

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 174 Number 5060

New York, N. Y., Thursday, November 1, 1951

Price 40 Cents a Copy

EDITORIAL

As We See It

The Joint Committee on the Economic Report has again gone into action with another inquiry about general credit control and debt management. A subcommittee headed by Representative Patman of Texas has recently delivered to a very considerable number of private individuals and public officials lengthy lists of questions, replies to which are to form a sort of basis for extended hearings early next year. One of those receiving one of the lists of queries was a prominent Cincinnati banker, John J. Rowe, President of the Fifth Third Union Trust Company. Mr. Rowe was exceptionally prompt and, so we think, very clear-headed in replying. He was kind enough to send a copy of his answers to the "Chronicle," and we feel we were in this way afforded an opportunity to be of real service to the country by publishing these observations of Mr. Rowe on page 8 in our October 25th issue.

The questions directed at Mr. Rowe and the other bankers are, generally speaking, on a level of somewhat greater particularity than is the case with those sent to public officials, but these questions carry certain implications which Mr. Rowe did not miss, and which afforded him an opportunity to express himself vigorously concerning a number of broader questions which underlie all of these matters. We can only hope that the other practical bankers who accommodate the subcommittee do so as pointedly and as soundly, and, of course, all thoughtful observers with the good of their country at heart may well

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Factors in Our Future Economic Prospects

By MURRAY SHIELDS*

Vice-President and Economist,
Bank of the Manhattan Company

Mr. Shields lists as chief factors in outlook for our dynamic economy: (1) the international situation; (2) defense program; (3) inflation progress; (4) lack of a depression-proof economy; (5) technological revolution; and (6) rapid industrialization throughout this hemisphere. Concludes we shall be fortunate if we avoid severe depression, but says our future can bring glorious progress, if U. S. and other Western Powers can develop their own potentialities.

For many years to come the outlook for our economy is likely to be shaped by six powerful factors:

(1) *A dangerous and volatile international situation which introduces massive new elements of uncertainty into all economic calculations.*



Murray Shields

(2) *The Defense Program which will be highly stimulative if not inflationary for a time and then present us with some difficult problems of readjustment.*

(3) *The inflation which has now carried prices so high that some deflation may be either inevitable in time or avoidable only by the use of even more violent inflationary devices.*

(4) *Our failure to produce a depression-proof economy which leaves our economy vulnerable to a much deeper setback than would otherwise be necessary.*

(5) *The technological revolution in medicine, agriculture and indus-*

try which opens up an opportunity for a long period of vigorous expansion, great progress and unexampled prosperity as the rapid rise in population increases our markets, as the increase in farm efficiency releases more

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*An address by Mr. Shields before the Associated Industries of Massachusetts, Boston, Mass., Oct. 25, 1951.

Our Fiscal Program

By HON. JOHN W. SNYDER*
Secretary of the Treasury

Secretary Snyder, asserting the government started present fiscal year in a relatively strong condition, warns, however, from here out, defense program will absorb much larger share of nation's output. Promises increased tax load will be fairly distributed, and derelictions and incompetence in Revenue Bureau will be weeded out. Warns we must preserve our economic health in addition to solving financial problems.

In the past year and a half, the fundamental defense planning of our own country and of the entire free world has undergone profound changes. As we moved further away from World War II, it became increasingly apparent that the climate of international relations had changed. We saw that the defense of our nation could no longer be viewed solely in terms of the sharp black and white of total war or total peace. In Berlin, in Greece, in Turkey, in large areas of Asia, in the Communist maneuvers for greater political power in Western Europe, and finally in Korea, the continuing programs of certain dictators for world-wide domination became clear.



John W. Snyder

This time, however, the free peoples of the world were no longer passive spectators, divided and fearful. Programs for aid to weak or threatened countries were rapidly formulated and energetically pursued. And in June of 1950, when open and shameless aggression was attempted in Korea, the free world was galvanized into new action. Countries the world over joined in an unprecedented move to block this new step in the Communist program. Preparations for defense against further aggression went swiftly forward. Economic and military alliances were strengthened. Most important of all, the tremendous production potential of the American

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*An address by Secretary Snyder before the Col. Francis Vigo Post No. 1093, American Legion, New York City, Oct. 27, 1951.

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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 OETJEN
 Partner, McGinnis & Co., N. Y. City
 Members New York Stock Exchange
Western Pacific Railroad Co. (common)

The security I like best at the moment is the common stock of one of America's better managed railroads.

Western Pacific Railroad Company operates approximately 1,200 miles of road. The road extends from Salt Lake City westward to Sacramento and Oakland, California, then northward through California to Bieber. This northern extension connects at its northern end with the Great Northern and at its southern point with the Santa Fe, making Western Pacific an integral part of one of the two north-south routes from Seattle to lower California. On its east-west run, it traverses the Sierras without ever rising to more than 5,000 feet. This gives the road a decided advantage over competing carriers who must combat substantially higher grades.

Traffic flow has been improving with the continued industrialization of the West. California's phenomenal population rise and increased economic affluence has also helped to increase this carrier's earning power. Impetus has naturally been given to this trend due to the Korean War. A cessation of hostilities in this area would reduce traffic to some extent but only temporarily in my opinion. The increased flow of armaments which, regardless of Korean events, would continue, soon could take up a considerable amount of this slack.

Operating revenues have been consistently ahead of those of the Central Western region and all Class I railroads. Taking 1935-39 as 100, Western Pacific's operating revenues amounted in 1950 to 327, as compared to 295 for the Central Western region, and 246 for the Class I roads.

During the reorganization period this road was rehabilitated to a great extent through the expenditure of approximately \$27,000,000 over and above normal maintenance.

The dieselization program of the property has been advancing rapidly. In a recent statement the President of the road commented that 100% dieselization is the goal and at present all passenger service is dieselized and it is anticipated that freight service will attain this goal some time in 1952.

The President, Frederic B. Whitman, who, in the writer's opinion, can be classified among the top rail operators in the country, was elected to that office July 1, 1949. Shortly before taking office, he delivered an address before the N. Y. Society of Security Analysts. He listed operation changes already made and further efficiency improvements he anticipated making in this property. The overall savings anticipated in this program amounted to approximately \$4,000,000 per annum,

the full effect of which should be felt by early 1952.

As of July 31, 1951, the net current asset position of this road amounted to \$18,805,000. Besides this the road carries a reserve of \$10,000,000 in Government bonds, which is not included as part of current assets. This reserve was originally established because of Federal litigation regarding back taxes. The railroad was successful in winning this suit. The former parent company (Western Pacific R.R. Corp.) has sued to obtain this money. They were unsuccessful and are now appealing to the U. S. Circuit Court of Appeals. It is the general opinion that a decision will be rendered shortly. We believe that the operating railroad will again be successful. If they are—the present net current assets position will be increased by this amount.

The road since emergence from bankruptcy has made substantial reductions in its debt. Today the total debt, all fixed in nature (exclusive of equipments), amounts to \$22,000,000. This compares with \$31,200,000 originally. As compared with their net current position, including the ten million dollar reserve, this debt is definitely on the small side.

A very fine index of operational ability is the transportation ratio of any railroad. This ratio shows the amount of money spent out of each dollar of gross to actually carry goods in transit. For the year 1950, the transportation ratio of all Class I Railroads was 36.9%. As against this, Western Pacific had a ratio of 28.1%. This is one of the lowest for any Class I road in the country.

Last year the road had outstanding approximately \$6,000,000 Income Bonds which were called as part of their refunding program. This resulted in conversion of all these bonds and increased the amount of shares outstanding to 523,899 shares. Predicated on this capitalization, the average earnings on the common for the 10 years ended 1951 (with 1951 estimated at \$11 per share) amounted to \$9.46 per share. There are few railroads in this country which can come up to this record. The above earnings incidentally are figured on a participating basis. (The preferred participates equally after \$3 is paid on the common.)

In recapitulation we can say that Western Pacific is:

- (1) In excellent physical condition;
- (2) Has capable and aggressive management;
- (3) Serves an expanding territory;
- (4) Has an adequate cash position with low funded debt;
- (5) Has adequate earning power over the years, without taking into consideration fully the savings only recently put into effect.

Based on everything we have said above, and, in anticipation of a sharply higher rail equity market over the next 12 months, plus the tax advantages inherent in all rail securities, Western Pacific common at \$50½ per share, paying \$3 (plus the possibility of an increase in the dividend rate) offers a purchaser fair yield plus the chance of more than average capital appreciation.

*On Tuesday, Oct. 30, 1951, the Ninth Circuit Court of Appeals, San Francisco, rendered a decision in favor of the operating railroad. In the writer's opinion, there will be no further appeal.



Henry Oetjen

This Week's Forum Participants and Their Selections

Western Pacific Railroad Co. (Common)—Henry Oetjen, partner, McGinnis & Co., New York City. (Page 2)

Border City Manufacturing Co.—Leo V. Ryan, partner, Leo V. Ryan & Co., New York City. (Page 2)

LEO V. RYAN

Partner, Leo V. Ryan & Co., N. Y. C.
Border City Mfg. Co.

This is the second time that I have been afforded the privilege of presenting "The Security I Like Best" and I must confess that my second choice is the same as the first one. While the opinions and remarks may seem repetitious, I feel that this security is so good and the reasons for buying it are so great that a second article is in order.

First of all the annual statement of the Border City Mfg. Co. for the year ending Sept. 29, 1951 shows the following facts:

Item	Per Share
Earnings	\$8.80
Working Capital	42.71
Book Value	152.78
Dividends paid	5.00

From 1946 through 1951 average earnings have amounted to about \$21.50 per share. This includes the three boom years and these earnings have made it possible for the company to finance its expansion and modernization program entirely out of earnings. During this time a total of \$1,956,036.35 has been spent which includes both rayon and cotton and modernization, which figures out to \$109.00 per share on 18,000 shares of capital stock, the only indebtedness.

The plant consists of three mills. One is used exclusively in the production of rayon fabrics, one is used in the production of cotton fabrics, and the third mill is rented out. Now if the company should need additional facilities it would not be necessary to construct a new mill because they now have one which they are not using. Incidentally the value of these three buildings and the land are not carried on the books but they represent a valuable asset.

In these troubled times I feel that an investor should make sure that the management of the company in which he makes an investment is not only good but exceptional. The one element or characteristic which distinguishes a successful company from the ordinary run-of-the-mill company is management. In this case the record speaks for itself. The fact that the officers and their families are very large holders of stock means, in my opinion, that the management will continue to be exceptional and will remain in the same capable hands.

I feel that the earnings should improve in the near future after the expansion program has been completed because full production will then be possible. During the past few years production has been handicapped during the installation of new machinery and modernization of the plant. While results have been satisfactory and dividends are being paid regularly I believe that both earnings and dividends will be greater in the near future when the expansion program is completed. According to the annual statement, the synthetic program will be completed the early part of 1952, and I believe that the entire expansion program including both rayon and cotton will be completed during the year 1952.

According to the annual statement, all the old and obsolete

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Prudent Man, the Technician And the Stock Market Outlook

By EDMUND W. TABELL*
Partner, Walston, Hoffman and Goodwin

Investment authority maintains today's trustee must engage in economic research, security appraisal and technical market analysis. From "technical" viewpoint asserts market has been slowly building up a distributional pattern, with highly divergent movements, and an average decline of 20% is possible. Declares, however, many better quality secondary issues with excellent yields are excellent buys and in position to move ahead. For very long-term future, predicts renewed major advance beginning in 1952-54 period and surmounting all-time peak of 1929.

Since last July, when administrators of trust funds in New York State, in accordance with the prudent man rule, were empowered to invest 35% of such funds in common stocks, the price outlook for common equities has become an increasingly important part of investment management activities.



Edmund W. Tabell

The prudent man rule provides that a trustee may buy anything that a prudent man would buy. Mr. Webster defines prudent as—

"practically wise; careful of the consequences of measures or actions; judicious; cautious; circumspect."

From this definition, it would appear to me that the prudent man needs all the possible aids he can find to assist him in properly evaluating the trend of security prices. This is, of course, true at all times, but it is particularly applicable in the present confused state of our economy. Today, to formulate sound investment policies, the trust administrator must not only have a knowledge of present economic conditions and an opinion as to the trend of the future, but he also must analyze each individual security in his various funds and decide whether it should continue to be held or be sold. In addition, he must review other securities and decide whether or not they are eligible for purchase at the proper time. I would suggest you consider one more step. I believe that it would be of great assistance to you if you further checked your opinion by a study of the technical action of the general market, and of the particular security before any definite investment decision is concluded. This triple check is an added safeguard against the potentially serious risk of poor investment timing.

I can think of quite a few stocks at the moment that would meet the requirements of the institutional investor as far as a dividend

record, earnings history and industry outlook are concerned, but which, from a technical viewpoint, appear in a potentially vulnerable position. Conversely, there are a number of institutionally eligible issues that have been in a down-trend, but are now at strong support levels and appear to be over-sold. The combining of the work of the security analyst and the market technician should result in much higher percentage of accuracy than if each approach is used independently. Actually, my recommendations as a market technician differ from that of the security analyst only in the initial approach. If I find a security that has a favorable technical pattern, I next check the security value background of the issue. If both approaches agree, I feel more certain of my ground. It is just as logical for the economist and security analyst to check the technical background.

Risk Always Present

Risk is inherent in all securities. The prudent man must consider not only the potential gain that may result from the purchase of a security but he also must obviously consider how much risk is involved in the possible achievement of this gain. If the technical pattern suggests the probability of either an advance of twenty points or a decline of twenty points, depending on the future action of the general market, the possible gain does not offset the risk involved. If, on the other hand, the technical pattern suggests a possible fifteen point gain as against a possible loss of three points, then the security would appear to be a prudent investment, provided it meets the necessary statistical qualifications.

What are the differences between economic research, security analysis and technical market analysis? It is relatively simple to differentiate between the work of the economist and that of both the security analyst and the market analyst. The economist covers the broad outlook for our entire economy. He is concerned with such things as the gross national product, business expenditures on new plants and equipment, inventories and sales, unfilled orders, bank clearings, industrial production, personal income and the like.

Both the security analyst and the market analyst are more concerned with the outlook for individual securities or groups of se-

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Published Twice Weekly

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Patent Office

WILLIAM B. DANA COMPANY, Publishers
25 Park Place, New York 7, N. Y.
REctor 2-9570 to 9576

HERBERT D. SEIBERT, Editor & Publisher
WILLIAM DANA SEIBERT, President
WILLIAM D. RIGGS, Business Manager

Thursday, November 1, 1951

Every Thursday (general news and advertising issue) and every Monday (complete statistical issue—market quotation records, corporation news, bank clearings, state and city news, etc.).
Other Offices: 135 South La Salle St., Chicago 3, Ill. (Telephone: STate 2-0613);

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Reentered as second-class matter February 25, 1942, at the post office at New York, N. Y., under the Act of March 8, 1879.

Subscription Rates

Subscriptions in United States, U. S. Possessions, Territories and Members of Pan-American Union, \$45.00 per year; in Dominion of Canada, \$48.00 per year. Other Countries, \$52.00 per year.

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Walsh Mun. Mgr. for Harriman Ripley

John M. Walsh has been appointed manager of the municipal division of Harriman Ripley & Co. Inc., 63 Wall Street, New York City, it was announced by Milton C. Cross, Executive Vice-President. Mr. Walsh has been a member of the staff since the formation of the company in June, 1934, and prior thereto he had been with The National City Co. of New York.

Paul Young Has Joined Walston, Hoffman Firm

(Special to THE FINANCIAL CHRONICLE)
PASADENA, Cal.—Paul Young has become associated with Walston, Hoffman & Goodwin, First Trust Building. He was formerly with Shearson Hammill & Co. and Merrill Lynch, Pierce, Fenner & Beane. In the past he was an officer of Leo G. MacLaughlin Co.

Commodity Price Trend—Supreme Factor in Business Outlook

By MARCUS NADLER*
Professor of Finance, New York University

Dr. Nadler, predicting as long as rearmament program lasts, business activity will be at high level, holds uppermost uncertainty is trend of commodity prices. Says commodities supply, in general, is adequate, and unless unforeseen events should again induce people to anticipate their demands, prices should level off in next few months. Looks for increase in bank loans, and lists bankers' responsibility in inflation fight.

So long as the rearmament program lasts business activity is bound to be at a high level. The gross national product will continue to grow, employment will be plentiful, and the disposable income in the hands of the people will be substantial.



Marcus Nadler

Not all industries, however, will benefit uniformly from this development. Those industries which are engaged in the manufacture of heavy equipment and use metals will be confronted with shortages, and an increasing portion of their facilities will be devoted to the production of defense materials. On the other hand, the percentage of the total output of nondurable goods and services taken by the Federal Government for military purposes will be relatively small. In these industries the supply of commodities will be adequate to meet the normal demand of the civilian population. Competition in these fields will be keen and the price-consciousness of consumers will continue.

The question uppermost in the minds of many people is what the trend of commodity prices will be. Aside from certain commodities in short supply, particularly metals, the supply of commodities in general is adequate. There is no shortage of food, with the possible exception of meat. There is definitely no shortage of textile fibres, cotton as well as synthetic, and the rearmament program will not interfere with most civilian services. Moreover, the productive capacity of the country has increased considerably and is steadily expanding. The amount of capital invested by industry for enlarging plant and equipment is still growing and may exceed \$25 billion during the present year.

The new credit policy adopted early in the year by the Federal Reserve authorities, plus the fact that many banks are rapidly approaching the limit of their lending ability, should put a damper on the expansion of bank credit in many parts of the country. Unless, therefore, an unforeseen event should occur which would again induce people to anticipate their demands, commodity prices during the next few months should level off. Any increase that may take place should be only moderate in character.

The fact should not be overlooked, however, that if the constant rise in wages is not accompanied by a gain in efficiency, and the government deficit that may develop during the current fiscal year is financed through the commercial banks, this will lead to higher prices and could renew the spiral of prices and wages. Since efficiency of labor is steadily rising, however, and

the Treasury is making a serious effort to finance its deficit outside the commercial banks, one is warranted in assuming that the inflationary spiral will not be renewed.

Banking activity will reflect the general economic conditions in the country. In the immediate future, i. e., between now and the end of the year, the volume of loans made by commercial banks should increase, primarily to finance the movement of crops and other seasonal transactions. The high cost of doing business will also force many business concerns to borrow more from the banks. Early next year the movement of loans will not be uniform. Banks located in the defense areas will witness an increase in their loans. On the other hand, there should be a decline in the volume of loans of many banks, caused by the reduction of inventories and the decline in the volume of consumer credit. The supply of home mortgages is also likely to decrease.

Banks whose loans will tend to decline will endeavor to seek an outlet for their funds in government and tax-exempt obligations. As regards money rates no major changes are likely to take place. It is evident that because of the position of the Treasury and the need to finance the defense program, as well as to increase the production capacity of the country, no drastic credit restrictive measures can be adopted by the Reserve authorities. The open market policy of the Reserve Banks is, therefore, likely to remain flexible, which in turn means that fluctuations of longer-term government obligations are bound to continue.

The ending of the seasonal demand for bank credit is bound to affect the short-term money market. The increased costs of doing business plus the increase in taxes will further accentuate the earning problems of the banks. On the whole, however, it may be concluded that, in the absence of some unforeseen development, business activity will be at a high level, commodity prices will level off, and the banks can look forward to an active year. The main problem confronting the nation as a whole is to keep the economy sound and to maintain the integrity of the dollar. This can be achieved by the practice of restraint by everybody including government, business, organized labor and the ultimate consumer.

One of the greatest problems arising out of the present emergency is that of protecting the integrity of the dollar. This involves the protection of the savings of many millions of persons, and to a considerable extent the economic security of most of the people of the country, especially those of advanced years. Events of the last few years have proven Congress and the government have shown an inflation bias and a tendency to yield to pressure groups.

In the struggle to protect the integrity of the dollar the banker can play a most important role. This becomes evident if one analyzes the principal functions of the banks. They are the custodians of the liquid assets of the nation, individual as well as corporate.

They act as trustees of the people, both as regards savings and trust funds. They are the channels through which new deposits, purchasing power, are created, either by loans or investments. They are the providers of marginal and seasonal working capital for industry and trade. They are one of the principal sources of consumer credit for individuals of moderate means and important buyers of mortgages. The larger banks also act as a source of long-term capital, and through their investments and term loans are in a position to influence strongly the flow of capital. Finally, bankers, as a general rule, are the financial leaders and advisers of the people in their communities, and often their advice and decisions determine whether a project will be undertaken or not. Taken collectively, therefore, the decisions and actions of the banks have a very important bearing on economic developments in the country.

Inflation can take place only if the volume of the means of payment or their velocity increases faster than the supply of goods and services. With the exception of currency, which does not play an important role in the economy, the means of payment, basically deposits, are increased primarily through loans and investments of the commercial banks. It goes without saying that the banks will be called upon to make loans to finance rearmament needs as well as the output of commodities considered essential to the civilian economy. It is, however, of the utmost importance that all other loans which, directly or indirectly, do not increase the productive capacity of the country or are not for essential purposes, be curtailed as far as possible.

In a period when about 20% of the gross national product will be devoted to the output of defense materials and capital expenditures by corporations are bound to be great, it is of vital importance that restraint and economy be practiced by everyone. This applies to the government, industry, trade, labor leaders, as well as to the banks. The banks, as the trustees of the people's savings and the administrators of the trust funds upon which the welfare of many widows and orphans depends, must point out that economy, restraint and thrift will go a long way toward protecting the integrity of the dollar. It is essential to point out that there cannot be individual security unless there is collective security and that the search for hedges against inflation may ultimately lead to losses and to grief.

Financing the needs of the government is an important function of the banking community. To be sure, all of us have the right, nay the duty, to insist on economy by the government. But once the appropriations have been made by the duly elected Congress and the tax proposals become law, if there is still a deficit in the budget, it is the function of everyone, and notably the banker, to insist that this deficit be financed in a manner which will not accentuate the dangers of inflation. No deficit—no matter how large—will stop the rearmament program. If ultimate investors do not buy the securities offered by the Treasury they will be bought by the commercial banks, thereby increasing the supply of deposits—which is purchasing power. This will add to the flames of inflation and undermine the integrity of the dollar, the protection of which is one of the principal functions of the banker.

Individuals as well as corporations usually turn to banks for advice and guidance. Bankers serve on many boards of corporations. They are among the most prominent civil leaders and a great deal depends upon the advice which they give their cus-

tomers and friends. Upon this advice may depend whether a corporation will undertake a given project, whether a community will embark on certain public works, or whether a builder will undertake the construction of a given number of houses. The success of the Treasury's Defense Drive will also, at least in part, depend on the decisions and cooperation of the banks.

Schroder, Rockefeller Co. Appoints J. Madden

At a meeting of the Board of Directors Mord M. Bogie, President of Schroder Rockefeller & Co., Inc., 61 Broadway, New York City, announced the appointment of James E. Madden as Assistant Treasurer.

Mr. Madden, who served for two years in the Navy during the last war, is a graduate of the School of Engineering of Princeton University. Prior to joining Schroder Rockefeller he was employed by the engineering firm of Ford, Bacon & Davis.

Davies Co. Adds

(Special to THE FINANCIAL CHRONICLE)
SAN FRANCISCO, Cal.—Mr. Wayne Jewell has joined the staff of Davies & Co., Russ Building, members of the New York and San Francisco Stock Exchanges. He was formerly with Frank Knowlton & Co.

Joins Shearson, Hammill

(Special to THE FINANCIAL CHRONICLE)
LOS ANGELES, Cal.—Willard R. Steckbauer has become associated with Shearson, Hammill & Co., 520 South Grand Avenue. Mr. Steckbauer was previously with Francis I. du Pont & Co. and Cohu & Co.

With William R. Staats

(Special to THE FINANCIAL CHRONICLE)
LOS ANGELES, Cal.—Edwin C. Stengel has become associated with William R. Staats & Co., 640 South Spring Street, members of the New York and Los Angeles Stock Exchanges. He was formerly with Walston, Hoffman & Goodwin and First California Co.

Joins Hannaford Talbot

(Special to THE FINANCIAL CHRONICLE)
SAN FRANCISCO, Cal.—H. Allison Smith is now associated with Hannaford & Talbot, 519 California Street.

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*Summary of addresses by Dr. Nadler before the Kentucky Bankers Association, Louisville, Ky., Oct. 22, 1951, and before the Iowa Bankers Association, Des Moines, Iowa.

The State of Trade and Industry

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

Total industrial production moved slightly higher last week with output at many of the nation's factories sustained at near-peak levels. This was particularly true of defense plants. Employment held at a very high level with the result that initial claims for unemployment insurance continued to decline. Steel ingot production, at 102.9% of capacity last week, slightly exceeded the operating rate of 102.1% in the preceding week.

This week attention in the steel market is focussed on signs which point to an easing of supply, according to "The Iron Age," national metalworking weekly. But these signs should be read with the greatest caution and all market factors should be considered—lest the signs be misinterpreted, adds this trade journal.

They indicate that (1) Consumers don't want high-priced steel. (2) The high-pressure conversion market is losing steam. (3) Products, such as sheet and strip, which used to be in tightest supply, are becoming easier. (4) Structural inquiries have been decreasing steadily for months. (5) Conviction that requests for steel under the Controlled Materials Plan are inflated, has destroyed confidence in government figures on demand, and (6) The terrific rate of steel expansion and production promises a much larger supply next year—and more the next year, if it is needed.

If these signs were all present in a free market they would be most convincing, but asks the "Iron Age," how do you measure demand when consumers aren't permitted to use as much steel as they would like? What would happen to demand for cold-rolled sheets, or to the conversion market, if controls officials would suddenly lift all restrictions?

These are the imponderables that are causing the steel market much concern, but information at hand does eliminate some guessing. In the face of present industry commitments, no overall easing of steel demand seems possible before the middle of next year. It does seem possible toward the end of the year.

Steel sales people don't like to talk about what the market will be like more than six months ahead. They would like to see controls lifted. This, they feel, would result in a more realistic appraisal of demand in a hurry.

Steel users still find time to complain if their CMP tickets haven't been honored and are chaffing over restrictions on the amount of metal they are allowed to use, states "The Iron Age."

Despite the sustained high production rate, steel quality is holding up remarkably well. There are some exceptions, because quality is bound to suffer during a long period of peak output. But steel people are surprised at how well it is holding up.

As cold weather nears the importance of scrap grows. And so do the fears of steel producers. Their stocks on hand are far smaller than normal. At the present rate of consumption, scrap storage yards should be bulging. The scrap drive in industry is bringing out a lot of metal, but not nearly enough, concludes the trade authority.

In the automotive field, passenger car output in the United States last week totaled about 90,293 vehicles or slightly above the previous week's total, but was close to 41% below the like period a year ago, according to "Ward's Automotive Reports."

This agency added that last week's gain was made despite a strike at Ford's Kansas City assembly plant, suspension of Nash lightweight Rambler series output due to a supplier strike and a scheduled brief interruption in General Motors' Kansas City B-O-P plant output.

Auto production may be seriously crippled within a week to 10 days because of continuing strikes at 10 Borg-Warner plants and five Electric Auto-Lite factories in Toledo, "Ward's" points out.

It expects that, despite the two supplier strikes, the industry will achieve its October production program of approximately 409,000 cars and 110,000 trucks in its United States plants. Estimated car production for the month is equivalent to 37% of the National Production Authority authorized output maximum of 1,100,000 units for the fourth quarter.

Continued on page 29

Deposits of Savings Banks Up Sharply

Carl G. Freese, President of National Association of Mutual Savings Banks, reports gain of \$206 million in third quarter of 1951, bringing total deposits up to \$20,606 million. Banks reduce holdings of Governments and increase mortgage loans.

Deposits in the nation's 529 mutual savings banks increased \$206,000,000 during the third quarter of 1951, bringing them to a new all-time high of \$20,606,000,000 at the close of September, according to Carl G. Freese, President of the National Association of Mutual Savings Banks and President and Treasurer, Connecticut Savings Bank of New Haven, Conn. The gain contrasts with a decline of \$55,000,000 during the same period last year and reflects the fact that during each month of the quarter, amounts deposited were greater and withdrawals less than during the corresponding month of 1950. Three-quarters of the gain in regular deposits during this period represented the inflow of "new money" in contrast to dividend credits.



Carl G. Freese

During the month of September alone, savings bank deposits increased \$84,000,000. This gain contrasts with an increase of \$29,000,000 in September, 1950, and marks the fifth consecutive month this year in which deposit increases have surpassed those of the corresponding month last year.

In commenting on the report, Mr. Freese said: "The trend toward increased savings evidenced in substantial gains in savings bank deposits in recent months sounds an optimistic note in our national economy. During this period of economic uncertainty and the prospect of increased taxes, thousands of Americans are adding to their 'nest eggs' of personal savings and cutting down on excessive, wasteful spending. If this trend also becomes evident in government, the prospects of holding off the disruptive forces of inflation and preserving a sound economy will be considerably brighter."

Portfolio policy of the mutual savings banks during September continues to reflect the changed conditions in the investment markets. Funds received from depositors were supplemented by reducing holdings of U. S. governments by \$48,000,000 and this total was placed in (1) mortgage loans and (2) corporate and municipal securities, which rose \$113,000,000 and \$15,000,000, respectively. Cash also rose \$15,000,000. The gain in mortgage holdings has been progressively smaller each month since May as compared with the corresponding month last year, and the increase in September, for the first time this year, was below that of a year ago.

With Merrill Lynch Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Sydney Parlow has become connected with Merrill Lynch, Pierce, Fenner & Beane, 10 Post Office Square.

Joins Baker, Simonds

(Special to THE FINANCIAL CHRONICLE)

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

Observations . . .

By A. WILFRED MAY

Weren't the Bulls "Goose-Egged"?

Are you one of the baseball fans who, to spice up the proceedings, brings a radio into the stands to listen to the game's broadcast while it is being played? If so, and with baseball closed for the season and prizefights sparse, don't fail to read the commentary devised to interest the public in the stock market's price numerical changes registered on the ticker or the stock tables.

With baseball closed down for the season, the commentators on the market's doings have been admirably fulfilling their proclivity to dramatize, glamorize, and pictorialize. Here are some samples of the figurative turbulence of the language with a sweetening of jargon and a mixing of metaphors, used to describe the past fortnight's market doings.

The prevalent tendency to surround quotations with speech figuration, dramatization, and glamorization, harbors important and serious connotations, in measurably undermining sound investment principles. It increases the individual investor's manic-depressive successions of optimism and "jitteriness," thus unbalancing the price structure. It accentuates the fallacies of making a game of market movements, of over-reliance on market "liquidity," of mistaking prices for values, and of concentrating on anticipating changes in quotations of "the chips" in lieu of appraising the worth of the businesses of which they represent shares. This coloration of the price movement is illustrated in the following examples.



A. Wilfred May

From a leading and otherwise highly august metropolitan newspaper:

October 20

LATE SELLING PUTS STOCKS INTO SLUMP Market Caught Off Balance [!]

The stock market did what all the experts had predicted yesterday. It slumped badly. A late burst of selling [sic?] caught the market off guard. . . .

October 21

NEAR EAST TENSENESS UNSETTLES MARKET

[Note: Other observers contradictorily ascribed the unsettlement to the rumored ending of the Korean tenseness.]

October 23

STOCKS ARE ROUTED

Declines Up to 8 Points Are Chalked Up [!]

[Note: The market average declined by only 2 1/4%.] That day's market was interpreted by another columnist as signifying that "Some of the cream has spilled out of the bottle but the milk hasn't turned sour."

October 24

STOCKS FACE ABOUT

Labored Rise

[Note: The lead spoke of "the price collapse" of the previous days. Actually, however, the said "collapse" had merely consisted of a 2 1/4% average decline.]

Continued on page 12

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Are Oil Securities Too High?

By MICHAEL KOURDAY

Investment Research Dept., Shaskan & Company
Members, New York Stock Exchange

Asserting oil stocks are not too high at current prices on an industry basis, investment analyst points out growing demand for many years ahead for petroleum products. Cites expansion in present markets and lists new markets. Says competitive position of oil industry as source of energy is secure and, despite tremendous demand for oil, supply can meet demand. Holds industry's price structure is sound.

Are oil shares too high? Some financial experts answer an unqualified "yes"; others take the position that oils will go higher. It is fairly certain that this question currently intrigues more investors than almost any other market problem of the day. Interest in it is not confined merely to the technicians of the market. The 343,823,334 common shares of petroleum and gas stocks listed on the New York Stock Exchange alone bear vivid testimony to the widespread interest in the current oil situation.



Michael Kourday

In the desire to have some part in the fortunes of this fabulous commodity, investors have bid the current prices of oil securities to their highest ranges since Titusville. The Standard and Poor's price index of 14 petroleum companies was above 300 at the end of September 1951. Not even in the banner years of 1929, 1946 or 1948 did oil shares top the 200 mark in this index!

An objective analysis leads inevitably to one conclusion: Oils are not too high at current prices on an industry basis. This opinion is founded on an intensive survey of facts and figures in the oil industry. This article, which presents the highlights of this survey, discusses the industry's overall demand, supply, and price factors.

The Long Run Demand

In determining the strength of an industry the factor of demand is of prime importance. From an overall and long run point of view, the oils are in an excellent position in this respect. Probably no other industry (with the exception of chemicals) can exhibit the same consistent rise in demand.

Consumers of oil products have

grown steadily from year to year. In the last 10 years alone the use of automobiles has increased about 43% and oil burners, tractors, and diesels in use have more than doubled. Back in 1941 the total demand for oil products in this country was 1,595 million barrels and at the end of 1950 this demand had jumped to 2,483 million barrels — an increase of 55%.

While historically the demand for oils has shown a consistent growth trend, it may be wondered what the future holds in store for the industry. Although it is not possible to measure exactly the growth ahead, enough signs seem to point to a continued increase in the use of oils over the coming years.

Expansion in Present Markets.

For one thing it seems fairly certain that present markets will expand. In this country the long-term outlook is for more automobiles . . . more Diesel locomotives . . . more home oil heaters . . . more industrial use of oil. It is generally felt that domestic demand for the next few years will increase at an average rate of at least 5% per year. Demand throughout the rest of the world should also continue to grow at a fast pace.

New Markets

Many new markets for oil will undoubtedly come forth in the future as they have in the past. For example, an intriguing new development in the demand picture is the rapidly expanding field of petro-chemicals. One expert, at a recent meeting of the National Petroleum Association, predicted that the industry will increase its petro-chemical production by 400% in the next 10 years. It was further stated that this phase of the industry will be worth \$5 billion a decade from now and its annual production will have increased from today's 16 million pounds annually to 64 million pounds. There is added significance to this when one remembers that the oil industry is well provided with the capital

resources to develop this phase of its business.

Competitive Position Secure

Competition is another factor in a consideration of demand. At present, the oil industry has no real competition because it has no peer as a source of energy. The future, too, shines brilliantly for oil.

The growing use of natural gas might appear to offer a threat. However, when it is realized that the petroleum industry owns most of the natural gas reserves in this country, the use of gas emerges as a tremendous boon rather than an adverse factor. Increased competition from coal is likely to arise only where supplies of oil are insufficient to meet demand.

Of course, atomic power may become competitive in the future but it is too early to reach conclusions. In any case, as with synthetic fuels, the oil industry will undoubtedly keep pace with developments in this field.

From an overall long-run point of view then, the demand picture of the oil industry is exciting enough to warrant the attention of the serious investor. Facing no real competition, the oil industry enjoys an almost unparalleled position. In addition, this industry offers the investor a stake in the future of the dynamic field of petro-chemicals.

The Short-Run Demand Picture

While the overall picture of demand shows a precise pattern of growth, the immediate demand picture is not always clear, although it is equally favorable.

Overall Picture

In a recent article, published by "World Petroleum," it is estimated that world consumption of petroleum and products in 1951 will show an increase of about 11% from the previous year. This would mean a total requirement of 4.4 billion barrels for the year. When it is considered that this increase in demand came on top of 1950's 12.6% increase over 1949, it can be seen that the growth in demand over the past few years has been hardly less than phenomenal. While it cannot be denied that the present world armament program has accelerated the demand for oil, a sudden relaxation of international tension should not have any serious effect. Actually, the removal of this abnormal demand would allow the industry to return to its normal growth pattern . . . in itself, an extremely healthy one.

Domestic Demand

The uncertainties of the times and the complexities of the industry make it difficult to evaluate the current demand picture without some qualification. Still, there seems to be a number of elements that indicate a continued strong demand for oil and oil products in the near future.

The total demand for domestic oil products in the second quarter of 1951 (according to the Bureau of Mines) amounted to 7,063,000 B/D (barrels a day) a gain of 10.8% compared with the same period of 1950. Demand within the country in this period averaged 6,654,000 B/D or 9.7% greater than the year before. Exports accounted for 409,000 B/D. Demand is running even higher now so that it will undoubtedly average well over 7 million B/D for the entire year.

The Bureau of Mines estimates a 6.8% increase in the second half of this year over the latter half of 1950. This estimate is based on the current high rate of industrial activity and normal weather conditions.

In addition, the astute group of men who comprise the Texas Railroad Commission have made a significant decision. Exercising their function of determining how

Continued on page 32

From Washington Ahead of the News

By CARLISLE BARGERON

It isn't that anybody in official Washington is particularly excited over the Conservatives' victory in Britain but what comment is forthcoming is that Churchill and Eden will cooperate with us more than Attlee and Morrison. Of that I have no doubt and it will cost us some more money but will probably be worth it.

"Cooperating" with our government is one of the best things Churchill does. He has a way with us. Indeed, I have been assured by many Britishers that he is more popular in this country than he is in his own. Considering that we have gotten away from a lot of rules and traditions regarding our Presidency he probably could run for the office and be elected. The little matter of the Constitutional provision that our Presidents be native born undoubtedly could be waived in the easy way in which the Constitution is bypassed in these times. Anyway, a lot of Americans would like to vote for him.



Carlisle Bargeron

Now, it is not to be expected that this new "cooperation" will mean the sending of any more British troops to Korea, or any lessening of British trade with Red China, or of withdrawal of British recognition of that government. The "cooperation" in fact, will scarcely be perceptible to the naked eye which does not mean that it won't be quite effective.

What I expect is that it will be more of an advisory or persuasive nature in the shaping of our own foreign policy. If I am right our policy will come to reflect more of the Churchill thinking and relatively speaking, that would be all to the good.

I would be the last one to shrink from the Churchillian dominated or influenced American foreign policy. I certainly would have no complexes that it benefited Britain. There is an influential element of our people who, while insisting that our destiny is inextricably woven with the British nevertheless take a fiendish delight in kicking them in the pants. In World War I, the attitude of these people, and it was reflected in our government, was that in return for "our saving Britain" she had to give up her colonial possessions, she had to give them "democracy." This attitude in World War II, again reflected in our government, was to make sure that in the process of our again saving the world for democracy, Britain did not profit from it. Such an attitude has contributed immeasurably to the break-up of the British Empire.

If we are to accept the proposition that Britain is an indispensable dependent of ours, and we have accepted it, then the more we kick her in the pants in her dealings with subject peoples, the more of a bill we've got to pay toward her support. But the prevailing attitude in this country seems to be to strip Britain of as much of her empire standing, as much of her sources of raw materials as possible and make up for it with our own money.

It is apparent that Roosevelt himself, Roosevelt the Great, had this complex toward Britain and Churchill throughout World War II. He brushed aside Churchill's proposal that Germany be invaded through the Balkans. Ah, ha, a wily Churchillian trick to keep Russia out of Eastern Europe and let Britain remain as the dominating power. Well, the war wasn't being fought for Britain's advantage or to preserve the British empire or her antiquated foreign policy. It was being fought for something higher, God only knows what.

Roosevelt and Winnie were good friends, all right, but Roosevelt being a most brilliant man, could see through the charming old rascal. Ha, ha. What fun it was to outwit Winnie. Manifestly if Churchill's advice in this instance, regardless of how selfishly inspired, had been taken, we would have been better off.

For my money, I am willing now to let Churchill conduct our foreign policy and we pay the bill. We would save money. In this new global leadership which we have acquired, there can't be any question that we need a guardian.

Consider now this spectacle: Several months ago, Attlee came running over here, as the public was informed, to implore Truman not to use the atomic bomb in Korea or to do anything to "extend" the war. He was fearful, so we were told, that this would bring Russia officially into the war and Britain was right under the Russian guns, so to speak.

Then a few months later, the Iranians act up and tell Britain she has got to get out of Abadan. This time, Attlee forgets all about the risk of provoking Russia into war and in the old, tried and proven way in which Britain had of protecting her property and nationals, made ready to resist with armed force. Now, it was occasion for our State Department to hold up its hands in holy horror and conjure up the danger of provoking Russia. Should British troops enter Abadan in the south and on the Persian Gulf, Russian troops under an old treaty, would enter Iran 700 miles away to the north, and presto, there would be World War III. If one would study the map of Iran he would realize just what a ridiculous argument this was. But the British under our State Department's persuasion backed off and the result is they now have a problem with Egypt.

Churchill hasn't been deluded by the propaganda of Russia's physical might. I doubt the spectacle described above would have happened had he been in office, not in just the way it did.

His reemergence into international affairs should bring some order, some sense to the thinking of our own State Department; in fact, into the whole rearmament business. Surely it is not a too forlorn hope that it will.

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What Credit Standards in An Inflationary Economy?

By OLIVER S. POWELL*

Member, Board of Governors of the Federal Reserve System

Federal Reserve governor points out sources of recent increased consumer buying power and action taken by monetary authorities to check its inflationary impact. Gives details of Voluntary Credit Restraint Program and outlines credit standards for an inflationary period. Says general purpose is not to prevent use of private credit, but to stop its use for speculative purposes and to channel credit into defense-supporting industries. Warns inflationary threats have not been removed.

The title of this talk might have been labeled, "Learning to Live With National Defense." Outside of actual wartime conditions, the United States for generations has found it possible almost to forget defense against outside enemies and to devote its energies completely to developing a higher standard of living at home. Now we find ourselves the most powerful non-Communist country in the world, able to depend on other countries for protection only in very limited ways and faced with the problem of rebuilding a strong national defense.



Oliver S. Powell

The problem resolves itself into one of increasing the production of defense items while maintaining the supply of civilian goods at as high a level as possible. If the total demand for goods exceeds the supply, prices go up. This is inflation. It hurts the civilian economy and increases the cost of the defense program.

Early in 1950 the recovery of business from the minor recession of 1949 had brought the level of production, consumption and employment to a high plateau. Production was almost at capacity, a point beyond which it is difficult to expand except by the slow processes of population growth, more factories and improved industrial techniques. Then came the Korean invasion and it set off a rush of panicky buying. Remembering the shortages that developed during World War II, we rushed to the stores and bought abnormal quantities of merchandise—everything from sheets and coffee to television sets and autos. There were two waves of buying—autumn and winter. There was also an unprecedented increase in residential building. This buying rush caused retailers and manufacturers to step up their purchases and production rates, and there was a sharp increase in employment. The inevitable result of all this was a sharp rise in prices, and another round of wage increases.

Sources of Increased Buying Power

It is important to analyze the sources of buying power which made possible this abnormal buying movement which was superimposed on a high level of peacetime trade. There were three principal sources of buying power:

First, current income: The sum total of wages, rents and income from invested capital, which normally just about equals the production of goods and services at stable price levels.

Second, the use of savings by drawing down savings accounts, cashing savings bonds and spending funds which had remained

*An address by Mr. Powell before the Annual Convention of the Commercial Finance Industry, New York City, Oct. 30, 1951.

idle in checking accounts awaiting a suitable time for use.

Third, borrowing against future income: Consumers' borrowings to buy automobiles, household appliances and houses; business firms' borrowings to increase inventories or to pay higher prices for inventories or to extend credit to consumers, or to expand plants. The combination of these three sources of buying power, when used to purchase a quantity of goods and services that could not expand with equal rapidity, caused a sharp price rise.

The monetary authorities have made important moves in their field of action to counteract these inflationary forces.

(1) In August 1950, the discount rates of the Federal Reserve Banks were raised somewhat and short-term money rates were allowed to rise.

(2) The consumer credit regulation was reestablished. The reestablishment of this regulation has not brought about any drastic reduction in the total of consumer credit outstanding. Although the total has declined by \$800 million since last December, the amount of consumer credit outstanding on Aug. 31, 1951, was still \$19 billion. It rose \$171 million in August (annual rate of \$2 billion) after Congress eased the restraints.

(3) A new regulation dealing with real estate credit was imposed. It is still impossible to appraise the restraining effect of Regulation X since builders are working on the backlog of orders received before Regulation X was announced, and on public housing projects as well as on private construction under the regulation. Moreover, Congress liberalized the terms, in August.

(4) In January, 1951, reserve requirements of member banks were raised to substantially their upper legal limits.

One of the most important tools of inflation restraint was practically cut out of use for this purpose for several years. This was the employment of open market operations which were devoted almost solely for several years to maintaining a pegged price for long-term government securities. The Federal Reserve Open Market Committee first announced in the depression years that a major objective would be a stable or orderly bond market. This was at a time when the Federal Government was borrowing heavily to provide funds for various kinds of relief. Then came World War II with its huge expansion of public debt. The Federal Reserve played an important part in this financing by providing the banks with excess reserves with which to buy government bonds.

Then came the postwar years. Almost everyone expected a sharp depression as had happened in 1920-1921 after World War I. Hindsight proves this to have been an error in judgment, but it was a factor in causing the Federal Reserve authorities to continue their easy money, excess reserves, pegged bond market policies. With one or two minor exceptions this policy was maintained until last spring when the pressure of inflation made a change to a more flexible attitude

toward the bond market necessary.

The pegging of the government bond market had deep-seated effects. Holders of long-term bonds instead of treating those securities as true investments came to consider them equal to cash in liquidity. In fact, they were the equivalent of cash so long as they could be sold to the market at a fixed rate and the market could be sure that it could sell them to the Federal Reserve Banks at the same price. This caused the Federal Reserve Banks to manufacture bank reserves at the whim of the holders of government securities.

The reduction in prices of long-term government bonds last spring has had far-reaching effects in the control of inflation. Holders of those securities have been reluctant to dump them on the market and as a result supplies of funds from that source for mortgage loans and for many other types of credit have been reduced. Skeptics of this change in the administration of the Federal Open Market Account have overlooked two aspects of the money market: First, low rates had been in force for so many years that they had been built into the financial structure. Any change to a higher level of long-term money rates forces far-reaching adjustments in financial commitments. Second, the direction of movement in the money market is an important factor entirely aside from the level of money rates. Whenever rates are rising, until the money market reaches reasonably firm ground at a higher level, it is natural that many financing plans are postponed. One of the most fundamental results of this recent action has been to restore in the rest of the world a confidence that we can control our own inflationary problems.

Voluntary Credit Restraint Program

The credit policies of the Federal Reserve System have been reinforced by a program of voluntary credit restraint among private lenders. Each supplements and increases the effectiveness of the other. The general credit policy of the System is intended to reduce the availability of credit in the aggregate and make it unnecessary for the System to add to the credit base by the continued purchase of government securities; the selective credit controls are designed to restrain the extension of credit in a few areas where the formulation of specific and generally applicable lending standards is feasible. Reliance has been placed upon the voluntary credit restraint effort to engender a spirit of caution and restraint in lending policies in general, but especially in sectors not amenable to selective credit controls, and to assist in channeling the reduced supply of credit so as to meet the needs of the defense program and of essential civilian activities, while at the same time restraining or curbing the use of credit for non-essential purposes.

The Voluntary Credit Restraint Program is in essence nothing but enlistment of the collective horse sense of all kinds of lenders to sort out the kinds of credit which should have priority under today's conditions and in that way to avoid governmental regimentation of credit which, at best, must be a clumsy affair.

This program was inaugurated under the provisions of Section 708 of the Defense Production Act. The authority to set up the program was delegated to the Federal Reserve Board. That body requested a group of financial leaders to draw up a statement of principles and procedures for the voluntary program. The Federal Reserve Board then consulted with the Federal Trade

Commission and obtained the approval of the Attorney General of the United States for the program on March 9, 1951.

Credit Standards for Inflationary Period

We have now come to the principal part of my talk—the credit standards appropriate for an inflationary period. The first statement of such standards appeared in the Statement of Principles to which I have referred. Credit men were asked to screen their loans not only as to credit worthiness, but as to consistency with our national efforts to contain the inflationary pressures. Listen to these sentences from the Statement of Principles:

"It shall be the purpose of financing institutions to extend credit in such a way as to help maintain and increase the strength of the domestic economy through the restraint of inflationary tendencies and at the same time to help finance the defense program and the essential needs of agriculture, industry and commerce.

It is most important that loans for nonessential purposes be curtailed. . . . The criterion for sound lending in a period of inflationary danger boils down to the following: Does it commensurately increase or maintain production, processing and distribution of essential goods and services?"

The Voluntary Program did not attempt to supersede the work of Federal agencies in the field of inflation control. It does not have to do with such factors as inflationary lending by Federal agencies which the Statement of Principles states "should be vigorously dealt with at the proper places." Neither does the program "seek to restrict loans guaranteed or insured, or authorized as to purpose by a government agency, on the theory that they should be restricted in accordance with national policy, at the source of guaranty or authorization."

The first step in putting the program into action was for the Federal Reserve Board to request all lenders in the United States to take part in the Voluntary Program. For this purpose a letter was sent to some 90,000 lenders, the broadest list available to the Federal Reserve Banks. Thus the members of this association are in the program to the fullest extent dictated by your good judgment.

The next step was the appointment of a national committee by the Federal Reserve Board. This committee is composed of men chosen from the principal kinds

of lending institutions, with a Federal Reserve Board member as chairman.

The national committee has set up regional committees to deal with problems in five major lending fields: commercial banking, life insurance, investment banking, savings banking, and the savings and loan system.

You will note that there are no regional committees representing finance companies. This is in accordance with the wishes of the various types of finance companies operating in the United States. Last summer a group of finance company leaders was invited to Washington for consultation with the National Voluntary Credit Restraint Committee. We explored the trends in finance company operations and their relationships with the institutions from which finance companies borrow. The consensus of the meeting was that it was not necessary at that time to add to the organization of the Voluntary Program by setting up regional committees to which the finance companies could submit problem cases. The finance company representatives stated that they would prefer to talk their problems over with banks, insurance companies or others from whom they obtain funds. The National Voluntary Credit Restraint Committee has requested that those institutions making loans to finance companies should screen such loans as to purpose. The lending institution has such an intimate knowledge of the finance company to which it is lending that an adequate opinion can be formed as to the desirability of expansion of the finance company's operations before an additional loan is made. No adverse opinion has been expressed as to any particular method of obtaining such funds, whether by direct loan, by the sale of subordinated debentures or by other means. The sole test at this time is the use to be made of the borrowed funds.

Right from the start the National Committee recognized the need for direct contact with lenders to explain the program, to answer the most pressing questions without delay, and to insure uniform interpretation throughout the nation. The National Committee has issued a series of bulletins to all lenders on credit problems in relation to the Voluntary Credit Restraint Program. The first bulletin dealt with the subject of inventory loans. In view of the rapid increase in inventories, par-

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Convertibles for the Fall

By IRA U. COBLEIGH

Author of "Expanding Your Income"

Stressing the defensive, or storm-cellar qualities, of convertibles in soggy markets; and touching upon two recent issues capable of a fast switch from principal protection to profit.

Two seasonal comparisons suggest themselves in today's discussion. The first is the rather obvious comparison of the convertible security with convertible car. Both appeal to sportsmen; both have no upward limit in clear weather; both provide snug protection in damp going; and both facilitate a switch from shelter, to exposure to the elements—the car at the whim of the driver, and the bond (or preferred) at the whim of the market.



Ira U. Cobleigh

The other autumnal introductory analogy is between the convertible and a football team. Here both provide two platoons—one unit for offense and one for defense—switched as the progress of the game requires. Both can score handsomely when in the open; both generate kicks when they're in trouble; and both rely on specials for part of their success (spiral kicks and inflation spirals that is!). And both emphasize the conversion point.

So, having concluded as bizarre and whimsical a prelude as ever preceded an appraisal of securities, I now delve more specifically into my topic. Convertible securities originate in quantity principally at two market stages: (1) during emergence from a depression; and (2) at or near the top of a bull market. In the first case, convertibles are created usually as outgrowths of a reorganization. Historically, poor bedraggled bondholders were offered, among other things let us say, a new preferred or income bond, in place of an original mortgage issue which went sour. Then, as a sop, or a solace, to investors for the senior lien position they had lost, the new security was made convertible into the common of the reorganized company, usually at some remote price. Thus, if the new corporate baby prospered, and its common went up, the conversion feature enabled the patient and long suffering bondholder to get his dough back. Railroad bonds like Frisco's 4½% (convertible into 30 shares of common) and Denver & Rio Grande preferred (convertible share for share into common) illustrate this type of security, delivered as the regenerated corporate personality departed from the financial flophouse.

The second open season for convertibles is (like now) when business is booming and companies, of all kinds, need new money for expansion. A lot of 'em, even with recent high price tags for their commons, would like to get just a little more per share into the treasury for new capital raised; and some managements are scared to hit the market with too big a jag of new stock, lest same prove indigestible. So they accomplish both objectives by selling a security convertible into common at above current levels. Since a convertible is quite easily salable, companies benefit further because they don't have to pay their investment bankers as big an underwriting fee as a common stock deal would have called for. So now is an ideal time for convertibles—usually first to be offered to stockholders and then to the general public; and the important decisions for managements and investors alike are whether they should select bonds or preferred shares, and how close to the market the conversion price should be.

Bearing the above general ideas in mind, it may be useful to glance over two recent issues of bonds carrying a built-in parlay on common stocks.

The first is one molded along classic lines—the new 3½% convertibles of Canadian Pacific due 1976 and now selling at 103½. A premier example of capital enterprise, and the largest privately owned railroad in the world, Canadian Pacific relieves the bondholder of any anxiety whatever about regular payment of interest, or principal when due.

Interest on funded debt in 1950 was earned about 4¼ times. Moreover, bonds of this line are protected (as if they needed it) by a lot of other assets besides locomotives, cars and track—such as a domestic and overseas airline, 30 ocean steamships, 14 hotels, mineral rights to 12 million acres of land (7,000,000 in Alberta oil country); plus controlling interest in Consolidated Mining & Smelting Co., a fabulous extractor of silver, lead and zinc. So, by any standard, Canadian Pacific bonds look good.

Even a plain 3½% debenture here would be worth nearly par—but with conversion into 29 shares of common, from April 1, 1952 till April 1, 1959, a speculative gimmick with considerable romance is vouchsafed. At 35½ the 1951 high for CP common, the theoretic value of the conversion would have been \$1,050; but there are many analysts who see a long-term potential for CP, substantially above any recent price. So here you have a fine bond to ride if the Dow averages slip, and nice "if money" should the market in general and CP in particular break into high ground.

Switching to the industrial convertible department, an obvious void was created when Phillips Petroleum recently called for redemption its 2½% debentures which had led a highly animate market life, attaining a high of 152%. Investors are going to miss this one, but lest they get too crest-fallen, I have news. Another petroleum "convert" has just come out—the company not quite as plushy as Phillips, but moving impressively forward. Let me present the \$15 million of Warren Petroleum Corp. 3½% debentures due 1966 recently offered, by an eminent syndicate, at par.

Warren Petroleum is reported to be the largest independent producer of natural gasoline and liquefied petroleum gases. Its products are used for domestic gas, where public utilities are lacking, and "bottled gas" is economical and increasingly popular for running trucks, buses and tractors. Warren is also a growing factor in synthetic rubber, chemical, plastics and aviation fuels.

This new bond money is being used to buy out a minority interest in The Devonian Co., thus making it a wholly owned subsidiary; and in this way adding 28.7 million barrels in crude reserves, and 33 billion cubic feet of natural gas to its underground assets. If Devonian's earnings had been included for the 12 months ended June 30, 1951,

Warren Petroleum would have shown about \$4.60 on each of its 1,699,450 shares of common.

Get the prospectus on this issue and you'll see that while these 3½% are subordinate to some term loans, they're a powerfully fine bond earningswise, and might well be worth 97 with conversion absent (Cities Service 3s sell at 97). As it is, they can be swapped till Oct. 1, 1956, into common at \$34. Well, Warren Pete common sold this year at 34½, pays 90c and could quite easily fatten up that dividend. All in all, it looks as though you might use these 3½% as a fairly decent defensive market hedge, and it's not absurd to suggest that they might someday perform as fancily as Phillips 2½% before their demise.

The foregoing items have been sketched as the type of security favorably suited for "holding the line" in a weak market, or surging ahead in a strong one.

Frankly, however, lots of investors are kidding themselves in their switch to "converts" for defense. They're picking the wrong ones. The average middle-grade convertible preferred, and most of the recent editions of convertible second preferreds look their best in a soaring uptrend. In a sell-off they can shed 10% or 20% with a whole of a lot of velocity. So if protection against market erosion looms big among your reasons for buying convertibles, probably you'd better stick to bonds like the ones I mentioned—bonds where you're paying only a slight premium for the conversion feature.

If I haven't covered enough ground to suit you, look up Wheeling Steel 3½% of 1965, Detroit Edison 3s of 1958 and American Tel. and Tel. 3½% of 1963. These are all nice convertibles for the fall.

New Firm Name Is Butler, Candee, Moser

Butler, Moser & Co., 44 Wall Street, New York City, announce the change of their firm name to Butler, Candee & Moser. Partners are George A. Butler, Edna Moser and William J. Candee.

With Montgomery, Scott

PHILADELPHIA, Pa.—Montgomery, Scott & Co., 123 South Broad Street, members of the New York and Philadelphia-Baltimore Stock Exchanges, announce the association with them of Henry A. Berwind, Jr., as a registered representative in the Philadelphia office.

COMING EVENTS

In Investment Field

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.

Dealer-Broker Investment Recommendations and Literature

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

Bank Stocks—Report and current market data for 24 large city bank stocks—Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y.

Bituminous Coal Industry—Analysis—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y. Also available is a memorandum on Merritt-Chapman & Scott.

A Brief Guide to Pension Plans and Profit Sharing Retirement Trusts—Booklet—Drexel & Co., 1500 Walnut Street, Philadelphia 1, Pa.

Changes in Capital Gains Taxes—Bulletin—Newburger & Co., 1342 Walnut Street, Philadelphia 7, Pa.

Charts—New November issue—1001 charts showing monthly highs, lows, earnings, dividends, capitalization, and volume on virtually every active stock listed on New York Stock and Curb Exchanges from 1940 to November 1, 1951—single copy (spiral bound), \$10.00; yearly (6 revised books), \$50.00.

Effects of the New Tax Bill—Bulletin—Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y.

Foreign Exchange Quotations—New issue listing 144 quotations of the currencies of various countries throughout the world—Foreign Department, Manufacturers Trust Company, 55 Broad Street, New York 15, N. Y.

Is the Bull Market Over—Bulletin—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y.

Machine Tool Industry—Review—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Machinery Outlook—Discussion—Paul H. Davis & Co., 10 South La Salle Street, Chicago 3, Ill.

Market Appraisal and Quarterly Earnings—Bulletin—Dean Witter & Co., 14 Wall Street, New York 5, N. Y.

Motion Picture Stocks—Review—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

New York Banks and Trust Companies—Comparative figures as of Sept. 30—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.

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.

Aluminum Industries, Inc.—Descriptive brochure—Stanley Heller & Co., 30 Pine Street, New York 5, N. Y. Also available is a bulletin on Ohio Oil, Studebaker and Pittsburgh Coke & Chemical.

American Barge Line Company—Analysis—Dayton & Gernon, 105 South La Salle Street, Chicago 3, Ill.

Carborundum Company—Analysis—Terry & Co., 44 Wall St., New York 5, N. Y.

L. E. Carpenter & Company—Analysis—Eisele & King, Libaire, Stout & Co., 50 Broadway, New York 4, N. Y.

City of Philadelphia Bonds—Semi-annual appraisal—Stroud & Co., Inc., 123 South Broad Street, Philadelphia 9, Pa. Also available is a semi-annual appraisal of Equipment Trust Certificates.

Consolidated Industries, Inc.—Analysis—Republic Investment Co. Inc., 231 South La Salle Street, Chicago 4, Ill.

Consolidated Railroads of Cuba—Bulletin—Dreyfus & Co., 50 Broadway, New York 4, N. Y.

Drewry's Ltd.—Report—S. H. Junger & Co., 40 Exchange Place New York 5, N. Y.

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NATIONAL STEEL PRODUCTS COMPANY, Houston, Texas. Recently erected warehouse, built by the Stran-Steel Division, covers 208,425 square feet. Provides facilities for distribution of steel products throughout Southwest.

Pennsylvania Brevities

Tempest in the PTC Pot

PHILADELPHIA — In what gives preliminary indications of developing into an all-out Pier Six Brawl, a stockholders' committee has forced management of Philadelphia Transportation Co. to call a special meeting on Dec. 10 to vote on amendments to the company's by-laws which the committee advocates.

The stockholders' committee was formed in 1949 at which time control of PTC was still vested in a voting trust set up when the company was reorganized in 1940. In furtherance of the best interests of stockholders, the committee has listed 10 specific objectives, five of which have been accomplished. Those attained are: Termination of the Voting Trust, thus returning to the stockholders the right to vote their shares as they see fit.

Election to the board of directors of one or more members whose interests are primarily coincidental with those of the stockholders. Four such directors have been elected.

Listing of the common and preferred shares on the Philadelphia-Baltimore Stock Exchange, thus improving marketability.

Establishing a par value of \$10 for the common shares, lowering transfer taxes.

Reducing tenure of office of directors from four years to two.

Objectives in process are:

To acquaint as many PTC shareholders as possible with the value of the property in which their money is invested.

To activate stockholder interest in trying to improve the corporate structure of the company whenever possible.

To continue to work for a larger representation on the board until a majority of the 21-man

panel is of the committee's choice or has its approval.

To prosecute a more equitable dividend policy.

To obtain a broader knowledge of the company's problems, activities and management policies.

At the special meeting, stockholders will be asked to vote on four specific proposals embodying changes in the existing by-laws. All four proposals, if adopted, would limit and curtail the present and broad powers invested in the seven-man Executive Committee, which, as presently constituted, assumes the full powers of the board in conducting the company's affairs between board meetings.

One of the committee's proposals includes the complete elimination of a present three-man Industrial Relations Committee, the existence of which it believes to be unnecessary.

Company's Rejoinder

In a letter to stockholders, Charles E. Ebert, company President, terms the stockholders' committee a "self-seeking and inexperienced group, spurning normal procedures for cooperative effort with the Board." The committee, he claims, "has set out to grasp control of this great public utility. The motives and the effect of their present activities, which we consider to be disruptive and destructive, are matters of serious concern to all stockholders."

In previous skirmishes with the committee, the company made no particular effort to solicit proxies. A company official is quoted as saying: "In the past we were either in the throes of a fight with Mike Quill over wage negotiations or in the process of appealing for higher rate schedules. This time, however, we plan a real battle."

The stockholders' committee presented the signatures of stockholders representing over 330,000 shares of the 1,469,389 outstanding shares of PTC common and preferred shares, in establishing its demand for a special meeting. Such request by a minimum of 20% of the outstanding stock makes such action mandatory.

Members of the committee are: Grace De Coursey, Joseph N. Janney, Edward F. Kelley, Robert W. Smith and Eric E. Tinney, Samuel Gordon, Esq., is committee counsel.

Leap-Frog in Pittsburgh

Pittsburgh Railways Co. is encountering difficulty in keeping up steam in its reorganized boilers.

Last January the company emerged from a 12-year period of operation under trusteeship.

An award of increased wages and revised working conditions granted just prior to January resulted in substantially increased costs of operation.

The company filed for and obtained a higher fare schedule which became effective Feb. 18. City of Pittsburgh's complaints against the raise were later dismissed.

In March, the unions demanded further wage increases and benefits. On July 29 the Board of Arbitration made awards some of which, if confirmed, will become retroactive to May 1. Effectuation of the changes awaits approval by the Wage Stabilization Board. The company reported net income of \$229,207 for the first half of 1951, which may be adversely readjusted to approximately \$169,000.

The company filed for higher fares on Aug. 10, the increases becoming effective on Sept. 18. The city is again protesting the new schedules. Management, however, is confident that present fares will be sustained.

Now comes a tangential complication. According to a letter addressed to stockholders by C. D. Palmer, company President, claims for fees and allowances filed by the Trustees, Indenture Trustees and various attorneys for services in connection with the company's reorganization proceedings "substantially" exceed the amount set aside for this purpose. Under an existing court order, the tab for any such deficiency, if and to the extent established, becomes a charge against the new company. Hearings are in progress.

Mr. Palmer's letter states that in view of this contingency a common stock dividend policy cannot be recommended at this time.

Stockholders are also advised that no negotiations are presently being carried on in respect to possible sale of the company to the City of Pittsburgh.

In view of studies recently published by the Allegheny Conference on Community Development, in which a complete unification of all transit facilities in the area is strongly recommended, and in further consideration of the overhanging order of the SEC to Philadelphia Company to divest itself of its railway stock, the creation of a transit authority still appears to financial analysts as presenting the most logical and likely ultimate solution.

A report of nine months' operations of Pittsburgh Railways Co. is expected to be made public within the next 10 days to two weeks.

Saved by the Bell!

It came too late to stop the initial downward sweep of a poised gavel, but it does appear that the 11th-hour proposal by Price Fireplace Heater and Tank Corp. of Buffalo to "sell itself" to the all-but-defunct Roberts & Mander Corp. of Philadelphia may re-establish the latter's status as a going concern. Ultimately, Roberts & Mander stockholders may recover a substantial portion of their investment.

The foreclosure sale had been ordered held on Oct. 3 and certain personal property of the corporation was sold on that and the following day. The court has refused to confirm sales of the company's real estate, tools, dies, jigs, industrial fixtures and good will, or to consider bids made thereon, pending determination of stockholders' wishes in respect to the proposed acquisition of the Price business. A special stockholders' meeting is scheduled for Nov. 28.

Briefly, the Price company offers to transfer its assets to Roberts & Mander in exchange for authorized but unissued shares of R. & M. stock. The merging company is engaged in the manufacture of oil, water and other tanks and fireplace shelves. It also manufactures essential containers for war materials and its products thus have both peace and wartime applications. For the first seven months of 1951, Price reported net earnings of \$344,158 before taxes. It is believed that earnings could increase markedly with the enlarged joint asset base.

Sun Oil Anniversaries

The current year marks a double golden anniversary for Sun Oil Co.—50 years as an incorporated enterprise and the 50th birthday of the company's 1,900-acre Marcus Hook refinery. The joint occasion was celebrated at two banquets, held this week and last at Philadelphia's Convention Hall, at each of which attendance exceeded 6,000 persons.

Three individuals having records of a half-century's continuous service with the company were awarded special emblems. They are J. Howard Pew, former President and now director, John B. Marshall and William G. Rhyder, refinery foremen.

Company's development and growth through the years were highlighted in addresses by officials. Early records are somewhat vague, but it was pointed out that assets which were stated as \$2,500,000 in 1903 have expanded to over \$330,000,000. Company's profit for the current year is estimated at approximately \$45,000,000 compared with net income of \$36,291,498 in 1950.

Farquhar Co. Acquired

YORK — Announcement has been made that Oliver Corp. will acquire the 95-year-old A. B. Farquhar Co. of this city through an exchange of stock in the ratio of one share of Oliver for four shares of Farquhar. Seven of the latter company's larger stockholders, owning 71% of the outstanding shares, have approved the agreement. Both companies manufacture farm and industrial machinery.

Farquhar will be operated as a division of Oliver, retaining its manufacturing and dealer organizations.

Brooke Iron Co. Sold

READING — The Colorado Fuel and Iron Corp. has disclosed plans to acquire the E. & G. Brooke Iron Co. of Birdsboro, Pa., and its subsidiary, the Richard Ore Co., Wharton, N. J. The consideration is reported to be preferred and common stock of the Colorado company worth approximately \$6,400,000. Both boards have approved the plan.

Scott Paper Absorbs

PHILADELPHIA — Stockholders of Scott Paper Co. will meet Nov. 6 to vote on the proposed merger of Soundview Pulp Co. into Scott. Soundview stockholders will meet in San Francisco on the same day. Under the proposed plan Soundview stockholders would receive one and one-quarter shares of Scott for each share of Soundview common.

In declaring a stock dividend of 5% in addition to the regular 30 cents in cash, management of American Pulley Co. stated that unaudited figures for the fiscal year ended Sept. 30, indicated a sales increase of about 60% over the previous year, with net earnings up about 10%.

Baldwin-Lima-Hamilton Corp. announced an increase in its backlog amounting to approximately \$200,000,000 for the year ended Sept. 30.

Red Arrow Lines, which operates about 50 miles of trolley service suburban to Philadelphia, has offered to sell its entire trackage to the State and substitute buses

for streetcars in order to facilitate the better use of arterial highways approaching the city.

Fred Carpi, Pennsylvania Railroad Vice-President in charge of traffic denies that proposed increases in passenger commutation fares were set up in order to compensate for reductions in certain freight rates.

Pennsylvania's public relief rolls registered their 19th consecutive semi-monthly decline since the first of the year.

Henry Perenon Joins Henry Swift & Co.



Henry Perenon

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Henry Perenon has become associated with Henry Swift & Co., 490 California Street, members of the San Francisco Stock Exchange. Mr. Perenon was formerly trader with the San Francisco office of William R. Staats Co.

Francis V. Nixon With Hopkins, Harbach

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Francis V. Nixon has become associated with Hopkins, Harbach & Co., 609 South Grand Avenue, members of the Los Angeles Stock Exchange. Mr. Nixon has recently been associated with Pacific Coast Securities Co. and Edgerton Wyoff & Co. In the past he conducted his own investment business in New York and Los Angeles.

Hill Richards Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Lyman Beardsley, James C. Flanagan, A. G. Foreman, Frederick T. Foster, William E. Gleason, Daniel A. Haugh, Paul Jensen, and Richard H. Rue have joined the staff of Hill Richards & Co., 621 South Spring Street, members of the Los Angeles and San Francisco Stock Exchanges.

We solicit inquiries in

General Manifold & Printing

Leland Electric

American Pulley

A. B. Farquhar

Bearings Co. of America

Riverside Metal

HERBERT H. BLIZZARD & CO.

1421 CHESTNUT STREET
LOcust 7-6619

Pennsylvania Water & Power Co. Common Stock

Free of Penna. Personal Property Tax

This Company's 1950 annual report makes interesting reading for investors interested in

"SPECIAL SITUATIONS" for income and appreciation.

BOENNING & CO.

Philadelphia 3, Pa.

Pocono Hotels Units

A. M. Greenfield 5s 1954

Leeds & Lippincott Units

Talon Inc. Preferred

American Dredging Common

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Allegheny Ludlum Steel Preferred Stock Offered

Allegheny Ludlum Steel Corp. is offering its common stockholders rights to subscribe for 81,347 shares of new \$4.37½ cumulative preferred stock at \$100 per share at the rate of one preferred share for each 20 shares of common stock held of record Oct. 31, 1951. Transferable subscription warrants will expire at 3 p.m. (EST) on Nov. 14, 1951. A group headed by The First Boston Corp. and Smith, Barney & Co. has agreed to purchase all unsubscribed shares remaining at the close of the subscription period.

Proceeds will be added to general funds and be available, together with other funds, for the plant improvement and rehabilitation program now underway.

The new preferred stock is convertible before Nov. 1, 1961 into common stock, initially at the rate of two shares of common stock for each share of preferred. It is callable at the company's option initially at \$103 per share and thereafter at prices declining to \$100 after Nov. 1, 1959, plus accrued dividends in each case.

The company and its subsidiaries, operating through nine plants, manufacture and sell stainless steel, electrical steel and alloys, tool steel and tungsten carbide alloys, valve steel and high temperature and other special alloys. Currently about 40% of consolidated sales represent stainless steel products, sold under the trade name "Allegheny Metal" chiefly to manufacturers of automobiles, industrial equipment, aircraft and household appliances.

Kenneth Dietz With F. P. Ristine & Co.

F. P. Ristine & Co., 15 Broad Street, New York City, members of the New York Stock Exchange, announced today that Kenneth F. Dietz, former Manager of the investment research department of E. F. Hutton & Co., has joined F. P. Ristine & Co. as director of its investment research and portfolio planning departments.

With King Merritt

(Special to THE FINANCIAL CHRONICLE)

BENICIA, Calif.—Lloyd Goodin has been added to the staff of King Merritt & Co., Inc.

Halbert Hargrove Adds

(Special to THE FINANCIAL CHRONICLE)

LONG BEACH, Calif.—Floyd O. Mason has been added to the staff of Halbert, Targrove & Co., 115 Pine Avenue.

Join Douglass Staff

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Don H. Bailey and Bruce G. Douglass have joined the staff of Douglass & Co., 133 North Robertson Boulevard.

Joins King Merritt

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Earl D. Van Keuren has rejoined the staff of King Merritt & Co., Inc., Chamber of Commerce Building. He was recently with Cantor, Fitzgerald & Co.

With Pacific Coast Secs.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Harry F. Kenison is with Pacific Coast Securities Company, 634 South Spring Street.

With J. Henry Helser

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Lee E. Barrett is now with J. Henry Helser & Co. He was previously with E. F. Hutton & Co.

Gravity Investments

By ROGER W. BABSON

Mr. Babson lists as three ways for investors to benefit from gravity: (1) electric power developments; (2) railroads having favorable gravity inclines, and (3) gravity waterworks which supply householders with water.

Readers know that I have always been interested in the Force of Gravity and its possibility for free power from which everyone



Roger W. Babson

could greatly benefit. Letters come to me asking if there are now any ways for investors to benefit from gravity. Yes, there are three.

Every waterfall produces power due to gravity, plus, of course, the heat of the sun which takes the water from the oceans into the clouds. The clouds eventually turn into rain and supply the water which flows over these falls. In this connection, it must be realized that this gravity pull is the same in any part of the United States as it is at Niagara Falls. If any reader has never visited Niagara, he surely should do so. At that time he should realize that only a small portion of the power is now being used. The part of the waterfall which is being used cannot

be seen; while the water going over the falls is "wasted," except for scenic beauty.

There are thousands of water powers now being used every day. Most of these are operating mills of various kinds; but they are gradually being converted to generate electricity which power can easily be transported. I, however, consider the Niagara Mohawk Power Company the prime electric power Gravity Development. This is the company which taps Niagara Falls and, supplemented by other falls and steam plants, supplies electric power to most of New York State, from Buffalo down to New York City. The stocks of this company are listed on the New York Stock Exchange. The 3.90% preferred pays \$3.90 and sells at 96, thus yielding 4%. The common pays \$1.40 and sells at 25, thus yielding nearly 6%. One cannot get rich quickly by buying these stocks, but if you put them away in your safety deposit box, they should gradually become more valuable and give you good dividends each year; all from Gravity.

Railroad Companies

I certainly am not now bullish on most railroad stocks. They are handicapped by severe competi-

tion from trucks, automobiles and airplanes; their expenses are constantly increasing from wage demands and the cost of coal, oil, and equipment; while their rates are determined by political commissions, leaving little profit for stockholders. Transcontinental roads may do well for some time; also certain southwestern roads; but my favorites are the three Gravity Roads. These are the Virginian Railway, Norfolk & Western, and Chesapeake & Ohio. All of these let most of their heavy traffic coast downhill and have mostly only empty cars to pull uphill again!

I believe that the stocks of all three roads are safe investments; but I will quote only the stocks of the Virginian Railway which runs from the coal fields of West Virginia to Norfolk. The stocks are listed on the New York Stock Exchange. The Virginian Railway preferred pays \$1.50 and sells for 28, while the common now pays \$2.50 and sells for 33, thus yielding nearly 8%.

Waterworks Securities

The most economically operated public utilities are Gravity Waterworks which supply householders with water. Why? The answer is that gravity does most of the work for them by causing the water inexpensively to run downhill through the pipes and up to your bathrooms without aid of costly power. In most water systems steam or electric power is needed first to pump the water up into a standpipe or reservoir. But, Gravity Systems have a natural reservoir, higher than any house

in the city, and gravity performs all the work. If the water system in your community is operated by a private company, and the bonds or stocks are available, ascertain to what extent it is being operated by gravity. Based upon your findings, consider these securities as an investment.

Enthusiastic inventors who think they can use gravity for "perpetual motion" machines, should read "Wanted: War Inventions" in "Readers Digest" of October. The article entitled "Should You Buy Shares in America?" is good for everyone to read.

Best Annual Reports Of 1950 on Exhibit

Pandick Press, Inc., opened on Oct. 26 an exhibit of the "100 Best Annual Reports of 1950," according to an announcement issued by Miss A. C. Pandick, President. The reports, which were selected by "Financial World Magazine," were on display at the Downtown Athletic Club.

W. A. M. Burden Moves

William A. M. Burden & Co., capital investments, has announced the removal of their offices from 75 West Street to 630 Fifth Avenue, New York.

New Kidder Branch

NAPLES, Fla.—A. M. Kidder & Co. has opened a branch office at 820 Fifth Avenue, South. It is temporarily in charge of Ernest S. Stevens, manager of the firm's Fort Myers office.

This advertisement 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 31, 1951

1,716,500 Shares

Commonwealth Edison Company

\$1.32 Convertible Preferred Stock

(Cumulative—Par Value \$25 Per Share)

Holders of the Company's outstanding Common Stock are being offered the right to subscribe at \$31 per share for the above shares at the rate of one share of Convertible Preferred Stock for each eight shares of Common Stock held of record on October 30, 1951. Subscription Warrants will expire at 2 P.M., Chicago Time, (3 P.M., New York Time), on November 14, 1951.

The several Underwriters have agreed, subject to certain conditions, to purchase any unsubscribed shares and, both during and following the subscription period, may offer shares of Convertible Preferred Stock as set forth in the Prospectus.

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

Glore, Forgan & Co.

The First Boston Corporation

Harriman Ripley & Co. <small>Incorporated</small>	A. G. Becker & Co. <small>Incorporated</small>	Blyth & Co., Inc.	Central Republic Company <small>(Incorporated)</small>	Goldman, Sachs & Co.
Harris, Hall & Company <small>(Incorporated)</small>	Kidder, Peabody & Co.	Lehman Brothers	Merrill Lynch, Pierce, Fenner & Beane	
Smith, Barney & Co.	Union Securities Corporation	White, Weld & Co.	A. C. Allyn and Company <small>Incorporated</small>	
Bacon, Whipple & Co.	William Blair & Company	Alex. Brown & Sons	Clark, Dodge & Co.	
Hemphill, Noyes, Graham, Parsons & Co.	Hornblower & Weeks	Lee Higginson Corporation	F. S. Moseley & Co.	
Paine, Webber, Jackson & Curtis		Dean Witter & Co.		

LETTER TO THE EDITOR:

Takes Issue With Mr. G. F. Bauer On "The \$35 Gold Cult"

Harry Sears, Director, California Gold Committee and President of the Calaveras Central Gold Mining Co., Ltd., of Angels Camp, Calif., says author of "Chronicle" article ignores increase in gold mining costs. Denies loss in dollar's purchasing power was caused by reduction of gold content. Says because purchasing power of dollar has declined to 42c, realistic price of gold should now be \$84 an ounce.

Editor, Commercial and Financial Chronicle:

My attention has been drawn to a letter in your October 4th issue bearing the promising title, "Return to Sound Money, Solution to Cost Problem of Gold Mining", written by Mr. George F. Bauer, an official of the New York Board of Trade, but the letter completely fails to make good the promise of its title and because of its inherent inaccuracy deserves to be challenged.



Harry Sears

Mr. Bauer has assumed to comment on an article in your Sept. 20 issue regarding the gold mining industry in Canada where the author, Mr. R. E. Dye, General Manager of Dome Mines, Ltd., is a responsible operator. This article presents in forceful detail the very critical situation in which gold producers there find themselves because of a general rise in costs of 151% since 1941, during which the average price they have received for gold has been \$37.29, which has consequently caused a loss to Canada of 41% of its gold mines, 32% of the total labor employed, and 62% of dividends to stockholders, in this 10-year period.

Mr. Dye commendably states, "We lay no claim to being economists in other matters than as reasonably good managers of our own business."

Mr. Bauer does not seem to be bound by any such inhibitions. He suggests that everything will be all right with Canadian gold mining if they recommend and get money convertible into gold at \$35 per ounce. Since this ignores the fact that the industry has been slowly dying while getting \$37.29 per ounce, it is rather difficult to locate his logic.

Speaking of the commercial aspect of gold, as a commodity, Mr. Dye strongly asserts the injustice to producers in denying them access to world free markets, where such gold can be sold at higher prices.

Mr. Bauer explains so-called differences between "free gold markets" where value is recognized and the natural law of supply and demand controls (which he terms "free runaway" gold markets, and the kind which would exchange an ounce of gold for 35 of our so called dollars, (which now have only \$14.70 worth of purchasing power). These are the "free markets" he favors. We should place special accent on "free".

Mr. Bauer states that, "In 1934, the gold content of the U. S. dollar was reduced from about 1/20th of an ounce to 1/35th of an ounce. The buying power of representative money decreased by about 50%—", thus obviously endeavoring to blame the subsequent loss of purchasing power of the dollar on the change in the gold content.

This is not supported by the

facts. The composite Consumers' Price Index shows that there was only a few cents drop in the dollar value in the following five years, which was recovered in 1939, and that year has since been the usual base for calculations of subsequent and far greater loss of value in the dollar.

It is a matter of record that the so-called "devalued dollar" maintained a higher purchasing power for 10 years after the change of gold content than it had for the 10 years before, during which currency dollars had a higher gold content and were redeemable in gold. The basis of Supreme Court decisions sustaining the cancellation of gold clauses in bonds and contracts was this very fact: that the purchasing power of the dollar had remained virtually the same, and the plaintiffs had proved no loss.

The subsequent serious loss in purchasing power came through the flood of deficit financing through the issue of currency based on debt, rather than gold, and through the desires of the political group governing the country to perpetuate themselves in power by constantly weakening the financial ability of the citizens to resist.

The proper and intelligent use of present and future gold reserves will play a commanding and vital part in establishing safe and stable future fiscal policies. It is in fact the heart of the program and on it rests our hope for survival.

The objective is ultimate return to a workable gold standard and the right of redemption of paper currency into gold on demand. But this calls for a realistic price, or dollar relationship, for gold, which must be largely determined by the purchasing power or value of the dollar at that time.

Such a price cannot be based on old formulas or mere slogans. It must reflect the costs necessary to insure future gold production to supply a constantly expanding monetary base and to replace the losses from gold reserves for industrial uses.

Mr. Dye's article is directed primarily to the Canadian gold used in industry, and in his opening paragraph Mr. Bauer proposes to comment on this but fails to do so. Instead, his letter is devoted to expressing the theories of what may be termed the "\$35 Gold Cult."

Before dealing with this "Cult" let us consider gold as a commodity of commerce in the United States so that the comparative position of both nations may be before us.

We will quote from a letter sent by the California Gold Committee to the Directors of the International Monetary Fund just previous to their recent meeting in Washington:

"Previous to the adoption of the Gold Reserve Act of 1934, President Roosevelt made a radio address to the citizens of the United States, on Oct. 22, 1933, saying:

"When we have restored the price level we shall seek to establish and maintain a dollar that will not change its purchasing and debt paying power

during the succeeding generation."

"As you know, the President's pledge was not kept. The purchasing power of the dollar dropped and it has continued to drop and is now only 42c. The gold price fixed under the Treasury Regulations as \$35 per ounce has now become, in actual dollar value, only \$14.70.

"The Treasury and Federal Reserve Banks claim that they must control gold for monetary purposes. Through drastic Regulations the Treasury has assumed authority to interfere with the mining and processing of gold by producers in the United States. They likewise have assumed authority to supply all gold used in industry and the arts.

"As a result, not an ounce of gold has gone into monetary reserves from United States gold production in the past 10 years. All of this production has been channeled into private industry by the United States Mints, on the basis of the fictitious \$35 gold price, with no limitations whatever upon the prices industry could receive through resale of their manufactured products employing this gold.

"The use of gold in industry in the United States during the past seven years has been 170% of the total United States gold production for the same period, as shown by the Annual Reports of U. S. Mint. Thus, the Treasury has taken more than \$266,775,000 of gold out of the monetary stocks it is presumed to protect and has used this to subsidize the commercial processors of gold, thus making of them a favored class.

"The joint action of the Fund, the Treasury and other government agencies is in effect a conspiracy to deny gold producers access to world markets and to deprive them of their property at steadily decreasing prices under threat of criminal prosecution and outright confiscation if they do not turn their gold in.

"Through this combination, our gold mining industry has been wrecked. More than 90% of the primary producers are closed down and the bulk of production from those still operating comes from dredging, but dredging ground is largely exhausted so gold from these sources is definitely limited.

"The official gold price of \$35 is universally recognized as being utterly unrealistic. The primary producers were unable to operate and meet their costs with 42c dollars.

"To provide an equivalent purchasing power, as set forth in the Roosevelt pledge, would call for a present gold price of \$84 per ounce."

We find that 90% of the gold mines of the United States have closed down and 41% of the gold mines in Canada have suffered the same fate. The prime cause has been the same in each case—greatly inflated costs of operation because of the devaluation of dollars.

Even as one of the devotees of the "35 Gold Cult", Mr. Bauer makes no claim that these costs can be rolled back, that materials will cost less, that men will cheerfully work for lower wages, that freight rates will be reduced, that taxes and insurance rates will be cut. At no point in Mr. Bauer's letter is there any suggestion for relief except that the proposed exchange of 35 paper dollars for gold might freeze costs where they are, which is very cold comfort for the 90% here and the 41% of our northern neighbor, who are already out of business.

The "\$35 Gold Cult" comprises two groups, The Economists' National Committee on Monetary Policy, and The Gold Standard League, both following the economic theories of Dr. Walter E.

Continued on page 28

Continued from page 5

Observations . . .

October 27

ATTEMPTS [!] TO RALLY ARE FUTILE

Last Monday's market action was pictured by another journal as follows:

Stocks climbed yesterday without special vigor. Spillover selling from the weak short session brought about an average decline of around a point in the first hour, from which recovery, though slow, was steady.

And the same day's market was seen by another columnist in the following metaphors from the fields of geometry, the military, and meteorology:

STOCK MARKET STIFFENS AFTER OPENING DECLINE

Stock market skies brightened considerably today and there was little sign of selling precipitation. . .

October 28

STOCK PRICES REEL FROM NEW BLOWS

In lieu of "reeling from blows," that day's same market was seen by another newspaper's caption writer as merely tilting:

STOCK EXCHANGE CONTINUES DOWNWARD TILT

Bears tromped [!] the bulls with renewed zest yesterday. . . The great bulk of issues showed only fractional declines, and about 7% of the traded issues managed to struggle [!] upward against the trend. . . More and more holders seemed to conclude, as the brief session progressed, that a seat on the sidelines [not in the grandstand at this game] is preferable until the situation clears.

And on October 31:

STOCKS ARE HELD NEAR AN EVEN KEEL

The market went through a series of minor upheavals during the session as prices shuttled back and forth.

The proclivity to engage in sadism is instanced by this similar metaphorizing of a day's decline last year:

SAVAGE [!] SELLING WAVES SEND LIST TO NEW LOWS

The stock market, still reeling from Tuesday's assault, was rocked yesterday by two distinct and savage waves of selling. The morning and afternoon attacks were separated by a mid-day effort to stage a recovery.

A prominent market letter writer's image of the stock market

This advertisement 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 31, 1951

174,137 Shares Sharon Steel Corporation Common Stock

(without par value)

Price \$42 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.

The First Boston Corporation

Lehman Brothers	Blyth & Co., Inc.	Glore, Forgan & Co.
Goldman, Sachs & Co.	Harriman Ripley & Co. Incorporated	Kidder, Peabody & Co.
Merrill Lynch, Pierce, Fenner & Beane		Shields & Company
Stone & Webster Securities Corporation		Hemphill, Noyes, Graham, Parsons & Co.
Hornblower & Weeks		Shearson, Hammill & Co.
A. C. Allyn and Company Incorporated	A. G. Becker & Co. Incorporated	Hallgarten & Co.
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A. E. Masten & Company	McDonald & Company	The Milwaukee Company
Moore, Leonard & Lynch	The Ohio Company	Wm. C. Roney & Co.
Singer, Deane & Scribner	Arthurs, Lestrangle & Co.	Schwabacher & Co.
Brush, Slocumb & Co., Inc.	DeHaven & Townsend, Crouter & Bodine	Ball, Burge & Kraus
H. Hentz & Co.	Jenks, Kirkland & Grubbs	Fauset, Steele & Co.
Manley, Bennett & Co.	McJunkin, Patton & Co.	Kay, Richards & Company
Reed, Lear and Company	Sills, Fairman & Harris Incorporated	McKelvy and Company
J. R. Williston & Co.		Westheimer & Company
		Yarnall & Co.

as a military battle field instead of the prizefight ring as above is carried out by metaphorizations as follows:

A strategic retreat in economics or in the market if it is carried out skillfully, can lay the groundwork for a decisive victory later.

As with victory, the term better is universally used to connote higher prices, while declines imply suffering—irrespective of the fact that lower, rather than higher, prices are actually better for the investor looking for values.

The concept of victory and winning likewise is distorted in accounts of competitive bidding results. "The winning bid was . . ." or "The issue was won by . . ." seem to imply achievement by the firm which merely bid the highest price.

Incidentally, the characterization of the issues with the highest per-share volume, irrespective of their price, as the day's "Stock Market Leaders" constitutes a gross misnomer.

The Technician's Linguistic Fantasies

Besides the exuberance in coloring the language engaged in by the market literari, lingo is employed by the community of the "technical" systems which can only be classified as a combination on n-th degree jargon and language prostitution. As part of their vaunted "equipment" for the pictorialization of market action and that elusive trend, the language gadget is most fully employed. And the more elusive the "trend" and the more complex their thoughts, the weirder the language becomes. Like much music criticism, the actual performance becomes completely centered in the fantasies of the beholder.

In the mind of one technician, a former Harvard economics professor:

The news from Congress, which came after the market's close [sic] fell on a technically softened and eroded ground.

And by the same pundit, this fantastic bastardization of scientific and economic terms:

. . . This indicates that the recovery was not of an [sic] organic nature. It did not spring from the inner depths of the market, but seemed to reflect [sic] pump-priming efforts. . . . Our aim is merely to study the [sic] underlying structural relations which are the materials out of which the trends are built.

From the fantasy of another technician, comes the following jargon:

THE PRIMARY TREND—Only occasionally can we obtain clear evidence from our diagrammed profile of value for trends of less importance than the Major. Once more we have prima facie evidence that the relentless pressure bearing all prices upward is still present. This indication by our diagram, while of the utmost validity, is also reinforced by the continued upward bias [!] of our Aggressor Line. The Primary trend is still set upward.

Another popular service's explanation of its doings:

If upside volume is slow to increase on a rally and no important increase occurs before the market has rallied around 8 or 10 points or more and then upside volume noticeably increases, such action often denotes an upside blow-off.

Bastardization of geometric terms applied to market "evidence," appearing in a leading financial weekly:

TRIANGLES AS GUIDES—Triangles presumably denote periods of accumulation or distribution. They are distinguished from "lines" in that prices in the former fluctuate in progressively narrower swings until a decisive break-out [!] either way eventuates. If prices rise above the upper side of a triangle, investors supposedly have been purchasing stocks; if prices fall below the lower side, then investors are said to have been unloading. Corroboration that the current downward thrusts [!] out of the two triangles suggest distribution is to be seen in the clear-cut July and October "double tops."

Or, perhaps you didn't know that:

Action-Reaction Signals point the way toward a simple and happy solution of the investor's complex problems. The principle employed, based upon Newton's third law, is acceptable in logic and, as the specimen charts show, operates in the stock market with remarkable effectiveness.

This service, based on the laws of Newton, goes on to explain one of its beautiful diagrams thus:

In the first illustration labeled A we show a decline, then a bounce [!] and settling down to the first low point, followed by an advance. In this pattern the first decline is the reaction and the last advance is the action. One is measured against the other and the small middle move is ignored. This bounce and settling down can be viewed as a "rest" period occurring between the real moves and is, therefore, ignored in our measurement.

Point-and-Figure trading is one of the most popular techniques engaged in by the market detectives. Following are the component geometric "formations" envisaged and described by one of the leading services interpreting it:

- "TRIPLE TOP"
- "SPREAD TRIPLE TOP NO. 2"
- "BULLISH CATAPULT"
- "BULLISH SIGNAL"
- "BEARISH SIGNAL REVERSED"

The effects of such hyper-pictorialization and "fantasy" unfortunately are not harmless. For in creating illusions about market trend, and the existence of a uniform market movement, in tempting the public into impossible forecasting by substituting foresight for hindsight evidence, and in offering a fictitious escape into

simplification, an approach is generated which is contrary to the logical principles and fruitful policies of genuine investment.

On Prudence and the Systems

A talk by Edmund Tabell on "Prudent Man, The Technician and the Stock Market Outlook" before the trust division of the New York State Bankers Friday last, and published in this issue of the "Chronicle" (page 3) will be interesting for readers of this column in clearly high-lighting some of the issues discussed here. In the advantageous context of Mr. Tabell's clear and un-hedged expression, it typifies the principles and confusions embraced by many employers of the "technical" market approach, both when it is used exclusively or only partially.

In advocating joint reliance on economic research, individual security analysis, and technical market "evidence," he leaves unanswered the question as to the course to be taken when an external event, such as a wholly unexpected war, is in direct conflict with the sacrosanct technical market signal. Which has precedence? Our often expressed conclusion to the effect that the investor must settle on a single policy to follow exclusively, and, instead of hopelessly confusing himself by falling between two (or three) stools, seems to be left uncontroverted.

Coincidentally, Mr. Tabell, as did we last week, demonstrates the existence of divergence between different groups within the market; but follows with a conclusion that is completely opposite from ours. Whereas we are convinced that our joint data prove the impossibility of conceiving of the market as a whole and hence of forecasting a future "market trend"; Mr. Tabell uses the market's indicated selectivity as part and parcel of his technical forecasting.

Again relevant to our discussions, Mr. Tabell's paper quite typically cites the existence of advantageous value in many "better quality secondary issues" yielding 6 to 9%, while alleging the concurrent "technical" evidence of an imminent 20% drop in the market average. Assuming that both assertions are valid, which one shall control the investor's action? Surely not both!

Return to Gold Standard Now!

Philip M. McKenna tells Iowa Bankers, now is time to return to gold standard, and contends we have sufficient gold to do it.

Addressing the Iowa Bankers Association in Des Moines, Iowa, on Oct. 23, Philip M. McKenna, President of Kennametal Inc., Latrobe, Pa., and National Chairman of the Gold Standard League, warned of the evils of our irredeemable currency in times of war or threat of war. He urged the present as a good time to return to the gold standard, since we have sufficient gold



Philip M. McKenna

to do it. Regarding these matters, Mr. McKenna stated:

"America can't afford the waste attendant upon an irredeemable currency system if we are in war or threat of war. We went off the gold coin standard in 1933 in time of peace, to try an experiment they said. Would it be too surprising to you, if in time of war or threat of war, we returned to the gold standard? Especially is that the sensible thing to do in view of the fact that we have sufficient gold to do it. Moreover, it might improve the salability of bonds by allaying the doubts of people as to the kind of standard in which they will be repaid.

"The men in Washington may be too wrapped up in their 'big' government to understand what is happening. The people in small towns, in the back country and on the farms are much more aware of it. Here's convincing evidence. Last July, Congressman Howard Buffett, from the 2nd District of Nebraska, addressed a questionnaire to the banking fraternity. The questions asked were:

"(1) Do you believe that price and wage fixing will effectively prevent inflation? Of the 634 answering, 590 said no.

"(2) Have you been able to find satisfactory evidence that Congress can resist spending pressures without the historical restraint of a currency redeemable in gold on

term government bonds are rigged at a 2 1/2% level? Of 599 answering, 544 said no.

"(3) Would you support the Reed Bill H. R. 324 to promptly reestablish redemption in gold for our currency at \$35 per ounce? Of 653 answering, 481 gave an unqualified yes and another 62 gave a qualified affirmative answer.

"Let's come right here to Iowa. There were 24 answers from your home state to that last question regarding immediate return to a gold coin standard. Of the 24, 21 said yes. These answers represented banks with deposits of from less than a million to over \$30 million dollars."

Bank of Montreal Appoints

William E. Burgess, special representative of the Bank of Montreal, in Vancouver, B. C., has been appointed Assistant Manager at the bank's Chicago office. He succeeds Geoffrey Goodbody, recently named manager at the bank's Galt, Ontario, office.

Mr. Burgess, a native of Vancouver, served with the R. C. A. F. in the last war, and with UNRRA after the cessation of hostilities. Prior to his appointment as special representative for the British Columbia district, he was with the bank's New York agency.

Townsend Lawrence

Townsend Lawrence passed away at the age of 80. Formerly a member of the New York Stock Exchange, he was a partner in Jacquelin & de Copet prior to his retirement in 1928.

This advertisement 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

November 1, 1951

**81,347 Shares
Allegheny Ludlum Steel Corporation**

\$4.375 Cumulative Preferred Stock
(without par value)

Holders of the Corporation's outstanding Common Stock are being offered the right to subscribe at \$100 per share for the above shares at the rate of one share for each twenty shares of Common Stock held of record at 3:00 P.M., Eastern Standard Time, on October 31, 1951. Subscription Warrants will expire at 3:00 P.M., Eastern Standard Time, on November 14, 1951.

The several Underwriters have agreed, subject to certain conditions, to purchase any unsubscribed shares and, both during and following the subscription period, may offer shares of Preferred Stock as set forth in the Prospectus.

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.

The First Boston Corporation		Smith, Barney & Co.
White, Weld & Co.	Goldman, Sachs & Co.	Hornblower & Weeks
Drexel & Co.		Hemphill, Noyes, Graham, Parsons & Co.
Stroud & Company Incorporated	Moore, Leonard & Lynch	Singer, Deane & Scribner
Bosworth, Sullivan & Company, Inc.	Kay, Richards & Co.	A. E. Masten & Company
Chaplin and Company	Fauset, Steele & Co.	Glover & MacGregor, Inc.
Geo. G. Applegate & Co.	Arthurs, Lestrangle & Co.	S. K. Cunningham & Co., Inc.
Jenks, Kirkland & Grubbs	McJunkin, Patton & Co.	McKelvy and Company
	Thomas & Company	

Bear Market and Business Depression Ahead

By JAMES F. HUGHES*

Market Analyst, Auchincloss, Parker & Redpath, Members, New York Stock Exchange

Market commentator asserts technical relationships more strongly than any time since 1929 indicate a major top in increasingly selective bull market. Envisages economic sequence that has foreshadowed all major bear markets and business depressions since 1919. Emphasizes importance of major decline occurring in bank investments.

On numerous occasions I have appeared before this Society to talk about the Outlook for the Stock Market. Never before, however, has the market presented as interesting an outlook as it does now.



James F. Hughes

Stock market optimism in 1951 because of inflation that is threatened by deficits in fiscal years 1953 and 1954 must be based on a forecast of the unknown future. This is not an easy situation to accept by anybody who knows that during 1951 the stock market has persisted in displaying several bearish technical relationships that have not been so prominently on view at any time since 1929.

In addition to these bearish technical indications, 1951 is also showing a sequence of economic trends that in the past 30 years has foreshadowed declines in the stock market and in general business activity. The advantage in depending upon plainly visible technical relationships and economic sequences is that it eliminates the dangers in economic forecasting.

That there are very real dangers in economic forecasting is illustrated by the fact that economists generally have failed to forecast any of the bear markets and business depressions since World War I. In 1919 the generally accepted economic viewpoint was that commodity prices were on a permanently higher plateau because of the tremendous increase in the money supply. In 1929 and even in the spring of 1930 economists saw no reason to question the prevailing business prosperity. At the beginning of 1937 there were no forecasts of deflation because the election of 1936 guaranteed inflation.

In 1946 general economic opinion was bullish on the stock market and business, but after the

autumn decline in stock prices economic forecasts were for the most part pessimistic on the business outlook for 1947 and in general continued so for 1948. By the end of 1948, however, it was generally conceded that business would certainly continue at high levels through most of 1949. It was only an inventory readjustment in the first seven months of 1949, but the economists, as a group, missed it just as easily as they had missed 1919, 1929, 1937 and 1946.

This review is not presented with any desire to be critical. The failure of economists to forecast bear market and business depressions proves that they are only human with the normal human tendency to project into the future currently prevailing trends. In view of the past record, however, I do not think that stock market technicians have too much to worry about when they read that in 1951 it has been the technicians in general who have been worried and bearish while the economists as a group have continued calmly confident and bullish on the long-range outlook for the stock market.

Technical Relationship Indicate Major Top

Technical relationships, that do not have to be forecast, show a series of divergences making a pattern of a major top in an in- and reduced the interest bearing increasingly selective bull market. No year since 1929 has so plainly shown these technical relationships. In view of this fact it is disquieting to note the appearance of an economic sequence that has foreshadowed all of the major bear markets and business depression since 1919. The most effective way to emphasize the possible significance of the current bank credit sequence is to give the detailed record of the past 30 years.

In 1919 commercial bank investments started to decline from a high in May. The peak of the loan account was not reached until October, 1920. Between these two dates the high of the stock market was reached in November, 1919, industrial activity in January-February, 1920, bank deposits in March and wholesale commodity prices in May.

Preceding the 1929-1932 collapse, bank investments started to decline from a top in June, 1928. Commodity prices started a modest decline from September, 1928. After the high in the investment account, the highest level in deposits prior to the stock market crash was in January, 1929. Industrial activity stayed at its absolute peak for three months immediately preceding the high of the stock market in September. Loans reached their high in November as the result of a gain of more than \$2 billion. One billion of this increase came after the stock market crash.

The carefully planned recovery of 1936 began to disintegrate following a high in bank investments in July. Deposits reached a peak in February, 1937, followed quickly by the stock market in March, wholesale prices in April and industrial production in May. After seven successive monthly advances bank loans reached a top in September.

Despite the fact that there appeared to be no reason for a decline in stock prices from 1946 to 1949, it is interesting to note how the bank credit sequence worked out after the investment account started a decline from a record top in January, 1946. This decline continued until March, 1949, by which time leading commercial banks had reduced their investment holdings by about \$22 billion. The stock market started down from a May peak in 1946 and, despite record peacetime prosperity in 1947 and 1948, proved unable to stage a sustained advance while the commercial banks were reducing their investment holdings.

Before the market was able to start a major advance from June, 1949, a normal bank credit sequence was completed. After the highs of the investment account and the market were established in January and May, 1946, the peak of deposits was not reached until January, 1948. Commodity prices made a high in August and industrial activity in October-November. The old-fashioned sequence was kept intact when an advancing trend in bank loans that had continued with only two months of decline out of 30 months reached a top in December, 1948.

In the present situation the bank credit sequence that preceded previous important tops in the stock market is plainly visible. The high in the commercial bank investment account was established in January, 1950. The high in bank deposits was \$51.8 billion for the week of March 14. Thus far the monthly high for wholesale commodity prices was 184.0 in March. The latest weekly figure was 177.7. The FRB index of production reached 223 in April and May. In June it was 222 and in July it dropped to 213. Preliminary estimate for September is 220.

Thus far, running true to past precedent, the loan account of the weekly reporting member banks shows that a new all-time record high was reached on Oct. 3, with total loans at \$33,618,000,000. Since Korea the leading commercial banks have reduced their investments \$5 billion and increased their loans \$8 billion. Private borrowers have done all the monetizing of debt since Korea. The Federal Government on balance has not used the banking system to monetize any debt during the past 15 months.

The reason there was no primary postwar depression after World War II was that the U. S. Treasury had socialized bank credit expansion, with private loans in the spring of 1945 virtually unchanged from the amount outstanding at Pearl Harbor. Liquidation of private bank loans contributed enormously to the depressions of 1920-1921 and 1929-1932. Deflationary potentialities within the next three to five years

are greater than at any time since 1929.

Major Decline in Bank Investments

This is true because for the first time since 1929 a major decline in bank investments is taking place after there has been a record-breaking increase in private debt to the banks. The statistics covering all the banks in the country show that from the end of 1945 to the middle of 1951 total bank loans increased \$34 billion. This meant that loans more than doubled as they increased from \$30 billion to \$64 billion.

From 1921 to 1929 loans increased \$13 billion. Between 1929 and 1945 there was no period showing a major increase in loans. At the end of 1936, when a decline in bank investments foreshadowed economic troubles in 1937, bank loans were actually \$1 billion lower than they were at June 30, 1933. In 1946 when bank investments started a major decline, bank loans had increased only \$4 billion in four years, as compared with an increase of \$84 billion in deposits. The threat of bank credit deflation in 1951 is thus much more serious following six years during which bank loans increased \$33 billion while deposits increased only \$5 billion.

Technical relationships and historic economic sequences thus unite in foreshadowing a major decline in the stock market and in general business activity over the next several years. The fact that economists, as a group, see virtually no possibility of such a development is probably more cause for alarm than comfort.

Philip B. Flaherty With E. F. Hutton Co.

(Special to THE FINANCIAL CHRONICLE)
LOS ANGELES, Calif.—Philip B. Flaherty has become affiliated with E. F. Hutton & Company, 623 South Spring Street. He was formerly with Kerr & Bell and prior thereto was an officer of Fairman & Co.

With Walston, Hoffman

(Special to THE FINANCIAL CHRONICLE)
LONG BEACH, Calif.—Thomas H. Golden has become affiliated with Walston, Hoffman & Goodwin, 110 Pine Avenue. He was formerly with Daniel Reeves & Co. and the Bankamerica Company.

With Edgerton, Wykoff

(Special to THE FINANCIAL CHRONICLE)
LOS ANGELES, Calif.—Francis J. Mitchell has become associated, with Edgerton, Wykoff & Co., 618 South Spring Street, members of the Los Angeles Stock Exchange. He was previously with Samuel B. Franklin & Co. and Dean Witter & Co.

With First California

(Special to THE FINANCIAL CHRONICLE)
LOS ANGELES, Calif.—Richard H. Harper is with First California Company, 647 South Spring St.

Samuel Franklin Adds

(Special to THE FINANCIAL CHRONICLE)
LOS ANGELES, Calif.—W. D. Evans has been added to the staff of Samuel B. Franklin & Company, 215 West Seventh Street.

Joins Fairman Staff

(Special to THE FINANCIAL CHRONICLE)
LOS ANGELES, Calif.—Ray G. Hirsch has become connected with Fairman & Co., 210 West Seventh Street, members of the Los Angeles Stock Exchange.

Barbour, Smith Adds

(Special to THE FINANCIAL CHRONICLE)
LOS ANGELES, Calif.—Sidney Pink has been added to the staff of Barbour, Smith & Company, 621 South Flower Street.

This announcement is under no circumstances to be construed as an offer to sell or as a solicitation of an offer to buy any of these securities. The offering is made only by the Prospectus.

NEW ISSUE

October 31, 1951

80,000 Shares Family Finance Corporation

5% Cumulative Preference Stock, Series B

(Par Value \$50 Per Share—Convertible to and including November 1, 1961)

(Dividends cumulative from date of issue)

Price \$50 Per Share

The Prospectus may be obtained in any State in which this announcement is circulated from only such of the undersigned and other dealers or brokers as may lawfully offer these securities in such State.

Merrill Lynch, Pierce, Fenner & Beane

G. H. Walker & Co.

Goldman, Sachs & Co.

Riter & Co.

Blair, Rollins & Co.

Hornblower & Weeks

Johnston, Lemon & Co.

F. S. Moseley & Co.

Paine, Webber, Jackson & Curtis

Whiting, Weeks & Stubbs

NSTA Notes



SECURITY TRADERS ASSOCIATION OF NEW YORK

The Security Traders Association of New York (STANY) Dowling League standing as of Oct. 26, 1951 is as follows:

TEAM	Points
Kumm (Capt.), Ghegan, R. Montanye, Krassowich, Manson	29
Leone (Capt.), Tisch, O'Mara, Nieman, Bradley	22
Mewing (Capt.), G. Montanye, M. Meyer, LaPato, Klein	22
Goodman (Capt.), Weissman, Farrell, Valentine, Smith	20
Krisam (Capt.), Gavin, Gannon, Jacobs, Murphy	20
Burian (Capt.), Sieser, Gronick, Growney, Kaiser	20
Serlan (Capt.), Gold, Krumholz, Young, Gersten	20
Donadio (Capt.), Rappa, O'Connor, Whiting, Demaye	19
Hunter (Capt.), Craig, Fredericks, Weseman, Lytle	18
Greenberg (Capt.) *Siegel, Cohen, Sullivan, Voccoli	17
H. Meyer (Capt.), Swenson, A. Frankel, Wechsler, King	15
Bean (Capt.), Lax, H. Frankel, Werkmeister, Reid	15

200 Club	5 Point Club
R. Klein -----211	Tom Greenberg
R. Klein -----210	Willie Kumm

NASD Receives Slate for 1952 Officers



Harper Joy



W. Fenton Johnston



Clarence A. Bickel



Charles P. Cooley, Jr.



Wallace H. Fulton

WASHINGTON, D. C.—Clarence A. Bickel, Milwaukee, has been nominated Chairman of the Board of Governors of the National Association of Securities Dealers, Inc. Mr. Bickel is Vice-President and Treasurer of Robert W. Baird & Co., Incorporated. He will succeed Howard E. Buhse of Chicago, partner of Hornblower & Weeks. Election of NASD officers for 1952 will take place at a Governors' meeting Jan. 15.

Other nominations are: Vice-Chairmen—W. Fenton Johnston, New York, partner of Smith, Barney & Co.; Harper Joy, Spokane, Executive Vice-President, Pacific Northwest Company; Treasurer, Charles P. Cooley, Jr., Hartford, senior partner, Cooley & Co.; Executive Director, Wallace H. Fulton, Washington, D. C.

Mr. Bickel was born in Fort Wayne, Ind., attended Walton School of Commerce and School of Commerce, Northwestern University. He received his CPA degree in 1929 in Illinois, joined his present firm in 1933. During the past year he served as President of the Milwaukee Control of the Controllers Institute of America of which he is a director.

Mr. Johnston was born in Massillon, Ohio. He graduated from Ohio State University in 1919, entered the investment business in 1922 with Harris Forbes & Co.

Mr. Joy was born in Sedalia, Mo. He is a graduate of Whitman College of which he is a trustee. He has been associated with his present and predecessor firms since 1922.

Mr. Cooley is a native of Hartford, attended local schools there and Pomfret School, graduating from Yale University Class of 1926. He has been head of his firm since 1934.

Mr. Fulton is nominated for his 13th year as administrative head of the Association.

Guaranteed Inv. Group Co-Mgr. for Kidder Branch

INGLEWOOD, N. J.—Guaranteed Investors Group has been formed with offices at 63 West Palisades Avenue, to engage in a securities business. Officers are J. R. Toomey, President; G. Rothman, Vice-President; D. Irving, Secretary, and M. Docherty, Treasurer.

FORT LAUDERDALE, Fla.—Claude M. Ewing has been appointed co-manager of A. M. Kidder & Co., Fort Lauderdale office with Garland P. Wright. The firm's office is now located at 207 East Las Olas Boulevard. Allan N. Ferguson is also associated with this office.

The Meaning of the Recent Market Reaction—What Now?

By GEORGE F. SHASKAN, JR.*

Partner, Shaskan & Co., Members N. Y. Stock Exchange

Market economist maintains price reactions constitute mere temporary and to-be expected set-backs; that many securities, particularly in steel and machinery, are now in favorable buying range; that, in view of liberal earnings and dividend yield, overall market will continue to climb; and that careful investor can secure ample profits. Lists equities selling below net working capital.

Let us recall the bedtime story of Chicken Little who was dozing under a tree when an acorn fell on her head. You remember that

this became the basis for a great deal of concern among the animal kingdom that the sky was falling.

So today, many market pessimists are using the recent set-back in securities to warn of dire things to come. The future they paint is an awesome one. . . . and, of course, they can call to memory an anniversary which many people would prefer to forget. It was just 21 years ago this October that the market suffered its severest break. Only yesterday I was told that we would see an even bigger break than in 1929! We also hope to bring back the memory of '29—but not as a preview of things to come. We can learn many lessons for sound investment programming from this unfortunate experience. How-

*An address by Mr. Shaskan at a public forum, Hotel Barbizon-Plaza, New York City, Oct. 24, 1951.



Geo. F. Shaskan, Jr.

ever, we do not anticipate another '29—or even a '37 or '46. Our position briefly, is as follows: We believe—

(1) The recent market reaction is a temporary set-back which we must be prepared to expect from time to time in view of (a) the unsettled world conditions, and (b) the historically high market level.

(2) This set-back has brought many good securities back from levels which had become out of line as a result of over-enthusiastic investors and many of the securities are now within buying range once more.

(3) The overall market will continue to climb—but at a slower pace than during the past two years.

(4) Certain securities and particularly those in certain industries such as steels and machinery will register important gains.

(5) The true investor—as opposed to the day-by-day market trader—can continue to obtain security and profits if he will follow the rules of sound investment programming. As we have pointed out many times, the investor should check a security to see if it meets the following five tests:

- (a) Is it in an industry that has promise for the future?
- (b) Does the corporation have a sound financial structure?
- (c) Is its earnings outlook and

record good—not merely for one or a few years but for many years?

(d) Has it a long dividend record or has it been a casual payer—or possibly over-liberal?

(e) Is it priced right? . . . Considering all of the pertinent factors, does the price compare favorably with other securities in the same industry? Price checking will help avoid buying securities that have been priced too high by over-anxious buyers.

The basis for a great portion of the pessimism which does exist about the future of the market, I feel, is the historically high level of current security prices. As measured by the better-known averages, such as the Dow-Jones, Standard & Poor's and the New York "Times," security prices during the past two years have climbed to their highest levels since 1929.

Has this rise been justified? I believe the answer is an unqualified Yes. Money has been seeking a haven against inflation. Common stocks provide such a haven in part and inflation has certainly been a real danger to the preservation of capital. Moreover, so long as we must spend upwards of 20 cents out of each dollar for defense, inflation will continue to remain a threat. Unlike gold and other metals which have also been used for inflation protection, common stocks possess the virtue of producing income at the same time.

This income has been liberal and with the increasing cost of living there is a growing demand for more and more income. Even with the substantial rise in security prices that we have seen, good securities are providing yields of as much as 8 to 10%, while the overall return as measured by the D-J Averages is better than 6%.

Sound Bullish Factors

The rise, then, had sound reasons behind it. Have security prices now, however, gotten out of

Continued on page 34

This announcement is not an offer to sell or a solicitation of an offer to buy these securities. The offering is made only by the Prospectus.

\$7,000,000

The Ohio Power Company

3 3/8% Serial Notes, due 1955-1966

Dated October 1, 1951

The Serial Notes mature annually on October 1, in the principal amounts of \$250,000 in 1955 and 1956; \$500,000 from 1957 to 1960, inclusive, and \$750,000 from 1961 to 1966, inclusive.

MATURITIES AND YIELDS

(Accrued interest to be added)

1955	2.75 %	1958	3.00 %	1961	3.15 %	1964	3.25 %
1956	2.85	1959	3.05	1962	3.20	1965	3.30
1957	2.95	1960	3.10	1963	3.25	1966	3.30

The Prospectus may be obtained in any State in which this announcement is circulated from only such of the undersigned and other dealers as may lawfully offer these securities in such State.

HALSEY, STUART & CO. INC.

EQUITABLE SECURITIES CORPORATION

HALLGARTEN & CO.

HAYDEN, STONE & CO.

SCHOELLKOPF, HUTTON & POMEROY, INC.

STROUD & COMPANY

WEEDEN & CO.

GREGORY & SON

HIRSCH & CO.

THE ILLINOIS COMPANY

THE MILWAUKEE COMPANY

WM. E. POLLOCK & CO., INC.

STERN BROTHERS & CO.

November 1, 1951

Continued from first page

Factors in Our Future Economic Prospects

workers for industry, and as the new techniques and processes of industry increase per capita production, lower real costs, widen markets and create new industries.

(6) *The rapid industrialization of the other nations of this hemisphere, Australia, South Africa and the less well developed countries elsewhere, which can be highly stimulative to world trade, expand our markets and offer attractive opportunities for foreign investment.*

What do these powerful factors imply as to the outlook for an economy which has had more booms than busts and more instability, but more growth and more solid accomplishment, than any other the world has ever seen?

The Uncertainties of the International Situation

With respect to the short-term outlook, the international situation is a pervasive and deep source of uncertainty, for we do not, and cannot, know from day to day, whether or not some unpredictable but world-shaking event will happen tomorrow that vitiates any assumption on which our predictions may be predicated.

We cannot know with certainty whether we will continue in the current status of half war and half peace—whether all-out global conflict will break loose—or whether some new development will produce a lessening of tensions. Although every hope and prayer of the Western Nations is for peace, the record is such that any Communist overtures for peace must be viewed with deep skepticism until acts of good faith have demonstrated that the basic policies and objectives of communism have been redirected. But there is little room for doubt that some dramatic move in that direction would have great psychological effect on our markets and—in time—upon our national plans. If the idea that hopes for a favorable turn in the international situation could rise seems like a credulous view, remember that our opponents are masters in the art of cunning and surprise. They may be planning further military ventures on the periphery of their empire. But they may just as well be tempted to try the strategy of peaceful overtures, for they are ruled by a passion to undermine our economic system by one means or another. And, now that we have been led to pile a defense armament boom on top of a series of other postwar booms, including a great automobile boom, a residential housing boom, a plant and equipment expansion boom, an inventory boom, and repeated spurges of consumer buying, what could better serve their purpose of fostering the internal disruption of our enterprise system than to adopt a more conciliatory attitude? We are living in dangerous and turbulent times when we must, in planning our personal, business and government affairs, allow for a wide range of possible developments.

The Impact of the Defense Program

With respect to our Defense Program, most observers believe that we are likely, for a long period ahead, to continue in the current status of highly disturbed international conditions, but short of all-out war. In that event, it is clear that the transition from a civilian to a defense economy is nearing the point of more rapid acceleration. Total defense spend-

ing, which is now running at the rate of \$40 billion per annum, is scheduled to reach \$50 billion by the late months of 1952 or early months of 1953. The nature of defense spending, which, up to now, has been chiefly for the building of troop strength and for the increase of defense production capacity, is about to be shifted to the procurement of a rapidly expanding stockpile of materiel and equipment.

Only part of the increase in defense production can be attained by a rise in total output, for our resources position in labor and in many materials was already tight at the beginning of our Defense Program. Consequently, for a time at least—until our capacity is raised or the defense schedule is decelerated—the production of civilian goods will have to be curtailed. The President's Council of Economic Advisers has estimated that we have the ability to raise total output by 5% from mid-year 1951 to the middle of next year. If attained, this would supply roughly half of the projected increase in defense production and the balance necessarily would have to come from the diversion of resources from civilian to government use.

The pinch on the consumer is likely to be a good deal less than the official Washington line during recent weeks has indicated. With some curtailment of non-defense construction and non-essential private investment and with some inroads into the consumer goods inventories built up during the past year, the quantity of goods and services left for every day consumption, in the aggregate, should be adequate to meet demands without a violent price rise during the next few months.

Certainly, there should be no shortages in the wide range of consumer goods comprising by far the biggest part of total consumer expenditures—e.g., in food, clothes and services. In a number of consumer hard goods lines, where defense needs will force increasingly severe cutbacks, the inventory surpluses of recent months will, in time, be absorbed and supplies perhaps become inadequate. But the process need not be a precipitate one, unless there is a new wave of scare-buying. The official Washington line is that a great new inflation threatens, but this view is not shared by many perceptive students.

The magnitude of projected defense outlays and the fact that the Administration can be counted on to use every power at its disposal to prevent either an embarrassingly big inflation or an embarrassingly big "bust" in the pre-election period suggests that the broad indices of business, national income and prices will probably remain on a high plateau until defense production turns down. There will, of course, be soft spots, but the over-all picture should be one of generally full employment and full production.

When we look beyond the phase of defense stimulation, it is clear that we are setting the stage for a much bigger slump than formerly seemed to be likely. Until recently, most observers agreed that we need not allow for anything more than a serious recession or a mild and brief depression which would, as has been customary in the past, be but the prologue to another great period of expansion and prosperity, based on the sensational advances in

industrial, agricultural and medical technology and the increase in population and markets. But the economic dislocations caused by a succession of booms have been so far-reaching that, given time, some really violent fluctuations in our economy now appear inevitable. Those who accept the all too prevalent notion that we now have a depression-proof economy are probably in for some unpleasant surprises.

Why We Do NOT Have a Depression-Proof Economy

Broad reversals in the economic climate are by nature unpredictable, but the danger of depression is now serious enough to suggest that it will be prudent for the government, business management and those who set the policies for the nation's great associations to allow in their planning for the probability that we shall have to face up to a depression in the not-too-distant future.

Let me emphasize that no one is more optimistic than I am as to the longer range outlook. The next quarter century is sure to be a period of sharply rising trends in this country and, for that matter, in many other areas in the world—especially in the countries of this hemisphere and in South Africa and Australia. But that growth will not be continuous for we have contrived a highly unstable economy in which the danger of depression is very serious indeed. Here are some reasons why we do not have a depression-proof economy:

(1) The percentage of optional or postponable items in our production is at a new all-time high, for we have been simultaneously making up the backlogs, building new industries and expanding and improving old ones, reconstructing the war-torn areas, building an inventory of military goods and raising the luxury-content of our standard of living—which makes for vulnerability.

(2) With consumers saving so small a portion of their income and with business operating at high breakeven points, the first sign of economic trouble could cause the postponement of capital outlays and a spasm of credit liquidation.

(3) The rise of nearly \$300 billion in public and private debt in the past decade to a total close to \$500 billion has exposed many individuals, businesses and governments to the possibility of serious embarrassment in case the economic tide turns.

(4) Labor cost inflexibility is likely to force employers who cannot cut wage costs in competitive markets to reduce their labor forces more sharply than would otherwise be the case.

(5) The Federal Government has used many of the anti-depression devices, such as easy credit, price pegs and guarantees, to accentuate and perpetuate the boom instead of holding them in reserve for use in depression.

(6) With taxes as high as they are, government bonds at a new low in popularity and the banking system so fully invested, our government cannot be depended on to increase its expenditures by the vast amounts necessary to maintain prosperity for everybody at all times.

(7) The psychological basis of the boom is weak. Many of those who now predict permanent inflation and boom were no less convinced in the '30s that we faced a permanently stagnant and mature economy. The fact is that our people are volatile in their actions and appraisals; they still engage in wild buying sprees and are subject to violent fits of fear.

(8) The argument that we are going to inflate ourselves pleasantly and profitably out of any recession before it degenerates into depression runs counter to the fact that inflationary techniques,

if used by the government when the tide of economic activity is receding, tend to have a deflationary effect on private capital expenditures. If we ever use the devices, such as devaluation and running the printing presses, which some of the planners say they will adopt in order to prevent depression, we could be catapulted into one of the most severe depressions in our history.

We are, I suspect, getting set for another hard lesson in basic economics. Recall that we had to learn the hard way that the policies of the '20s could not yield lasting prosperity. Then it was demonstrated beyond doubt that the policies of the '30s could not produce full employment. Now we are in the process of demonstrating that the policies of the postwar '40s and the early '50s will not provide permanent prosperity but will, on the other hand, lead to serious economic adjustment. On every occasion in the past, when we have set the stage for a depression, the "soothsayers" of the day have produced a lot of new statistics and new theories to prove that the then existing condition was permanent, but, as experience has shown, they have been consistently wrong.

When the phase of depression will come, no one can be sure, but it will probably depend largely on how the international situation shapes up. It is not likely to occur until defense, foreign aid and domestic plant and equipment expenditures begin to decline. This is now roughly scheduled for late in 1952 or the early months of 1953, but could develop earlier if international tensions were to lessen materially, or much later if further deterioration in the international situation were to force a substantial extension of the Defense Program.

Technological Opportunities for Long-Range Development

Despite such misgivings as to the near-term outlook, there is every reason for an optimistic appraisal of the broad trends in our economy. Our potentials for real progress and long-term development and growth are exceedingly great. We are still a virile, ingenious nation with great natural resources. The American frontier still exists, not in terms of virtually unlimited land, but rather in terms of technological development. We are, in fact, in the midst of a veritable revolution in industrial technology, affecting a wide range of fields—to mention only a few, power development, electronics, metallurgy, chemistry, agricultural production and medicine—with its far-flung implications for the future.

Potentialities for Prosperity in the American Hemisphere

There are, moreover, in this hemisphere, to say nothing of other underdeveloped areas of the world, countries with rapidly growing populations, vast untapped natural resources and large potential labor supplies. Our capital and technical "know-how" can and, in my opinion, will find challenging opportunities in these directions which will prevent any depression from becoming a national disaster, and bring us—once the phase of readjustment is completed—into another period of great progress and prosperity.

No appraisal of our outlook could be complete without a more detailed discussion than time will permit of the extremely favorable prospects and potentialities for our neighbors to the North and to the South. Suffice it to say that this hemisphere is underpopulated, rather than overpopulated, and that with modern medical techniques being applied so vigorously in a frontal attack on the basic causes of high infant mortality and of the major diseases which lower production and shorten lives, a

vast upsurge in population is under way, which can increase production and expand markets for a long while ahead. Furthermore, there is in process all over this hemisphere a rapid application of modern agricultural techniques, which is increasing agricultural production, lowering its real cost and releasing workers for other productive activities. This is helping to provide the labor resources needed for one of the most statesmanlike efforts ever made quickly to industrialize a large area of the world's surface.

The search for mineral resources, in which this hemisphere abounds, and only the surface of which has yet been tapped, is going on apace and rarely a week passes in which new mineral resources are not discovered.

It is not too much to say that this hemisphere's economic potential is such that it can, in time, be a powerful factor making for peace in this war-torn world. The population of the nations of North and South America—now approximately 300 millions—may, in the next two or three decades, rise to a figure not far from 500 millions. And it is a fact of massive significance that the rate of industrialization in the other nations of this hemisphere seems destined to be much more vigorous than will be the case in our own country. There are opportunities here for the sort of expansion in trade and investment which will spell progress and prosperity for everyone concerned.

Needed—A NEW Economics of Progress

While we face a turbulent time in which we shall be fortunate if we avoid a severe and costly depression, the other side of the coin is that our future can, despite the setbacks, be one of the most glorious periods of progress the world has ever seen if we are careful to muster our own economic strength and to help the other Western Nations to develop their own potentialities. If we and they are strong economically, our military potential will be such as to deter Communist aggression. And, if we are economically strong, we shall be able to absorb the shocks inevitable in an unstable but growing economy without suffering the collapse so confidently expected by the Communist ideologists.

That we must develop our economic strength is the categorical imperative of our time. And if, as I believe, we are justified in assuming that the road to economic strength is not to be found in either the policies of the twenties or of the thirties or of the forties, then we are under the obligation to do some serious thinking about the problem of how, under modern conditions, we can make our society fully productive and vitally strong. I sense that we are reaching for a new set of economic values today—under the pressure of events which demonstrate all too clearly that the ideals of Communism are but a cloak for aggression, that Socialism is but a method of distributing austerity, that big government invites political abuse, that government planning has not saved us from inflation, that the world cannot be prosperous if each individual nation erects around itself an iron curtain to prevent the free movement of people, capital, or goods, and that personal savings rather than governmental expenditure represent the only noninflationary source of funds for expansion. I am optimistic enough to believe that this is likely to be a time when people will profit from the mistakes of the past and chart out for themselves a set of economic policies, plans and programs which will make the long range outlook, for the most dynamic economy the world has ever seen, one of progress and prosperity and peace.

Neighborliness—Basis of Public Relations Policy

By J. CARLISLE MacDONALD*

Assistant to Chairman, United States Steel Corporation

Stressing need of closer neighborly relations of corporations with stockholders, employees and public, U. S. Steel Corporation executive gives suggestions for obtaining friendly attitude of all segments of the economy. Advocates plant visitations and "open houses" in the community as well as sponsorship of "Business-Industry-Education Day." Warns publicity and advertising is not lone function of public relations, but also involved is public interest considerations. Lists corporation news that should be published.

It seems to me that all of us who are engaged in public relations for American industry are coming more and more to the belief that a company's standing with its public nationally is to a large extent determined by the place that it holds in the opinions of its neighbors in the plant community. Whenever I speculate about the future public relations progress of American industry, I find myself thinking of a quotation from Charles Dickens.

It was in "Martin Chuzzlewit" that Dickens penned some lines which could well become a motto for any public relations department. "What we've got to do," he wrote, "is to keep up our spirits, and be neighbourly. We shall come all right in the end, never fear."

Never in the Twentieth Century has the need for neighborliness been greater or more important than it is today. Because of the stress of modern life and the problems which confront all of us in these difficult times, a great amount of good can be accomplished by a kind word, a courteous gesture or a moment or two of consideration of the other fellow's problem.

If this is true of our individual relationship, it is equally true of the relationship a company has with the community in which it is located, for after all is said and done, a company is nothing more than a group . . . large or small . . . of men or women. The manner in which those relationships are carried on largely determines whether the community is a pleasant, agreeable place in which everybody tries to get along with everybody else.

Today . . . for a short time I would like to discuss with you some of my thoughts on neighborliness which, in the words of Dickens, I believe will help us to "come all right in the end."

"What Does He Think of Our Organization?"

For purposes of this discussion, let's take one individual in a community and ask "what does he think of our organization?"

We will ask ourselves how this individual, George Jackson, American, forms his opinions of your company.

His most immediate and lasting impressions obviously will come from his personal experiences—if any—with your company, its employees or its products. In the absence of personal contacts, however, his opinion will be based necessarily upon what he has heard both from you and from others, and what he has read in the press or seen on the motion picture or television screen. Let's take these up one by one.

First of all, what does George Jackson know about your company from his own experience with it? If he is an employee, he has a definite opinion of the organization as an employer. One of

the truisms about public relations—a remark that has been repeated over and over since the science was born—is "public relations begins at home." If George Jackson is an employee, it certainly does.

He will have definite opinions, based on his own experience, of working conditions and management attitude toward employees. If he is favorably impressed with these things, he probably will think well of the company and take pride in its achievements. Presumably also, he will become sufficiently interested and articulate to speak enthusiastically of the company to friends and acquaintances and, in his own way, to help sell its products and its policy.

In the same way, Mrs. George Jackson, if she is the wife of an employee, probably bases her opinion of the company on personal experience, although her viewpoint may be somewhat different from that of her husband. She, too, however, relies on experience—what she knows about the company, what she thinks of her husband's job, his pay and his opportunities for advancement. I recall reading one study made recently on this subject. It showed that in early married life a wife favors a job which gives her husband a chance, through overtime work, to earn the extra money which is so helpful in building and furnishing a home and rearing children. In later life, however, when stability is established and the children are raised, wives look upon too much overtime with disfavor. I thought this an interesting sidelight, proving again that each of us forms opinions based on our own particular frame of reference.

If George Jackson is not an employee, but a resident of the plant community—in other words, a neighbor of your company—his opinion will still be based to a very large degree upon personal experience. On the favorable side, he may be impressed by what he has seen you do in community activities: by your readiness to assist in charitable undertakings; by your desire to promote better living conditions; by the way you co-operate in community programs for the advancement of commercial, social and cultural progress, or by your participation in a host of other activities that go on—day to day—in any neighborhood.

But all the favorable impressions in the world can be swept away forever by the relatively inconsequential, but repeated, annoyances that also occur—day to day—among neighbors.

Neighbors seem to have a way of getting on each other's nerves at times; but as long as they are individuals, who have a definite personality, and whose troubles, joys, faults and virtues are very much like your own, most of these minor sources of irritation can be overcome readily enough with a smile, a handclasp, or a word of sympathetic understanding and regret.

The Corporation's Problem

When the offending neighbor is a corporation, however, and has no individual personality, each

separate incident tends to leave an indelible impression; and the cumulative effect of a succession of such incidents can create an attitude bordering upon positive hatred of the company. Such an attitude cannot be overcome, but it can always be avoided by the exercise of a little forethought, foresight, and forbearance.

For example, suppose that the main gate at your company's plant opens onto one of the principal traffic arteries of the community, and that several hundred of your employees—in driving to and from their jobs—create a serious traffic jam every afternoon when you change shifts. Then suppose further that on one afternoon George Jackson's little boy is dangerously ill, and that the doctor is caught in that traffic jam and arrives too late. Now it may be that the boy was sampling a bottle he found in the medicine chest, and it is certain that George shouldn't have left the iodine where his son could reach it; but that will make not the slightest difference. For the rest of his natural life, George is going to blame your company for the death of his child, and nothing on earth that you can ever do will erase his bitterness.

Less serious, but still vexatious indeed, would be another situation. Suppose your several hundred employees all crowd into the local bank every Friday to cash their paychecks; and it takes everybody a half hour or more to reach the tellers' windows. The cashier at the lunch counter next door runs out of change and needs some in a hurry. Another customer wants to cash a check before he catches a train. But everybody has to wait—except the train, of course. The whole community is inconvenienced and whom do they blame? Your company again.

Yet with a little thought and attention to these problems on the part of the company management, and with the cooperation and help of the community itself, these nuisances might have been eliminated with a maximum of ease and a minimum of expense.

So we come to another truism of public relations. To succeed, it must start with the actions of top management.

Only if top policy takes into consideration the attitude of good neighborliness, fair employment conditions, good housekeeping and

safety practices, will your company have an opportunity to stand well in the opinion of these particular segments of your public.

Consideration of these groups leads to a question. Are you giving them a chance to see things with their own eyes? That, of course, suggests plant visitations and open houses. In connection with employees, you might say that they do see their own jobs and their own departments. I wonder, though, if you ever asked yourself how much they know about other departments and other plants of the company?

For the employee's family, and for the entire community, plant visits are an excellent means of giving them an opportunity to "see for themselves." You might do this by a general open house to which families, neighbors, clergy, teachers and others are invited, or you might have specialized plant visitations. One industrial company has on different occasions entertained the ministers of its community with a plant tour, and followed up with other plant tours for teachers, businessmen, social groups, church women, and even a special day for barbers.

It has occurred to many companies, too, that employees like to show the identity of their visitors. Some of our plants, for example, have signs throughout the route of a trip. These have a blackboard in the center upon which the name of the touring group is written. Above it is the line, "Our Visitors Today Are," and below it the line "Guard Their Safety."

In many communities throughout our country, local chambers of commerce and manufacturers' associations have sponsored extremely successful Business-Industry-Education days. On these days, teachers meet with businessmen, usually at a general open meeting in the morning. Afterwards, they tour an industrial plant, lunch with executives and participate in a question-and-answer session devoted to the business organization.

Certainly, plant visitations are not the only tool that should be used in a public relations program for employees, their families and the community in general, but they are an extremely important one. All too often in the past, the community at large and even the families of working men did not

know what went on behind the high fences or brick walls of local industrial establishments. And from this lack of knowledge many misconceptions grew up and much misinformation gained circulation. Figuratively, we should tear down the fences and open up the plants to remove the air of mystery and prevent such misconceptions from gaining wide acceptance.

Present security regulations resulting from the national emergency have curtailed sharply the open house activities of United States Steel in recent months. However, it is gratifying to note that the highly successful open houses staged in previous years by our steel-making and fabricating subsidiaries have become models for many other business organizations.

Cultivating Customer Relations

George Jackson, however, may belong to some other segment of your public which judges the company by personal experience with it. He might, for example, be a customer, in which case he would judge your company by the service and quality of its products. The word "service" takes in a lot of territory. It includes, of course, ability to deliver goods as promised. It also covers technical advice on the use of the product. Then, too, there are personal contacts which the customer has with the company—the letters he receives—and conversations with the salesman. There have been books, articles, motion pictures, radio and television programs, as well as countless speeches, devoted to the subject. The tenor of all of them has been the same—"a chain is no stronger than its weakest link." An inefficient or careless waiter can drive business away from a fine restaurant, although its decor may be perfect and its meals excellent. Incidents of this sort can be multiplied *ad infinitum*. The inattentive receptionist or phone operator often can bring down public or customer wrath on a company whose service otherwise is perfect.

A year ago, we published and distributed 30,000 copies of "The Public and You," a booklet intended as an aid to members of our management team in promoting greater public knowledge and

Continued on page 31

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Blyth & Co., Inc.

October 30, 1951.

*An address by Mr. MacDonald before the Panel on Community Relations at Annual Business Management Institute of Bryant College, Providence, R. I., October 25, 1951.

The Practical Philosophy Of the Chemical Industry

By WALTER K. GUTMAN*

Goodbody and Co., Members, New York Stock Exchange

Stock market economist maintains historical approach signifies optimistic outlook for chemical industry is realistic and practical. Asserts it is certain world of chemistry will be richer 10 years hence; in contrast to the uncertain world of the investor.

All of us are probably agreed on one thing—that is, progress is the philosophic theme of the chemical industry. But we must think of this philosophy not only in generally optimistic terms but in detail to the extent we can. How much progress from here, and how fast.

It is worth noting that not everyone agrees with us. In the October "Harper's Magazine" there is an article by Walter Prescott Webb, a professor of history at the University of Texas. It is the lead article of this distinguished magazine and it is entitled: "Ended: Four Hundred Year Boom."

The thesis of Professor Webb in part is one which has recurred since 1798, when Malthus wrote his famous essay on populations. Another part is that which has recurred since early this century and which had a tremendous vogue during the Depression. Professor Webb believes that the prospects of mankind are limited because the frontiers are gone. And we are filling these limited areas with babies. The great boom which started 450 years ago on Columbus Day is therefore over, he says.

The Professor thinks very little of those who predict that science is opening up new frontiers which will be greater than the old frontiers. He calls these people peddlers of substitute frontiers which will prove as ersatz as early rayon.

I don't suppose that any of us are likely to give the least bit of attention to such an article, though we must admit that if another depression hits the country, this gloomy view will again be very widely and seriously maintained. There is, however, one useful thought in such an attitude.

Economic Problem a Physical Problem

Any economic problem is primarily a physical problem. Either we can produce the goods necessary to underwrite a growing standard of living or we cannot. If science has the richness in it that we are predisposed to believe, then it will produce a boom far longer and greater than that since Columbus, but if that physical possibility is not there, our enthusiasm will do no good. We should sober ourselves with the thought that the philosophy of the chemical industry is like those of all industry, practical. The mere fellowship of enthusiasm is pointless. What we as investors must strive for is more basic understanding of the physical possibilities of production of the industry. If the facts are really rich we must develop enough knowledge of them to have that depth of faith which will keep us invested in the industry long enough to make a rich profit. But if the facts do not point sufficiently toward richness, either of the indus-

try as a whole or of certain segments, or in the case of certain companies, we must not confuse enthusiasm for a justification of faith. Faith is only justified by facts.

In trying to get a deeper understanding of the industry we are handicapped by the fact that few of us are chemists, and those of us who are have been out of practice so long that we really know very little of what is going on. Many chemical reactions considered impossible or very difficult a decade or two ago are now routine, and many unheard of then are showing up. Speaking of the possible synthesis of a certain antibiotic, the head of research of a large chemical company said to a group of us, "Two years ago, I would have predicted that the hydrogen bomb would never be made. Now I don't say that anything is impossible."

Last week, I went over to Hoboken to see the man at General Foods who has been experimenting with the radioactive sterilization of food. The experiments are being conducted at the Brookhaven National Laboratories where the government has set up a fairly intense radiation unit for industrial experiments. He said, "Phone Tuesday, we'll have a fairly complete evaluation." When I called he said, "The results were a little disappointing. It will require a lot more work. In the back of our minds we thought it probably would, but we hoped we were going to find something fairly simple. It isn't."

I cite these as illustrations of the fast-moving results being achieved and of indications of unexpected triumphs and undesired setbacks. Even if each of us knew a great deal more about chemistry than we do we would still not have that complete revelation of practical possibilities on which unshakable faith could be constructed.

Optimism Realistic

There are, however, techniques for deriving a certain degree of knowledge without being technically expert. One of these is by historical analogy. If, for instance, the chemical industry accomplishes in the next 40 years what the steel industry did between 1880 and 1920 we can be continuously and faithfully optimistic. If science as a whole can do between 1950 and 2050 what it did between 1750 and 1850 we can ignore the lack of new geographic frontiers.

History gives us practical reasons for thinking that our philosophy of the chemical industry is not only pleasantly optimistic, it is realistically optimistic. The discovery of the new continents was itself one of the products of science—the science of territorial navigation. Science has been rising steadily for centuries and in history we can see the tremendous results which are probably in store for us.

What I can never understand about those who have this frontier philosophy and this over-population fear is their lack of interest in certain historical statistics which I am sure they know in many cases far better than I do. Certain aspects are so simple they stick out like a sore thumb.

It is a remarkable fact that Europe was not a crowded land when

Columbus opened up the New World. Typical countries such as England had around 5 million people, Italy, Germany about the same order. Wolves, wildcats, boars roamed the forests which were as thick as our great forests of the south and west. None of Europe's minerals had been more than scratched, some hardly suspected. England was still a great tin producing center, the rich coal fields of England, France, Germany, Poland were scarcely used and mostly unknown. Iron and steel were produced in very small quantities. The annual European production of steel in the 16th Century may have been only 200 tons, an absurd-sounding estimate unless you look at the census figures of United States Steel production in 1810 which was even then only 1,000 tons.

The plain fact is that acres mean very little in the production of wealth unless science cultivates the acres. For countless centuries human beings have been poor while walking on wealth. The achievement of Columbus was of course very great, but he could have discovered whole sets of new worlds and still the world would have been poor unless man had found ways of using what there is. But if you know enough there is apparently wealth wherever you are. Switzerland, which has scarcely any acres or raw materials, has developed a new source of tremendous wealth in the discoveries of cortical hormones made by Reichstein, a Swiss scientist. The long-term market for cortisone has been estimated by Arthur D. Little and others as several hundred million dollars a year. Think what this means to a little country like Switzerland. It seems to me that the achievements of science in the last two centuries give us solid reasons for being optimistic and no solid reasons for being otherwise.

Let me suggest that there is one other way for us amateurs to keep our finger on the pulse of the industry—this is simply to read what is going on. Usually we can't understand the technical discussions, but we can learn one important thing, namely, that the approach of the chemists to their problems is always positive. In these articles there is a constant flow of practical solutions to business problems. I have here the digest of the articles read to the 75th convention of the American Chemical Society. Literally 18,000 papers were read. As I thumbed through the papers I got the impression of non-controversial constant progress. They implement the feeling that chemistry has a forward movement. Chemists seem to differ from economists, lawyers, politicians and even psychoanalysts—they don't fritter their efforts in controversies. I have here the current copy of "The Commercial and Financial Chronicle," which we all recognize as perhaps the leading single repository of thoughts of experts on banking, commerce and economics. It is an unusually calm issue, but I still find headlines like these: "We Are Departing from the Founding Fathers' Concepts," "Are We Going Totalitarian?" "Bankers Must Fight to Preserve Our Economy."

The world of the investor is obviously not calm, safe or certain. We are constantly in a state of worry. The chemist lives in a much different world. He appears to feel certain of some degree of positive achievement. The world of chemistry is going to be richer ten years from now, that's for sure. The world of the average investor? That's not for sure. I think our philosophy of the chemical industry can be justified by the one single observation that the chemists themselves believe there is a huge area of undiscovered wealth which year by year they are uncovering.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week—Bank Stocks

One of the most significant developments during the past decade in the broad economic field of commercial banking has been the growth of deposits in the Southwest and Western areas of the country.

The rapid growth of population and the movement of industries into these areas has been one of the primary reasons for the gains experienced in deposits. Another important factor in this connection has been the general prosperity of the agricultural sections which has prevailed during the period.

Much of the gain must be considered permanent as the changes are basic. Also, the same economic factors are still present, with the center of population moving westward and the industrial growth of the Southwest and Western areas continuing at a rapid rate.

Such considerations make it advisable to review the investment opportunities in these growing areas. This is particularly true for those investors interested in bank stocks.

In contrast to many industrial, natural gas or oil companies that are able to participate in the development of these areas by establishing subsidiaries or constructing plants, banking institutions in their operations are restricted to a specific area. Thus, to have a participation in a fast growing area by investing in a bank stock, a direct purchase of one of the institutions located in the area is practically the only course.

There are a few bank holding companies such as Transamerica operating in the Pacific Coast section and First Bank Stock Corp., located in the Northwest, and which also might be considered as a means of participating in these developments.

One of the difficulties in buying bank stocks in other sections of the country, is that the market is quite limited and generally restricted to the immediate area. With the exception of banks in New York and certain large institutions in Boston, Chicago and San Francisco, there are few banks which have any nationwide market for their shares. In any particular locality, however, there is generally a local interest in the various stocks, and while the available supply of stock is usually small because of large individual holdings, it is possible to buy the shares.

There are other reasons for considering bank investments in some of the faster growing areas of the country.

The earning power of banks varies widely according to the locality of the bank. Once again, those banks in the faster growing areas and agricultural regions have a higher rate of earnings than those in the older industrial centers, both in terms of return on capital or total assets.

The following figures, taken from the Federal Reserve Bulletin of May of this year, illustrate this point by showing the rate of return averaged for the past five years for banks by Federal Reserve districts. In order to make comparisons between districts we have arranged the names in order of the rate of return.

ALL MEMBER BANKS BY DISTRICTS (1946-1950 Average)

District—	Net Profits to Capital Accounts %	District—	Net Profits to Total Assets %
Boston	6.4	Chicago	0.49
New York	6.6	Boston	0.52
Philadelphia	7.4	Minneapolis	0.53
Cleveland	8.3	New York	0.55
Chicago	8.5	Atlanta	0.59
Richmond	8.9	St. Louis	0.59
Minneapolis	9.0	Richmond	0.60
St. Louis	9.5	Dallas	0.61
Atlanta	9.9	San Francisco	0.63
Dallas	10.5	Kansas City	0.54
Kansas City	10.8	Cleveland	0.64
San Francisco	11.3	Philadelphia	0.65

The banks located in the more rapidly growing areas and the agricultural sections probably have a higher percentage of their assets in high-yielding loans. Also, credit restrictions such as reserve requirements, adversely affect banks in the urban centers.

In subsequent columns, some of the individual banks in the areas away from the money centers will be reviewed.

Withdraws From Firm

CHICAGO, Ill.—Forrest Laidley has retired from limited partnership in Hicks & Price, 231 South La Salle Street, member of the New York and Midwest Stock Exchanges.

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*A talk by Mr. Gutman before the N. Y. Society of Security Analysts, Schwartz's Restaurant, New York City, Oct. 11, 1951.

Mr. Churchill's Problems

By PAUL EINZIG

Dr. Einzig recounts problems and difficulties facing Mr. Churchill and his Party in administration of British Government. Foresees unlikelihood of British workers cooperating by increasing production or dispensing with "feather-bedding."

LONDON, Eng.—The verdict of the British electorate put Mr. Churchill once more in charge of the British Government. Although the situation is now not so acutely dangerous as it was when he assumed office in May, 1940, if we take a long view it appears to be equally critical. Indeed, Mr. Churchill could well repeat that memorable passage of his speech of 1940: "I can only promise you blood and tears and sweat and toil." Even though there is reasonable hope that there will be less blood and tears in the immediate future than there was during the years that followed Dunkirk, a great deal of sweat and toil is inevitable if Britain is to recover from the difficult economic situation in which Mr. Churchill has found her when accepting the responsibility of her government, and if she is to achieve comparative security by completing her rearmament in good time and to an adequate degree. Rearmament may not seem to be quite so desperately urgent today as it was when the enemy was at the other side of the English Channel, but it is equally important. And it is gratifying that a government has now assumed office that is wholeheartedly in favor of building up Britain's defenses and is supported by a party that places national security above any other consideration.

Mr. Churchill's administration will have to approach the problem of the rearmament and of the recovery of economic equilibrium in two ways. It will have to make a supreme effort to increase the output, as it did so very successfully in 1940. At the same time it will also have to enforce a drastic curtailment of civilian consumption. To some extent the two approaches are conflicting with each other. Any attempt to force down civilian consumption through high taxation or a decline of real wages would tend to generate discontent among the workers, and it would make the task of increasing the output difficult if not impossible. The ideal solution would, of course, be to solve the problem solely with the aid of increasing the output sufficiently to provide for rearmament requirements and to offset the inflationary trend due to excessive purchasing power in the hands of consumers, without having to resort to any cuts in that purchasing power. Unfortunately, this solution must be ruled out as impossible.

Even if Mr. Churchill succeeded in persuading the workers to work harder than they did under the Socialist Government, it would not solve the problem. The world-wide shortage of many essential raw materials sets a limit to the extent to which the output in general could be raised. In certain lines a great deal could be done with a little goodwill on the part of the workers. In particular, the output of coal could be increased considerably, and this would greatly help in the task of increasing the output of many industries, at the same time as contributing towards the filling of the gap in Britain's balance of payments. But the maintenance of the present volume of civilian consumption of many categories of goods, and the increase of arms production, would deplete the inadequate reserves of sulphur, base metals, etc., to such an extent that a curtailment of production would become inevitable.

In 1940, Mr. Churchill was able to inspire the workers to make a supreme effort in face of the extreme urgency of rearmament requirements. Today such urgency does not prevail, and the overwhelming majority of the workers now regard Mr. Churchill as a political opponent rather than as a great national leader. There is bound to be much resentment among the rank and file of the supporters of Socialist Government, and it may result in a truculent attitude towards the new government and towards employers. The workers were not very good winners after their election victories of 1945 and 1950; there is a danger that they may prove to be very bad losers now, and that the output might suffer in consequence. On the other hand, it is possible that the political change might induce the workers to give an honest day's work for an honest day's pay, precisely because they could no longer rely upon being supported, right or wrong, by a government of their own choice.

Even if productivity should increase in industries where it is not handicapped by raw material shortages it would be necessary for the new government to cut purchasing power in order to restrict civilian consumption in industries where such shortages exist or threaten to develop. So Mr. Churchill's government will have to face the unpopularity of policies aiming at such cuts, even at the risk of antagonizing the workers. The Conservatives have committed themselves to the maintenance of social service expenditure at its present unwarranted high level. They will have to reduce consumers' purchasing power by means of additional taxation, or by allowing prices to rise further without any corresponding increase of nominal wages. But they promised to resist an increase in the cost of living. It seems, therefore, that the main effort will have to be directed to checking consumption by means of direct and indirect taxation.

So long as the present state of over-full employment prevails the workers are in a sufficiently strong bargaining position to enforce an increase of their wages following on an increase of their taxes. This means that drastic taxation measures would in existing circumstances tend to produce inflationary rather than deflationary effects. The government may feel impelled to remedy this state of affairs by resorting to measures aimed against over-full employment. This could be done either through orthodox credit deflation or through direct intervention to divert labor from industries where they are not needed for rearmament or essential civilian requirements. The problem of the scarcity of labor must be solved before the curtailment of civilian con-

sumption through taxation or any other means could be attempted, with any hope of success. Much labor is wasted at present through "feather-bedding" arrangements under which more hands are employed than are really needed. Possibly a Conservative is politically and morally better placed for undertaking the ungrateful but necessary task of ending this state of affairs. The prospects of the solution of the fundamental economic problems depend on the success of these efforts.

Predicts Drop in Corporate Earnings

Dr. Leland Rex Robinson, Vice-President of Economists' National Committee on Monetary Policy, says this will result from current fiscal and monetary policies.

Speaking at a meeting of the Young Men's Board of Trade in New York City on Oct. 24, Dr. Leland Rex Robinson, Vice-President of the



Leland Rex Robinson

National Committee on Monetary Policy, remarked that continued increases in the costs of business, and the mounting load of income and excess profits taxation so threaten corporate earnings margins that ever greater volume and turnover are required even to maintain present levels.

Referring to the upward pressure on break-even points, Dr. Robinson compared the plight of many businesses under current inflationary pressures to a cyclist whose wheels are expanding as he pedals, and who must keep going faster and faster to maintain his equilibrium.

"The problem is further complicated," said Dr. Robinson, "by the build-up of debt under conditions of artificially cheap money, which adds to the financial vulnerability of many individuals and companies, at a time when they should be paring down their obligations.

"Of the new money going into corporate inventory, working capital and plant and equipment in 1950 over a quarter took the form of debt and less than a fifth was common stock. So dependent upon retained earnings have corporations become that as these earnings are depleted, proportionately heavier financial charges must be incurred unless 'good old-fashioned risk capital' can again take

its proper place in the stimulation of American enterprise."

"But the trend of equity financing," Dr. Robinson pointed out, "is decidedly down hill over most of the last two decades. Stock issues, including common and preferred, were only 27% of new public issues of corporations last year and about a sixth in 1949; while as a source of new money they have been relatively small since the mid-thirties.

"These disturbing trends in earnings and capitalization seem likely to continue as long as our government and people live beyond their means. So greatly has the pyramiding and monetizing of Federal debt raised general levels of costs and prices, since abandonment of gold convertibility in 1933, that from 1945 there has been a shrinkage of nearly one-third in the average per capita purchasing power of liquid assets after allowance for consumer and other individual debt.

"So much needed are balanced budgets, consumer restraint, savings, reduced debts and sound money that, without this pulling in of our belts, a crisis is likely to confront American business and workers after the 'preparedness hump' is reached in 1953 or 1954. The situation then would be in stark contrast with that of the recent immediate postwar years, when a vast accumulated purchasing power released pent-up consumer demand and industry undertook extensive retooling, and new construction to satisfy long deferred needs."

Herman Frese Opens

(Special to THE FINANCIAL CHRONICLE)

SAN CARLOS, Calif.—Herman G. Frese is now engaging in the securities business from offices at 1161 Cherry Street. Mr. Frese has been active as an investment counselor.

Kimberly-Clark Makes Pfd. Exchange Offer

Kimberly-Clark Corp. is offering 102,424 shares of new \$100 par value 4% convertible preferred stock to the holders of its outstanding 102,424 shares of 4½% \$100 par value cumulative preferred stock in exchange for their holdings of the 4½% preferred stock. The exchange is offered on a share for share basis plus a dividend payment on the 4½% preferred stock to Nov. 1, 1951, of 37.5 cents per share in cash. The offer will expire at 3 p.m. (CST) on Nov. 9, 1951. Blyth & Co., Inc. has agreed to purchase at a price of \$107 per share plus accrued dividends shares of the 4% convertible preferred stock not issued pursuant to the exchange offer subject to the condition that holders of at least 65,000 shares of the 4½% cumulative preferred stock accept the exchange offer. Each share of the new preferred stock will be convertible into two shares of the common stock of the corporation and will be redeemable at \$108 per share until Jan. 1, 1959, and thereafter at lower prices.

Kimberly-Clark Corp. is an integrated manufacturer of white papers and cellulose wadding and is the largest producer of publication type machine coated book paper and of cellulose wadding in the United States. Cellulose wadding is converted into various products including products manufactured for marketing by International Cellulocotton Products Company under the trade names Kleenex and Kotex. The corporation reported net sales of \$142,605,942 for the year ended April 30, 1951, and \$52,463,130 for the four months ended Aug. 31, 1951. Net income after preferred stock dividends for these periods was \$11,515,226 and \$3,468,298, respectively.

John L. Ahbe, Others Join Harris, Upham

PALM BEACH, Fla.—John L. Ahbe, Ralph T. Ryan, Richard H. Landrum, R. A. Dahn, R. C. Cohan, W. C. Roper, V. A. Ely and N. S. Sharp have become associated with Harris, Upham & Co. Mr. Ahbe was formerly proprietor of John L. Ahbe & Co., 268 South County Road, with which Messrs. Ryan, Landrum, and Dahn were also associated.

This advertisement is not an offer to sell or a solicitation of an offer to buy these securities. The offering is made only by the Prospectus.

New Issue

80,000 Shares

Goodall-Sanford, Inc.

6% Preference Stock

Par Value \$50 per Share

(Convertible into Common Stock on or before November 1, 1961)

Price \$51.50 per Share

Copies of the Prospectus may be obtained from such of the several underwriters, including the undersigned, as may legally offer these securities in compliance with the securities laws of the respective States.

Union Securities Corporation

W. C. Langley & Co.

Blyth & Co., Inc.

Eastman, Dillon & Co.

Merrill Lynch, Pierce, Fenner & Beane

Stone & Webster Securities Corporation

October 30, 1951

The Overall Credit Picture

By DWIGHT W. MICHENER*

Director of Research, The Chase National Bank, New York

Bank economist reviews last decade's developments in credit, deposits and money, and lists adverse effects of Treasury's "cheap money" policy. Holds limits upon expansion of money supply rather than price controls is best method of curbing inflation. Predicts credit restraint "is going to be difficult to exercise in future."

The subject is one of vital importance and interest for two reasons. In the first place, this country has experienced an expansion of credit during the past ten years much larger than any other in the history of the country. The chief cause of this expansion was government borrowing from the commercial banking system. The effects of this credit expansion are now much in evidence throughout our entire economy. In the second place, this country now faces a recurrence of military preparations which are estimated to cost the government \$150 billion during the next three years. The question is, will the financing of these expenditures lead to still greater expansion of credit, with all of the dangers which are entailed?

It may be well to start our consideration of the problem with a review of the expansion of credit which has already taken place. Then we will notice some of the results and consider some of the major factors in the present outlook.

It is important to have clearly in mind the method by which the current expansion of the money supply has been taking place, since the process today is a far different one from that of early times. At the time of the Roman Empire, for example, money was expanded by issuing increased amounts of coins using metal of less value. Centuries later, the common method was the printing of additional amounts of paper currency. This was the method, you will recall, used during the John Law period in France and the "Greenback" period of American history. Today, the chief method of expanding the supply of money is the creation of deposit accounts in commercial banks.

To many, this has always been confusing, but, actually, the process is not difficult to understand. When one borrows from his commercial bank in the normal course of events, he does not borrow coins or currency. Rather, the expansion takes the form of a new deposit set up for his account. The borrower leaves his note, his promise to pay, which becomes an asset of the bank and, in turn, a deposit account is created for him as a liability of the bank. As you know, this practice developed in this country about the time of the Civil War, and today it is the common procedure. Nearly 90% of all payments made take the form of drafts on deposit accounts.

Similarly, when the Federal Government borrows from the commercial banking system, United States Government securities become the asset of the banks, and a new deposit for the account of the government—a "Tax and Loan Account"—is built up on the liability side of the bank statement. Thus, as the commercial

bank increases its "loans" to the government, new deposits come into existence.

Borrowing by the government during the First World War reached a peak of about \$5 billion, an amount large enough to cause great concern among those dealing with monetary and credit problems at the time. In 1946, government borrowing from the banking system reached a peak well above \$100 billion. The total today remains about \$80 billion.

Recent Expansion in Bank Deposits

Take the trend of loans by commercial banks to non-government borrowers. In early 1950, before the outbreak of war in Korea, these loans were only about 20% above the level of 1929. Since June, 1950, they have expanded rapidly as a result of war developments.

The major cause of the 20-year rise in bank deposits, the greater part of the money supply, is the expansion of bank "loans" to the government in the form of government securities purchased. Although total government securities held by the banking system have declined from the wartime peak, they are still some 16 times as large as in the late 1920's. Judging from the record of the past two decades, expansion of bank deposits in the future will be far more dependent upon loans (in many cases unproductive) to the government than upon loans to non-government borrowers.

Now, let us take the expansion of the money supply since 1914. It should be noticed that the present total is approximately \$177 billion, the highest total in our history, having risen nearly threefold since 1939.

In contrast to the expansion of the money supply since 1939, goods and services produced have increased by only about 50%. Largely as a result of the great expansion of money relative to available goods and services, we have had a rise in prices. The rise since 1940 has been the greatest in our history and, recently, the level of prices has exceeded that of any other period since the establishment of the Constitution.

Developments in Increased Money Supply

History provides numerous instances in which an increase in the money supply or in the availability of money has greatly influenced economic behavior. The current period of money expansion has been no exception to the rule. Among the recent developments which are proving to be of far-reaching importance are the following:

(1) Consumers have resorted to the use of credit to a greater extent than ever before. Total consumer credit outstanding has recently reached an all-time high point of \$20 billion. Early this year, the Board of Governors exercised its power to tighten the terms of consumer credit, and subsequently this credit declined to \$19.1 billion (July). A relaxing of the regulations by Congress was followed by an increase to \$19.3 billion by the end of August.

(2) Home mortgage debt has increased without precedent. Since 1945, there has been an increase of some \$30 billion, to a new high point of nearly \$50 billion. The

Board of Governors tightened the terms of such borrowing under Regulation "X" last fall; however, an Act of Congress in September required loan agencies to relax their credit rules.

(3) So much impetus has been given to drives for wage rate increases that, despite efforts to control wages, they have advanced even more rapidly than was justified by increases in living costs. "Fringe benefits" increased labor costs still further.

(4) The feature of the whole period has been, of course, the rise in Federal Government expenditures. Apart from military activities, veterans' assistance and foreign aid, Federal expenditures more than doubled between 1946 and 1949. During the past 21 years, the government has lived within its income in only three years and the latest balanced budget, that of the fiscal year ending last June, was unplanned. Instead, it came as a result of unexpected Federal income.

A chart here displays the trend of the Federal debt since 1914, including the enormous increase of the Second World War and the gradual upward trend since 1947. The increase during the past two decades has been more than tenfold.

In contrast to the rise in Federal debt, the average rate of interest paid on United States Government borrowings shows a sharply downward trend from the mid 1920's. This decline was primarily the result of the "easy money" policy adopted by the Board of Governors of the Federal Reserve System.

In the depression of the early 1930's, artificially low interest rates were encouraged as a means of aiding recovery. In the early 1940's, the same policy was used as an aid in the war emergency. In the late 1940's, the policy was continued as an aid in preventing business decline, even though "boom" conditions were much in evidence. Thus, the policy of artificially low interest rates has come to be applied as a cure-all for many maladies of depression and boom, and war and peacetime, since the late 1920's. The prospect of a broad increase in Federal expenditures following the outbreak of the war in Korea brought greater consideration of the difficulties involved in a continuous application of the "easy money" policies used during the past two decades. This brought the lines of the conflicting objectives of the Federal Reserve Board and the United States Treasury into sharp focus.

Function of Federal Reserve

Under the Federal Reserve Act, the Board carries the responsibility for credit control, a responsibility designed to keep the volume of credit fitted to the task of accommodating commerce and business. On the other hand, the Treasury Department is responsible for the overall financial position of the government. Throughout the whole period of expanding Treasury expenditures, increased borrowing and public debt refunding, the Treasury gave major attention to the rate of interest paid on the Federal debt.

The interest cost on Treasury borrowing is, of course, of great importance, particularly when the debt is at the present high level. But there are also other factors to consider. The artificially low rates at which the Treasury has been able to borrow were provided by an expanded money supply which, in turn, brought high prices. Being the largest buyer of goods and services in the American market, the Treasury is among those who suffer most from advancing prices. (It is true that Treasury income tends to rise when prices rise, but since Treasury income in one year is based largely upon taxpayer income of

the previous year, government tax receipts lag behind as prices rise.) With a volume of annual purchases totaling many billions of dollars, prices become a very important consideration. For example, during the past three months, the Treasury has bought defense goods and services totaling more than \$9 billion. The rise in prices since the middle of last year has been about 6%. Thus, the increase in cost to the Treasury on these goods was more than \$500 million.

On March 3 of this year, a widely-publicized "accord" was reached between the Board and the Treasury authorities relative to monetary policies. The support for government bonds on a fixed "peg" was modified, and interest rates were allowed to move somewhat higher. Yields on government bonds have increased to the highest point in several years. This is widely recognized as a step toward financial stability. However, future money and credit policies remain uncertain at the present time, and the long-run importance of the "accord" is dependent upon later developments.

In this connection, it is important to observe that holdings of government securities by the Federal Reserve banks have increased \$1.3 billion since the "accord" became effective. Apparently, those who are determining policy since the "accord" are moving on the theory that it is better to take the risk that the increase in the debt will move into the commercial banking system, where it adds to the money supply, rather than to encounter the risk involved in a firmer money policy. With the armament program bolstering business activity, and with no all-out war immediately at hand, the time seems to be especially appropriate for fiscal and credit authorities to move forward in their endeavor undertaken last March.

Adverse Effects of "Cheap Money"

Entirely apart from the position of the Treasury, the adverse effects of "cheap money" are apparent at other points in our economy. The current "national emergency" demands careful and conservative spending habits on the part of the American public. However, the "cheap money" policy and the broad expansion of the money supply which has occurred in recent years have resulted in spending habits of the opposite type.

With money readily available and with much emphasis on the buying of goods in the face of, or for fear of, short supplies, government controls have been applied, with all of the dislocation, confusion and injustice which has always accompanied such action. The underlying cause of the present rise in the price level in this country is obvious to anyone who reviews the situation. But to eliminate this cause is a difficult task. Price control is alluring, particularly to the politically minded.

This kind of "solution" for the problem is almost as old as money itself. In 1793, for example, France was suffering from a rapid expansion of the money supply, and a special group was appointed to study the whole problem of rising prices. The committee advised that prices should be stabilized "at a rate proportionate to the wages of the working classes." On the basis of this recommendation, a price control regulation was established. Prices were fixed at 1½ times the prices existing in 1790; transportation charges were to be added; 5% was to be added as a profit for the wholesaler and 10% was to be added for the profit of the retailer. Problems of enforcement followed. As an aid in this objective, fines, imprisonment and the guillotine were used. However, enforcement was found to be impossible, and after untold

hardship, the whole program was abandoned.

History is replete with examples which demonstrate that efforts to control prices by government order can never be adequate substitutes for free competitive market prices. Market prices have always served the American economy in determining what is to be produced and who the buyer is to be. The problems caused by government efforts to set prices serve as a constant reminder of the need to return to free market prices at the earliest possible moment.

Those who put great confidence in price control should not overlook the fact that the American public is better informed today regarding markets, supplies, etc., than ever before. When shortages of consumer goods develop, the public is soon aware of them. Market news travels fast. The public acts promptly and may overdo it. Our two periods of "impulse" buying demonstrate clearly how quickly the consumer reacts to threats of shortages or to rationing. These "stampedes for goods" on the part of the consumer result in a similar rush by merchants and manufacturers to stock up. All along the line, with the money supply already large and still expanding, goods are quickly bought when the occasion seems to demand it. Thus, limits upon the expansion of the money supply rather than price controls are the solution of the problem.

Fortunately, it does not seem likely that consumer goods generally will be in short supply in the near future. Over all, next year's supplies should still compare favorably with the average for the postwar years.

These are some of the highlights in the credit picture. Viewed as a whole, it shows the effect of excessive use of credit in the past. It suggests that credit restraint is going to be difficult to exercise in the future.

Dresser Industries Stock Offered

An underwriting group headed by Reynolds & Co. and Harriman Ripley & Co., Inc., on Oct. 26 offered 187,500 shares of 50c par value common stock of Dresser Industries, Inc. at \$25 per share.

Net proceeds from the sale of these shares will be added to the general funds of the company and applied to such purposes as the board of directors in the future may determine to be necessary or desirable in connection with the business of the company.

Dresser Industries, Inc., directly or through its nine wholly-owned subsidiaries, is engaged principally in the manufacture, sale and distribution of machinery, equipment and miscellaneous products used by the oil, gas and petrochemical industries. Many products of the Dresser group are also sold for a wide variety of general industrial applications. The company directs the general policies and integrates the activities of its subsidiaries, which, in turn, are directly responsible for their own operations. The company maintains an advisory staff which furnishes its subsidiaries with financial, engineering, marketing, purchasing, legal, tax, accounting and other services and counsel.

Stuart Wyeth Co. Formed in Philadelphia

PHILADELPHIA, Pa.—Stuart MacR. Wyeth has formed Stuart Wyeth & Co. with offices at 1401 Walnut Street to engage in the securities business. Mr. Wyeth was formerly with Stein Bros. & Boyce, Dixon & Co. and White, Weld & Co.

*An abstract of an address by Mr. Michener at the Annual Convention of the Commercial Finance Industry, New York City, Oct. 30, 1951.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

Six promotions and new appointments in the official staff of the Chase National Bank of New York were announced on Oct. 26. Joseph C. Broadus, William F. Coleman and Leonor F. Loree, II were advanced from Assistant Cashiers to be Second Vice-Presidents. Curtis G. Callan, Carl E. Haugen and George A. Roeder, Jr. were appointed Assistant Cashiers. Mr. Coleman is a member of the branch loan staff at the head office. The other officers are assigned to regional staffs in the commercial banking department.

The Twenty-Five Year Club of Manufacturers Trust Company of New York held its Twelfth Annual Dinner and Entertainment on Oct. 25, in the Grand Ballroom of the Hotel Astor. The Club now numbers 583 members who represent a total of approximately 18,000 years of service to Manufacturers Trust Company. Carl E. Funk, retiring President of the club, presided. The principal speakers of the evening were: Horace C. Flanagan, President of the bank, and Henry C. Von Elm, Honorary Chairman of the Board. The officers of the club elected for the year 1952 were John W. Gorman, President, William O. Walter, Vice-President, and Matthew McKenney, Jr., Secretary-Treasurer.

Irving Trust Company of New York announces the appointment of John W. Creighton and David K. Darcy, Jr. as Assistant Secretaries of the company. Mr. Creighton is connected with the company's loaning activity and covers business located in Pennsylvania. Mr. Darcy, also a member of Irving's loaning staff, travels for the company in New York State.

Austin C. Cheshire, Vice-President and Secretary of The Dime Savings Bank of Brooklyn, N. Y., recently celebrated his 35th anniversary with "The Dime," it is announced by George C. Johnson, President. Mr. Cheshire entered the employ of the bank on Oct. 23, 1916, as a general bookkeeper and has served in various capacities including those of Chief Accountant, Comptroller and Secretary. He was elected a member of the Board of Trustees in February, 1942, and was appointed Vice-President and Secretary in June, 1946. At a special luncheon given in his honor at the bank, Mr. Cheshire was presented with a silver bowl and other gifts from the trustees, officers and members of the staff.

The enlarged capital of the First National Bank of Boston, Mass., increased from \$27,812,500 to \$32,500,000 by the sale of new stock, and became effective Oct. 19. Items bearing on the issuance of the new stock appeared in our issues of Sept. 27, pages 1168 and 1177, and Oct. 25, page 1562.

Through the sale of \$100,000 of new stock, the Ridgefield National Bank of Ridgefield, N. J. has increased its capital from \$250,000 to \$350,000, effective Oct. 25.

The death is announced by the Third National Bank and Trust Company of Scranton, Pa., of its Senior Vice-President, J. Elmer Williams, on Oct. 21.

Effective Oct. 15, the capital of the Boatmen's National Bank of St. Louis has been increased from \$4,000,000 to \$5,000,000. As was

indicated in these columns Oct. 18, page 1471, part of the increase, \$500,000, resulted from a stock dividend, while the further \$500,000 addition came about through the sale of new stock.

The First National Bank of Florence, Ala., announces the death of its President, Robert M. Martin, on Oct. 8.

As a result of a stock dividend of \$250,000 and the sale of \$250,000 of new stock, the First National Bank of Waco, Texas has increased its capital, effective Oct. 15, from \$500,000 to \$1,000,000.

Five staff members of Crocker First National Bank of San Francisco were welcomed into the Quarter-Century Club on Oct. 23 at a ceremony held by the bank. In appreciation of their 25 years of service to the bank, gold watches were presented to the following members: Charles B. Neuman, Jr., Assistant Cashier, Real Estate Department; John J. Connolly, Assistant to Court Trust Officer; Charles W. Green, Jr., Senior Audit Clerk; Walter Winrott, Senior Real Estate Clerk and Building Manager; Harry C. Madison, Outside Teller. Wm. W. Crocker, Chairman of the Board of Crocker Bank, made the awards.

FHLB Notes on Market

Public offering of \$120,500,000 Federal Home Loan Banks 2.20% Series G-1952 Consolidated Notes, non-callable, dated Nov. 15, 1951, and maturing Aug. 15, 1952, was made on Oct. 30 by the Federal Home Loan Banks through Everett Smith, fiscal agent. The notes were priced at par.

The purpose of the offering is to provide funds required for the payment at maturity on Nov. 15, next, of \$84,000,000 1% Series F-1951 consolidated notes, and for making available credit by the Federal Home Loan Banks to their member institutions.

Upon completion of the present financing, outstanding obligations of the Federal Home Loan Banks will total \$529,500,000.

Delivery of the notes will be made either at the Federal Reserve Bank of New York, the Federal Reserve Bank of Chicago, or both, at the option of the subscriber.

With Link, Gorman Co.

(Special to THE FINANCIAL CHRONICLE)
CHICAGO, Ill. — Leighton H. Borin has been added to the staff of Link, Gorman, Peck & Co., 208 South La Salle Street, members of the Midwest Stock Exchange.

Joins Paine, Webber

(Special to THE FINANCIAL CHRONICLE)
CHICAGO, Ill. — Thomas A. Watson has become associated with Paine, Webber, Jackson & Curtis, 209 South La Salle Street. He was previously with Julien Collins & Co.

With Reinholdt, Gardner

(Special to THE FINANCIAL CHRONICLE)
ST. LOUIS, Mo. — Hal Clarida has joined the staff of Reinholdt & Gardner, 400 Locust Street, members of the New York and Midwest Stock Exchanges.

Vance, Sanders Adds

(Special to THE FINANCIAL CHRONICLE)
BOSTON, Mass. — George Wright has become affiliated with Vance Sanders & Co., 111 Devonshire Street.

1952—Another Good Year Ahead for Home Building

By ARTHUR M. WEIMER*

Dean, School of Business, Indiana University
Economist, United States Savings and Loan League

Current trends indicate that 1952 will be a relatively good year for the home building industry. Principal retarding factors will



Arthur M. Weimer

be materials and labor shortages. The mobilization program is gathering speed and a number of basic materials are likely to be in short supply, at least during the first half of next year. While lumber and other nonmetallic products may be plentiful, metals are growing increasingly scarce. Assuming current mobilization plans are followed, some improvement in the materials and labor situation may be expected by the last half of 1952, but the home building industry is likely to be affected throughout the year. Factors that will tend to maintain a high level of house building in the year ahead include: (1) High levels of personal incomes. (2) Expanding employment. (3) High rates of personal savings. (4) Movements of population to areas that are being stimulated by defense contracts. (5) Favorable conditions in the mortgage market plus more generous regulations governing mortgage credit. (6) Legislation providing for additions to defense and military housing programs.

It now appears that house building next year will not be carried on in greater volume than in 1951. Much depends on the relative shortages of materials and labor. If such shortages are acute, there may be a decline of 15 to 20% from 1951 levels. This would mean that home building in 1952 would compare very favorably with the last half of 1951.

*Extract from an address by Dr. Weimer before the Annual Convention of the Illinois Savings and Loan League, Peoria, Ill., Oct. 16, 1951.

Evidences of improvement from recent tight conditions in the home mortgage market are beginning to appear. Savings have increased and the demand for mortgage money has tended to decline. Many mortgage lenders are catching up with their large backlogs of advance commitments. During the second and third quarters of the current year, savings rose to very high levels, being more than double the rate in the first quarter or of the same period last year.

It now appears that savings will attain higher levels in 1951 than in any other postwar year. Conditions favorable to high levels of personal savings probably will continue into 1952. Incomes will be high and while there may be some upward movements in prices, there is likely to be enough price stability to keep consumer purchases from rising rapidly. Higher taxes probably will retard savings, although rising incomes will offset increased taxes in part.

Under these circumstances home buyers should be able to obtain financing at or near the terms announced under the recent relaxation of mortgage credit regulations. Under these conditions the proportion of homes financed under FHA and GI plans is likely to be greater during the months ahead than was the case during the first three quarters of this year. This will be especially true in the lower price fields.

Recent downward movements in interest rates are significant in appraising the current situation in the mortgage market. Apparently, interest rates have passed their peak, at least for the immediate future. It is doubtful that mortgage money in the near future will be as plentiful as in the early part of the 1950 building season, but financing undoubtedly will be easier than has been the case during recent months.

On the basis of the trends outlined above it does not seem probable that dividend rates paid by savings associations will be increased, at least during the first half of 1952. With personal savings running at high levels and

with consumers spending on a more normal basis, the savings associations should be able to attract an adequate volume of funds on the basis of current dividend rates. Their success in attracting funds, however, will depend on a great many other factors than the dividend rates paid. Advertising and promotional campaigns that have for their purpose the merchandising of savings will be of great significance. Because of the persistence of inflationary trends, programs of this kind are highly important not only for the success of individual savings associations but also for the more general purpose of fighting inflation.

General Business Trends

Reports covering the early weeks of the fall season indicate gradual improvement in general business conditions throughout the country. The current outlook appears to be one of continued business stability at a high level with gradual improvement in the remaining months of this year and in early 1952. Industrial production has moved up from the low July index of 213% of the 1935-39 average to near the 220 level. Price declines have slowed down with considerable stability reported in recent weeks and with the index of 28 sensitive commodities published by the Bureau of Labor Statistics beginning to reflect price increases. Inventories are gradually being reduced. Incomes are high and continue to rise gradually. In recent months personal incomes have been running around 13% ahead of the same period last year. Employment continues near the 62,000,000 mark with unemployment at around 1,600,000.

The key to the business outlook, of course, continues to be the mobilization program. Spending under this program is of major importance in maintaining business activity at current levels. The materials and labor shortages resulting from the program have meant reduced volume in certain lines with expansion in areas more closely related to defense production. Current plans call for the expenditure of approximately forty-nine and a half billions for defense purposes during the fiscal year ending next June 30. Current spending, however, is not yet at an annual rate that would reach this level, and it is expected that the rate of spending by next summer will reach around sixty-five billion dollars.

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

187,500 Shares

Dresser Industries, Inc.

Common Stock
(Par Value 50¢ per Share)

Price \$25 per Share

Copies of the Prospectus may be obtained in any State only from such of the several Underwriters named in the Prospectus and others as may lawfully offer these securities in such State.

Reynolds & Co.

Harriman Ripley & Co.
Incorporated

October 26, 1951

With Juran & Moody

(Special to THE FINANCIAL CHRONICLE)

ST. PAUL, Minn.—Ferdinand A. Ruhr is now with Juran & Moody, 152 East 6th Street.



Prospectus upon request from your investment dealer, or from

NATIONAL SECURITIES & RESEARCH CORPORATION
120 BROADWAY, NEW YORK 5, N. Y.

prospectus from your investment dealer or PHILADELPHIA 2, PA.

BULLOCK FUND

A MUTUAL INVESTMENT FUND

Prospectus from your investment dealer or

CALVIN BULLOCK
Established 1894

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Keystone Custodian Funds

Certificates of Participation in INVESTMENT FUNDS investing their capital in

BONDS

(Series B1-B2-B3-B4)

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The Keystone Company
50 Congress Street, Boston 9, Mass.

Please send me prospectuses describing your Organization and the shares of your ten Funds.

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Mutual Funds

By CARTER GRENVILLE BURKE

AFTER WEATHERING a heavy wave of redemptions, which in the four months since June have totaled over \$20 million or nearly half of the total assets which the fund had in June, Blue Ridge Mutual Fund officials are now confident they have reached a strong equilibrium position.

Assets of the Fund are now \$27 million and officials of the Fund believe a bedrock position will soon be reached with total assets of between \$23 and \$25 million.

The Fund, which open-ended on June 28, 1951, suffered heaviest redemptions from Central States Electric bondholders, of whom nearly half redeemed directly, and from Central States Electric preferred stockholders, of whom 15% redeemed. Practically none of the stockholders of closed-end Blue Ridge investment company redeemed directly.

When the Fund open-ended, existing stockholders of the component closed-end elements were offered the choice of turning in their old shares directly, subject to a waiting period, or exchanging them for Blue Ridge Mutual Fund shares. The proportionate amounts redeemed by shareholders who first converted is not yet clearly known.

Redemptions from June 28 to Sept. 30 totaled \$16½ million. Since Sept. 30, approximately \$3½ million more have been paid in redemptions and a further redemption figure of \$2 to \$4 million is anticipated.

Blue Ridge expects to start offering shares to the public in late December or early January, after a mid-December registration with the Securities and Exchange Commission. Currently, the shares are being traded over the counter.

Asset value on June 28, 1951 was \$9.90 and on Oct. 31, 1951, closing, was \$10.52.

SNOWDEN BILL, the Pennsylvania "Prudent Man Bill" which would permit trustees to invest in mutual funds not having senior capitalization, is expected to be sent to the Governor during the week of Dec. 10, after an opinion is written by the Attorney General.

Although the bill passed the State House by a roll call vote of 108 to 79 and the State Senate by a "negative call vote" of 46 to 3, the bill, among 34 others, was not signed by the President of the Senate before the current legislative recess began.

The legislature recessed on the suggestion of the Governor because of the failure of legislators to agree on the personal income tax program which the Governor has requested. The program has been accepted by the House, but

rejected three times by the Senate.

DEALERS WERE asked, in a release by the Investment Companies Committee of the National Association of Securities Dealers, to make clear to prospective investors, who buy mutual fund shares, the difference between dividends paid from investment income and distributions paid from realized security profits.

It was also considered essential that a dealer make plain to a prospect the effect of a capital gains distribution if he buys shortly before the ex-dividend date.

The release stated, "No advantage accrues to the buyer of the shares of an investment company by reason of his purchase of such shares in anticipation of a distribution soon to be paid. The amount of the distribution is included in the price he pays for the shares and the shares decline in price on the ex-distribution date by the amount of the distribution."

Copy of October 26th, 1951 Letter sent to Association officers, proprietors, partners and registered representatives by the National Association of Securities Dealers, Inc.:

"To Members, National Association of Securities Dealers, Inc."
"Re: Sale of Investment Company Shares."

"It is essential that an investor who buys investment company shares understand the difference between dividends paid from net investment income and distributions paid from realized security profits. It is also essential if he buys shares shortly before an ex-dividend date that he not be misled as to the effect of the receipt by him of the distribution."

"No advantage accrues to the buyer of the shares of an investment company by reason of his purchase of such shares in anticipation of a distribution soon to be paid. The amount of such distribution is included in the price he pays for the shares and the shares decline in price on the ex-distribution date by the amount of the distribution."

"A member who induces the sale of investment company shares by implying to a customer a rate of return that is based in whole or in part upon distributions of realized security profits or who, without full explanation and disclosure, uses any impending dividend or distribution as an inducement for the purchase of such shares may be making representations to a customer contrary to the provisions of Article III, Section 1, of the Rules of Fair Practice."

"By order of the Board of Governors, Investment Companies Committee"

"October 26, 1951."
"Article III, Section 1 of the Rules of Fair Practice."
"A member, in the conduct of his business, shall observe high standards of commercial honor and just and equitable principles of trade."

OPEN-END REPORTS

A NET INCREASE of over \$26 million in total net assets during 1951 was announced by Fundamental Investors in its third quarter report.

Net assets Sept. 30, 1951, were

\$110,489,304, compared with \$83,698,269 on Dec. 31, 1950.

Shareholders increased from 24,437 to 29,687 and asset value per share rose from \$17.65 to \$20.18. Dividends paid to shareholders was jumped from 45 cents per share to 60 cents.

In the third quarter Fundamental Investors increased its largest industry holding, petroleum and natural gas, from 15.8% to 16.4% of total net assets. Second largest holding by industry was railroads, with 9.3%, and third was chemical and drug with 8.0%.

One hundred and eight securities representing more than 20 industries were held at the end of the third quarter. Substantial increases were made in common stock holdings of Radio Corporation, 47,000 to 59,000 shares, and in Socony-Vacuum Oil, 33,000 to 45,000 shares.

Among the newcomers to Fundamental's list was Aluminium Co., Ltd., and American Telephone & Telegraph, the latter's shares having been acquired by conversion of that company's bonds.

TOTAL NET ASSETS of Dividend Shares on Sept. 30, 1951, were \$101,771,592, the highest level for the end of any reporting period, the company announced.

Net asset value on Sept. 30 was \$1.92 per share on 52,987,015 shares outstanding, compared with total net assets of \$84,599,792 a year earlier, equal to \$1.75 per share on 50,235,960 shares. As of June 30, 1951, total net assets were \$92,087,858, equal to \$1.76 per share on 52,348,953 shares.

Holdings of common stocks at Sept. 30, 1951, amounted to 82.63% of total net assets; U. S. Government bonds, 10.67%; cash, etc., 6.70%.

Principal industry groups included in common stock holdings on Sept. 30, 1951, were oil, 14.81% of total net assets; utilities, 12.29%; retail trade, 6.94%; railroads, 5.52%; metals, 5.05%.

During the three months ended Sept. 30, major portfolio changes included reductions in common stock holdings of the oil and building groups. Purchases were chiefly confined to the rail, retail trade and textile groups.

NEW ENGLAND Fund's total assets were \$4,717,000 on Sept. 30, 1951, compared with \$3,562,000 a year earlier and with \$4,196,000 three months earlier.

The trustees attributed this considerable growth to investors' increased buying of the Fund's shares, as well as to higher market prices in the portfolio.

Unrealized appreciation at the end of the first nine months of 1951 was about \$843,000, and profits realized during the year to date totaled some \$284,000—more than \$1.00 per outstanding share at the end of the period.

The per share asset value of \$19.11 on Sept. 30, 1951, was 15% higher than the \$17.48 asset value the year before, after adjusting for the \$1.00 realized gains payment in December, 1950.

This advance was largely the result of price increases in common stock holdings, since there were only minor changes in the value of the 35% of assets held in

Continued on page 23

The MUTUAL FUND RETAILER

By BENTON G. CARR

"Good Afternoon" can help you develop and improve your technique in arranging appointments by telephone.

It's a handy-sized sales supplement which gives you a quick and effective answer (that you can read off if you like) to the prospect who says, when you telephone for an appointment, "Not interested," "Too busy," or "Market's too high."

To save time, the pages of the booklet are staggered and visibly indexed.

First man to test this new sales aid was a beginner. He telephoned a "dead" list of 25 names, of which eight didn't answer. Out of the remaining 17, he made six appointments.

"Good Afternoon," is free if you purchased National Securities' manual, "What Every Salesman Should Know About Mutual Investment Funds."

The manual itself is going into second printing because of the enthusiastic response from dealers. Henry Simonson, who stated that many firms reordered in quantity, says typical dealer comments include, "Best job of its kind," "Men are enthusiastic."

Increasing the effectiveness of your local mutual fund advertising is an ever-present problem, and the best men in the business say you should never be satisfied with the quantity or quality of leads.

One idea you might want to consider was reported by Ralph Herget, Hannaford & Talbot, in San Francisco.

The firm runs an advertisement in the San Francisco "Chronicle," directly under the mutual fund quotations. The advertisement reads: "For information on these and all other investment funds, call or write Hannaford & Talbot, specialists in investment funds since 1935."

At the end, the copy reads: "Ask for prospectus on XYZ Fund." The name of the fund, of course, is changed from time to time. The idea is reported to have worked well.



A Diversified Investment Company

Prospectus may be obtained from your local investment dealer or The Parker Corporation, 200 Berkeley St., Boston 16, Mass.

FOUNDED 1925



American Business Shares, Inc.

Prospectus upon request

LORD, ABBETT & CO.

New York — Chicago — Atlanta — Los Angeles

Fund Displays Rayonier's Products



Natural Resources Fund is using brokerage house windows to display the products of companies in which it invests. Currently, the fund is sponsoring the window in the branch office of the New York Stock Exchange firm of Cohen, Simonson & Co., 151 West 28th Street, New York City. Depicted is the progress of Rayonier's products from tree to finished materials.

Continued from page 22

Mutual Funds

cash, high-grade bonds and preferred stock throughout most of the year.

WALL STREET Investing reports net assets of \$3,050,502, equal to \$13.45 per share on Sept. 30, 1951, compared with net assets of \$2,741,528, or \$12.29 per share on June 30, 1951, and \$2,140,274, or \$11.70 per share on Sept. 30, 1950. Number of capital shares on the three dates were 226,804, 223,128, and 182,890.

AFFILIATED FUND reports that the Securities and Exchange Commission has granted the application for the withdrawal of its common stock from listing on the Chicago Board of Trade and registration under the Securities Exchange Act of 1934.

Net assets of Affiliated Fund on Sept. 30, 1951, were reported \$147,971,212, or \$4.73 per share.

NET INCOME of Hudson Fund for the nine months ended Sept. 30, 1951, after all charges and ex-

penses, was \$67,220, as against \$39,798 for the same period of last year, James W. Maitland, President, reported to stockholders.

These earnings were equal to 61.6 cents, as against 59.6 cents in the first nine months of 1950.

MUTUAL FUND NOTES New Discount Schedule

The dealer discount on shares of Boston Fund has been increased, Vance Sanders & Co. announced.

On single transactions involving less than \$25,000 the discount was raised from 5 to 6%; \$25,000, but less than \$50,000, the discount increases from 3.7 to 4.5%; on transactions involving over \$50,000, from 2.6 to 3%.

Boston Fund commented, in announcing the new discount schedule, that the sales volume of the Fund has been increasing during the last several years, from \$3,476,000 in 1945 to \$13,434,000 in 1950.

"This is highly gratifying," the Fund stated, "especially in view of the fact that most of the other funds, representing the bulk of the

total sales volume in Boston Fund's competitive field, have had a higher dealer discount than Boston Fund.

"We believe that point by point Boston Fund offers more by way of sound solid investment appeal than any other similar type fund.

"Our action in increasing the dealer discount is with a view to removing any possible obstacle to the further substantial increase in sales volume which we believe Boston Fund's quality, character and prestige deserve."

* * *

Delaware Fund last week continued to add to its portfolio, particularly on the occasion of the sudden setback in prices, the Chairman reported.

"We remain," he said, "for all practical purposes, fully committed in common stocks, but the general character of those stocks is less aggressive, and has been chosen with more of an eye to stability and maintenance of income."

* * *

Personal

President Henry J. Simonson, Jr., of National Securities & Research Corporation, has announced the election of Theodore Clark Ashenfelter as a member of the Board of Directors, replacing William C. McTarnahan, recently deceased.

Mr. Ashenfelter was formerly Vice-President and Director of the Pullman Standard Car Export Corporation.

APPOINTMENT OF Ralph J. Faville as liaison representative between the investment and distribution departments of Investors Diversified Services, Inc., of Minneapolis, was announced today by Grady Clark, Vice-President and General Sales Manager.

Faville, a native of Albert Lea, Minn., is a graduate of Yale University. He began his business career as a public accountant in New York and as an investment research analyst with McCormick and Company in Chicago before joining Investors in Minneapolis in 1934. He has been an executive in Investors' securities buying department since joining the company. He will continue to make his headquarters in Minneapolis.

Fred A. Marshall has been appointed by Knickerbocker Fund as Pacific Coast representative, with headquarters in Los Angeles.

Willard W. Keith, President of Cosgrove & Co. and director of various corporations, including Barker Bros., Hilton Hotels, Hoffman Radio and Lockheed Aircraft, was elected to the Board of Directors of The Investment Company of America.

* * *

Filings and Registrations

Keystone Custodian Funds on Oct. 22 filed a registration statement with the Securities and Exchange Commission covering 250,000 shares of series B-3; 450,000 shares of series B-4; 1,915,000 shares of K-1; 25,000 shares of S-1; and 100,000 shares of S-4, to be offered through the Keystone Co. of Boston.



• A Balanced Mutual Fund

COMMONWEALTH INVESTMENT COMPANY
ESTABLISHED 1932

Prospectus from Investment Dealers or 2500 Russ Building San Francisco 4, California

Securities Salesman's Corner

By JOHN DUTTON

If it were possible for those of us who have been selling securities for the past 25 years to sit down with some of our present-day experts in the sales end of this business, and have a heart-to-heart talk about many phases of the retail securities business which are now very much in the forefront of the so-called advanced thinking on this subject, I think we could point out some serious dangers in the direction our business is headed at the present time. It is one thing to write a book, or a column, or concoct some fancy advertising program designed to sell the "public" on the many advantages of "investing in America" through the purchase of common stocks; and it is an entirely different matter to go out and meet reality as a securities salesman.

It Is No Different Today

Some people believe that because we have an SEC and an NASD, and tight securities laws in every State in the Union, that "Wall Street" is almost immune to criticism. For the past 11 years we have had pretty even sailing in the stock market. There were some setbacks in 1946 and 1949, but it has been a long, long time since there was a sell-off equal to that which occurred in September, 1937. Today, we hear talk about new conditions—new markets—that people who used to buy stocks no longer have the funds for investment and therefore we have to get to the five-and-ten share buyer. If you have been watching some of the advertising lately you will see how this theme is stressed by Stock Exchange firms and others. The Mutual Funds are going after the \$50-a-month savers, and we are trying to bring Wall Street to Main Street in earnest.

All this is fine! It is good to sell stocks to the little fellow. It is sound business to encourage investment in corporate enterprise. It is a policy which will help to stave off socialism and encourage risk-taking. But those of us who have watched people buy stocks for a long, long time know this business is no pink tea party where you can sit back and complacently watch your customers digest a belly full of stocks which they have bought at prices that have depreciated 50% or more, without hearing repercussions that have in the past brought disfavor and disrepute upon the entire investment business.

Let's Be Careful

If the truth were told—many people who buy stocks do so because they want to "make some easy money." Now, you may not like this sort of plain talk. You may say it is wrong logic to accuse stock buyers of so low a motive. But if you have been selling securities to the public for a living as long as some of us in this business, you will call a spade a spade and be done with it. You can fancy up human emotions all you wish—you can call it investing in America, owning shares in our future, or by any other name; but when you study markets and people, and you watch the good old public in the board rooms when the explosive phase of every bull market is in progress, you can only come to one conclusion. They want it the easy way!

My point is simply this—if you are going to sell the small odd-lot fellow 10 shares of this or that; if you are out to put away from two to five thousand dollars worth of Mutual Fund shares here and there, if you are going to get Mr. and Mrs. America into the stock

market in a big way, it is vitally important that the people in the securities business began to educate, to teach, and to warn. Let us also advertise that stocks are not a get-rich-quick scheme where the road to opportunity is wide ahead, and that dividends of 6% and more are the source of all real happiness in this otherwise evil world.

The truth of the matter is that we have been on an economic drunk for the past 20 years. Ultimately, we'll have to pay the price for this folly. May the Lord help us if another five or ten million small investors get badly burnt as a consequence. I am not an economist, but I just wonder what the next demagogue will say if he finds out that we have twice as many amateur stock gamblers caught by their proverbial tails than we had back in 1929.

Brush Slocumb Member Of S. F. Stock Exchange

SAN FRANCISCO, Cal.—Broadening the base of its activities, Brush, Slocumb & Co. Inc., 1 Montgomery Street, announces its admission to membership in the San Francisco Stock Exchange. The seat will be held by Ernest E. Blum, Vice-President of the firm.



Ernest Blum

Since establishment in 1930, Brush, Slocumb & Co. Inc. has been active in the underwriting and retail distribution of investment securities. Its trading department will continue to maintain primary markets in many leading over-the-counter utility and industrial issues. Communication facilities include a direct private wire to Goldman, Sachs & Co., New York, and Dempsey-Tegeles & Co. wire system.

Headed by Spencer Brush as President, the officers of the firm are Ernest E. Blum and James S. Taylor, Vice-Presidents; Joseph N. Caine, Secretary, and August F. Riess, Assistant Secretary. The analytical department is managed by Adalbert Wolff, another principal of the firm.

Two With King Merritt

(Special to THE FINANCIAL CHRONICLE)
KANSAS CITY, Mo.—Chester B. Baranowski and Donald C. Burk are with King Merritt & Co., Inc.

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)
FENTON, Mich. — Warren N. Logan is with Waddell & Reed, Inc.

Charles W. Cox

Charles William Cox passed away at his home at the age of 89 after a long illness. Mr. Cox had been associated with Robert Winthrop & Co. for 70 years, the last 38 as partner.

Bateman, Eichler Adds

(Special to THE FINANCIAL CHRONICLE)
LOS ANGELES, Calif.—Chester W. Saxon has become affiliated with Bateman, Eichler & Co., 453 South Spring Street, members of the Los Angeles Stock Exchange.

THE FULLY ADMINISTERED FUND

OF
GROUP SECURITIES, INC.

A Balanced Fund



A PROSPECTUS ON REQUEST
from your investment dealer or
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Invitation...

Write for complete, impartial information about any publicly offered Mutual Funds.

Our service covers all types of Investment Company shares to meet the special needs of both institutional and private investors. Address the Manager, Mutual Funds Department.

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Public Utility Securities

By OWEN ELY

Florida Power & Light

Florida Power & Light is one of the "rapid growth" utilities operating in the dynamic south. Florida has been the fastest growing state, its population increasing 89% in the past two decades compared with 86% for California. The population of Miami gained 242% compared with 86% for Los Angeles, 123% for Houston, 88% for Dallas, etc. Florida's population doubles about every 20 years, about the same as California, and this is expected to continue.

Florida is now becoming an "all-year-round" tourist state; Miami's summer business in 1949-50, as measured by kwh. sales of Florida Power & Light, was about 92% of the winter months, although during 1929-30 the ratio was only 67%. 1951 kwh. sales in Miami Beach for the month of August were 4% higher than in March, considered the peak winter season month, although in 1941 March was 62% larger than August. One reason for the growth of summer business is the realization that Florida summers are comparatively mild. In the Miami area, the highest temperature recorded in 38 years was 96, compared with 102 in New York, 109 in Los Angeles, 113 in Kansas City, etc. The number of days per annum when the temperature exceeded 90 has averaged only 6 compared with 7 in New York, 20 in Dayton, 39 in Kansas City, 88 in Dallas, etc.

While the tourist business is, of course, the principal industry in Florida, Miami is becoming a gateway to Latin America and in 1950 handled 39% (473,000 persons) of all passengers to and from foreign lands traveling by air—New York handled 35%, and all other cities 26%. Foreign air travel exceeded sea travel by 19%.

While Florida is not a manufacturing state—factory payrolls are only about 7% of total income payments, as compared with an average of 19% for the southeastern states—nevertheless its income payments per capita are the highest of any of these states and about 25% above the average. Bank deposits in Miami since 1933 have increased nearly 12 times, as compared with 4 times for the United States average; while the United States figure declined during the 1937-38 recession, Miami's trend continued upward. Similarly Florida Power & Light's kwh. sales showed no decline during 1938 or during the wartime period 1941-45—the uptrend has been continuous for 17 years or more.

Outside of the tourist business, Florida specializes in citrus fruits of all kinds as well as winter vegetables. It has a large crop of slash pine per acre, and the paper industry is being developed. The cattle-raising industry is increasing rapidly. Florida makes one-sixth of our cigars, and the State's unique climate and year-round working conditions give her a competitive advantage in industries requiring high degrees of skill. Thus many research and testing laboratories have been established throughout the state.

Florida Power & Light's capital structure as of Aug. 31, 1951 was as follows:

Mortgage Bonds	\$76,000,000	50%
Debentures	10,000,000	7
Preferred Stock	15,000,000	10
Common Stock Equity	51,000,000	*33
Total	\$152,000,000	100%

*Including intangibles.

Florida's governmental climate, in general, is very friendly to business and industry. The State has never passed a punitive law directed at business or industry and the constitution and statutes contain many provisions to encourage new business. The State has no income tax or duplicating inheritance tax or any tax on real property, these being prohibited by the Constitution, which also forces the State to follow a "pay-as-you-go" policy since it cannot go into debt.

Florida Power & Light in 1950 earned about 6.6% on net plant account and working capital, including intangibles. A new Commission has recently been installed but has not yet considered any electric utility cases. The State Law provides for fair return on "net investment." The Commission has allowed a 7% return in some Telephone Company cases.

Regarding hurricanes, President Smith in a recent talk before the New York Security Analysts said that they have occurred on the average only once in seven years in Miami, once in ten years in Palm Beach, and once in 12 years on the West Coast. The 1950 hurricane was the largest since 1926 and cost the company \$580,000 after income taxes. Their storm reserve is now \$2.8 million and when it reaches \$3 million accruals will probably be reduced. (These accruals are not tax-free though actual storm losses are.) The company received praise from many newspapers in the devastated area for its prompt and efficient activity in restoring service after the 1950 storm.

The company's earnings for the 12 months ended September were \$2.44 compared with the dividend rate of \$1.40, making the payout only 57%. However, Mr. Smith thought the directors would be cautious regarding another increase, and would not act until the new rate can be definitely maintained. He estimated that the company will benefit to the extent of perhaps \$1 million gross in 1952 by cancellation of the Federal excise tax on electricity—since they have substantial residential and commercial business.

Construction is costing \$19 million this year, and they expect to spend \$20 million next year. \$10 million bonds are being currently sold and the company will probably not have to sell any securities next year.

Mr. Smith in his talk stressed the efforts made by the company to maintain strong stockholder relations, including such interesting devices as sending cards to all stockholders giving membership in the Sunshine Service Club, issuance of Florida "vacation tickets" in similar form to a railroad ticket, etc. The company mails "Highlights on Company and Florida Notes" with each quarterly dividend check.

LETTER TO THE EDITOR:

Protests Low Utility Rates And Stock Equity Dilution

Arthur C. Flatto, business and investment consultant, says shareholders of telephone and utility companies have not received adequate consideration from Public Service Commissions. Cites \$9 dividend of A. T. and T. as actually only \$3.00 per share in terms of prewar purchasing power.

Editor, The Commercial and Financial Chronicle:

Your courageous financial column is a bulwark of strength in expressing thoughts of great value in the cause of Stockholders' Welfare.

While stockholders for the most part are faring rather well in the industrial corporations who are benefiting from the war effort, the millions of stockholders in our great Telephone and Utility Companies have not received adequate consideration.

Very recently, the New York Public Service Commission has declined to increase telephone revenues for the New York Telephone Company, and this letter is being written to you in the hope that you will enlist public opinion to secure a rate of return of not less than 9% on invested capital, instead of the outmoded 6% return on invested capital which the Commission apparently feels is sufficient.

Every dividend dollar today is equivalent, by official figures of the Department of Commerce, to 50 cents in terms of prewar purchasing power. The new increased Federal Income Taxes will take not less than 33½ cents of every dividend dollar.

Therefore, you will observe that the annual \$9 dividend of the American Telephone & Telegraph Company is actually only \$3 per share annually in terms of prewar purchasing power and present day income taxes; and that the annual \$2 dividend of the Consolidated Edison Company now nets the stockholders only 66 cents per share in terms of prewar purchasing power and present day income taxes.

In addition to this, the Telephone and Utility Company Managements have adopted the financial policy of issuing more addi-

tional stock for needed expansion which has diluted the earnings and not permitted the greatly increased gross revenues to be of any value or benefit to the millions of stockholders in our great Telephone and Utility Companies.

For example, while the Bell Telephone System has added more than 470,000 telephones in the third quarter of 1951, the net revenue available for stockholders is only \$2.23 per share based on the 52% income tax now in effect as against \$2.64 one year ago.

In other words, while the stockholders have actually paid for the plant expansion; the stockholder sees his earnings diluted through the medium of additional shares outstanding and further receives totally inadequate return by reason of the decreased purchasing power of his dividend dollar and increased income taxes.

When it is considered that the great Telephone and Utility Companies have more than doubled their investment in plant and equipment and tripled their gross revenues, every fair minded individual will realize that their stockholders are entitled to considerable increase in dividends.

Permit me to express my personal appreciation of your humble efforts to champion the cause of Stockholders' Welfare in your Financial Column, for it is obvious to every thinking American that for our Nation to progress; justice must prevail and the purchasing power of the stockholder should be maintained in accordance with that of the wage earner and this should be applicable in our great Telephone and Utility Companies.

Sincerely yours,

(Signed) ARTHUR C. FLATTO
347 Fifth Ave.
New York 16, N. Y.
Oct. 17, 1951

And, So It Is!

"Far too many of us accept the false thesis that moral lassitude in public office, public subsidy of indigence and tax-supported boondoggling, the trading of the dignity of the individual for a super-state and other sacrifices of national heritage are but a fair price to pay for the new, abundant, indolent life," according to Carlton S. Proctor, President of the American Society of Civil Engineers.

Mr. Proctor warned against the "something for nothing" attitude—that "only a sucker works any harder than he has to"; that machines have eliminated the need for industrious work; that ideas are a natural resource; that profit to the investor and reward to experience, management and creative effort are little short of immoral and can be taxed out of existence without destroying our economy.

The gentleman, it seems to us, has put his finger directly upon some of our basic weaknesses—defects which underly much of the difficulties by which we are faced today.

With Irving Lundborg

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Roger A. Fallon has become connected with Irving Lundborg & Co., 310 Sansome Street, members of the New York and San Francisco Stock Exchanges.

E. F. Hutton Adds

(Special to THE FINANCIAL CHRONICLE)

OAKLAND, Calif.—Arthur E. Stewart has become connected with E. F. Hutton & Company, 1315 Franklin Street. He was formerly with Frank Knowlton & Co.

Commonwealth Edison Offers Preferred Stock

Common stockholders of Commonwealth Edison Co. the principal electric utility operating in and around Chicago, are being offered rights to subscribe for 1,716,500 shares of the company's \$1.32 convertible preferred stock, (par value \$25) at \$31 per share on the basis of one share of preferred for each eight shares of common stock held on Oct. 30, 1951. Glore, Forgan & Co. and The First Boston Corp. head a nationwide group of 159 investment firms which will purchase from the utility shares remaining unsubscribed at the expiration of the subscription period at 2 p.m. (CST) on Nov. 14, 1951.

The preferred stock is convertible into common stock of the company on and after Nov. 1, 1952, on a share for share basis. Quarterly cash dividends have been paid on the shares of the company's common stock and that of its principal predecessor companies since 1890. On Feb. 1 and May 1 of this year, dividends of 40 cents each were paid and on Aug. 1 a dividend of 45 cents a share was paid. A quarterly dividend of 45 cents a share is payable on Nov. 1, 1951. The preferred stock is callable, after Nov. 1, 1952, at \$32 per share until Nov. 1, 1955 and thereafter at prices declining to \$31 on or after Nov. 1, 1964.

Commonwealth Edison Co. and its subsidiaries supply electric service and to a lesser extent gas service in an area of approximately 11,000 square miles having an estimated population of 5,600,000. For the 12 months ended Sept. 30, 1951, approximately 88% of total revenues of \$280,321,252 was derived from electric sales and 11.8% from gas sales. For the 12 months ended Sept. 30, 1951, net income amounted to \$26,592,045.

Beginning in 1951 and continuing through 1954, Commonwealth Edison Company will undertake a \$450,000,000 construction program in order to restore a reserve generating capacity reduced since World War II by equipment restrictions and rapid growth of load. Approximately one-half of the estimated cost of the program is expected to be raised through the sale of additional securities of which the current offering is a part. The remainder has been on will be obtained from cash resources, previous financing and depreciation accruals and undistributed earnings. Upon completion of the program the name plate generating capacity of the system will be increased from 2,991,085 kilowatts to 3,761,085 kw.

Capitalization of the utility and its subsidiaries giving effect to the sale of new preferred consists of \$472,400,000 of long-term debt; 1,716,500 shares of \$1.32 convertible preferred stock, and 13,732,000 shares of common stock.

Central Republic Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Willard N. Schoeneck, Jr. has been added to the staff of Central Republic Company, 209 South La Salle Street, members of the Midwest Stock Exchange.

Joins Edward Jones

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—John M. Phelan is now associated with Edward D. Jones & Co., 300 North 4th Street, members of the New York and Midwest Stock Exchanges.

With Founders Mutual

(Special to THE FINANCIAL CHRONICLE)

OMAHA, Neb.—Arthur S. Pond is connected with Founders Mutual Depositor Corporation of Denver.

Expects Easing of Short-Term Money Rates

Aubrey G. Lanston & Co., Inc., specialists in government securities, hold that before Dec. 15, Treasury bills may sell at a new high, and 1 7/8% certificates may decline below par.

In an analysis of money market conditions, dated Oct. 26, Aubrey G. Lanston & Co., Inc., specialists in government securities, stated that "prevailing opinion is that any seasonal tightening of money, or firming of yields on short-term Treasury securities, will not be permitted until after the Treasury closes the books on its forthcoming offering of tax date bills to mature on June 15, 1952. Some students confidently expect money to remain comparatively easy from here to the end of the year, seasonal tendencies to tightness notwithstanding."

Continuing its analysis, the circular states:

"A rational development of the Federal Reserve's philosophy, that its open-market transactions should be attuned to national credit conditions, suggests a materially different outcome for both the money market and money-market securities. One can come quite logically to the conclusion that, before Dec. 15, Treasury bills may sell at a new high, and 1 7/8% certificates may decline in price below par.

"Between Sept. 19 and Oct. 10, the Federal Reserve purchased about \$900 million of short-term Treasury securities. This was largely in support of the Treasury's refunding of its Oct. 15 and Nov. 1 maturities. These purchases added an equal sum to the reserve balances of the member banks without much regard to the need of the banking system for such reserve credit.

"The attrition on the 3% bonds maturing Sept. 15 and on the unexchanged portion of the Oct. 1 and Oct. 15 maturities totalled about \$300 million. Some substantial portion of this money sought reinvestment in Treasury bills. Thus, both Federal Reserve transactions and Treasury debt transactions have tended to ease the money market and to lower the yields of money-market securities.

"During the two weeks ending on Oct. 24, the Federal Reserve sold about \$400 million of Treasury bills and other short-term securities. In this way, the Federal Reserve reduced the net amount of its credit used to support Treasury refunding to about \$500 million. As of Oct. 24 the excess reserves of commercial banks stood at about \$750 million, down about \$450 million from the peak of \$1.2 billion reached on Oct. 17.

"Our estimates indicate that between now and early December, the net additional demand for Federal Reserve Bank credit may total between \$500 million and \$700 million. In the normal course of events, commercial banks would attempt to obtain this amount largely by the sale of Treasury bills and other short-term securities, partly by borrowing.

"When, however, the banking system as a whole is a net seller for the purpose of increasing Federal Reserve balances, it must be able (a) to sell to the Federal an amount of securities equal to its need for reserve credit, or (b) to sell to others, such as corporations, an amount of securities that is four to five times its need for reserve credit.

"Some corporate demand for Treasury bills and the like is to be expected. It is unlikely, however, that this demand will provide anywhere near the amount of reserve credit that will be needed by the banking system.

"Consequently, the key to the money market will be (a) the general character of the Federal Reserve's credit objective and (b) the degree by which the Federal may feel it needs to compromise

its newly asserted responsibility for the availability and cost of reserve credit with the maintenance of a maximum yield for short-term Treasury issues.

"Under existing conditions we should assume that the Federal must have either:

"(1) a neutral credit objective, or
 "(2) a mildly restraining credit objective.

"In the first instance, the Federal would be expected to purchase Treasury bills and other money-market securities when, and to the degree, that increases in currency and in loans and Treasury deficit financing precipitate a more than momentary need for Reserve Bank credit. Under these circumstances one should not expect to see a new high yield made by Treasury bills nor should one expect 1 7/8% certificates to decline below 100. By and large, the logical expectation would be for comparable stability in the yields of money-market securities and only momentary periods of tightness in the money market.

"We believe that the renewed demand for long-term private credits, coincident with seasonal expansion of bank loans, suggests that the Federal might follow the second alternative, namely, a mildly restraining credit objective. If this were to be the case, one should expect the Federal to refrain, on the whole, from purchases of money-market Treasury securities regardless of the seasonal demand for additional reserve credit.

"The theory of Federal Reserve operations, in such circumstances, might be that member banks should meet their seasonal needs by rediscounting. Federal Reserve officials might welcome a test of the efficacy of such a course of action. If so, the Federal might decide not to purchase Treasury bills and the like as these are offered by commercial banks from now to mid-December. Treasury bill yields then could increase until they equalled or perhaps exceeded the rediscount rate (1 3/4%). More or less coincidentally, 1 7/8% certificates would come into supply at the 100 level. If the Federal declined to make purchases at 100 or lower prices, banks would have no alternative except to borrow.

"Such upward movements in short-term rates are usually deemed to be a signal that the rediscount rate may be raised. If such conjecture were squelched, and some confidence existed that a near-term increase in the rediscount rate were not contemplated, the following might be expected to occur. When and as Treasury bill yields moved above the rediscount rate or certificates sold below 100, many banks would withdraw offerings and borrow in lieu of selling. Some banks with excess reserves would buy bills and certificates instead of selling Federal Reserve funds.

"We do not prophesy that any of the possibilities we have mentioned will occur. We believe they represent rational steps in the development of a money market wherein adjustments in the reserve positions of member banks would be made by borrowing instead of compelling Federal Reserve open-market purchases during periods of seasonal strain. As such, the possibilities merit consideration."

Davies Co. Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — W. Dee Scherman is now with Davies & Co., Russ Building, member of the New York and San Francisco Stock Exchanges.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The government market continues to move in a restricted range, with the short end of the list showing an increasing demand, whereas the longer-term obligations appear to find it not too easy to keep from spilling over. Demand and supply of the latter issues continue to be on the small side, although there appears to be somewhat less professionalism in the picture than has been in evidence recently. Savings banks are limited sellers of the restricted bonds, with Federal, according to reports, and pension funds rather reluctant and price-conscious buyers.

Backing and filling without any definite trend being discernible seems to be the status of the higher-income governments. It is not expected that this narrowness of price movements will show a great deal of change in the near future. There are too many other more attractive mediums of investment to bring about an abrupt change in policy toward the longer-term government obligations.

The deposit banks are in the same frame of mind, as has been the case in the past, as far as Treasuries are concerned. Loans are first, then short governments, followed by the partials and tax-free issues.

Short-Terms Continue in Favor

Despite sharply tightened money conditions, which are quite likely the aftermath of the financing by the Treasury, the demand for short-term government securities continues to be as strong as ever. Liquidity without risk is keeping the near-term obligations in the glamour spot, and there appears to be more than a passing amount of justification for this kind of buying, because the other segments of the government market seem to be in a mild state of confusion. The intermediate and longer-term securities, despite support here and there by the monetary authorities, are not in favor at the present time, which means they are quite likely to continue to display a defensive trend. This does not indicate any wide-open breaks on the down side because protection will be there when it is needed. Although a narrow range of prices for the higher-income issues is expected, with a somewhat heavy tone, there is not, according to reports, any large amount of securities overhanging the market that must be liquidated.

Savings Banks Proceed Cautiously

Selling has been coming mainly in small amounts, from savings banks, and these funds, according to advices, are being invested principally in mortgages, with a small part of them going into corporate bonds. Whether any of the money that has been obtained from the sale of long Treasury issues has been put into tax-free obligations is not too clear yet. It is reported, nevertheless, that some of the near-term issues that were owned by these institutions have been liquidated and state and municipal bonds have been taken on with these funds.

Savings banks are proceeding very slowly in meeting the new conditions that were created, when they lost their tax-sheltered position, under the new income tax law. There are many things that must be taken into consideration, including the points as to whether it is advisable to sell higher-income governments in order to buy tax-free obligations. Losses will have to be taken under these conditions and that would affect the surplus ratio which is not so desirable.

Also there is talk that a special session of the Legislature of New York State may be called after the November elections and consideration will be given at that time to a law that would authorize purchases of preferred and common stocks by savings banks. The right to make commitments in stocks, especially preferred issues, where 85% of the dividend income would be tax-free could have a decided influence upon the policy that the savings banks might adopt toward tax-free bonds.

With so many things to be considered and conditions as far as the savings banks are concerned in a mild state of flux at the present time, there is not likely to be any hasty alteration in investment plans. However, it does seem as though there is not going to be any buying of long Treasury obligations by these institutions for some months ahead.

Savings banks, according to reports, were buyers in not excessive amounts of the recently floated Housing Bonds. The longer-term higher-coupon obligations were the ones that these institutions did most of their buying in. The large Housing issue appears to have gone over quite well, particularly in the long and short maturities.

Short Takes

Life insurance companies, although on the sidelines as far as buying or selling of long governments is concerned, are very much on the active side with reference to private placements. The large industrial loan that was recently negotiated on a private basis, with a 3 1/2% rate, was not too hard for these institutions to swallow.

Pension funds continue to nibble away at the restricted issues, with no signs being in evidence as yet that more than scale buying is being considered. There were, however, a few good-sized purchases of the tap bonds made, after the equity market broke so sharply.

Commercial banks and non-financial corporations are the principal operators in the short-term market, with Treasury bills and certificates getting the bulk of the attention. The tax anticipation bills continue to be in demand with many concerns that were not buyers at the time of the offering now going into this security. These companies, although fairly sizable buyers, are not interested, it seems, in pushing the yield down in order to get the new tax bills.

The increase in savings banks deposits continues at a good rate and in the not distant future this will have a market effect upon the investment policies of these institutions. This will eventually have a favorable influence upon long government bonds.

Blaine Chairman of N. Y. IBA Group

Walter F. Blaine, of Goldman, Sachs & Co., was elected Chairman of the executive committee of the New York group of the



Walter F. Blaine

Investment Bankers Association of America at a business meeting of the group held Oct. 24 preceding the annual dinner meeting at the Hotel Pierre. Other members elected for the coming year are: William M. Rex, of Clark,

Dodge & Co., Vice-Chairman, and Robert E. Broome, of Guaranty Trust Co. of New York, Secretary-Treasurer. Amyas Ames, of Kidder, Peabody & Co., and Stuart R. Reed, of Paine, Webber, Jackson & Curtis, were elected to serve ex-officio. A. Glen Acheson, of Bache & Co., and Robert W. Fisher, of Blyth & Co., Inc., were elected to three-year terms on the executive committee, while Walter H. Steel, of Drexel & Co., was elected for a two-year term.

The annual forum of the New York group held during the afternoon was addressed by L. A. Von Momel, President of National Dairy Products Corp., and Dr. Charles F. Roos, President of Econometric Institute of New York City.

Two With Slayton

(Special to THE FINANCIAL CHRONICLE)

NEW ORLEANS, La.—Shelden C. Evans, Jr. and Calme L. Lazard have joined the staff of Slayton & Company, Inc., 126 Carondelet Street.

With H. L. Robbins Co.

(Special to THE FINANCIAL CHRONICLE)

WORCESTER, Mass. — Walter F. Winchester has joined the staff of H. L. Robbins & Co., Inc., 390 Main Street.

Joins Geo. A. McDowell Co.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich.—Maude Dennis has become affiliated with George A. McDowell & Co., Buhl Building, members of the Detroit Stock Exchange.

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Canadian Securities

By WILLIAM J. MCKAY

Already the advent of a Conservative government headed by the formidable Winston Churchill has transformed the appearance of the British situation. Sterling, which prior to this event, was depressed in all the markets of the world, now shows signs of distinct recovery, aided by covering by disappointed speculators who had anticipated a probable continuance of the ruinous Socialist policies. Although it is generally stated that a mere change of government will do nothing to mitigate Britain's tremendous economic problems, this is not altogether correct. Lack of world confidence in the Labor government's ability to cope with difficult situations was a root cause of the disastrous turn of events in Iran and Persia and also the flight from the pound. On the other hand it is universally recognized that if any one can work miracles it is Winston Churchill, who moreover is at his best when contending with large and difficult problems.

Furthermore from the external point of view the existence of a Conservative government in itself constitutes a basis for financial confidence whereas a Socialist regime invariably incites fears of action deleterious to foreign capital. In the British case also there is no question that U. S. and Canadian aid has been less spontaneous than it might otherwise have been had a Conservative government been in office rather than a Socialist administration. There are already indications that there is now a complete change of attitude concerning the question of external support of the pound. The bolstering of the British economy and the defense of sterling is no longer considered a matter of throwing good money after bad. It is now believed that any assistance provided will be directly utilized to consolidate the basic economy. Previously there were open suspicions that foreign aid was employed in large part to promote Socialistic schemes which the donor countries could not themselves afford.

With the removal of doubts concerning the proper application of support funds both this country and Canada can now discuss with the Conservative government appropriate measures for the solution of the British economic crisis. Apart from any sentimental aspect both countries have a vital interest in British financial and economic stability, the achievement of which would constitute a notable victory for the entire Western world. There is little question that hitherto the greatest stumbling block in the path of postwar international plans to promote a greater volume of free world trade has been the inability of Britain to permit the convertibility of sterling. Possibly the reluctance of the Labor government to relinquish its elaborate system of restrictions and controls has been a contributory factor. Nevertheless it has to be recognized that the economic ravages of two world wars has left the economy of the United Kingdom in a state that cannot be fully repaired by its efforts alone.

During the war years both this country and Canada extended sufficient support to permit a maximum British effort. After the war the Lend-Lease and Mutual Aid programs were abruptly terminated but were later replaced by a formal U. S. loan that was rapidly exhausted, and Marshall Plan aid. At the present time the United Kingdom no longer receives ECA assistance and is faced with the obligation to meet payments of principal and interest on the U. S. and Canadian loans. In addition Britain is continuing to redeem in full by unrequited exports war debts owed to India, Egypt, and others that were incurred as a result of successful British efforts to prevent the occupation of these countries by Axis aggressors.

Until recently, due largely to sacrifices on the part of most of the British Dominions and Colonial territories and the help of this country, the United Kingdom has been able to weather successfully the postwar economic storms. Now, however, as a consequence of rearmament efforts the precariously poised British economy is again subjected to severe stresses. The inability of the Labor government to cope with the situation and external lack of confidence in its policies have led to a flight from the pound which again is at the mercy of international speculation.

Following the recent change of government, however, the entire situation could be quickly remedied. The first essential step is the restoration of confidence in sterling. This could be effectively achieved by coordinated effort on the part of this country, Canada, and the United Kingdom itself. In such an effort Canada could play an invaluable part if her tremendous resources were placed unreservedly into the sterling pool in the same way, for example, as those of Australia. In this event it might then be necessary to count only on the strong moral support of this country. For the rest U. S. military aid and defense expenditure in British territories could eventually fill the breach in Britain's economic structure.

During the week there was an improved tone in the external section of the bond market following a moderation of the recent persistent liquidation of Canadian Nationals and an improved demand for provincial issues. The internals were higher in sympathy with the renewed firmness of the Canadian dollars, although the spread between recorded and unrecorded bonds widened considerably. Stocks rallied after their recent sharp decline with the Western oils showing particular strength. The base-metal group also made a good recovery but the move was less positive in the case of the industrial and gold issues.

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Continued from page 7

What Credit Standards in An Inflationary Economy?

particularly at the retail and wholesale level, the Committee decided that this was its number one problem.

To assist lenders in determining the amount which they might appropriately lend for inventory purposes, the National Committee requested financing institutions to:

(1) Refrain from financing inventory increases above normal levels relative to sales, or reasonable requirements by other conservative yardsticks.

(2) Encourage borrowers who already have excess inventories to bring these commitments and inventory positions in line as promptly as is reasonably practical.

Bulletin No. 2 dealt with credit for plant expansion. According to Government estimates, business firms were planning to spend about \$24 billion on plant expansion in 1951. While part of this money would come out of corporate savings, a large part would need to be financed by borrowing. Furthermore, regardless of the source of funds, it seemed very doubtful to the Voluntary Credit Restraint Committee that expenditures of this magnitude, aside from those directly related to defense, could be carried through without exerting undesirable inflationary pressures. To guide lenders in channeling credit or capital into the most desirable work under today's conditions, lending institutions were requested to refrain from furnishing funds for:

(1) Construction of facilities to improve the competitive position of an individual producer of non-essential goods.

(2) Expansion and modernization expenditures of concerns in distribution or service lines where the distribution or service is not defense supporting.

(3) Expansion and modernization programs for the manufacture of consumer goods not related to the defense effort.

Summarizing the statement of principles and the bulletins, it can be said that the recommendations are of two sorts: first, as to desirable and undesirable purposes for credit, and, second, as to maximum limits for certain kinds of credit. The program was inaugurated on the theory that the purpose test should determine whether or not a loan should be made. However, very early in the operation of the program it became evident that it must be dovetailed with the regulations of the Federal Reserve Board in some fields of credit; therefore, maximum credit limits were recommended in the fields of real estate and securities loans. In the latter cases, the objective was still to reduce the amount of credit to a point where speculative price increases would be discouraged.

Purpose of Credit Restraint Policy

In interpreting these trends in the credit field, it is important to keep in mind that the purpose of credit policy in general, and of the Voluntary Credit Restraint Program in particular, has not been to prevent the use of private credit. The objectives of credit measures are rather to attempt to stop the use of credit for speculative purposes, to channel credit into defense and defense-supporting activities, to reduce the credit made available for postponable and less essential civilian purposes, and to engender a more cautious and careful lending policy on the part of lending officers.

The Voluntary Credit Restraint Program has provided the financial section of our economy with a vital rallying point. Even though the inflationary possibilities of credit expansion were fully understood, there still was needed some mechanism for joint action. No lending institution likes to be known up and down Main Street as being out of step with its competitors.

Perhaps the most significant and abiding contribution of the Voluntary Credit Restraint Program is that it has given lending officers new benchmarks for use in their appraisal of loan applications. It has broadened their horizon beyond the fairly limited objective of appraising the credit-worthiness of a prospective borrower. The program has made them increasingly aware of the importance of credit policy in an economic stabilization program, and it has contributed to prudence in lending. Equally important, these have been achieved without shutting off the supply of credit to borrowers with needs in accord with today's part-defense, part-peace economy, and without imposing upon lending operations a burdensome harness of detailed and specific rules and regulations. This has helped keep to a minimum the injustices and inequities which are inescapable under a set of detailed rules and regulations, no matter how carefully drawn, and has preserved the flexibility of movement required by financial institutions if they are to serve the needs of the economy.

Inflation Threat Not Removed

Returning now to the over-all national picture, the threat of inflation has not been removed, although it is not possible to predict when the next upsurge in inflationary pressures will occur or what proportions it may assume. The lending activities of this Conference are vitally affected by trends in inventories. During the past year business inventories have grown by an estimated \$17 billion. This was partly due to higher prices. Earlier it was due in large part to an effort by retailers and manufacturers to keep ahead of an expected increase in trade and of shortages of manufactured goods. Then came the period of realization that retail sales were not going to expand indefinitely and merchants have been cutting down their inventories for several months. Manufacturing inventories, however, have continued to rise, a fact which I attribute largely to the growing volume of defense work in process. The defense manufacturing pipeline has been filling up. This increase in inventories will stop when deliveries of finished goods become equal to purchases of raw materials and investment of labor in the unfinished product. In this connection, it is significant that in the third quarter of 1951 deliveries of military goods were more than four times the delivery rate a year ago.

There is an interesting relationship between changes in business inventories and inflationary pressures. During the past year of increases in inventories, the result was to create more than a normal demand for raw materials, for the inventory purchases were added to consumer purchases in that period. When inventories stop rising the effect will be to reduce the spending stream. In other words, that development would wipe out one of the most important inflationary factors which has been in the picture since the Korean incident in June, 1950.

Business inventories are at peak levels and the pressure to reduce them still continues. The productive capacity of the country is tremendous and the record levels of plant and equipment spending are augmenting that capacity month by month bringing us closer to an ability to satisfy all demands. Nevertheless, it is not clear that production can be increased sufficiently fast to cover the increased takings for military equipment that are in prospect, without some reduction in supplies available for the civilian market. It is significant that steel output is already 2% above rated capacity and unemployment is the lowest since World War II. Defense spending is rising rapidly and a growing percentage of our defense outlays is going into "hard" goods for which basic materials are short. This rise in defense spending, with unemployment at very low levels, poses the prospect of continuing upward pressures on wage rates and increases in personal income. Business spending for plant and equipment, at record levels, may remain high for some time to come.

Consumer—A Big Unknown

The consumer remains a big unknown in the outlook. Following the two "scare" buying waves of mid-1950 and early 1951, consumers reduced their spending and increased their savings substantially in the second and third quarters of this year. Currently, consumers are spending a significantly smaller portion of their income than was customary in the postwar years. But it is not certain how long it will be before money will again start to burn holes in the pockets of consumers. The new tax law will be a restraining influence but only to a limited extent. The large inventories of goods in consumers' hands, resulting from the overbuying during the past year, will gradually disappear. With personal income at record levels, and likely to increase further, and with large holdings of liquid assets widely distributed, the basic ingredients for an upturn in consumer spending are present in the economy. Even without adverse developments on the international front, consumer spending is likely to increase; given deterioration in the foreign situation, the rise in consumer spending might assume large proportions.

May I close with a word to you as representatives of private finance? There are those who say "Why should we restrain credit and turn down profitable business when there is a strong possibility that some government credit agency will step in and make the same loan?" Others say, "Why restrain credit at all, when extravagance is still evident in many places?" The answer to such thoughts should be obvious. The failures of others to do their utmost in the restraint of inflation does not relieve us of the obligation to do our best. If we do our part, we shall have the satisfaction of a job well done. In years to come the finger cannot be pointed to private finance for having failed in its part of the fight against inflation and we shall have set an example to be emulated by all others charged with parts of this important campaign.

Mason Bros. Add

(Special to THE FINANCIAL CHRONICLE)

SAN JOSE, Calif.—Clarence F. Kinery has been added to the staff of Mason Bros., Bank of America Building.

Two With Henry Young

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Milton H. Foskett and Mrs. Sylvia P. Hurner have been added to the staff of Henry A. Young & Co., 235 Montgomery Street.

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LETTER TO THE EDITOR:

Takes Issue With Prof. Slichter On Farm Price-Support Program

C. M. Mouser, Chief Clerk of Senate Committee on Agriculture, denies program is inflationary, and says it makes available more adequate food supply. Cites Committee's report.

Editor, Commercial and Financial Chronicle:

It has been noted by the staff of the Senate Committee on Agriculture and Forestry that Professor Slichter in an article published in the Sept. 27 issue of your publication said, "My belief that the economy is fundamentally an inflationary one rests on three principal policies of the government: (1) the policy of supporting farm prices. . . ." Later he stated, "I wish that some of the policies that tend to make the economy inflationary, such as the policy of supporting farm prices, could be modified."

It has occurred to us that you might like to have a copy of a brief statement issued by the Senate Committee on May 2 on this subject. It is difficult to understand how Professor Slichter has arrived at his beliefs in regard to the inflationary trend in our economy when apparently the effect of price supports has been to check inflation. At the same time a more adequate supply of food and fiber is kept available for the public.

Your readers would probably be interested in the information brought together in this report, and the Committee would be glad to have you use it.

C. M. MOUSER, Chief Clerk
United States Senate
Committee on
Agriculture and Forestry
Washington, D. C.
Oct. 22, 1951

Text of Committee Report
The report of the Senate Committee on Agriculture and Forestry, dated May 2, 1951, to which Mr. Mouser refers, entitled "Farm Price Supports and the Retail Price of Food since World War II," is reproduced herewith:

The Committee on Agriculture and Forestry, in its study of recent increases in the retail price of food, has just completed an analysis of the effect of farm price support programs on consumers' food costs.

The Committee finds that the substantial stocks of direct food products and feed grains, stimulated by and resulting from price support programs, has been an important influence holding down inflationary increases in retail food prices in recent months. In addition the price support programs, especially those for dairy products and eggs, encouraged producers to maintain their normal breeding herds and flocks when unsupported market prices would have caused substantial liquidations. Current production of dairy products, eggs and several other commodities was higher in 1950 and is higher today than it would be if there had been no price support programs following World War II.

The value of direct food products and support grains under price support programs owned by the Commodity Credit Corporation on June 30, 1951, and Feb. 28, 1951, was as follows:

	June 30, 1950	Feb. 28, 1951
Dairy products	\$164,878,000	\$34,992,000
Eggs	103,290,000	73,615,000
Beans, dry edible	89,653,000	73,714,000
Cotton	2,556,000	39,000
Potato starch	1,160,000	233,000
Peanut	4,072,000	40,106,000
Rice	4,429,000	3,710,000
Wheat	825,559,000	909,837,000
Corn	1,248,080,000	1,084,026,000
Total	\$2,443,677,000	\$2,220,272,000

The existence of government food and feed grain stocks in excess of \$2 billion has been a decisive factor in stabilizing the price of these products, preventing many of them from rising to parity level. The release of these stocks as prices reached the loan or resale level increased the total quantity of these products available in the July to February period over those which would have been available in the absence of price support programs in earlier years.

The continued liquidation of these stocks as prices reach resale levels will keep prices of these commodities from going still higher until the stocks are exhausted. Price rises and pressure on price ceilings in the months ahead will be slowed down by the availability of accumulated stocks totaling over \$2 billion arising from price support programs. Fully as important, these stocks will supplement current production, making more food available to consumers in the months ahead than would have been possible without the price support programs.

Earlier Effects of Programs
Committee members have been asked, "Why have food prices increased so sharply since the end of World War II in September, 1945? How much have government price support programs contributed to the rise in retail food prices since 1945?"

The key facts regarding the increase in food prices relative to other price increases are as follows:

	September 1945	February 1951	% Increase
Retail food price index (1935-39 = 100)	139.4	226.0	51
Farm price index (1910-14 = 100)	197	313	58
Marketing and processing charges— (1935-39 = 100)	115	174	51
Average hourly earnings of workers in mfg.	\$0.99	\$1.56	58
Wholesale price index (1935-39 = 100)	105.2	183.6	75

Retail food price increases since 1945 have been in line with other price increases. Hourly earnings of workers in manufacturing industries increased nearly as much as retail food prices. Wholesale price increases were even greater, while the prices received by farmers increased somewhat less than food prices. Approximately half of the consumer's dollar for food products goes to food processors and distributors and half to farmers. The increase in marketing margins was almost as great as the increase in farm prices.

These facts suggest that the sharp increase in food prices since 1945 has been a part of a broad inflationary trend rather than the result of farm price support programs. Before examining the effects of farm price support programs in more detail, two additional bits of information should be noted—first, food supplies per capita have been maintained at an ample level throughout this period. Food supplies per capita in 1950 were 98% of those available in 1945 and 112% of those avail-

able in 1935-39. Second, there was little change in the net imports (imports minus exports) of food supplies. The net imports for 1945 and 1950 were as follows:

Year	Net Imports
1945	3.3% of total food supplies
1950	2.1% of total food supplies

Extent of Price Support Programs
The following data taken from Commodity Credit Corporation and other Department of Agriculture reports indicates price support operations for farm commodities other than cotton, tobacco and wool, by fiscal years.

	1946	1947	1948	1949	1950
CCC loans	160	174	130	1,239	1,495
Increase in inventories	---	---	---	925	1,014
*Losses on perishables	†	74	90	205	137
‡Surplus removal expenditures:					
Dairy	---	---	---	2	16
Eggs	---	11	20	14	13
Fruits	---	---	20	10	28
Grain	4	---	---	4	3
Peanuts and products	---	---	---	10	5
Tree nuts	---	---	1	---	4
Vegetables	8	27	21	11	5
Total	12	38	62	51	74

Total, CCC losses on perishables & surplus removal expenditures 12 112 152 256 214

*Primarily potatoes and eggs. †Data not available. ‡Primarily purchases for direct distribution to welfare agencies and school lunch programs, although a part of the expenditures are for diversion to other than usual market uses or for export subsidy. Funds for these operations are made available from custom receipts (Sec. 32 of the 1938 AAA Act).

Price support operations carried out by CCC loans and acquisition of stocks in liquidation of loans have the effect of strengthening prices when the loans are first made, offset by an equal effect in keeping prices from going above the loan or authorized resale level when current supplies become short or inflationary pressures develop as in recent months. From the consumer's point of view, price support programs for storable products tend

to stabilize prices and supplies with increases in some months or years offset by decreases in subsequent periods when the stocks removed from regular market channels are returned to them.

Effect of Price Supports for Perishables

Price support operations involving purchase and diversion of perishable products from regular market channels tend to reduce the temporary over-abundant supply of these commodities and increase their market prices without any later compensating advantages. Price support operations of this type varied from \$112 million in 1947 to \$256 million in the fiscal year 1950. In general, they were undertaken when the market price of a particular commodity was unusually low for some temporary reason and tended to support prices at more nearly their normal market level (potatoes being the outstanding exception where the price was supported at a level which encouraged increased production).

A rough measure of the importance of these price support operations on perishables is the amount of money spent on them. The removal from regular market channels of \$112 million of perishable products in 1947 probably increased consumers' costs of these products by \$25 to \$100 million. Consumers probably pay as many or more total dollars for a crop of snap beans 105% of normal as for a crop 108% of normal. If the government purchases 3% of the crop

and distributes it through non-market channels, farmers receive as much or more for the remaining crop plus the value of the government purchases.

On this basis consumers' retail food costs may have been increased by as much as \$25 to \$250 million annually from 1946 through 1950 by price supports on perishables. This \$25 to \$250 million annual increase in consumers' food costs arising from government price supports for perishable products compares with a total expenditure at retail for food in those years of \$50 to \$60 billion. Price support operations on per-

Wall St. Riders Elect Struckmann 3rd Time

At the general meeting of the Wall Street Riding Club Sept. 27, 1951, Gerhard H. Struckmann of Bank of the Manhattan Co., 40



G. H. Struckmann

Wall Street, New York City, was elected President for the third time in the club's 16-year history. Mrs. Mildred V. Butler of McLaughlin Reuss & Co. was also re-elected, as Vice-President, and Miss Edna Beutenmuller as Secretary and Wesley Elmyer as Treasurer.

The following were elected directors of the club for the seasons 1951 to 1953:

Mrs. Mildred V. Butler; Mrs. Lazelle S. Knocke; Walter Moran; John McGinn; Mr. and Mrs. F. X. Hoart, and Mr. and Mrs. G. H. Struckmann.

Ride headquarters are now at Saddle Tree Farms, California Road, Bronxville, N. Y. Drill every Wednesday evening from 9 to 10 p.m.

Central States IBA Group Elects

CHICAGO, Ill.—Holden K. Farrar, Smith, Barney & Co., Chicago, was elected Chairman of the Central States Group of the Investment Bankers Association of America at the annual meeting of the group Oct. 23. He succeeded Charles R. Ferrigo, Hornblower & Weeks, Chicago. Other officers elected are:

Vice-Chairman: Lee H. Osterlander, William Blair & Co., Chicago.

Secretary and Treasurer: William D. Kerr, Bacon, Whipple Co., Chicago.

New Members, Group Executive Committee: Woodward, Burge Harris Trust and Savings Bank, Chicago; David J. Harris, Si Fairman & Harris, Inc., Chicago; Henry W. Meers, White, Weld Co., Chicago; Byron G. Webb, Merrill Lynch, Pierce, Fenner & Beane, Chicago.

The new officers and members of the Executive Committee will take office following the annual convention of the Investment Bankers Association Nov. 25-30 in Hollywood, Fla.

New R. S. Dickson Office Under Weyman

ATLANTA, Ga.—R. S. Dickson & Co. have opened a branch office in the Grant Building under the management of George F. Weyman. Mr. Weyman was formerly with Byron Brooke & Co.

Merrill Lynch Adds

(Special to THE FINANCIAL CHRONICLE)
PORTLAND, Ore.—James Carnes has been added to the staff of Merrill Lynch, Pierce, Fenner & Beane, Wilcox Building.

Joins King Merritt

(Special to THE FINANCIAL CHRONICLE)
LOS ANGELES, Calif.—Mor O. Anthony is with King Merritt & Company, Inc., Chamber Commerce Building.

King Merritt Adds

(Special to THE FINANCIAL CHRONICLE)
ST. CLOUD, Minn.—Lawrence K. Reedstrom is with King Merritt & Co., Inc., 1616 St. Germain Street.

FIC Banks Place Debs.

A successful offering of an issue of debentures of Federal Intermediate Banks was made Oct. 16 by Macdonald G. Newcomb, New York fiscal agent for the banks. This financing consisted of \$66,930,000 of 2.20% consolidated debentures dated Nov. 1, 1951, and due Aug. 1, 1952. A special offering was also made of \$11,000,000 of 2% consolidated debentures dated Nov. 1, 1951, and due Feb. 1, 1952. The issues were placed at par.

The proceeds, together with \$52,045,000 cash in treasury, were used to retire \$129,975,000 of debentures maturing Nov. 1, 1951.

As of the close of business Nov. 1, 1951, the total amount of debentures outstanding will amount to \$701,330,000.

E. C. Bendere

Edward Charles Bendere, partner in Merrill Lynch, Pierce, Fenner & Beane, died Oct. 25 at the age of 71.

Mr. Bendere was born in Bristol, Pa., and was educated at Doylestown High School, Gosman Academy and St. Paul's School. In 1929, while a director of Haverford School, he was made an "honorary alumnus." Prior to his affiliation with Merrill Lynch, Mr. Bendere was a partner in the Philadelphia firm of Robert K. Cassatt Co.

Dean Witter Adds

(Special to THE FINANCIAL CHRONICLE)
LOS ANGELES, Calif.—Thomas B. Graham has been added to the staff of Dean Witter & Co., 632 South Spring Street.

Railroad Securities

Chicago, Milwaukee, St. Paul & Pacific

Chicago, Milwaukee, St. Paul & Pacific stocks, which were having quite a speculative vogue this time last year, have obviously lost a large part of their following in recent months. Both the common and preferred shares have been under considerable pressure. As of the time of this writing the common is very little above the low for the year and nearly 10 points below the 1951 high. The preferred has recovered a few points from its low but is still selling some 15 points below the year's previous peak. Moreover, most rail analysts hold to the opinion that even at these levels the stocks do not hold any particular appeal.

St. Paul went through a drastic reorganization only a relatively few years ago. The debt was cut sharply, and the major part of the new debt was put on a contingent interest basis. Such reorganizations are advantageous in that they do reduce the financial burden that the property must carry. However, as stressed in this column on numerous occasions, a mere change in the capital structure will not in itself improve traffic conditions, nor the operating efficiency of any railroad property if such basic weaknesses exist. A revision of the capital structure and a reduction in charges may serve to obscure, while it does not correct, a fundamentally weak operating situation.

In common with virtually every railroad property in the country, St. Paul was able to realize handsome profits during the period of World War II. Its record since the cessation of hostilities has been far from inspiring. From 1946 through 1949 common share results, before sinking and other reserve funds, ranged from a high of \$2.01 in 1947 to a deficit of \$0.53 a share in 1949. In the latter year the company was particularly hard hit by adverse weather conditions and floods. After allowing for sinking and other reserve funds the company failed to cover full preferred dividends in three of the four years. In the fourth year, 1947, common share earnings came to only \$0.49.

There was considerable improvement in results in 1950, at least in part attributable to the retroactive mail pay increases. Earnings on the junior equity soared to \$4.50 a share, the best showing since the end of the war. In the current year to date there has again been a reversal of the trend. In the early months of the year revenues continued to show gains over like 1950 intervals. In July and August gross was off, reducing the cumulative rise for the eight months to little better than 8%. This rise was not sufficient to offset the mounting costs that have plagued the entire industry in 1951, affected particularly by the escalator clause in the present wage contract.

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For the eight months through August, 1951 net income, before sinking and other reserve funds, amounted to \$980,362. A year earlier the road realized pre-fund net of \$4,149,897. The year-to-year decline of \$3,169,535 was the equivalent of \$1.49 per common share. Even if earnings for the final four months should match those of a year ago this would mean a cut in pre-fund earnings for the year to \$3.00. It is hardly conceivable that the last four months will match those of 1950. Even with the rate increase it is indicated that September earnings were off, and presumably there will be not retroactive mail pay windfall this year. It is doubtful, then, if 1951 earnings will be much, if any, higher than \$1.50 a share.

One trouble with St. Paul has been the consistently high transportation ratio. Over the past five years this ratio has averaged 42.6% compared with the industry average of 39.6%, a difference of three points. Last year St. Paul's transportation ratio was four points higher than that of the Class I carriers as a whole. Moreover, in the current year the road's ratio has continued to mount. For the eight months through August the ratio stood at 44.1%, or nearly a full point above the like period of 1950. Unless, and until, the company is able to get these all-important transportation costs under control it is difficult to see how any substantial or consistent earning power can be developed.

Continued from page 2

The Security I Like Best

machinery has been sold so that the plant now consists entirely of new machinery and the plant has been thoroughly modernized so that it is in an excellent competitive position. Incidentally the company figures the plant at a figure equivalent to \$110.00 per share which seems very low in view of the fact that a sum equal to \$109.00 per share has been spent from 1945 through 1951. However, there is so much value there that a few dollars per share in book value is not important, but the important thing to remember is that the plant expansion has been financed entirely out of earnings, amounting to \$109.00 per share, and the capitalization has remained the same.

Now, it is my opinion that the earnings which have been reinvested in the form of new equipment and modernization of plant should be capitalized by splitting the shares which would broaden the market for the shares. We have made known to the company our views in this matter but so far our efforts have not been successful. We have been stockholders ourselves for the past six years and while we have not always seen eye to eye with the management especially with respect to splitting the shares we feel that the management has done a splendid job and this stock now offers a fine opportunity for profit, with comparative safety of principal, and a good growth situation.

The above constitute the reasons why we like this stock which is currently selling at about \$60 per share.

Continued from page 12

Takes Issue With Mr. G. F. Bauer On "The \$35 Gold Cult"

Spahr, chiefly advocating the return to a fixed gold standard for the dollar, at its present theoretical relationship to gold, also the redemption of all paper currency in gold on the same formula of \$35.

In a recent circular put out by the Gold Standard League their Chairman speaks of having attended a meeting sponsored by the Economists' Committee and says:

"The monetary problems they discussed were today's and those of the future, but the words—the logic they applied—were the same they used 18 years ago. The reason is obvious. Truth is eternal."

They thus indict themselves and admit the fatal weakness of their program, their refusal to face realities. It is obvious that a dollar with acknowledged value 18 years ago of 100c, would not be entitled to be traded for the same amount of gold today when it is only worth 42c. Truth is eternal.

In May, 1949 there was a hearing before the Senate Committee on Banking and Currency on two proposed bills to provide free markets in this country for domestic gold producers. The bills were strenuously opposed by the Treasury, Federal Reserve, Monetary Fund and other government departments; also by a group of "experts" from the "\$35 Gold Cult," who used the occasion to voice their vain proposals for redemption of Currency in Gold at \$35.

A letter was filed in the records of these hearings which puts the official seal of doom on the theories of convertibility at \$35 an ounce. This letter dated May 4, 1949, was signed by Wm. McC. Martin Jr., Acting Secretary of the Treasury, and we quote a paragraph:

"Even our \$24 billion of gold holdings would be completely inadequate to meet a serious run on gold from the \$27 billion of United States currency in circulation, over \$140 billion of bank deposits, and scores of billions of dollars of government securities, not to mention other relatively liquid assets. Conversion of around 5 or 6% of these government and bank obligations would be enough to bring the Federal Reserve Banks below their legal minimum gold reserve."

Since then the Treasury has lost over 3 billions of its gold hoard and the dollar demand obligations outstanding have been greatly increased. We may disagree with certain Treasury practices but they are at least capable of determining the totals of their obligations. Their condition at this time is therefore much more critical than on May 4, 1949.

The Treasury has heretofore sought to maintain their \$35 gold price as a protective screen under cover of which they could continue to issue devalued currency dollars. The possession of our national gold hoard in their hands, though denied to the citizens, leaves the balance of power with them.

Since the "\$35 Gold Cult" followers seek to have this gold distributed to citizens, thus destroying the power of the Treasury to continue the currency stream, the effect would be to take the balance of power away from them.

Taking a substantial part of our gold hoard out of Treasury hands is a very practical matter. If public pressure becomes strong enough to force the issue to this point we can be quite certain that the Treasury will quickly switch its arguments as to the value of

gold and will put a higher and more realistic price on it.

Thus the "\$35 Gold Cult" are fellow-travelers, supporting the Treasury fiction as to the value of the national gold reserve, confusing those earnest and thoughtful citizens who would support a practical change in money policy, but offering no sound leadership to achieve such a program.

In your issue of June 21, 1951, you published excerpts from a letter written by Dr. Spahr to members of Congress, in which he said:

"As of April 24, the purchasing power of our dollar, measured in terms of the index number of wholesale prices, has fallen 58% since 1939."

This admission of a loss of 58c leaves an actual value in the dollar of 42c, therefore the realistic price of gold in the United States should now be \$84 per ounce. It is interesting to note that Dr. Spahr now admits the loss in dollar value on which this calculation is made.

In another paragraph of the letter he says:

"Is it not important that hearings be held promptly on the Reed Bill, H. R. 3038, which provides for redeemability of our currency, in an effort to save the dollar of the people of this country from further devaluation?"

The actual value of the dollar is, of course, determined by what it will buy. Theories as to its relationship to gold, or to anything else, are of no practical importance. The fact is admitted by Dr. Spahr that it has been devalued to 42c.

The so-called Reed Bill, H. R. 3038 (which proposed redemption of paper currency in gold coin on the basis of \$35 gold) never had any legislative validity. If its sponsors had faith in its merits or hope of its passage they would long ago have called for Departmental reports, Committee Hearings, and arranged to have it reported out by the Rules Committee for floor debate. These are elemental steps, well known to those having practical knowledge of law making. Although reprinted several times over the last few years, this "Bill" is little more than a circular stored in the files of the Capitol Document Room together with thousands of other bills which will never be acted upon. It is now a dead issue, for the last edition set up its own limit of life as June 30, 1951.

Stripped of all pretenses the expectations of its sponsors are merely that in some way they can persuade a hard-boiled Congress to give them \$84 of the peoples' gold for \$35 in discredited currency.

The Gold Standard League should note that it is a cruel hoax to induce well intentioned, but ill advised, people to write letters to their friends or Congressmen to support this program and to think that they might be able to secure redemption of paper currency into gold at \$35 per ounce. If the dollar continues to lose purchasing power only at the same rate as pointed out by Dr. Spahr, for another five years it would be worth 17c and 35 of these dollars would be worth only \$5.95. Would these people expect to purchase an ounce of gold for this sum?

Or in eight years with the actual worth of the dollar only 2c would they expect to apply their 35 ratio and get their ounce of gold for 70?

These are serious examples to show the absurdity of the rigid and

impractical formula which these groups have been advocating.

A public admission by the Treasury as to the weakness of their \$35 gold price has just recently been made through the International Monetary Fund statement that it cannot prevent its members from selling gold in public markets at world prices. Acting under the control of the Treasury, this organization has tried to support this \$35 gold fiction throughout the world, but it was like carrying water in a sieve.

Of course their present statements are hedged about with various face-saving formulas but the basic fact remains that they lost 75% of the world gold production, which went into private hands at premium prices instead of the monetary stocks of Fund members. This is unanswerable proof of the futility of their efforts.

Their managing director, Mr. Ivar Rooth, made this admission on September 28th:

"The only way to get rid of premium gold markets and private hoarding of gold is to create the economic conditions under which the private demand for gold will become negligible. In every country the best way to reduce the demand for gold for private hoards is to follow budget and credit policies that will give people confidence in their currency. Nobody can have a good reason for hoarding gold or paying a premium for gold in a country in which the currency will remain stable in internal and external value."

HARRY SEARS,
Director,

California Gold Committee
901 American Building,
Washington 4, D. C.
October 17, 1951.

Sees Budget Deficit Despite Tax Rise

Monthly publication of Guaranty Trust Company of New York says probable deficit for fiscal 1952 will be about \$6 billion.

Commenting on the recently enacted tax legislation, the November issue of the "Guaranty Survey," monthly publication of the Guaranty Trust Company of New York, states that the new tax measure falls far short of its pay-as-you-go objective.

"The bill" says the "Survey," "is expected to yield about \$5,691 million in a full fiscal year. Since the government will presumably receive slightly less than half of this sum during the remainder of this fiscal year, the budgetary outlook for fiscal 1952 points to a probable deficit of about \$6 billion dollars, on the basis of Congressional and Administration estimates."

Continuing, the article states: "Many economists and tax authorities had hoped early in the year, when Congressional leaders promised to review the entire tax structure, that a more logical and equitable system of levies would evolve from the investigation. The actual fruit of the extended inquiry, however, consists of only minor variations from the admittedly patch-work pattern of previous legislation. There are some structural changes within the new law. Certain undistributed earnings of farm cooperatives, mutual savings banks, and savings and loan associations are now subjected to taxation at corporate rates. The present two-to-one ratio in the application of short-term capital losses against long-term gains for income-tax purposes has been eliminated, and special 'depletion allowances' have been extended to some mining operations formerly ineligible. But in its three major components—corporate, personal income, and

excise taxation—the schedules are little changed, aside from the imposition of additional loads in each category.

"When operative for a full year, the measure is expected to produce an additional \$2,280 million from individual income taxes, \$2,207 million from corporate taxes, and \$1,204 million from excises. Corporation levies are established at 30% on the first \$25,000 earned and 52% on remaining earnings, as compared with 25 and 47%, respectively, in the present law. The tax on 'excess' profits continues at 30%."

Bankers Offer Sharon Steel Common Stock

The First Boston Corp. headed an investment banking group which publicly offered on Oct. 30 a new issue of 174,137 shares of common stock of Sharon Steel Corp., at a price of \$42 per share.

An integrated producer, Sharon Steel Corp. holds contracts through 1965 for its present requirements of iron ore. Besides substantial coal properties and coke facilities, the corporation owns and operates two steel plants in the Youngstown, Ohio, area with an annually rated capacity of 1,441,400 net tons of steel ingots, and maintains facilities in these and five other plants for the production of a diversified line of steel products.

Since December, 1945, the corporation has been engaged in a major program of acquisition, improvement, replacement and modernization of properties which has increased the rated annual capacities of its plants from 143,620 to 709,620 net tons of iron and from 510,000 to 1,441,400 net tons of steel ingots. The program has also substantially expanded the company's finishing facilities, improved its raw material position, and resulted in increased integration, operating economies, and greater diversification of products.

Proceeds from the financing will be added to general funds of the corporation to replenish funds expended in connection with the above program and will be available with other corporate funds for future capital expenditures and for increased working capital.

Giving effect to this issue, the company will have outstanding \$10,000,000 in notes and 1,100,000 shares of common stock.

Total net sales of \$98,905,000 were reported for the seven months ended July 31, 1951, and net income for the period was \$5,581,000, or \$6.03 per share on the 925,863 shares of common stock then outstanding.

Joins John Dawson Staff

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—George C. Derkers is with John A. Dawson & Co., 1 North La Salle Street, members of the Midwest Stock Exchange.

With Mason, Moran

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Samuel F. Schmidt is with Mason, Moran & Co., 135 South La Salle Street, members of the Midwest Stock Exchange.

With Rodman & Linn

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Robert A. Levey is now with Rodman & Linn, 209 South La Salle Street, members of the New York and Midwest Stock Exchanges.

With Robert G. Lewis

(Special to THE FINANCIAL CHRONICLE)

ROCKFORD, Ill.—George I. Fridly has become connected with Robert G. Lewis Co., Rockford Trust Building, members of the Midwest Stock Exchange.

Continued from page 5

The State of Trade and Industry

Steel Output Scheduled to Achieve Highest Total on Record

Steelmakers confront additional booking and scheduling difficulties in the weeks immediately ahead, states "Steel," the weekly magazine of metalworking. Approaching is the 15-day period, Nov. 2 through Nov. 16, during which time they must accept January tonnage orders on a first-come first-served basis to the extent of 10% of their output. They anticipate far greater demand than they can satisfy. A considerable amount of extra paper work will result, and some large mills say it may take 10 days or more to process orders. Even though available tonnage is sold out on the opening date of the booking period there is no way open to the producers to choke off the additional flow of demand.

Already the steelmakers are in receipt of many telegrams, telephone calls and letters from consumers outlining what tonnage they would like to have, or seeking definite instructions as to ordering procedure, this trade publication notes. Some buyers have actually sent in orders. These are being returned. Producers also are warning consumers that any wires or letters representing orders and arriving before Nov. 2 will be returned. Many prospective buyers indicate they will be at mill sales headquarters with orders in hand on the opening date of the booking period. To what extent these users can be accommodated is anyone's guess. At best, the mills can care for only a small percentage of the total volume expected.

While pressure for steel is off somewhat from consumer durable goods lines, over-all demand on the mills is unabated. Actually, the defense take is still small compared with total output of steel, and such requirements, expanding steadily, are not likely to reach peak until well into next year, this trade weekly adds. A substantial number of certified Controlled Materials Plan tickets for the fourth quarter still remain unplaced. The National Production Authority's recent regulation that third-quarter carry-over tonnage unshipped by Oct. 7 be charged against fourth-quarter allotments doesn't seem to have resulted in any sizable cancellation of orders. In a further move to make openings in mill schedules for unplaced fourth-quarter tickets, the National Production Authority last week set Oct. 31 as the deadline for controlled materials users to cancel or adjust their outstanding orders for steel, copper and aluminum where necessary to bring totals within authorized fourth-quarter allotments. NPA officials say they have evidence many manufacturers have not complied with their order of Oct. 1 affecting third-quarter carry-over, and that unless prompt action is taken to comply with regulations the whole CMP operation is endangered.

Except for revisions in the iron and steel scrap price schedule by the Office of Price Stabilization, steel and related product prices are unchanged. The revised scrap schedule is in line with recent recommendations of the trade, but whether the action will have the desired results of stabilizing the market, eliminating upgrading and stimulating the flow of material is uncertain.

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 104.5% of capacity for the week beginning Oct. 29, 1951, the largest amount of steel ever to be made in the United States, or an increase of 1.6 of a point from a week ago.

The previous record was attained in the week of April 30, when output was scheduled at 104% to turn out 2,079,000 tons.

This week's operating rate is equivalent to 2,089,000 tons of steel ingots and castings for the entire industry, compared to 102.9%, or 2,057,000 tons a week ago, and 102.6%, or 2,051,000 tons a month ago. A year ago it stood at 102.4% of the old capacity and amounted to 1,975,000 tons.

Electric Output Hits Record Level in Latest Week

The amount of electric energy distributed by the electric light and power industry for the week ended Oct. 27, 1951, was estimated at 7,233,923,000 kwh., according to the Edison Electric Institute.

The current total established a new record high and compared with 7,164,469,000 kwh. produced in the week ended Aug. 18, 1951.

The current total was 84,470,000 kwh. above that of the preceding week; 671,410,000 kwh., or 10.2% above the total output for the week ended Oct. 28, 1950, and 1,801,175,000 kwh. in excess of the output reported for the corresponding period two years ago. The increase in kilowatt output for the week ended Oct. 20, 1951, over that for the like period two years ago was quoted in error last week, to be 5,430,338,000 kwh. in the place of 1,719,120,000 kwh.

Carloadings Gain in Latest Week

Loading of revenue freight for the week ended Oct. 20, 1951, totaled 886,648 cars, according to the Association of American Railroads, representing an increase of 17,965 cars, or 2.1% above the preceding week.

The week's total represented a decrease of 4,582 cars, or 0.5% below the corresponding week in 1950, but an increase of 297,560 cars, or 50.5% above the comparable period of 1949, when loadings were reduced by major strikes in the coal and steel industries.

Auto Output Rises for Week But Sharply Under 1950 Level

Combined motor vehicle production in the United States and Canada the past week, according to "Ward's Automotive Reports," advanced to 121,338 units, compared with the previous week's total of 120,810 (revised) units, and 188,230 units in the like week of 1950.

Passenger car production last week in the United States was slightly above the previous week, but about 41% under the like week of last year.

For the United States, total output rose to an estimated 115,221 units from last week's revised total of 114,347 units. In the like week of last year output totaled 179,598 units.

Total output for the current week was made up of 90,293 cars and 24,928 trucks built in the United States, against 89,685 cars

and 24,662 trucks last week and 154,270 cars and 25,328 trucks in the comparable 1950 week.

Canadian production last week was placed at 4,107 cars and 2,010 trucks, against 4,345 cars and 2,118 trucks the week before and 6,806 cars and 1,826 trucks in the like week of 1950.

Business Failures Edge Slightly Lower

Commercial and industrial failures dipped to 155 in the week ended Oct. 25 from 157 in the preceding week, Dun & Bradstreet, Inc., states. Casualties were about even with a year ago when 160 occurred, but they were off sharply from the 1949 total of 221 and down 52% from the prewar level of 300 in the similar week of 1939.

Wholesale Food Price Index Touches New Low for Year

The wholesale food price index, compiled by Dun & Bradstreet, Inc., declined sharply the past week to stand at \$6.69 on Oct. 23. This was a drop of 1.2% from \$6.77 the week before, and marked a new low since Nov. 28, 1950, when it stood at \$6.67. The current figure compares with \$6.50 on the corresponding date a year ago, or a rise of 2.9%.

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 Turns Irregularly Lower

The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., moved irregularly during the past week, closing at 304.18 on Oct. 23. This was slightly lower than the 304.90 of a week ago, but a rise of 4.9% above the comparable 1950 figure of 289.86.

Grain futures at Chicago worked generally higher last week. A more active demand for all grains, coupled with fears concerning adequate supplies of high quality grain and the disturbed political situation abroad were factors in the upswing.

Wheat led in trading activity with prices at principal markets going above the support level at mid-week.

Other factors influencing wheat included unfavorable harvesting conditions in Canada and prospects of short crops in other wheat-growing countries. Corn futures were firm most of the week while the cash market turned lower at the close.

Early strength was influenced by expectations of heavy demand from livestock feeders and some apprehension over supplies as a result of frost damage. Oats were steady to firmer, reflecting smaller offerings from Canada and a decline in domestic market receipts. Volume of trading in grain futures on the Chicago Board of Trade last week reached 274,218,000 bushels, as compared with 131,787,000 the previous week, and 202,869,000 in the same week last year.

Domestic cotton prices moved irregularly in a narrow range with final quotations up slightly over a week ago. Early strength in the market was attributed to more active domestic and foreign price-fixing and further agitation for a high 1952 loan rate.

Reported sales of the staple in the ten spot markets continued to expand, totaling 412,700 bales for the week, as against 357,100 the previous week and 315,400 a year ago.

Trade Volume Rises As Seasonal Buying Gets Under Way

Shoppers throughout the nation spent more in the period ended on Wednesday of last week than in the week before and slightly more than they did in the corresponding week of last year. Much of the buying was seasonal as cool weather continued to prevail over many parts of the country, states Dun & Bradstreet, Inc., in its summary of trade.

Retail food volume was practically on a par with that of the previous week; it bulked somewhat larger than a year ago. Among the items in most popular demand were poultry, pork and canned meats. Fresh fruits and vegetables continued to be extensively purchased.

Many retailers noted a slackening in the demand for packaged groceries and such pantry staples as sugar and flour.

Household goods were in increased demand as shoppers boosted their purchases of occasional furniture, lamps, bedding and such domestic hardware as garden tools and home maintenance items. Television sets and hunting equipment were also bought in larger volume than a week earlier. Automobile dealers reported the demand for new cars steady, although there was a slight dip in used car purchases.

Total retail dollar volume for the nation in the period ended on Wednesday was estimated to be from 1 to 5% above a year ago. Regional estimates varied from last year's levels by these percentages:

New England +1 to +5; East -1 to +3; South and Southwest +2 to +6; Midwest and Pacific Coast 0 to +4; and Northwest -3 to +1.

There was a discernible quickening of activity in many wholesale markets in the week as many buyers strove to fill their near-future needs. Total wholesale orders, both for civilian and military goods, remained moderately higher than a year ago. Buyer attendance at many wholesale centers was perceptibly larger than in the similar week last year.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended Oct. 20, 1951, increased 10% from the like period of last year. In the preceding week an increase of 5% was registered above the like 1950 week and an increase of 4% for the four weeks ended Oct. 20, 1951. For the year to date, department store sales registered an advance of 3%.

Retail trade in New York last week was lifted about 7% above the 1950 period as a result of strong store promotions.

According to Federal Reserve Board's index, department store sales in New York City for the weekly period ended Oct. 20, 1951, advanced 5% above the like period of last year. In the preceding week no change was recorded from the similar week of 1950, nor for the four weeks ended Oct. 20, 1951, from that of a year ago. For the year to date volume advanced 5% from the like period of last year.

Continued from page 3

Prudent Man, the Technician And the Stock Market Outlook

curities. Their ultimate objective is the same—to find securities for purchase that are undervalued and securities for sale that are overvalued. However, their approach to this problem is different.

The security analyst attempts to set a value for a security based on its present and future earnings, dividends and outlook. If the stock is selling below his evaluated price, it would appear to be undervalued and should be purchased or held. If it is selling above this figure, it would appear to be overvalued, and should be sold or avoided.

The technical analyst, on the other hand, observes the price action of the security. Is it acting better or worse than the market? Does it appear that the stock is under accumulation and passing into strong hands—or is it being gradually liquidated by strong accounts? Is it near an area of strong support, or is it approaching a level where a heavy supply of stock will be met? Such are the problems of the market analyst.

The security analyst studies earnings and dividends. He tells you what investors should buy or sell. The market analyst studies supply and demand. He tells you what the investors are buying or selling.

Obviously neither method is an exact science. The accuracy of forecasts by either method is in direct ratio to the competency of the forecaster. One of the strong points of the technical approach is the fact that it attempts to take into consideration the very important factor of public psychology. The investing and speculating public (and institutions, too) can often go to wild extremes of optimism or pessimism. Quite often these changes in mood are not timed to fundamental changes. In many instances the market will anticipate a development and discount it long before it occurs. Other times the market will refuse to recognize a fundamental change until long after it has happened. Prices will often reach the ultimate level indicated by statistical values, but technical factors quite often delay or advance the attainment of these levels.

I am primarily a market technician so it is possible that I am slightly prejudiced. However, I believe that a thorough job of investment management must include a study of technical market action as well as economic research and security analysis. I further believe that each approach should be studied separately and each approach weighed against the other before a final investment decision is made. All three approaches will make mistakes, but a checking of one against the others will eliminate a great many of these errors.

The Technical Tools

What are the tools of a market technician? I will not bore you now by telling you of the various types of technical data we use in my office. Suffice it to say that just the physical labor of keeping these graphs requires the full time of two men. The study and interpretation of this basic data requires a lot more additional time. The opinions are not based on one single indicator. Each chart or graph is checked against many others before a conclusion is reached. In my opinion, this vast amount of data is necessary to do a thorough job of market analysis. That is possibly why there are so few market technicians. I can think of very few organizations in the institutional or investment field that have a library of graphs

that I consider the equivalent of even a necessary minimum.

But let us return to the prudent man and his investment problems. Let us suppose that he has already consulted the economist and the security analyst. He is now going to check their opinions against the opinion of a broad cross section of investors—large and small—public and institutional—domestic and foreign—wise and foolish. The opinion of these groups should be shown in the technical action of the market itself.

I would first tell the prudent man that, because he is primarily a long-term investor, he should first ascertain the outlook for security prices over the longer term—say for the next several years. That is much more important to him than what the market is going to do over the next three to six months. However, each prudent man has a different problem. It is possible that our particular man has a new fund that is entirely in cash at the moment, and he must decide whether to buy now or later. Therefore, we will proceed in chronological order and discuss the nearer term outlook for the market first.

"Technical" Outlook Dark

I must tell the prudent man frankly that my technical work is not very encouraging at the moment. As long ago as September, 1948, I hazarded the opinion that the next upward phase of the market would carry from the 160 level in the Dow-Jones industrial average to about 240-260. The advance from the June 1949 low of about 160 to the September 1951 high of 277 now totals 117 points or 73%. It has lasted 27 months and shows definite signs of loss of momentum. In my opinion, the market has been slowly building a distributional pattern since February. From outward appearances, the market has given the impression of strength. Yet, if we examine the internal action of the market itself, we find that it has made little upside progress despite the fact that the industrial average reached a new high in September. The September high was largely due to strength in relatively few of the 30 stocks in the average. The same is true of similar averages. Recent strength in some of the more speculative issues has covered the fact that the great majority of the 1,400 listed issues were getting nowhere.

Divergent Action

While the market has recently reached new high territory, it is interesting to note the divergent action of individual groups. One of my series of group charts has 41 group classifications. Of these 41 groups, 20 reached their highs prior to July 1. The list follows:

	High Reached In
Aircraft Mfrs.	October
Building	October
Farm Machinery	October
Gas	October
Machinery	October
Mining and Smelting	October
Movies	October
Rubber	October
Tin Containers	October
Utility	October
Business Machines	September
Communications	September
Electrical Equipment	September
Finance Companies	September
Glass Container	September
Investment Companies	September
Oil	September
Paper	September
Sugar	September
Drugs	August
Food Chains	August
Automobile Equipment	May
Cement	May

	High Reached In
Airlines	April
Automobile	March
Radio and Television	March
Auto Trucks	February
Baking	February
Coal	February
Food Products	February
Gold Mining	February
Liquors	February
Rails	February
Retail Chains	February
Steel	February
Textile	February
Tobacco	February
Meat Packing	January
Railroad Equipment	January
Shipbuilding	January
Soft Drinks	January

Further confirmation of the selectivity of the advance is furnished by the following list which is tabulated as of the close of Saturday, Oct. 20. It shows in what month 1,464 issues listed on the New York Stock Exchange reached their highs for the year. It also lists the approximate high in the Dow-Jones industrials for each month.

	High D.-J. Ind.	Number of Highs
January	249	320
February	256	334
March	254	140
April	257	59
May	264	58
June	255	21
July	262	24
August	270	73
September	277	165
October	277	270

This study shows that 54% of the group reached their highs in the first three months of the year and 34% in the last three months. This is despite the fact that February high in the Dow-Jones industrial average was 256, the May high was 267, and the September high was 277. Another warning signal is the reduced volume of trading while the market averages were reaching new highs. From mid-December, 1950—when the dynamic phase of the 27 month advance started—to mid-January, the volume averaged over 3,300,000 shares. The peak volume was 4,490,000 shares. In the whole July-September rise, there were relatively few days when the volume was over two million shares.

To further illustrate the selective action of the market, it is interesting to note the number of advances and declines and new highs and lows during the weeks in which the February and September highs were reached.

	Feb. 5	Sept. 17
Dow-Jones Indust.	256	277
Advances	882	760
Declines	370	477
New Highs	368	181
New Lows	2	21

This technical data indicates a definite slowing down of momentum with a smaller number of advancing issues, despite the fact that the average in September was 20 points above the February high of 256.

In the early stages of an advance, the market moves in unison. Some groups may be backward but an increasing number of issues reach new high territory on gradually increasing volume. Minor reactions hold above previous support points and result in consolidating phases prior to further advance. This was the pattern of the market up to Korea in June, 1950. The suddenness of the news caused a sharp reaction, but the market was technically vulnerable at the time, and if the Korean invasion had not occurred, it most likely would have undergone a long consolidating phase to correct its weakened technical condition. The most important technical reason why I strongly advised purchasing stocks at the Korean low of 195 in July, 1950, was because very few individual issues had reached their upside objectives. In addition, various other technical indicators became very sharply oversold at that time. The market turned upward again in mid-July. It continued its ad-

vance in normal technical fashion; A consolidating phase from October to December between 220 and 234 was followed by an upside penetration and the market reached its February high of 256. From that point warning signs of a gradually weakening technical pattern began to appear. Gradually, individual issues began to reach their long-term objectives outlined by the accumulative areas formed between 1946 and 1949. General Motors reached its upside objective over a year ago. Its objective was 50-55. The high was 54 3/4 on Oct. 5, 1950 when the average was 232. It has not been able to reach a new high since then despite the fact that the industrial average advanced 45 points. The steels reached their high in February. The rail average reached its high in the same month at 90.82. It has not yet confirmed the new highs in the industrial average. This divergence is a very strong cautionary signal under the Dow Theory.

Two Corrective Actions

The market had two sharp corrections back to the 240 level after reaching the February and May highs of 256 and 267. The next rally carried to the September high of 277. The inability of the industrials to reach a new high earlier this month, and last week's downside penetration of the September low of 269, strongly suggests that the advance from the June low of 240 has been completed and that we are now in at least an intermediate term downward move.

This downside penetration indicated a decline to the 260-255 area. That would be all I would expect on the first phase of the decline. The low reached this past Monday was 259.46. If a full intermediate correction is in the offing, the market will have to rally from the 260-255 area to further broaden the tops in chemicals, oils and other recent leaders that have only relatively minor tops at the moment.

The potential long-term pattern is more serious than this, however. The fact that most of the leaders have reached their upside objectives—coupled with the extremely unfavorable internal market action—points to the probability that we are in the process of forming a distributional top and that the broad 280-260 range is a selling area just as the 160-170 range was a buying area in 1947-1949. It is possible that the entire area between roughly 240 and 277 may finally turn out to be a distributional top. If such is the case, the market would be in a position to suffer a considerable decline. The downside implications of such a pattern are not entirely clear at the moment because the formation is not yet complete. However, on the basis of the present potential top, a possible decline to 230-225 is indicated. Technical action may change and cancel the present bearish potential. However, the fact that the potential exists indicates the need for extreme caution in market commitments. Remember, also, that it may take considerably more time before this pattern is completed. The 1946 top was formed between January and September. Accumulation or base patterns take an even longer period of time. The 1946-1949 base was 33 months in forming.

A much clearer picture of the general market pattern is given if one observes the action of individual groups and issues rather than the market averages. For example, while the averages reached successive new highs in October 1950 and February, May and September of this year, some of the more important groups did not follow this pattern. Most of the motor stocks reached their highs in October 1950 and most of the steels reached their tops in February. In both cases these highs

coincided with their long-term technical upside objectives. Since that time, they have backed and filled and have built up potentially dangerous top patterns. The leaders of the July-September upswing were the chemicals, oils and drugs. In most cases these groups have also reached their long-term objective at recent highs. Their patterns differ from the motors and rails only in the fact that they have not yet built up potentially dangerous top patterns. It may take further time and more backing and filling in a trading range before the distributional pattern is completed.

In contrast to the groups that appear to be topping out, there are many better quality secondary issues that have very strong long-term patterns and have done little or nothing marketwise. Many of these issues are just a shade below top quality, have excellent earnings and are selling at prices to yield 6% to 9% or more. Issues of this type appear undervalued and in a position to move ahead. The \$64 question is whether they will do so immediately while the erstwhile leaders are continuing to fluctuate in a wide trading range in the process of building up their distributional top patterns or whether they will wait until a general market decline has been completed before starting their advance.

Most Favorable Buys

In any event, issues of this type appear to be the most favorable buys at the moment. In the event of a continued rise in the market, they should show above average advance. In case of a general market drop, they should decline less than the averages and be in a position to lead the next advance because they already formed strong accumulation bases.

Issues of this type, in my opinion, offer excellent buying opportunities in this uncertain market. Many of them are eligible for trust fund investment, even though they are not in the selective one-hundred or so issues that appear in most institutional portfolios. As a prudent man, I believe you could present a very sound case for this type of issue as opposed to some of the "growth issues" that have been so popular recently. On the basis of statistical value, many of the "growth issues" were grossly overpriced at recent highs. The overpricing of these issues was based upon the credo that the growth factors in these companies warranted an extra premium above their statistical value. As a result, some of these issues, at recent highs, were selling at prices to yield about 2% and at a ratio of 15 to 20 times earnings or more. As one analyst expressed it, that is not discounting growth, but eternity. It smacks somewhat of the 1929 psychology when visions of growth obscured basic statistical values. The fact that most of these issues have reached or overreached their long-term technical objectives also makes them unattractive at recent levels. I am not arguing about the investment qualities of these issues nor about the potential growth factors. I am just wondering whether the prudent man is justified in paying such a high price for these excellent qualities. Even a speculative issue may be an investment if the price is low enough. On the same reasoning, a prime investment issue may become a speculation if the price is too high. From a technical viewpoint, these growth issues were excellent purchases in the 1946-1949 period when they were forming base patterns. They had no particular appeal to the average investor at that time. Now that everybody wants them after they have advanced sharply and have reached their long-term technical objectives, they appear much less attractive. At the best, a lengthy period of consolidation appears needed until earnings and

dividends begin to discount present price levels.

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The Longer-Term Outlook

So much for the near-term outlook for the market. How about the longer term outlook of the next several years? There the picture is much more cheerful. As I predicted in 1948, I still believe that the market is in a long-term upward cycle in prices that will continue to the 1956-1960 period. I believe that this advance started in 1942 and will be somewhat similar to the World War I advance cycle from 1914 to 1929. Such long-term cycles usually have five phases—three of advance and two of decline. The first phase was from the 93 low of 1942 to the 1946 high of 213. The second phase was the decline from 1946 to the 1949 low of 160. We are now in or maybe have completed the third phase which has already shown an advance from 160 to 277. The fourth phase will be a decline to some undetermined level. (In 1948, I predicted that the third phase would culminate at 240-260 followed by a decline to 200-180. The 240-260 predicted was slightly too low. Events may prove that 200-180 is also too low.) The fifth phase should start somewhere between late 1952 or early 1954 (timing is largely guesswork). It will be the most dynamic phase with over speculation and heavy public participation. The pattern is not complete as regards the ultimate price objective but I believe it will be considerably above the 1929 high of 386.

Such a pattern indicates that the next year or two should present an opportunity to purchase securities at a low level prior to the sharp rise anticipated over the next several years. Whether the general market reaches its low in late 1952 or early 1954 is not too important. Many individual securities will reach their lows before either of these two dates. Some may be at or near purchase levels now. Others may have considerable decline ahead before their low is reached. The next year or two will be an interesting period — and one that will offer some excellent buying opportunities for the wise and prudent investor.

Bankers Offer Goodall Sanford Preferred Stk.

Union Securities Corp. and W. C. Langley & Co. jointly headed an underwriting group which on Oct. 30 offered 80,000 shares of 6% preference stock (\$50 par value) of Goodall-Sanford, Inc., manufacturer of specialized textiles and "Palm Beach" lightweight clothing for men and boys. The stock is priced at \$51.50 per share. The preference stock is convertible on or before Nov. 1, 1961 into shares of common stock at the rate of 2½ shares of common stock for each share of preference stock.

Net proceeds from the financing, together with funds to be received from the proposed private placement of \$3,000,000 of 3¾% sinking fund debentures, will provide Goodall-Sanford, Inc. with additional working capital, either directly or through reduction of short-term bank loans. Upon completion of the financing the company's capitalization will consist of \$3,000,000 of 3¾% debentures due 1966; 37,800 shares of 4% preferred stock with a par value of \$100 a share; 80,000 shares of 6% preference stock with a par value of \$50 a share, and 555,937 shares of common stock.

Net sales for the fiscal year ending June 30, 1951 amounted to \$62,530,000, compared to \$41,421,494 in the preceding year. Net income amounted to \$2,387,476 for the 1951 fiscal year, compared to \$440,462 for 1950.

Neighborliness—Basis of Public Relations Policy

understanding of United States Steel.

In this booklet, attention was drawn to the relatively few employees who comprise the public relations organization. However, we pointed out that U. S. Steel, in a real sense, had thousands of public relations representatives, and emphasized the fact that each member of the managerial team was such a representative. There was a further reminder that what he said or did could have a direct bearing on how the public regards U. S. Steel.

"The Public and You" also made clear that the best way for every employee of U. S. Steel to do his part in creating goodwill for the corporation was to act and speak as though the good name of U. S. Steel depended upon him alone. We long have felt that our standing in the communities in which we operate, or are represented, depends largely on what people think of the men and women who represent U. S. Steel in those same communities.

I don't think that I need to labor the point, except to suggest that we all keep in mind the importance of impressions made by the company's representatives, sales and otherwise, its phone operators, and its correspondents. Company training programs for all departments should contain reference to public relations and the importance of each individual in the public relations team. In U. S. Steel's Purchasing Department, for example, the buyers' training program includes a session on public relations.

Company Judged on Basis of Personal Experience

I could name several other types of public which judge the company on the basis of personal experience. George Jackson might be a stockholder who would look upon the company as a good or bad investment for his money; he might be a banker who does business with the organization, or he might be a supplier who sells its material or services. Each of these, to a greater or lesser extent, bases part of his opinion on his own dealings with some member of the company organization and his own experience with its policies.

Again, all of these opinions point up the fact that the first requisite of good public relations is good management. If the products of a company do not come up to customers' expectations, if its service is poor, delivery promises are not kept, or if the financial handling of the business is unsound, no amount of publicity or advertising can win that company public support and recognition.

I think it is generally accepted today that the public relations function is not and never can be simply one of publicizing or advertising the company. Rather, it is a way of conducting the business—a consideration of the public interest in the formulation of every business policy. Such a policy provides an outstanding example of enlightened self-interest; it is a recognition that consideration of the customer, the employee, the stockholder and the general public is essential to business success.

That is one, and the most important, phase of public relations. There is, however, another facet of the function.

It is not enough that the policies of a company be sound, the public also must know about those policies—must have them sufficiently explained. For besides those whom I have mentioned, there are other segments of the public whose opin-

ions are based entirely upon what they have heard or read about the company. These people judge your company by what you tell them and by what others tell them. And take it from me, there are a lot of people telling them things about your company, and all business today. Some of the things they hear are simply cases of misunderstanding, others are much more sinister. Some, intentionally or unwittingly, follow the party line—the kind of things that Joe Stalin would like Americans to believe about one another.

The detractors of American business use every possible medium in their attacks. The attacks vary, too, from time to time, shifting with the winds of world-wide news events. The same man who a year or so ago said a company was too big and was menacing the economic freedom of the American people, may today attack that same company, saying that it is not big enough to do its job in defense of the United States. He may attack one big company because in his opinion it has kept prices too high, and the next day just as violently attack another because it has cut prices too low.

Yes, George Jackson hears a lot of things about business which are only half true or which are outright lies. The question that should occur to us at this point is "what does he hear from us about our company?" Are we, too, seizing every opportunity, and using every possible means of communication?

Take first the question of press relations. Ask yourself, "Is the press, both in our own plant communities and nationally, being informed fully and accurately of important news developments in our company?"

I am not talking now of publicity in the sense that the word is too often used. Neither am I thinking of news coverage as sales promotion, or product "puffery." The proper place to explain the merits of your product, and to ask the public to try it, is in the paid advertising columns. What I am talking about are the events that are news, that will be interesting to newspaper readers and radio listeners and television viewers. One might make up a check-list of the kind of things that come in this category.

First, there's news of production. Particularly in this period of national emergency, George Jackson is interested in knowing what you are producing to aid defense. If you are in a consumer goods line, he also would like to know how much of your ordinary civilian product you are able to turn out.

Second, there are policies on employment, prices and wages. These things affect George as an employer or as a citizen of a plant community, and they affect him as a consumer who may purchase your products.

Third, there is news of people. Names still make news, and in-celebrating activities of an employee, be he chairman of the board or a lathe operator at the plant, are worth reporting. This is particularly true as it concerns officials of your company. The name of a corporation is often cold and meaningless to a great portion of the public. It becomes meaningful and warm when more is known about the people who make up the organization. Yes, officials, employees and their activities are news.

Fourth, one might mention research and technical development. If, for years, you have been making a "whatzit" and you announce

a new super "whatzit," there is probably only minor news interest. But if, through research and technological development, you develop a completely new gadget, which will add something new to American living, that becomes news.

There is another important phase of press relations over and above . . . and probably in the long run more important than . . . the information furnished in the form of statements and news releases. That is the question of what your company does when it receives requests for information from a reporter who is working on a story.

Frankness in press relations is just as necessary when the news may not be entirely to your liking as when the news is something of which you are proud. For example, one cannot expect a reporter or editor to enthuse when the company announces a new safety record, if that same company has been secretive or evasive when an accident occurred on its premises.

Often the advertising columns of a newspaper can be used to good effect to help tell the public relations story of a company, as distinguished from its products story. Here, again, keep in mind, however, the precept that the message must be interesting to the reader.

Gone is the day when a company could buy a page in a newspaper, run a picture of the founder complete with chin-whiskers, and call it public relations. Today, much public relations advertising is as interesting, newsy and readable as the news stories in adjoining columns.

We in United States Steel have used the same approach in planning the radio commercial messages on our program, "The Theatre Guild on the Air." We have tried to keep them newsy. As you know, they are delivered by a man who is known primarily as a radio news reporter, George Hicks.

Although most sponsored programs aim primarily at selling goods, many other companies besides U. S. Steel are using radio and television shows for public relations messages.

Standards of news coverage in both television and radio are constantly being raised, and today a great many Americans get bulk of their news from these media. Time is well spent in working out the best possible relations for your company with radio and television newscasters.

George Jackson looks to other media besides newspapers, radio and television for information that will aid him in forming opinions. He reads books and magazines; and he attends many kinds of meetings.

Take the social, fraternal and professional clubs, for example. Many and articulate are the critics of American business—they will mount the rostrum at the drop of a hat and sometimes even without dropping it! On the other hand, what do you do when your company receives a letter from a women's club, a young people's church group or some similar organization, asking for a speaker. Do you beg off? Undoubtedly, in your plant town, wherever it may be, there is a local radio station and some of its time is devoted to forum programs. Have your officials ever participated in these?

I would be the last to suggest that you executives drop all other activities and take the stump for a whirlwind, continuous speaking tour. But I do believe that there are many groups eager to hear about your business, and that a certain number of public appearances by officials of your company will prove extremely rewarding in creating better understanding of your activities and your problems.

Schools, too, are looking for fac-

tual information about your company, whether it is large or small. All of you know that the students of today are the citizens of tomorrow. As such, they should have the facts . . . and I mean facts . . . about business and industry.

United States Steel has long been aware of the area of misunderstanding about big business which exists in our high schools and colleges. Considerable time and effort have been devoted by us and other companies in making available to these young men and women factual information which clearly indicates what industry has done and is doing for their country.

At this time, United States Steel has under consideration an accelerated educational program for high schools and colleges that will place even greater emphasis on the vital role that industry plays in the American economy.

Naturally, our educational institutions do not seek, nor can they use, material that is prepared primarily for advertising purposes—material that proves to your own satisfaction how much better your product is than your competitor's. But on the other hand, teachers of geography, history, social sciences, and many kindred subjects are seeking factual information. Anything that we as businessmen can do to help them is worth while.

Very often, after teachers are invited to attend a Business-Industry-Education day in a plant, a suggestion will be made that at a future date the procedure be reversed, and the businessmen visit the schools. This, I think, is a healthy development. As citizens and fathers, we businessmen should know more about our school systems.

Schools in the community often are interested in plant visits, but of course, some schools are not situated near your operations. In that case, where Mohammed cannot come to the mountain, it is well to bring the mountain to Mohammed. This can be done through the medium of motion pictures. In United States Steel, we find that well-produced educational pictures are in constant demand. Our technicolor film, "Steel—Man's Servant," is used year after year by teachers of a wide variety of subjects. It is the story of a basic industry without product advertising and, in fact, with little mention of the corporation name except at the beginning and end. It renders a real service to teachers, and from my standpoint is a valuable public relations vehicle because it creates better understanding of our activities, working conditions, and the service of the corporation to the nation.

I seem now to have come full circle. Early in these remarks I talked about bringing people to the plant. Now, I am suggesting that, via motion pictures, we bring the plant to the people.

Having closed the circle, let me add just one point. The objective of your public relations program and mine is, of course, to obtain favorable public opinion for our organizations. In doing so, we render an important service to all American business.

American industry, operating under a free, competitive system of enterprise, has made possible for the American people the greatest material progress ever attained by any nation. If the importance of this achievement, under our free system of government, is known and understood, then I am sure the American people will never change it for some untried system or one which has failed in other countries in the past. It is your job and mine to promote this understanding, and the very basis of such an understanding must be established in your communities.

For if the job is done well, then we can hope, in the words of Dickens to "come all right in the end."

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Are Oil Securities Too High?

much oil may be produced, they have set the quota for Texas at the unprecedented level of over 3 million B/D beginning in the month of September.

Another significant indication is the high tanker rates for the movement of oil and oil products from the Gulf to the Eastern Seaboard. This would imply a possible shortage of certain oil products in the coming months.

Of course, the settlement of the Iranian dispute could diminish the demand now being made by Western Europe for domestic crude and refined products. However, this would represent only a very minor proportion of the total demand for domestic oil products. Also, the end of hostilities in Korea could cause a drop in exports which would affect the West Coast more than the rest of the country. While it would seem that the general military demand should be a factor in causing a short supply of oil products, this is hardly the case according to the American Petroleum Institute. This group estimates that, while military demand is double that of a year ago, it is only 5% of total demand.

A great many people outside of the industry have been forecasting gloomy consequences of a substantial build-up of crude oil and product stocks. While it is true that oil stocks have increased about 10.5% over last year, this build-up is normal for the current production-demand pattern as explained later.

For the most part the demand for petroleum products will be strong and the industry should be capable of meeting this demand. Some minor exceptions may occur because of transportation difficulties and unusual weather conditions. If by chance demand should drop, it could be stimulated by a strong marketing program. Up to this time the oil industry has not found such a program necessary.

Demand Outside of U. S.

The largest increase in the consumption of oil products outside of the United States will occur in Western Europe as the result of the tremendous rebuilding and defense programs. In view of shortages of other sources of energy, the focus will naturally be on oil. This is evidenced by the current large scale expansion program being carried out in this area.

The Supply Picture—Long Term

While the demand for oil seems to be tremendous, can supply keep pace? According to many of the published figures on the supply of oil, the answer to this question would appear to be yes.

Domestic

In 10 years, the industry has boosted production from 1,402,000,000 barrels of crude oil in 1941 to 1,971,000,000 barrels in 1950 . . . an increase of 569,000,000 barrels. During this same period, proven reserves have been increased from 19,569,000,000 barrels to 25,268,000,000 barrels . . . an increase of 5,679,000,000 barrels.

Despite the vast taps already made on the earth's deposits, the oil reserves of this nation, instead of declining, are actually on the rise! Although oil has become more difficult to find, there has been a decided increase of technical know-how in the exploration of oil. The current Montana-Dakota play is a case in point.

Furthermore, recovery methods have been greatly improved. Not only do oil companies get more out of a well through water-flooding and gas-pressurizing, but they also work more structures in a

given area. An excellent example is the extensive drilling now being carried on in the Spraberry Trend in Texas.

Capital utilization has also zoomed and it is estimated that the industry spent, in the last ten years alone, approximately ten billion dollars in exploration and development work.

As a result of the trends demonstrated by the industry, it is believed by some authorities that domestic oil production for 1955 should average between 7,114,000 barrels daily and 8,053,000 barrels daily. Compared to daily average production in 1950, this amounts to an increase of between 16.4% and 31%.

Outside United States

Staggering as this promised increase may sound, it represents only a part of the oil potential. For domestic production encompasses merely the output of one arm of the industry . . . its left arm at that. The tremendous right arm stretches across the vast surface of the globe, digging its fingers into the richest deposits of Canada, South America, and the Middle East.

Because of the geographic location, the most significant foreign play in respect to future potential is probably the current exploratory program being carried on in Canada. It is estimated that in Western Canada alone, total holdings of oil properties amount to about 129 million acres. Although there are no accurate statistics revealing extent of participation of U. S. companies (through subsidiaries, stock holdings, etc.) one authority guesses that 90% would be a likely figure. However, Canada's contribution to the world's supply last year amounted to less than 1%. The precise value of her position in the international picture is therefore still to be established. Barring any unfavorable United States tariff barriers, however, there is every reason to believe that Canada will soon assume an important position as a contributor of oil.

South of the border, U. S. oil interests have been more active over a longer period of time. Figures revealing extent of participation by American companies are unavailable but expert opinion again hovers around 90%. In 1950, South America produced 640 million barrels of oil, 16.0% of the world's supply. Of this amount, Venezuela produced 544 million barrels which represented 85% of South America's production. In reserves, our Latin neighbors had an estimated 10,650 million barrels at the end of 1950 and this was equal to 16.6% of the world's supply. Venezuela's share of these reserves amounted to 89% of South America's proved reserves. But while South America's record has been far more fruitful than Canada's, her turbulent political atmosphere has been a disquieting factor. Although relations between the two Americas have improved, much is still to be accomplished. The attitude of foreign governments regarding the acceptance or rejection of investments of foreign capital will be the strong determining factor in the exploration of South American oil.

The prolific oil fields of the Middle East are of tremendous importance in the supply picture. But the cloudy outlook of this area has resulted in so much pessimism that many analysts tend to minimize its value. While it is true that a complete write-off of this troubled segment would not materially hurt the overall United States oil industry, it would certainly be a devastating blow to the world supply. Middle East oil

in 1950 amounted to 636 million barrels which was 16.8% of world production . . . of this United States oil companies had about 45%. Proved reserves in this area are estimated to be 48,010 million barrels, which is equal to about 50% of the known world reserves. On these reserves alone, the Middle East in time could very well become the world's leading producer.

Short of war, it is difficult to visualize the loss of our position in the Middle East. American Middle East interests are all outside of Iran. The example of Iran has certainly not yet proved successful enough to invite imitation. Besides, the particular political situation that prevailed in Iran is not typical of the Middle East. Also, we can count on efficacy of the foreign diplomacy of our oil companies whose record shows an enviable success in dealing with many difficult situations. Furthermore, these nations seem to realize their own lack of sufficient technical and financial experience.

Of course, it would be foolish to minimize the threat of Russian competition. However, most authorities believe that there are many obstacles in her way. For one thing, the mountains of this area make pipe lines difficult. Also, there is no continuous body of water, even if the Russians had an adequate tanker fleet to carry this oil. Therefore, it does not seem likely from our economic point of view that Russia will move seriously against Middle East oil. Her political motives, however, might outweigh the economic factors in this case.

The real danger to Middle East oil consists of the infiltration tactics of the Communists. Since the Middle East supplies about three-quarters of Western Europe's oil needs, anything that threatens this area threatens the Atlantic Pact Nations and world peace. Therefore, Middle East oil is of vital importance, far transcending mere monetary factors, and should be safeguarded to the utmost.

Thus we see that oil supplies are splashed across the surface of the world. The United States has an excellent source of supply in its own back yard . . . our neighbors to the north and south, Canada and South America, offer abundant hope . . . in the Middle East, oil is plentiful.

Short-Run Supply Picture

The fact that there is plenty of oil in the foreseeable future does not mean that supplies will flow evenly and unflinching to meet day-to-day needs.

However, in spite of present problems, it looks as though the industry will definitely be able to provide sufficient oil to meet daily requirements. To determine the immediate position on this factor, it will be interesting to survey those sections of the oil industry which are concerned with the problem of supply; namely, production, stocks on hand, and imports.

In the United States oil production is running at an average rate of 6.1 million barrels daily. In 1950, a peak year for the industry, oil production averaged 5.4 million barrels. Yet in spite of this substantial increase, there are many who doubt the industry's ability to further increase our supply of oil should it be required. It is interesting to note, in this connection, that a report issued by the National Petroleum Council's Committee on Oil and Gas Availability (July 24, 1951) stated that the availability of crude oil in the United States totaled 6.7 million barrels daily in January of 1951 and exceeded by 820,000 barrels daily the average production of 5.9 million barrels daily that same month. This would seem to indicate that, based on current daily production, the industry could feasibly increase production by

600,000 barrels daily should it become necessary.

Stocks on hand are another immediate source of oil. In a sense they may be thought of as being "above-the-ground reserves." Stocks of crude oil are currently estimated to be about 252 million barrels (end of August). Based on current crude production of 6.1 million barrels daily this would mean a supply of about 41 days. In reality, however, we could never avail ourselves of a great amount of this oil as it is a natural operation of the oil business in the production and consumption cycle to have these stocks. A look at the reported year-end stocks clearly demonstrates this, for in no time since 1923 have crude oil stocks fallen below 200 million barrels.

Of increasing importance to the domestic oil industry is the availability of crude oil imports. With the United States continuously using more oil than it can produce, the balance must be made up by outside sources. Under normal circumstances the availability of outside supplies has always been excellent. Despite the loss of more than 5% of the world's daily supply caused by the closedown of the Iranian oil fields, United States imports are still running at a satisfactory rate and can be expected to be sustained.

The short view of oil supplies appears to be just as attractive as its long view. It should be realized, however, that the industry will be handicapped by shortages of supplies and materials other than oil. Inadequate steel allotments could prove quite injurious to the present high rate of drilling activity and to the construction of pipe lines for the movement of oil. Storage facilities might also be affected by inadequate supplies of tanks.

The industry has made mighty strides in assuring an adequate supply of oil in periods of peak demand. It is difficult to over-emphasize this point. The example of the coal industry, which was characterized by shortages and interruptions in supply, shows that one of the many factors which caused the loss of consumers was the inability to assure a constant supply.

Price Structure

No matter how favorable the factors of supply and demand may be, every business man from shopkeeper to tycoon knows that the price of his product must be "right." That is, it must be high enough to assure a satisfactory return on the capital investment and yet low enough to assure a favorable acceptance by consumers. The present price structure of the oil industry meets both of these qualifications.

In the case of crude oil, prices prior to World War II tended to be erratic and undeterminable. Consequently, earning potentials for individual companies were difficult to forecast and price movements of oil stocks fluctuated to a large degree. Leaving out the war years, when prices were fixed by the O.P.A. at \$1.11 a barrel, Mid-Continent crude prices climbed to a high of \$2.62 a barrel in October of 1948. Since that time crude oil has maintained an average price of between \$2.40 and \$2.65 a barrel depending upon the gravity.

The Ability of Crude Prices to Hold

Vitally important to the price making structure are the conservation practices now being enacted by a majority of the old producing states. It is beyond the scope of this report to evaluate these measures. However, it should be seen that the mechanism of conservation, which is proration, has the effect of artificially increasing and decreasing the supply of oil that the industry can produce. Weakness in price be-

cause of oversupply is therefore less apt to develop in the oil industry than in most.

Another factor influencing crude oil prices is the method used in the purchases of crude which are made through the concentrated pipeline systems. As a result, prices are posted at the well by refiners who control the pipe lines. While there is competition between refiners, there is less apt to be chaotic pricing policies in crude prices than in other commodities.

With the United States consuming 60% of the world's total oil consumption and American companies dominating crude oil production and reserves moreover, it is unlikely that there will be any widespread price cutting by foreign producers.

It is not the intention of this discussion to imply that crude oil prices are inflexible, but rather to show that the price structure of the oil industry is designed to lessen the risks involved by poor pricing policies.

The refiner of oil does not enjoy the same stability in prices that the crude producer has. This is a natural result of the many variables with which the refiner must contend. For one thing, he has a variety of products which are subject to different prices. For another, different markets have different demand factors. In California, for instance, the demand for gasoline has always been excellent, while the demand for heating fuels is variable. Because of these complexities it would be difficult to draw a complete picture of refinery prices. However, it should be realized that the refiner must get the price of his crude costs, plus the cost of transporting and refining, before he can realize any profits. The more of its own oil that a company can produce in relation to the amount of oil refined, the greater will be the profits achieved.

The current market price of gasoline, distillates, and residual fuels presently favors the refiner. With the continuation of a strong demand for oil products, refinery profit margins should be sustained.

With price controls now an integral part of our economy, price advances for crude and refined oil will be more difficult to realize. However, based on the present price structure and the volume of business now being done by the oil industry, profit margins should still be favorable enough to satisfy the most particular investor.

Conclusion

Thus, it is seen that the oil industry has the three major ingredients for a successful future: (1) demand for oil products is at an all time peak with every indication of continued growth; (2) a sufficient supply is available to meet this demand; (3) the industry's price structure is sound.

With Gearhart Kinnard

(Special to THE FINANCIAL CHRONICLE)
MIAMI, Fla.—Kingsley Barham III has become associated with Gearhart, Kinnard & Otis, Inc. of New York City. He was formerly with Oakes & Co.

Joins A. M. Kidder

(Special to THE FINANCIAL CHRONICLE)
ST. PETERSBURG, Fla.—Hugh J. Winters has become affiliated with A. M. Kidder & Co., 400 Beach Drive North.

With Merrill Lynch Firm

(Special to THE FINANCIAL CHRONICLE)
SAVANNAH, Ga.—Mrs. Dale S. Hull has joined the staff of Merrill Lynch, Pierce, Fenner & Beane, 7 Drayton Street.

Continued from first page

As We See It

express the same wish with respect to the various other groups from whom information and opinion are sought.

The fact of the matter is that underlying all these questions, as is the case with the findings of the previous subcommittee of this joint committee, there is an implied assumption of the wisdom of what has become known in recent years as "planned economy." Nowhere is any question included which would directly require the person to whom the query is addressed to state his views about such things, but at least in the case of the Secretary of the Treasury, the Board of Governors of the Federal Reserve System, the Council of Economic Advisers, the Comptroller of the Currency, and the Federal Deposit Insurance Corporation, the matter is brought more or less directly into the agenda—although it must be said that in none of these instances are the questions framed in such a way as to encourage free expressions of opinion about fundamentals.

The Secretary of the Treasury, the Board of Governors of the Federal Reserve System, and the Council of Economic Advisers are all asked, for example, whether they believe that "the Congressional declaration of policy contained in the Employment Act of 1946 is balanced in its emphasis upon high level employment and upon price stability respectively, as objectives of Federal Government policy," and suggestions for improvement are requested. Both the Comptroller of the Currency and the Chairman of the Federal Deposit Insurance Corporation are asked about the conduct of their organizations in relation to this declaration of policy, and both are asked if they believe that Congress should issue specific directives in connection with the matter. To be certain that no one's memory has grown hazy about the terms of that declaration of policy it is in all cases except that of the Council of Economic Advisers repeated in full. Here it is:

The Congress hereby declares that it is the continuing policy and responsibility of the Federal Government to use all practical means consistent with its needs and obligations and other essential considerations of national policy, with the assistance and cooperation of industry, agriculture, labor, and State and local governments, to coordinate and utilize all its plans, functions, and resources for the purpose of creating and maintaining, in a manner calculated to foster and promote free competitive enterprise and the general welfare, conditions under which there will be afforded useful employment opportunities, including self-employment, for those able, willing, and seeking to work, and to promote maximum employment, production, and purchasing power.

Now it seems to us quite obvious that acceptance of this underlying doctrine, expressed and implied, precludes sound fiscal or financial policies on the part either of the Federal Government itself or of such agencies as the Federal Reserve System. The true function of the Treasury is to raise and disburse such funds as are required by the Federal Government in such manner as to interfere as little as possible with the normal course of business affairs. Anything more than this cometh of evil, to use Biblical language, and to be more specific, smacks of the concept of a "managed economy," with which sound public policies are quite incompatible.

Once any central banking mechanism is called upon to take part in any such planned program of perpetual prosperity, it loses its status as a central bank and becomes merely another tool of an all-wise and all-powerful government. There are those who suspect, not without reason, that one of the main purposes of the forthcoming hearings of this subcommittee is to build up a case for converting the Federal Reserve System into a department of the Treasury. Once the doctrine of the Employment Act of 1946 is fully accepted in all of its ramifications much of the case against such an obviously unfortunate step or another more or less akin to it vanishes. Anything in the nature of an independent central banking system—indeed, that is, not only of the Treasury, but of the Federal Government and the Administration which happens at any moment to be in power—is obviously incompatible with a central government charged with the duties listed in the Employment Act.

But the Employment Act is unworthy; it should be repealed forthwith; and it would be unfortunate for several good reasons if this issue is not permitted to reach the floor in the hearings soon to begin under the direction of Representative Patman. It would be doubly unfortunate if no one undertakes to raise the question of the funda-

mental basis upon which both the Treasury and the Reserve System are expected to build their policies. Compared to the questions, both specific and general, that have been listed in the subcommittee's questionnaires, this one of the desirability of a managed economy is of overriding importance. Indeed, many of the questions lose all point or else answer themselves if one is to assume a continuation of the American way of life. Others must be answered in one way if we are to go over to—or rather more accurately, to remain upon—a basis of semi-socialism, and in quite another upon some other premise. For many there are simply no answers based upon either experience or upon generally accepted theory—for they form part and parcel of a planned economy which has no historical standing and which is hardly more than a muddled mess of argument in the theoretical literature.

Is there no way to promote interest in quiet, unimpassioned, informed public discussion of some of these basic questions, which underlie so much else which is being dinned into the ears of an un-understanding public?

Continued from first page

Our Fiscal Program

economy was brought back into defense service.

These developments make it clear that the free nations of the world have finally become aroused to their danger. We have recognized that the turning back of aggression in Korea is, in effect, the defeat of only one advance column in a great offensive.

This is a situation which is new in the history of the world. There have been other acts of unprovoked aggression, other plans for world-wide domination. But never before has there been a program of the dimensions of the one now revealed to us. The Communist imperialists aim at tearing down the foundations of government and order throughout the world. They aim at destroying our belief in human rights. They have shown their determination to make full and unshamed use of subversion, propaganda, lying promises, and international blackmail on a vast scale, as well as threats and acts of military aggression.

All of this means that we are faced, today, with a new test of citizenship. Our form of government rests squarely on the concept of individual responsibility for national policies and programs. We do not operate under authoritarian decrees. Every national program, to be successful, must represent the will of the people—and this means full public understanding and full public support. It is clear that our present situation—one which is short of all-out war, but which brings many of the burdens of a war period—requires a tough and long-lasting brand of patriotism. It requires a new degree of statesmanship on the part of each individual—not just their representatives and leaders in Washington. All of us—military and civilian, educators, students, businessmen, farmers and those of us in government—must individually determine to take whatever actions are necessary to keep our domestic defenses at full strength, and our productive power unimpaired.

The American people, and other nations of the free world allied with us, have entered on such a program. And I should like to take a few minutes to give you the outlines of this program, as it affects the financial operations of the government.

Treasury's Position

We started the present fiscal year, as you are undoubtedly aware, in a relatively strong position. During the fiscal year ended last June, the Federal Government showed a budget surplus of \$3.5 billion. Over the past five years, we have operated the government with a surplus of nearly \$8 billion. During this period our

economy was operating at the highest levels ever known. Expansion, modernization, the widespread adaptation of new discoveries and processes, and greatly increased efficiency of operations in nearly every branch of industry and trade demonstrated anew the tremendous vitality and power for growth of the American productive plant.

During this period, however, our military program represented a relatively small drain on the economy. As recently as the second quarter of 1950, only approximately 6% of our national product went into security programs.

But from here on out, our defense program will be absorbing a very much larger share of total output. By next June, it is expected that the proportion of our national output going into defense will reach one-fifth; and the proportion may mount still higher, according to present schedules, during the ensuing 12 months.

The record pace of business generated by our defense program means that incomes will continue at very high levels. But it will not be possible to provide corresponding increases in the goods and services available to civilians. At the present time, inventories of consumer goods—the result of our continued heavy outflow of civilian production—are still very large. But they are not inexhaustible. The test will come when they are drawn down; and I am sure I do not need to emphasize to this audience the inflationary potential represented by this situation.

A strong revenue program is, of course, the best overall fiscal means for keeping the strains of high defense output from weakening our financial structure. Beginning with the final quarter of the fiscal year 1951, however, the government has been operating at a deficit. On the basis of present estimates, which take into account the effect of the recently enacted tax bill, revenues for the fiscal year 1952 are estimated at \$61 billion—still some \$7.5 billion short of anticipated Federal expenditures. And during the fiscal year 1953, ending on June 30 of that year, the Budget Bureau expects that Federal expenditures will range much higher. These facts make it clear that we must expect a very much larger deficit in 1953 than the \$7.5 billion deficiency which is in prospect for the current year.

Our projected military expenditures are necessary for the development of a strong defense. They must be financed. They can be financed, I believe, without danger to our economy and without intensifying the strains engendered by high defense output,

if we as a nation are willing to meet with determination, courage and sacrifice the restraints necessary to solve the problem. This will require postponement of some desired expenditures, increased savings and a substantial burden of taxation.

Taxload Should Be Fairly Distributed

When the public is called upon to pay taxes in these increased amounts, they are definitely entitled to assurance that the load is fairly and equitably distributed, and that each pays his honest share without favor, discrimination or manipulation. That assurance must find its root in a Revenue Service of unquestioned integrity and unswerving loyalty to public duty. In recent months some derelictions of public trust have come conspicuously to public notice. I want to assure you that every resource is being used to weed out and deal summarily with the unfaithful few.

These revelations of malefaction bring public indignation, and properly so, for unfortunate would be the day when our citizens and responsible public officials became calloused to less exacting standards of public duty. But even more indignant and outraged at the weak and greedy few, are the great body of honest, decent, conscientious and hard working public servants who comprise the Revenue Service. They resent and despise those few who bring a blotch of dishonor to the service. Many of these earnest and faithful people have devoted a major share of their working lives to the service. Their reward and personal satisfaction is in the honor they hold in their careers and in their lives of public service. They resent bitterly any blotch brought on the service by the few faithless ones, and they are fierce in their determination to rout them out. It is the devoted purpose of every one of us—of the President, of myself, as Secretary of the Treasury, of the Commissioner of Internal Revenue, and of the whole honorable rank and file of the service—to discover and throw out every remaining malefactor.

Both the Commissioner of Internal Revenue and I have welcomed the opportunity to cooperate with the King Subcommittee and with other Congressional Committees in the effort to correct and improve the operating procedures in the Bureau to prevent recurrence of these deviations. It will be the continued aim and goal to maintain the standards of the Bureau at the high level which the people are entitled to expect.

Our Public Debt

Adequate revenues, however, are only the first step in safeguarding the financial system of our country. Our public debt is already very large. It amounts at the present time to well over \$250 billion—approximately one-half of the entire debt of the country, public and private. It is the single most important factor in the financial markets, and the major investment of millions of American citizens. Under these circumstances, successful debt management is of vital concern to every one of us—and of vital importance to the maintenance of a sound financial situation throughout the economy.

From the earliest days of our country, the Secretary of the Treasury has been charged by law with responsibility for the sound conduct of the nation's finances. This responsibility cannot be successfully fulfilled without the cooperation of all of our people. Sound debt management, under present circumstances, depends heavily on savings. It depends on the individual decisions of mil-

Continued on page 34

Tomorrow's Markets
Walter Whyte
Says—

By WALTER WHYTE

As this is being written the averages have started a little upturn though I doubt if anybody looks at it optimistically. The chances are that most of the longs have bitten their nails to the quick by now and are ready to get out of everything if the reaction gets any worse or shows no signs of stopping.

What the reasons for the break are is a series of guesses. You can come up with as many as I, maybe even better ones. As I've often mentioned here before, reasons seldom interest me except to make conversation. I've yet to see any post-operative reasons that can be turned into a profit.

They reacted all over the lot. That's a fact. It's also a fact that this column warned you that once a reaction started it would be a lot greater than generally anticipated. It's also a fact that this column said that despite the reaction the general tendency would be up but the time for buying—two or three weeks

ago—should be postponed until the reaction hit.

Well, the reaction hit and hit hard. The running away from them was general all over the Street. The reasons for the break were legion. Actually the chief causes of the break were to be found within the market itself. Signs of its coming were quite evident.

I'm not going to use up any more white space in retrospect. The question before us now is what to do from here on.

As I write this, Monday afternoon, the signs of turnabout are increasing. My guess is that the current turnabout will last a few more days then will settle back into another sell-off followed by dullness.

Last week I suggested the time to buy them was when they were going down. They declined most of last week and will probably go down a little more this one. If you want them you can't wait until they're up and ready to turn down again. If you do you'll be caught in a whirlpool that'll empty your account in no time.

This doesn't mean that if you buy them now you have any guarantees that they'll go up right away. If I could give such guarantees I wouldn't bother writing this. But if they go down after this shake-out the places you can stop your stocks will be a lot closer to reality than they would have been a few weeks ago.

There's little point in repeating the stocks or the groups I favor. They're the same ones: steels, oils, amusements and coppers. Here's a couple of fresh ones, U. S. Smelting, and Texas, Pacific Coal and Oil.

That about all for this week. Let's see what happens now.

[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.]

2 With Edward Mathews

(Special to THE FINANCIAL CHRONICLE)
BOSTON, Mass.—Barclay Feather and Randolph Sharp have become affiliated with Edward E. Mathews Co., 53 State Street. Mr. Sharp was previously with William H. Coburn & Co.

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Our Fiscal Program

lions of our people to buy and hold the obligations of their government.

There is no compulsion on them to do so. One of the rights which we cherish is the freedom of each individual to invest his surplus funds as he sees fit. This right, we believe, is a vital part of the incentives which make our free enterprise system the most productive in the world.

But that system depends on a recognition of public as well as private interest. We should voluntarily take whatever steps are required to keep our economy strong. Widespread ownership of Federal securities is necessary to keep our large public debt from exercising a disruptive influence in the economy. To the extent that the securities of the government are not bought and held by the citizens and private institutions of the nation, the government must resort to borrowing from the banking system. Commercial bank holdings represent, of course, the most inflationary type of debt ownership. Increasing reliance on bank financing would strengthen, rather than weaken, the upward pressure on the price level.

This is why the Treasury is so deeply concerned with encouraging people to save, and with promoting all measures and programs which encourage the habit of thrift. This is important at all times. But at present it is vital—not only to the sound conduct of the nation's finances, but to the successful functioning of the entire economy during a period of heavy defense output.

I have emphasized taxes and greater savings because these are the foundations of a successful fiscal policy during the period when we are readjusting our defense to the realities of the present world situation. But these are only two measures which are required for safeguarding our economic health. The restriction of credit to essential uses, the allocation of scarce materials, and various direct measures for assuring the stability of wages and prices are also necessary. The job is a big one, but I know that it can be done. I have every confidence that our people will give wholehearted support to the measures necessary for conserving the economic resources of our nation.

Our enemies are well aware of the crushing power of our present production plant. But what they have failed to see—what they have constantly underestimated—is the dynamic strength of a nation of free men, living and thinking and working in an environment conducive to the maximum employment of each citizen's individual abilities and resources.

From earliest childhood our children are taught to think for themselves, to experiment, and to work with others in putting their ideas into action. They are taught to examine new concepts—both their own and those of others—and to try out new programs. They learn to express their thoughts without fear, and without the restrictions which come from a government operating by authoritarian decree.

It was this heritage and this environment, when put to the test, which made possible the production miracles of World War II. And it is this heritage and environment which will protect us now—if we have the wisdom and the courage to pursue those national policies necessary for safeguarding our American way of life.

The problems raised by the necessities of large-scale defense financing—as I see them—are only a part of this larger whole. To

preserve our economic health, we must keep our fiscal position strong—difficult as that may be in terms of the individual burdens involved.

But the one essential thing—the one goal which must guide all of our efforts on the domestic front—is the necessity for main-

taining the fundamental strength of our American economy, our American free enterprise system, and our tradition American institutions.

I have every confidence that our national strength—physical, moral and spiritual—will prove equal to this test.

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The Meaning of the Recent Market Reaction—What Now?

line. My answer is No. Let us compare prices—not by themselves—but in relation to an overall economic picture to the three recent periods 1929, 1937 and 1946 when securities broke badly. In those earlier periods, a danger signal was waving frantically—but it was ignored. In those years securities were selling too high for their earning power. The collapse was logical. But today security prices are low relative to earnings. A few comparisons picked at random among the better-known securities are shown in table I.

Most of these securities are now selling at less than half the ratios for the earlier periods. Not only were leading securities selling at fantastically high price-earnings ratios in '29, '37 and '46, but some of the lower priced shares and issues which have been described as "cats and dogs" had gone to even dizzier heights. This is not true at present. On the contrary, the overall market has probably risen less than indicated by the "averages" since most of the demand has been for the "big name" securities and many of the less well-known issues have moved only slightly.

What about yields? Since earnings and dividends are but opposite sides of the same coin, it should come as no surprise that dividend yields were low in 1929—1937 and 1946, and that they are high today. In September, 1929 the yield on the D-J Averages was only 3.3%—and not much better in '37 and '46. Today it is more than 6%! As a matter of fact, in '29 common stocks actually provided a lower return than high-grade bonds and commercial paper. Today common stocks are yielding more than twice as much as gilt-edge bonds. The sharp difference in yields is shown in this table.

	Sept., 1929	May, 1946	Oct., 1951
Yield on Dow-Jones	3.3%	3.2%	6.1%
Yld. on high-grade bds.	6.1%	2.6%	2.9%
Stock to bond yield	53%	125%	210%

Other significant financial ratios have also undergone important changes between the ear-

lier periods and now. Sales have jumped enormously—not only absolutely but relative to capitalization. Net working capital has been built up sharply. Here is a tabulation of more than 100 well-known listed securities selling near or below their net working capital. Book values have soared, representing the re-investment of a decade of high earnings. Another list consists of some 50 listed securities which are actually selling below earnings re-invested since 1941. [See tables III and IV on adjoining page—Ed.]

On all three counts, then, earnings, dividends, and financial soundness, the contrast with the earlier periods is a marked one.

So far, so good. What of the future? While many of the market pessimists would agree that security prices are not out of line with current earnings and dividends, they forecast a sharp drop in them. Therefore, let us try to appraise what the future holds for industry.

The economy is currently running at full speed ahead. Production is at its highest peak during a peace-time period. Unemployment is at a minimum with a shortage of workers in many segments of industry. Personal income is at an all-time high.

Expenditures for defense are just beginning to make themselves felt. Since July, 1950 we have authorized some \$140 billion for defense, but of this only \$35 billion has been expended. The build-up has been slow and the full effect of the defense outlays will become more pronounced here on forward. Business must expand its plant to handle the onrush of orders. To illustrate the task, we need only refer to recent data showing that the tremendous increase in consumption of electric energy and the additional substantial demand which must be met in the next few years.

Orders have more than kept pace with sales—and the total amount of unfilled orders has soared. While a gradual leveling

TABLE I
Price to Earnings Ratio

Security—	1929 At High	1937 At High	1946 At High	Oct., *1951
American Can	23.0	19.9	44.2	12.9
Anaconda Copper	21.1	19.2	18.5	8.7
Case, J. L.	22.7	13.4	51.5	5.7
Consolidated Edison	38.0	23.0	16.4	12.1
DuPont	33.0	24.3	24.0	21.6
Dow Chemical	21.9	40.7	20.8	17.4
General Electric	44.6	29.1	34.9	12.0
General Foods	22.4	25.3	17.2	11.6
General Motors	16.6	15.9	45.5	10.4
Goodyear	16.5	24.3	4.8	5.4
Standard Oil of N. J.	17.4	20.3	12.0	8.5
U. S. Steel	12.3	15.7	13.3	6.8
Woolworth	28.1	19.0	15.0	13.1

*Based on the estimated 1951 earnings.

TABLE II
The Effect of Higher Taxes on Earnings

Industry—	No. of Companies	1950 Combined Total Earnings Per Share	*1951
Air Transport	7	12.56	15.35
Chemical	25	105.61	100.25
Machinery (Industrial)	30	139.48	137.15
Nonferrous Metals	24	142.14	151.55
Oil	41	205.93	221.20
Steel	28	192.99	178.25
Rubber and Tires	6	62.29	72.00

*Estimated.

Pacific Coast Securities
Orders Executed on Pacific Coast Exchanges
Schwabacher & Co.
Established 1919
INVESTMENT SECURITIES
Members
New York Stock Exchange
New York Curb Exchange (Associate)
San Francisco Stock Exchange
Chicago Board of Trade
New York Cotton Exchange
14 Wall Street New York 5, N. Y.
Cortlandt 7-4150 Teletype NY 1-928
Private Wires to Principal Offices
San Francisco—Santa Barbara
Monterey—Oakland—Sacramento
Fresno—Santa Rosa

SPECIAL CALL OPTIONS
• Per 100 Shares Plus Tax •
U. S. Steel . . . @43 3/4 Dec. 24 \$112.50
B. & O. @20 Jan. 28 137.50
St. L.—San Fr. . . @29 Dec. 7 112.50
So. Pacific . . . @60 Jan. 2 287.50
Kern Co. Land . . @49 3/4 Feb. 2 437.50
New Mex. Ariz. . . @25 1/4 Dec. 4 212.50
Beth. Steel . . . @50 1/2 Dec. 31 375.00
Warren Petrol. . . @28 1/2 Jan. 3 225.00
Grt. North. pf. . . @54 3/4 Dec. 31 175.00
Chi. Milw. St. P. . . @22 Jan. 22 112.50
Penn. RR. @19 1/2 5 mos. 200.00
P.-Am. Wild Air @10 1/4 6 mos. 137.50
Int'l Tel. & Tel. . . @18 1/2 Mar. 29 100.00
Int'l Paper @52 Jan. 21 175.00
Schenley Ind. . . @33 1/2 Dec. 31 187.50
Ohio Oil @51 3/4 Jan. 4 325.00
Am. Woolen. . . @41 1/4 Dec. 15 200.00
N.Y. Chi. St. L. . . @44 Dec. 26 112.50
Subject to prior sale or price change
Explanatory pamphlet on request
THOMAS, HAAB & BOTTS
Members Put & Calls Brokers & Dealers
Association, Inc.
50 Broadway, N. Y. 4, Tel. BO 9-8470

off can probably be expected—probably some time next spring—the picture of the business community is a healthy one.

What about taxes? Will they sharply cut-down earnings and dividends? Certainly taxes are going to limit profits, and in our opinion, we have probably seen the peak in profits for most companies. But even with the new tax law earnings will remain at very high levels.

We have computed estimated average earnings for 1951 by industry group, taking into account the new tax law. Even after adjusting for the higher taxes, earnings compare very favorably with 1950. [See table II on preceding page—Ed.]

Two other important considerations should be kept in mind in assessing the effect of lower earnings. First, corporations have been most conservative during recent years in the degree to which they have paid out earnings. A much more liberal policy could easily be pursued. Therefore, even a drop in earnings would not necessarily be followed by a comparable reduction in dividends.

Proportion of Earnings Paid Out
Dow-Jones Averages

1950	53%
1949	54
1948	50
1947	49
1946	55
1936-40 Average	72

Secondly, current security prices result in a conservative price-earnings ratio which could well afford to go higher and thus support lower earnings. As you will note in this chart, the D-J Averages are currently selling at only 11 times estimated 1951 earnings. At the '29, '37 and '43 market peaks the Averages were some 17 times earnings while even at most periods of market lows the P-E ratio was considerably higher than at present.

Price to Earnings Ratio—
Dow Average

1929 High	17.5
1932 Low	93.7
1937 High	16.6
1938 Low	19.8
1938 High	39.8
1939 Low	13.5
1939 High	12.3
1940 Low	10.5
1941 High	10.9
1942 Low	12.4
1946 High	16.8
1949 Low	7.5
1951 Current	11.3

That the market is not as cheap as it was a year ago is indisputable. It is equally clear to us that the investor has nothing to fear at these levels if he pursues sound investment programing. Temporary setbacks, corrections, and bumps along the way can obviously be expected. A jumpy and chaotic world will continue to provide ample grounds for pessimistic prognosticators. The man who trades daily for a small gain may find the market acting nervously—reflecting his own nervous state of mind. In our opinion, he will probably fail to notice the general upward trend of security prices and the more substantial gains by undervalued groups.

Two With Paul Rudolph

(Special to THE FINANCIAL CHRONICLE)
SAN FRANCISCO, Calif.—Charles H. Lape and John V. Littlefield are now with Paul C. Rudolph & Company, 127 Montgomery Street.

With William R. Staats

(Special to THE FINANCIAL CHRONICLE)
SAN FRANCISCO, Calif.—J. Kenneth Lynch has become associated with William R. Staats & Co., 111 Sutter Street. He was previously with Schwabacher & Co., for several years.

TABLE III
Stocks Quoted Near Equity in Working Capital

*Company—	Date Latest Bal. Sheet	Book Value \$ per	Net Wkg. Cap. After Pr. Oblig. Com. Sh.—	Prices Oct. 30, '51 Rounded to Nearest \$
†Air-Way Elec. Appl.	12-31-50	14.93	11.27	10
Amalgamated Leather	12-31-50	6.95	3.30	3 3/8
American Distilling	9-30-50	73.68	53.42	46
†Amer. Laundry Mach.	12-31-50	47.16	36.88	26
American Ship Building	6-30-50	101.64	55.09	46
American Stove	3-31-51	23.28	11.14	10
American Woolen	12-31-50	74.87	42.33	39
†Apex Elec. Mfg.	12-31-50	18.40	10.47	8
Austin, Nichols	4-30-50	13.78	12.07	8
Autocar Co.	12-31-50	23.41	11.70	10
Baldwin-Lima-Hamilton	12-31-50	23.16	12.58	11
Barker Bros.	3-31-51	28.31	18.47	19
Bayuk Cigars	12-31-50	22.59	17.13	10
Bliss (E. W.)	3-31-51	21.81	13.11	16
†Blumenthal (S.)	12-31-50	26.13	13.73	12
Boeing Airplane	12-31-50	49.79	42.09	46
Bon Ami "B"	12-31-50	11.48	12.49	11
Brunswick-Balke-Coll.	3-31-51	44.13	24.59	19
Butler Bros.	12-31-50	24.73	18.16	13
Century Ribbon Mills	3-31-51	19.71	12.18	10
†Cessna Aircraft	9-30-50	8.74	6.32	7
Chickasha Cotton Oil	6-30-50	37.62	15.26	18
†Cockshutt Plow	10-31-50	341.35	329.08	24
Collins & Aikman	3-31-51	42.80	22.25	21
Columbia Pictures	6-30-50	34.12	29.58	13
Combustion Eng.-Super.	12-31-50	50.30	38.42	39
Consolidated Cigar	12-31-50	51.96	39.01	29
Cont'l-Diamond Fibre	12-31-50	21.58	11.34	15
Coty, Inc.	6-30-50	4.80	4.24	4 1/2
Coty International	12-31-50	4.10	2.09	2 1/2
Crane Co.	12-31-50	52.09	30.75	39
Cuban-American Sugar	9-30-50	47.48	22.83	21
Curtiss-Wright	12-31-50	15.10	11.98	10
DWG Cigar	12-31-50	16.00	12.86	11
Daystrom, Inc.	3-31-50	27.29	18.71	16
†Dejay Stores	1-31-51	8.36	7.20	7
De Vilbiss Co.	3-31-51	34.45	23.50	18
Diamond T Motor Car	12-31-50	27.26	20.15	14
Douglas Aircraft	2-28-51	65.73	48.45	60
Elgin Natl. Watch	12-31-50	26.54	15.45	13
Endicott Johnson	11-30-50	66.25	37.25	28
Eureka Williams	7-31-50	12.06	8.09	7
†Fairchild Engine	12-31-50	7.78	6.53	8
Fajardo Sugar	7-31-50	36.27	20.45	24
Federal Motor Truck	12-31-50	8.62	4.47	5
Foster Wheeler	12-31-50	73.29	52.08	45
Gamewell Co.	5-31-50	22.46	16.26	20
General Cigar	12-31-50	45.80	37.06	17
†General Fireproofing	12-31-50	25.35	19.80	27
Gen'l Precision Equip.	12-31-50	30.43	22.23	22
General Rwy. Signal	12-31-50	36.14	22.42	25
†Glenmore Distilleries "B"	12-31-50	423.21	418.92	16
Goodall-Sanford	3-31-51	42.87	25.78	19
†Hall Lamp	12-31-50	8.76	4.42	5
Hamilton Watch	12-31-50	20.19	12.31	14
Hart, Shaffner & Marx	11-30-50	66.29	30.86	24
Hat Corp. of Amer.	10-31-50	8.07	5.23	6
Hayes Mfg.	9-30-50	9.36	6.13	7
Hercules Motors	12-31-50	32.78	23.44	20
Hudson Motor Car	12-31-50	38.20	24.19	13
Hunt Foods	11-30-50	37.96	22.38	21
Internatl. Packer	12-31-50	34.79	20.38	14
†Iron Fireman	12-31-50	19.85	13.75	14
Kalamazoo Stove	3-31-51	21.34	13.47	12
Kayser (Julius)	6-30-50	24.29	14.24	13
†Kingston Products	3-31-51	4.37	2.97	4
†Lakay Fdry. & Mach.	4-30-51	29.83	5.17	7
†Lanston Monotype	2-28-50	23.36	16.49	21
Lee Rubber & Tire	10-31-50	82.91	64.56	64
Libby, McNeill & Libby	3-31-51	16.26	7.58	9
Lukens Steel	4-14-51	72.22	40.02	47
Mack Trucks	12-31-50	36.10	21.96	16
Manhattan Shirt	12-31-50	44.30	35.31	23
†Marion Power Shovel	12-31-50	27.82	14.32	13
Martin-Parry	8-31-50	19.44	14.66	12
McQuay-Norris	12-31-50	26.04	14.37	16
Miami Copper	12-31-50	28.66	17.22	21
†Midvale Co.	12-31-50	27.21	16.44	19
Montgomery Ward	1-31-51	80.20	71.88	70
Murray Corp.	8-31-50	37.69	20.69	20
National Acme	12-31-50	36.65	32.14	34
Natl. Automotive Fibres	3-31-51	26.18	18.22	20
National Can	12-31-50	21.00	9.54	13
National Dept. Stores	1-31-51	32.34	27.65	17
†National Rubber Mach.	12-31-50	21.24	13.52	13
Nesco, Inc.	12-31-50	22.35	10.50	10
N. Y. Shipbuilding	12-31-50	428.83	420.86	16
†Niles-Bement-Pond	12-31-50	26.53	17.51	19
Noma Electric	12-31-50	16.74	10.03	10
North Amer. Aviation	9-30-50	15.08	13.26	16
Oliver Corp.	10-31-50	60.22	33.30	33
Pacific Mills	12-31-50	68.35	38.60	33
†Phillips Packing	3-31-51	17.46	9.60	10
†Powdrell & Alexander	12-31-50	14.10	8.95	8
†Prosperity Co. "B"	12-31-50	428.69	413.37	8
Pullman, Inc.	3-31-51	67.03	50.46	45
†Raytheon Mfg.	11-30-50	111.08	7.93	9
Real Silk Hosiery	12-31-50	41.35	19.86	16
†Regal Shoe	12-31-50	6.33	5.05	4
Reliable Stores	12-31-50	50.68	45.02	24
Reliance Mfg.	12-31-50	18.89	14.82	10
Reo Motors	3-31-51	32.20	18.72	19
†Ryan Aeronautical	10-31-50	12.81	9.76	9
Schenley Industries	8-31-50	549.76	535.88	33
Servel, Inc.	10-31-50	11.55	8.52	9

*Company—	Date Latest Bal. Sheet	Book Value \$ per	Net Wkg. Cap. After Pr. Oblig. Com. Sh.—	Prices Oct. 30, '51 Rounded to Nearest \$
Shattuck (F. G.)	12-31-50	18.55	9.36	9
†Simplicity Pattern	12-31-50	5.59	5.17	4 3/4
Spalding (A. G.)	10-31-50	20.77	14.05	16
Sparks-Withington	6-30-50	7.39	5.01	6
Spears & Co.	12-31-50	15.19	11.55	5 3/8
†Standard Forgings	12-31-50	24.05	12.55	16
Starrett (L. S.)	12-31-50	63.01	41.68	41
†Sterling, Inc.	12-31-50	5.45	4.17	4
Stewart-Warner	3-31-51	24.88	16.03	18
Thew Shovel	12-31-50	25.63	19.53	21
†Todd Shipyards	3-31-51	134.75	73.73	52
U. S. Freight	12-31-50	35.18	24.01	20
U. S. Hoffman Machy.	3-31-51	32.76	19.70	14
Universal Pictures	10-28-50	18.59	11.52	13
Van Norman Co.	12-31-50	22.44	15.04	17
Waukesha Motor	7-31-50	23.31	17.36	18
Wayne Pump	2-28-51	25.36	16.46	15
Webster Tobacco	12-31-50	13.48	11.26	10
Western Auto Supply	12-31-50	51.65	44.32	48
White (S. S.) Dental	3-31-51	41.92	30.36	34
White Motor	12-31-50	60.80	42.77	27
Wilson Jones	2-28-51	21.32	13.22	16
Youngst'n Sheet & Tube	12-31-50	81.57	44.59	51

*All issues listed on the New York Stock Exchange, unless otherwise noted. †New York Curb. 1As of 5-31-50. 2As of 10-31-50. 3Canadian currency. 4 Combined shares. 5 Pro-forma.
NET WORKING CAPITAL AFTER PRIOR OBLIGATIONS, shown in the tabulation, represents net working capital, after allowing for funded debt of the company and subsidiaries at face value, for minority interest, for preferred stock (at involuntary liquidating price), and for dividend accumulations. BOOK VALUE represents the full amount that would be realized if both quick and fixed assets were disposed of at the value carried on the company's books.

TABLE IV
Securities Priced Below 10-Year Retained Earnings

Company—	10-Year Retained Earnings	Prices Oct. 30 Rounded to Nearest Dollar
Affiliated Gas	\$9.65	8
American Colortype	23.08	19
American Locomotive	19.54	19
American Woolen	72.73	39
Armour & Co.	20.08	10
Austin Nichols	16.53	8
Auto Car Co.	14.18	10
Beech Aircraft	13.02	12
Byers, A. M.	27.26	24
Ceiotex Corp.	18.59	18
Childs Co.	4.27	4
Consolidated Cigar	30.89	29
Crucible Steel	41.42	41
Cudahy Packing	12.68	7
Diamond T	19.18	14
Duplan Corp.	14.20	12
Foster Wheeler	50.60	46
Francisco Sugar	28.58	19
General Cable	10.01	10
Grayson-Robinson	14.20	13
Guant. Sugar	12.86	12
Hart Schaffner	38.77	24
Hudson Motors	23.08	13
Kelsey Hayes, B.	30.42	31
Manati Sugar	15.14	11
Murray Corp., American	22.15	20
National Department Stores	19.06	17
National Supply	29.64	28
Newport Ship & Drydock	35.27	32
Pacific Mills	39.46	33
Peabody Coal	13.04	9
Pittsburgh Steel	25.47	24
Pittston Co.	28.88	27
Prosperity Co.	19.69	8
Reo Motors	21.83	19
Schenley	35.22	33
Seiberling Rubber	15.54	13
Smith, A. O.	36.77	35
Stokeley Van Camp	24.14	16
Studebaker	29.20	29
Thor Corp.	20.23	15
20th Century Fox	27.87	21
Twin City Rapid Transit	14.49	8
U. S. Hoffman Machinery	16.37	14
Universal Pictures	21.15	13
Virginia Carolina Corp.	16.51	19
Wesson Oil	33.71	31
West Virginia Coal & Coke	22.00	16
White Motors	29.05	27
Wilson & Co.	23.11	13
Woodall Industries	13.19	13
Worthington Pump	29.35	26

With Denault & Co. (Special to THE FINANCIAL CHRONICLE)
Joins W. H. Heagerty (Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Alen Lonstrom is with Denault & Co., Russ Building.
ST. PETERSBURG, Fla.—R. N. James has become affiliate with W. H. Heagerty & Co., Florida Theatre Building. He was previously with Herrick, Waddell & Co., Inc.

Oakes Adds To Staff (Special to THE FINANCIAL CHRONICLE)

MIAMI BEACH, Fla.—George E. Tanner is with Oakes & Company, 605 Lincoln Road.

David H. Thomas Opens
COLUMBUS, Ohio—David H. Thomas is engaging in a securities business from offices at 50 East Broad Street.
Mader Co. Formed
R. H. Brennen and Maximilian A. Mader have formed Mader & Co. with offices at 418 East 51st Street, New York City, to engage in a securities business. Mr. Mader in the past was associated with D. F. Bernheimer & Co., Inc., and L. Johnson & Co.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

	Latest Week	Previous Week	Month Ago	Year Ago	Latest Month	Previous Month	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:							
Indicated steel operations (percent of capacity).....Nov. 4	104.5	102.9	102.6	102.4			
Equivalent to—							
Steel ingots and castings (net tons).....Nov. 4	2,089,000	2,057,000	2,051,000	1,975,000			
AMERICAN PETROLEUM INSTITUTE:							
Crude oil and condensate output—daily average (bbls. of 42 gallons each).....Oct. 20	6,253,200	6,329,350	6,297,950	5,901,200			
Crude runs to stills—daily average (bbls.).....Oct. 20	16,481,000	6,426,000	6,550,000	6,078,000			
Gasoline output (bbls.).....Oct. 20	21,839,000	21,330,000	21,752,000	20,299,000			
Kerosene output (bbls.).....Oct. 20	2,415,000	2,437,000	2,393,000	2,276,000			
Distillate fuel oil output (bbls.).....Oct. 20	9,461,000	8,799,000	9,547,000	8,283,000			
Residual fuel oil output (bbls.).....Oct. 20	8,502,000	8,396,000	8,358,000	8,736,000			
Stocks at refineries, at bulk terminals, in transit and in pipe lines—							
Finished and unfinished gasoline (bbls.) at.....Oct. 20	111,363,000	111,845,000	113,072,000	105,382,000			
Kerosene (bbls.) at.....Oct. 20	33,392,000	33,632,000	33,529,000	28,578,000			
Distillate fuel oil (bbls.) at.....Oct. 20	101,548,000	101,190,000	95,164,000	83,193,000			
Residual fuel oil (bbls.) at.....Oct. 20	49,279,000	49,139,000	47,644,000	44,002,000			
ASSOCIATION OF AMERICAN RAILROADS:							
Revenue freight loaded (number of cars).....Oct. 20	886,643	868,683	864,310	891,230			
Revenue freight received from connections (number of cars).....Oct. 20	706,756	694,738	693,041	727,276			
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:							
Total U. S. construction.....Oct. 25	\$189,111,000	\$195,220,000	\$335,092,000	\$245,105,000			
Private construction.....Oct. 25	105,732,000	124,169,000	227,640,000	147,755,000			
Public construction.....Oct. 25	83,379,000	71,051,000	107,452,000	97,350,000			
State and municipal.....Oct. 25	41,379,000	52,682,000	66,268,000	80,135,000			
Federal.....Oct. 25	42,000,000	18,369,000	41,164,000	17,215,000			
COAL OUTPUT (U. S. BUREAU OF MINES):							
Bituminous coal and lignite (tons).....Oct. 20	11,375,000	10,965,000	10,940,000	11,828,000			
Pennsylvania anthracite (tons).....Oct. 20	1,045,000	1,020,000	833,000	977,600			
Beehive coke (tons).....Oct. 20	131,760	137,600	136,000	160,500			
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE = 100Oct. 20							
	334	338	321	30			
EDISON ELECTRIC INSTITUTE:							
Electric output (in 000 kwh.).....Oct. 27	7,233,923	7,149,458	7,101,794	6,562,511			
FAILURES (COMMERCIAL AND INDUSTRIAL)—DUN & BRADSTREET, INC.Oct. 25							
	155	157	154	10			
IRON AGE COMPOSITE PRICES:							
Finished steel (per lb.).....Oct. 23	4.131c	4.131c	4.131c	3.877			
Pig iron (per gross ton).....Oct. 23	\$52.69	\$52.69	\$52.69	\$49.5			
Scrap steel (per gross ton).....Oct. 23	\$43.00	\$43.00	\$43.00	\$40.6			
METAL PRICES (E. & M. J. QUOTATIONS):							
Electrolytic copper.....Oct. 24	24.200c	24.200c	24.200c	24.200			
Domestic refinery at.....Oct. 24	27.425c	27.425c	27.425c	24.425			
Export refinery at.....Oct. 24	103.000c	103.000c	103.000c	117.500			
Straits tin (New York) at.....Oct. 24	19.000c	19.000c	17.000c	16.000			
Lead (New York) at.....Oct. 24	18.800c	18.800c	16.800c	15.800c			
Lead (St. Louis) at.....Oct. 24	19.500c	19.500c	17.500c	17.500			
Zinc (East St. Louis) at.....Oct. 24							
MOODY'S BOND PRICES DAILY AVERAGES:							
U. S. Government Bonds.....Oct. 30	97.74	97.86	98.08	101.42			
Average corporate.....Oct. 30	109.79	110.34	111.62	115.2			
Aaa.....Oct. 30	114.27	114.85	116.22	119.41			
Aa.....Oct. 30	113.31	113.89	115.24	118.64			
A.....Oct. 30	109.06	109.42	110.24	114.67			
Baa.....Oct. 30	103.30	103.60	105.00	108.88			
Railroad Group.....Oct. 30	106.04	107.09	108.16	111.25			
Public Utilities Group.....Oct. 30	109.79	110.15	111.25	115.63			
Industrials Group.....Oct. 30	113.89	114.08	115.24	119.00			
MOODY'S BOND YIELD DAILY AVERAGES:							
U. S. Government Bonds.....Oct. 30	2.65	2.64	2.63	2.39			
Average corporate.....Oct. 30	3.18	3.15	3.08	2.89			
Aaa.....Oct. 30	2.94	2.91	2.84	2.68			
Aa.....Oct. 30	2.89	2.96	2.89	2.72			
A.....Oct. 30	3.22	3.20	3.15	2.92			
Baa.....Oct. 30	3.55	3.52	3.45	3.23			
Railroad Group.....Oct. 30	3.39	3.33	3.27	3.10			
Public Utilities Group.....Oct. 30	3.18	3.16	3.10	2.87			
Industrials Group.....Oct. 30	2.96	2.95	2.89	2.70			
MOODY'S COMMODITY INDEXOct. 30							
	458.4	459.0	460.3	468.7			
NATIONAL PAPERBOARD ASSOCIATION:							
Orders received (tons).....Oct. 20	168,866	171,817	155,900	196,950			
Production (tons).....Oct. 20	217,734	211,413	214,310	235,388			
Percentage of activity.....Oct. 20	89	90	90	101			
Unfilled orders (tons) at end of period.....Oct. 20	429,639	486,887	475,903	715,451			
OIL, PAINT AND DRUG REPORTER PRICE INDEX — 1926-36 AVERAGE = 100Oct. 26							
	149.0	148.9	149.1	138.2			
STOCK TRANSACTIONS FOR THE ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON THE N. Y. STOCK EXCHANGE—SECURITIES EXCHANGE COMMISSION:							
Odd-lot sales by dealers (customers' purchases):							
Number of orders.....Oct. 13	26,144	35,600	35,640	29,404			
Number of shares.....Oct. 13	770,718	1,054,653	1,077,194	892,156			
Dollar value.....Oct. 13	\$32,981,060	\$45,273,573	\$46,148,934	\$38,308,776			
Odd-lot purchases by dealers (customers' sales):							
Number of orders—Customers' total sales.....Oct. 13	23,601	31,437	35,065	31,155			
Customers' short sales.....Oct. 13	131	191	252	226			
Customers' other sales.....Oct. 13	23,470	31,256	34,813	30,929			
Number of shares—Total sales.....Oct. 13	676,754	907,734	1,009,087	889,933			
Customers' short sales.....Oct. 13	4,469	6,453	8,183	8,457			
Customers' other sales.....Oct. 13	672,285	901,281	1,000,884	881,476			
Dollar value.....Oct. 13	\$27,166,119	\$35,613,509	\$40,475,280	\$34,569,564			
Round-lot sales by dealers:							
Number of shares—Total sales.....Oct. 13	185,090	237,170	295,190	309,460			
Short sales.....Oct. 13							
Other sales.....Oct. 13	185,090	237,170	295,190	309,460			
Round-lot purchases by dealers:							
Number of shares.....Oct. 13	283,440	399,260	372,730	278,440			
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR—1926 = 100:							
All commodities.....Oct. 23	177.1	177.7	176.7	169.2			
Farm products.....Oct. 23	192.5	195.2	190.5	177.7			
Grains.....Oct. 23	188.9	189.0	182.2	163.6			
Livestock.....Oct. 23	253.5	257.4	260.0	225.6			
Foods.....Oct. 23	190.2	191.6	189.6	172.5			
Meats.....Oct. 23	282.4	283.0	282.1	242.4			
All commodities other than farm and foods.....Oct. 23	165.1	165.1	165.1	161.5			
Textile products.....Oct. 23	157.0	157.1	159.5	162.7			
Fuel and lighting materials.....Oct. 23	138.8	138.8	138.7	135.6			
Metals and metal products.....Oct. 23	190.9	190.9	190.5	179.1			
Building materials.....Oct. 23	223.7	223.2	222.6	218.3			
Lumber.....Oct. 23	345.9	344.5	342.7	318.3			
Chemicals and allied products.....Oct. 23	141.3	141.2	141.1	132.8			
BUSINESS FAILURES—DUN & BRADSTREET, INC.—Month of September:							
Manufacturing number.....	150	136	147				
Wholesale number.....	70	64	69				
Retail number.....	277	333	314				
Construction number.....	84	89	75				
Commercial service number.....	39	56	43				
Total number.....	620	678	648				
Manufacturing liabilities.....	\$14,908,000	\$10,487,000	\$5,865,000				
Wholesale liabilities.....	1,459,000	4,099,000	1,871,000				
Retail liabilities.....	4,826,000	6,173,000	4,775,000				
Construction liabilities.....	4,668,000	4,290,000	1,303,000				
Commercial service liabilities.....	782,000	1,358,000	1,450,000				
Total liabilities.....	\$26,643,000	\$26,417,000	\$15,254,000				
BUSINESS INVENTORIES, DEPT. OF COMMERCE NEW SERIES—Month of Aug. (millions of dollars):							
Manufacturing.....	\$40,536	\$39,894	\$29,253				
Wholesale.....	9,938	10,255	8,236				
Retail.....	19,441	20,079	16,130				
Total.....	\$69,975	\$70,228	\$53,619				
CASH DIVIDENDS — PUBLICLY REPORTED BY U. S. CORPORATIONS — U. S. DEPARTMENT OF COMMERCE — Month of August (000 omitted):							
	\$216,700	\$524,600	\$214,300				
COTTON AND LINTERS — DEPT. OF COMMERCE — RUNNING BALES:							
Lint—Consumed month of September.....	722,004	754,119	969,555				
In consuming establishments as of Sept. 29.....	1,049,283	1,053,401	1,241,608				
In public storage as of Sept. 29.....	3,341,544	1,492,235	4,298,925				
Linters—Consumed month of September.....	113,592	87,604	122,990				
In consuming establishments as of Sept. 29.....	146,433	144,890	162,174				
In public storage as of Sept. 29.....	30,905	34,808	118,415				
Cotton spindles active as of Sept. 29.....	20,714,000	20,755,000	20,815,000				
COTTON SPINNING (DEPT. OF COMMERCE):							
Spinning spindles in place on Sept. 29.....	23,188,000	23,184,000	23,227,000				
Spinning spindles active on Sept. 29.....	20,714,000	20,755,000	19,945,000				
Active spindle hours, (000's omitted) Sept. 29.....	9,247,000	8,786,000	8,725,000				
Active spindle hrs. per spindle in place Sept. 29.....	474.2	468.4	396				
FACTORY EARNINGS AND HOURS—WEEKLY AVERAGE ESTIMATE — U. S. DEPT. OF LABOR—Month of September:							
Earnings:							
All manufacturing.....	\$65.29	\$64.56	\$60.64				
Durable goods.....	70.63	69.76	65.14				
Nondurable goods.....	58.41	57.99	55.30				
Hours:							
All manufacturing.....	40.5	40.4	41.0				
Durable goods.....	41.5	41.4	41.7				
Nondurable goods.....	39.2	39.1	40.1				
Hourly earnings:							
All manufacturing.....	\$1.612	\$1.598	\$1.479				
Durable goods.....	1.702	1.685	1.562				
Nondurable goods.....	1.490	1.463	1.379				
LIFE INSURANCE—BENEFIT PAYMENTS TO POLICYHOLDERS — INSTITUTE OF LIFE INSURANCE—Month of August:							
Death benefits.....	\$148,811,000	\$135,428,000	\$131,433,000				
Matured endowments.....	39,785,000	38,234,000	31,190,000				
Disability payments.....	8,580,000	8,152,000	6,658,000				
Annuity payments.....	22,966,000	22,550,000	21,090,000				
Surrender values.....	56,691,000	54,131,000	57,024,000				
Policy dividends.....	50,692,000						

Securities Now in Registration

★ REVISIONS THIS WEEK
● INDICATES ADDITIONS

New Registrations and Filings

Abbott Laboratories, Chicago, Ill. (11/16)
Oct. 25 filed 106,851 shares of 4% cumulative preferred stock (par \$100), convertible into common stock prior to Jan. 1, 1962, to be offered initially for subscription by common stockholders of record Nov. 16 at rate of one preferred share for each 35 common shares held; rights will expire Dec. 3. Price—To be supplied by amendment. Underwriter—A. G. Becker & Co. Inc., Chicago, Ill. Proceeds—For capital expenditures and working capital. Meeting—Stockholders will vote Nov. 13 to approve proposed new issue.

Air Marshall Corp., N. Y.
Oct. 26 (letter of notification) 420,425 shares of common stock (par 1 cent). Price—10 cents per share. Underwriter—Frazee, Olifiers & Hillman, New York. Proceeds—For working capital. Office—12 East 44th Street, New York.

Allied Electric Products, Inc. (N. J.)
Oct. 25 (letter of notification) 14,000 shares of common stock (par \$1) and \$250,000 of three-year convertible 6% notes. Price—For stock \$3.50 per share and for notes at 100%. Underwriter—Hill, Thompson & Co., Inc., New York. Proceeds—For working capital.

Arcturus Electronics, Inc., Newark, N. J.
Oct. 26 (letter of notification) 100,000 shares of class A stock to be issued upon exercise of option warrants by Dec. 1, 1951, at 10 cents per share. Price—56¼ cents per share. Underwriter—None. Proceeds—For general corporate purposes, to be used mainly to increase manufacturing facilities. Office—54 Clark Street, Newark, New Jersey.

Auburn Metal Industries, Inc., N. Y.
Oct. 24 (letter of notification) 295 shares of preferred stock (par \$1,000) and 295 shares of common stock (no par). Price—Preferred at par and common at 10 cents per share. Underwriter—None. Proceeds—To repay short-term loans and for working capital. Office—75 West Street, New York, N. Y.

Bell & Gossett Co., Morton Grove, Ill.
Oct. 22 (letter of notification) 1,000 shares of common stock (par \$5). Price—At market (about \$27.37½ per share). Underwriter—Ames, Emerich & Co., Inc., Chicago, Ill. Proceeds—To R. Edwin Moore, the selling stockholder.

Buckeye Mining Co., Trinity Center, Calif.
Oct. 24 (letter of notification) 2,000,000 shares of capital stock, of which 1,000,000 shares are to be offered publicly and 1,000,000 shares issued to O. H. Shoemaker in consideration for two mining leases on placer ground. Price—10 cents per share. Underwriter—None. Proceeds—To purchase equipment.

Carolina Telephone & Telegraph Co. (11/23)
Oct. 30 filed 41,650 shares of common stock to be offered for subscription by stockholders of record Nov. 23 at rate of one share for each three shares held. Price—At par (\$100 per share). Underwriter—None. Proceeds—To reduce bank loans. Office—Tarboro, N. C.

Central Illinois Light Co., Peoria, Ill. (11/27)
Oct. 26 filed \$8,000,000 first mortgage bonds, due 1981. Underwriters—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Morgan Stanley & Co.; Lehman Brothers; First Boston Corp.; Equitable Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane. Proceeds—To repay bank loans and for new construction. Bids—Scheduled to be opened on Nov. 27.

Central Maine Power Co.
Oct. 31 filed \$7,000,000 first and general mortgage bonds, series T, due Nov. 1, 1981. Underwriter—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Coffin & Burr, Inc. and The First Boston Corp. (jointly); Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Salomon Bros. & Hutzler; Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); Lee Higginson Corp.; Harriman Ripley & Co. Inc. Proceeds—To repay bank loans.

Central Maine Power Co.
Oct. 31 filed 315,146 shares of common stock (par \$10) to be offered for subscription by holders of 6% preferred stock and common stock at rate of five shares of common for each share of preferred stock held and at rate of one share of new common for each seven shares of common stock held. The New England Public Service Co. has waived its right to subscribe for 150,740 of the new shares. Underwriter—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); Coffin & Burr, Inc.; Harriman Ripley & Co. Inc. Proceeds—To repay bank loans and for new construction.

Century Natural Gas & Oil Corp.
Oct. 24 (letter of notification) 23,000 shares of common stock (par 10 cents). Price—25 cents per share. Underwriter—Greenfield & Co., Inc., New York. Proceeds—For exploration, drilling and development expenses, etc., and for working capital. Office—Waynesburg, Pa.

Colorado Tungsten Co., Twin Lakes, Colo.
Oct. 26 (letter of notification) 74,500 shares of beneficial interest (par \$1). Price—30,000 shares to be sold at 50 cents per share and 44,500 shares at \$1 per share. Underwriter—None. Proceeds—For mining operations.

Colton Chemical Co., Cleveland, Ohio
Oct. 24 (letter of notification) 80,000 shares of common stock (par \$1), of which 47,000 shares are for account of

company and 33,000 shares for account of three selling stockholders. Price—\$3 per share. Underwriters—H. L. Emerson & Co., Inc., and Cunningham & Co., both of Cleveland, O. Proceeds—To company will be used to repay bank loans and for expansion program. Office—1545 East 18th St., Cleveland 14, Ohio.

Consolidated Finance Corp., Indianapolis, Ind.
Oct. 24 (letter of notification) 2,000 shares of 5% cumulative class A preferred stock, 1951 series. Price—At par (\$100 per share). Underwriter—None. Proceeds—For working capital. Office—111 North Pennsylvania St., Indianapolis, Ind.

County Gas Co., Atlantic Highlands, N. J.
Oct. 23 (letter of notification) 10,399 shares of common stock (no par). Price—\$14.25 per share. Underwriter—Woodcock, Hess & Co., Inc., Philadelphia, Pa. Proceeds—For construction purposes. Offering—Scheduled for Oct. 31, 1951.

Downing's, Inc., Arkansas City, Kansas
Oct. 23 (letter of notification) 2,218 shares of capital stock. Price—At par (\$10 per share). Underwriter—None. Proceeds—For working capital. Office—20 West Madison St., Arkansas City, Kan.

Fanner Manufacturing Co. (11/19-24)
Oct. 30 filed 350,000 shares of common stock (par \$1). Price—To be supplied by amendment. Underwriters—The First Cleveland Corp., Cleveland, O., and A. C. Allyn & Co., Inc., Chicago, Ill. Proceeds—To C. G. Raible, President of the company, who is the selling stockholder. Offering—Expected week of Nov. 19.

Fischer & Porter Co., Hatboro, Pa.
Oct. 23 (letter of notification) an undetermined number of common shares (no par) sufficient to realize \$10,000. Price—Between \$9 and \$10 per share. Underwriter—None. Proceeds—For working capital. Office—Hatboro, Pennsylvania.

General Electronic & Television Corp.
Oct. 23 (letter of notification) 200,000 shares of common stock. Price—At par (\$1 per share). Underwriter—None. Proceeds—To establish and equip stores in Reno and Las Vegas, Nev. Office—139 No. Virginia St., Reno, Nev.

Gray Manufacturing Co., N. Y.
Oct. 24 (letter of notification) 1,000 shares of common stock (par \$5) sold to two key employees at \$7.50 per share. Price—At approximately \$16.75 per share. Underwriter—None; but shares will be sold on the New York Curb Exchange through registered brokers. Proceeds—To Vernon L. Haag and John W. Wibel. Office—521 Fifth Avenue, New York, N. Y.

Hoover Co., No. Canton, O.
Oct. 22 (letter of notification) 4,000 shares of common stock (par \$2.50). Price—\$18 per share. Underwriter—Hornblower & Weeks, New York. Proceeds—To William W. Steele, the selling stockholder.

Idaho Custer Mines, Inc., Wallace, Ida.
Oct. 22 (letter of notification) 168,000 shares of common stock (par 10 cents). Price—40 cents per share. Underwriter—None. Proceeds—For mine equipment. Address—Box 469, Wallace, Ida.

Imperial Oil Ltd., Toronto, Canada (11/15)
Oct. 31 filed 2,713,384 shares of capital stock (no par) to be offered to stockholders of record Nov. 15 for subscription at rate of one new share for each 10 shares held or represented by share warrants. Price—To be supplied by amendment. Underwriter—None. Proceeds—For general funds and working capital.

Jacobsen Manufacturing Co., Racine, Wis.
Oct. 25 filed 120,000 shares of common stock (par \$1). Price—\$8.37½ per share. Underwriter—A. C. Allyn & Co., Inc., and Shillinglaw, Bolger & Co., both of Chicago, Ill. Proceeds—For general corporate purposes.

Johnston Testers, Inc., Houston, Tex. (11/20)
Oct. 29 filed 540,000 shares of common stock (par \$1). Price—To be supplied by amendment. Underwriters—White, Weld & Co., New York; Rotan, Mosle & Moreland, Galveston, Tex.; and Russ & Co., San Antonio, Tex. Proceeds—To purchase outstanding stock of three companies. Business—Services oil well drilling industry.

Kingsburg Cotton Oil Co., Kingsburg, Calif.
Oct. 22 (letter of notification) 2,000 shares of capital stock (par \$1). Price—\$4.25 per share. Underwriter—None. Proceeds—To Richard W. Fewel, the selling stockholder. Address—P. O. Box 277, Kingsburg, Calif.

Klamath Oil, Inc., Klamath Falls, Ore.
Oct. 24 (letter of notification) 750 shares of capital stock. Price—At par (\$100 per share). Underwriter—None. Proceeds—For exploration and development of oil properties. Office—217 First National Bank Bldg., Klamath Falls, Ore.

Kohn & Co., Columbia, S. C.
Oct. 22 (letter of notification) 925 shares of common stock, to be offered to present stockholders for subscription and in exchange for outstanding debentures. Price—At par (\$100 per share). Underwriter—None. Proceeds—To retire debt. Office—1526 Main St., Columbia, S. C.

Loch-Lynn Gas Corp. (N. J.)
Oct. 19 (letter of notification) 1,348 shares of common stock (par \$1). Price—\$100 per share. Underwriter—Teller & Co., New York. Proceeds—For drilling and completion of well and for working capital. Office—15 Exchange Place, Jersey City 2, N. J. Offering now being made.

Mercantile Acceptance Corp. of California
Oct. 24 (letter of notification) \$100,000 of 10-year 5% junior subordinated debentures (in various denominations) and 306 shares of 5% first preferred stock (par \$20). Of latter, 271 shares will be offered to public and 35 shares to employees only on an instalment basis. Price—At par. Underwriter—Guardian Securities Corp., San Francisco, Calif. Proceeds—For general corporate purposes.

National Marine Terminal, Inc., San Diego, Calif.
Oct. 24 (letter of notification) 26,650 shares of 6% cumulative preferred stock (par \$10) and 26,650 shares of common stock (par \$1) to be offered in units of one share of each class of stock. Price—\$11 per unit. Underwriter—None. Proceeds—For working capital and to purchase an additional interest in tuna clippers. Office—1592 So. 28th St., San Diego 13, Calif.

New York Air Brake Co., N. Y. (11/14-15)
Oct. 26 filed 200,000 shares of common stock (par \$5). Price—To be supplied by amendment. Underwriters—Smith, Barney & Co. and Dominick & Dominick, New York. Proceeds—To reimburse treasury for purchase of Hydraulic Equipment Co. of Cleveland, O.

Northern Indiana Public Service Co. (11/9)
Oct. 30 (letter of notification) 240,000 shares of cumulative preference stock (par \$25) to be offered to common stockholders of record Nov. 9 at rate of one additional share for each 12½ shares held. Price—To be supplied by amendment. Underwriters—Central Republic Co., Inc.; Byth & Co., Inc.; and Merrill Lynch, Pierce, Fenner & Beane. Proceeds—For construction program.

Ophir Gold Mines Co., Colorado Springs, Colo.
Oct. 22 (letter of notification) 6,000,000 shares of common stock. Price—One cent per share. Underwriter—None. Proceeds—To install machinery and develop the property.

Oxford Paper Co., N. Y. (11/15)
Oct. 26 filed 163,676 shares of common stock (par \$15). Price—To be supplied by amendment. Underwriter—The First Boston Corp., New York. Proceeds—To two selling stockholders.

Packard-Bell Co., Los Angeles, Calif.
Oct. 25 (letter of notification) 9,000 shares of common stock (par 50 cents). Price—At market (estimated at \$10.75 per share). Underwriter—Shearson, Hammill & Co., Los Angeles, Calif. Proceeds—To H. A. Bell, the selling stockholder.

Parker Pen Co., Janesville, Wis. (11/20)
Oct. 31 filed 88,277 shares of class B common stock (par \$2). Price—To be supplied by amendment. Underwriters—A. G. Becker & Co. Inc., Chicago, Ill.; and Robert W. Baird & Co., Inc., Milwaukee, Wis. Proceeds—To The William F. Palmer Trust and Rosalie Investments, Ltd., the selling stockholder.

Penn Controls, Inc., Goshen, Ind. (11/14)
Oct. 25 filed 100,000 shares of common stock (par \$2.50). Price—To be supplied by amendment. Underwriter—F. S. Moseley & Co., Boston, Mass. Proceeds—For expansion program and working capital.

Phoenix Mortgage Co., Inc., Union City, N. J.
Oct. 24 (letter of notification) 500 shares of common stock (no par), 500 shares of \$3 preferred stock (no par) and \$200,000 of 8% 20-year debenture bonds. Price—For stock \$100 per share and for bonds at par in denominations of \$10 each. Underwriter—Irving Blum, Union City, N. J. Proceeds—For working capital.

Pittsburgh-Des Moines Co., Pittsburgh, Pa.
Oct. 25 (letter of notification) 6,664 shares of common stock (no par), to be offered to employees. Price—\$45 per share. Underwriter—None. Proceeds—For working capital.

Queen of Hills Mining Co.
Oct. 23 (letter of notification) 1,550,000 shares of common stock (par five cents). Price—10 cents per share. Underwriter—None. Proceeds—For equipment and working capital. Office—First Security Bank Bldg., Salt Lake City, Utah.

Sanitary Mattress, Inc., Washington, D. C.
Oct. 22 (letter of notification) 100,000 shares of common stock. Price—\$1 per share. Underwriter—None. Proceeds—For marketing, manufacturing and general expenses. Office—1713 M St., N. W., Washington, D. C.

Sieck Packing Co., Riverside, Calif.
Oct. 25 (letter of notification) 500 shares of common stock (no par). Price—\$250 per share. Underwriter—

Continued on page 38



THE FIRST BOSTON CORPORATION

Corporate and Public Financing

NEW YORK
BOSTON
PITTSBURGH
CHICAGO

PHILADELPHIA
SAN FRANCISCO
CLEVELAND

Private Wires to all offices

Continued from page 17

None. Proceeds—To pay indebtedness. Office—3660 Placentia St., Riverside, Calif.

Swormco, Inc., Washington, D. C.
Oct. 22 (letter of notification) \$10,000 of 6% collateral trust notes (in denominations of \$100 each), and due one year after date of issue (payable at holder's option in capital stock at rate of \$1 per share). Price—At par. Underwriter—None. Proceeds—For administrative expenses. Office—417 Evans Bldg., Washington, D. C.

Towers Hotel Corp., Brooklyn, N. Y.
Oct. 25 (letter of notification) 6,653 shares of common stock to be offered to common stockholders. Price—At market (approximately \$45 per share). Underwriter—None. Proceeds—For capital improvements.

United States Radiator Corp., Detroit, Mich.
Oct. 22 (letter of notification) 5,085 shares of preferred stock (par \$50). Price—At market (estimated at \$44 per share). Underwriter—None. Proceeds—For working capital. Office—300 Buhl Bldg., Detroit 25, Mich.

Upshot Mines, Inc., Phoenix, Ariz.
Oct. 22 (letter of notification) 50,000 shares of capital stock. Price—\$1 per share. Underwriter—None. Proceeds—To pay royalties. Office—1707 N. 19th Place, Phoenix, Ariz.

Western Leaseholds, Ltd., Canada (11/19-20)
Oct. 30 filed 1,250,000 shares of common stock (no par). Price—To be supplied by amendment. Underwriters—Morgan Stanley & Co. and Carl M. Loeb, Rhoades & Co. in the United States; and A. E. Ames & Co., Ltd., and Mills, Spence & Co., Ltd., in Canada. Proceeds—To 39 selling stockholders.

Williams Phosphate Corp.
Oct. 22 (letter of notification) 35,000 shares of common stock. Price—At par (\$1 per share). Underwriter—None. Proceeds—For working capital. Offices—Rexburg, Ida., and Alder, Mont.

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.

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; with rights to expire 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.
Oct. 11 filed 81,347 shares of \$4.37½ cumulative convertible preferred stock (no par) being 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—\$100 per share. Underwriters—The First Boston Corp. and Smith, Barney & Co., New York. Proceeds—For expansion of plant facilities. Statement effective Oct. 31.

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 Bosch Corp., Springfield, Mass.
Oct. 18 (letter of notification) 6,200 shares of common stock (par \$2). Price—At market (about \$16 per share). Underwriter—None. Proceeds—To F. William Harder of New York. Office—Main Street, Springfield, Mass.

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 in September, 1952. Dealer-Managers—Kidder, Peabody & Co., New York, and Alex. Brown & Sons, Baltimore, Md. Statement effective Sept. 5.

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.

Buhner Fertilizer Co., Inc., Seymour, Ind.
Oct. 19 (letter of notification) 3,000 shares of 5% cumulative convertible preferred stock (convertible at rate of one share for each two common shares). Price—At par (\$100 per share). Underwriter—City Securities Corp., Indianapolis, Ind. Proceeds—To repay bank loan and for working capital. Office—First National Bank Bldg., Seymour, Ind.

Burlington Mills Corp.
March 5 filed 300,000 shares of convertible preference stock (par \$100). Price—To be supplied by amendment. Underwriter—Kidder, Peabody & Co., New York. Proceeds—For additions and improvements to plant and equipment. Offering date postponed.

California Tuna Packing Corp., San Diego, Calif.
Oct. 4 (letter of notification) \$300,000 of 6% convertible sinking fund debentures due Oct. 1, 1966. Underwriter—Wahler, White & Co., Kansas City, Mo. Proceeds—For general corporate purposes. Price—At 100% and accrued interest. Office—2305 East Belt St., San Diego 2, Calif.

Canadian Atlantic Oil Co., Ltd. (11/14)
Oct. 19 filed 1,350,000 shares of common stock (par \$2—Canadian), of which 700,000 shares are for the account of the company and 650,000 shares for Pacific Petroleum Ltd. of Calgary, Alberta, Canada. Price—To be supplied by amendment. Underwriters—In United States: Reynolds & Co. and Bear, Stearns & Co. Proceeds—To liquidate outstanding bank loan.

Capital Transit Co., Washington, D. C.
Oct. 18 (letter of notification) 300 shares of capital stock (par \$100). Price—At market (estimated at \$54 per share). Underwriter—Merrill Lynch, Pierce, Fenner & Beane, Washington, D. C. Proceeds—To Doran S. Weinstein, the selling stockholder. Office—36th and M Sts., N. W., Washington 7, D. C.

Coca-Cola Bottling Co. of St. Louis
Sept. 26 (letter of notification) 2,500 shares of common stock (par \$1). Price—At market (approximately \$30 per share). Underwriter—G. H. Walker & Co. and Wm. F. Dowdall & Co., both of St. Louis, Mo. Proceeds—To Willard Cox, the selling stockholder. Office—2950 No. Market St., St. Louis, Mo. Offering—No immediate offer planned.

Commonwealth Edison Co., Chicago, Ill.
Oct. 10 filed 1,716,500 shares of \$1.32 cumulative convertible preferred stock (par \$25) being offered first for subscription by common stockholders of record Oct. 30 on basis of one share of preferred for each eight common shares held; rights to expire on Nov. 14. Price—\$31 per share. Underwriters—Glore, Forgan & Co. and The First Boston Corp., New York. Proceeds—For new construction and to repay bank loans.

Consumers Power Co., Jackson, Mich.
Sept. 20 filed 561,517 shares of common stock (no par), being offered for subscription by common stockholders of record Oct. 17 at rate of one share for each 10 shares held; rights to expire on Nov. 2. Unsubscribed shares to be offered employees of company and its subsidiary, Michigan Gas Storage Co. Price—\$32 per share. Underwriter—Issue was awarded on Oct. 17 at competitive bidding to Lehman Brothers. Proceeds—For property additions and improvements. Statement effective Oct. 9.

Continental Can Co., Inc.
Oct. 5 filed 104,533 shares of \$4.25 cumulative convertible second preferred stock (no par) being offered for subscription by common stockholders of record Oct. 24 at rate of one share for each 30 shares of common stock held; rights to expire on Nov. 7. Price—\$102 per share. Underwriters—Goldman, Sachs & Co. and Lehman Brothers, New York. Proceeds—For plant and equipment replacements, and working capital. Statement effective Oct. 24.

Continental Car-Nar-Var Corp., Brazil, Ind.
March 5 (letter of notification) 150,000 shares of common (voting) stock (par \$1). Price—\$2 per share. Underwriters—Sills, Fairman & Harris, Inc., Chicago, and Gearhart, Kinnard & Otis, Inc., New York. Proceeds—For working capital and general corporate purposes. Temporarily deferred.

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.

Deardorf Oil Corp., Oklahoma City, Okla.
Sept. 24 (letter of notification) 175,000 shares of common stock (par 10 cents). Price—40 cents per share. Underwriter—None. Proceeds—For operating expenses. Office—219 Fidelity Building, Oklahoma City, Okla.

Detroit Edison Co., Detroit, Mich. (11/14)
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.; Kuhn, Loeb & Co. Proceeds—For construction program. Bids—Expected to be opened at 11 a.m. (EST) on Nov. 14.

Dobbeckmun Co., Cleveland, Ohio (11/14)
Oct. 24 filed 90,000 shares of common stock (par \$1). Price—To be supplied by amendment. Underwriter—

Blyth & Co., Inc., New York and Cleveland. Proceeds—To repay loans and for general corporate purposes.

Eureka Corp., Ltd., Toronto, Canada
Oct. 9 filed 4,312,404 shares of common stock (par 25 cents—Canadian), of which 3,234,303 shares are to be offered to stockholders on basis of two shares for each three shares of \$1 par value common stock held. Subscribers will receive for each three shares subscribed for, a warrant to purchase one additional share at \$1.25 per share—Canadian—within 18 months. Price—55 cents per share—Canadian. Underwriter—None. Proceeds—For working capital.

Fedders-Quigan Corp., L. I., N. Y. (11/8)
Oct. 19 filed 62,041 shares of 5% cumulative preferred stock, series A (par \$50—convertible into common stock prior to Nov. 1, 1961) to be offered for subscription by common stockholders of record Nov. 8 at rate of one preferred share for each twenty common shares held; with an oversubscription privilege; rights to expire on Nov. 23. Price—\$50 per share. Underwriter—Allen & Co., New York. Proceeds—To retire short-term bank loans and for general corporate purposes.

Florida Power & Light Co. (11/13)
Oct. 10 filed \$10,000,000 of first mortgage bonds due Nov. 1, 1981. Underwriter—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Carl M. Loeb, Rhoades & Co. and Bear, Stearns & Co. (jointly); The First Boston Corp.; Harriman Ripley & Co., Inc.; Shields & Co.; White, Weld & Co.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane; Kuhn, Loeb & Co. Proceeds—For new construction and equipment. Bids—To be received at 12 noon (EST) on Nov. 13.

General Acceptance Corp. (11/8)
Sept. 28 filed \$5,000,000 10-year 3½% sinking fund debentures due Oct. 1, 1961. (To be increased to \$7,000,000 debentures with a 3¾% coupon.) Price—To be supplied by amendment. Underwriter—Paine, Webber, Jackson & Curtis, New York. Proceeds—To prepay senior notes and other borrowings and for general corporate purposes.

General Fuse Corp., South River, N. J.
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.

Golconda Mines Ltd., Montreal, Canada
April 9 filed 750,000 shares of common stock. Price—At par (\$1 per share). Underwriter—George F. Breen, New York. Proceeds—For drilling expenses, repayment of advances and working capital. Offering—Date not set.

Goodall Rubber Co., Trenton, N. J.
Oct. 4 (letter of notification) 13,500 shares of class A common stock (par \$5) and 1,000 shares of 5% cumulative preferred stock (par \$100) being offered to stockholders of record Oct. 15 on the following basis: One new share of preferred stock for each share held and one share of class A common stock for each seven common shares held, with an oversubscription privilege. Rights will expire on Nov. 15. Price—Of class A common, \$13.50 per share and of preferred, \$100 per share. Underwriter—None. Proceeds—To increase stock interest in Whitehead Brothers Rubber Co. and for working capital. Office—Whitehead Road, Trenton 4, N. J.

Grand Union Co., New York
Aug. 7 filed 64,000 shares of common stock (par \$10) to be issued pursuant to an "employees' restricted stock option plan." Price—To be supplied by amendment. Underwriter—None. Proceeds—For general corporate purposes. Office—50 Church St., New York.

Gulf States Utilities Co. (11/19)
Oct. 18 filed \$10,000,000 of first mortgage bonds, due Nov. 1, 1981. Underwriters—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and A. C. Allyn & Co. Inc. (jointly); Stone & Webster Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Salomon Bros. & Hutzler and Union Securities Corp. (jointly); Lehman Brothers; Carl M. Loeb, Rhoades & Co. and Lee Higginson Corp. (jointly). Proceeds—To pay off short-term loans and to provide the company with funds to carry forward its current construction program to the Spring of 1952, at which time company expects to undertake additional financing. Bids—Expected to be opened at noon (EST) on Nov. 19.

Gulf Sulphur Corp., Washington, D. C.
Oct. 12 (letter of notification) 299,899 shares of common stock (par 10 cents). Price—\$1 per share. Underwriter—Peter Morgan & Co., New York. Proceeds—To purchase all outstanding stocks of Compañia de Azufre Vera Cruz, S. A., and for working capital. Office—1346 Connecticut Avenue, N. W., Washington, D. C. Offering—Expected at any time.

Hathaway (C. F.) Co., Waterville, Me.
Oct. 2 (letter of notification) 12,000 shares of 5.8% cumulative preferred stock (par \$25), with common stock purchase warrants attached. Price—Expected at par. Underwriter—H. M. Payson & Co., Portland, Me. Proceeds—For working capital.

Hein-Werner Corp., Waukesha, Wis.
Oct. 15 (letter of notification) 9,190 shares of common stock (par \$3). Price—At market (approximately \$10.50 per share). Underwriters—Northern Trust Co., Chicago, Ill., and The Marshall Co., Milwaukee, Wis. Proceeds—To E. G. Bach, Executor of the Estate of I. Hadcock.

Helio Aircraft Corp., Norwood, Mass.
July 31 (letter of notification) 7,750 shares of non-cumulative preferred stock (par \$1) and 7,750 shares

of common stock (par \$1) to be offered in units of one share of preferred and one share of common stock. **Price**—\$25 per unit (\$20 for preferred and \$5 for common). **Underwriter**—None. **Proceeds**—For development and promotion expenses. **Office**—Boston Metropolitan Airport, Norwood, Mass.

Hex Foods, Inc., Kansas City, Mo.
 Aug. 1 (letter of notification) 89 shares of 6% cumulative preferred stock (par \$100) and 424 shares of common stock (no par). **Price**—For preferred, at par; and for common, at \$20 per share. **Underwriter**—Prugh, Combest & Land, Inc., Kansas City, Mo., will act as dealer. **Proceeds**—For plant improvements and general corporate purposes. **Office**—412 W. 39th St., Kansas City, Mo.

Homasote Co., Trenton, N. Y.
 Oct. 22 (letter of notification) 30,000 shares of 5% cumulative convertible preferred stock. **Price**—At par (\$10 per share). **Underwriter**—None. **Proceeds**—For redemption of outstanding preferred stock (\$41,900) and working capital (a maximum of \$258,100).

Inland Steel Co.
 Aug. 27 filed 250,000 shares of capital stock (no par) to be issuable upon exercise of stock option issuable under the company's proposed stock option plan. **Price**—To be 85% of current fair market value of the stock. **Proceeds**—For working capital.

Iowa Southern Utilities Co.
 Oct. 5 filed 76,478 shares of common stock (par \$15) reserved for conversion of 38,233 shares of 5½% convertible preferred stock called for redemption on Nov. 24 at \$30.75 per share (conversion right expires on Nov. 23). **Price**—To underwriter at par. **Underwriter**—The First Boston Corp., New York. **Proceeds**—To reimburse company for money expended for redemption of unconverted portion of 5½% preferred stock.

Key Oil & Gas Co., Ltd., Calgary, Canada
 Oct. 3 filed 500,000 shares of common stock. **Price**—At par (\$1 per share). **Underwriter**—None, but sales will be made by James H. Nelson, promoter and a director of company, of Longview, Wash. **Proceeds**—To drill well, for lease acquisitions and properties held pending development work, and for other corporate purposes.

Kimberly-Clark Corp.
 Oct. 5 filed 102,424 shares of 4% cumulative convertible preferred stock (par \$100), being offered in exchange for outstanding 4½% cumulative preferred stock on a share-for-share basis, plus cash payment of 37½ cents per share; the offer to expire on Nov. 9. **Underwriter**—Blyth & Co., Inc., New York. **Proceeds**—To retire unexchanged 4½% preferred stock. **Underwriters** have agreed to purchase a maximum of 37,424 shares of 4% preferred stock at \$107 per share and accrued dividends, providing at least 65,000 shares of 4½% preferred stock accept exchange offer.

Lawyers Title Insurance Corp., Richmond, Va.
 Oct. 16 filed 60,000 shares of capital stock (par \$5), to be offered to stockholders at rate of one share for each nine shares held. **Price**—At par (\$5 per share). **Underwriter**—None. **Proceeds**—To enlarge capital and for investment.

Lockheed Aircraft Corp.
 Oct. 17 filed 27,000 shares of capital stock (par \$1), issuable upon exercise of certain options granted to a selected group of officers and employees of company and its subsidiaries, together with 19,370 shares previously registered and issuable upon exercise of options heretofore granted to officers and employees. **Price**—\$19.35 per share. **Underwriter**—None. **Proceeds**—For general corporate purposes.

Long Island Lighting Co.
 Oct. 3 filed 100,000 shares of cumulative preferred stock, series A (par \$100). **Underwriters**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc., and First Boston Corp. (jointly); Kidder, Peabody & Co.; Harriman Ripley & Co. Inc.; Smith, Barney & Co.; W. C. Langley & Co. and Glore, Forgan & Co. (jointly). **Proceeds**—From sale of preferred stock, together with proceeds from proposed sale of about \$25,000,000 of first mortgage bonds in December, 1951, will be used to retire \$14,493,400 of bonds of former subsidiaries, to pay off bank loans, and for construction program. Statement effective Oct. 24.

Long Island Lighting Co.
 Oct. 3 filed 524,949 shares of common stock (no par) being offered for subscription by common stockholders of record Oct. 24, 1951, at rate of one new share for each seven shares held; rights expire Nov. 8. **Price**—\$13 per share. **Underwriters**—Blyth & Co., Inc. and The First Boston Corp., New York. **Proceeds**—To reduce short-term loans borrowed for construction. Statement effective Oct. 24.

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.

Lowell Gas Co., Lowell, Mass. (11/8)
 Oct. 19 filed 30,000 shares of 6% cumulative preferred stock (which had been offered to holders of the outstanding 12,000 shares of preferred stock at rate of 2½ shares for each share held by them with rights expiring Oct. 5, 1951); none subscribed for. **Price**—At par (\$25 per share). **Underwriter**—To be disclosed by amendment (probably Coffin & Burr, Inc., New York). **Proceeds**—To retire outstanding preferred stock and to reduce construction notes.

MacMillan (H. R.) Export Co., Ltd., Vancouver, B. C.
 Sept. 26 filed 2,281,582 shares of class B capital stock (no par) to be offered in exchange for stock of Bloedel

NEW ISSUE CALENDAR

November 1, 1951
 Northern Pacific Ry., noon (EST) . . . Equip. Tr. Cdfs.

November 2, 1951
 Air Reduction Co. Inc. . . . Preferred

November 7, 1951
 Consolidated Freightways, Inc. . . . Common
 Denver & Rio Grande Western RR.
 11:30 a.m. (EST) . . . Bonds
 Rockland Light & Power Co., 11 a.m. (EST) . . . Bonds
 Standard Oil Co. . . . Common

November 8, 1951
 Fedders-Quigan Corp. . . . Preferred
 General Acceptance Corp. . . . Debentures
 Lowell Gas Co. . . . Preferred
 Seaboard Air Line RR.
 Noon (EST) . . . Equip. Trust Cdfs.

November 9, 1951
 Northern Indiana Public Service Co. . . . Preference

November 13, 1951
 Florida Power & Light Co., noon (EST) . . . Bonds
 Great Northern Ry., noon (EST) . . . Equip. Tr. Cdfs.
 Olsen, Inc. . . . Common
 Silex Co. . . . Common

November 14, 1951
 Associated Telephone & Telegraph Co.
 11 a.m. (EST) . . . Preferred
 Canadian Atlantic Oil Co., Ltd. . . . Common
 Detroit Edison Co., 11 a.m. (EST) . . . Bonds
 Dobeckmun Co. . . . Common
 New York Air Brake Co. . . . Common
 Penn Controls, Inc. . . . Common
 Pittsburgh & Lake Erie RR. . . . Equip. Trust Cdfs.

November 15, 1951
 Imperial Oil, Ltd. . . . Common
 Metals & Chemicals Corp. . . . Common
 Oxford Paper Co. . . . Common
 Silver Buckie Mining Co. . . . Common
 Western Maryland Ry. . . . Bonds

November 16, 1951
 Abbott Laboratories . . . Preferred

November 19, 1951
 Fanner Manufacturing Co. . . . Common
 Gulf States Utilities Co., noon (EST) . . . Bonds
 Western Leaseholds, Ltd. . . . Common

November 20, 1951
 Johnston Testers, Inc. . . . Common
 Parker Pen Co. . . . Class B
 Pacific Telephone & Telegraph Co. . . . Debentures

November 21, 1951
 New York Central RR. . . . Equip. Trust Cdfs.

November 23, 1951
 Carolina Telephone & Telegraph Co. . . . Common

November 27, 1951
 Central Illinois Light Co. . . . Bonds
 Erie RR. . . . Equip. Trust Cdfs.

December 6, 1951
 Texas & Pacific Ry. . . . Equip. Trust Cdfs.

December 10, 1951
 Virginia Electric & Power Co. . . . Bonds

Stewart & Welch, Ltd. on the following basis: 44,54596 shares for each ordinary share of Bloedel; two-fifths of a share for each preference share of Bloedel. Following such acquisition, name of MacMillan Export will be changed to MacMillan & Bloedel, Ltd. Statement effective Oct. 17.

Maracaibo Oil Exploration Corp.
 Sept. 20 filed 49,500 shares of capital stock being offered to stockholders at rate of one share for each nine shares held on Oct. 24, with an oversubscription privilege; rights to expire Nov. 21. **Price**—\$9 per share. **Underwriter**—None. **Proceeds**—To acquire new properties and for general corporate purposes. Statement effective Oct. 17.

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.

Miles Laboratories, Inc., Elkhart, Ind.
 Sept. 5 (letter of notification) 2,000 shares of common stock (par \$2). **Price**—\$16.75 per share. **Underwriter**—

W. F. Martin, Inc., Elkhart, Ind. **Proceeds**—To Georgia C. Walker, the selling stockholder. **Offering**—Indefinite.

Mineral Products Co., Pittsburg, Kansas
 Oct. 4 (letter of notification) \$225,000 of second mortgage 5% bonds to be offered to stockholders in ratio of \$300 of bonds for each share of stock held as of record June 30, 1951, with an oversubscription privilege. **Price**—At principal amount. **Underwriter**—None. **Proceeds**—For equipment. **Office**—314 National Bank Bldg., Pittsburg, Kansas.

Montana Hardwood Co., Inc., Missoula, Mont.
 Sept. 26 (letter of notification) 2,970 shares of 6% redeemable preferred stock (par \$100) and 2,970 shares of common stock (par \$1) to be offered in units of one preferred and one common share. **Price**—\$101 per unit. **Underwriter**—None. **Proceeds**—To purchase land and erect plant. **Office**—123 West Main St., Missoula, Mont.

Morrow (R. D.) Co., Inc., Pittsburgh, Pa.
 Oct. 19 (letter of notification) 10,000 shares of 5% cumulative convertible preferred stock. Convertible into common stock, share for share, on or before Jan. 1, 1962 (redeemable at \$12 per share). **Price**—At par (\$10 per share). **Underwriter**—Graham & Co., Pittsburgh, Pa. **Proceeds**—For installation of new TV antenna systems and for working capital. **Office**—6504 Frankstown Avenue, Pittsburgh 6, Pa.

National Motor Bearing Co., Inc.
 Sept. 26 (letter of notification) 3,200 shares of common stock (par \$1). **Price**—\$31.25 per share. **Underwriter**—Blyth & Co., Inc., Los Angeles; Calif. **Proceeds**—To Lloyd A. Johnson, President, who is the selling stockholder.

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.

Nickel Offsets, Ltd., Toronto, Canada
 Oct. 8 filed 500,000 shares of common stock (no par) to be offered for subscription by stockholders at rate of one share for each five shares held. **Price**—\$2.25 per share. (Canadian funds). **Underwriter**—None. **Proceeds**—To repay loans from Cliff Petroleum Co. and for expansion program. **Business**—To acquire, explore and develop mining properties in Canada.

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.

Norris Oil Co., Bakersfield, Calif.
 Aug. 10 (letter of notification) 500 shares of capital stock (par \$1). **Price**—\$4.75 per share. **Underwriter**—Walston, Hoffman & Goodwin, Bakersfield, Calif. **Proceeds**—To Arthur W. Scott, Secretary, who is the selling stockholder. No general public offering is planned.

Northern Illinois Corp., DeKalb, Ill.
 Sept. 13 (letter of notification) 5,138 shares of common stock (no par). **Price**—At market (not less than \$9 per share). **Underwriter**—None. **Proceeds**—For working capital.

Pacific Telecoin Corp., San Francisco, Calif.
 Sept. 14 (letter of notification) 59,000 shares of common stock (par 10 cents). **Price**—50 cents per share. **Underwriter**—Gearhart, Kinnard & Otis, Inc., New York. **Proceeds**—For working capital. **Office**—1337 Mission St., San Francisco, Calif.

Pacific Telephone & Telegraph Co. (11/20)
 Oct. 19 filed \$30,000,000 30-year debentures due Nov. 15, 1981. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Lehman Brothers and Union Securities Corp. (jointly); White, Weld & Co. **Proceeds**—To repay bank loans and for new construction. **Bids**—Expected to be received on Nov. 20.

Pacific Telephone & Telegraph Co.
 Oct. 19 filed 633,274 shares of common stock to be offered for subscription by common and preferred stockholders in the ratio of one share of common stock for each nine shares of common and/or preferred stock held. **Price**—At par (\$100 per share). **Underwriter**—None. **Proceeds**—To reduce bank loans and for plant improvements.

Pan American Milling Co., Las Vegas, Nev.
 Jan. 24 filed 200,000 shares of common stock. **Price**—At Par (\$1 per share). **Underwriter**—None. **Proceeds**—To purchase machinery and equipment, to construct a mill in Mexico and for general corporate purposes. Statement fully effective Aug. 29, 1951.

Paramount Fire Insurance Co., N. Y.
 Oct. 23 (letter of notification) 50,000 shares of common stock (par \$10) to be offered for subscription by stockholders of record Oct. 31 at rate of one new share for each two shares held. (Transamerica Corp. owns 91,674½ out of 100,000 shares outstanding); rights will expire on Nov. 21. **Price**—\$30 per share. **Underwriter**—None. **Proceeds**—For working capital.

Parking, Inc., Boise, Ida.
 Sept. 24 (letter of notification) 12,500 shares of common stock and \$25,000 of 5% debenture notes. **Price**—At par (\$10 per share) for stock and notes in units of \$500 each. **Underwriter**—None. **Proceeds**—To erect parking facility. **Office**—1002 Warm Springs Avenue, Boise, Idaho.

Peabody Coal Co.
 March 26 filed 160,000 shares of 5½% prior preferred stock (par \$25). **Price**—To be supplied by amendment. **Underwriter**—A. C. Allyn & Co., Inc., Chicago, Ill. **Proceeds**—For construction program. **Offering**—Indefinitely postponed.

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★Phoenix-Campbell Corp., N. Y.

Sept. 20 filed 203,000 shares of capital stock (par \$1) and 100,000 warrants. (Oct. 22 filed by amendment 109,650 shares of which 100,000 shares will be offered to public and 9,650 shares will be reserved for exercise of warrants by brokers and dealers). Price—\$10 per share. Underwriter—Morris Cohon & Co., New York. Proceeds—To acquire an interest in so-called "special situations" and for working capital.

★Phoenix Industries Corp., N. Y. (11/8)

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 as of Nov. 8, with an oversubscription privilege; rights to expire Nov. 29. 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.

Pittsburgh Plate Glass Co.

June 27 filed 450,000 shares of common stock (par \$10) to be offered to certain employees of the company and its subsidiaries under a stock option plan. Price—At 85% of the market price on the New York Stock Exchange at time options are granted. Underwriter—None. Proceeds—For working capital.

Prugh Petroleum Co., Tulsa, Okla.

Sept. 25 (letter of notification) 60,000 shares of common stock being offered for subscription by stockholders of record Oct. 1, on basis of any number of shares not to exceed present holdings; rights to expire Nov. 15. Price—At par (\$5 per share). Underwriter—None, but Prugh, Combust & Land, Inc., Kansas City, Mo., will act as agent. Proceeds—To develop properties and retire indebtedness. Office—907 Kennedy Bldg., Tulsa 3, Okla.

★Pubco Development, Inc., Albuquerque, N. M.

Sept. 18 filed 605,978 shares of common stock being offered for subscription by stockholders of Public Service Co. of New Mexico between Jan. 1, 1955 and March 31, 1955 at rate of one share of Pubco Development for each Public Service common share held of record Oct. 1, 1951. Price—At par (\$1 per share). Underwriter—None. Proceeds—To be used by Public Service in general fund. Business—To prospect for oil and gas. Statement effective Oct. 11.

Public Service Electric & Gas Co.

Sept. 26 filed 249,942 shares of cumulative preferred stock (par \$100). Price—To be supplied by amendment. Underwriters—Morgan Stanley & Co., Drexel & Co. and Glorie, Forgan & Co. Proceeds—For plant additions and improvements and to reimburse treasury for expenditures made for such purposes and for retirement of long-term debt. Offering—Postponed.

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.

Ritchie Associates Finance Corp.

Sept. 18 (letter of notification) \$200,000 of 6% 15-year debentures, dated July 1, 1951, to be issued in multiples of \$100. Underwriter—Cohu & Co., New York. Proceeds—To retire debts and purchase building. Office—2 East Church St., Frederick, Md.

Robbins Mills, Inc., New York

Sept. 25 filed 166,864 shares of series A 4.50% cumulative convertible preferred stock (par \$50) being offered for subscription by common stockholders of record Oct. 15 at rate of one share of preferred stock for each five shares of common stock held; rights to expire on Oct. 30. Price—\$50 per share. Underwriter—Dillon, Read & Co. Inc., New York. Proceeds—For working capital. Statement effective Oct. 16.

★Rockland Light & Power Co. (11/7)

Sept. 21 filed \$6,000,000 of first mortgage bonds, series D, due 1981. Underwriters—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co., Union Securities Corp. and White, Weld & Co. (jointly); Lehman Brothers and A. C. Allyn & Co. (jointly); Stone & Webster Securities Corp.; Carl M. Loeb, Rhoades & Co. and Equitable Securities Corp. (jointly); W. C. Langley & Co.; Estabrook & Co. Proceeds—To reduce bank loans and for construction program. Bids—To be received on Nov. 7 at 11 a.m. (EST) at Bankers Trust Co., 46 Wall Street, New York, N. Y.

Russell Manufacturing Co., Middletown, Conn.

Oct. 4 (letter of notification) 13,321 shares of common stock (no par) being offered to common stockholders of record Oct. 17 at rate of one share for each 10 shares held; rights to expire on Oct. 31. 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.

Seattle Steam Corp., Seattle, Wash.

Oct. 12 (letter of notification) 3,000 shares of class B stock. Price—At par (\$100 per share). Underwriter—None. Proceeds—To pay part of purchase price of Seattle steam heating properties and for working capital. Office—1411 Fourth Ave., Seattle, Wash.

Sicks' Seattle Brewing & Malting Co., Seattle, Washington

Oct. 12 (letter of notification) 70,000 shares of common stock (par \$1) to be offered in exchange for 44,125 shares of preferred and 183,421 shares of common stock of

Sicks' Brewing Co. (Ore.) at rate of one share of Sicks' Seattle stock for each three shares of Sicks' (Ore.) stock. Underwriter—None.

★Silex Co., Hartford, Conn. (11/13)

Oct. 19 (letter of notification) 53,750 shares of common stock (no par), to be offered for subscription by common stockholders of record on or about Nov. 13. Price—\$5 per share. Underwriter—None. Proceeds—For working capital. Office—80 Pliny Street, Hartford, Conn.

Silver Buckie Mining Co., Wallace, Ida. (11/15)

Sept. 25 (letter of notification) 290,000 shares of common stock (par 10 cents). Price—32½ cents per share. Underwriter—Standard Securities Corp., Spokane, Wash., and Kellogg, Idaho. Proceeds—To six selling stockholders. Address—Box 469, Wallace, Idaho.

Skyway Broadcasting Co., Inc., Asheville, N. C.

Sept. 10 (letter of notification) 6,000 shares of common stock. Price—\$50 per share. Underwriter—None. Proceeds—For construction and operating capital for a proposed television station.

Snoose Mining Co., Hailey, Idaho

July 19 (letter of notification) 1,000,000 shares of common stock. Price—At par (25 cents per share). Underwriter—E. W. McRoberts & Co., Twin Falls, Ida. Proceeds—For development of mine.

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 Charndon St., Boston, Mass.

Southwestern Associated Telephone Co.

June 15, filed 17,500 shares of \$5.50 cumulative preferred stock (no par). Price—To be supplied by amendment. Underwriters—Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp., both of New York, and Rauscher, Pierce & Co., Inc., Dallas, Texas. Proceeds—To retire \$1,500,000 of bank loans and the balance added to general corporate funds. Offering—Postponed.

★Southwestern States Telephone Co.

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.

Specialized Products Corp., Birmingham, Ala.

Sept. 26 (letter of notification) 50,000 shares of common stock. Price—\$1 per share. Underwriter—Carlson & Co., Birmingham, Ala. Proceeds—For operating capital and advertising costs. Office—2807 Central Ave., Birmingham 9, Ala.

Standard Oil Co. (Ohio) (11/7)

Oct. 18 filed 364,727 shares of common stock (par \$10) to be offered for subscription by common stockholders of record Nov. 7 at rate of one share for each 10 shares held; rights to expire Nov. 21. Price—To be supplied by amendment. Underwriter—F. S. Moseley & Co., Boston, Mass. Proceeds—For capital expenditures and working capital.

Sterling, Inc., New York

Oct. 22 (letter of notification) 10,000 shares of common stock (par \$1). Price—At market (approximately \$4.50 per share). Underwriter—Merrill Lynch, Pierce, Fenner & Beane, Chicago, Ill. Proceeds—To David S. Berry, Vice-President, who is the selling stockholder.

Toklan Royalty Corp., Tulsa, Okla.

Oct. 10 (letter of notification) 10,000 shares of common stock (par 70 cents). Price—At market (estimated at \$6.75 per share). Underwriter—None. Proceeds—To Curtis F. Bryan, President, the selling stockholder. Office—635-644 Kennedy Building, Tulsa, Okla.

Toklan Royalty Corp., Tulsa, Okla.

Oct. 11 (letter of notification) 25,000 shares of common stock (par 70 cents). Price—\$4.50 per share. Underwriter—None. Proceeds—To purchase for investment 450,000 shares of capital stock of Palmer Stendel Oil Co. Office—635-644 Kennedy Building, Tulsa, Okla.

Texas Southeastern Gas Co., Bellville, Tex.

May 16 (letter of notification) 19,434 shares of common stock to be offered to common stockholders through transferable warrants. Price—At par (\$5 per share). Underwriter—None. Proceeds—For working capital.

Touraine Apartments, Inc., Phila., Pa.

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.

Viking Plywood & Lumber Corp., Seattle, Wash.

Oct. 19 filed 22,500 shares of common stock (no par) to be offered to employee-stockholders in minimum units of 125 shares per unit. Price—\$20 per share. Underwriter—None. Proceeds—To purchase 50% of capital stock of Snellstrom Lumber Co.

★Vincor 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. Oslpack, the selling stockholder. Office—9111 Schaefer Highway, Detroit 28, Mich.

Vulcan Iron Works, Wilkes-Barre, Pa.

Oct. 17 (letter of notification) not to exceed 17,000 shares of common stock (par 50 cents). Price—At the market (approximately \$2 to \$2¼ per share). Underwriter—None, but Eaton & Co., New York, will handle sales on the over-the-counter market. Proceeds—To John A. Roberts, Chairman, who is the selling stockholder.

★Western Air Lines, Inc., Los Angeles, Calif.

Sept. 17 filed 25,000 shares of capital stock (par \$1) under option at \$9.37½ per share since Dec. 10, 1946 to T. C.

Drinkwater, President. Agreement provides that, upon request of Mr. Drinkwater, the company agrees to register the optioned shares to the end that he may be in a position promptly to exercise his rights under the option and to transfer and dispose of any of the shares acquired thereunder which he may wish to dispose of. (The stock sold at \$14.50 per share on Sept. 17 on the New York Stock Exchange.) Underwriter—None. Proceeds—For working capital (\$9.37½ per share). Statement effective Oct. 24.

Western Reserve Life Insurance Co.

June 12 (letter of notification) 10,000 shares of common stock (par \$10) to be offered for subscription by present stockholders at rate of one share for each two shares held. Price—\$20 per share. Underwriter—None. Proceeds—For financing expansion program. Office—1108 Lavaca Street, Austin, Tex.

Wilcox-Gay Corp., Charlotte, Mich.

Sept. 13 (letter of notification) 165,250 shares of common stock (of which 82,625 shares represent stock to be issued on exercise of stock purchase warrants issued in connection with sale of 110,000 shares on or about Oct. 24). Price—At par (\$1 per share). Underwriter—None. Proceeds—For working capital.

Wizard Boats, Inc., Costa Mesa, Calif.

Oct. 10 (letter of notification) 300,000 shares of common stock. Price—At par (\$1 per share). Underwriter—None. Proceeds—For purchase of building and property and for working capital.

Prospective Offerings

Associated Telephone & Telegraph Co. (11/14)

Bids will be received up to 11 a.m. (EST) on Nov. 14 by the Office of Alien Property, 120 Broadway, New York 5, N. Y., for the purchase from it of 5,201 shares of \$6 cumulative first preferred stock (no par), being 17.4% of that issue outstanding.

Atlantic Coast Line RR.

Sept. 14 it was stated that the company may refund its outstanding \$22,388,000 first consolidated mortgage 4% bonds due July 1, 1952. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Kuhn, Loeb & Co.; The First Boston Corp. Offering expected some time in November.

Bing & Bing, Inc.

Aug. 30 it was reported company is contemplating sale of additional common stock following approval of 3-for-1 stock split (approved Sept. 5.) Traditional underwriter: Lehman Brothers.

★Central Hudson Gas & Electric Corp.

Oct. 30 it was announced company plans to issue and sell 40,000 shares of cumulative preferred stock (par \$100). Underwriter—May be determined by competitive bidding. Probable bidders: Kidder, Peabody & Co. and Estabrook & Co. (jointly); W. C. Langley & Co.; White, Weld & Co.; Drexel & Co. and Stroud & Co. Inc. (jointly). Proceeds—To refund short-term indebtedness. Registration—Planned for mid-November. Offering—Scheduled for early December.

Central Louisiana Electric Co., Inc.

Oct. 10 it was reported company plans in November to issue and sell \$4,000,000 of debentures due 1971. Underwriters—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lee Higginson Corp.; W. C. Langley & Co. and Carl M. Loeb, Rhoades & Co. (jointly).

Chicago & Western Indiana RR.

June 2 it was reported company expects to be in the market late this year or early in 1952 with a new issue of approximately \$70,000,000 of first mortgage bonds due 1981, of which about \$65,000,000 will be sold initially. Price—Not less than par. Underwriter—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Lee Higginson Corp.; Harris, Hall & Co. (Inc.); Drexel & Co.; Kuhn, Loeb & Co. and Salomon Bros. & Hutzler (jointly); Harriman Ripley & Co., Inc.; First Boston Corp.; Lehman Brothers; Paine, Webber, Jackson & Curtis; Kidder, Peabody & Co. Proceeds—To refund \$49,988,000 of 4% non-callable consolidated first mortgage bonds due July 1, 1952, and to redeem \$13,747,000 first and refunding mortgage 4¼% bonds, series D, due Sept. 1, 1962. The remainder will go towards property improvements, etc.

Colorado Fuel & Iron Corp.

Sept. 26, Charles Allen, Jr., Chairman, announced that the company plans to issue and sell \$30,000,000 of 4¼% first mortgage bonds due 1972 and \$10,000,000 of 15-year debentures. The former issue may be placed privately and the latter issue offered publicly through Allen & Co. New York. The proceeds are to be used to redeem \$14,367,500 of outstanding first mortgage 4% bonds and the remainder used to pay for construction of a new mill at Pueblo, Colo. Stockholders will vote Nov. 14 on approving financing program.

Colorado Interstate Gas Co.

Aug. 20 it was reported that the holdings of the Union Securities Corp. group of stock of Colorado Interstate (531,250 shares) will probably be sold publicly in October or November.

Consolidated Edison Co. of New York, Inc.

March 23 company applied to New York P. S. Commission for authority to issue and sell \$25,000,000 of first and refunding mortgage bonds, series H, due May 1, 1981 (in addition to \$40,000,000 series G bonds filed with the SEC on March 30). Underwriters—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston

Corp.; Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly). Proceeds—To redeem a like amount of Westchester Lighting Co. 3½% general mortgage bonds due 1967. **Offering—Postponed.**

★ Consolidated Freightways, Inc. (11/7)
Oct. 11 company applied to ICC for authority to issue and sell 100,000 shares of common stock (par \$5). Price—To be supplied later. **Underwriters—Blyth & Co. Inc.; J. A. Hogle & Co.; Shields & Co.; Walston, Hoffman & Goodwin; Wegener & Daly Corp.** Proceeds—For additional working capital and for new equipment.

Consolidated Grocers Corp.
Oct. 8 it was stated company plans issuance and sale of about \$10,000,000 of preferred stock. **Underwriter—A. C. Allyn & Co., Inc., New York.** Proceeds—To expand output of company's eight divisions.

Cott Beverage Corp., New Haven, Conn.
Aug. 22 it was stated that the company plans issuance and sale of 30,000 shares of preferred stock (par \$10), each share to carry a bonus of common stock. **Underwriter—Ira Haupt & Co., New York.** Proceeds—For expansion program.

★ Denver & Rio Grande Western RR. (11/7)
Oct. 23 it was announced bids will be received by the RFC up to 11:30 a.m. (EST) Nov. 7 for the purchase from it of \$5,200,000 principal amount of first mortgage 4% series A bonds due Jan. 1, 1993. The agencies of the RFC are located at 143 Liberty St., New York 6, N. Y., and 811 Vermont Ave., N. W., Washington 25, D. C. Probable bidders include: Blyth & Co., Inc., and Lazard Freres & Co. (jointly); Bear, Stearns & Co.

★ Diamond Alkali Co.
Oct. 29, Raymond F. Evans, President, announced that stockholders will vote Nov. 15 on authorizing the creation of an issue of \$25,000,000 preferred stock (par \$100), of which it is planned to sell publicly not more than 120,000 shares (to be convertible into common stock) late in 1951 or early in 1952. **Underwriter—Probably The First Boston Corp., New York.** Proceeds—To finance expansion program. **Private Financing—Company also plans to borrow before Dec. 31, 1951, the remaining \$4,000,000 under its loan agreement with Metropolitan Life Insurance Co.**

★ Eastern Stainless Steel Corp.
Oct. 25 the stockholders approved a proposal increasing the authorized capital stock to 750,000 shares from 500,000 shares, of which 420,000 shares are outstanding. Additional shares may be issued to stockholders, and the proceeds used for expansion. **Traditional underwriter: J. Arthur Warner & Co. Inc., New York.**

El Paso Natural Gas Co.
Sept. 18 stockholders approved an increase in the authorized first preferred stock from 100,000 to 300,000 shares, the second preferred stock from 200,000 to 300,000 shares and the common stock from 3,800,000 to 5,000,000 shares; also authorized an increase in the aggregate principal amount of bonds issuable under the company's indenture of mortgage, dated June 1, 1946, from \$157,000,000 to \$300,000,000. **Traditional Underwriter—White, Weld & Co., New York.**

Erie RR. (11/27)
Oct. 8 it was announced that company is considering sale on Nov. 27 of \$5,400,000 of equipment trust certificates, maturing semi-annually over a 10-year period, in order to finance about 80% of the cost of acquiring new diesel locomotives and gondola cars to cost about \$6,915,000. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harris, Hall & Co. (Inc.).

● Foote Bros. Gear & Machine Corp.
Oct. 25 it was reported that company may offer additional common stock early next year. Probable underwriter—A. C. Allyn & Co., Inc., Chicago, Ill.

★ Granite City Steel Co.
Oct. 15, it was announced company plans to offer to common stockholders for subscription the latter part of November an initial series of 100,000 shares of convertible preferred stock (par \$100). **Underwriter—Probably Merrill Lynch, Pierce, Fenner & Beane, New York.** Proceeds—From sale of stock together with proceeds from contemplated sale to insurance companies of \$25,000,000 of first mortgage bonds, will be added to general funds of the company, for use in connection with company's steel production expansion program. **SEC Registration—Expected near end of this month. Meeting—Stockholders will vote Nov. 21 on approving authorized issue of 200,000 shares of preferred stock, issuable in series, and on mortgaging the company's assets.**

● Great Northern Ry. (11/13)
Bids will be received by the company up to noon (EST) on Nov. 13 for the purchase from it of \$16,950,000 equipment trust certificates to be dated Dec. 1, 1951 and to mature semi-annually from June 1, 1952 to and including Dec. 1, 1966. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Hahn Aviation Products, Inc.
Aug. 24 it was announced company proposes to offer 12,500 additional common stock (par \$1), in addition to 17,500 shares recently offered. **Underwriter—None.** Proceeds—For engineering, acquisition of machinery and other corporate purposes. **Office—2636 No. Hutchinson St., Philadelphia 33, Pa.**

Illinois Bell Telephone Co.
June 27 W. V. Kahler, President, announced that this company (approximately 99.31% owned by American Telephone & Telegraph Co.) plans issuance and sale, sometime before the end of the year, of 682,454 additional shares of capital stock to its stockholders. **Underwriter—None.** Proceeds—To repay short-term loans and for new construction.

Interstate Petroleum Co.
Sept. 11 it was reported that the sale of 38,433 shares of class B stock has been temporarily postponed. **Underwriter—White, Weld & Co., New York.**

Iowa-Illinois Gas & Electric Co.
Oct. 8 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.

Lehigh & New England RR.
Oct. 17 it was reported company expects to sell \$1,875,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co., Inc.; Salomon Bros. & Hutzler. Expected late November or early in December.

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.**

Mathieson Chemical Corp.
Oct. 25 it was announced that following proposed merger with and into this company of Mathieson Hydrocarbon Chemical Corp., it is the intention of the company to sell a substantial portion of 250,000 shares of new preferred stock on terms to be set at a later date. The proceeds will be added to working capital and used for research and product development.

McKesson & Robbins, Inc.
Oct. 23 stockholders approved a proposal to increase authorized common stock by 500,000 shares to 2,500,000 shares. No immediate financing contemplated. Probable underwriter: Goldman, Sachs & Co., New York.

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. 23 it was announced stockholders will vote Jan. 15, 1952 on approving the creation of an authorized issue of 100,000 shares of convertible preferred stock (par \$50). **Underwriter—Carl M. Loeb, Rhoades & Co.** Proceeds—For expansion program.

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.

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.

New York Central RR. (11/21)
Oct. 17 it was reported company plans sale of \$8,100,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler. Bids—Expected to be received Nov. 21.

★ Northern Pacific Ry. (11/1)
Bids will be received up to noon (EST) on Nov. 1 for the purchase from the company of \$3,420,000 equipment trust certificates, second series of 1951, to be dated Nov. 30, 1951 and to mature \$228,000 annually from 1952 to 1966, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

● Olsen, Inc., Elyria, O. (11/13-14)
Oct. 19 it was reported early registration is planned of about 225,000 shares of common stock. **Underwriter—McDonald & Co., Cleveland, O.** Proceeds—To certain selling stockholders. **Business—Manufactures hot air furnaces.**

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. Bylesby & Co., Chicago, Ill.** Proceeds—For 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 & Lake Erie RR. (11/14)
Oct. 17 it was reported company plans issuance and sale of \$6,435,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler. Bids—Expected to be received on Nov. 14.

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. **Traditional Underwriters—Kuhn, Loeb & Co.**

★ 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 sufficient to raise \$5,000,000. 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.

★ Purex Corp., Ltd.
Oct. 25 stockholders voted to increase the authorized common stock to 1,000,000 shares from 500,000 shares. **Traditional underwriters: Blyth & Co., Inc., New York; William R. Staats & Co., Inc., Los Angeles, Calif.**

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.

● Royal Typewriter Co., Inc.
Oct. 19 it was announced stockholders will vote Nov. 14 on increasing authorized common stock to 2,000,000 shares from 1,078,816 shares. No immediate financing is planned.

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.

Seaboard Air Line RR. (11/8)
Bids will be received up to noon (EST) on Nov. 8 by the company at the office of Willkie Owen Farr Gallagher & Walton, 15 Broad St., New York 5, N. Y., for the purchase from the company of \$8,070,000 equipment trust certificates, series K, to be dated Nov. 15, 1951 and to mature serially in 30 equal semi-annual instalments. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

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● **Seaboard & Western Airlines, Inc.**
Oct. 19 it was reported that company plans financing totaling \$6,500,000 to \$7,000,000 for purchase of new equipment. May be placed privately.

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 program. 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.

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 3¼% 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.

● **Tennessee Gas Transmission Co.**
Oct. 30, it was announced that the company plans soon to register with the SEC an issue of \$25,000,000 of 20-year sinking fund debentures. Underwriters—May be determined by competitive bidding. Probable bidders:

Halsey, Stuart & Co. Inc.; Stone & Webster Securities Corp. and White, Weld & Co. (jointly). Proceeds—For expansion program. Registration—Expected today (Nov. 1).

Texas-Ohio Gas Co., Houston, Tex.
Oct. 17 company applied to FPC for authority to construct a 1,350-mile natural gas transmission line extending from Texas into West Virginia. The project is estimated to cost \$184,989,683.

Texas & Pacific Ry. (12/6)
Oct. 17 it was reported company plans sale of \$2,900,000 equipment trust certificates, series N. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler. Bids—Expected to be received Dec. 6.

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. 18 it was announced company plans to issue and sell to public \$2,500,000 of 20-year convertible debentures to bear interest at a rate between 3¼% and 4¼% per annum. Stockholders will vote Nov. 15 on increasing authorized common stock by an additional 200,000

shares of common stock and on authorizing issuance of all or any part of such increased shares by the directors without prior offering to stockholders. Underwriter—Paine, Webber, Jackson & Curtis, Boston, Mass. Proceeds—For working capital.

Vertientes-Camaguey Sugar Co.
Oct. 22, it was announced stockholders will vote Nov. 27 on authorizing the sale of 481,307 additional shares of common stock to present stockholders at rate of one share for each two shares held. Price—At par (\$6.50 per share). Proceeds—For working capital. Underwriter—None.

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 Maryland Ry. (11/15)**
Oct. 30 it was announced company proposes to issue and sell \$14,950,000 of general mortgage bonds, series B, due Nov. 1, 1976. Underwriters—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Morgan Stanley & Co.; Salomon Bros. & Hutzler. Proceeds—To retire a like amount of 4% first mortgage bonds due Oct. 1, 1952. Bids—Expected to be received on Nov. 15.

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.

Our Reporter's Report

The course of events in the new issue market this week made it increasingly clear that proper pricing is essential to such undertakings. Bankers who brought out the Utah Power & Light Co.'s \$9,000,000 of 30-year first mortgage bonds lost no time in repricing the issue when it found such action necessary.

In fact this move was made before the books were actually opened. The group had paid the company a price of 101.09 for a 3½% coupon and originally had intended reoffering at 101¼ to yield 3.52%.

But prospective buyers were cool at that level so, without hesitation, the syndicate revised its price to 101¾ for a yield basis of 3.55%. That action brought in buyers and the bonds moved out whereas all indications pointed to a sluggish operation had the original terms been maintained.

Two other utility issues brought out this week, Ohio Power Co.'s \$15,000,000 of 30-year first mortgage bonds with a 3½% coupon and priced to yield 3.23%; and West Texas Utilities Co.'s \$8,000,000 of first mortgage 3½s, priced at 102.31 to yield 3.50%, went out well.

As a matter of fact good institutional demand paved the way for successful conclusions in both

instances with large life companies taking down sizable blocks.

Readjusting Yields

A broad and general readjustment has been underway in the yield basis of the secondary market as can be noted from a perusal of what has taken place in the last month or five weeks.

Late in September, for example, triple A utility bonds were selling to return an average yield of around 2.87%. In the interval prices have slipped off to levels at which the average return from this group runs around 2.95% plus.

Much the same holds true in the case of double A rated bonds. A month or so ago the average yield for this type of paper was around 2.92%, whereas currently it is about 3.03% or a shade better.

Security for Yield

Meantime it is indicated that some buyers have been willing to sacrifice a little in the way of quality in order to pick up a better return on their investments.

This is reflected in the fact that the price easing in single A rated securities has been less pronounced than in the case of the two aforementioned groups.

Bonds of this type were moving at levels to afford the buyer an average yield of around 3.15% a month or so back. While the group has shared in the decline, it has held up noticeably better as indicated by the fact that the average yield currently is around 3.19% or a difference of only about four basis points.

Air of Tenseness

People who get around, out-of-town as well as locally, report that things are decidedly quiet in

the Street and off the Street as well. They report deals are "tight" and that it is not easy to move every piece of business.

They point out that the banks, with their heavy loan portfolios, are not as flush as they might be when it comes to considering a new issue of securities.

Meanwhile another highly important factor has entered into the picture in the shape of the new Revenue Act of 1951.

Observers find that pension fund portfolio men, who have been an increasingly important outlet for new issues, are now inclined to hesitate. They want to get a better insight into what the new "tax bite" is going to do to corporate earnings.

With William C. Roney

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich.—Herbert G. Miller has joined the staff of Wm. C. Roney & Co., Buhl Building, members of the New York and Detroit Stock Exchanges.

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

TECUMSEH, Mich.—Albert B. Hammond is with Waddell & Reed, Inc.

Olson, Donnerberg Adds

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—Walter W. McKenney has become affiliated with Olson, Donnerberg & Co., Inc., 418 Olive Street.

With Bailey & Davidson

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Cal.—Hector Harrison has joined the staff of Bailey & Davidson, 155 Sansome Street, members of the San Francisco Stock Exchange.

Continued from page 8

Dealer-Broker Investment Recommendations and Literature

Halliburton Oil Well Cementing Co.—Memorandum—Smith, Barney & Co., 11 Wall Street, New York 5, N. Y. Also available is a memorandum on Sun Oil Co.

Industrial Stamping & Manufacturing Co.—Memorandum—Aetna Securities Corp., 111 Broadway, New York 4, N. Y.

Inspiration Copper—Memorandum—Hayden, Stone & Co., 25 Broad Street, New York 4, N. Y.

Juneau, Alaska Independent School District 3¼ and 4% general obligation bonds—Analysis—Grande & Co., Inc., Hoge Building, Seattle 4, Wash.

Libby Owens Ford Glass—Data—A. M. Kidder & Co., 1 Wall Street, New York 5, N. Y. Also available in the same bulletin are data on Lone Star Cement, American Airlines, Timken Detroit Axle and Eastman Kodak.

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.

Pacific Power & Light Co.—Bulletin—Write to Frank G. LeCoq, Pacific Northwest Co., Exchange Building, Seattle 4, Wash.

Placer Development Limited—Analysis—John R. Lewis, Inc., 1006 Second Avenue, Seattle 4, Wash.

Riverside Cement Company—Card memorandum—Lerner & Co., 16 Post Office Square, Boston 9, Mass. Also available is a memorandum on Gear Grinding Machine Co. and on Seneca Falls Machine Co.

Seranton-Spring Brook Water Service Company—Analysis—Cohu & Co., 1 Wall Street, New York 5, N. Y. Also available is a memorandum on Tobin Packing Co.

Seneca Oil Company—Analysis—Genesee Valley Securities Co., Powers Building, Rochester 14, N. Y.

Socony-Vacuum Oil—Special 20-page survey—Ira Haupt & Co., 111 Broadway, New York 6, N. Y. Also available is an analysis of Central Vermont Public Service Co.

Standard Products Co.—Special report—Hecker & Co., Liberty Trust Building, Philadelphia 7, Pa.

Transcontinental Gas Pipe Line—Memorandum—Hill Richards & Co., 621 South Spring Street, Los Angeles 14, Calif.

U. S. Thermo Control—Data—Raymond & Co., 148 State Street, Boston 9, Mass. Also available is information on Thermo King Railway.

Halsey, Stuart Offers Ohio Pow. 3 3/8% Notes

Offering of \$7,000,000 3 3/8% serial notes, due 1955-1966 of The Ohio Power Co. is being made today by Halsey, Stuart & Co. Inc. The notes are priced to yield 2.75% to 3.3% according to maturity. Award of these notes was made at competitive sale on Tuesday on a bid of 100.80%.

A total of \$16,000,000 of the net proceeds from the sale of the notes, \$15,000,000 of new bonds, and additional shares of common stock will be applied to the prepayment of a like amount of notes payable to banks, and the balance, together with funds which may be withdrawn from the corporate trustee, will be used to pay for the cost of extensions, additions and improvements to the properties of the company. The cost of the construction program of the company for the three years ending with 1953 is estimated, on the basis of presently existing conditions to be \$119,137,000.

The company is a subsidiary of American Gas and Electric Co. and is engaged in the generation, purchase, transmission and distribution of electric energy and its sale to the public in Ohio and the supplying of electric energy at wholesale to other electric utility companies and municipalities. The company serves 494 communities in an area having an estimated population of 1,195,000.

DIVIDEND NOTICES



"A Family of Famous Names"

The Board of Directors of Avco Manufacturing Corporation has declared a quarterly dividend of 15 cents a share on the Common Stock payable December 20, 1951, to stockholders of record November 28, 1951.

R. S. Pruitt, Secretary

420 Lexington Ave.
New York 17, N.Y.
October 26, 1951

AMERICAN-Standard

PREFERRED DIVIDEND COMMON DIVIDEND

A quarterly dividend of \$1.75 per share on the Preferred Stock has been declared, payable December 1, 1951 to stockholders of record at the close of business on November 21, 1951.

A dividend of 25 cents per share and a special dividend of 50 cents per share on the Common Stock have been declared, payable December 15, 1951 to stockholders of record at the close of business on November 21, 1951.

AMERICAN RADIATOR & STANDARD SANITARY CORPORATION

JOHN E. KING
Vice President and Treasurer

ALUMINIUM LIMITED



DIVIDEND NOTICE

On October 23rd, 1951, a quarterly dividend of \$1.00 per share in U. S. currency was declared on all the no par value Shares of this Company that will be outstanding on November 16th, 1951, including Shares subscribed for pursuant to transferable subscription rights issued on October 19th, 1951 and expiring on November 8th, 1951. The dividend is payable December 5th, 1951 to shareholders of record at the close of business November 16th, 1951.

Montreal JAMES A. DULLEA,
October 23rd, 1951 Secretary

Joins A. G. Becker Co.

(Special to THE FINANCIAL CHRONICLE)
CHICAGO, Ill.—Philip A. Delaney has been added to the staff of A. G. Becker & Co., 120 South La Salle Street.

Now J. F. Jordan & Co.

(Special to THE FINANCIAL CHRONICLE)
BOSTON, Mass.—The firm name of Joseph F. Jordan & Co., 79 Milk Street, has been changed to J. F. Jordan & Co.

Thomas Frank Opens

Thomas W. Frank is engaging in a securities business from offices at 60 Beaver Street, New York City.

Charles W. Cox

Charles W. Cox, member of the New York Stock Exchange, passed away on Oct. 22.

DIVIDEND NOTICES

Atlas Corporation

33 Pine Street, New York 5, N.Y.

Dividend No. 40 on Common Stock

A regular quarterly dividend of 40¢ per share has been declared, payable December 22, 1951, to holders of record at the close of business on December 6, 1951 on the Common Stock of Atlas Corporation.

WALTER A. PETERSON, Treasurer
October 31, 1951.

EATON MANUFACTURING COMPANY

Cleveland 10, Ohio



DIVIDEND NO. 115

The Board of Directors of Eaton Manufacturing Company has declared a dividend of Fifty Cents (50¢) per share on the 1,792,520 \$2.00 par value common shares of the Company issued and outstanding, payable November 24, 1951, to shareholders of record at the close of business November 5, 1951.

H. C. STUESSY, Secretary
Declared on October 26, 1951

EATON MANUFACTURING COMPANY

Cleveland 10, Ohio



EXTRA DIVIDEND (DIVIDEND No. 116)

The Board of Directors of Eaton Manufacturing Company has declared an extra dividend of Fifty Cents (50¢) per share on the 1,792,520 \$2.00 par value common shares of the Company issued and outstanding, payable November 24, 1951, to shareholders of record at the close of business November 5, 1951.

H. C. STUESSY, Secretary
Declared on October 26, 1951

COLUMBIA PICTURES CORPORATION



The Board of Directors has this day declared a dividend of fifty (50¢) cents per share on its Common Stock and Voting Trust Certificates for common stock, payable November 28, 1951 to stockholders of record November 14, 1951.

There was also declared a stock dividend of two and one-half per cent (2 1/2%) on the Common Stock and Voting Trust Certificates for common stock of the Corporation, payable in common stock on December 28, 1951 to stockholders of record November 15, 1951. Cash will be paid where fractional shares of Common Stock are due.

A. SCHNEIDER,
Vice-Pres. and Treas.
New York, October 29, 1951.

DIVIDEND NOTICES

The American Tobacco Company

111 Fifth Avenue New York 3, N.Y.

185TH COMMON DIVIDEND

A regular dividend of Seventy-five Cents (75¢) per share has been declared upon the Common Stock of THE AMERICAN TOBACCO COMPANY, payable in cash on December 1, 1951, to stockholders of record at the close of business November 9, 1951. Checks will be mailed.

HARRY L. HILYARD, Treasurer

October 30, 1951

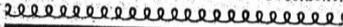


FINE SPINNING ASSOCIATES INC.

The Board of Directors of the Berkshire Fine Spinning Associates, Inc. has declared a regular dividend of 35 cents a share on the Common Stock, payable December 1, 1951, to stockholders of record November 16, 1951.

MALCOLM G. CHACE, JR., President.

October 25, 1951



56th Consecutive Dividend

Directors of First Bank Stock Corporation, Minneapolis, Minnesota, on October 17, 1951, declared a quarterly dividend of 30¢ per share on outstanding capital stock, payable December 10, 1951, to stockholders of record at the close of business November 20, 1951.

E. O. JENKINS, President

IOWA SOUTHERN UTILITIES COMPANY



DIVIDEND NOTICE

The Board of Directors has declared the following regular quarterly dividends:

35¢ cents per share on its 4% Preferred Stock (\$30 par)
30 cents per share on its Common Stock (\$15 par)

all dividends payable December 1, 1951, to stockholders of record November 24, 1951.

EDWARD L. SHUTTS,
October 25, 1951 President.

Hooker Electrochemical Company

\$4.25 Cumulative Preferred Stock Dividend

The Board of Directors of Hooker Electrochemical Company on October 24, 1951 declared a quarterly dividend of \$1.0625 per share on its \$4.25 Cumulative Preferred Stock, payable December 28, 1951 to stockholders of record as of the close of business December 3, 1951.

Common Stock Dividend

The Board of Directors of Hooker Electrochemical Company on October 24, 1951 declared a quarterly dividend of Fifty Cents (\$0.50) per share on its Common Stock, payable November 29, 1951 to stockholders of record as of the close of business November 5, 1951.

ANSLEY WILCOX, 2nd Secretary

October 25, 1951

DIVIDEND NOTICES

AMERICAN MACHINE AND METALS, INC.



A dividend of 60¢ per share will be paid on December 5, 1951, to stockholders of record at close of business November 16, 1951. To obtain dividend, holders of Voting Trust Certificates should exchange same for Capital Stock promptly.

H. T. McMeekin, Treasurer.

AMERICAN GAS AND ELECTRIC COMPANY

Common Stock Dividend

A regular quarterly dividend of seventy-five cents (75c) per share on the Common capital stock of the Company issued and outstanding in the hands of the public has been declared payable December 10, 1951, to the holders of record at the close of business November 13, 1951.

W. J. ROSE, Secretary.

October 31, 1951



STANDARD OIL COMPANY

(Incorporated in New Jersey)

has this day declared a cash dividend on the capital stock of \$1.50 per share, of which \$.75 per share was designated as regular and \$.75 per share as extra, payable on December 13, 1951, to stockholders of record at the close of business, three o'clock P. M., on November 9, 1951.

A. C. MINTON, Secretary

October 30, 1951.

DIVIDEND NOTICE

SKELLY OIL COMPANY

The Board of Directors has today declared a quarterly cash dividend of 75 cents per share on the common stock of this Company, also an extra cash dividend of 25 cents per share, both payable December 5, 1951, to stockholders of record at close of business October 30, 1951.

C. L. SWIM, Secretary

Oct. 16, 1951

SOUTHERN NATURAL GAS COMPANY

Birmingham, Alabama

Common Stock Dividend No. 51

A dividend of 62 1/2 cents per share has been declared on the Common Stock of Southern Natural Gas Company, payable December 13, 1951 to stockholders of record at the close of business on November 30, 1951.

H. D. McHENRY, Secretary.

Dated: November 1, 1951.

DIVIDEND NOTICES

HARBISON-WALKER REFRACTORIES COMPANY

Pittsburgh Pennsylvania

Board of Directors has declared for quarter ending December 31, 1951, DIVIDEND of ONE and ONE-HALF (1 1/2) PER CENT or \$1.50 per share on PREFERRED STOCK, payable January 19, 1952 to shareholders of record January 5, 1952. Also declared a DIVIDEND of FIFTY CENTS per share on the NO PAR COMMON STOCK, payable December 1, 1951 to shareholders of record November 10, 1951.

G. F. CRONMILLER, Jr., Vice President and Secretary.



A quarterly dividend of 35c per share and an extra dividend of 15c per share on the Capital Stock, par value \$3.50 per share, have been declared, payable December 15, 1951, to stockholders of record November 21, 1951.

THE UNITED GAS IMPROVEMENT CO.

JOHNS HOPKINS, Treasurer Philadelphia, Pa.

October 23, 1951

WOODALL INDUSTRIES INC.

A regular quarterly dividend of 31 1/4¢ per share on the 5% Convertible Preferred Stock has been declared payable December 1, 1951, to stockholders of record November 15, 1951. A regular quarterly dividend of 30¢ per share on the Common Stock has been declared payable November 30, 1951, to stockholders of record November 15, 1951.

M. E. GRIFFIN, Secretary-Treasurer.

Common and Preferred DIVIDEND NOTICE

Shreveport, La.
October 26, 1951

The Board of Directors of the Company has declared regular quarterly dividends of 25 cents per share on the common stock and \$1.125 per share on the 4.5% convertible preferred stock of the company, both payable on December 1, 1951, to stockholders of record at the close of business November 5, 1951.

Secretary

TEXAS EASTERN

Transmission Corporation

Materials Handling Equipment

Locks Builders' Hardware

YALE & TOWNE

252nd and 253rd Consecutive Dividends

On Oct. 25, 1951, an extra dividend, No. 252 of \$0.50 per share, was declared by the Board of Directors out of past earnings, payable on Nov. 21, 1951, to stockholders of record at the close of business Nov. 5, 1951.

The Directors also declared dividend No. 253, of \$0.50 per share, payable on Jan. 2, 1952, to stockholders of record on Dec. 10, 1951.

F. DUNNING
Executive Vice-President and Secretary

THE YALE & TOWNE MFG. CO.



COMMON STOCK DIVIDEND

67th Consecutive Quarterly Payment

The Board of Directors of Seaboard Finance Co. declared a regular quarterly dividend of 45 cents a share on Common Stock payable Jan. 10, 1952 to stockholders of record Dec. 20, 1951.

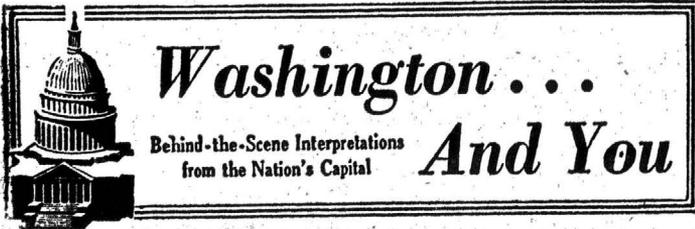
PREFERRED STOCK DIVIDENDS

The directors also declared regular quarterly dividends of 65 cents a share on \$2.60 Convertible Preferred Stock, 33 3/4 cents a share on \$1.35 Convertible Preferred Stock, and 33 3/4 cents a share on \$1.35 Convertible Preferred Stock, Series B. All preferred dividends are payable Jan. 10, 1952 to stockholders of record Dec. 20, 1951.

A. E. WEIDMAN
Treasurer

Oct. 25, 1951





Washington . . . And You

Behind-the-Scene Interpretations
from the Nation's Capital

WASHINGTON, D. C.—In their frantic sprint to chase the Republican National Chairman up a political tree for having something to do with an RFC loan, "liberal" Washington newsmen and both conservative and "Fair Deal" Senators alike completely overlooked one of the most interesting industrial stories of the century.

Hunting for a measly squirrel of political news, the newsmen and Senators alike passed right by a bear of a story, the story of how the company which has the RFC loan is about to usher in—or lead government and industry alike to—the age of commercially competitive synthetic petroleum production. Yet the story was spread out on the record for all to see, and could be ascertained in substantial form without even checking. But all the folks were interested in was a little politics and not much else.

George Guy Gabrielson is Chairman of the Republican National Committee, non-paid. He is also President and Counsel of Carthage Hydrocol. He was President of Carthage Hydrocol before he became the GOP Chairman. His company has RFC loans of \$18,500,000. The loans were made before Mr. Gabrielson became President of the company. Mr. Gabrielson as President of the company asked RFC Administrator Symington for the postponement of an instalment on the principal of the loan due Oct. 1, 1951. He also, as President of the borrowing company, had some part in a score or so more or less routine facets of the negotiation and development of the loan and this brought him into relationship with the RFC.

Question: Does this mean that George Guy Gabrielson hasn't got a right to cast stones at Bill Boyle? That was the question with which all of the Senators and all of the newsmen concerned themselves. It occupied 99% of the hearings on Gabrielson by weight and volume. The use to which the government money was put, the totally excellent prospects for repayment, and the striking results which this loan will help produce were all but ignored.

Carthage Hydrocol starts with P. C. Keith, who developed the technical "hydrocol" process for synthesis of natural gas into aviation gasoline and other liquid petroleum and chemical products. Keith is an outstanding engineer. He had a leading role in construction of the government's synthetic rubber industry during World War II. He had a part in building the Oak Ridge atomic plant. He had other industrial roles in the war, and he was awarded a Medal of Merit for his war services with a personal citation by President Truman.

Keith got interested in synthetic petroleum products while assisting in getting plants produced to manufacture synthetic rubber for the war. He adapted in the laboratory a German process for making synthetic gasoline and improved it.

Then Keith interested some of his friends in putting up something less than \$2 million to build—privately, not with government money—a pilot plant to try out his process on a limited commercial scale. The plant, which turned out some 40 barrels a day, was located at Olean, N. Y.

Subsequently the engineer, after the pilot plant operation satisfied him the project was commercially feasible, started looking around for money to put up a plant that would engage in commercially competitive production of Av-gas and by-product chemicals. Originally Keith thought to do this primarily with borrowed money and retain a greater equity control himself. With a new and commercially untried thing, this proved to be impractical.

So Mr. Keith found his way to Jesse Jones, the former RFC Administrator. Jones became interested. He checked with all the other government agencies that should have an idea whether it would be desirable to have a synthetic gasoline-chemical industry tried out. Jones checked with Interior, the Army, the Navy, the Carnegie Institution of Washington, a department of Massachusetts Institute of Technology. The response was all one way. Commercial production should be tried. If the process were proved to be commercially feasible, it would have the effect of boosting enormously the petroleum resources of the U. S.

Jesse Jones, the canny investment banker that he was, opined to Keith that if the oil and gas industry would layout half the cost, he, Jones, would have in effect a competent opinion as to the prospective feasibility of the process. So Jones laid down that condition. Jones would match private investment, in substance, 50-50 with RFC money.

So the plant has been built. Meanwhile Stanolind Oil & Gas Company has built a large plant adjoining Carthage Hydrocol's installation at Brownsville, Tex. Stanolind is refining and purifying the organic or "by-product" chemicals produced by Carthage Hydrocol. A third plant, for compounding and packaging these by-products, has been built by U. S. Industrial Chemicals, Inc.

Needless to say, no government money is invested in these two additional plants, whose construction is a tribute as to the prospective commercial success of Carthage Hydrocol. If Carthage didn't look like a feasible commercial enterprise the others would not have come in.

So it looks as though before very long, without a substantial amount of additional investment, Carthage Hydrocol will be in production. Being mostly a new physical arrangement, it has had one manufacturing problem after another to solve. Most of the "bugs" have shown up, and have been eliminated. Commercial production of synthetic Av-gas from natural gas plus a range of organic chemicals, would now seem to be just about around the corner—a few months more or less.

The significance of this news, it is pointed out, is that the very first of the three vast potential sources of potential synthetic petroleum production in the United States is about to become a reality. Production is to be achieved, and by private industry with private capital and private management and with no government guarantee—government participation being limited only to the aforesaid repayable \$18,500,000 loan from the RFC.

There are two other major potential sources of synthetic petroleum products. One is oil

shale, found largely in Colorado. The other is bituminous coal.

Industry and the Bureau of Mines both are working on shale and coal. Thus far, however, neither of the latter are beyond the pilot plant stage. There are three stages to synthetic production, like crawling, walking, and running.

Several laboratory production processes have worked for petroleum synthetics. Industry and the Bureau of Mines are both experimenting with at least two additional processes for conversion of natural gas to synthetic fuels. After the laboratory process comes the pilot plant, necessary to give just a preliminary idea of the multitude of engineering and mechanical problems involved for commercial output.

The commercial stage is perhaps the most trying and expensive. For then one has to get the adequate designs of machines and materials and their proper arrangement, and accomplish this at a cost which will enable the product to be sold competitively with products of natural crude petroleum.

It is this commercial stage which Carthage Hydrocol is in the process of achieving, and the success of which does not appear to be in much doubt to government and industry observers.

While about prepared to synthesize natural gas commercially, there is no reason to believe that in the end the cost of this development to the government will be one single dollar. RFC gets

paid before the private sponsors get any interest or principal or dividends on their investment. Even if the project were abandoned tomorrow its physical facilities would pay off the government loan, if sold to the crude petroleum industry for cracking purposes, according to Harvey Gunderson, the former RFC director assigned to police the loan.

However, those who are familiar with the project's arrangements say that both its Av-Gas and chemical output are likely to be sufficient to pay out handsomely.

Against the \$18,500,000 repayable RFC loan, the private sponsors have put up, to date, \$30,240,000, not quite double the government loan. In a sense these private investments appear in the nature of a large developmental expense to meet, deal with, and solve the commercial production problems of the first synthetic petroleum products industry.

It is a large private risk of funds to create a new industry, even though the sponsors look upon it as a cold-blooded, profit-producing enterprise. The private sponsors are making the investment for the sake of private profit, even if the by-product of opening up a new source of equivalent petroleum reserves works out to be a handsome social or national dividend.

Against the \$18,500,000 loaned by RFC to develop the first prospective commercial production of a major synthetic petroleum, the government itself has appropriated \$85,000,000 and spent \$64,-

BUSINESS BUZZ



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900,000 to date, on experimenting in the laboratory and pilot-plant stages with other petroleum synthetics.

Another aspect of the Carthage Hydrocol story is that the very same engineering and technical production problems which that company is solving are almost wholly useful in producing synthetic fuels from soft coal.

Soft coal, before it is turned into synthetics, must be converted into carbon monoxide and hydrogen gases. After it is turned into these gases it is converted to synthetic petroleum products. Carthage Hydrocol's solution of the engineering and the technical problems of converting natural gas into petroleum products will be useful almost bodily in the manufacture some day of synthetics from coal.

That "some day" is not far off. The Bureau of Mines, while not having the freedom of operation of private companies, has not been idle with its program. That bureau probably within a few months will announce that the commercial production of gas from coal has been achieved.

(This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.)

Business Man's Bookshelf

Importers' and Exporters' Guide to Price Regulations—Dr. Julius Hirsch—available from office of Dr. Hirsch, 52 Wall Street, New York 5, N. Y.—paper—\$1.00.

Expanding Your Income—Ira U. Cobleigh—David McKay Co., Inc., 225 Park Avenue, New York 17, N. Y.—cloth—\$2.00.

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