.

With Waldron & Co.

(Special to THE FINANCIAL CHRONICLE)
SAN FRANCISCO, Cal.—Irving Brock is with Waldron & Co., Russ Building.

Joins Dean Witter

(Special to THE FINANCIAL CHRONICLE)
SAN FRANCISCO, Cal.—George A. Salinger has joined the staff of Dean Witter & Co., 45 Montgomery Street, members of the New York and San Francisco Stock Exchanges.

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)
RED WING, Minn.—Lynn R. Beeman is with Waddell & Reed, Inc.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The new tax anticipation Treasury bill, which will be due and payable March 15, 1952, although expected, appears to have captured the fancy of the money markets, and to more than a passing extent has assumed a position of importance in the limelight. It seems to meet the needs of the times and should not have an adverse influence upon the whole government market. Corporations were expected to go for the new obligation in a big way, which means the Treasury would be able to do this phase of the deficit financing in a manner that should be satisfactory to all concerned. However, by selling the 144-day bills to commercial banks the inflationary pressure is not decreased.

Activity in the market as a whole has not broadened to any great extent, even though there has been a bit more interest in Treasury issues, since Federal moved in and helped to stabilize prices. The market is still in a give-and-take mood, which makes for backing and filling in an effort to work out the lower reaches of the trading area. The short end of the list is in good condition because there is no let-up in the liquidity-mindedness of many institutional investors. The increase in the prime bank rate from 2½% to 2¾% was no surprise.

New Treasury Bills Additionally Attractive

The new Treasury bills will have a maturity of 144 days and will be acceptable in the payment of Federal income taxes. This medium will probably raise the greater part of the deficit-financing needs between now and next June 30, the end of the current fiscal year. Like the existing bills, they will be sold to the highest bidders, and the average discount will conform to the going market rates. The fact that the new paper will be eligible for the payment of Federal income taxes, and the payment of these bills may be made by credit to the Treasury tax and loan account balances, on the books of member banks, gives them attraction over the 91-day bills. These features will no doubt result in more favorable rates being received for the long bills than would otherwise have been the case. To be sure, there will be no real answer as to what they will go at until the bidding is over. However, it is evident from the gossip going on about the 144-day bills that bids are likely to be below those of the recently offered 90-day regular Treasury bills.

Corporations under the existing law have to pay 70% of their income taxes between March and June, 1952, which means that the Treasury, now rather substantially in the red, will probably be in a better financial position during the first half of 1952. This should make it possible for the Treasury at that time to repay money borrowed now to meet the current deficit. By tailoring its securities to meet the demands of the market and in order to keep the deposit-creating inflationary forces at a minimum, the Treasury will be able to borrow by means of short-term paper from the corporations that are setting aside funds for tax purposes.

Prelude to Long-Term Financing

The \$1,250,000,000 initial offering to mature on March 15, 1952, and another anticipated offering of another \$1,000,000,000 or thereabouts should go a long way towards meeting the cash deficit of the Treasury for the current fiscal year. In other words, barring unforeseen happenings, it seems as though this medium of the long Treasury bills should just about take care of the government's needs for new money for the present fiscal period. This will relieve the pressure on the outstanding marketable issues and it might be that by the close of the current fiscal year, the government market will be in good enough shape to absorb an issue of long-term high-coupon bonds. The savings banks and life insurance companies by that time might be in a position to take on such an obligation.

Although the new Treasury financing has cast somewhat of a shadow over the whole government market, there is nonetheless no important change in the tempo or the activity, and nothing of great importance is looked for in the immediate future. Non-bank investors are mostly on the inactive side, with scattered selling here and there, but not sizable enough to cause concern. These offerings have been absorbed with practically no effect upon existing quotations. It seems as though the psychology of the market has been bolstered because it is evident Federal will step in and give assistance if there be need for it. The government market, from the shorts to the longs, is still a protected one and this will be the case for a long time yet.

Commercial Banks on Sidelines

Commercial banks, as a whole, do not appear to be too much interested in the government market aside from the shorts and the longer partially-exempts. The loaning end of their business is still good, and it is likely to continue that way for the balance of the year, so that the appeal of the higher-income Treasuries is rather non-existent at this time, except for tax-sheltering purposes. Also, the time is not too far distant when the list of eligible bonds will be augmented by quite a sizable amount of the restricted obligations. This seems to have created a cautious look-see attitude among the deposit banks with the feeling that there is nothing to get excited about, at this time, because from the driver's sea the road ahead appears to indicate there are no cumbersome detours to worry about.

There has, however, been an enlarged interest about for the last three partially-exempt obligations, with not too many of these bonds available for purchase. However, it is understood that a few rather good-sized deals (considering the lack of breadth and activity in the market) were consummated recently in the 2¾s of 1960/65 and the 1958/63s. New York and Chicago commercial banks were involved along with a couple of the intermediate-sized non-banking institutions.

There is a modest amount of buying going on in the non-eligibles with some of the smaller non-bank investors still building positions (not too substantial, to be sure) in the near-eligible obligations. A part of these funds has come out of the shorts with the balance from new money. Pension funds were a bit more active in the Vics, but not nearly as important as some weeks ago.

Announce Lectures on Invest. Commonsense

CHICAGO, Ill.—Announcement is made of a course of six lectures at the downtown center of the University of Chicago on "Investment Commonsense." The lectures, to be given by Robert H. Pease, Vice-President of Draper and Kramer, Incorporated, are for men and women who have investment problems relating to stocks, bonds, real estate, and life insurance.

The lectures will be given on Tuesdays from 6:30 to 8 p.m. at 32 West Randolph Street. Cost of the series ticket is \$8; no single admission tickets will be sold.

The program scheduled is as follows:

- Oct. 30—Background for Investment Selection.
- Nov. 6—Bonds (Public Utility, Industrial, Railroad), Preferred Stocks, Life Insurance, Pensions.
- Nov. 13—Common Stocks, Investment Trusts.
- Nov. 20—Real Estate: Mortgages, Income Property, Residences.
- Nov. 27—Discussion Panel on Investment:
Robert H. Pease, Chairman;
Walter N. Hiller, Penn Mutual Life Insurance Company;
Milton L. Williams, Hornblower & Weeks;
Representative from the Chicago District, Illinois Bankers Association.
- Dec. 4—Developing Your Own Investment Program.

New Members of San Francisco Exch.

SAN FRANCISCO, Cal.—The San Francisco Stock Exchange has announced the election of Arthur R. Mejia, general partner of Harris, Upham & Co., and William V. Murphy, general partner of Holt & Collins, to regular membership in the Exchange. Mr. Mejia acquired his membership by transfer from Lowell L. Grady and Mr. Murphy acquired his membership by transfer from Edison A. Holt. Mr. Grady and Mr. Holt will remain as general partners of their respective firms.

With Highland Secs.

(Special to THE FINANCIAL CHRONICLE)
SAN FRANCISCO, Cal.—Carl A. Mattison is now with Highland Securities Co., Inc., 1521 Locust Street.

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Railroad Securities

Western Pacific

Western Pacific common was a big disappointment marketwise throughout most of the first half of the current year, when earnings were showing wide increases over the like months of a year earlier. More recently, with earnings falling off fairly sharply from year-earlier levels, the stock has developed a much firmer tone. It is hovering right around the top levels for the year, more than 11 points above the 1951 low. The market action appears paradoxical—the stock under pressure when earnings are improving and buoyant when earnings are deteriorating. This is not, however, unique in the railroad list, and railroad analysts generally consider the common still attractive regardless of near-term earnings comparisons.

Western Pacific had an exceptionally good first half year. Gross revenues ran just about a third higher than they had in the opening six months of the preceding year. Expenses were held under strict control. The total operating ratio was 8.5 points lower than a year earlier and the all-important transportation ratio was cut 4.2 points to 28.1%. This was one of the lowest transportation ratios in the industry. The combination of the sharply higher gross and the improvement in the operating performance resulted in a jump of almost 100% in net. Net income before sinking funds stood at \$3,926,528 compared with \$2,095,618 for the first half of 1950.

For the first two months of the second half year the story has been considerably different. Revenues continued upward in July. Transportation costs were still held under strict control—the ratio was just about unchanged from a year ago. Other costs, however, were materially higher and the overall operating ratio advanced more than three points. Taxes were also heavier, with the result that net income for the month was less than half what it had been in July, 1950. Even at that, the showing for the full seven months' period was highly encouraging—net was up 63%.

In August, comparisons were with a period in 1950 when business was expanding rapidly in reflection of widening of hostilities in Korea. Neither passenger nor freight revenues this August could match the performance of a year earlier. Gross as a whole was off some 14%, in sharp contrast with the substantial year-to-year gains that had been registered in earlier months. Although business was off, all expense classifications were higher than they had been in August, 1950. For the month, the overall transportation ratio soared nearly 15 points. While the transportation ratio continued below 30% (much better than the industry average) it was approximately 4½ points above that of the like month a year earlier.

The relatively poor comparisons of July and August (the latest figures available) cut substantially into the earnings gains of the first half year. For the eight months both the operating ratio and the all-important transportation ratio still ran below the 1950 levels. The transportation ratio of 28.9% was, in itself, highly encouraging. Also, the fact that net income at \$4,684,835 was \$916,465 higher than for the year-earlier period can hardly be construed as bearish. Nevertheless, in view of these recent trends it is obvious that earlier estimates of probable 1951 earnings must be revised downward.

September traffic was again off from 1950 and it appears likely that passenger business was also down. Partly this will be offset by the higher freight rates now in effect but even at that it appears probable that earnings after taxes and charges continued below those of the like 1950 interim. Under the circumstances, it seems hardly likely that earnings for the full year can do any better than equal the \$10.50 per common share realized last year. They may fall somewhat below that figure. Even such earnings, however, would afford more than adequate protection for the \$3.00 dividend and would normally justify higher prices for the common stock.

Aluminium Ltd. Stock Offered at \$65 a Sh.

Aluminium Ltd. will offer 372,205 additional shares of capital stock (no par value) to its stockholders of record Oct. 19 at \$65 per share (Canadian) in the ratio of one new share for each 10 shares held. The subscription offer will expire at 3 p.m. (EST) on Nov. 8. The First Boston Corp. and A. E. Ames & Co. Ltd. will act as dealer-managers. No fractional shares will be issued.

The net proceeds to the company (estimated at \$23,881,524) will be added to general corporate funds and will be available for working capital requirements resulting from the present expansion program in British Columbia, Quebec and Caribbean area, to meet any increases in the estimated cost of such program and to provide for other projects that the company may wish to embark upon in the future.

Halsey, Stuart Group Offers Equip. Trust Cfs.

Halsey, Stuart & Co. Inc. and associates are offering \$5,250,000 Chicago, Rock Island & Pacific RR. series K, 2¾% equipment trust certificates maturing semi-annually May 1, 1952 to Nov. 1, 1966, inclusive, at prices to yield from 2.05% to 2.925%. Offering of the certificates is being made subject to approval of the Interstate Commerce Commission.

The certificates which are to be issued under the Philadelphia Plan will be secured by new standard-gauge railroad equipment, estimated to cost not less than \$7,000,000, as follows: 15 Diesel-electric general purpose locomotives, and 900 50-ton steel sheathed box cars.

Other members of the offering group include—Bear, Stearns & Co.; Hornblower & Weeks; L. F. Rothschild & Co.; A. G. Becker & Co., Inc.; The Illinois Co.; Wm. E. Pollock & Co., Inc.; Gregory & Son, Inc.; McMaster Hutchinson & Co., and Mullaney, Wells & Co.

Continued from page 11

Long-Range Implications Of "Welfare State" Measures

ter and Marx, Part I, *State Capitalism and Progress*, published by Earl Browder, 7 Highland Place, Yonkers, N. Y., 1950, pp. 29-30): "State capitalism leaped forward to a new high point in America in the decade 1939-1949. It became overwhelmingly predominant in every major phase of economic life, and changed the face of politics.

"After the war, with the lifting of some forms of state control, there was a certain slowing up of the tempo of this development, but not a change in direction. State capitalism, in substance if not in formal aspects, has progressed farther in America than in Great Britain under the Labor Government, despite its nationalization of certain industries, which is a formal stage not yet reached in America; the actual, substantial concentration of the guiding reins of national economy in government hands is probably on a higher level in the U. S. A."

In respect to our government's controls of foreign trade, travel, and exchange, which comes as a natural consequence of using an irredeemable money—a basic tool of a dictatorial government in a Welfare State—Browder said this in 1950 (*op. cit.*, pp. 43-44): ". . . There is nothing more necessary in the postwar development of foreign trade than precisely the intervention of the government as organizer, director, and financier of the whole process. . . . State capitalism in its most advanced forms is taking over the field of foreign trade more than any other field. . . . The day of private trading between nations is coming to an end; it has already ended for the main bulk of such trade."

"The large-scale entry of the government into the sphere of foreign trade is only another part of the development of state capitalism. It is another step in the capitulation of the bourgeoisie before the invasion of the principle of socialist planning. It is progressive—that is, it can be made progressive—in the only way progress is possible while capitalism retains a hold on a considerable portion of the earth."

What Do We Know About Dictatorial Governments?

We know that Socialism, Communism, and authoritarian governments in all forms belong to the world of arbitrary will and power. They abandon objective standards for the subjective—for the standards which those in power wish to enforce. The only effective standard of right or wrong, under such governments, is the will or caprice of the ruler. Under such a system the importance and freedom of the individual are sacrificed to the will of the State.

It is a simple and well-established fact that no social organization is good if it does not, in addition to contributing to the material well-being of a people in general, protect and foster individual freedom. Such freedom is man's priceless heritage. Logic, humanitarianism, and apparently every important religion of the world, including the Christian religion, teaches the importance of the individual. History reveals a constant struggle of mankind to establish the importance of the individual as against that of the State.

The backward slide of so many nations of the world, including our own, into government dictatorship of various degrees is a movement running counter to the

accumulated wisdom of the ages as to the importance of the individual as the basic starting point in devising a proper system of government.

The advocates of any of the systems of governmentally-managed economy—and this includes our so-called economic planners, since they are potential dictators—wish to deprive all other people of the power to act according to their individual plans in response to the objective standards of price and of justice yielded by free competitive enterprise and markets. The purpose of the planner or would-be dictator is to make his own plan the exclusive or pre-eminent one. He seeks the power to regiment people. That is the foundation principle of the "Welfare State" as it is generally advocated today.

Planning intelligent government to fit into an economy in which free and fair competition is the basic criterion as to what is proper is a correct procedure. But the planning characteristic of the Welfare State with its governmentally-managed economy is the planning of the dictator.

No government or governmental organization can begin to compare in efficiency, or in intelligence, or as a means of promoting general welfare, with the mass of people who are free to vote their dollars and to exchange their goods and services as they think best under conditions of free and fair competition and under a representative government that protects and fosters that freedom. Producers can never obtain better guidance than that given when all buyers are free to spend their dollars for this and to withhold them from that. Buyers can never be served as well as when they can vote their dollars as they please and when producers must respond to these indicated preferences. Departures from this method of buying and selling inject into the economy inefficiency, waste, confusion, frustration, and maladjustment.

Freedom of the individual and free and fair competition cannot prevail properly unless individuals are free in both the political and economic world—that is, unless they are free to cast their political votes, free to exchange their goods and services for dollars, and free to vote their dollars for goods and services, as they think best. Such freedom brings compromise and agreement out of disagreement. It permits liberty yet enforces tolerance. It requires respect for the rights of individuals. It denies to every man the power to control another. Man's capacity for desire and choice is given free scope, and freedom of choice is a prerequisite of morality.

The advocates of planned economy in the form of a governmentally-managed economy, characteristic of the Welfare State, would destroy the wholesome forces of free and fair competition. They would impair or destroy both economic and political freedom. They would be dictators under the banner of the "Welfare State" which, they imply, contributes to, and fosters, the general welfare. They are the enemies of every man and woman who values freedom.

There appears to be no case in history in which a government has achieved lasting security for its people. It also appears that those governments which have pressed hardest for security from the cradle to the grave have lost it,

and lost it quickly, for the people concerned.

If there is to be freedom there must be insecurity and fear. The fact is that fear and insecurity are great driving forces and stimulators in human activity. Security from the cradle to the grave and freedom from want and fear are as unattainable as freedom from disease and death. The greatest fears, the greatest insecurity, both without the quality of wholesome stimulation, and the least freedom come with government dictatorship.

How Were We Taken Into the General Parade Toward a Governmentally-Managed Economy?

When the people lost control of their public purse in 1933, by having an irredeemable currency thrust upon them—that is, a currency not redeemable in our standard gold dollars—the door was open to our government to take the people of this country into a governmentally-managed economy. A people legally control their government by means of two basic devices: by the ballot and by being able to require the government and central bank to redeem their promises to pay. When the people lose the latter power, the government is free to spend as it sees fit and the people have no effective means by which to hold it to an accounting. Even the power of the ballot can be corrupted or finally effectively destroyed by a government with the powers obtained under an irredeemable currency. A government with the people's purse at its disposal and with power to issue irredeemable promises to pay directly or through the central banking system need not count costs. It not only can promise the people security from the cradle to the grave but it can subsidize groups whose support it desires. It can throw the people's money to the winds of the world.

An irredeemable currency is the most potent tool a dictator can employ legally to subjugate a people. Wherever one sees a governmentally-managed economy one also sees an irredeemable currency.

Since our Federal Treasury and Reserve Banks can issue promises to pay which they do not redeem—except as held by foreign central banks and governments—they have special privilege without corresponding responsibility. That is a case of government tyranny. In private enterprise, people are required to redeem their promises to pay or suffer the prescribed penalties under our body of contract law. One standard of responsibility for private citizens and a lower standard for government agencies has no justification if we are to adhere to uniform standards of honor, have responsible government, and maintain our freedom.

If a government employs an irredeemable currency, because it cannot be avoided, that is evidence that the nation is economically bankrupt. If it employs an irredeemable currency, when it can be avoided, that is evidence of moral bankruptcy and irresponsibility on the part of the government that employs it.

A redeemable currency is a people's best and certain protection against dictatorship. Human freedom and a redeemable currency are inseparable. If our people would regain and protect their freedom, they will need to elect to the Presidency a man who believes that the control of the people's purse should reside with the people rather than with an unrestrainable government and who understands that a redeemable currency is the necessary and principal means by which the people exercise control over their

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purse and, consequently, over their freedom.

A Recommended Course for Us to Follow

With the institution of a redeemable currency and control of the public purse returned to the people, we should expect to have a more responsible type of government which should bring to an end the wild and reckless spending, the foolish borrowing, the crushing taxation, and the insane dissipation of our national patrimony.

There should be a return to constitutional government. The responsibilities appropriate to the State and local governments and to the people themselves should be returned to them. Matters of insurance, aid, and relief should be restudied by our most scientific and experienced experts in the hope and expectation that they can produce programs that would make certain that the helpless aged, the sick, the crippled, the insane, the orphans, the derelicts, and those lacking food, shelter, and medical service are given the care which respect for the importance and dignity of the individual dictate among intelligent people—all without impairing individual incentives and without the characteristics of dictatorship. All such programs should be fitted into the four basic premises, stated at the beginning of this analysis, as to what constitutes a good political and economic system. And they should be based upon the principle that volition is superior to compulsion as a fundamental aim for the reason that freedom disappears where compulsion begins.

The most important fact should be recognized that, when our Federal Government departs from its proper function as umpire and becomes producer, manager, lender, insurer, and competitor with private enterprise in those fields where the latter can function, there is no neutral arbiter to which the people can appeal for justice. Justice cannot be expected from a dictator who is the neutral umpire who endeavors to apply objective standards of justice.

When a government attempts to manage an economy and people, the morals of government soon fall below those applicable to the individual. The latter may be legally secured by the dictatorial government so engaged in collective stealing. As a consequence, many of those who are robbed by the government to share in the dictatorship of truth and theft are a major characteristic of the "Welfare State" as illustrated in our country by the method of the people's savings plan. The people are not allowed to decide what if any taxes they wish to give of their countries. The so-called "liberalism" of giving away the people's money is the liberal procedure as he sees fit that Robin Hood social security and other giving away of

The Long-Road to Our Welfare

The long road to our Welfare State that they bear characteristics of that is, of dictatorship. In our government the Welfare State it has the people's huge bureaucracy has been and is inflicting an on our people

ciated sharply in value and has impaired greatly the value of people's incomes, savings, and insurance; it sits as dictator at our international boundary line, controlling trade, travel, and exchange rates; it is regimenting our people; it has built dictatorship into our economic and political system in respects so numerous that they defy enumeration. Much of such prosperity as exists rests upon induced scarcities, subsidies, destruction, waste, war, and the blood of our boys. Through the use of an irredeemable currency our government has deprived the people of one of the two basic instruments—the other being the ballot—by which they control their government and protect their freedom and property.

Our paternalistic government has not only embarked upon the course of directing our people as to what they shall sow and produce and reap and at what prices they shall buy and sell, but it has discarded as not worthy of serious consideration the wisdom of George Washington regarding the undesirability of meddling in the affairs of the peoples of other nations. Three wars have been one of the results. Although our experience with Puerto Rico, over a period of 50 years, demonstrates our ineptness in providing wise aid to the people of that small and nearby area, our reckless presumption of recent years is to the effect that we should advise and direct and provide financial aid to all the peoples of the world. One consequence of this policy has been the dissipation of our manpower and our wealth with a foolishness and recklessness probably never before seen in the history of the world—certainly never before seen in the history of this nation.

As we have so foolishly ignored the wise admonitions of George Washington, so have we, with like foolishness and similar abandon, ignored the wise admonitions of Thomas Jefferson as to the appropriate functions and scope of our Federal Government. The errors and dangers revealed in ignoring the wisdom of Jefferson seem to match those that are apparent because we have presumed that we know more about the consequences of meddling in the affairs of other people than did Washington.

In our plunge into Paternalism, planning for others, by those who wish to direct others, has become rampant, domestically and in our international relations. It is a mania not unlike that of the Crusades. At home we have reached a state of affairs that caused the Communist Browder to state that we are farther advanced in Socialism than is England—and in principle Socialism is but a slow fuse for the dictatorship of Communism.

In international affairs, the planners are indulging in a circus with the world as their stage and with our people's purse an international grab bag. Private enterprise has been brought to its knees. The planners talk much of "one world" while they impede, through the use of irredeemable currencies and otherwise, the operation of the endless ingenuity of private enterprise which, when free to pursue pleasure and profit, make "one world" a reality.

We should note with profit what Dr. Hjalmar Schacht has to say about the international planning by governments today. He, perhaps above all men, has seen the evils of government management, with its irredeemable currency and dictatorship. Says he (in his "Gold for Europe," Gerald Duckworth and Co., Ltd., London, 1950, p. 3): "... All international trade is involved today in a permanent crisis which keeps all politicians and economists fighting for breath. Anyone who lived through those happy days before the first World War—when the international ex-

change of goods took place without friction under free play of private enterprise, and when the State confined itself to a few general regulations—sees today with horror how governments labor in vain to restore international trade by a succession of regulations and interference. This continual government interference simply results in the damping down of all enterprise on the part of those engaged in trade. The efforts of businessmen, formerly concentrated solely on the organization of production and markets, are exhausted today largely in a struggle against State bureaucracies. . . . Artificially established international finance relations, restrictions on the international exchange of payments, obstruction and prevention of international transfers of capital—all these deprive trade and production of any basis for recovery."

The Paternalistic State does not provide the way to progress and the degree of security which a people seek. Progress and as much security as people can properly hope to attain, if they are to preserve freedom, come in the longest-lasting form only where people are free and maintain a representative and responsive government.

Our course, domestically and internationally, points in the wrong direction fundamentally. We need to conform to the pertinent admonitions of Washington and Jefferson. We need to return to constitutional government. We need to respect and to foster and to protect freedom in the market place and in all other forms. We need a sound—that is, redeemable—currency. We need respect for the Golden Rule and the Ten Commandments. We need intelligent and honorable men in government. We need political parties which will recognize that the first obligation of themselves and their candidates is that they be right, not that the candidates be elected. We need to adhere to the great verities of life if our people are to take the course which time should prove to be wise, safe, and in the best interests of ourselves and other nations.

The paths to the Welfare State cannot take us where we wish to go. They lead to the darkness and destruction of freedom inherent in government dictatorship.

We are not showing ourselves worthy of the great heritage of which we are the trustees. Past generations did not work and save and invest, and develop and fight and die, to pass on to us a great patrimony and freedom merely to have it squandered and dissipated by an unworthy generation.

Every person who appreciates the importance of the freedoms for which mankind has struggled throughout the ages owes it to his forefathers, to this generation, and to posterity to do all within his power to save this nation from those who recognize no such responsibility and who are either indifferent or thoughtless or are busy undermining and dissipating our priceless heritage.

New York Stock Exch. Weekly Firm Changes

The New York Stock Exchange has announced the following changes:

Transfer of the Exchange membership of the late Sidney F. Ward to Gordon B. Leib will be considered by the Exchange on Oct. 25.

Transfer of the Exchange membership of the late Bernard E. Hyman to Joseph F. Gleicher will be considered on Oct. 25.

With Rockwell-Gould

ELMIRA, N. Y.—Edward L. Monroe has become affiliated with Rockwell-Gould Co., Inc., 159-167 Lake Street.

Securities Salesman's Corner

By JOHN DUTTON

To Help You Sell More Mutual Funds

The October issue of "Modern Security Sales," which as you probably know, is a brand new service for dealers who are interested in distributing Mutual Funds, has just come to my desk. It is published by Fund Services of Washington, 219 Woodward Building, Washington 5, D. C.

I can assure you that I have no interest financially, or otherwise, in the recommendation to all of you who have not investigated the possibilities of using some of this material, to write for a sample copy of the October issue and find out more about the excellent sales aids and ideas which are offered. There is a four-page bulletin which is available with your imprint. It is one of the best sales talks on Mutual Funds I have yet seen anywhere. It is entitled, "A Few Reasons Why So Many People Have Bought Mutual Funds."

Some of the Selling Points Covered

(1) **Like a Great Ocean Liner**—"The designers of modern ocean liners know that any ship at sea faces some risks. That's why today's big liners are composed of many small sections. If something happens that causes a leak, the cargo in one section is damaged. But all the others are safe. . . . The big ship keeps going ahead."

"When you buy as little as one share in a Mutual Fund, you spread your investment over many companies in different industries which helps to reduce the risk element in any investment."

(2) **Four Checks a Year**—"Four times a year the Fund sends you checks of varying amounts. The Fund receives many dividend and interest checks from investments it has made for you. After management fees and operating expenses are deducted you get your proportionate share. In addition to that, if the Fund profits from buying and selling, you may get an additional check at the end of the year."

(3) **Continuous Investment Management**—"An experienced investor who owns stocks and bonds has two choices. He can devote quite a bit of time to constant study of the market so that he'll know what to buy, what to sell and when to take such actions, or he can employ professional investment counsel who will attempt to do that for him."

Other selling points covered are: A chance to keep pace with inflation—Like ready cash (Mutual Funds are excellent collateral for a loan at any bank)—Which Fund is best for you?

Any salesman who has studied and used the ideas for presenting Funds as clearly and simply as they are given in this little pamphlet could probably improve his selling technique considerably. Note number 3 above: couldn't you use it to set up an idea which would enable you to control and direct an interview. Why not say, "Mr. Investor, isn't it true that all investors have two broad choices which they must make? They can either devote quite a bit of time to constant study of the market, so that they will know what to buy, when to buy it, and when to sell it, or they can employ professional investment counsel to do these things for them."

For your advertising needs, "Modern Security Sales" has prepared transcriptions of radio spot announcements which present four one-minute radio commercials that do an enthusiastic job of

selling on the general story of Funds. They have been filed with the NASD. Newspaper ads in mat form, ideas for holding sales meetings, suggestions for assisting salesmen in their work and their selling presentations, and also general sales letters are available. All the material has been approved, and in the opinion of the Fund Services of Washington, it complies with the Statement of Policy of the Securities and Exchange Commission.

Bankers Offer W. Va. Goal & Coke Com. Stk.

The First Boston Corp. and Tucker, Anthony & Co. jointly headed an investment banking group which on Oct. 16 offered publicly 80,000 shares of common stock of West Virginia Coal & Coke Corp. at \$17.62½ per share.

Of the net proceeds of the sale, \$765,000 will be used to reimburse the corporation for a like investment in its subsidiary, Paradise Collieries, Inc., which proposes to engage in strip mining in Kentucky. The remainder will help to enlarge and modernize facilities which will increase quality and quantity of mine output at Omar, West Virginia.

The company's 1950 production of 2,871,000 tons ranks it as the country's 29th largest producer of bituminous coal. Its subsidiary, The Ohio River Company, is the largest common carrier in point of tonnage on the inland waterways in the United States. The company sells coal to diversified industries and retail dealers for use principally in Ohio, Indiana, Michigan and the Great Lakes area.

Dividends have been paid on the common stock in each year since 1941. The company has paid a dividend of 30 cents per share in every quarter since March 1948 and has disbursed an extra dividend in each of the years 1948, 1949 and 1950. Total payments in 1950 were \$1.70 per share. Thus far in 1951 a total of 90 cents per share has been paid.

Total sales in 1950 amounted to \$21,997,000 and net income was \$1,639,000.

Bache Quarter Century Club Holds Dinner

The eighth annual dinner of the Quarter Century Club of the New York Stock Exchange firm of Bache & Co., comprising 84 men and women on the staff of the firm for 25 or more years, was held Oct. 10 in the Perroquet Suite of the Hotel Waldorf-Astoria, New York City.

Harold L. Bache, senior partner, and Robert J. Sullivan, Club President, were speakers at the dinner which was followed by a program of entertainment. Each member of the club was the recipient of a gift of mutual fund shares.

Seventeen members of the staff reached their 25th anniversary during the year and last night received pins signifying membership in the club. The new members who brought total membership to 84, are associated with various offices of the firm—nine with the New York City offices, three with the San Antonio office and one each in the Albany, Buffalo, Chicago, Kansas City and Philadelphia offices.

The longest service record is held by Noah Niedenthal, who has been with the firm's New York City offices for 47 years. Mr. Niedenthal, a registered representative of the Wall Street office, celebrated his 63d birthday Oct. 12.

Continued from page 13

Progress in the Air Transportation Industry

to attract them. We have to, of necessity, continue to cut costs.

Our costs have risen. The costs of operation have risen just as have the costs of every other business.

Peculiarly enough and for several reasons, we are still selling our product at prewar prices and yet we have absorbed in the years intervening a very substantial increase in cost by more efficient techniques, better procedures, more efficient equipment. We have been able to absorb those increased costs and still make a greater return at the prewar sales prices than we have ever been able to before.

Rates and Costs

I think that the tendencies and the trends have certainly got to be continued along that same line if we are to attract a greater market. We have to offer our product at lesser prices to the public. So, I think that we should look forward and plan as intelligently as we can toward the day when we can reduce fares rather than increase them.

I would like to reassure you about one point, and that is about cutting costs. I would like to emphasize just as strongly as I can the fact that no company that I know of in our industry has ever attempted to save a nickel at the expense of safety. I think our record proves that. Whereas, you do read in the papers occasionally of an airplane accident, the statistical ratio has been coming down each year greater than the year before, to a point where our fatality rate at the present time is perhaps as low as it has ever been. By comparison with any other form of transportation, it clearly indicates that air travel is relatively safe.

Actually, the statistics run 1.2 deaths per 100 million passenger miles. You compare that with the automobile, for instance, running about 7.4.

That is a comparison we use for two purposes. First, more people use automobiles than anything else. Secondly, it's an awfully good statistical comparison from our point of view.

Safety Factor Improved

Actually, it is quite remarkable how the safety factor has increased. We in Capital—and it's certainly true of the rest of the industry—intend to develop our future along that same line. No expense has been spared, nor will it be, as far as the improvement of operational procedure is concerned, and as far as the development of additional aids is concerned.

In that respect we see electronic aids coming into the picture which are going to substantially improve not only the safety of operation, but also the dependability of it.

At the present time, we are operating as an industry slightly over 98% of our scheduled mileage, so you can see that the problems that go with weather actually don't affect too much of our operation at this time, and we can get into these more highly technical developments. It is that 2% that is going to shrink as well.

Actually, it is our feeling now that we have reached the point where emphasis needs to be put, perhaps, more on dependability of service. I won't say we feel we have arrived at a sufficiently high degree of safety, because we never could do that; but the safety factor is such that we could devote a good bit of attention now to dependability of service, and as we do increase the dependability,

take out the inconveniences and the annoyances, we feel, again, that we will attract a considerably greater market.

We were talking on the way up, again, as to some of the things that you people would like to hear about, trying to figure out or anticipate what some of your questions might be, with the thought in mind that perhaps I could toss them out first in my own words and then answer them in my own way. I might beat you to the punch and you wouldn't embarrass me in any way, shape or form. We did arrive at two or three things that we think are pretty generally talked about in our industry when our industry is discussed, and I would like to sort of throw them out here, not in question form necessarily, but merely as items in which we think there is some general interest.

The Question of Subsidy

Subsidy, for many reasons unknown to me, generally seems to be a somewhat taboo subject. Too many of the people in our industry in my estimation have been too inclined to steer clear of any discussion on this subject. Well, maybe we are foolhardy in our approach to the thing, but I have been out on this circuit over our system for the last couple of years talking principally about two points, one being safety, and the other being subsidy.

Admittedly, it has been a problem to us, so we chose to meet the problem head on and try to get our thinking out on the table where people could understand it.

To begin with, the Act under which we operate—the Civil Aeronautics Act of 1938—makes particular provision for payment by the government, commonly called subsidy, for the development of a strong air transportation system in the interest of commerce, the postal service and the national defense. It contemplates that moneys will be paid to develop that system. Likewise, it contemplates that for that money the government and the people are going to get something.

We think you have gotten something. Admittedly, a great deal of money has been poured into the development of the air transportation system by the Post Office Department, but I would like to tell you that since the Civil Aeronautics Act of 1938 was passed, the Post Office Department has recovered 93% of the money it has put into airmail payments—and in the next 18 months will undoubtedly recover all of the money it has put into the air transport industry.

In addition to this, this country has without question the finest air transportation system in the world. You need only to look at the efforts of other nations, and it actually takes no comparison, because it is obvious.

In so far as the postal service and the commerce of the country is concerned, you have the best. You have an industry that is sound, is still developing and is meeting the public requirement.

But we take issue completely with the use of the word "subsidy" and propose rather the use of the word "investment." I think it is justified when you come to the national defense aspect. There has been a real payoff by the airlines to the nation as far as the moneys spent in developing them are concerned. First, in World War II, we, without any hesitation and immediately after war was declared, jumped into the picture—the airlines—and supplied the personnel and the equipment

to get the military transportation system started, and continued to operate that program until the Air Transport Command was developed and grew to an extent where it could take over.

Even throughout the war, in continuing this, the nucleus of the Air Transport Command was derived from the scheduled airlines. In itself, that represented a pretty good return on investment.

After the war we went back into our normal every-day operation, continued to expand and grow in a healthy manner until June 25 of 1950 when Korea came along. Within 36 hours, the airlines were back in business again for the military. For a matter of about six months, we had 66 airplanes in service that did the job or the equivalent job of some 190-odd military ships, so we were doing about a three-to-one ratio of jobs.

We call our airlift the Korean airlift—it still continues. The 66 airplanes have shrunk because the need has lessened; and the military has been a little better able to carry the whole load, but we still have 28 airplanes in service.

Capital has had as many as three, and at the moment continues to operate one. That, in itself, the ability of the scheduled carriers to move quickly into the picture and to take over the military lift requirement until the military transport system can gear itself up by using its reserve and its mothball airplanes sufficiently to take over, is clear justification in my estimation of the money that has been put into our picture and which is so loosely called subsidy.

Actually, I think it is rather interesting that this year of 1951 has seen a development within all of the carriers—the trunk carriers—and when I keep talking about carriers, I am talking about the scheduled, certificated carriers, in that there is an increasing lack of dependence on the part of the scheduled industry for mail pay, or mail pay which contains any element of subsidy whatsoever. That is true as much for the smaller carriers as it is for the big ones. Again, I do use Capital as an example.

In 1950, our payment received from the Post Office Department was \$3,816,000. In 1951, eight months of which have gone and the rest being an estimate, we don't anticipate receiving any more than \$1,400,000. That \$1,400,000 represents what for our classification of carrier is no more than the service rate.

CAB Survey of Mail Pay

You know, I am sure, that the Civil Aeronautics Board who control and supervise our operation have recently completed a detailed analysis of the needs of the big four carriers and have come up with an agreed-upon service rate for those carriers which became effective July 1.

I am sure you also know that by show-cause order issued last week they have just opened up the mail rates, the remaining trunk line carriers simultaneously coming up with their own idea as to how a separation of compensatory rate from subsidy should be effected.

They have classified the carriers, and for each classification they have arrived at what they consider to be a compensatory rate. I think there are ten of us involved who go in, as of Oct. 1, a proceeding to determine what a revised permanent mail rate should be.

We are to be classified as a class 2 carrier for which the Civil Aeronautics Board feels 53 cents a ton mile would represent a compensatory service rate of mail pay.

We in Capital don't propose to take too great issue with that. We think that our costs are such and the volume that we carry is

such that that 53-cent rate is not far out of line. We do insist, however, that fair consideration be given our costs and that fair consideration be given our stockholders so far as return on investment is concerned.

However, we anticipate going into this proceeding, which should be expedited and should come to a reasonably fast conclusion, certainly in better shape than we ever have been before; and coming out, in effect, another one of the operators on a service rate.

Question of Mergers

There has been a great deal of talk on the subject of merger. For a while it seemed as though every time you picked up a newspaper, whether it be general news or trade paper, you could see how someone else had figured out a way to carve up and divide Capital. I would like to tell you right now that we don't have a great deal of interest in most of those theories. We are thoroughly in accord with the basic thought that we are operating an overall national network of airlines which is outdated and badly needs modernization.

We think that the CAB is constructively surveying the situation in an attempt to do just that—to modernize, to solve some of the problems which exist in some of the carriers, and to emerge ultimately with a sound system revised to meet present-day standards and overcoming some of the problems of the carriers.

We know that if we are realistic about it and take the same constructive look at the overall picture, that certain things should be done. We think Capital is involved. Those things can be done in one of several ways. It can be done by merger, by acquisition, by consolidation, through the medium of interchange agreements, all designed to consolidate the overall picture and bring it up to meet the requirements of air transportation in this day and age, as compared with the air transportation picture back in 1936 and 1938, when the present system was developed.

I would like to remind you of something: The Civil Aeronautics Board has consistently added to many of their releases that whereas they propose to take a look, and whereas they may, through the medium of show-cause orders, attempt to persuade, that actually under the Act they have no legal authority to enforce any type of proposal such as I mentioned, unless and provided the parties involved concur and will go along. So, certainly, that is for the several carriers a large measure of protection as far as being forced to do something against their will or against their best interest is concerned.

We try to be pretty realistic within Capital. We have taken a look at that part of the airline system which affects us most closely, or those parts with which we come in contact. We have made a study—and quite a few of them—taking different assumptive bases as the premise of the study. We know that there are one or two mergers which might be very much in the public interest and might be very much in Capital's interest, and when I say "Capital's interest," I mean the interest of the corporation, its personnel, its owners, and also the public we serve.

If we could, using that yardstick, reach agreement with one or more carriers, we in Capital would voluntarily appear before the Civil Aeronautics Board petitioning for the necessary authorization. However, it has to be based on that yardstick.

We have no interest and we have no thought whatsoever of giving up any of our routes or any of our cities or any of our

authorizations unless it does stand the test of those yardsticks.

I do believe that we are going to see a considerable amount of activity in the next several years along those lines, because other carriers, like Capital, recognize the fact that it is a constructive approach to a rather serious problem and that a stronger national system could be developed and the component parts of that system strengthened materially.

Jet Planes

On the subject of equipment, I think perhaps more than anything else, I am asked as to how soon jets are going to be in operation. Well, I will tell you what I think about jets. I don't take the optimistic view about jets that some of the people in our business do. There are several reasons. First, we don't have a jet available. The British and Canadians have developed a jet transport with attendant ballyhoo and publicity which looks awfully good when you read about it and read what they are doing with it. But if you stop to analyze it carefully, you find that they are a long way from the answer.

Neither of the airplanes have sufficient range. Neither of them can be operated economically enough to justify them in anything other than a 100% subsidized operation. At the moment, I don't believe that there is any likelihood of those particular items being corrected within the very near future.

We have one or two other problems. Assume for the moment that we had a jet transport that would meet the test as far as economy and efficiency of operation is concerned. A jet airplane is efficient only at what we would consider, from normal viewpoints, extreme altitudes. You have to get them up to 30,000, 35,000, 40,000 feet before they really start to function and realize their inherent efficiency. Actually, we have very few routes in this country that could be operated on that basis. Nonstop transcontinentals, perhaps one-stop transcontinentals, New York to Miami—there are a few routes, but comparatively few. So, in itself, the jet plane at the present state of the art, would be inefficient for the average carrier to even contemplate using.

Another perhaps equally important fact is that neither our airways system nor our terminal facilities are designed to take airplanes operating at those speeds. I am sure you have all experienced delays here in the New York area, Chicago, Washington, any of the larger cities where the volume of traffic is such that the facilities available are taxed to their utmost to handle them in bad weather conditions, instrument conditions. Well, that is present-day airplanes, cruising somewhere in the neighborhood of 300 miles an hour, ranging down to 160, at approach speeds considerably lower than that, and certainly not capable of taking anything that is going to operate at 400 or 500 miles an hour and approach at about 250. So, if we were to have a jet plane today, efficient as to its cost of operation, why, we just couldn't fit it into the present-day facilities.

You certainly couldn't afford to spend the money that would be necessary to get that airplane if the only time you could fly it would be on clear and unlimited days.

Those two items together seem to me to put the jets back a little way. I have no question in my mind as to the ability of manufacturers to develop a jet comparable to or superior to either the British or the Canadian job. I know that Lockheed, Douglas and Boeing—any of the three—could do it quite simply, but it

isn't appropriate to do it now, and I believe that is the reason they haven't done it.

There is just one more little item that goes into the pot, and I think you fellows might appreciate it even more than the other. Let's take American Airlines as an example. As I recall it, American went into an \$80 million equipment program back in 1946. They completely reequipped the airline with Convairs and with DC-6's. Just very recently I read that American is augmenting that earlier fleet with some \$35 million worth of additional Convairs and the newer DC-3B's. I am sure you know that American has handled its initial \$80 million equipment beautifully.

They took full advantage of the situation, and they have made money hand-over-fist with those airplanes, and they have been amortizing that loan, I think, not only according to schedule, but slightly faster than scheduled.

The same would undoubtedly hold true of the additional \$35 million, but I can't imagine American in its corporate wisdom embarking upon an additional \$35 million capital program if it thought for a minute that within the normal amortization life there were jet planes in the picture. So, I would think that that is a pretty good indication that, as one of the biggest carriers in the business, American doesn't anticipate jets within what might be normally called the amortization life of these airplanes that it has just signed up for.

I would like to add one more item and throw it into the pot. I personally think that there is an intermediate step between the airplanes we previously had and jet transports that should, in my estimation, come through the medium of turbo-prop airplanes which have a much greater efficiency than the airplanes we are using now, but don't get up into the same kind of problems that you do with the true jet.

Incidentally, most of the new airplanes presently being delivered have been designed so that they can be converted from the conventional type of reciprocal engine to the turbo-prop. As to when I personally think we are going to have jets, I think it is going to be a matter of five to 10 years before we see them in operation. I think that then it is going to start with perhaps the transcontinental carriers getting them first, and then the rest of us struggling with ourselves to see just how soon we can.

We have to keep up with the Joneses and try to adopt an airplane that isn't designed for the operation to our particular problem.

If there are more items that you would like to discuss, why, I understand there is a discussion period, and I would be perfectly delighted to do my best to answer any questions. But, before closing, I would like to add one more thing: I assume you fellows have an interest in our business or you wouldn't be here today. I have the feeling that you want to try and learn a little bit more about it than you know. That being the case, then I think you have a responsibility along with it. I think that if you can acquire more knowledge than the average person, if your interests lead you to that point, then I think you have a responsibility to become missionaries in our behalf. I think that you can do a job of selling air transportation.

If I have been able to convince you in any way, shape or form that it is sound business, big business, and has a rightful place in the picture, then I think I have earned my pay today, but I will know it if I start to get a dividend when you do a little selling for us. And, in so far as you are able to

influence public opinion, I would appreciate it very much if you would spread the good word.

I think the airline market, or the market for airline securities, is pretty thin. I think it needs a little bolstering. We think that there are several reasons for that which perhaps should be given consideration, but I think not the consideration they have gotten, or we would have a stronger market.

It doesn't seem to me proper for an industry that is entirely on the up-side with good earnings rec-

ord. Many companies have a good dividend record, but to have as thin a market as we have shows that there must be some reason for it which we, frankly, don't understand. So, the more of you people that we can get talking on the plus side, the more we can get out ourselves, and perhaps the more effect it will have in strengthening that market which is a very, very vital thing to us and our development if we are to go ahead as fast and on as sound a basis as we would like to go.

Continued from page 5

The Defense Program And the Business Future

resents a failure from the Communist point of view.

We must remember, however, that Japan is still unarmed, that our own Defense Program is only beginning to untrack itself and that it will be another year or two, possibly two or three, before Japan is in a condition to influence the Far Eastern balance of Power.

During this period it will be—or should be—impossible for the United States to agree to any cease-fire agreement which would give tactical advantages to the Russian and Chinese opponents. If these countries are left in a position where they can resume fighting under conditions favorable to them, at a time of their choosing, then we would have to regard a cease-fire as an invitation to later disaster.

A great deal is heard of the argument that the Chinese want a cease-fire even though Moscow may not.

It is true that Communist China and Russia both have internal economic problems. These, however, do not come directly from the Korean war, but from the overhead causes of the political regimes and the armament programs. These internal causes are not likely to be reduced no matter what happens in Korea. And since both regimes rely heavily on internal propaganda, to the effect that the United States is a vicious and imperialistic country, it is hard to see how a cease-fire would help them with their internal problems.

In What Respect Might Moscow Or Peking Be Interested in a Cease-Fire in Korea?

There is only one way in which a cease-fire might interest Russia. That is the conflict it would cause between the United States and some of its potential allies.

New election campaigns are coming up in Europe and they may change the constellation of inner-political forces. The position of India is also precarious. Moscow may feel that peace negotiations in Korea would strengthen anti-American forces in these countries, and put new difficulties in the way of military alignments with the United States. As a tactical move, therefore, Moscow might feel that a cease-fire in Korea would have political advantages in other areas.

Apart from this, a cease-fire in Korea would give the Chinese Communists a chance to concentrate more forces in Southeast Asia. British experts in the Far East already feel that their position in that area would become increasingly insecure if a settlement were reached in Korea. Hong-kong, for example, would be in greater danger after a cease-fire than it is now.

What Is the Conclusion From This Discussion About Korea?

I would be the last to say that a cease-fire is completely impossible. And if it should develop it would have a temporary impact on psychology, which might have a considerable importance. Such

questions, however, lie basically in the realm of shadow-boxing. They are fringe maneuvers, tactical situations which unfortunately receive more consideration and seem to be more important than they actually are. My advice to you is to forget about Korea as an important business factor. It is not a basic one, apart from its psychological impact. Regard it from now on as only a tactical problem in world-wide sphere, where more trouble seems to be almost certain in the long run.

The Defense Program Is Misunderstood

Another reason for recent uncertainties has been misunderstanding in connection with the nature, timing and scope of the defense program.

When Korea was invaded, Congress was quick to appropriate substantial sums of money for an expansion of armament spending.

Businessmen and consumers alike remembered the last war and jumped to the conclusion that many shortages would develop quickly.

Since that time a lot of water has gone over the dam. Many of the earlier views were wrong. It was natural enough to remember the last war, and the inflation that accompanied it, and jump to conclusions of this sort. In the long run these fears may be justified. **But I said at the time, and I repeat now, there was no reason to expect shortages of durable goods in the Spring of this year, as so many people did.**

In this sense there is an analogy with the fable, of the boy who cried wolf. At first, his parents and friends came running to his aid, only to find that he had fooled them. Finally, when a wolf actually did appear no one would pay any attention to his calls.

The speculation and the excessive buying that took place last year counted on shortages and a stimulus from the Defense Program that could not possibly begin to develop until late this year. Most people did not realize this. They looked at the amount of money Congress was appropriating, but didn't stop to count up the time it required to tool up war plants and actually get the Defense Program underway. Here are the things that should be understood about the Defense Program.

First of all, there are different kinds of defense money which you are compelled as businessmen to keep track of.

First, there is the amount that Congress appropriates, and which will sooner or later be spent. This is a very large sum indeed.

Second, there is the amount of orders placed. Placing of orders is done by the defense establishments and has quite an impact on the economy. Companies receiving these orders may not produce any defense materials for some time to come; but in any case they will expand their plants or buy machine tools, or otherwise prepare for a later effort.

A third series involves actual spending for defense, that is the payments made to producers as defense materials are manufactured and delivered.

Let us compare some of the differences involved in this flow of funds. The amount of money available to the defense authorities in the last fiscal year, which ended June 30, was \$54 billion.

The amount requested for the defense authorities in the present fiscal year is \$67.6 billion. This means about \$50 billion in orders for goods of one sort or another will be placed in the present fiscal year.

Actual payments for defense deliveries, however, have lagged far behind. The annual rate of spending in the third quarter of 1950, right after Korea, was \$12.8 billion. By the first quarter of this year, the annual rate had gone up to \$24.4 billion. At present the annual rate of spending is approximately \$38.0 billion. In 1952 a rate of \$54 billion will be reached, according to present schedules, in the second quarter of the year.

The Elections

You will see from this discussion of Defense Program spending that there will be a rapid and substantial increase in the actual amounts of money paid out in wages and salaries as actual defense production goes up next year.

You will see in addition that the defense authorities have a substantial amount of money at their disposal, against which orders will be placed in the next six to nine months.

This leads us naturally to the domestic political factor. An election is coming up next year. We do not like to believe that politics are involved in such fundamental questions as defense. We would be less than realistic, however, if we did not recognize the political pressures, which frequently influence decisions.

I have emphasized the huge sum of money against which orders can be placed in the next six to nine months. I don't pretend to know exactly what will be bought with this money. I do know, however, that placing of orders has an impact on individual markets. If there is an order for experimental aircraft, that makes demands on engineers and technicians in the development stage, and will lead to employment of labor and consumption of raw materials only at a much later date. But if there is an order for wool fabrics, or cotton fabrics, or something else that can be produced quickly, employment and mill activity is stimulated immediately. Furthermore, producers immediately go into raw material markets and buy the necessary supplies; and this has an immediate impact on prices.

Cynics have said for many years that any administration with money to spend can improve its chances of re-election by stimulating business during the election period. We must remember that there are billions and billions to be spent before the next elections. Very few markets will fail to receive a big volume of new defense spending.

No Serious Drop in Capital Spending

Some of the pessimists insist there will be a big drop in spending for new plant and equipment. I am convinced they are wrong.

The rising trend of defense work, and the high level of civilian production, will again bring in a good level of profits to most businessmen. There will be a substantial volume of funds available for new plant and equipment spending; it should also be easy for most companies to sell new capital stock issues.

Such spending has made a new record this year. That may be why some economists believe it will decline next year. I'll admit there may not be another big increase,

but I can't find indications of a sharp decline.

Chief Mobilizer Wilson, in fact, seems to be more optimistic than I am on this score. He gives some startlingly high figures, which I am sure are more than guesses; for defense construction. Military defense construction will double next year, and industrial defense construction will show another gain. Private construction, Wilson seems to believe, will have to be reduced somewhat in order to make way for this expansion.

Demand for Durables to Exceed Supply

Durable goods production for consumers in 1952 will be below this year's levels. But this won't be because of the lack in demand. It will be the result of continued restrictions on the use of scarce materials.

There has been a big volume of production since the last war ended, of automobiles, refrigerators and other durables. Consumers will no longer buy anything at any price. But I want to point out to you that marriage rates are still high and that income is still going up.

Moreover, the replacement market for autos and all kinds of appliances is still big. The average age of cars on the road, for example, is still a lot higher than it was prewar. The consumer inventory of most appliances is also above average in age, and this indicates a good volume of replacement demand.

With income rising, and the supply of appliances and autos limited, an inflationary gap will begin to open up again. Not a big one, as during the last war, but a gap big enough to act as a stimulating business factor. Its consequences will be as follows:

(1) Price pressures will again be upward.

(2) Soft lines—textiles, apparel, etc.—will for the first time be helped by a growing excess of purchasing power.

(3) Consumer buying, which has lagged now for most of the year, will again become more aggressive.

Conclusions

I stated my views at the beginning of this talk, so I will merely sum up:

Next year will be a good year. Sales, prices, and production will average higher.

An expanding level of defense activity provides a foolproof guarantee of high level activity. The Defense Program, in fact, will probably be expanded.

My recommendation to you is to make the most of these favorable prospects. Don't let doubt and uncertainty undermine your thinking. This is the time for aggressive and constructive planning.

With Continental Secs.

(Special to THE FINANCIAL CHRONICLE)

GRAND RAPIDS, Mich.—Ronald W. Sherwin has joined the staff of Continental Securities Co., Inc., Peoples National Bank Building.

Francis I. du Pont Adds

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn.—Kenneth A. Mitchell has become associated with Francis I. du Pont & Co., 607 Marquette Avenue. Mr. Mitchell was formerly with Kalman & Company, Inc.

Olsen, Donnerberg Adds

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—Otis O. Gilworth has been added to the staff of Olsen, Donnerberg & Co., Inc., 418 Olive Street.

With H. L. Robbins

(Special to THE FINANCIAL CHRONICLE)

WORCESTER, Mass.—Walter J. Zawistowski is with H. L. Robbins & Co., Inc., 300 Main Street.

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The Security I Like Best

products provisions in the Revenue Act of 1950.

(3) **Dividends:** 75c per share was paid in 1950. A larger distribution is expected in 1951 but the company will probably continue to follow a very conservative dividend policy, retaining earnings to finance its further expansion program, now estimated to exceed \$2,000,000.

(4) **Backlog:** The company reported an \$8,000,000 backlog in 1951, which provides them with capacity business in almost all products for a substantial period ahead.

(5) **Balance sheet position:** Current assets of \$8,827,000 (as of Dec. 31, 1950) exceeded current liabilities by over \$6,600,000. Equity per common share was \$14.24. However, the plant acquired from the government is valued at only \$500,000 on the books and based on cost or replacement, it is worth many times this amount.

(6) **Capitalization:** Except for a small subsidiary preferred stock issue (\$360,000 as at Dec. 31, 1950), the company's capital consists of 624,000 shares of common stock. There is no funded or bank indebtedness.

(7) **Price Range:** The stock is currently selling on the New York Curb Exchange at about \$27 per share. Price range for 1951 has been: High 30 3/4, Low 16 1/2; since 1944 (adjusted for 2 to 1 split in 1946): High 53 (in 1945); Low 8 1/2 (in 1949). The high in 1945 was achieved when earnings were only 78c per share and was due in part to unwarranted and unauthorized stories that exaggerated the company's participation in the atomic energy program.

Conclusions: While dividend return is small and net earnings after heavy excess profits taxation moderate (price-to-earnings ratio about 9 to 1), the growth characteristics of the company warrant confidence, long term, in this stock as a sound speculation in the development of science in the field of metallurgy. Its products, generally classified as electric contacts, carbide tools, electronics, rectifiers, tantalum metal, etc., are recognized as quality products in their respective fields. Fansteel's research has been intensive and the results to date are very gratifying. The future is even brighter as technology, including the wonders of chemistry and metallurgy, continues to transform and improve industry and in turn the daily lives of the people.

E. BATES MCKEE

Partner, Richard W. Clarke & Co.,
Members, New York Stock Exchange,
New York City

United Corporation

Choosing one favorite stock is somewhat like choosing a favorite necktie; it depends on the person for whom it is chosen and the occasion for which it is intended. If we assume that the person is an individual investor, and the occasion is the present, when the market as a whole has enjoyed a 28-month advance, my favorite stock is United Corporation. Two principal factors make United Corporation attractive at this time.



E. Bates McKee

Two principal factors make United Corporation attractive at this time.

It provides a means of acquiring at a discount ownership in a diversified portfolio of well-managed public utility companies and, secondly, its dividends are and should continue free from Federal Income Tax.

United Corporation is at present a registered public utility holding company. Its financial balance sheet is extremely simple. Its capitalization consists solely of 14,072,150 shares of common stock. Its assets consist solely of a portfolio of utility stocks and cash and equivalent which as of Oct. 6 gave it a liquidating value of \$4.81 per share as shown in the accompanying tabulation.

United Corporation earns from dividends and interest approximately \$3,000,000 or 21 cents a share after expenses. It is the announced intention of the management to pay out the equivalent of all such earnings in the form of dividends, and beginning in 1949 a semi-annual dividend of 10 cents has been paid regularly. The next payment can be expected in December.

There is a special reason for the use of the word "equivalent" in the above paragraph. United Corporation was formed in 1929 and acquired its assets at the inflated values of that period. It therefore has on its books unrealized tax losses of \$105 million, equivalent to \$7 a share. These losses can be used each year to offset its regular income and any realized profits, so that dividends paid out are treated as a return of capital and not subject to ordinary income tax. Instead all dividends paid to a stockholder are used by him to reduce the stated cost price of his stock until it is written down to zero, and thereafter he treats them as long-term capital gains. At its present price of 4 1/4 the tax free yield on a 20-cent dividend is 4.2%. To anyone in the 50% bracket (over \$20,000 of net income based on 1950 rates) is equivalent to a yield of over 8%, far more than can be obtained by buying the common stock of any good power and light stock such as make up the portfolio of United Corporation itself.

A brief study of the past record of United Corporation will give the prospective investor a great deal of confidence in its present management. In June, 1942 the net indicated value of its assets was \$52,000,000 and the common stock, preceded by debt and preference stock, was "under water"

to the extent of \$76,000,000. At that time it is interesting to note that Mr. William Hickey, then and now President of United, stated that in his opinion the holding company's assets had an intrinsic value of over \$230,000,000, a statement received at the time with some skepticism. Since that date the management, by obtaining the most beneficial solution to its problems under the Holding Company Act, as a result of reorganization of its statutory subsidiaries on a sound basis, has retired preference stock and arrears in a total of \$162,000,000, has paid off bank loans in the amount of \$4,000,000, has distributed to the common stockholders as a dividend 1,443,000 shares of Niagara Hudson's common stock worth over \$23,000,000, has retired 457,000 shares of its own common stock and has paid through 1950 common dividends of \$4,300,000. After all these payments the assets remaining for the present stockholders as shown in the table have a market value of \$67,754,000. Present market value plus distributions to date total \$259,000,000 which certainly justifies Mr. Hickey's prediction made nine years previously.

During this period the management of the Corporation has also been taking various steps necessary to divest itself of its status as a Public Utility Holding Company, so that at present all that remains is for it to reduce its holdings of more than 5% of the outstanding shares of any companies in its portfolio (Niagara Mohawk Power, South Jersey Gas and Columbia Gas) which it expects to accomplish within the near future. It will then become a closed-end investment company and as such be free of its present restrictions and able to diversify its investments as conditions warrant.

These facts are interesting in view of the publicity that this Corporation received last summer in connection with a possible Congressional investigation of the relations between United and the Securities and Exchange Commission. It would be out of place here to predict the results of such an inquiry, but both the Corporation and the Securities and Exchange Commission have stated that they believe such an investigation would redound to their credit and the market action of the stock would indicate that the investing public is not worried on this score.

Because of the quality of its portfolio, the attractiveness of its tax-free dividend and the caliber of its management, United Corporation appears to be a very attractive investment at the present time.

Continued from first page

The Immediate Outlook— A Supply-Demand Stalemate

bombers, etc., still unknown) seems to be most substantial. This prospect, however, is not expected to inflate us during the next nine months except possibly through anticipatory actions in scattered parts of industry. The thought should at least be tucked away, however, that whatever the shifts in the domestic sector of the economy in 1953, and however complete our industrial preparations may be by that time, the trend of military spending itself will still be upward.

Supply

National output is still slowly rising. It is my guess that in the second quarter, 1952, real supply will on the average be a little, perhaps 3/4%, above its average level in the second quarter of this year—the gain being compounded of a rise in total manhours of between 2-3%, and a small and probably sub-normal increase in manhour productivity. This rise in total manhours should be attained through normal additions to the work force, recruitment of marginal workers, perhaps a tiny lengthening of the workweek, and after allowing for the drains of selective service. The expected increase in manhour productivity can hardly be confused with a miracle of growth. The American people are not going to be in the necessary mood of exaltation for a really inspired effort. And there will be slack due to the input of workers who are either green or below average in efficiency, and to materials shortages. Even so, there was a business and production letdown in some industries in the second quarter, 1951 and a recovery at those points will mean more production-out of the same resources. We have been pouring new capital into our production system since the war on a scale that was almost disturbing at times, and it can hardly help making its weight felt in higher output per manhour. In response to the shift in composition of national output from normal activities to defense, a great many workers will by the same token be shifting from low productivity industries to high. Therefore, on balance and without exaltation, we ought to improve a little although not very much in real terms.

(In billions of dollars)			
1951			
2nd Quar.	3rd Quar.	4th Quar.	
\$34.8	\$41	\$52	
1952			
1st Quar.	2nd Quar.		
\$57	\$62		

What these figures say of interest to us is that the rate of military output that is assumed for the quarter ending next June 30 will be about \$27 billion above that of second quarter 1951 and that around that \$27 billion swirls most of the controversy about what is going to happen to business and to the economy. (Parenthetically, third quarter 1951 data suggest that the figure will be about \$21 billion above the rate for that period.)

In the meantime, as has been observed by countless protesting committees, the rest of the government keeps on spending, and so do states, cities and other smaller units. The issue for us of course is not whether it is all good or some of it inexcusable, but merely how much. The states and municipalities give the impression of milling about rather forlornly, wanting to buy many things and being frustrated principally by material shortages, and to some extent by credit restrictions. There are without doubt amny serious arrearages in roads and other public works to be made up. Also there will be pressures for higher wages which if realized would add to the outlays. On the other hand, control over construction will be tighter. And on balance, it seems doubtful whether Federal non-security spending will depart greatly from the second quarter, 1951 annual rate. As a very rough guess, the net thrust of these conflicting forces is gauged here at about \$24.8 billion in fourth quarter 1951, \$24.3 billion in first quarter 1952 and \$23.9 billion in second quarter 1952, all at annual rates—the last figure being some \$1.3 billion below the rate attained in the second quarter of this year. (The use of fractions is not intended to indicate unusual daring, but as in the case of all figures in a story like this to convey a general idea of expected proportions and trends.) For all Federal, state and local outlays for goods and services—security

Demand

Now we must know or guess how much money the people and government of this growing economy will try to spend. If our guess is good we will have accomplished two things. We will have answered both (1) the homely old question that probably preoccupies us too greatly in this statistical age, namely, what's ahead for business, and (2) the more modern and sophisticated query, will or will not the pressure on supply be such as to generate more inflation?

Federal Expenditures for National Security

In the short time at our disposal we can do no more than look at a few broad categories, but certainly, looming over all of them, is defense. What average time-shape are outlays for this purpose likely to assume? For several reasons

ASSETS OF UNITED CORPORATION

Securities—	Closing Prices	Shares or Bonds	Indicated Market Value
Statutory Subsidiaries:			
Niagara Mohawk Power Corp., class A	27 1/4	20,196.1	\$550,344
Niagara Mohawk Power Corp., common	24 1/4	1,004,081.72	24,976,533
South Jersey Gas Co., common	17 1/4	154,231.8	2,660,499
Other Companies:			
American Water Works Co. Inc., common	8 1/4	46,870	415,971
Cincinnati Gas & Electric Co., common	38 1/4	17,359	663,982
The Columbia Gas System, Inc., common	16	755,136	12,082,176
Consolidated Edison of N. Y., Inc., common	31 3/4	204,680	6,498,590
Consolidated Gas Electric Light and Power Co. of Baltimore, common	25 1/4	13,755	352,472
Consumers Power Co., common	33 3/4	30,000	1,012,500
The Lehigh Coal and Navigation Co., capital	9 3/4	48,705	474,874
The Edison Company, common	32 3/4	14,240	468,140
Philadelphia Electric Co., common	28 1/4	48,667	1,374,843
Public Service Electric and Gas Co., common	23 3/4	406,129	9,645,564
The Southern Company, common	11 1/4	44,065	512,256
The United Gas Improvement Co., common	28 1/4	5,832	164,025
The West Penn Electric Co., common	28 3/4	71,837	2,038,375
Other securities under acquisition			330,808
			\$64,221,952
U. S. Treasury 2 1/2% bonds, 9-15-53/51	100.1	\$750,000	\$750,234
U. S. Treasury 91-day bills			995,840
Savings Bonds, Defense, series F (at cost)			99,900
Commercial paper			993,448
Accrued interest purchased			3,697
Cash			1,450,531
			\$4,293,650
			\$68,515,602
Less:			
Accrued taxes, expenses and accounts payable			\$619,743
Amount payable upon receipt of securities purchased prior to Oct. 6, 1951			140,866
			\$760,609
Total			\$67,754,993

Shares outstanding, 14,072,149 1/2; per share, \$4.81; closing price, 4 1/4.

and non-security — the prospect therefore is that the second quarter 1952 total will exceed that for the second quarter of this year by about \$26 billion.

Private Gross Investment

This general category includes producers' outlays for equipment, expenditures for nonfarm residential construction and for all other forms of private construction, net investment in inventories which tried to do a little skywriting during the middle of this year, and net foreign investment.

In the case of producers' durable equipment, the outlook is that essential demands for specialized facilities intended directly or indirectly to implement provision of military end items and for expansion of several basic industries to provide insurance against all-out war will for a while hold outlays significantly above even the record-breaking annual rate reached during the second quarter 1951. This should be true of both the current quarter and the first quarter of next year. Even so, the peak may have been passed already. There may be the necessary eagerness to expand and funds with which to finance the expansion, but the signs of increasing stringency in supplies of essential materials are such as to raise doubts about the feasibility of all these brave plans. It seems almost defeatist to describe a parabola for what is supposed to be the very bulwark of our future security, to wit—capacity and more capacity—but that is the way my own figures come out:

1951		
2nd Q.	3rd Q.	4th Q.
\$26.5	\$28	\$27
1952		
1st Q.	2nd Q.	
\$26.5	\$26	

Residential construction also belongs under this heading of private investment, and here prospects are quite different. For some time it has been expected that outlays for housing would skid to around \$9.5 billion in the fourth quarter 1951 from the unparalleled peak of \$13.7 billion in the third quarter 1950. It was also expected, however, that the industry would be hard pressed to hold to this level during the first half of 1952. The principal causes here beyond need for any scholarly research were sundry forms of private and public credit restraint with a moderate assist from materials shortages. But the compassion of Congress in anything affecting housing is never to be taken lightly. Overriding the Federal Reserve Board, it recently and significantly relaxed down payment requirements and restrictions on the length of pay-off periods and otherwise rendered purchases easier. This kindness, wise or unwise, permits us to draw a course for housing that, in hope if not in scale, dating from the beginning of this year to mid-1952, is the opposite of that just described for durable equipment—high on the ends and down in the middle. The recovery anticipated for the second quarter of 1952 is a modest one to be sure, but is a recovery of sorts nevertheless. It may still have to contend with partial market saturation (at prevailing price levels), meager allocation of some important building materials such as copper, and tightness of mortgage funds, but the blockages here are far from complete and a guess is made that by early summer housing outlays should get back to around current levels after a dip of half a billion or so in the meantime.

"Other private construction" presents a more tangled situation. What one may designate as industrial building—outlays in the fields of mining, manufacturing,

power and transportation—should continue to rise well into the first quarter 1952 and fall off but moderately thereafter. Commercial, institutional, farm and miscellaneous construction, however, seem certain to contract rather sharply as control orders and withholding of necessary resources really take effect. For both classes of private construction the five quarter score should be something like the following: \$11.6 billion, \$11.3 billion, \$11 billion, \$10.5 billion, \$9.3 billion. The net effect is that of a gentle but persistent decline, with industrial building bucking the trend until toward the middle of next year.

Inventories

In the 13-month period from Korea through July 1951; overall inventories rose by 30% in dollar terms and by slightly more than half that proportion in physical volume. And yet one can reason away at least a few of the hobgoblins surrounding this development. For useful analysis it must first of all be separated into its logical parts. Under the propulsion of the rearmament program, the biggest increase in the manufacturing level occurred in raw materials components and goods in process. While finished goods rose by 18%, purchased materials and goods in process rose by 47%, or two and a half times as much (both partly in price). Inasmuch as the accumulation of purchased materials and goods in process was principally in support of defense production, and that of finished goods although probably for non-military use was small, there was nothing here to shake the economy very roughly.

Neither did the ratio of inventories to sales of non-durable goods show any great change at the wholesale level in this 13-month span. The same ratio at the retail level did rise, and although the overall jump was only 10% (part of it in price), it could and probably does mask a lot of trouble in particular lines. But a back-up in distribution channels discernible without resort to statistics has occurred in consumer durables, and in the minds of the afflicted merchants at least cannot easily be charmed away. In some circumstances this overload could represent a dreaded type of imbalance requiring a general recession for its reduction. It is easy to make horrendous stories out of the worst cases and impute them to the general economy. This kind of hypnosis is indeed common. The only consolation I can offer is the conventional one that DPA restrictions may eventually bite so hard that the possession of standard durables at least may presently be a comfort rather than a pain.

The forward behavior of these inventories is in fact difficult to forecast closely. As output of consumer durables falls off at the same time that spendable incomes rise and prices are controlled, stocks of consumer durables down the manufacturing and distribution chain should decline—a process that should be intensified by the recent relaxation of credit terms. In the case of soft goods for ultimate use by private consumers, the analysis of consumer expenditures to follow, read in the light of prospective availabilities from current production, suggests a sharp drop in the rate of inventory growth. Absolute declines, however, may not be as important as many expect during any of the quarters under consideration. Meanwhile, the rising military program seems certain for a good while to cause steady and perhaps even substantial jumps in stocks for defense production. My guess here—and this is a ticklish area and I may be overbold—is that the overall movement, though proceeding at a pace far below that set in the last three quarters, will remain positive in sign and at least sig-

nificant in size. I am venturing to place the annual rates of increase at \$2.5 billion a quarter during the remainder of the fiscal year in contrast with the spectacular leaps of \$14.4 billion and \$8 billion in the second and third quarters of this year. Despite this prospect of continued rise, here we find the biggest loss of stimulus to business that we are likely to encounter in this journey.

Net Foreign Investment

Net foreign investment on private account is bobbing around, due to the exceptionally sharp impact of world mobilization on an already precarious balance between exports and imports. An adequate explanation of what may happen henceforth would be out of all proportion to the amount of shift in net spending involved. This year we ran from a net deficit on private account to a small surplus, and without any very good grounds I am anticipating a bare return to a deficit status over the next three quarters.

Consumption Expenditures

Finally I turn to consumption expenditures, which in the aggregate represent by far the largest part of total spending. How will consumers behave? Will they continue to save at the high rates of the last two quarters? And what will be the consequences if they do?

To state the obvious, the outcome here depends upon such simple little matters as how much money people will have left after taxes and what percentage of that net income they will be willing and able to spend. Conditions have changed since last spring. The national security program then contemplated is still about the same as far as near-term effects are concerned, but tax prospects are not. Then we were envisaging a tax program designed to yield \$10 billion at the prospective level and distribution of taxable income — of which roughly half would come directly or indirectly from personal incomes. Moreover, the consumer savings ratio had been expected to rise significantly for several reasons: (a) notably sharp reduction of "dissaving" or withdrawing from hoards, as tight consumer and mortgage credit controls joined a direct limitation on output to restrict outlays for consumer durables and houses, while (b) repayment schedules on heavy installment purchases of such items in 1950 and early 1951 maintained the flow of gross savings. In other words, we could expect a pincer process on spending, the arms of which would be less dissaving on the one hand and more positive saving on the other. Also an additional saving would be forced for the reason that with price controls spending on available supplies would be limited by permissible price ceilings. Result: Immobilization of some excess spending power.

The consumer saving ratio did rise, of course, in second quarter 1951 and third quarter 1951, but I had in mind a longer period of time.

The present outlook is that all these factors, while certain to play some role in the situation, will be somewhat weaker. A brief review of developments will convey some impression of the character of these shifting prospects:

(1) We know that installment credit control has been relaxed significantly by Congressional action.

(2) We know that the recent Defense Housing Act reverses rather sharply earlier policy with respect to residential construction, substantially easing regulation X down payment requirements and giving more time to pay, granting the FMNA new authority to purchase mortgages, providing for direct government loans to veterans who cannot obtain 4% loans

from private sources, and barring control over mortgages or down payments in so-called defense areas. Even so, the effects will not be immediate.

(3) The new tax measures may not yield (or raise accruals in the case of corporations) more than \$6 billion or so annually at the level and distribution of taxable income assumed in calculating the yield of the \$10 billion package. This will on balance raise disposable income although it may at the same time work toward a higher savings ratio.

(4) The recent legislation with respect to price controls and developing policy in the field of wage controls suggests that such devices will be less effective in suppressing demand pressures than had been thought hitherto.

(5) Direct limitations on output of consumer durables to conserve critical resources will and should remain. But it is easy and tempting to expect too much of them. If they are strict in relation to the separate effects of credit controls and fiscal measures, the limited supply of durables can be bought more largely on credit and customers' available cash released for use on other goods with inflationary effects; and if the physical limitations permit higher output than people would take off the market on strict credit terms, obviously any easing of credit and tax restraints will pull resources away from other areas under pressure. In short, imposition of physical limitations far from dispenses with the need for effective credit and fiscal measures.

The outcome? I don't myself believe that there is great danger of our going through the roof as a result of the interplay of these factors. We cannot ignore of course either the possibility of psychological anticipations or of further big jumps in the military program, or of untoward events on the international stage; but these are not analytical matters. Without them the effect will hardly be significant. The surmise I am now about to make is full of hazards, and the figures involved make so big a part of the total that a bad mistake could seriously damage the forecast. With these freely admitted reservations, I am hoping for the sake of my good standing in the astrologers' guild that the five quarterly figures of moment come out somewhat as follows: \$202 billion; \$204 billion; \$212 billion; \$215 billion; and \$217 billion—whatever the imperfections of measurement, a slow gradual rise. These figures are in expected prices, i.e., they reflect price changes that rather mechanically, and without regard to a revival of pathological behavior on the part of consumers, might be expected to result from total spending pressure after allowance for a rising supply and the limited effectiveness expected of price and wage controls.

Conclusions

In summary form, the upshot of the foregoing is roughly as follows:

1. If expectations in the separate areas of activity I have examined should be fulfilled, the seasonally adjusted annual rate of total net spending for the five quarters in which we are interested would eventuate as follows: \$325.6 billion (2Q1951 actual); \$328 billion (3Q approximation); for the quarters lying ahead, \$338, \$334, and \$350.

2. Of these advances, perhaps half will spring from additions to physical supply. If real output should increase by between 3—4% over this period as anticipated, and if spending should materialize as anticipated, 2nd quarter 1952 prices in general should be only slightly higher than in the 2Q1951—not enough to be of any particular consequence to public policy.

3. These figures imply levels of real activity that are largely without parallel in our history. Civilian employment will continue to rise. The annual rate of overall real output will top the all-time peak set in the latter part of World War II. And although differences in product mix might hold the index of industrial production below the record level of 247 set in the late fall of 1943, industrial activity will be moving steadily toward that figure henceforward.

Since the national security share of the totals will be much less than it was in World War II, supplies available for civilians will of course be much more plentiful. In fact the prospects are that they will be more abundant than ever before, taken in aggregate and perhaps even per capita. It is guns and butter for fiscal 1952.

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News About Banks And Bankers

counts from \$7,500,000 to \$8,500,000. The plans for the issuance of additional shares were noted in these columns Sept. 20, page 1073.

Directors of the Bank of America National Trust & Savings Association, of San Francisco, have appointed Garret McEnerney, II, San Francisco attorney and civic leader, to a seat on the board, and at the same time have added Robert Di Giorgio to the board's Advisory Council. Mr. McEnerney, a graduate of University of California, has been practicing law since 1934 and is currently a member of the firm of McEnerney & Jacobs. Mr. Di Giorgio is President and director of the Di Giorgio Wine Co., and Vice-President and director of the Di Giorgio Fruit Corp., a major California agricultural enterprise.

The merger is announced of the Bank of Australasia, established 1835, and The Union Bank of Australia Ltd., established 1837. The banks were merged on Oct. 1 to form one bank under the title of the Australia and New Zealand Bank Ltd. The head office of the enlarged bank is at 71 Cornhill, London EC. 3; the principal office for Australia and New Zealand is at 394 Collins Street, Melbourne, Australia, while the principal office in New Zealand is at Lambton Quay, Wellington, New Zealand.

Joins du Pont, Homsey

(Special to THE FINANCIAL CHRONICLE) BOSTON, Mass. — Lester A. King has joined the staff of du Pont, Homsey & Company, 31 Milk Street, members of the New York and Boston Stock Exchanges. Mr. King was previously with Merrill Lynch, Pierce, Fenner & Beane and Whiting, Weeks & Stubbs.

With Howard, Weil Co.

(Special to THE FINANCIAL CHRONICLE) NEW ORLEANS, La. — Albert J. Meyer has been added to the staff of Howard, Weil, Labouisse, Friedrichs & Company, Hibernia Building, members of the New Orleans and Midwest Stock Exchanges.

With T. J. Pringle

(Special to THE FINANCIAL CHRONICLE) SHREVEPORT, La.—Mrs. Erin S. McKean has become affiliated with T. J. Pringle Investment Co., 515 Market Street. Mrs. McKean was formerly with Investors Syndicate.

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE) DETROIT, Mich. — Frank G. Smith is now with Waddell & Reed, Inc.

Continued from first page

As We See It

type has been the order of the day in the leading countries of the world including the so-called non-imperialist countries as well as those which historically have been actively engaged in colonialism. General world ferment stemming in some part from two world wars and a gigantic business depression is also clearly evident. One result is that in most of the so-called colonial areas a strong feeling exists against heretofore dominating nations.

Anti-Western

This is often termed anti-Western feeling—and those who for their own purposes wish to turn millions against their Western rivals are constantly making use of the term. It happens that it is anti-Westernism for the simple reason that the empire building nations have for the most part been Western nations, and their empires have often been built in Eastern areas of the world. But the feeling of rebellion is not against Westernism as such so much as it is against the "ruling" foreigners of ages gone by. It is, in fact, a form of nationalism in parts of the world which have in the past been obliged in one way or another to bow to foreign interests. This feeling is, moreover, not always rational or well reasoned. Not infrequently, as in Iran, the rebellion can not well fail to place heavy penalties upon those who rebel, penalties which will be roughly in proportion to their success in ridding themselves of foreigners.

But when feelings are rampant, economic wellbeing or, rather, rational appraisal of the prospect of wellbeing, does not govern, and it is clear that the British colonial system, long regarded as the most enlightened in the world, is not faring well. Where members of the Empire are of the same race and background as the people in the motherland, the British have been generally successful in yielding formal control and yet keeping the Empire intact. Thus in Canada, Australia, New Zealand, and South Africa restlessness has brought a status which appears satisfactory. But the story is not quite the same, indeed it may be very different, in Asia, and the British themselves, or rather the radical elements in Britain, are caught in the uncomfortable position of having argued consistently against the very principles which make Empire possible, but at the same time finding themselves with their very economic lives more or less dependent upon some sort of working arrangements with parts of the Empire.

Were It Not for Russia!

It might not be too difficult to reach workable relations, despite all the obvious difficulties, were it not for the existence of another historically imperialist power which has adopted, adapted and perfected ancient techniques which seem to get behind the nationalism of the day. This technique is now known as setting up puppet regimes with natives "running the show," but natives who have been trained in Moscow, trained in the ruthless techniques of communism and indoctrinated to the point where they accept as a matter of course the notion of the infallibility and the utter selflessness of one Josef Stalin.

This is a system to which the Kremlin type of absolutism may often be applied with appalling success—always provided the proper puppets can be found and effectively trained and made sufficiently ruthless. What can be done in such cases is clearly in evidence in Poland, Czechoslovakia, and the other so-called "satellite States" in Eastern Europe. It missed fire in Yugoslavia, it is true, but the end of that story has not been written as yet. It will likewise be interesting to see what the mighty Kremlin can and will make of Communist China, although to date it must be said that the results are not wholly pleasing to the so-called free world. Communist movements also exist in many of the other areas where Britain, France, Holland, and the United States have vital interests of one sort or another.

One trouble is, of course, that the Kremlin is utterly unscrupulous. It is often difficult to match such a foe without becoming one with him. Another is that the sort of ferment now found in many parts of the world is the stuff upon which communism thrives. Preached by dreamy enthusiasts, the system seems to promise milk and honey without end. When such illusive economic doctrine is wedded to the notion that to embrace communism is to free oneself from the "oppressor" of the ages, it becomes an explosive mixture. It is certainly not easy to convince the victim that he is about to be swallowed—the more so since in fact he has been more or less swallowed in cen-

turies past by fellow countrymen of the people who would now warn him and win him.

It is this sort of a situation in world politics which is now testing the abilities of the powers in various countries. One finds it easy to wish that abler men were at the helm in many lands.

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Defense Mobilization Moving Into High Gear

to return to us in the form of increased production.

Copper presents a special problem. Our entire domestic supply, plus what we are able to buy from Chile, is not sufficient to meet our needs.

We are seeking new copper development in Nevada, Arizona, South America and Alaska, but it will be a long time before the metal from these sources will begin to flow to industry.

In the case of rubber, imports of natural rubber are being largely augmented by our synthetic plants. Oil drilling and refining goes on at an accelerated pace, and large increases are being made in power production.

Expanding Our Entire Productive Base

Thus, to meet the demands of defense mobilization, we are increasing our entire productive base. This is just another example of the dynamic quality of the American system, and of its ability to spurt ahead under pressure.

Not many years ago, there were those who contended that our economy had already reached a condition of maturity. That implied that arteriosclerosis was about to set in.

How false that diagnosis was is shown by the record of the last decade. First, we accomplished the stupendous task of production for World War II, providing for our huge forces both in Europe and in the Pacific, besides sending billions of dollars of goods to our Allies under lend-lease.

Next, we confounded the so-called experts who predicted a recession after the war. Instead of the long line of unemployed that was forecast, industry and commerce moved smoothly from war to peace production and, instead of post-war depression, we had a post-war boom. The year 1950 was a record-breaker for civilian production.

Now we are rearming on a gigantic scale, and we are able to do so while maintaining civilian production at high levels. When all of the new expansion plans have been completed and are in place, we shall be ready to write a new and glowing chapter in the history of the Industrial Revolution.

Barring another world war, the future of America can be splendid and magnificent. Our people can enjoy even higher standards of living and the fruits of our industrial progress can spread throughout the world.

But at this point I must warn that, if we are to enjoy material benefits, they must be accompanied by spiritual values and by rugged qualities of character.

We cannot accomplish the objectives of defense mobilization without sacrifices and restraints. As military production bites deeper into our capacity, there will be temporary shortages of civilian goods. Higher taxes will have to be paid. Regulations regarding prices and wages will have to be observed. Individuals will have to make decisions of many kinds concerning their own actions, and the question they should have constantly in mind is: "Will it help or harm the nation's effort?"

Program Can Be Wrecked By Runaway Inflation

The defense mobilization program could be wrecked by runaway inflation, and whether or not we have runaway inflation depends to a large extent on the policies of the large pressure groups—industry, labor, agriculture.

Will they use restraint or will they jockey for individual advantage? Will they accept reasonable prices and wages, or will they seek to upset the balances that the government is trying to achieve in the interest of over-all stabilization?

We are now enjoying a period of relative calm on the price-wage front. The freeze order of last January has had the most salutary results. In the last seven months the consumers' price index rose less than 1%.

Of course, other factors besides the freeze order have contributed to this result, such as the piling up of huge inventories and the fact that people are saving instead of spending.

But the January freeze, however imperfect it was, had a tremendous psychological effect. When people believe that prices will rise, they will buy even if they don't need the goods. If they see prices steady they are more willing to buy only what they need.

Whereas there were no real shortages when the 1950-1951 panic buying occurred, we are now entering a period when inflation pressures will be real rather than psychological.

There will be fewer things to buy and more purchasing power in the hands of the people. Then will come the real test of the numerous safeguards that have been erected against inflation.

I am happy to say that Congress is now reconsidering some of the weakening amendments that were added to the Defense Production Act when it was passed last July.

One of these amendments tends to upset the whole price structure, as applied to manufacturers, which the Office of Price Stabilization has worked out after many months of careful consideration.

It has been called an accountant's dream. I think it should be called instead an accountant's nightmare. If all the accountants in the nation were laid end to end—and I sincerely hope this will never become necessary—they could not hope to unravel the Rube Goldberg puzzle presented by this amendment.

Confidence in Nation's Productive Capacity

I have complete confidence in the nation's genius for production. If, at the same time, we can exercise the restraints and the self-discipline to keep the economy stabilized, we will have met the test imposed upon us in these critical times.

I have spoken of spiritual values and I don't know how better I can explain what I mean than to repeat to you an eloquent statement I heard at New York University last June. The speaker was Acting Chancellor James L. Madden.

Mr. Madden told the blessings

that had been heaped upon our country and he said:

"There must also be a revival of spiritual values in our daily lives, if our industrial mobilization is to be fully effective. As America has been growing over the years, too many of our people have drifted from the religious concepts of their forefathers. They failed to realize that no nation can be truly great which lacks spiritual strength.

"Men will die for their spiritual beliefs because of their implicit faith in the Almighty. Accordingly, now is the time for a revival of interest in the faiths of our fathers, and for greater efforts to put into daily practice the teachings of our respective faiths. America's greatness traces back to God-fearing men and we, like our forefathers, should ask for His blessing and guidance in our efforts to safeguard our country and to build even more solidly for the future. Let us keep in mind that Benjamin Franklin once said 'God governs in the affairs of men.'"

So our defense mobilization is not a slide-rule operation or one whose beginning and end is to see how many weapons of war can be turned out of our factories. It is an exercise of faith—faith in the right of man to enjoy the precious qualities of freedom and justice.

We can no longer take freedom or justice for granted, as gift handed to us by the blood and sacrifice of our forefathers. The lights of freedom and justice are going out all over the world where the shadow of Communism has fallen. We are going to have to fight and strive to keep them alive, because without them life is not worth living.

If the nation will tackle the task of defense mobilization imbued with that great ideal, there need be no fear about the outcome.

\$70,000,000 Fed. Farm Loan Bonds Offered

The 12 Federal land banks are offering publicly today (Oct. 18) through Macdonald G. Newcomb their fiscal agent, \$70,000,000 consolidated Federal farm loan bonds to be dated Nov. 1, 1951, and to mature Nov. 1, 1954. The bond bears interest at 2½% per annum payable semi-annually, and at being offered at 100% and accrued interest. They are being distributed on a nationwide basis through a large selling group of recognized dealers in securities.

Net proceeds from the sale are to be used for repayment of approximately \$44,000,000 of commercial bank borrowings and to provide approximately \$26,000,000 for lending operations.

The consolidated bonds being offered are not government obligations and are not guaranteed by the government, but are the joint and several obligations of the 12 Federal land banks. The bonds are Federally chartered institutions and operate under the supervision of the Farm Credit Administration, which is under the general direction and supervision of the Secretary of Agriculture.

Henry White Co. Formed

TULSA, Okla.—Henry M. White has formed Henry White & Co. with offices in the Oil Capital Building to engage in the securities business. Mr. White was previously with Harris, Upham & Co.

Northeastern Secs. Co.

Leon Kahn has formed Northeastern Securities Co. with office at 325 East 47th Street, New York City to engage in the securities business. Mr. Kahn was previously with E. M. North & Co.

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The Impact of Electronics

we enter the future. But it should be added that the pace has speeded up because history, while repeating itself, is telescoped in time. The probabilities are that the second industrial revolution, which may be said to have started roughly with World War II, will achieve the greatest part of its effect on our lives within 20 to 30 years. And in the event of another world conflict, the time would be cut in half.

Implications of Second Industrial Revolution

The social and economic implications of the second industrial revolution are difficult to appraise. The first industrial revolution was characterized in its early stages, in many cases, by social upheaval and the exploitation of labor. Today a far more enlightened attitude exists. There is every reason to believe that electronics will bring shorter working hours and greater leisure time. It holds the promise, if handled wisely, of raising our already high standards of living.

From the economic viewpoint, the effects are twofold. First, the creation of a great new industrial factor per se, and second, its effect on existing industries. First let us look at the great new development of electronics. Electronics is not an industry; it is a science whose various influences affect different segments of our economy. From the manufacturing point of view alone electronics may be divided into several parts. Most prominent, perhaps, is that which supplies domestic equipment such as radio and television sets. A second part is the group of companies which supply communications equipment; a third supplies industrial electronic devices; a fourth, the industry which builds and will build electronic computers; and finally, there is that group of companies which has devoted itself largely to the production of military equipment. There are, of course, companies which operate in one, two or perhaps all of the various segments of electronic manufacturing.

Electronic Production Over \$4 Billion Annually

It is worth while to look at the figures. The best available figures indicate that the electronics industry in 1939 was producing at a rate of \$230,000,000, of which the greater part, \$160 million, represented home radio sets. These figures are not the retail value but the factory value. From his low point electronic production, largely for military purposes, rose to a peak rate of over \$4 billion annually in 1944. With the end of the war, production fell back, but in 1950, with a very small percentage of military equipment produced, the industry's output is estimated in excess of \$2½ billion, or almost ten times that of 1939.

By the fall of 1952 it is estimated that combined civilian and military production will be at a rate of \$4½ billion. The production of industrial electronic equipment has as yet contributed but little to the total volume of civilian production. This segment of electronics has now reached a point where it can be expected to develop rapidly. It has begun to mature in the sense that the basic research has been completed and the period of commercial exploitation is just beginning. When the freeze on construction of new television stations is lifted, and the telecasting industry is allowed to expand — a subject which I will discuss in a minute — production of television sets will undoubtedly

reach a figure well above the stupendous 7½ million unit output of 1950. It can be concluded, therefore, that even without production of military equipment, the output of electronic devices will reach new peaks.

The Broadcasting Industry

In 1950 the total revenues of the broadcasting industry, including both radio and television, reached a new high figure of over \$550 million. Of this amount, telecasting alone contributed something over \$100 million. In 1951 the total revenues from TV broadcasting are expected to exceed \$250 million. And you have probably all seen the predictions of the Chairman of the Federal Communications Commission, Mr. Wayne Coy, that when the freeze is lifted and the industry has reached a fuller stage of development, say in five years, there will be a thousand television stations operating instead of the present 108 and total revenues from telecasting alone will exceed \$1 billion.

When the television broadcasting system is fully developed, 90% of the country's homes will be within range of telecasting. Allowing for only a few two-set families, it is anticipated that there will be some 40 million sets in use. To return to the set manufacturing business for a moment, these 40 million set owners represent a potential replacement market of perhaps 6½ million units annually, or a market nearly as big as the retail market in 1950 when some 6,600,000 sets were installed. It is probably safe to say that all of the present 13½ million sets in use will be replaced by sets which will receive color. This isn't going to be anything that happens tomorrow or next year or the year after. The CBS system of color, which is now authorized by the Federal Communications Commission for commercial broadcasting, requires an adaptor if it is to be received on present black and white sets, and a converter as well if you are to see the picture in color. It is generally believed in the industry that an all-electronic system which will be compatible—that is, can be received on present black and white sets without any added equipment — will be available within two years at the most.

Developments may come very rapidly in the field of color. About two weeks ago Professor Ernest Lawrence, of cyclotron fame, showed his color tube privately in New York. It is too early yet to evaluate this tube, but it illustrates the rapidity of developments in this field. Similarly, with theater television and Phonevision or some other form of pay-as-you-see television, we cannot yet measure or forecast the effect of these forms of telecasting. Opinions vary widely, but there is no question that both have their own merits. Theater TV has already proved itself as having a great potential for certain types of sports events. The very limited tests conducted in Chicago by Zenith Radio on Phonevision do not seem to warrant drawing any conclusions as to its future. It can be pointed out, however, that the pay-as-you-see system of telecasting involves tying up channels which appear already to be scarce. It does not seem likely that the FCC will authorize any system of this sort to take over a channel until there is an abundance of television programs available to the public on a free basis. In the long run, theater TV, pay-as-you-see television, and color television are all constructive factors giving added impetus

to the already amazing growth of television broadcasting.

Electronics a Constructive Factor

What, then, are the economic effects which we may expect from electronics? There is no question that in the broad sense electronics will be a constructive factor in our economy. I make this statement in full recognition of the fact that many companies which have entered the field or will enter it will not be successful. That has been true of every industrial development. If memory serves me correctly, there were in 1920 100 companies in the manufacture of automobiles. Today you can count the companies left on just about 10 fingers.

Despite the individual casualties which may occur, electronics as a whole will go forward for the reasons I have previously pointed out. From the investor's point of view it is, of course, necessary that he choose with care and only after thorough investigation. New fields of endeavor offer the investor the greatest opportunities for profit. But they require continuous and careful study.

The other economic aspect of electronics which must be evaluated is its effect on other industries. I venture to say there is scarcely any article in common use today that is not touched by electronics before it reaches the consumers' hands. Already electronics is approaching the point where it must be used for a majority of control and measuring operations or a manufacturer will have to bow out to his competitors. In a recent speech at the 100th anniversary celebration of the sending of the first train order by telegraph, the Chairman of the FCC pictured as a future possibility radio-operated trains unattended by engineers and firemen, dispatched by television, with atom-powered locomotives. Already more than half the country's railroads use radio. Microwave relay systems are being installed by certain railroads and some of the natural gas pipe-lines as a more efficient and more economical means of communication. Radar is being installed not only on ocean liners but lake vessels, and the great harbors of the world are installing radar networks as a means of controlling traffic when weather conditions would otherwise halt it. These are but a few of the uses to which electronics is being put today.

I have not discussed the application of electronics for military purposes. All of you are aware of its tremendous importance in every field of military action. Perhaps some of you read General Spaatz' article in a recent issue of "Newsweek" which was headlined on the front cover "Electronics Will Rule the Air." Already the electronic equipment on airplanes in some cases has a value greater than that of an entire World War II plane, and in some planes like the night fighter interceptor, the electronic equipment represents more than half the value of the plane. With the introduction of guided missiles, electronics becomes an even more important factor. And you have undoubtedly seen statements that within a few years warfare in the air as we know it now will no longer exist. The era of the pilotless aircraft, both for attack and defense, is in sight.

We will in all likelihood find that electronic production for military purposes, especially for guided missiles, will be continued at a relatively high level for a number of years to come. The importance of this is two-fold. First, the obvious fact that it provides the manufacturer with a certain volume of business, but more importantly, the fact that the research on military electronics pro-

vides us with new developments for peacetime use.

* * *

This is the broad picture of electronics. It is of necessity a broad picture because the science of electronics is extending its influence throughout our national economy. Some indication of this is given by the fact that the "Electronics Buyers Guide" published by McGraw-Hill lists the names of over 2,500 companies which manufacture electronic components or complete electronic equipment.

Just as steel can be called the backbone of our industry, electronics can be called its nervous system, and promises to become a large part of its brain. I have said that electronics was not an industry but a science which was affecting all the different segments of our economy. I have mentioned the automobile industry. Auto transportation of passengers and freight has been for some time a serious problem to the railroads. But the automobile industry has resulted in a marked expansion in the cement, rubber, steel, and oil industries. The automobile has eliminated the carriage maker and the blacksmith for practical purposes, but on the other hand it has resulted in many constructive developments and has even created one entirely new business—that of the tourist court, or motel, as it is now popularly called.

I have cited before the casualties among the automobile manufacturers. Nevertheless, the man who was fortunate enough to invest his money in the one or two companies that have continued to grow or was shrewd enough and had time enough to follow the changes taking place in the fortunes of those companies in the industry, and shift his investments with the changing tides, has profited handsomely.

Investors Must Exercise Selectivity

Similarly electronics will have its effects on many industries. Similarly it will have its casualties. But there can be little doubt in anyone's mind that in the long run its influence will be highly constructive on our economic and social well being. For the investor, the problem is more complex. His concern is to select the companies with top management which promise to share in the growth of electronics as primary producers of equipment and to diversify part of his funds in this group. Secondly, he must examine his present investments to make sure that they will benefit and not be harmed by this new science. And finally, he should invest an important part of his portfolio in companies which promise to widen their profit potentials by the application of electronics to their own products and production methods.

There is a scene in Act IV of Shakespeare's Julius Caesar where Brutus says to his fellow conspirators, "and we must take the current when it serves, or lose our ventures." This very clearly defines the investment policy which we have developed at Television-Electronics Fund. For the phrase, "we must take the current when it serves," if applied to investment policy, means that we cannot wait to make our investments until the current of progress has carried a development or a company well along toward success. We must be ready to embark on an investment when the current starts flowing. We cannot wait until electronics has become an important part of a company's operations. The investment must be made as soon as it is apparent that a company is either growing in the field of electronics or starts using electronics to improve the

usefulness and salability of its present products.

For such is the speed of development and innovation in electronics that by the time it has become generally known that a company has entered commercial production of an item, the price of its stock in most cases will have, to a good extent, discounted the benefits. I believe it is safe to say that we will find more and more examples of this sort to illustrate the impact of electronics. This impact in its broader sense has been most aptly stated by a scientist in one of the country's foremost electronics laboratories who said "human activities in the next half century will be affected more by electronics than by peacetime uses of atomic energy."

Dillon, Read Group Offers Celanese Debts.

Dillon, Read & Co. Inc. heads an investment banking group comprising 110 firms, which is offering for public sale today (Oct. 18) a new issue of \$50,000,000 Celanese Corp. of America 3½% debentures due Oct. 1, 1976. The debentures are priced at 100% plus accrued interest.

Sinking fund provisions require the corporation to retire \$500,000 principal amount of the new debentures semi-annually from Oct. 1, 1956 to April 1, 1966, inclusive, and \$1,000,000 semi-annually from Oct. 1, 1966 to April 1, 1976, inclusive. The aggregate of such amounts is \$30,000,000. The corporation, at its option, may redeem through the sinking fund on any sinking fund date an additional amount of the new debentures not exceeding the amount it is obligated to retire on such date. Sinking fund redemption price is par. Optional redemption prices range from 103% to par.

Of the proceeds of the sale, \$19,750,000 will be applied by the corporation to the redemption of its outstanding 2¾% serial notes due 1953-58. The remainder will be added to its general funds which will continue to be used in part for capital additions to plants and facilities. The corporation and its domestic subsidiaries now have under construction, or approved for construction, capital additions estimated to cost \$47,000,000, including a new petrochemical plant at Pampa, Texas, in the Panhandle area.

Mitchell Secs. Corp.

MIDLAND, Tex. — Bancroft Mitchell has formed Mitchell Securities Corp. with offices in the Allen Building. Mr. Mitchell was formerly a partner of Bancroft Mitchell & Co. of New York City. Other officers of the new firm are L. M. Mitchell, Vice-President, and B. L. Potter secretary.

Joins Lester, Ryons

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—James M. Gray has become affiliated with Lester, Ryons & Co., 623 South Hope Street, members of the New York and Los Angeles Stock Exchanges. Mr. Gray was previously with Hill Richards & Co. and Bateman, Eichler & Co.

Jacob J. Gilbert Opens

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Cal.—Jacob J. Gilbert has opened offices at 756 South Broadway, to engage in the securities business. He was formerly associated with Phil R. Manning.

Joins Renyx Field

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Mrs. Jane I. Ferrell has joined the staff of Renyx, Field & Co., Inc., 2239 East Colfax Avenue.

Continued from first page

"The Camel's Nose Is Under the Tent"

Finally the camel said: "May I not stand wholly within? I keep the tent open by standing as I do." "Yes, yes," said the Arab. "Come wholly inside. Perhaps it will be better for both of us." So the camel came forward and crowded into the tent.

The Arab with difficulty in the crowded quarters again went to sleep. The next time he woke up he was outside in the cold and the camel had the tent to himself.

Independent of how he got there, the important point is that the camel of government control now has his nose under the tent of free competitive industry and is crowding in. We will all have to watch him or he will take over the tent, and we will lose our economic freedom and with it all our other liberties. Of course, if the camel is really successful in taking over the tent, the members of the Society for the Advancement of Management had better be studying how to become government bureaucrats—not how to become more effective members of our marvelous American industrial system.

Two Major Problems

Our country faces two major problems today. One is the possibility of becoming engaged in a third world war. The other is the problem or danger of losing our type of free society in the process of preparing for war. This is the one I am going to talk about today. The present emergency is being used to promote regimentation under the false assumption that this is the best way to get the job done. Some regimentation may be necessary in war. All regimentation is fatal to a free society in peace.

The Korean war is now more than 15 months old. It is still spoken of by some as a police action. It is much more than that to the men who are doing the fighting. It has already developed into a war of considerable magnitude with all the hardships, death and suffering that always result from war. We and our allies in the United Nations are trying to stop aggression, but we are also trying to localize the fighting. We are not using all our resources to vanquish our known enemies. The free nations still hope that in this way their objectives in Korea can be achieved without precipitating a third world war.

The emergency of the Korean war and the defense program, however, is being used to justify more and more government restrictions and controls. It is being used to justify more and more state planning. It is being used to justify more and more policies that are inconsistent with the fundamentals of a free society. Many people are coming to believe that the immediate danger of a third world war is lessening. Many more believe that the danger of losing our free society through our own internal policies is increasing.

Due to our great industrial capacity and the initiative and spirit of our people, we can have great military power when we are forced to organize it. By organizing that strength now we hope to avoid a third world war. But if in organizing our strength to avoid war we lose the freedoms that Americans have enjoyed for 175 years, we would lose the very values for which we would be willing to fight a war. If we are so unfortunate as to become engaged in another world war, I am sure that America and its allies would ultimately be victorious. But we would again lose the peace

if we lost sight of the basic purpose for which the nation was founded, which is the welfare of its individual citizens and not the aggrandizement of the state or the temporary rulers thereof. It would be tragic indeed if our efforts to organize military strength to save our liberties resulted in the loss of the very liberties we seek to preserve, or if we overdo military preparedness and are at least partly responsible for precipitating a third world war. Such a war, even after victory, would still leave us with the unsolved problem of how to establish a stable peace. We must clarify our international policies now and make it clear to the rest of the world that we are adhering to the purpose for which our country was founded and that our nation has no desire or ambition to control or dominate the rest of the world. The danger of over preparedness was pointed out in an editorial in the "Detroit News" last Sunday, under the title — "Over-Arming Can Lead the Nation Down the Road to World War III."

"Our supposed purpose still is to deter Russia, to check Communist aggression and to provide its forces with visible proof that if they were to undertake a general war, the way would be hard, and they would probably not win. "But it was never intended that we would confront the Communist world with preponderant power, or project a program of armament which in the immediate future might give Russia genuine fears for her security and thereby impel her to strike while there is yet time.

"Those outside the military establishment who until now have supported rearmament will not support it that far, for they realize all too well that it is but trading one form of jeopardy for another, more gravely menacing because of its multiple dangers.

"This nation cannot live for long in peace, or in relative prosperity, once it is converted into an armed camp.

"Either it will be beggared by the cost of military upkeep, and the starving of the supply to its civilian economy will promote depression and political demoralization, or to ward off these evils, we will take the road to war, even as Hitler did.

"Our magic is not greater than that of other countries which in times past have met ruin by having to make this same fateful choice.

"Vast as the threat from Russia may be, we must continue to run risks in that quarter, rather than visit an entrenched militarism upon the United States."

In addition to the danger that results from building up too big a military organization, we face the added danger that our civilian economy will be undermined and many basic individual rights lost.

By using the steel shortage or the assumed steel shortage to justify the control and restriction of commercial production, and by using the threat and fear of inflation to justify wage and price controls, the economy of the whole nation is being placed unnecessarily under increasing regulation. Whatever materials are required for direct military production, of course, must be made available and civilian shortages created if necessary to accomplish that purpose. However, the Korean war and the direct defense program are probably taking less than 10% of the country's greatly increased steel production.

Defense production at its maximum planned rate will probably not require more than 15%, or at the most, 20% of the nation's steel capacity. Nevertheless, all steel is being rationed contrary to the recommendations of the steel industry itself.

We all know that the military program requires a much bigger percentage of the supply of certain so-called critical materials. But American management can work out more or less satisfactory substitutions for these other materials, and the civilian economy can reasonably be maintained if the balance of these materials not currently required by the military program is left available to the free market.

Controls Reduce Supply of Materials

Controls do not produce any more of any material but in many cases actually reduce the supply. Controls or no controls, the civilian economy will have to get along on what is left over after the military effort. Shortages are not new, even in an economy of plenty. Many materials have been in short supply ever since World War II. Even when nothing else is short, money itself is always short. In a free society money is the overall rationer of all activities. If money were no object and the ability to buy unlimited, everyone can think of many things he would like to have or do that he cannot now afford. The same applies to businesses and all forms of social and government activities. On the other hand, in a free society, unless a buyer would rather have the goods and services offered than he would his money, he will not buy but will save his money or spend it for something else. Only the power of the government through taxation can separate a man from his money against his own will.

When the expenditures for a big military program are added to an already big government spending program and to ordinary civilian requirements, the result is an enormous demand for goods and services of all kinds that appears to be insatiable. Consequently, prices tend to rise. Usually in these circumstances it is not considered politically feasible to tax the people enough to cover all government expenditures. This results in unsound financial policies that inevitably lead to inflation.

Henry Hazlitt aptly states the case in the October 1st issue of "Newsweek." To quote, "The first question to be asked today is not how can we stop inflation, but do we really want to? For one of the effects of inflation is to bring about a redistribution of wealth and income. In its early stages (until it reaches the point where it grossly distorts and undermines production itself) it benefits some groups at the expense of others. The first groups acquire a vested interest in maintaining inflation. Too many of us continue under the delusion that we can beat the game—that we can increase our own incomes faster than our living costs. So there is a great deal of hypocrisy in the outcry against inflation. Many of us are shouting in effect: 'Hold down everybody's price and income except my own!'"

Creating New Pressure Groups

Under such circumstances new pressure groups are created and unsound economic policies are adopted for political reasons. Governments themselves are usually the worst offenders in this hypocrisy. It has always been politically popular to spend and politically unpopular to tax.

Theoretically it is possible to fight a war, pay for it as it is being fought, and avoid inflation. We realize that this is true when we think of the cost of war in terms of physical goods and where they come from instead of the

cost in dollars and who will pay them. Obviously, the nation and all the people must live on the goods and services that are left over after the defense or war requirements are taken out of total production.

What actually occurs in time of war is that there is a shift in equities, opportunities and responsibilities between producers (those who have the health and strength to work or fight) and the balance of the population. This intensifies the problem of how to divide equitably new wealth currently being created and how to distribute the shorter supply of goods and services.

There is also the problem of deciding what is a fair share of the war load that each citizen should carry in relation to his age, health, financial and other abilities. From a political point of view it is so difficult to appraise these new equities and responsibilities as between different citizens that it never seems to be expedient to raise all the money required to pay for a war as it is fought or war materials as they are produced. This is another reason why under such conditions nations have usually resorted to currency and credit inflation.

Evils of Controls

At the present time, in the name of stopping inflation, we have resorted to a system of wage, price and production controls. One of the great evils of such government controls is that they rapidly create powerful vested interests and habits of mind which tend to make them permanent. Rent controls and government control of synthetic rubber production, which have been continued ever since World War II, are examples of what I am talking about.

Price control is one of the major steps toward a fully regimented and planned economy, since when the desire and ability to buy are denied in the market place and government controls decide who gets what and how much he should pay, economic freedom is lost and with it gradually many of our other freedoms. Price controls deceive many people since they are led to believe that with price controls their money will buy more. This causes them to temporarily accept government intervention in all economic affairs under the fallacious assumption that government knows best. When they find out differently it is usually too late to undo the damage which has been done. The camel has already taken over the tent.

From the standpoint of controlling inflation, price and wage controls divert attention from the real cause of inflation, which is the increase in the quantity of money and credit as compared to the quantity of goods and services currently available. Hence direct controls are treating the symptoms and not the disease and thus prolong and intensify the inflation they are represented to cure.

We must not allow this problem of inflation and all the talk there is about it to confuse our minds in regard to what we are really fighting. We are fighting militant Marxism and totalitarian aggressors, and increased prices and material shortages are not our enemies but problems to be overcome.

Just how much we can improve over the history of the past in the present emergency remains to be seen. It will depend on how well the people of our country understand the facts and perhaps, on how big the defense load turns out to be. If too much reliance is placed on a multitude of direct controls of materials, production, wages and prices instead of on a few indirect controls affecting the money supply, the financial history of World War II will be duplicated and we will have addi-

tional inflation and future trouble. Direct controls may stop a little profiteering. They may prevent individuals, businesses and owners of commodities from obtaining temporary financial advantage, while the new demand and supply are being brought into balance. But direct controls cannot stop inflation so long as the nation's monetary and fiscal policies inflate the money supply. If the money supply is inflated a new plateau of wages and prices will inevitably result. If it is the national policy to do so, the money supply can always be increased faster by running printing presses and making bookkeeping entries than production can be increased by running machines.

Therefore, direct price and wage controls can be no more than temporary expedients in our present difficulties. We certainly cannot have a free society if they are long continued, and we must not develop a situation where we fear to remove them. It is unthinkable that our only hope of getting rid of them is at the end of another big war. We must remove them during the defense period. Otherwise we will ultimately create by our own internal policies a form of autocratic government not too different from the totalitarian systems we are resisting. Not only is the camel's nose under the tent but any of you who will take a deep breath will be able to detect a certain pollution of the air. That camel is crowding in so close you can smell him.

State Planning Is Essentially Coercive

Even with the best intention on the part of those who have the responsibility, any form of state planning of the economic and personal affairs of all citizens must finally be coercive because the entire population must conform to the will of the planner. Otherwise their rule and plan will be weakened as the people become dissatisfied when they realize that some of the assumptions on which the plans are based are false. Under such conditions only kangaroo courts, secret police and finally military dictatorship will prevent the people from asserting their liberties.

An indication of what we can expect from such government planning was contained in a recent editorial in the "Detroit Free Press." I will read it to you: "When price control agents made pre-dawn raids on 50 slaughter houses we admittedly couldn't see what tangible results were supposed to ensue.

"However, close in their wake the price of beef has been boosted—again.

"We think no Sherlock Holmes is necessary now to make the correct deduction. It is that the sloop down on the slaughterer was meant to hypnotize the housewife into believing her budget was being guarded by the price control farce at the very moment more cost of living increases were being authorized."

If the present trend continues, expect to read in the papers some morning that one of my fellow citizens has been arrested and thrown in jail for cutting up steers the wrong way. In the meantime, serious offenses against the common good will be overlooked and the morale of the nation will suffer.

About six weeks ago, a fellow Detroit, John S. Coleman, President of Burroughs Adding Machine Company, made a talk at Mackinac Island under the title "Business Looks at Government." He said several things so well that I am going to quote them to you.

"The State is too remote an impersonal to provide for the essentially intimate social need of human personality. There is no short cut to our goal. The human problems of the corporation are

not solved by calling it a nationalized undertaking. To compass all our troubles into the legal issue of private or collective ownership is attractively simple. But we do not transform the nature of work in mines or on the railroads by raising the Stars and Stripes. The miner will still be interested in his wages, his hours, his working conditions. He will still want a sense of status and participation. He will still want the satisfaction of standing well with his fellow workers. We all hanker for a magic talisman. But the tensions we seek to resolve are products of industrial culture as a whole, and they do not vanish when a private company becomes a public authority."

Exactly the same results occur when government takes over the control of wages, prices and production. The problems of our American industrial system are not solved even in time of war by the simple expedient of government taking control. As a matter of fact, the problems are usually magnified and made much more difficult, since the effort is made to solve them in an ivory tower and not on a local and case-by-case basis in the factories, mines, cities and communities where the people live and work.

Virtue of Our Economic System

The great virtue of our American economic system is its ability to adjust production and prices to changes in supply and demand through positive incentives for individual action and by competition at the grass roots rather than by government directives from the top.

Our high standard of living cannot be explained on the grounds of natural resources, important as they are. Others, too, have great natural resources. Nor can it be explained by claims of racial superiority. We have a common racial background with many other nations, since most of our ancestors came from Europe.

The simple fact is that Americans have accepted the obligation of individual competition as a responsibility that comes with personal freedom. They have had the opportunity to educate themselves, to choose their own religions, to select their own occupations, to accumulate capital and to invent better ways of doing things. Thus they have developed their individual talents, energies and initiative to the maximum, and through striving to improve their own welfare they have raised the level of prosperity for all Americans.

Americanism is still the new liberal philosophy in the world today. Based on the principles recognized by the founders of our country, the government of the United States has been a great success, probably the most brilliant success in all history. This is the system we must continue to preserve at all cost.

In the spring of 1945 it became clear to me that the time of victory was approaching and that some of the existing manpower restrictions should be removed so that planning for peace could begin. Someone suggested that I try to get Barney Baruch's support in such a policy. One of my General Motors friends and I went to Washington to see him. He was very courteous to us, listening to our whole story, but apparently did not think that the timing was right. He said, "You engineers and mechanics don't understand political leaders. Political leaders must keep looking over their shoulders all the time to see if the boys are still there. If the boys are not still there, they are no longer political leaders."

What I am saying today is being directed to Americans who may read this in the hopes that it will cause their thinking regarding these important

problems and their understanding of them, thereby making it easier for our political leaders to get the right things done. The military program must not be expanded beyond the minimum needed to defend the country. We must adopt indirect controls that will avoid inflating the money supply. We must as quickly as possible get rid of direct controls which interfere with individual initiative and personal rights. Only when the majority of our fellow citizens understand these problems will we have any chance of getting that camel's nose out from under the tent.

Continued from page 4

The State of Trade and Industry

government move, this trade paper declares. In fact, it states, trade authorities believe impact of the regulation will not be felt much before November. However, while experience to date is not too reassuring, it is evident steel control authorities are banking heavily on this policy as regards carryover tonnage to make way for a large number of fourth quarter Controlled Materials Plan tickets still unplaced.

Steelmakers generally are accepting no forward orders for shipment beyond first quarter except in cases of high-rated military requirements. One exception in this regard appears to be cold-finished bars. Last week signs indicated cold-finishers were opening books for second quarter; at least some of them were accepting April shipment business. Expectations are they will book additional tonnage for the period just as soon as they definitely know what to expect in the way of final NPA allocations and special directives, this trade journal states. Hot-carbon bar makers continue to confine new order acceptances to first quarter, and they are even booking cautiously for that shipment. Bars appear in tightest supply position currently, though all the major items, plates, sheets, structurals, pipe, are not far behind.

From some directions demand pressure does not seem quite so strong as it was awhile back. Overall requirements continue to tax producing capacity, but needs of certain manufacturers have definitely eased off. This is true principally in consumer durable lines, such as stoves and sanitaryware, where cutbacks in supplies and heavy stocks of finished goods have forced production curtailments, "Steel" observes. On the other hand, some consumer goods lines, television for example, are showing signs of quickening activity as manufacturers prepare for the holiday trade. For the most part any lack that appears in demand is quickly taken up on defense account and there is little prospect of any likely change in acute steel supply conditions until well into next year at earliest.

Upward pressure on finished steel and related product price structures is in evidence. Except for isolated revisions, such as last summer on stainless and tool steels, prices have held at the January freeze levels. However, costs have risen sharply since and are still rising. Right now the steelmakers are facing threat of another wage increase, and, concludes "Steel" magazine, trade authorities claim another increase cannot possibly be absorbed and must be offset by a price increase, if granted.

The American Iron and Steel Institute announced this week that the operating rate of steel companies having 93% of the steel-making capacity for the entire industry will be 102.1% of capacity for the week beginning Oct. 15, 1951, or an increase of 0.3 of a point from a week ago.

This week's operating rate is equivalent to 2,041,000 tons of steel ingots and castings for the entire industry, compared to 101.8%, or 2,035,000 tons a week ago, and 101.2%, or 2,023,000 tons a month ago. A year ago it stood at 102.0% of the old capacity and amounted to 1,967,300 tons.

Electric Output Extends Gains of Previous Week

The amount of electric energy distributed by the electric light and power industry for the week ended Oct. 13, 1951, was estimated at 7,160,380,000 kwh., according to the Edison Electric Institute.

Output in the latest reporting week showed a further moderate rise above the previous week.

The current total was 4,459,000 kwh. above that of the preceding week; 651,789,000 kwh., or 10.0% above the total output for the week ended Oct. 14, 1950, and 5,480,735,000 kwh. in excess of the output reported for the corresponding period two years ago.

Carloadings Show Decline from Previous Week

Loading of revenue freight for the week ended Oct. 3, 1951, totaled 858,750 cars, according to the Association of American Railroads, representing a decrease of 5,823 cars, or 0.7% below the preceding week.

The week's total represented a decrease of 5,153 cars, or 0.6% below the corresponding week in 1950, but an increase of 284,522 cars, or 49.5% above the comparable period of 1949, when loadings were reduced by strikes in the coal and steel industries.

Auto Output Gains Lift Level by 9% Above Previous Week

Combined motor vehicle production in the United States and Canada the past week, according to "Ward's Automotive Reports," advanced to 121,351 units, compared with the previous week's total of 112,868 (revised) units, and 174,234 units in the like week of 1950.

Passenger car production last week in the United States was about 9% higher than the previous week, but about 35% below the like week of last year.

For the United States alone, total output rose to an estimated 116,040 units from last week's revised total of 106,359 units. In the like week of last year output totaled 167,909 units. Canadian output in the week totaled 5,311 units compared with 6,509 units a week ago, and 6,325 units a year ago.

Total output for the current week was made up of 91,611 cars and 24,429 trucks built in the United States and a total of 3,651 cars and 1,660 trucks built in Canada, against 4,479 cars and 2,030 trucks last week and 4,657 cars and 1,668 trucks in the comparable 1950 week.

Business Failures Continue to Decline Moderately

Commercial and industrial failures dipped to 126 in the week ended Oct. 11 from 133 in the preceding week, Dun & Bradstreet, Inc., reveal. In the fourth consecutive week of decline, casualties were considerably less numerous than in the similar weeks of 1950 and 1949 when 188 and 172 occurred respectively. Remaining far below the prewar level, failures were down 47% from the 1939 total of 237.

Casualties involving liabilities of \$5,000 or more show a decrease from the previous week and were below those of a year ago. A slight increase, on the other hand, took place among small failures during the week.

Wholesale Food Price Index Holds Unchanged for Week

The wholesale food price index, compiled by Dun & Bradstreet, Inc., for Oct. 9 remained unchanged at its previous level of \$6.79, or slightly above the 1951 low of \$6.77 touched on Sept. 18. Although down 7.1% from the year's high of \$7.31 on Feb. 20, the current index is still 13.9% above the pre-Korea figure of \$5.96.

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 Attains Highest Level Since Mid-July

Rising sharply toward the close of the week, the daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., reached the highest level since mid-July. The index closed at 303.54 on Oct. 9, comparing with 302.77 a week earlier, and with 290.28 on the corresponding date of last year.

Grain markets at Chicago were somewhat unsettled last week, but prices generally finished slightly higher than a week ago. Wheat was aided by the delayed harvest in western Canada and a sharp falling off in Spring wheat marketings in the Northwest.

Export clearances of wheat and flour over the past few months were said to be about double those of a year ago.

Trading in corn was quite active. After early weakness prices firmed up as a result of fairly steady foreign buying of cash corn and reports from some sections of the belt indicating serious damage to the crop due to freezing temperatures in late September. Oats strengthened along with other grains; country offerings remained light while farm consumption was reported at a very heavy rate. Rye advanced sharply as offerings decreased and demand improved. Average daily sales of all grain futures on the Chicago Board of Trade last week totaled 42,200,000 bushels, comparing with 49,400,000 the previous week, and 25,000,000 in the corresponding week last year.

Flour prices rose slightly for the week, but buying was mostly of a fill-in nature as bakers and jobbers had previously bought in fairly large volume. Scattered sales were reported to Norway and Latin America, but export trade on the whole remained extremely quiet. Cocoa futures dipped slightly the past week under the influence of commission house and short selling. Manufacturer demand for spot cocoa was slow. Actual coffee prices were steady and firm, aided by replacement buying of green coffees by roasters at the week-end. Domestic raw sugar prices turned upward in the week as the result of better refiner demand.

Domestic cotton prices moved steadily downward most of the week, but rose sharply at the close to register a mild advance for the week.

Early in the week, demand was stimulated by reports of a strong holding movement in the South, coupled with active domestic and foreign price-fixing.

Subsequent weakness was influenced by private crop estimates indicating a sizable increase in the prospective crop. The market strengthened materially, however, on the publication of the official Sept. 1 forecast, which showed a reduction of 360,000 bales from its previous estimate. The latest estimate, 16,931,000 bales, compares with a 1950 crop of 10,012,000 bales, and a 10-year average of 12,030,000 bales.

Trade Volume Eases the Past Week

A moderate decline in retail sales was reported for the period ended on Wednesday of last week. The response to numerous promotion sales held throughout the country was not enough to sustain volume above the high total reached in the corresponding 1950 week, Dun & Bradstreet, Inc., states in its current summary of trade.

Retail food volume was virtually unchanged from the week-ago figure and it continued to exceed that of a year ago. While fresh fruits and vegetables continued to be sold in considerable volume, there was an increased demand for canned goods. The consumer interest in meat remained centered largely on the lower-priced cuts; this was accompanied by an appreciably larger demand for fish, eggs and milk products.

Total retail volume in the period ended on Wednesday of last week was estimated to be from 2% below to 1% above a year ago. Regional estimates varied from the levels of a year ago by the following percentages:

New England 0 to +4; East -3 to +1; South +1 to +5
Middle West -4 to 0; Northwest -2 to +2; Southwest -1 to +3
and Pacific Coast -5 to -1.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended Oct. 6, 1951, decreased 2% from the like period of last year. In the preceding week an increase of 3% (revised) was registered above the like 1950 week, but a decrease of 3% was registered for the four weeks ended Oct. 6, 1951. For the year to date, department store sales registered an advance of 3%.

Retail trade in New York last week suffered from heavy rain and thereby reduced the volume of sales by about 3% below that of the 1950 period.

According to Federal Reserve Board's index, department store sales in New York City for the weekly period ended Oct. 6, 1951, decreased 5% from the like period of last year. In the preceding week a decrease of 2% (revised) was registered below the similar week of 1950. For the four weeks ended Oct. 6, 1951, a decrease of 7% was recorded below that of a year ago, and for the year to date volume advanced 5% from the like period of last year.

Securities Now in Registration

★ REVISIONS THIS WEEK
● INDICATES ADDITIONS

New Registrations and Filings

Air Reduction Co., Inc., N. Y. (11/2)

Oct. 10 filed 248,805 shares of cumulative preferred stock, 1951 series (par \$100) to be offered for subscription by common stockholders of record Nov. 2 at rate of one preferred share for each 11 common shares held; rights to expire about Nov. 19. Price—To be supplied by amendment. Underwriters—Morgan Stanley & Co. and Harriman Ripley & Co., both of New York. Proceeds—For expansion program. Meeting—Stockholders will vote Nov. 1 on creating an authorized issue of 500,000 shares of preferred stock (par \$100) and/or increasing authorized common stock from 3,000,000 to 5,000,000 shs.

Allegheny Ludlum Steel Corp., Pittsburgh, Pa. (10/31)

Oct. 11 filed 81,347 shares of cumulative convertible preferred stock (no par) to be offered for subscription by common stockholders of record Oct. 31 at rate of one preferred share for each 20 shares of common stock held; rights to expire Nov. 14. Price—To be supplied by amendment. Underwriters—The First Boston Corp. and Smith, Barney & Co., New York. Proceeds—For expansion of plant facilities.

American Yacht Club, Rye, N. Y. (10/19)

Oct. 11 (letter of notification) \$225,000 35-year 4% debentures. Price—At par. Underwriter—None. Proceeds—For cost of building, furnishing and equipment of a new Club House at Milton Point, Rye, N. Y.

California Water & Telephone Co. (11/5-6)

Oct. 15 filed 50,000 shares of common stock (par \$25). Price—To be supplied by amendment. Underwriter—Blyth & Co., Inc. Proceeds—To pay off bank loans and for new construction.

Consolidated Engineering Corp., Pasadena, Cal.

Oct. 9 (letter of notification) 575 shares of common stock (par \$1), issued upon exercise of stock options. Price—\$28.25 per share. Underwriter—None. Proceeds—To H. W. Luby and F. L. Vore, selling stockholders.

Crown Finance Co., Inc., New York

Oct. 10 (letter of notification) \$200,000 of 5% subordinated debentures due March 1, 1982. Price—At principal amount. Underwriter—Hodson & Co., Inc., New York. Proceeds—To reduce debt and for expansion, etc. Office—165 Broadway, New York 6, N. Y.

Davis Wholesale Drug Co., Baton Rouge, La.

Oct. 8 (letter of notification) 800 shares of preferred stock (no par) and 800 shares of common stock (no par) to be offered in units of one preferred and one common share. Price—\$100 per unit. Underwriter—None. Proceeds—For working capital.

Derby Gas & Electric Corp. (10/19)

Oct. 11 (letter of notification) 13,000 shares of common stock (no par). Price—\$22.75 per share. Underwriter—White, Weld & Co., New York. Proceeds—To be applied toward 1951 construction program.

Detroit Edison Co., Detroit, Mich.

Oct. 17 filed \$40,000,000 of general and refunding mortgage bonds, series K, due Nov. 25, 1976. Underwriter—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.

Dresser Industries, Inc., Dallas, Tex. (10/22)

Oct. 11 filed 187,500 shares of common stock (par 50¢). Price—To be supplied by amendment. Underwriter—Reynolds & Co., New York. Proceeds—For general corporate purposes.

Gearko, Inc., New York

Oct. 10 (letter of notification) 200,000 shares of common stock (par 1 cent). Price—\$1 per share. Underwriter—Gearhart, Kinnard & Otis, Inc., New York. Proceeds—To pay current indebtedness and for acquisition of oil properties and working capital. Office—45 Nassau Street, New York 5, N. Y.

General Fuse Corp., South River, N. J. (10/22)

Oct. 15 (letter of notification) 50,000 shares of 5½% convertible preferred stock to be offered for subscription by common stockholders at rate of one preferred share for each 12 common shares held. Price—At par (\$5 per share). Underwriter—None. Proceeds—For expansion program.

Golden Ensign Mining Co.

Oct. 12 (letter of notification) 200,000 shares of common stock, of which 106,602 shares will be issued to officers of company for services rendered. Price—At par (10 cents per share). Underwriter—None. Proceeds—To recondition Old Main Tunnel. Office—1350 So. 7th East, Salt Lake City, Utah.

Gulf Finance, Inc., Panama City, Fla.

Oct. 12 (letter of notification) 1,250 shares of preferred profit-sharing stock certificates. Price—\$20 each. Underwriter—None. Proceeds—To expand business. Office—9 East Beach Drive, Panama City, Fla.

Gulf Sulphur Corp., Washington, D. C.

Oct. 12 (letter of notification) 299,999 shares of common stock (par 10 cents). Price—\$1 per share. Underwriter—Peter Morgan & Co., New York. Proceeds—To purchase all outstanding stocks of Compania de Azufre Vera Cruz, S. A., and for working capital. Office—1348 Connecticut Avenue, N. W., Washington, D. C.

Knemar Manufacturing Co., East Palestine, O.

Oct. 9 (letter of notification) 12,837 shares of common stock (no par). Price—\$10 per share. Underwriter—

None. Proceeds—For expansion and improvement of manufacturing facilities. Office—East Martin St. Extension, P. O. Box 230, East Palestine, Ohio.

Lawyers Title Insurance Corp., Richmond, Va.

Oct. 16 filed 60,000 shares of capital stock (par \$5). Price—To be supplied by amendment. Underwriter—None. Proceeds—To enlarge capital and for investment.

Loven Chemical of California

Oct. 8 (letter of notification) 200,000 shares of capital stock. Price—At par (\$1 per share). Underwriter—None. Proceeds—For working capital. Office—244 South Pine St., Newhall, Calif.

Middle East Industries Corp., N. Y.

Oct. 10 (letter of notification) 1,800 shares of 5% cumulative preferred stock (par \$50) and 9,500 shares of common stock (no par). Price—For preferred, at par, and for common, \$20 per share. Underwriter—None. Proceeds—To finance purchase of raw materials and promote development of industries in Israel. Office—170 Broadway, New York.

Miles Laboratories, Inc., Elkhart, Ind.

Oct. 12 (letter of notification) 6,000 shares of common stock (par \$2). Price—Maximum, \$18 per share; minimum, \$16.50 per share. Underwriter—Albert McGann Securities Co., Inc., South Bend, Ind. Proceeds—To Estate of Rachel B. Miles.

National Plumbing Stores Corp.

Oct. 15 (letter of notification) \$123,500 of 20-year 3½% income notes due Oct. 1, 1971. Price—100%. Underwriters—None. Proceeds—For general corporate purposes. Office—79 Cliff Street, New York, N. Y.

Norfolk & Carolina Telephone & Telegraph Co.

Oct. 11 (letter of notification) 2,000 shares of common stock to be offered for subscription by stockholders of record Oct. 15, with rights expiring Nov. 10. Price—At par (\$100 per share). Underwriter—None. Proceeds—To retire notes and for expansion program. Office—South Road Street, Elizabeth City, N. C.

Phoenix Industries Corp., N. Y.

Oct. 12 filed 1,465,167 shares of common stock (par 10¢) to be offered to holders of outstanding common stock of National Power & Light Co. at rate of one-half share of Phoenix Industries Corp. (name to be changed to National Phoenix Industries, Inc.) for each N. P. & L. common share held. Price—To be supplied by amendment. Underwriter—Reynolds & Co., New York. Proceeds—To pay expenses of existing business, to pay final instalment of purchase price on shares of Nedick's, Inc., and for acquisition of other businesses.

Puritan Life Insurance Co., Providence, R. I.

Oct. 9 (letter of notification) 2,000 shares of capital stock (par \$25). Price—\$75 per share. Underwriter—None. Proceeds—For working capital. Office—Turks Head Bldg., Providence 1, R. I.

Radioactive Products, Inc., Detroit, Mich.

Oct. 8 (letter of notification) 10,000 shares of common stock (par \$1). Price—\$2.12½ per share, or "at market." Underwriter—A. H. Vogel & Co., Detroit, Mich. Proceeds—For working capital. Office—443 W. Congress St., Detroit 26, Mich.

Reliance Electric & Engineering Co.

Oct. 10 (letter of notification) 21,820 shares of common stock (par \$5), to be offered pursuant to options granted under an Employees' Stock Option Plan at the last reported sales price for the shares on the New York Curb Exchange prior to the date on which such options are granted. Underwriter—None. Proceeds—For working capital.

Ridley Mines Holding Co., Maida, N. D.

Oct. 5 (letter of notification) 40,000 shares of common stock. Price—At par (\$5 per share). Underwriter—None. Proceeds—To explore mining properties and to develop mine.

Russell Manufacturing Co., Middletown, Conn.

Oct. 4 (letter of notification) 13,321 shares of common stock (no par). Price—\$15.75 per share. Underwriters—Coburn & Middlebrook, Inc., Hartford, Conn., and Granbery, Marache & Co., New York. Proceeds—For working capital. Office—400 E. Main St., Middletown, Conn.

Sonic Research Corp., Boston, Mass.

Oct. 8 (letter of notification) 9,000 shares of common stock (no par). Price—\$20 per share. Underwriter—None. Proceeds—For working capital. Office—15 Char-don St., Boston, Mass.

Southwestern States Telephone Co. (11/5-6)

Oct. 15 filed 70,000 shares of common stock (par \$1). Price—To be supplied by amendment. Underwriter—Central Republic Co., Inc., Chicago, Ill. Proceeds—For construction program.

Touraine Apartments, Inc., Phila., Pa. (10/23)

Oct. 16 (letter of notification) 100,000 shares of common stock (par \$1) to be offered to common stockholders Oct. 5 at rate of five new shares for each 67 shares held; rights expire on or about Nov. 7. Price—\$2 per share. Underwriter—None. Proceeds—For working capital. Office—1520 Spruce Street, Philadelphia 2, Pa.

Vince Corp., Detroit, Mich.

Oct. 11 (letter of notification) 8,973 shares of common stock (par \$1). Price—\$10.50 per share. Underwriter—Reynolds & Co., New York. Proceeds—To Joseph J. Osplacker, the selling stockholder. Office—9111 Schaefer Highway, Detroit 28, Mich.

Wizard Boats, Inc., Costa Mesa, Calif.

Oct. 10 (letter of notification) 300,000 shares of common stock (par \$1), of which 4,840 shares are to be offered to officers and employees of company and 10,000 shares to the public. Price—To employees, \$3.08 per share and to public \$3.50 per share. Underwriters—Stoetzer, Faulkner & Co. and Wm. C. Roney & Co., both of Detroit, Mich. Proceeds—To Estate of Roy C. Weatherwax, the selling stockholder.

Previous Registrations and Filings

Acme Industries, Inc., Jackson, Mich.

Sept. 12 (letter of notification) 14,840 shares of common stock (par \$1), of which 4,840 shares are to be offered to officers and employees of company and 10,000 shares to the public. Price—To employees, \$3.08 per share and to public \$3.50 per share. Underwriters—Stoetzer, Faulkner & Co. and Wm. C. Roney & Co., both of Detroit, Mich. Proceeds—To Estate of Roy C. Weatherwax, the selling stockholder.

Acro Manufacturing Co., Columbus, Ohio

Aug. 14 (letter of notification) 40,716 shares of common stock (par 25 cents), to be offered to present stockholders at rate of four-fifths of a share for each share held (unsubscribed shares to be sold to public). Price—\$7 per share to stockholders and \$8 per share to public. Underwriter—None. Proceeds—For plant improvements and expansion and for working capital. Office—2040 East Main Street, Columbus, Ohio.

Alabama Flake Graphite Co., Birmingham, Ala.

July 12 (letter of notification) \$100,000 of 7% 20-year sinking fund bonds dated Jan. 15, 1949 and due Jan. 15, 1969 (in denominations of \$1,000 each). Price—At par. Underwriter—Odess, Martin & Herzberg, Inc., Birmingham, Ala. Proceeds—For plant expansion. Office—420 Comer Bldg., Birmingham, Ala.

Aluminium, Ltd., Montreal, Canada

Sept. 21 filed 372,205 shares of capital stock (no par) being offered for subscription by stockholders of record Oct. 19 at rate of one new share for each 10 shares held; rights to expire on Nov. 8. Price—\$65 (Canadian) per share. Dealer-Managers—The First Boston Corp. and A. E. Ames & Co., Ltd. Proceeds—For working capital to be available for expansion program.

American Brake Shoe Co.

June 29 filed 50,000 shares of common stock (no par) to be offered to certain officers and key employees through a stock purchase plan. Price—To be not greater than the market price on the date of the offering, or no less than 85% of such price. Underwriter—None. Proceeds—To be added to general funds.

American Investment Co. of Illinois

Aug. 16 filed 167,105 shares of \$1.25 cumulative convertible preference stock, series A (par \$25), being offered in exchange for common stock of Domestic Finance Corp., Chicago, Ill. on basis of one American share for each five Domestic common shares; the offer to expire on Oct. 25. Dealer-Managers—Kidder, Peabody & Co., New York, and Alex. Brown & Sons, Baltimore, Md. Statement effective Sept. 5.

Anesco, Inc., Toledo, Ohio

Oct. 3 (letter of notification) 250 shares of common stock (no par) and 750 shares of preferred stock (par \$100). Price—\$100 per share. Underwriter—None. Proceeds—For general corporate purposes. Address—c/o J. T. Berry, Nicholas Bldg., Toledo 4, Ohio.

Bell & Gossett Co., Morton Grove, Ill.

Sept. 27 (letter of notification) 1,000 shares of common stock (par \$5). Price—At market (approximately \$26.25 per share). Underwriter—Ames, Emerich & Co., Inc., Chicago, Ill. Proceeds—To Clarence E. Pullum, Vice-President, who is the selling stockholder.

Blackwood & Nichols Co., Oklahoma City, Okla., and Davidson, Hartz, Hyde & Dewey, Inc., Madison, N. J.

Sept. 27 filed \$2,000,000 of contributions in oil property interests (1952 fund) in amounts of \$15,000 or more. Underwriter—None. Proceeds—To acquire and develop oil property.


Blair (Neb.) Telephone Co.

July 18 (letter of notification) \$175,000 of first mortgage 4% bonds, series A, due 1971. Price—101 and accrued interest. Underwriter—Wachob-Bender Corp., Omaha, Neb. Proceeds—To retire first mortgage (closed) 3½% bonds and to convert to dial operation.

Burlington Mills Corp.

March 5 filed 300,000 shares of convertible preference stock (par \$100). Price—To be supplied by amendment.

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Corporate and Public Financing

NEW YORK BOSTON PITTSBURGH CHICAGO
PHILADELPHIA SAN FRANCISCO CLEVELAND

Private Wires to all offices

★ **Iowa-Illinois Gas & Electric Co.**

Oct. 3 it was announced that the company contemplates issuance and sale over the next three years of about 60,000 shares of preferred stock (par \$100) or \$6,000,000 in debentures; also an issue of about \$12,000,000 in first mortgage bonds. **Underwriters**—For bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Harriman Ripley & Co., Inc.; Union Securities Corp. and White, Weld & Co. (jointly); Equitable Securities Corp.; Glore, Forgan & Co.; Harris, Hall & Co. (Inc.); Lehman Brothers; Blyth & Co.; The First Boston Corp.; Smith, Barney & Co. The following may bid for preferred stock: Blyth & Co., Inc.; Merrill Lynch, Pierce, Fenner & Beane; Kidder, Peabody & Co., in addition to those mentioned as probable bidders for the bonds, with the exception of Halsey, Stuart & Co. Inc. Proceeds from the sale of the preferred stock or debentures (probably late this year) will be used to retire a \$6,000,000 bank loan used to finance, in part, the company's construction program.

★ **Jacobsen Manufacturing Co., Racine, Wis.**

Sept. 21 it was stated that company plans to issue and call approximately 120,000 additional shares of common stock. **Underwriters**—A. C. Allyn & Co., Inc. and Shillinglaw, Bolger & Co., both of Chicago, Ill. **Proceeds**—For working capital.

★ **Lehmann (J. M.) Co. (N. J.)**

Sept. 1 it was reported that the Office of Alien Property expects to call for bids in October on all of the outstanding stock of this corporation.

★ **Long Island Lighting Co.**

Oct. 3 it was announced company plans to issue and sell in December about \$25,000,000 of first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Lehman Brothers; Kidder, Peabody & Co.; The First Boston Corp.; Union Securities Corp.; Equitable Securities Corp.; White, Weld & Co. **Proceeds**—From sale of bonds, together with proceeds from sale of 100,000 shares of preferred stock (par \$100), will be used to retire \$14,493,400 of bonds of former subsidiaries, to repay bank loans and for construction program. **Additional Financing**—It is further estimated that company will require approximately \$100,000,000 additional to complete the construction program through 1954.

★ **McKesson & Robbins, Inc.**

May 24 it was announced stockholders will vote Oct. 23 on a proposal to increase authorized common stock by 500,000 shares to 2,500,000 shares in order to provide for a probable offering of additional stock to common stockholders. Probable underwriter: Goldman, Sachs & Co., New York. **Proceeds** will be added to working capital.

★ **Mengel Co.**

Aug. 10, Alvan A. Voit, President, stated that the company plans to spend from \$15,000,000 to \$20,000,000 for expansion, but that plans for financing have not yet been completed. Traditional underwriter—F. S. Moseley & Co.

★ **Merritt-Chapman & Scott Corp.**

Oct. 9 it was reported company may issue and sell not in excess of \$5,000,000 convertible preferred stock. **Underwriter**—Will probably include Hirsch & Co., New York.

★ **Metals & Chemicals Corp., Dallas, Tex. (11/15)**

Oct. 3 it was stated company plans issue and sale of 100,000 shares of common stock. **Price**—\$3 per share. **Underwriters**—Beer & Co. and Binford, Dunlap & Reed, both of Dallas, Texas, and Stuart M. Wyeth Co. of Philadelphia, Pa. **Proceeds**—For working capital, etc.

★ **Mulhens (Ferd.), Inc., N. Y. (10/25)**

Bids will be received at the Office of Alien Property, Department of Commerce, 120 Broadway, New York 5, N. Y., by 1:30 p.m. (EST) on Oct. 25 for the purchase from The Attorney General of the United States of 1,000 shares of capital stock (no par) at public sale, as an entirety. These shares constitute 100% of the issued and outstanding stock.

★ **New England Power Co.**

Sept. 6 it was reported that company plans to sell about 50,000 shares of preferred stock this Fall. **Underwriters**—To be determined by competitive bidding. Probable bidders: Lehman Brothers; Equitable Securities Corp. and Carl M. Loeb, Rhoades & Co. (jointly); The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; Kidder, Peabody & Co.; The First Boston Corp.; W. C. Langley & Co.; Harriman Ripley & Co., Inc. **Proceeds**—To repay bank loans and for construction program.

★ **Northern Indiana Public Service Co.**

Oct. 4 it was stated that stockholders will vote Oct. 25 on increasing authorized common stock to 4,500,000 shares from 4,000,000 shares and on approving the creation of 240,000 shares of new cumulative preference stock (par \$25). The new preference stock will be first offered to common stockholders. Probable underwriters—Central Republic Co. Inc.; Blyth & Co., Inc.; and Merrill Lynch, Pierce, Fenner & Beane.

★ **Pacific Telephone & Telegraph Co. (11/20)**

Aug. 15 it was announced company plans to issue and sell \$30,000,000 of 3½-year debentures and 633,274 additional shares of common stock at par (\$100 per share) to present stockholders at rate of one new share for each nine shares held. Probable bidders for debentures: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Lehman Brothers and Union Securities Corp. (jointly); White, Weld & Co. **Proceeds** will be used to repay bank loans and for expansion program. **Bids**—Expected to be received on Nov. 20.

★ **Parker Pen Co. (11/13)**

Oct. 9 it was reported that sale of from 90,000 to 100,000 shares of class B common stock (par \$2) is contemplated on or about Nov. 13. **Price**—To be announced later. **Underwriters**—A. G. Becker & Co. Inc., Chicago, Ill., and Robert W. Baird & Co., Milwaukee, Wis. **Proceeds**—To selling stockholders.

★ **Parkersburg Rig & Reel Co.**

Aug. 1 A. Sidney Knowles, Chairman and President, announced that the directors have approved in principle a plan to offer a modest amount (not exceeding \$300,000) of common stock for subscription by common stockholders. This may involve the issuance of 24,700 additional shares on a one-for-eight basis. There are presently outstanding 197,600 shares of \$1 par value. **Probable Underwriter**—H. M. Byllesby & Co., Chicago, Ill. **Proceeds**—For working capital.

★ **Penn Electric Switch Co., Goshen, Ind.**

Sept. 21 it was reported that company plans to issue and sell 100,000 additional shares of common stock. **Underwriter**—F. S. Moseley & Co., Boston, Mass. **Proceeds**—For expansion program and working capital.

★ **Pennsylvania Water & Power Co.**

July 25, stockholders approved issuance of 78,507 shares of cumulative preferred stock (par \$100). **Proceeds** will be used for expansion program.

Aug. 7, it was reported company may issue and sell \$8,000,000 to \$10,000,000 of first mortgage bonds. Probable bidders may include: Halsey, Stuart & Co. Inc.; Lehman Brothers; White, Weld & Co. **Proceeds** will be used for expansion program. Financing not considered imminent.

★ **Philadelphia Electric Co.**

Sept. 30 company announced that about \$200,000,000 will have to be raised through the sale of additional securities, spaced at intervals, and in amounts which will permit ready absorption by the investment market. The overall construction program has already cost \$217,000,000, and will require expenditures of about \$365,000,000 more in the years 1951 to 1956.

★ **Pittsburgh Steel Co.**

Oct. 11 it was announced stockholders will vote Dec. 5 on increasing authorized 5½% prior preferred stock, first series, from 225,927 to 400,000 shares and the authorized common stock from 1,500,000 to 2,500,000 shares.

★ **Public Service Co. of New Hampshire**

Sept. 25, it was reported company may issue and sell late in November 150,000 to 200,000 shares of additional common stock. Probable bidders: Kidder, Peabody & Co. and Blyth & Co., Inc. (jointly); The First Boston Corp.; Harriman Ripley & Co. Inc.

★ **Public Service Co. of North Carolina, Inc.**

July 12 it was announced company plans to issue and sell several million dollars of first mortgage bonds in the Fall. In July last year, \$1,200,000 of bonds were placed privately with two institutional investors.

★ **Rochester Gas & Electric Corp.**

Aug. 1 it was announced that company expects to issue \$5,000,000 additional first mortgage bonds and additional debt securities or preferred or common stocks, bank borrowings, or some combination thereof, in connection with its construction program. The method of obtaining such additional cash requirement has not been determined. Previous bond financing was done privately.

July 18, it was reported that the company expects to raise money through the sale of some preferred stock later this year. **Underwriter**—Probably The First Boston Corp., New York. **Proceeds**—To finance, in part, a \$10,000,000 construction program the company has budgeted for the next two years.

★ **Ryan Aeronautical Co., San Diego, Calif.**

Aug. 4 it was announced company plans to increase its authorized capital stock (par \$1) from 500,000 to 2,000,000 shares in order to place it in a position to do appropriate financing of some form of its own securities if and when advantageous to the company. The new financing may take the form of a general offering for sale to the public or granting of rights to stockholders; or the reservation for conversion of long-term indebtedness which could be issued with provision for convertibility into common stock. The company presently has outstanding 439,193 shares of capital stock, of which 45,350 shares are held by the wholly owned subsidiary, Ryan School of Aeronautics.

★ **Schering Corp.**

Oct. 3 it was reported that the sale of the company's entire common stock issue (440,000 shares) was not expected for at least two months. The sale will be made to the highest bidder by the Office of Alien Property. Probable bidders: A. G. Becker & Co. (Inc.), Union Securities Corp. and Ladenburg, Thalmann & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Kidder, Peabody & Co.; F. Eberstadt & Co.; Allen & Co.; new company formed by United States & International Securities Corp., Dillon, Read & Co.; F. S. Moseley & Co.; Riter & Co.

★ **South Jersey Gas Co.**

April 24 Earl Smith, President, announced company plans a bond issue of more than \$8,000,000 by fall of this year. **Underwriters**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Blyth & Co., Inc. **Proceeds**—To refund the presently outstanding \$4,000,000 of 4½% first mortgage bonds and repay outstanding short-term bank notes which are due before the end of the year.

★ **Southern California Edison Co.**

Aug. 29 it was announced company may have to raise approximately \$49,900,000 more through additional financing to take care of its 1951-1952 construction pro-

gram. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Blyth & Co., Inc.; The First Boston Corp. and Harris, Hall & Co., Inc. (jointly). These bankers bid for the \$30,000,000 issue of 3½% first and refunding mortgage bonds which were sold last week. The nature, amounts and timing of the new financing cannot now be determined, and will depend in part on market conditions existing from time to time and may include temporary bank loans.

★ **Southern California Gas Co.**

April 4, the company indicated it would this year be in the market with \$18,000,000 of senior securities. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; White, Weld & Co.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane and Harris, Hall & Co. (Inc.) (jointly). **Offering**—Expected in the Fall.

★ **Southern Natural Gas Co.**

July 31 it was announced company has filed an application with FPC for permission to construct additional facilities to cost an estimated \$13,641,000, of which approximately \$9,187,000 is expected to be spent in 1951. [The additional matter previously appearing under this company referred to Standard Products Co.]

★ **Sylvania Electric Products, Inc.**

Oct. 10, it was announced that the company contemplates issuance and sale of not more than 200,000 shares of new convertible preferred stock (about \$20,000,000) and about \$25,000,000 of new 20-year sinking fund debentures. **Underwriter**—Paine, Webber, Jackson & Curtis. **Proceeds**—To retire \$17,200,000 of 3¾% debentures, to finance expansion program to cost more than \$18,000,000 and for working capital. **Meeting**—Stockholders will vote Nov. 19 on approving financing program.

★ **Texas Utilities Co.**

Sept. 24 it was reported company may issue and sell around 400,000 additional shares of common stock early in 1952. Probable bidders: The First Boston Corp. and Blyth & Co., Inc. (jointly); Union Securities Corp.; Lehman Brothers and Bear, Stearns & Co. (jointly); Goldman, Sachs & Co. and Harriman Ripley & Co., Inc. (jointly); Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly).

★ **Tide Water Power Co.**

Sept. 17 it was reported company has applied to the North Carolina Utilities Commission for permission to borrow \$1,500,000 on 3% notes. These notes would be refunded through the sale of common or preferred stock. Traditional underwriters: Union Securities Corp. and W. C. Langley & Co., New York. **Proceeds** from notes to be used to pay for construction costs.

★ **United Gas Corp.**

Aug. 1, N. C. McGowan, President, announced that "it will be necessary to arrange for an additional \$50,000,000 to complete the total financing, and it is presently anticipated this will be done by the sale of first mortgage and collateral trust bonds during the latter part of the year." **Underwriters**—To be determined by competitive bidding. Bidders for an issue of like amount sold on July 24 were Halsey, Stuart & Co. Inc.; Morgan Stanley & Co., White, Weld & Co. and Equitable Securities Corp. (jointly); The First Boston Corp., Harriman Ripley & Co., Inc., and Goldman, Sachs & Co. (jointly). **Proceeds**—For expansion program of United Gas System and for other corporate purposes.

★ **Van Norman Co.**

Oct. 11 it was announced stockholders will vote Nov. 15 on increasing authorized common stock by an additional 200,000 shares of common stock and an authorizing issuance of all or any part of such increased shares by the directors without prior offering to stockholders. **Underwriter**—Paine, Webber, Jackson & Curtis.

★ **Virginia Electric & Power Co. (12/10)**

Sept. 25, Jack G. Holtzclaw, President, announced the company proposes to issue and sell \$20,000,000 of first and refunding mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Stone & Webster Securities Corp.; Union Securities Corp.; White, Weld & Co. **Proceeds**—For construction program. **Bids**—Expected to be opened on or about Dec. 10.

★ **Western Leaseholds, Ltd. (Canada)**

Oct. 8 it was reported that between 1,000,000 and 1,200,000 shares of common stock will soon be offered to public. **Price**—In the neighborhood of \$11 per share. **Underwriters**—Probably Morgan Stanley & Co.; Carl M. Loeb, Rhoades & Co., and A. E. Ames & Co., Ltd. **Proceeds**—To Dome Mines, Ltd., the parent. **Registration**—Expected early next month.

★ **Westinghouse Electric Corp.**

Sept. 26, it was announced stockholders will vote Dec. 14 on increasing authorized indebtedness to \$500,000,000 from \$150,000,000 in connection with a \$296,000,000 expansion program. Company plans sale of debt securities the type and amount of which are undetermined (may be private). Traditional underwriter: Kuhn, Loeb & Co., New York.

★ **Wisconsin Public Service Corp.**

Sept. 4 C. E. Kohlepp, President, announced company plans to build a \$12,000,000 steam turbine power plant in Marathon County, Wis. Method of permanent financing has not yet been determined. If bonds, probable bidders may include: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Harris, Hall & Co. (Inc.); Kidder, Peabody & Co.; Carl M. Loeb, Rhoades & Co.; Salomon Bros. & Hutzler; Union Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane; Shields & Co.

Continued from page 3

Your Stake in American Business

government services until we are better able to pay for them.

Investment Requires Faith in Future Stability

You may at this point very properly ask the question: What has all this to do with the need for investing in America? Well, it has a lot to do with it. Before we can honestly recommend increased investment in American enterprises by more and more people, we must be sure in our own minds of our faith in the future stability of these enterprises. In my opinion, the future well-being of business enterprise is not a matter of good or bad business management, it is rather a matter of good or bad government and its overall relationship to our national economy.

What that may be is just what we, the people of these United States, choose it to be. Here, therefore, is the most effective key to the problems ahead. It is the people themselves who must assert their demands, and the surest way, if not the quickest way, is through a public whose self interest prompts it to action.

To promote this self-interest the "Invest-In-America" program has as one of its primary objectives a much expanded ownership of our industrial enterprises. This is a task of no small proportion. It requires the development of greater confidence in our business system. Greater confidence will come from better understanding. Better understanding will come in large measure from information which explains how our system works.

The public at large must be taught that the big difference between our system of free enterprise and the socialistic-communistic schemes some would foist upon us is that our system provides incentive to the individual, and competition which makes for greater efficiency. These are the fruits of private ownership, and the basic reasons why our industries can out-produce and out-progress any other system ever devised.

People as a whole must be made to realize that investors have provided and continue to provide more and ever better tools for workers, enabling them to manufacture more products, quicker, cheaper, and in greater variety. Shorter hours, higher wages, greater job opportunities are the direct result, along with the ability on the part of all workers to buy more of the goods they and others produce, and thus enjoy a better way of life. This is the proven method of free enterprise—the American way—which has brought us the world's highest standard of living.

Every man in a job and every man with savings invested in business has a need to protect his job and his investments. Consider the plight of workers without tools. What steel worker could supply his own hearth furnace? What machinist owns his own lathes, or what stenographer supplies her own desk and typewriter? Yet, we must have these things to do our jobs. It is the stockholders who put up the money, their savings, to equip business and keep it growing.

The investment in tools varies among industries, but in every case they cost far more than the workers who use them could afford. For instance, in a recent study by the National Industrial Conference Board, the investment in plant and equipment behind each worker in manufacturing industries was estimated at about \$7.100. Individual industries are higher or lower than this. The

chemical industry requires an investment of nearly \$25,000 for each worker. The electric utility industry requires an investment of approximately \$62,000, by far the largest of any industry, and nearly nine times as much as for manufacturing as a whole.

The wages investors ask for the use of their savings are small, but of vital importance. Unless there is a return on the investment, people are reluctant to offer their savings to industry. Just as wages of employees are the part of business income which represents payment for human ingenuity and skill, profits represent payments to investors for the use of the tools they provide. Just as there can be no production of goods without labor, there can be no abundant production without capital. Payment of a share of profits is necessary to obtain capital; therefore profits are the life blood of our economic system.

Personal Incentive Is Essence of Free Enterprise

In the final analysis, this profit system rewards most those who have the greatest talent for efficient production and for service to society. This personal incentive is the essence of free enterprise.

Thus, the difference between maintaining our way of life or losing it is simply profits. Without profit, business as we know it, would crumble away into nothing, and our comfortable way of life would crumble with it.

A century and a half ago industry—such as it was—consisted mainly of small owner-operated enterprises, and the number of self-employed persons was greater than the number of employees. Today, however, three-fourths of the labor force is estimated to consist of wage earners, clerical workers, and other non-executive employees. Thus, today only 25% are owners or executives who have a close connection with the management of business.

Despite the relatively large number of stockholders today, corporations are not so widely owned as would be desirable. The American Telephone and Telegraph Company just recently announced with justifiable pride that it had secured its one-millionth stockholder. The electric companies, collectively in the United States, have an estimated 3 million stockholders. Thus, in my own business—the electric light and power business—there are 3 million private citizen owners, one for every 12 residential customers throughout the land.

However, such figures are apt to be misleading as to the total number of individual investors in relation to the number of persons that could and should have a stake in American business. A Federal Reserve Bulletin of December, 1950, reports that there are eight times as many persons owning automobiles as own stocks in corporations.

Thus, it seems basically sound that if a much greater proportion of the public can be interested in the ownership of a stake in business, there will automatically be created a force whose self-interest will more nearly coincide with industry's, and the influence of business enterprise on our future will become more effective.

Shrinkage of Available Capital

The problem, however, goes much deeper than this and grows out of the disturbing fact that there is a steady shrinkage of the available capital that industry is able to retain from its earnings for use in the expansion of its

facilities, and for research and development. We sometimes fail to give due credit to the fact that our spectacular progress over the last 50 years was in no small degree due to the accumulated wealth of the past and the use of earnings reinvested in the enterprise.

The recently published fifty-year story of U. S. Steel, contained the very significant observation that many of the modern miracles which we take for granted were possible only because large companies could afford to spend immense sums for research and development. U. S. Steel devoted fifteen years to developing an electrolytic process of tin plating. Eleven weary years and \$27,000,000 were spent in research by the duPont Company before a pound of nylon was sold. All this time, effort, and money was to provide us with new and unproved products, and it is significant that to-day business is spending a half billion dollars each year on research.

With mounting taxes, now taking a toll of more than 45% of the nation's industrial profits, with a tax on individual incomes in the higher brackets approaching the point of confiscation, where, may I ask, are the capital needs of industry in the future to come from? One answer to this question is self evident—from a very much increased number of smaller stockholders—and here is where this program "Invest-In-America" should prove most helpful. Yes, there is an alternative, but I refuse even to mention it, for I believe that every red-blooded American who gives a job about his future and his family's future will do his part when awakened to the real danger that threatens the loss forever of those basic freedoms which have characterized our nation since its founding.

We face a serious challenge: it is our responsibility to deal with this challenge to the end that the forces now working toward certain disaster shall be removed. Our lesson of history is that as a nation experiences prolonged success, as ours has, it finally becomes weakened and a prey to new ideologies, promulgated for the most part by opportunists who set class against class, inciting those who "have not" against those "who have." To-day we in this country are still far from the point of repudiating our American way of life. The very fact that we have possessions, such as homes, cars, bank accounts, and insurance policies, acts as a deterrent to any such foolhardy action. Therefore, the more and wider the investment of the savings of individuals in the businesses and enterprises of America, the greater will be the body of the people who will think twice before risking what they own, and the greater will be the security of American democracy.

Taxation Can Bankrupt Nation

But excessive taxation can bankrupt our nation. Here, then is the real danger. For, from the degradation and suffering of a bankrupt people, dictators are born. Their emergence sounds the death knell of freedom. Greed and selfishness, led by the lust for power, have been inherent traits in human behavior down through the ages, and, sad to relate, these same qualities still appear as the guiding motives of too many of our political leaders. As Dr. Walter Spahr, noted educator, recently stated, "Our only hope would appear to be that we may yet have the good luck to obtain effective leadership in statesmen who know the difference between responsible, intelligent government and dictatorship."

To-day, our nation is proof—absolute and irrevocable—that the

basic truths on which it was founded work. The "Invest-In-America" movement needs all the support we can give it. The success of this movement means much to the future well-being of every American, to those of us here to-day, and to the younger gen-

erations who have the right to expect that we pass on to them an America that still holds all the golden opportunities for the full and free exercise of their rights under the Constitution of this great land—life, liberty, and the pursuit of happiness.

On Remodeling Houses

By ROGER W. BABSON

Mr. Babson, commenting on troubles of remodeling houses, advises: (1) don't start remodeling work except by contract; (2) watch carefully quality of work done; and (3) insist on good reputation of workmen. Says remodeling old houses may be good investment, but "investigate before you invest."

A friend of mine has recently purchased an old 18-room mansion which he is converting into apart-



Roger W. Babson

ments. Some very interesting observations can be made on that job concerning present-day workmen. As he tells me his troubles, I wonder if this is the time to do remodeling jobs on old houses, especially as the best of houses always deteriorate even though the land increases in value.

Use Contracts and Read Them

My friend's house is in an area where skilled craftsmen should be available. Some of his jobs have been let under contract; some have been done at an hourly rate. All the workmen were highly recommended. But, though price was not the important factor, few really took pride in the job they did. Certainly, don't start a remodeling job today except by contracts; then read your contracts before signing or else employ an architect.

The card of the painter which my friend employed read: "Neat craftsmanlike workmanship." Before the job had gone far, the owner had to remind the painter that neither spattered floors nor carelessly drawn window sashes were acceptable. While the plumber spent considerable time talking about his fine workmanship, his joints and pipes leaked and he carelessly chipped porcelain fixtures. Therefore, you must be hard-boiled and insist on good work even after you have read and signed your contracts.

Are Craftsmen Gone?

The paperhanger said: "Choose plain paper, particularly for the hall; it's easier to match and more economical." Plain paper, for that particular paperhanger, meant he could slap it on as fast as possible—but it or lap it, depending on the wall! This may be good advice. One should always consult the paperhanger before buying the paper; but be on the job when it is being hung. The selection of wallpaper is almost as important as the selection of a wife.

It may be unwise to take the lowest bidder for roof work. Better contract with a roofer who has been in business many years. Too many roofers think that the owner will never climb up on the roof to inspect the gutters, etc. Hence, he fails to oil the gutters and seal the joints as per his contract. But the one who really took my friend for a ride was the electrician. He used more BX BC, and Romex cable connectors, plates, cutouts and clips than you'd suspect it takes to build a battleship! As electricians get a big profit on the material they supply you, they are tempted to

use more than they should. What's in the partitions only the electricians and the mice will ever know!

Insists on Good Reputations

But my friend's carpenter was one in a hundred. He was careful and proud of his work. He acted almost as if the house were his own. He was painstaking, whether he was laying a course of shingles or mitering a door-casing or putting on hardware. To him there was a right and a wrong way, and he could be trusted to do the job right even though he was working by contract.

Not enough individuals or companies today render good craftsmanship. Wars, government contracts, sellers' markets, and material shortages tend to bring quality standards down. When buying hardware today ask for goods made before June 1, 1950. The quality since then has been losing ground.

Is Remodeling a Good Investment?

Apartments are in demand. Old houses can still be bought cheap. Many can be made over into four or more apartments. You can make a contract so as to know just what the remodeling will cost; you can also learn from real estate agents how much rent you can expect.

Then figure what you will get on your investment. This should be over 10% annually to cover taxes, insurance and repairs and to have 6% left for yourself, even with full occupancy. To be on the safe side, you should allow for some vacancies. Remodeling of properly located old houses may be a good investment; but investigate before you invest.

Joins Loewi & Co.

(Special to THE FINANCIAL CHRONICLE)
MILWAUKEE, WIS.—Worth H. Carbery is now with Loewi & Co., 225 East Mason Street.

Raymond Storb Opens

BROOKLYN, N. Y.—Raymond C. Storb is engaging in the investment business from offices at 150 Columbia Heights. Mr. Storb was previously President of Storb-Irvine & Co., Inc. of New York.

James Marino Opens

HILLCREST, N. Y.—James J. Marino is engaging in the securities business from offices at 35 Everett Street.

Walter T. Rosen

Walter T. Rosen, senior partner of Ladenburg, Thalmann & Co., New York City, passed away Oct. 16 at the age of 75.

Paul Lee Co. Opens

RICHMOND HILL, N. Y.—Paul B. Lee has formed The Paul B. Lee Company with offices at 97-45—109th Street to engage in the securities business.

Continued from page 8

Dealer-Broker Recommendations

- L. A. Darling Company**—Latest data—Moreland & Co., Penobscot Building, Detroit 26, Mich.
- Drayer-Hanson, Incorporated**—Progress report—Morgan & Co., 634 South Spring Street, Los Angeles 14, Calif.
- Fairchild Engine & Airplane Corp.**—Analysis—Sincere and Company, 231 South La Salle Street, Chicago 4, Ill.
- First National Bank of Boston**—Review—Geyer & Co., Incorporated, 63 Wall Street, New York 5, N. Y.
- Gamble-Skogmo, Inc.**—Bulletin—Stanley Heller & Co., 30 Pine Street, New York 5, N. Y.
- General Portland Cement Company**—Analysis—Cruttenden & Co., 209 South La Salle Street, Chicago 4, Ill.
- Gulf, Mobile & Ohio Railroad**—Analysis—Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y.
- Kaiser Steel Corporation**—Analysis—Hill Richards & Co., 621 South Spring Street, Los Angeles 14, Calif.
- Kropp Forge Company**—Bulletin—O. B. Motter & Associates, 500 Fifth Avenue, New York 18, N. Y. Also available is a special bulletin on **Muntz TV, Inc.**
- Metal & Thermit Corporation**—Analysis—May & Gannon, Inc., 161 Devonshire Street, Boston 10, Mass.
- Minnesota Mining and Manufacturing Co.**—Memorandum—Shaskan & Co., 40 Exchange Place, New York 5, N. Y.
- Motorola Incorporated**—Analysis—Dayton & Gernon, 105 South La Salle Street, Chicago 3, Ill. Also available is a memorandum on **Fort Wayne Corrugated Paper Co.**
- Mountain Fuel Supply**—Analysis—Edward L. Burton & Co., 160 South Main Street, Salt Lake City 1, Utah. Also available are analysis of **Equity Oil and Utah Southern Oil.**
- New England Public Service Co.**—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.
- New York, Chicago and St. Louis Railroad**—Analysis—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.
- Northern New England Company**—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.
- Oxford Paper Company**—Brief memorandum—Chas. A. Day & Co., Inc., 199 Washington Street, Boston 8, Mass. Also available are brief data on **Springfield Gas Light Company**, and **New England Electric System.**
- Placer Development Limited**—Analysis—John R. Lewis, Inc., 1006 Second Avenue, Seattle 4, Wash.
- Riverside Cement Company**—Card memorandum—Lerner & Co., 10 Post Office Square, Boston 9, Mass. Also available is a memorandum on **Gear Grinding Machine Co.** and on **Seneca Falls Machine Co.**
- St. Louis-San Francisco Railway Company**—Bulletin (No. 72)—Smith, Barney & Co., 14 Wall Street, New York 5, N. Y. Also available are memoranda on **Associated Dry Goods Corp.**, **Federated Dept. Stores** and **Marshall Field & Co.**
- Seneca Oil Company**—Analysis—Genesee Valley Securities Co., Powers Building, Rochester 14, N. Y.
- Telephone Radio Corp.**—Memorandum—Fewel & Co., 453 South Spring Street, Los Angeles 13, Calif. Also available is a memorandum on **Verney Corp.**
- Texas Gulf Producing Company**—Analysis—Bruns, Nordeman & Co., 60 Beaver Street, New York 4, N. Y.
- Tri-Continental Corporation**—Review—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.
- U. S. Radiator Corp.**—Brief analysis—Faroll & Company, 209 South La Salle Street, Chicago 4, Ill. Also available is a brief analysis of **National Container Corp.**
- U. S. Thermo Control**—Data—Raymond & Co., 148 State Street, Boston 9, Mass. Also available is information on **Thermo King Railway.**
- West End Chemical**—Circular—F. Reilly & Co., Inc., 61 Broadway, New York 6, N. Y. Also available is a circular on **Lone Star Steel.**
- Wolf & Dessauer**—Memorandum—Fulton, Reid & Co., Union Commerce Building, Cleveland 14, Ohio.

Our Reporter's Report

People who make a business of distributing new securities are inclined to point out wisdom of doing new financing via the negotiated route whenever possible. Except in rare instances, of course, public utility companies and the railroads are barred by law from pursuing that course.

Nevertheless the fact remains that the several underwritings carried through by negotiation this week went out in a manner to make a lasting impression. In these circumstances it is possible to make last minute adjustment to the situation in the secondary market and thus avoid the possibility of a slow deal.

West Virginia Pulp & Paper Co.'s offering of \$20,000,000 of new 20-year debentures, brought to market as 3 3/4's at 100 1/2 and interest, moved out quickly with demand pushing the issue to a fractional premium soon after the books closed.

Meanwhile Warren Petroleum Corp.'s \$15,000,000 of 3 1/2%, 15-year, convertible debentures staged a rather spectacular performance. Priced at par for public offering this issue ran up quickly to a premium of about four points.

In both instances good "off-the-street" demand was reported with insurance companies, banks, and pension funds all active on the buying side. These buyers, it was noted are interested when the yield is 3.25 to 3.50%, but will take to the woods when the basis gets down to 3.10 to 3.20%.

Celanese Corp.


Meanwhile preliminary inquiry indicated that the \$50,000,000 of Celanese Corp. of America sinking fund debentures, due in 1976, were assured of a brisk market upon public offering today.

Here again it was noted that the freedom of action possible under terms of a negotiated deal paved the way for quick success on this offering.

When the issue was first brought into the picture by registration with the Securities and Exchange Commission several weeks ago there was talk of a probable 3 3/4% coupon rate.

DIVIDEND NOTICES

ALUMINUM INDUSTRIES, INC.
CINCINNATI 25, OHIO


PERMITE Dividend No. 64
At a meeting of the Board of Directors held October 8, a dividend of fifteen cents (15c) per share was declared payable on Nov. 15, 1951 to shareholders of record at the close of business Oct. 22, 1951.
E. F. ECKERLE, Secretary

Burroughs

205th AND 206th CONSECUTIVE CASH DIVIDENDS

A quarterly dividend of twenty cents (\$.20) a share and an extra dividend of ten cents (\$.10) a share have been declared upon the stock of **BURROUGHS ADDING MACHINE COMPANY**, payable Dec. 10, 1951, to shareholders of record at the close of business Nov. 9, 1951.

Detroit, Michigan Sheldon F. Hall,
October 15, 1951 Secretary



But the change in the position of the secondary market in the interval brought about revision of these ideas and as a consequence the debentures carried a 3 1/2% rate upon offering.

Public Service E. & G. Delays

Once more the Public Service Electric & Gas Co. (N. J.), has seen fit to defer indefinitely a projected financing operation involving the sale of preferred stock.

The company had been negotiating with bankers for the offering of 249,942 shares of \$100 par cumulative preferred and it had been expected that the shares would reach market this week.

But now it develops that the issuer has been unable to reach a satisfactory basis and has decided to forego the operation for a spell. Some thought that perhaps bankers had made an effort to have the company make the issue convertible.

Big Week Ahead

Topped off by another huge installment of Federal Housing Authority financing, this time \$168,709,000, next week promises another busy period for underwriters. Of course, commercial bankers will be competing for the foregoing issue.

But there are a number of other deals ready for public offering provided market conditions are not subject to any drastic change in the meantime.

Largest of these will involve 1,500,000 shares of preferred stock of **Pacific Gas & Electric Corp.**, due out on Tuesday. On Wednesday bankers will be offering \$15,000,000 debentures and 104,625 shares of preferred stock of **Continental Can Co.**

Both these latter are negotiated undertakings. In addition there are several smaller projects due up for competing bids.

Joins John Kinnard Co.

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn.—Palmer Talaasen has been added to the staff of **John G. Kinnard & Co.**, 71 Baker Arcade.


With Webber-Simpson

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Albert J. Zimmerman is now affiliated with **Webber-Simpson & Co.**, 208 South La Salle Street, members of the Midwest Stock Exchange.

DIVIDEND NOTICES

COLUMBIA PICTURES CORPORATION


The Board of Directors at a meeting held October 11, 1951, declared a quarterly dividend of \$1.06 1/4 per share on the \$4.25 Cumulative Preferred Stock of the company, payable November 15, 1951, to stockholders of record November 1, 1951.
A. SCHNEIDER,
Vice-Pres. and Treas.

DIVIDEND NOTICES

DEBENTURE: The regular quarterly dividend of \$2.00 per share on the Debenture Stock will be paid Nov. 1, 1951, to stockholders of record Oct. 22, 1951.

"A" COMMON and VOTING COMMON: A quarterly dividend of 30 cents per share on the "A" Common and Voting Common Stocks will be paid Nov. 15, 1951, to stockholders of record Oct. 22, 1951.

A. B. Newhall, Treasurer
Dunham Manufacturing Co.
Framingham, Mass.



Harold Bache to Visit Japan

Harold L. Bache, senior partner of **Bache & Co.**, New York Stock Exchange firm, and **Robert C. Hall**, also of **Bache & Co.**, will leave San Francisco on Sunday, Oct. 21, for an extended visit to Japan.

Bache & Co. has established a Japanese Department for the purpose of developing trade with Japan and also to examine into the investment opportunities in Japan. Mr. Hall is the head of that department.

"This trip will serve a dual purpose," said Mr. Bache. "Mr. Hall and I will explore the possibilities of long-term investments of American capital where it can best be used in aiding in the development and expansion of industry in Japan and at the same time will be able to attend my first meeting as a director of **Daiichi Bussan Kaisha, Ltd.**, which is one of the largest trading companies in Japan."

Mr. Bache stated further that in addition to **Bache & Co.** he represents a number of other important private American investment banking firms who have a real interest in the investment recommendations which he may propose after his trip.

Barret, Fitch Adds

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—**Landis B. Elliott** is now connected with **Barret, Fitch & Co., Inc.**, 1004 Baltimore Avenue, members of the Midwest Stock Exchange.

DIVIDEND NOTICES

DIVIDEND NO. 48

Hudson Bay Mining and Smelting Co., Limited
A Dividend of one dollar (\$1.00) (Canadian) per share and an extra Dividend of one dollar (\$1.00) (Canadian) per share has been declared on the Capital Stock of this Company, both payable December 17, 1951, to shareholders of record at the close of business on November 16, 1951.
H. E. DODGE, Treasurer.

TIDE WATER POWER COMPANY

Dividend Notice

The Board of Directors has declared a quarterly dividend of 33 3/4c a share on the \$1.35 Cumulative Preferred Stock and a quarterly dividend of 15c a share on the Common Stock of the Company, both payable November 15, 1951, to holders of record October 31, 1951.

WARREN W. BELL,
October 15, 1951. President.

GOULD-NATIONAL BATTERIES, INC.

SAINT PAUL, MINNESOTA
Manufacturers of Automotive and Industrial Batteries

DIVIDEND NOTICE

Preferred Dividend
The Board of Directors today declared an initial quarterly dividend of 31 1/4c per share on the Cumulative Preferred Stock, payable November 1 to shareholders of record October 19, 1951.

Common Dividend
The Board of Directors today declared a dividend of 75c per share on Common Stock, payable November 1 to shareholders of record October 19, 1951.

A. H. DAGGETT
October 8, 1951
President



NSTA



Notes

SECURITY TRADERS ASSOCIATION OF NEW YORK

The Security Traders Association of New York (STANY) Bowling League Standing as of Oct. 13, 1951 are as follows:

TEAM	Points
Burian (Capt.), Sieper, Gronick, Growney, Kaiser	20
Leone (Capt.), Tisch, Pollack, Nieman, Bradley	20
Goodman (Capt.), Weissman, Farrell, Valentine, Smith	19
Kumm (Capt.), Gehegan, R. Montanye, Krassowich, Manson	19
Hunter (Capt.), Craig, Fredericks, Weseman, Lytle	18
Krisan (Capt.), Gavin, Gannon, Jacobs, Murphy	15
Serlan (Capt.), Gold, Krumholz, Young, Gersten	15
Mewing (Capt.), G. Montanye, M. Meyer, La Pato, Klein	15
Greenberg (Capt.), Siegel, Cohen, Sullivan, Voccoli	12
H. Meyer (Capt.), Swenson, A. Frankel, Wechsler, King	11
Donadio (Capt.), Rappa, O'Connor, Whiting, Demaye	10
Bean (Capt.), Lax, H. Frankel, Werkmeister, Reid	6

200 Club	5 Point Club
Cy. Murphy	221
W. Bradley	202
	Wilbur Krisam
	Bill Kumm

Washington . . .

Behind-the-Scene Interpretations
from the Nation's Capital

And You

WASHINGTON, D. C.—Defense production is doing well, or it is doing poorly. You pays your money and you takes your choice—or at least that is the way it looks from official statements.

From Charles E. Wilson, Director of Defense Mobilization, you can get both viewpoints in one handy package, in the form of his first of the month report, "Three Keys to Strength."

For the lay reader who likes heroic rhetoric packed into a two-paragraph lead, Charley has it. This flamboyantly-printed and heroically-written report is full of such ringing phrases inspiring confidence as this typical, opening sentence:

"For more than a year, this Nation has been building military and economic strength—with an intensity of effort equal to any achieved in this country short of all-out war."

On the other hand, after supplying some easy, bell-ringing copy for the dailies, Wilson's report, on a close reading, gives something of a pessimistic outlook. It would appear that the No. 1 Defense Mobilizer is trying conscientiously to enlighten the one person in a thousand who might get to read the report, about some of the difficulties he has been running into. One has to read between the lines, to be sure, but Mr. Wilson makes it fairly easy for a discerning reader to do so, even if far less easier than for the head of a copy desk to find a prominent news headline.

One gathers that Mr. Wilson is worried about the power shortage and its effect upon aluminum production in the Northwest, about the great shortage of steel, and about the copper strike. Most enlightening of all was the bland statement that the U. S. is just beginning the stage of mass production of weapons. This comes as something of a surprise to some 150,000,000 people who have been told for months they must have price controls, "wage controls," and \$10 billion additional of taxes to counteract the inflation a huge production of war materials presumably was occasioning.

However, one of Mr. Wilson's greatest worries is only hinted in the "Three Keys to Strength." That is the disposition of the military, when circumstances seem propitious, to hold up mass production in order to shove in better designs.

What is happening, it is said, is that where large-scale production is available of a weapon critically needed by the military, then the military figuratively grabs the weapon off the assembly line, and after the most perfunctory testing, swishes it off to the battle line or into the training field.

On the other hand, where a weapon is not critically needed and is of a comparatively new design, then the military find ways and means of holding up production until they have worked in new designs, modifications, and equipment. They achieve this hold-up of production by the most persnickety of testing, by never accepting delivery without several new tests. Or they send the new weapon to the shop for a change in the shape of the widget or the addition of a better firing mechanism.

In this way the military have been able to get around one of Bob Lovett's cardinal procurement principles, which is that once mass production is started, it shall go on continuously. If they

openly asked for a new design or important modifications on a big production order, they would get into trouble with "front office" Secretary Lovett.

The military, of course, face a terrific problem in knowing when to harden on designs and go into mass production. If they freeze this year and the big war shouldn't come for five years, they know they are stuck with obsolete weapons. If they don't freeze in time, they won't have any weapons.

On the other hand, there would appear to be little doubt that numerous reports from industry are, in fact, well founded, that production is being held up, and that a lot of this hold-up is due to the military. And it appears to have Charley Wilson worried, and to have an important part in giving a pessimistic tone to the report, to those who care to read it.

Actual expenditure figures, on the other hand, do not appear to support an overall pessimistic appraisal of the progress of defense production. On June 29 the Budget Bureau predicted that spending for the U. S. and its NATO allies would be running during the first quarter of this fiscal year, "at an annual rate" of \$32.8 billion.

Actual first quarter expenditures, however, aggregated \$8,687 million, or an "annual rate" of more than \$34.7 billion.

On the assumption of a first quarter rate of \$32.8 billion, the Budget Bureau insisted that the aggregate of U. S. and foreign military aid outlays for the current or 1952 fiscal year would be \$42 billion. The Defense Department on June 29 disagreed, said it would be \$44 billion.

Informed quarters would now give the Defense Department the better of the argument, figure total U. S. and military aid defense expenditures (exclusive of an additional \$5 billion for "defense-related" such as atomic energy, stockpiling, defense housing, etc.) at not less than \$44 billion.

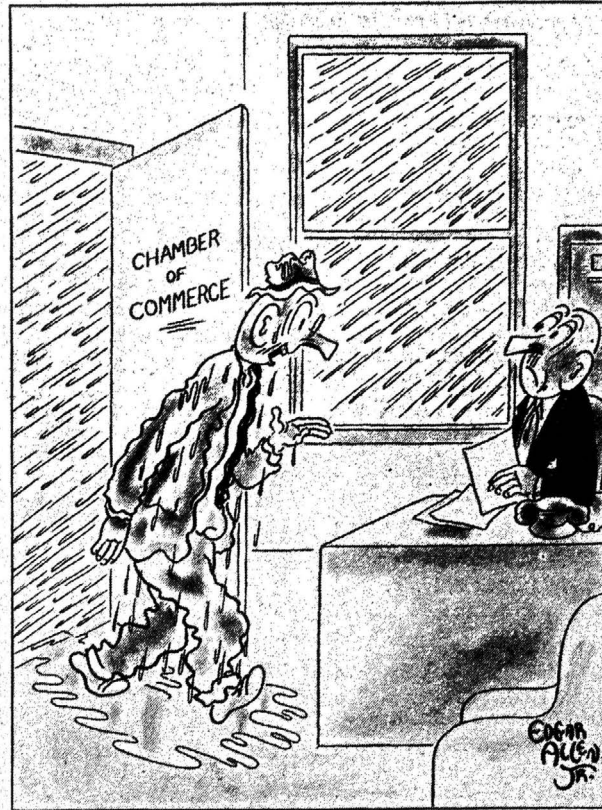
So looking at it from the rate the money is going out, defense production, volume-wise, appears to be doing pretty well.

The slants of Wilson and the Budget Bureau, of course, are diverse. Mr. Wilson's job is to get all the production going as fast as he can. He is not bound by a dollar estimate, no matter how grandiose. The Budget Bureau, on the other hand, is concerned with trying to translate the most ambitious plans into realizable possibilities, and, in turn, with translating these possibilities back into dollar figures.

One of the more potent facets of this more or less academic dispute, however, is the fact that where production is failing most noticeably is in aircraft, particularly in the larger aircraft of the kind the flyboys talk about will girdle the globe and get Joe Stalin if he don't watch out. In other words, the nearer we get toward the Buck Rogers era, the air boys are delaying output of their newest and most horrible and/or wonderful machines, the better to pack them with new potentialities.

This may have a tremendous bearing upon the forthcoming decision to increase the ultimate size of the Air Force to something around 140 groups or wings, from the present objective of 95.

BUSINESS BUZZ



"Good morning, Pettingill — a trifle dewey this morning, isn't it?"

It is said to be plain that volume production to reach the present goal is not in sight before well into next year. Any increase in the legislative size of the Air Force will simply have no more concrete expression, for a year or so, than a resolution.

An increase in the Air Force target, if announced, probably cannot be scheduled for completion before 1954 or 1955—beyond the supposed peak date of the military building up of "some day in 1953."

It would appear that the Treasury's tentative decision to pick up in the neighborhood of \$2.25 billion in long bills—used as tax anticipation certificates—will raise a sum of money about equivalent to the Treasury's cash deficit (as distinguished from legal deficit) for the current fiscal year.

Best estimates available at present are that total expenditures will run around \$70 billion for the fiscal year, versus \$68.4 billion last estimated over three months ago by the Budget Bureau. Assuming that before June 30, an additional \$3 billion of revenues will be brought into Treasury by the new tax bill, receipts probably will run in the neighborhood of \$64 billion. This would leave a gap of \$6 billion of expenditures over revenues.

Of this deficit, \$4 billion in cash would be provided by the excess of receipts over payments for trust funds. The Treasury is raising this money this fall for a dual purpose. As against an actual deficit for the first quarter of \$2,615

million, the legal deficit for the current quarter may run between \$4 and \$5 billion. By spring, however, receipts for the third quarter should exceed revenues by substantially more than \$3 billion.

Thus the Treasury is raising money to keep its cash balance high against the ever-present possibility of a war emergency. Second, it is providing a maturity which will be paid off during next March's tax payment time—perhaps next June's also—thereby relieving the money stringency or offsetting it, as the case may be.

Look for renewed OPS pressures upon business as soon as Congress has gone home. OPS has been waiting for Congressional action on the "Capehart amendment" before issuing a batch of price regulations. This wait has also provided an excuse for withholding prospective regulations that might get OPS in trouble with Congress. But with Congress going home they will be coming along.

Add to quiet little New Deals to add billions and billions of permanent Federal expenditures after a modest start: The proposal to subsidize medical education, killed largely by Senator Robert A. Taft. The proposal to extend unemployment insurance coverage to Federal employees.

(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.)

Prominent Guests to Be in Attendance at "Financial Follies"

Several prominent American business personalities have already accepted invitations to the "Financial Follies of 1951," Samuel Shulsky, President of the New York Financial Writers' Association, has announced.

Among those attending the 11th annual "Feast of the Scribes and Pharisees" at the Hotel Astor on Friday, Nov. 16, will be G. Keith Funston, President of the New York Stock Exchange; Edward T. McCormick, President of the New York Curb Exchange; John L. Lewis, President of the United Mine Workers of America; William McC. Martin, Chairman of the Federal Reserve System, and Harry A. McDonald, Chairman of the Securities and Exchange Commission.

Emil Schram, former President of the New York Stock Exchange, will be back to see the fun made at someone else's expense.

The newspaper industry will be represented by William Randolph Hearst, Jr., Publisher of the "Journal American"; Arthur Hays Sulzberger, Publisher of the New York "Times," and William E. Robinson, Executive Vice-President of the "Herald Tribune."

Rehearsals are currently proceeding under the supervision of Bruce Evans, Leslie Kramer and Floyd Hynes.

Approve Proposal to Increase Morgan Stock

At a special meeting of the stockholders of J. P. Morgan & Co. Incorporated, held Oct. 17, the stockholders approved the proposal to increase the authorized capital stock from 200,000 shares of \$100 par value to 250,000 shares of the same par value.

At the regular meeting of the Board of Directors of J. P. Morgan & Co. Incorporated, held today after the stockholders' meeting, the directors voted a 25% stock dividend payable Oct. 25 to stockholders of record Oct. 18.

Joins Shaver & Cook

(Special to THE FINANCIAL CHRONICLE)

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