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NATIONAL FOREIGN TRADE CONVENTION FEATURED

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EDITORIAL

As We See It

It is important that the public not remain unaware of or indifferent to the real meaning and purpose of the forthcoming Patman hearings to study matters which have to do with the management of money and credit. What the general drift and outcome of these sessions will be remains, of course, for the future to disclose, but let there be no doubt as to what the chairman of this subcommittee is aiming at. His objective is—to use plain, blunt language which the chairman himself would never employ—to subject the Federal Reserve System directly to the politicians. Those who are familiar with the subject and who know the predilections of Mr. Patman, easily recognize the extensive evidence of this intention in the questions which have of late been addressed to representative elements in the population, but the matriculate hardly need such evidence.

It is well known, of course, that only a couple of years ago a most intensive and extensive investigation of this whole area was made by another subcommittee of this same Committee on the Economic Report. Further information about these matters in general and about the views of leading economists and many others in the country can scarcely be expected from another threshing of the same old straw now. The excuse given for another lengthy investigation—that the older one was conducted and the report written prior to the outbreak in Korea in 1950—is obviously something less than convincing. One would suppose that the broad underlying principles which govern, or should govern, Treasury-Federal Reserve relationships change with the changing tide

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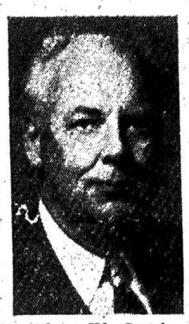
Private Enterprise the Key To Foreign Productivity

Final Declaration drawn up by committee of National Foreign Trade Convention lists aims and methods which should guide U. S. foreign economic policy. Holds private enterprise should play principal part in all fields of international economic endeavor and task of increasing production can be discharged fully and effectively only by private industry. Asks for forthright declaration by Federal Government of this principle.

Before adjourning on Oct. 31, the 38th National Foreign Trade Convention, sponsored by the National Foreign Trade Council and which was held at the Waldorf-Astoria Hotel in New York City, adopted a Final Declaration drawn up by a Committee appointed for that purpose. The three members of the Committee at this session were Chairman Edgar W. Smith, who is Vice-President of General Motors Overseas Corp., New York City; Secretary, P. T. Hitchens, Research Director, National Foreign Trade Council, Inc., New York City; and Henry W. Balgooyen, Vice-Chairman. Mr. Balgooyen is Secretary and Director of American & Foreign Power Co., Inc., New York City. William S. Swingle, President of the National Foreign Trade Council, Inc., also participated as an ex-officio member.


Edgar W. Smith

The text of the Final Declaration follows:

The Thirty-Eighth National Foreign Trade Convention endorses the Statement on Foreign Economic Policy adopted by the National Foreign Trade Council and made public on Sept. 26, 1951.* It holds the issues set

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*The statement bears the title, "A Statement on Foreign Economic Policy by the National Foreign Trade Council," and the paragraphs in italics contained in this article are quotations from the statement.—Editor.

Environment Needed to Promote Investing Abroad

By HENRY W. BALGOOYEN*
Secretary, American & Foreign Power Co., Inc., New York

After citing advantages of using private capital in foreign investment, and after criticizing government aid to nations that have discriminated against and confiscated foreign capital, Mr. Balgooyen lists as requisites for favorable environment for investment abroad: (1) opportunities for establishment of new enterprises; (2) chance to grow and earn a profit commensurate with risks; (3) security in possession of property and relief from hazard of adverse governmental action; and, finally, freedom to reinvest and to remit earnings. Says U. S. loans abroad should supplement but not replace private investment.

It has been my fortune—or misfortune—to have had assigned to me for this session one of the most over-studied and least understood economic topics of our time: the subject of a proper environment or climate for private foreign investment. I am quite certain that none of you expect to hear anything new, or startling, or profound on this subject, which has been worn threadbare by the probing minds of a score of official committees, and a great multitude of unofficial "experts." I must confess that I have found no ideal solution that any of you practical investors have overlooked; nor have I discovered any original principles to further complicate a problem that already has been thoroughly obfuscated by the theorists.


H. W. Balgooyen

Despite some of the nonsense that has been written and spoken on this subject, there is nothing at all complicated or abstruse in the process of reasoning that leads a prospective

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*An address by Mr. Balgooyen at Third General Session of 38th National Foreign Trade Convention, New York City, Oct. 30, 1951.

MORE FOREIGN TRADE ADDRESSES—Elsewhere in today's issue appear other addresses made at the National Foreign Trade Convention in New York City.

The Security I Like Best

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

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

This Week's Forum Participants and Their Selections

Phillips Petroleum (common) — C. W. Ludwigsen, Investment Advisory Dept., Edward A. Purcell & Co., N. Y. City. (Page 2)

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C. W. LUDWIGSEN

Investment Advisory Dept., Edward A. Purcell & Co., N. Y. City
Members of New York Stock Exchange

Phillips Petroleum (common)

When an investor selects his favorite security he is usually thinking in terms of "growth" stocks. Broadly speaking, a "growth" stock is what its name implies—an equity that should "grow," or increase in value, over a period of time. Therefore, equities that are qualified as bona-fide growth stock become a favorite such as Phillips Petroleum.

C. W. Ludwigsen

This large, completely integrated oil company serves a compact territory embracing 22 states. Crude oil production is largely concentrated in the Mid-Continent, but developments are also important in Arkansas, Louisiana, New Mexico and contiguous areas. The company is one of the few fully integrated units that produces crude oil in excess of its own refinery requirements, i.e., a seller on balance.

The company is also the dominant factor in natural gas and natural gasoline. It leads in producing bottled gas and in sales of gas to the carbon-black industry and is itself an important maker of carbon black.

At the end of 1950, developed and undeveloped domestic oil and gas properties totaled 8,757,452 acres of which 841,451 acres were producing. The company holds foreign leases totaling in excess of 4,476,545 acres in Canada and Venezuela. An extensive marketing system covers territory mainly throughout the Middle West and comprises 15,600 outlets. Pipe lines at the year-end consisted of 2,273 miles of crude oil lines and 1,445 miles of products lines.

Production this year is expected to exceed by a modest margin the year earlier output and may closely approximate or exceed the 1948 peak when output of crude totaled 39.9 million barrels.

While official estimates of the company's domestic proven reserves of crude oil are not available, it is believed such reserves can be conservatively estimated at a minimum of 1,250,000,000 barrels, equal to more than 35 years' supply at the 1950 rate of withdrawal.

If these estimated reserves were to be valued at the current indicated replacement cost of 75 cents a barrel, they would aggregate $938 million, equal, after allowing for long-term debt, to more than $62 a common share. Natural gas reserves (15 trillion feet) valued on the conservative basis of only 2½ cents per 1,000 cubic feet would equal $375 million or $27 a share. Combined total of $89 a share is almost double recent share prices.

The use of carbon black during recent years has risen sharply. Demand for both "Philblack A" and "Philblack O" exceed production capacity. Facilities of increased capacity from 88,000,000 pounds to approximately 171,000,000 pounds is scheduled for completion in early 1952. The "Philblacks" have become increasingly important in the defense program because of greatly expanded production of synthetic rubber in which these unique carbon blacks are useful.

In addition to the company's operation in the fields of synthetic rubber, carbon black and nitrogen chemicals, other chemicals showing a healthy growth include solvents, high purity hydrocarbons for laboratories and for automotive and aircraft antiknock reference standards.

The company showed a characteristically strong financial position as of Dec. 31, 1950. Main item in the balance sheet compared with five years earlier reveal substantial improvement in virtually all items.

	12/31/50	12/31/46
Cash	$50,029,582	$26,138,193
Receivable	49,297,919	18,750,948
Oil inventories	48,251,314	21,499,320
Materials & supplies	18,054,745	11,125,399
Net property a/c	465,758,945	236,560,086
Net working capital	93,689,850	44,550,509
Long-term debt	75,817,693	43,833,210
Book value per share	*$37.70	*$25.88

*Adjusted for 2-for-1 split in April, 1951.

For the nine months ended Sept. 30, 1951, the company earned $49,751,662 or $3.74 a share compared with net profit of $35,885,522 to $2.96 a share in corresponding period of 1950 (adjusted for 2-for-1 split in 1951).

Sales volume of all liquid products was 13% higher than in the first nine months of 1950.

Earnings for 1951 are expected to be around $4.83 a common share compared with $4.32 a share in 1950 (adjusted for 2-for-1 split in 1951). In view of the substantially higher indicated earnings and the present strong financial position, an increase in the $0.60 a share quarterly dividend rate is believed probable.

LESLIE B. SCHWINN

L. B. Schwinn & Co., Cleveland, O.

First National Bank of Boston

In the field of fixed income obligations analysts never relinquish their meticulous search for securities selling below the level of comparable issues. Assuming a reasonably stable money market and approximate quality of the securities involved, discovery of a bargain is more a matter of employing the slide rule than of exercising judgment. When the price disparity can be attributed to some specific cause such as an enlargement of the issue, the process is further simplified. Operations of this type may not offer dynamic profit potentialities, but a moderate profit is almost a mathematical certainty. Needless to say, the moderate degree of risk involved affords additional compensation.

Leslie B. Schwinn

While bank stocks technically belong in the category of equities, actually the better grade ones share many of the characteristics of bonds and high grade preferreds. Their consistency in earning power, regularity of dividend payment, and stability in market price, entitle them to be ranked along with the best in conservative investments. Consequently, they too occasionally provide an issue which can be singled out with considerable certainty as being behind the market. Fortunately enough, bank stocks abound with criteria with which to establish comparisons. There is sufficient similarity among banking institutions to justify deductions from such data as discount from book value of market price, ratio of capital to deposits, classification of assets, dividend yield, etc.

With the enormous development in the nation's money supply and the consequent growth in bank deposits, many banking institutions have found it advisable to augment their capitial and have raised funds through the issuance of stock rights. Almost invariably the aftermath has been an opportunity of the type being herein described. The sudden expansion of outstanding shares is usually in itself sufficient cause for a recession in the value of any stock. In the case of a bank, the problem is somewhat aggravated by the fact many of its stockholders are of a fiduciary character and unable, because of one limitation or another, to avail themselves of the opportunity to acquire the new stock.

Examples of the dip bank stocks take under the impact of an increased capitalization and the subsequent rebound are contained in the appended table. Institutions from New York, Philadelphia and Cleveland that sought new capital in May and June of this year are included to reveal the geographical diversity of the pattern. Prices used represent the bid side of the market.

At the present time First National Bank of Boston presents a similar possibility for reasonable appreciation. Just emerging from a period of subscription rights the stock is selling fractionally above 45 against a high for the year of 50½. The lowest bid price on the stock during the past eight years was 44⅝. During the same period it sold at least at 49 each year and in 1945 it made a high of 59¼.

First National Bank of Boston is one of the oldest, largest and most conservative banks in the nation. The present name was adopted in 1864, but its predecessor institutions were chartered in 1784. On June 30, 1951 its total deposits placed it 14th among the commercial banks of the United States. It is the largest commercial bank in New England. There are statistical records showing an unbroken annual dividend record since 1785.

First National has six branches in Argentina, three in Brazil and six in Cuba. It maintains a subsidiary, the First of Boston International Corp., in New York City to specialize in foreign-banking transactions. The trust department, under the name of Old Colony Trust Co., serves many of America's largest corporations.

Operating and accounting policies are traditionally conserva-

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	Pre-Rights High 1951	Rights Per'od Low	Sept. 1951 Price
Public National Bank & Trust Co. of N. Y.	48¾	41¼	47¾
Pennsylvania Co. for Banking & Trusts, Phila.	37¾	33½	36¾
National City Bank of Cleveland	39	35	39¼

In Which Industries Should You Invest?

By N. LEONARD JARVIS*

Partner, Hayden, Stone & Co., New York City

Market analyst notes advance in stock prices has been disproportionately low in relation to increase in book values as well as to general inflationary expansion. Favors specific companies in oil, chemical, moving picture, titanium, steel, copper, new synthetic fiber, metal, television, and utility industries.

During the past year, or more, the American public has been hearing quite a bit about inflation from the officials in Washington. These remarks may have been motivated partly by the knowledge or fear that it might take place and hence, they probably desired to create the type of activity that would prevent it. Furthermore, the Government's program in some respects has been to put in effect various restrictions and high taxes, the passage of which legislation would be facilitated if the public were to accept the inflation thesis and I believe that the public has become aroused and that it has become frightened as to the future value of the dollar and that, in many respects, it has been buying common stocks as a hedge.

N. Leonard Jarvis

Of course, one of the more important influences playing upon the American business and financial scene is the foreign political outlook. Just now the nation is undertaking a tremendous armament program that is building its defenses for war and any change in the status quo, that is, either peace or war, would definitely lead to a very great change in the general picture. We are quite certain that war would bring about another period of large Federal deficits, would shift manufacture more largely to armaments and would require rigid Government controls over most forms of economic activity. Peace, on the other hand, probably would materially reduce the pace of the defense effort and a bona fide armistice would have the same effect. However, I believe that if we are going to make any choice as to potential developments, we will all have to agree, whether we like it or not, that defense spending will reach huge proportions and that investors should base their common stock programs on this assumption.

This program should ensure the continuation of a high level of industrial production, maximum employment and the further growth of public spending power, or personal income, because of longer work weeks, some further advances in wages and overtime pay. In many instances, family unit income will be increased because of wives and other members of the family going into defense work. This background is pretty well known to all of us and our main problem at hand at this time is to decide whether the stock market is not too high in relation to other economic facts and which industries are probably behind the market. I think it is only normal, in view of the sharp advance which the market has had since 1949, for most of us to think that we are near a top and a great many of us cannot help but remember what happened in 1929. However, again, I must say that things are different today! In 1929, our population was 122 million, the production of goods and services totalled $103 billion and our national income was $87 billion, and the Federal debt was less than $17 billion. Now we are told that there are around 155 million people in this country and that the production of goods and services this year will be around $325 billion and that national income will be around $275 billion, and that the Federal debt is now around $260 billion.

Still Generous Yields

Earnings have jumped sharply and last year corporation profits were at a new all-time high of $22.8 billion, or 2.7 times that of the year 1929. Despite the reaction that we had one or two weeks ago, after the establishment of new bull market highs, we still have generous yields in common stocks and moderate price-earnings ratios which I believe will continue as an important force underlying the current stock market. In virtually no other field of investment can capital earn better than 6% which is still available from investment grade equities. Small wonder, therefore, that cash from pension funds, savings banks, trustees and other institutional and corporate investors, still flows into equities. It would appear that professional investors continue to be important buyers in the market because speculative buying has been at a relatively low level, as evidenced by the Exchange members' small debit balances.

Prices vs. Book Values

Let us just look at the relationship of stock prices to book values. Since 1937, when the Dow Jones Industrial average book value was $88.30 a share over $100 has been plowed back into these companies to bring the book value on Dec. 31, last, up to $194.20 a share. The

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*An ddress by Mr. Jarvis before Adults' School of Montclair, under the auspices of the Federation of Women's Shareholders in American Business, Montclair, New Jersey, Nov. 6, 1951. Mr. Jarvis is Past President of New York Society of Security Analysts, and Past President of Association of Customers' Brokers.

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After Mobilization—What?

By DEXTER M. KEEZER*
Director, Department of Economics,
McGraw-Hill Publishing Company, Inc.

Business economist maintains in continuing "Cold War" armament expenditure should and will soon be trimmed, thus affording considerable leeway for civilian business. Asserts capital expenditures for defense program can be partially replaced through filling industry's modernization and efficiency needs. Emphasizes importance of public's ability to postpone 40% of its consumption. Predicts permanent politically-motivated full employment and rising prices.

As our standard of living has risen, right along with it has risen the share of our total production which prospective customers can take or leave without any marked personal inconvenience. This increase in the nation's standard of living has magnified still further what was already a key fact about the American economy. This is that a very large part of our production goes into goods and services which consumers can pass up without any very severe inconvenience. I know of no precise calculations of this range of optional consumption, as it is sometimes called. But some estimates, which are at least thoughtful, have placed it as high as 40% of our total production of goods and services.


Dexter M. Keezer

This means that the difference between great prosperity and deep depression in the United States has come to depend on persuading the American consuming public to keep on buying things which, however desirable, the consuming public is under no heavy pressure of necessity to buy. This means, in turn, that our prosperity is, as our standard of living mounts, increasingly in the hands of the salesman and the sales executive. And so, too, as I see it, is the requisite economic foundation of much of our personal liberty. I shall develop the connection later.

In recent months we have had a dramatic demonstration of what the broad area of optional consumption in this country can mean. Between the first quarter of 1951 and the third quarter of 1951 the disposable income of the people of the United States (that is, money in the hands of consumers after paying taxes) jumped from $217.5 billion to $225.7 billion. That increase provided the money fuel with which to keep the fires of price inflation roaring. But people did not rush into the market, as they had after the shooting started in Korea and again as they did after the Chinese entered the Korean War. Being under no urgent necessity to buy, they decided to save their money—at least for the present—and between the first and second quarters of 1951 savings jumped from $9.3 billion to $21.1 billion. Thus in this case the existence of a broad range of optional consumption made it possible to neutralize, at least temporarily, the money basis for another surge of inflation. In other circumstances failure to exercise the option to buy might, of course, touch off a wave of unemployment.

I know of no economic development of greater potential importance over the years ahead than that which has made the American people as a whole so rich that they can take a large share of our production or leave it without much of any immediate inconvenience either way. Since sales executives will determine, in large measure, the practical consequences of that potential I am more impressed than ever by their importance.

World War III Not in Prospect

Implicit in what I have said, of course, is the basic assumption that World War III, with Russia, is not in the offing—at least the immediate offing. Whether or not this is a valid assumption I have no certain way of knowing. For all I know for certain, a friend of mine, a notably successful business consultant, who recently gave me a wretched time while he beat the drums of doom may have been on the right track. He invited me to lunch and filled me with fine food, much in the manner in which a condemned man is given a lush last dinner. Then he proceeded to unfold his conviction that our destiny in the years immediately ahead is all-out war with Russia which will destroy much of Russia, much of the United States, virtually all of Europe and be attended by widespread pestilence and political chaos. "After that," my friend ghoulishly remarked, "will be the time to start worrying in earnest about the conquest of the world by Communism."

I take a far more cheerful view of the international outlook. I think that an all-out World War III not only can but *will* be avoided, at least for some years. As I see it, the Russians would not have one chance in a hundred of winning an all-out war with the Western World any time soon. And, under such circumstances, I find it impossible to believe they are going to be foolish enough to start one. In stating any such conclusion I am, of course, fully and humbly aware of the fact, recently cited by an Oxford don named Taylor who wrote in the New York "Sunday Times Magazine," that "In discussing any subject connected with Soviet Russia there is one preliminary warning which should be compulsory on all writers on international affairs. We know nothing about it; everything we write is guess work, though we hope intelligent guess work."

I am less humble, however, in dealing with the proposition, so frequently cited these days, that every arms race in history has ended up in war, and that consequently was is bound to be the outcome of this one. I doubt very much if that is historically true. I can think of cases as recent as the 19th Century—the British and the French after the Napoleonic wars, for example—where two countries hurried to arm against each other and did not end up fighting each other. But, in any event, I am sure that the reverse of the proposition about arms races—that the absence of an arms race means peace—is not true. It was obviously the very absence of anyone to race with him when he rushed to rearm Germany that emboldened Hitler to make his thrust for world power. If Stalin had any similar adventure in mind I am sure that our great drive to rearm must be giving him pause. Indeed, when I recently asked a German friend of mine who knows Russia quite well, and who had recently seen quite a bit of our industrial drive to rearm, "What about the Russians?", he promptly replied, "If they have any sense, they are scared to death." Whether they are or not, I don't know. But I have no doubt that our rearmament drive is a safeguard to the peace of the world, such as it is.

At present there seems to be an increasing number of people who think that this rearmament drive will be big enough and continue long enough to keep business as a whole booming indefinitely. I do not belong to this group—for two reasons. One reason is that, as a whole, the rearmament program seems to me rather more likely to be cut down from the proportions projected at present than it is to be further expanded. The second reason is that, even if a program of approximately the present dimensions is carried out, it will still leave very considerable segments of business up against the necessity of scrambling hard for

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*An address by Dr. Keezer before the Conference of Sales Managers, The Ohio State University, Columbus, Ohio, November 1, 1951.

Observations . . .

By A. WILFRED MAY

That Tool Question

In this column of last week we took issue with a major paper, "The Prudent Man Goes to the Market Technician," by Mr. Edmund W. Tabell, leading authority on technical market analysis.* Mr. Tabell had maintained that indispensable to the proper conduct of the "prudent" trustee, along with other "tools," is internal market "evidence" to discern the trend of stock market prices. Such "technical" observation is to be accompanied by two other important "tools," namely economic research and security analysis. Then he goes on to predict a possible 20% average decline in the market followed by a rise to an all-time peak, with some secondary issues doing better than the market in general.


A. Wilfred May

Our exceptions were taken on the grounds that (1) these several policies really are mutually exclusive, however tempting it may be to think one can have the best of three worlds; that (2) an economic factor may be directly contradictory to a "technical" portent or signal," leading to the confusion of the investor and his falling between two stools; and that (3) the everpresent divergences between issues and groups within the market render wholly impracticable the forecasting of a "trend of the market."

To this Mr. Tabell has addressed a communication which, in view of its clear, as well as authoritative defense of the "technical" investing approach, we are particularly glad to publish; followed by a word of rejoinder from us, to the inclusion of which Mr. Tabell has cheerfully assented.

FROM MR. TABELL

Dear Mr. May:

As one of your avid readers, I was much impressed to find that I was part and parcel of last week's column as one of the examples of the fallacies of the "technical" market approach. Let me hasten to take my pen in hand and rise to the defense of the "triple check."

First, let me explain that my particular approach to technical analysis is confined to the longer-term trends of the market. I know of no "system," technical or otherwise, that can predict the shorter-term trends. Secondly, I am much more interested in the trend of individual issues than in the general market. As a result, I have graphs of almost every stock on the New York Stock Exchange and many on the New York Curb. Thirdly, I do not use one single "gadget" like some of the examples you quote earlier in your column. I have some 20 or 30 indices of the action of the market that I watch and all of them are checked one against the other to arrive at a conclusion. Let us continue.

You ask the question what course should be taken when a "totally unexpected" event is in conflict with a technical market signal. Well, what course should be taken when such an event is in conflict with a preconceived statistical or fundamental opinion? Suppose we both bought the same stock in June, 1949. You bought it because you thought it undervalued from a statistical approach. I bought it because I thought it undervalued from a technical approach. Of course, I would have taken one step more. I would have double-checked by seeing if it also was undervalued fundamentally. But we will leave that out. One year later comes Korea and the stock goes down. Haven't we both the same problem? The problem is whether the stock still should sell higher regardless of the unexpected happening. If your answer from a quantitative value viewpoint is "yes," you will hold the stock. If my work still indicates higher levels, I will also continue to hold the stock. Of course, I have the added advantage of observing how the stock is acting relative to the general market as well as checking your approach as to the value outlook under changed conditions.

Implication of Divergence

You state that in demonstrating the divergence that has recently occurred in the market, I prove the impossibility of conceiving of the market as a whole and hence of forecasting a future market trend. Well, suppose you studied 1,500 stocks from a statistical approach and 900 appeared overvalued, 300 appeared fairly priced and 300 appeared undervalued based on present and future outlook. Wouldn't you say that, on the average, the market looked high enough and would, on the average, sell lower? My technical approach is the same. I study the graphs of 1,500 stocks. When I say that the market looks higher or lower, I obviously don't mean that each stock is going to move in the same direction. But when I express a general mar-

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*Published in the "Chronicle," Nov. 1, 1951, p. 3.

The State of Trade and Industry

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

The level of over-all industrial output displayed a pronounced increase last week and continued to hold well above that of the like period a year ago. Raw materials shortages remained to plague many producers and those dependent upon imports of raw materials from abroad were greatly hampered by dock strikes in Eastern ports. Although some increased layoffs were evident the past week, employment and payrolls remained high in comparison with a year ago.

The nation's blast furnaces, operating at 104.5% of capacity last week compared with 102.9% a week earlier, forged about 32 thousand more net tons of ingots and castings than they had in the previous week. This brought over-all steel output to a level that was nearly 6% above that of a year ago.

This week there is no longer any question that the steel sheet conversion market is softening, according to "The Iron Age," national metalworking weekly. Conversion's biggest customers, auto firms, are dropping their conversion arrangements like hot potatoes. This includes some of the biggest users in the industry. Unless the trend reverses, sheet conversion will fade out of the picture by the end of the year.

Prices of conversion ingots are sinking fast. A few months ago they sold for well over $100 a ton. Recently they have been selling for $85 to $90 a ton, and last week these same ingots reached a low of $66 a ton, it added.

Interest in bars and forging billets is still keen with nearly all conversion now being arranged aimed at obtaining them. Cold-rolled sheets quickly lose their appeal above market price.

Sheet demand is softening in other areas, too. But the turn isn't so abrupt. And it isn't being regarded with the significance it is in the Detroit area, which is normally the last stronghold in the steel market to show weakness.

Government plate requirements for the first quarter are about 2.3 million tons. This was scaled down from an original estimate of 4 million tons. But steelmakers believe this figure still contains a lot of water. They point out that this would be the greatest quantity of plates ever produced in a single quarter—and it doesn't include a major shipbuilding program, "The Iron Age" states. Some mills are voluntarily shifting production from other more profitable products to meet their share of the load on plates.

Hot-rolled bars are still very tight. Farm equipment takes a lot of this product in the Midwest. Added to this demand is the growing amount being taken by the shell program. In December this program took 2,000 tons. In January it is expected to take 2,900 tons; in February, 3,700; in March, 4,300. The rapid growth of demand for shell steel reflects, in part, conversion from brass to steel casings.

The dearth of fourth quarter cancellations has been a bitter disappointment to NPA. Some manufacturers who were slated for sharp cutbacks have gotten part of their allotments restored by appeals, this trade authority notes.

Anyone who thinks steel companies are getting rich off the defense boom should take a look at their balance sheets. Despite their continuing onslaught on records for production, sales, shipments and expansion, their earnings are on the decline.

Steel leaders aren't crying the blues about this. But they are fearful that the steelworkers and the government will try to carve a wage increase out of their "fat" earnings and end up cutting the vitals of the industry, "The Iron Age" concludes.

In the automotive industry production of passenger cars and trucks declined slightly the previous week, dropping about 2% below the figures of the week before, according to "Ward's Automotive Reports." Car output, however, was about 38% below the like week of last year with trucks down 9%.

The statistical agency also stated "it seemed certain" that 1951 would become a record truck year, topping the previous record of 1,369,000 units built in 1948. United States truck builders are hoping to construct 102,000 commercial vehicles this month, com-

Continued on page 36

Standard & Poor's Was Source of Shaskan Table

Through inadvertence, Standard & Poor's Corp. was not credited as the source of the data comprising Table III, "Stocks Quoted Near Equity in Working Capital," in the article by George F. Shaskan, Jr., captioned, "The Meaning of the Recent Market Reaction—What Now?" which appeared in the "Chronicle" of Nov. 1, page 15. The table in question was given on page 35 of that issue.

With Burgess & Leith

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Jack I. London has become associated with Burgess & Leith, 30 State Street, members of the Boston Stock Exchange. He was formerly with Pearson, Erhard & Co. and prior thereto was an officer of H. L. Nason & Co., Inc.

With Rodman & Linn

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—James E. Keefe III is now affiliated with Rodman & Linn, 209 South La Salle Street, members of the New York and Midwest Stock Exchanges.

With A. C. Allyn & Co.

CHICAGO, Ill.—Frank L. Tennent has become associated with A. C. Allyn & Co., 100 West Monroe Street.

What Outlook for Inflation?

By DR. JULES BACKMAN*
Professor of Economics, New York University

Dr. Backman cites various inflationary elements as: continuing breaks in the wage line, corporate extravagance motivated by excessive tax rates and ready availability of politically-motivated inflation "shots" to forestall any major business letdowns. Concludes while there will be no significant inflation over the next six to nine months, over the longer term, trend is toward more and more inflation.

Let me emphasize that the basic pressures in an armament economy are inflationary. The question is not will we have inflation, but when and to what extent. During the past six months there has been a steady reduction in the fears of inflation. This period has been characterized by a moderate inventory recession in many industries, a minor drop in consumer buying,

Jules Backman

a significant decline (16%) in prices of sensitive raw materials, a moderate decline (4%) in wholesale prices, little change in retail prices, and a moderate rise in interest rates. These tendencies have developed despite the steady increase in government spending, a creeping advance in wage rates, a further rise in plant and equipment expenditures, and a continued rise in national income.

The inflation that developed immediately after the Korean War started did not stem from an unbalanced budget—the traditional source of armament inflation. During the first fiscal year after Korea, 1950-51, there was a Federal budgetary **surplus** of $3.5 billion; the cash budget showed a surplus of $7.5 billion. Rather, it stemmed from a consumer and business buying spree because of fear that goods would not be available and prices would rise.

*Summary of an address by Dr. Backman before Graduate Economics Society, Columbia University, Nov. 2, 1951

After the Chinese intervention, consumption expenditures boomed to an annual rate of $208.2 billion in the first quarter of 1951. This boom in consumer buying was financed by a combination of rising disposable income (rose at annual rate of $20 billion from second quarter 1950 to first quarter 1951), a rise in consumer credit (rose $1.7 billion from June, 1950 to March, 1951), net redemptions of $800 million of series E bonds, and a net reduction of $717 million in time deposits, postal savings deposits, and mutual savings bank deposits. In other words, consumers used up liquid assets or went into debt to the extent of $3.2 billion between June 1950 and March 1951.

During the same period business inventories increased from $54.2 billion to $66.5 billion, or by more than $12 billion. That was the extent to which business men acquired inventories in excess of the larger quantities of goods required to meet the higher consumption expenditures referred to earlier. Mainly to help finance this large increase in inventories, commercial bank loans rose by almost $10 billion in the same nine month period ($44.8 billion to $54.4 billion). However, largely because the banks disposed of $7 billion in government securities, the net increase in demand deposits was kept to modest proportions. However, deposits became more active as reflected in the more than 20% rise in bank debits.

This survey makes in clear that **a good part of the inflationary pressures following June 1950, reflected the activation of deposits and liquid assets which were created by the inflationary methods used to finance a significant proportion of World War II requirements.**

In the past, the fundamental cause of armament inflation has been the creation of bank credit to finance the costs of armaments or of war. This is tied in directly with Federal budgetary deficits and how they are financed. The first and most important question, therefore, is the outlook for the Federal budget. For the current fiscal year, a budget deficit of $10 billion has been forecast by the government, before allowing for any new taxes. After allowing for the higher taxes now being enacted, the deficit would become $6 to $7 billion. However, the financial needs of the government are determined by its **cash budget** rather than by the more conventional type of budget. The cash budget is expected to show a **deficit** of about $6 billion before the new tax increase and a deficit of $2-$3 billion after that increase.

Let me emphasize that these are the latest official estimates. Past experience has indicated that such estimates may be at considerable variance from actual results. For example, any deterioration in the war situation could be reflected in a stepping up of armament expenditures. Alternatively, the rate of spending may not increase as rapidly as anticipated. Tax yields may be over- or underestimated. The acceptance of the official estimates, therefore, is fraught with danger. Nevertheless, I feel that they do provide a useful basis for comments on the inflation problem.

If the cash budget shows a cash deficit of only $2-$3 billion in the current fiscal year, it is clear that no important inflationary pressures would be generated from this source. This sum could be raised from non-banking sources without too much difficulty. The recent proposal by Secretary Snyder to sell more than $2 billion in tax anticipation notes to corporations would be helpful in this connection. However, to the extent that funds are received from the sale of such notes, the problem of financing the deficit is merely pushed forward to the following fiscal year and hence accentuates the problem at that time. Even if part of the 1951-52 deficit is financed by the banks, it will be of relatively minor importance in the overall inflation picture.

But suppose these projections prove incorrect, and the cash deficit is larger. (If it is smaller, no problem is created.) If the error is a small one and the cash deficit stays within $5 billion or so, I would expect no significant inflationary pressures to develop. If it is much larger, then inflation becomes more of reality. However, even in this event, there would be no significant pressure until late next spring. The reason for this statement is found in the timing of tax collections. Large receipts normally are recorded in the January-March quarter. Accordingly, no need for bank financing, except on a temporary basis, would develop before next spring.

However, the psychological aspects of the present situation should not be overlooked. The emergence of a new period of deficit financing could create a new flight from money because of fears as to the end result of that policy. Even more important, is the danger that any new war scare could be accompanied by a new rush to buy goods and a further activation of the existing huge money supply. I do not have any pipe line to the Kremlin which would enable me to forecast when or where the next hot war will take place. My observations, therefore, must be made without the benefit of this vital information.

It is also important to note that the favorable prospect for a small budgetary deficit has been made possible by the prompt action of Congress in raising taxes. In three tax bills since Korea, taxes have been raised more than $15 billion. While criticism may be directed at the types of tax increase adopted, in the absence of these tax increases, we would have a large budgetary deficit and a substantially increased degree of inflationary pressure. We have come fairly close to a pay-as-you-go policy, at least for the first two years of the armament program.

I do not minimize the significance of such deficits as do develop. I am convinced that a pay-as-you-go policy is the best one to follow. However, I am attempting to evaluate the significance of the prospective 1951-52 deficit against a total money supply (deposits and currency) of $177 billion and demand deposits of $91 billion. In that environment, **I anticipate no significant inflation as a result of the government's budgetary deficit during the next six to nine months.**

Predictions for the 1952-53 fiscal year are very hazardous because so much depends upon what happens on the war front. The latest estimates indicate that the Federal Government will spend between $80 and $90 billion in that year. This is a rise of $10 to $20 billion over the level of spending in the current fiscal year. In the absence of any new tax increase, this level of expenditures would make inevitable a substantial budgetary deficit. Even after allowing for some rise in government revenues, as a result of higher national income, a deficit in the neighborhood of at least $15 billion would seem to be in prospect. But whether the precise deficit is this amount, or a little larger or smaller, there will be a reemergence of large scale deficit financing in the fiscal year 1952-53 unless there is a major change in our armament program. If this situation materializes, there will be a resumption of real inflationary pressures.

While the foregoing analysis contains much that is reassuring on the inflation problem, I should like to note that the long-term trend in this country is toward more and more inflation. We are sitting on an inflation volcano that could erupt at any time. Our wage policy and farm price policy are and have been inflationary. Any new break-through in the wage line would be reflected in higher costs to government and to business and at the same time would have a negative impact on government tax revenues. By increasing consumer purchasing power at a time when civilian supplies will not rise, and may decline, the pressure for price rises would be accentuated. Corporation taxes have risen to the point where they contribute to inflationary cost increases because the rewards for careful spending are small. Political considerations lead to further shots of inflation whenever the economy shows any signs of a letdown. Thus, the lull we have been experiencing in recent months, and probably in the months ahead, is likely to be temporary.

COMING EVENTS

In Investment Field

Nov. 9, 1951 (Detroit, Mich.)
Securities Traders Association of Detroit and Michigan, Inc., annual Fall Party at the Detroit Boat Club.

Nov. 9, 1951 (New York City)
New York Security Dealers Association 26th annual dinner at the Waldorf-Astoria Hotel.

Nov. 14, 1951 (New York City)
Association of Stock Exchange Firms Annual Meeting of the Board and Election.

Nov. 25-30, 1951 (Hollywood Beach, Fla.)
Investment Bankers Association Annual Convention at the Hollywood Beach Hotel.

Sept. 28-Oct. 1, 1952 (Atlantic City, N. J.)
American Bankers Association Annual Convention.

Oct. 19, 1952 (Miami, Fla.)
National Security Traders Association Convention at the Roney Plaza Hotel.

From Washington Ahead of the News

By CARLISLE BARGERON

Of course, it is possible for two men in the positions of President Truman and General Eisenhower to sit down in conference with others present and then to eat alone and not discuss what is uppermost in the minds of both. But if there was no mention of politics when they ate alone you can rest assured it was a most restrained meeting, indeed.

Carlisle Bargeron

As the General sat there breaking bread with the President in a spirit of intimacy, he knew what the President wanted to know most. He knew, in fact, how important it was to the President, how important it is not only to his own political planning but to the Administration's conduct of foreign policy.

Get this picture in your mind: Here is an army officer now enjoying high favor in the public mind, not only in this country but abroad, and he is enjoying this high favor, this great prestige, first because of the opportunity given to him by Mr. Truman's predecessor, the leader of the same political party of which Mr. Truman is now the head. And the opportunity which Roosevelt gave him has been topped off or added to by Mr. Truman.

Yet there is a movement afoot in which the General is in some degree a part, to say the least, by which he would not only oust his Commander-in-Chief from office but the political party which nurtured him. You may say this latter is of small moment to the country as a whole, the welfare of a particular political party. It is, however, a matter of tremendous importance to the hundreds of thousands to whom this party means bread and butter and a relatively smaller group to whom it is not so much a means of bread and butter but of prestige and power, of their standing in the scheme of things. If you lived in Washington you would know that it is no small happening when there is a political turnover. People lose jobs and fall into oblivion; others acquire jobs and opportunities. The sun comes up for quite a segment of our population; it goes permanently behind the clouds for another one.

I have always thought that the whole situation around Eisenhower was an amazing one. For him to be a Presidential candidate on the Democratic ticket with Mr. Truman's blessing would be quite natural. For him to be planning to overthrow this man and his political party is something entirely else.

Under the circumstances if you want to believe they sat there at luncheon, just the two of them, without politics being discussed, you are entitled to your belief. And I can add that this is the word of the General to one of his closest friends. This close friend explains to me that this was possible because both men are of such a high type. I don't deny this and I am not questioning anybody's word, either. All I say is that it must have been a most restrained meeting, indeed.

Mr. Truman can have a very blunt way about him at times, and I could easily visualize his asking the General point blank: "General, what about your Presidential ambitions?"

It was only a few months ago that the President turned sour on one of his staunchest defenders in the Senate, Senator Douglas of Illinois, simply because his name began appearing in the newspapers as a potential candidate. The President let his displeasure become known and he has lost no opportunity to take a crack at him since.

Mr. Truman has long held the General in high regard and there is no doubt that early in his Administration, when humility bubbled out all over him, he was quite of a mood to support the General for the Presidency in 1948. Later, though, when election became such a challenge to him, the President grew most nervous over the General's intentions and he got some mutual friends to do some missionary work with the General. I don't believe that he is now perfectly serene over the possibility that the General will not only be a candidate in '52, but a candidate against him.

It is possible, however, that Mr. Truman got a pretty good idea of the General's intentions without politics being discussed in a literal sense. It could be that they parted company on a high note of the President's telling the General what a grand job he was doing and how much the peace of the world rested on his shoulders, and the General replying as their hands clasped in something like this vein: "And Mr. President, I am greatly appreciative of your having given me the opportunity for this great work and you can rest assured that I shall never do anything to betray your trust." And then the President could have said: "I have never had the slightest doubt about you, General."

Of course, when he got home that night and tried to repeat word for word just what the General did say when he said such, when he went over it all with Mrs. Truman, the President may have come up with doubts as to just what had been accomplished. Mrs. Truman possibly shrugged and said "Oh well, it will all come out in the wash."

Dangerous Trends in the American Economic System

By BRADFORD B. SMITH*

Economist, United States Steel Corporation

Mr. Smith lists as among the dangerous trends which threaten our economic system: (1) dollar debasement; (2) price coercion; and (3) tax despoliation. Says current warlike conditions give hidden impetus to these trends which could eventually prove irreversible. Sees no excuse now for relaxing moral tenets of American civilization.

It was well recognized, as you may read for yourselves in the 10th Federalist Paper by Madison, that popular sovereignty presented the opportunity for power-lusting demagogues to marshal the discontented, to organize fear, greed and envy in the shortsighted, to make endless promises to the gullible and thereby to capture public office and despoil the productive and thrifty in order to purchase the favor of the more numerous less productive, the improvident or lazy. Indeed, that this would sometime happen to us was, with devastating logic, predicted by Lord Macaulay in 1857. That it has already begun to happen to us, no one with the courage to face the facts will deny. And that brings me to certain specific and dangerous trends in the American economy.

Bradford B. Smith

Dollar Debasement

One of the most monstrous and destructive frauds that governments historically have perpetrated on those governed is to debase the currency, a process that is accomplished exclusively by "watering" or diluting irredeemable paper money through its "printing press" multiplication. The public recognizes the result as price inflation and, indeed, the extent of the debasement of buying power is customarily measured as the reciprocal of the average rise in prices.

The public readily recognizes the evil of resort to printing press money when it is privately conducted. It is called counterfeiting and is properly condemned as a vile combination of fraud and theft. When the same process is officially conducted as an "easy money policy," however, the public curiously fails to recognize its even greater deceptiveness and more widespread destructiveness. I suppose it is because the economics of money is obscure to most people. That only makes the continuing trend toward dollar debasement the more dangerous.

The world has a long history that reaches back at least to Diocletian concerning currency debauchery, and the evidence of that record is uniform and compelling. It shows that when printing press money is first issued it seems to give a "lift" to the economy that makes everybody happy — much like, I suppose, the initial effect of dope on the chap who first takes it. But, just like the dope-taking, it quickly becomes habit-forming, requiring ever bigger doses to achieve the same good feeling. If we but open our eyes and look at it we can see this very same process at work in our own land in the past 20 years. Has any so-called cure for any economic ailment been proposed or significantly adopted in that time span other than increasingly extravagant spending, lending, or giving away of printing press money by the government?

But the same historical record indicates that the end result of glad-happy doses of printing press money is destruction of confidence in the money as a medium of exchange. Of this end result we have already had a premonitory taste when there developed in the latter half of last year signs of incipient flight from the dollar. Should full flight ever develop it would bring chaos to our land—the population has so greatly specialized its productive activities that no one, save possibly the farmers, could survive without the exchange of products in markets dependent upon money as the medium of exchange.

All this is very well known to students of the subject and perhaps even better known to enemies of our form of civilization. Lenin is reputed to have urged currency debauchery as an effective means of destroying our system of production; and some people give credence nowadays to the notion that the hidden strategy of the men in the Kremlin is to keep "needling" and scaring the Americans into suicidal, inflationary armament boom followed by destructive, chaotic bust and thus win what they want without firing a shot. Even the late Lord John Maynard Keynes, long exploited as the intellectual front for extravagant government expenditure of printing press money, well knew the consequences of currency debauchery. He once stated, and I quote: "There is no subtler, no surer, means of overturning the existing basis of society than to debauch the currency. The process engages all the hidden forces of economic law on the side of destruction, and does it in a manner which not one man in a million is able to diagnose." There is no more dangerous trend in our economy than the trend towards dollar debasement, and a big part of the danger lies in people's unawareness of how it is done and where it leads, despite the seductive glad-happy feeling it yields for the time being.

That the American dollar has been in an 18-year trend of debasement of its buying power is not open to question. It is an officially computed and recorded statistical fact. In that span of time the power of the dollar to buy at retail has declined 50%; at wholesale it has declined 63%. It takes between two and three dollars now to buy what one dollar used to buy before the debasement started. From this point of view we have travelled more than half the road to a worthless dollar.

Of this device for debt repudiation many people have had personal experience. Thus the $100 received today on the redemption of a savings bond will buy only three-fourths of what the $75 paid for it 10 years ago would have then bought. As far as real things are concerned the purchaser, expecting a one-third gain for his 10-year self-denial, ends up with a one-quarter loss as his reward. The fact that dollar debasement bears most heavily on the little folk least able to defend themselves is also becoming increasingly common knowledge. These are the people with savings deposits and life insurance policies, the real value of which is confiscated by the debauchery. They are the people on fixed incomes, many of whom are the aged or dependent, living on pensions, previous savings, annuities or proceeds of their former providers' life insurance. They are the educational and charitable institutions dependent upon income from endowments. They are not, of course, the proprietors who tend to be borrowers more than lenders and to be owners of real property. Nor are they, of course, the well organized and politically powerful agricultural and labor monopolies.

The printing of money in this country today is conducted behind a wall of fiscal and central bank technicalities which serve to conceal the process from the gullible. But it is the ancient trick in new guise, and the only significant difference is that the old-fashioned way of doing it was "out in the open" where people could see and appraise it.

What we use to pay our bills is the coin and paper currency in our pockets plus our deposits subject to check—that is, demand deposits — in banks. The present amount of these combined is about $115 billion. This is about $4 billion more than it was a year ago; it is six times what it was in 1933; it is three times what it was in 1939. This multiplication of money is the exclusive fountainhead of inflation, and this is true no matter how great the smoke-screen scramble to pin the blame on this or that element in the population. The alternate multiplication and retirement of printing press money is also, in my personal judgment, the exclusive source of the inflationary boom and depressionary bust features of the American economy. If we could only have

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*Part of an address by Mr. Smith before the Fifth Annual Management Executive's Conference of the American Society of Mechanical Engineers, Skytop, Pa., Oct. 30, 1951.

A Current Line on the Shares of Electric Utilities

By IRA U. COBLEIGH

Author of "Expanding Your Income"

Brief treatment of the growth factor in this industry; some attempt to explain the market lag of electric power shares, plus equities that appear undervalued.

What with all the recent hoopla about the stock market hitting 21-year highs, some of us, whose market memories go back a quarter century, and more, find something missing. This isn't the same knid of a bull market. Yes, we still have utilities, but United Corp., North American and Electric Bond and Share are but pale ghosts of their former selves, selling at tiny percentages of 1929 prices. They fail also to provide any of their old time Exchange fireworks, having abdicated in favor of the oils and the chemicals. And such volatile speculative pogo sticks as Insull Utility Investments, Middle West Utilities and Associated Gas and Electric "A" have joined the speakeasy, the trolley car and the 60-hour week in the non-repetitive section of history.

Ira U. Cobleigh

Of course, the reasons why utilities no longer are either market rockets or plummets are found in the Utility Holding Company Act of 1935, which, in due course, returned the operating utilities back to investors, and removed them as bases for the most dazzling financial structures since corporations were born in some instances. Now, if we want to see pyramids we go to Egypt—and that is quite as it should be!

While it is surely true that in our current market, electric shares have not produced any dynamics, their average moving up less than 4% since Korea, they do present elements of growth that appear to have been widely ignored. For instance, in the last decade electricity sales have doubled; and over $8 billion has been invested in plant expansion here since the end of World War II. The gross income of electric companies, now running at the rate of over $5 billion annually, is growing at a velocity unmatched by any other major fields of enterprise.

Further, it seems to me that power companies enjoy wider good will today than at any time in their history, partly because their product, electricity, is one of the very few things that cost less today than 10 years ago. The public is bound to appreciate that, when everything from beef to bungalows has been making new price highs. Thus it is that electric companies should now be in an excellent position to obtain reasonable rate increases today. Such increases are vitally needed for the proper growth of these companies; and to offset the increased costs of labor, taxes, and new generating capacity. Regulatory tradition has usually accorded power compaines a 6% return on fair property value. Well, for many companies that return has been slipping lately—for 1950 (industry wide) it was just a shade under 5%. So one thing to improve the present value of utility equities would surely be more intensive applications for improved rates.

Another factor favoring utilities is the standard pattern now for their financing. Custom and practice now favor 50% in debt, around 20% in preferred and 30% in common (and surplus). Thus it is easy to analyze leverage factors, and, in general, to compare earnings and growth among different companies. This effective rule of thumb formula, sets the pattern for utility financing which a steadily increasing power demand makes necessary.

Even with the rates of earnings and financial structure somewhat standardized, there is a wide difference in growth of sales of electricity, dictated principally by geography. For instance, New England companies are creeping along while the South and Southwest are really watt-hungry. Accordingly, investment-wise, among the most attractive current values are common stocks listed below of companies operating in expanding zones of juice buying.

All of these shares are listed on the New York Stock Exchange; all sell at relatively low times-earnings ratios, with Florida at roughly ten times earnings, Middle South and Southern a little over 11 times, and Potomac 14 times. All fit into a standard pattern of dividends for the electric industry, of paying out about 75% of net earnings in dividends (against about 42% for the average industrial). Each unit here also has a steady demand for capital which gives promise of attractive subscription rights to new shares, from time to time.

Another thing, the average yield of this group is 6.28%—surely an attractive return on money, particularly when so well assured by consistently expanding earning power.

Company	Price About	Dividend Rate	Yield About	Per Share Earnings About
Middle South Utilities	19¾	$1.20	6.25%	$1.75
Southern Company	11¾	.80	6.70	1.00
Florida Power & Light	24	1.40	5.85	2.45
Potomac Electric Power	14½	.90	6.35	1.00

While these four are fine, and available to you now at ingratiating prices, I never like to leave any discussion of electric shares without a real kind word for what I believe to be the best company of the lot—American Gas & Electric. Going back to the days when this ermine electric was the bellwether of the Electric Bond and Share system, it has consistently demonstrated wonderful management, above average earning power, and its treatment of shareholders leaves little to be desired. Currently paying $3 (earning $4.40) and selling around 57½, it yields only about 5.20%; but the history of this equity is dotted with stock dividends and rights (a 1-for-15 stock extra was given only last April). So if you only want one power utility in your list, I can't see how you're going to come up with a better selection than American Gas and Electric, serving a solid belt in the heartland of industrial America.

Although the appointed province of utilities is neither to confirm nor reject the Dow theory of markets, and although the electrics have failed to make a splashy upward surge in the roaring market of the past year, it's possible to make a fairly good case for them along the following lines:

(1) Supported by good earnings and dividends, they can defend themselves better than most sections of the market, if we have a big sell-off. Not having gone up, there's no special reason why they should go down.

(2) Tax-wise utilities are protected against excess profits taxes generally until they top 6% on fair valuation. And they gain by recent repeal of the 3½% excise tax they've been lugging.

(3) Electricity is vital to defense—without it we don't produce all our aluminum and copper —we don't build all our atoms and airplanes. Too little have utilities been thought of as "defense" securities.

(4) Few industries can present as good, or as logical, justification for price or rate increase as the electrics.

(5) While competition with Federal power is still a problem or a threat in many areas, it is slowly dawning on our citizenry that private, and heavy tax-paying, utilities have done a whale of a job in producing cheap electricity on a nationwide basis; that only by hiding their costs under a vast cloud of tax exemption, can Federal power projects offer the false facade of lower power rates.

So while Con Edison may never give you a market spin like Insull Utility Investments common in 1929, it is also unlikely to jolt you with a margin call more costly, on a single day, than a lifetime of household electric bills! (Ah, those memories!) Utilities today are an honored and highly respected section of our share markets, and you could do a lot worse than take on a current line of electric utilities.

Dealer-Broker Investment Recommendations and Literature

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

Basic California—Brochure—Bank of America, 300 Montgomery Street, San Francisco, Calif.

Capital Gains Possibilities in Non-Dividend Securities—Analysis—Hill Richards & Co., 621 South Spring Street, Los Angeles 14, Calif. With special reference to **Glass Fibers, Inc., Hugoton Production Co., Transcontinental Gas Pipe Line, Suburban Propane Gas, Texas Eastern Transmission Co., Canadian Superior Oil, Consolidated Engineering Corp., Telecomputing Corp., Tennessee Gas Transmission, Delhi Oil.**

Capital Gains Tax Provisions—Bulletin on method of computing gains and losses—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

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.

Chemical Digest—Bulletin of recent developments in chemical matters—Foster D. Snell, Inc., 29 West Fifteenth Street, New York 11, N. Y.

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

Industrial Earnings—Analysis—A. M. Kidder & Co., 1 Wall Street, 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.

1951 Income Tax Withholding Chart Book — Charts covering standard payroll periods based on the "exact computation" or "percentage" method of calculation—**Manufacturers Trust Co.**, New York 15, N. Y.

November Investment Letter — Discussing factors dominating the stock market; implications of the new tax bill; earnings and dividend outlook for 1952; the era of electronics; and a low-price common stock with interesting assets value—J. R. Williston & Co., 115 Broadway, New York 6, 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.

Preferred Stock Guide—Brochure—Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y.

Rail Stocks—Review—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Retail Trade Stocks—Analysis—Bache & Co., 36 Wall Street, New York 5, N. Y.

Securities Outlook—Discussion of recent market decline with relation to major industries and their prospects and consideration of stocks vs. bonds in today's markets — G. H. Walker & Co., 1 Wall Street, New York 5, N. Y.

Selected Lists of good quality common stocks; "businessman's risk" type equities, and lower priced speculative shares—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y.

Tokyo Stock Exchange—Bulletin of spot quotations of major stocks—Nomura Securities Co., 1-1, Kabuto-cho, Nihonbashi, Chuo-ku, Tokyo, Japan.

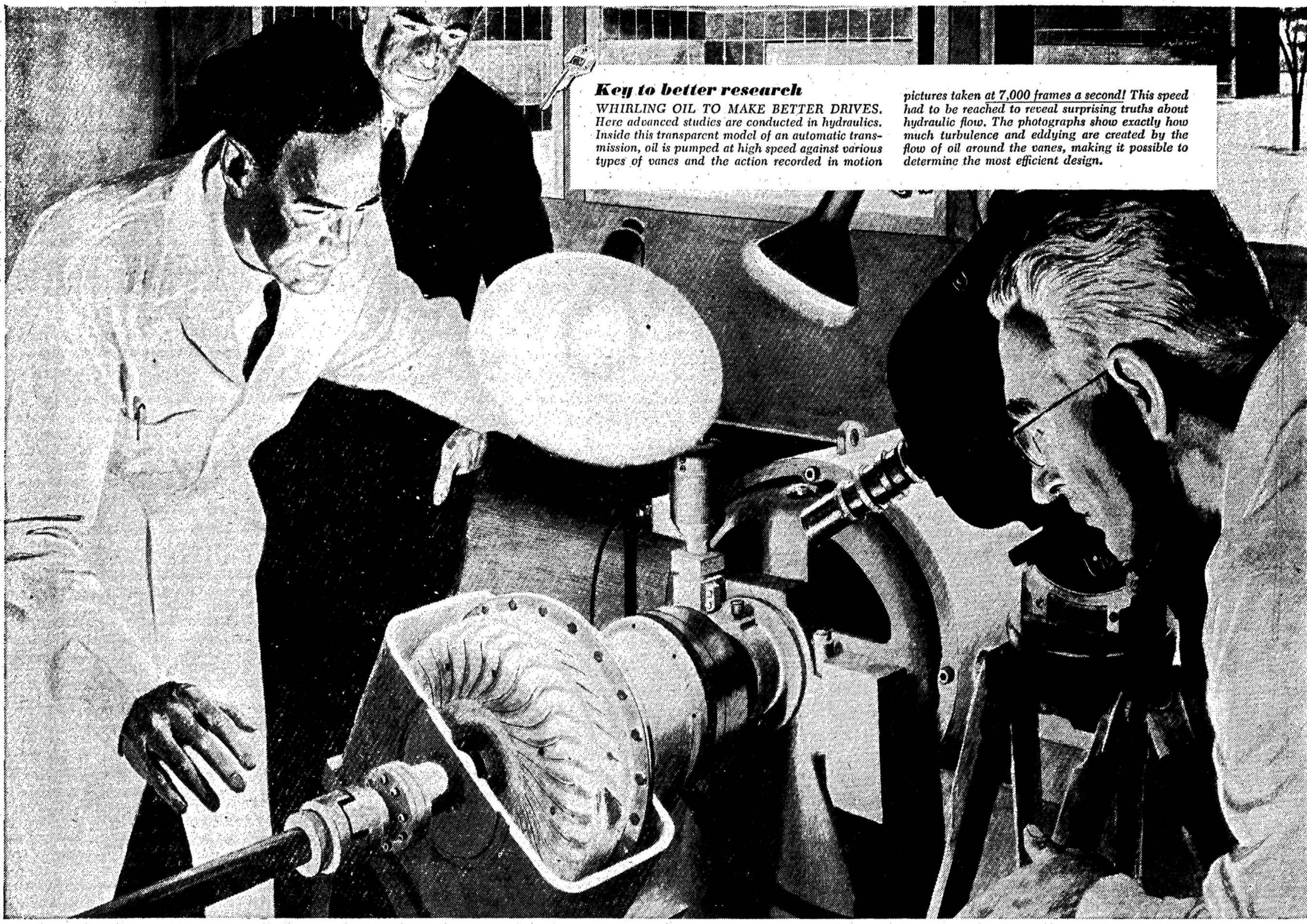
* * *

Aluminum Industries Incorporated — Analytical brochure—Stanley Heller & Co., 30 Pine Street, New York 5, N. Y.

Ami Incorporated—Bulletin—O. B. Motter & Associates, 500 Fifth Avenue, New York 18, N. Y.

Anaconda Copper — Analysis — Dreyfus & Co., 50 Broadway, New York 4, N. Y. Also available is a bulletin on **Canadian Oil Developments.**

Continued on page 43



Key to better research
WHIRLING OIL TO MAKE BETTER DRIVES. *Here advanced studies are conducted in hydraulics. Inside this transparent model of an automatic transmission, oil is pumped at high speed against various types of vanes and the action recorded in motion pictures taken at 7,000 frames a second! This speed had to be reached to reveal surprising truths about hydraulic flow. The photographs show exactly how much turbulence and eddying are created by the flow of oil around the vanes, making it possible to determine the most efficient design.*

Automatic driving is out of this whirl

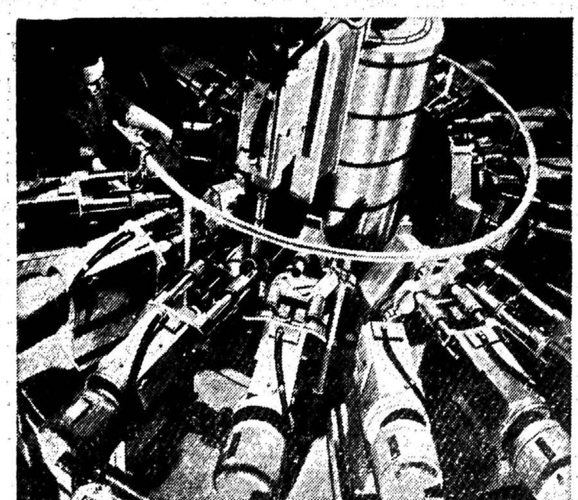
Few car owners realize how long it takes to develop an idea from the dream stage to a working reality.

The automatic drive is a typical example. More than 25 years ago General Motors began to seek a new, simpler, smoother way of transmitting power from engine to wheels.

First it was a subject of long research in which new discoveries were made about the behavior of liquids in motion.

Then GM engineering took over, translated laboratory developments into scores of working models, weeded them out by many brutal tests to find the most practical. Finally GM production units worked out ways to manufacture them at low cost, to give you the automatic drives available on all GM cars—Powerglide, Dynaflow, and Hydra-Matic—plus heavy torque-converter drives for buses, military vehicles, and construction machinery.

This is a cycle that never stops at General Motors—on every phase of automotive advancement, from fuels to finishes. That is why the key to any General Motors car is your key to greater value.



Key to better manufacturing
ACHIEVING VOLUME THAT MEANS VALUE. *Getting a precision assembly like an automatic drive from laboratory to production line calls for high-speed methods of making them at low cost. Typical solution: this automatic 18-station drilling machine whose infallible electric fingers help form 108 transmission parts an hour with super-precision. Such equipment brings automatic driving to GM car owners at reasonable cost—and gives GM vital skills for defense work.*

Key to better engineering
TESTING ON THE TOUGHEST HILL OF ALL. *Before a new automatic drive is put into production, GM's engineers test it on Pikes Peak—almost 14 miles of relentless 10% grade and hairpin turns. The summit is 14,110 feet above sea level—which cuts horsepower in half. Here they test the newest automatic drives—in trials more wicked than you could meet in usual motoring—and make design improvements before manufacturing takes over.*

YOUR KEY TO GREATER VALUE—THE KEY TO A GENERAL MOTORS CAR

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DEFENSE IS EVERYBODY'S BUSINESS ★ TRANSPORTATION IS EVERYBODY'S NECESSITY

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Political Expediency Should Not Motivate Foreign Policy!

By HENRY FORD, II*

President, Ford Motor Company

Asserting American people deserve a better kind of leadership than that based on political expediency, leading industrialist urges public be better informed on foreign and domestic situation. Says full mobilization is not now needed, but we should have sufficient power to meet force in limited areas, plus ability to mobilize rapidly, if needed. Condemns "fear hysteria," but urges keeping road to peace and progress open.

As a people protected by two oceans, it has been our American tradition to have as little as possible to do with the political affairs of the rest of the world. Many of the factors we face today are therefore hard to understand simply because they are new to us.

Henry Ford, II

We have grown up in an age of science, of mechanical ingenuity. We are accustomed to dealing with people we know—our fellow Americans. Yet we are now thrown into a boiling pot of political problems involving races of men who don't talk our language, who don't believe in the things we believe in, whose habits and customs seem to us incomprehensible—and who often return the compliment by considering ours just as incomprehensible.

We forget that many things commonplace to us are uncommon in other parts of the world. Common words—capitalism, for instance—are used in other parts of the world to describe substantially different ideas and systems.

It would be pleasant if we could leave international affairs to our politicians and statesmen, but I don't think we can. Our national leaders can only do in any international situation those things which have public support. Our policies and programs as a nation depend—as they do in few nations—on public opinion.

Of course, there are two ways of looking at this basic fact. One is to assume that our national leaders should watch the waves of public opinion and ride along with them wherever they may go. That is the old business of political expediency—doing what may at the moment be the politically smart thing to do, but what may, in the long run, turn out to be very unwise indeed. That age-old practice, which always brings waste and confusion, has never been better described than in the classic remark of the French political leader who looked at the marching mob outside his window and said, "There go my people; I must follow them."

The American people deserve a better kind of leadership than one based upon more political expediency. They deserve leadership that will lead them to courses of action which are wise because they are true and sound and reflect the very best that is in us. In the words of George Washington, they deserve leaders that will "raise a standard to which the wise and honest can repair."

I suppose there is little value in our criticizing each other in times like these. I must say, however, that the record of the past few years leaves me with the very uncomfortable feeling that too many of our leaders are motivated largely by political expediency as we enter the road of our new international responsibilities.

Defense Appropriations

This seems to me apparent in the record of our appropriations for defense.

We came out of World War II anxious to forget everything having to do with war and to get on with peacetime progress. In 1948, the budget for defense had been cut to $11,000,000,000. It was $11,900,000,000 in 1949; $12,300,000,000 in 1950.

Then came Korea. Our national leaders, correctly interpreting the anger of American people over the fact that Soviet-dominated power dared to start marching, committed this country to an expeditionary force for which we were very poorly equipped, indeed. When the American people saw the headlines reporting those early days of defeat and retreat, they demanded that the situation be remedied promptly — at whatever cost.

Jumping aboard the bandwagon of public opinion, our national leaders whirled around and started moving in the opposite direction as fast as possible—asking and getting huge sums for military expenditure; asking and getting the kind of controlled economy that Americans will accept only in the face of the clear possibility of national disaster.

The result is that today—with most of the political elements which make up our world pretty much the same as they were two years ago—we are budgeting $57,000,000,000 for our armed forces. And this was pared down from the $104,000,000,000 that our military experts originally requested. In 1948 we had less than a million and a half men in uniform. Some months ago the people in the Pentagon said they needed an armed force of 3,500,000 men. They now suggest we ought to raise that figure to 4,000,000.

One can hardly blame our military men. If you ask generals how much they need for defense, they are quite naturally going to ask for all they can get. After all, their job is to be certain that this country can be victorious in any combination of circumstances which conceivably might arise.

The record makes it seem clear to me that if we as a nation have to learn to travel this new road outside our borders, the American people are going to have to be better informed. We are going to need more facts from those to whom we have delegated leadership. We are going to need a lot of responsible public discussion—the kind of give-and-take of opinions that will lead toward a national policy and a national program based, not on the rise and fall of fear and hysteria, but on a continuing and well-calculated appraisal of our long-term enlightened self-interest.

You and I—and the other 155 million people who make up American public opinion—are going to get exactly the kind of society we deserve and work for.

Clearly, it is a time for each of us to try our best to understand what it is all about, and to compare notes. One of the wise things we did during 1951 was to get the MacArthur controversy out in the open where we could all have our say and make up our minds on the merits of the controversy.

I hope, therefore, that it will not seem strange to you that an automobile manufacturer from the Middle West, who has plenty of problems on his own job, should come all the way to Boston to state his views on subjects concerning which he can be expected to know just about as much as the average informed American citizen who reads the newspapers and listens to the radio.

The Road to Take in International Affairs

What is the road for us to take today in international affairs?

So far as I'm concerned, I do not want to go down any road that can lead only to war. Total war can solve nothing, and it can destroy everything that is important to all of us. I do not think that another World War is inevitable—not by any means.

I do want to take whatever road offers the best chance of maintaining the maximum degree of peace in this world—however hard and costly that road may be. I want to take a road which leads away from constant tensions and waves of hysteria and toward the better kind of world that men are capable of building for themselves, if they are left free to do it.

That means I want a road that leads toward greater opportunity for all men, no matter what their race, or color, or religion, or nationality.

Of course, I do **not** want to travel a road that leans toward peace at any price.

I cannot be persuaded to travel any road in goose-step. I will never buy the idea that we have to give up our liberty in order to save our liberty. Such talk always sounds to me like the frantic talk of frightened men who have lost faith in themselves and in people.

Believing these things with all my heart, I may over-simplify. But as I try to sort out the threads of sense and logic in our present confusion, here are some of my own views.

I start with the fact that we are a peace-loving people without the slightest desire to add another square mile of land area anywhere in the world to the United States or its possessions. We are a revolutionary people. We believe that nothing is so important as the individual human being, and that he should be free to develop his own abilities and ambitions with minimum interference from others as he pursues his idea of happiness.

We have already shown what this faith can do in giving men incentive, so that each human being becomes an atom of explosive force toward a better world for all. As a free people, we have brought about in a relatively short period of time the greatest revolution in human living that the world has ever seen. And we are always full of hope and determination to get on with the job.

"We Have An Enemy"

It is clear that we have an enemy. That enemy is not an idea, because free people are not afraid of ideas. That enemy is not the Russian people. I do not think that the people of Russia or people anywhere else in the world want war.

Our enemy is a relatively small crowd of experienced and unprincipled demagogues who, at the moment, have complete power over the people of Russia and several other nations—a power they seized by force and hang on to by ruthless police methods behind an Iron Curtain.

We know these men propose to extend their power as far as they possibly can, and to that end are always searching out, and exploiting, what can be made to look like weaknesses on our part.

They accuse us of wanting war. They even say that "capitalistic businessmen" like you and me promote war to make profits. As a result, millions of people all over the world are half-convinced that we in the United States have dreams of world empire and are itching to get into a fight with Soviet Russia.

Of course, that is ridiculous. As free Americans we know that only when nations and individuals are free from fear or war is it possible to them to prosper. As businessmen, we know that every tank, every battleship, every gun that has to be made is so much less steel for buildings, automobiles, dishwashers, bridges, electric power—even razors. To a businessman, war means only waste and destruction of all he works for.

Actually, Stalin knows this and exploits it. When, for example, he sends his troops to maneuver on the borders of Greece, part of his crafty motive is to force the people of Greece to turn from the reconstruction of their country to the thankless task of guarding their mountain passes. Thus, Stalin accomplishes two things: he is able to protest that Greece is planning to make war on the great, "peace-loving" Soviet Union and at the same time he is able actually to make war on the economy of Greece just as surely as if his army laid waste its countryside and bombed its industries, and with the Soviet-inspired action in Korea, he is making the same kind of war on the economy of this country.

This is a deadly enemy, a fact about which we should make no mistake if we value our lives and our freedoms. For it is the ruthless and cunning enemy of everything we hold dear, and it is backed up by military strength and great land areas of natural resources.

How long we will have to reckon with this enemy, no one can know. It may be a long time. Personally, I hope it may be for a shorter time than we think. No police state can keep absolute control over hundreds of millions of people forever. Every dictator who has strutted down the road to ruthless power has found that out.

The question is, what should the people of the United States of America do about this? Surely, there is a wise road—surely there is a road that courageous and determined people can take.

In its simplest terms, the answer seems to be this: If such an international bandit is loose on the road we have to travel, we've got to go armed. No question about it.

The only language that this enemy talks is the language of strength. His chances for success rest upon his ruthless power. If we can check-mate the threat of that power, we can keep open the road to world progress.

How big must our armed might be to do this? How many men do we need? How much armor? How many air groups?

These are important questions, because it is military strength we have to maintain for many years. What is required is staying power and steady determination.

Full Mobilization Not Needed

Apparently what is needed is not a full mobilization of this country—not an armed force to engage in all-out war against the Soviet Union — but sufficient power always ready to meet force in limited areas, plus the ability to mobilize rapidly if the need for that should ever develop.

The American people do not want to be a great military power. Military power is a sideline with us. All we want is enough military power—and the promise of more to come if it should ever be needed—to make world conquest by an aggressor nation a very bad risk.

What we need, in other words, is a position of strength that will enable us to keep our self respect and move forward without fear—a position from which we can pick up our international problems as they come along and deal with them one by one. For it is wishful thinking to suppose that some miracle is going to dissolve international tension over night. It is a job that is going to have to be done piecemeal, keeping all channels open for realistic negotiations and honest efforts to achieve peace. It is a job that will have to be worked out in many different ways—from cooperation with other countries through the United Nations to the most alert U. S. diplomacy all over the world.

Now as I say, I have no way of knowing how much is enough, but I have a strong hunch that too many people making the decision about our own armed might may still be chasing after the fear hysteria that followed the first alarming setbacks in Korea. They look as though they consider another world war inevitable and want to be ready for it—instead of thinking in terms of blocking attempts at aggression.

When the American people have to dig out of their pockets the taxes to let our government spend $57 billion for defense in one peacetime year, they deserve to

Continued on page 20

*An address by Mr. Ford before the 36th anniversary meeting of the Associated Industries of Massachusetts, Boston, Mass., Oct. 25, 1951.

The Investment Club Movement

By GEORGE A. NICHOLSON, JR.*
Chairman, Advisory Board, National Association of Investment Clubs Trust
Head, Investment Research Department, Watling, Lerchen & Co.

Sounding keynote for first convention of National Association of Investment Clubs, Mr. Nicholson reviews history of investment club movement. Describes organization of an investment club and their investment operations. Says movement has national significance, and outlines plan of Association of Investment Clubs Trust.

The significance, if any, of the founding of the National Association of Investment Clubs at Detroit, Mich., on Oct. 20, 1951 may not be known for many years. Quite possibly it will turn out to be much ado about nothing. But any time a movement grows out of the grass roots of America, as this one has done, and secures the active participation of so many men and women of all ages and circumstances, it has, to say the least, the potentialities of wielding a vast influence. . . .

G. A. Nicholson, Jr.

What is an investment club? The typical club usually has ten members who invest $10 apiece each month. The members are congenial, forward looking, and meet once a month in their homes or place of business. They discuss the topics of the day as it relates to their immediate business of investing.

There are many types of investment clubs in operation and their history dates back many years. One club in Washington, D. C. puts in $10 a month, has a big dinner, and if there is any money left over, buys a speculative stock on which they hope to get their money back. With the shrinking value of the dollar, their task, it may be interposed, is becoming increasingly arduous. Other clubs buy mutual investment funds, and some trade the market for short-term profits. The one on which the investment policies of National Association are modeled, invests principally in securities of companies enjoying above average rates of growth.

The members of most clubs are young men or women who wish to know how to invest and desire to accumulate capital. Some clubs are composed of both men and women. Other clubs are composed of older men seeking to broaden their security and enhance their opportunities. On the latter score, the history of opportunities provided club members to better their status in life has been thrilling—capital for venturing into business or to risk a chance at a better job; knowledge that helps a person to increase his usefulness.

There are three major benefits to the investment club movement. What are they?

In the first place, let us look at the individual member. They build up a substantial body of capital as they grow older. After eleven and a half years of operation, the Mutual Investment Club of Detroit, starting with $70, has paid in by now about $10,000 and has assets of $31,000. Each member has a reasonable prospect of having his interest in the club worth $50,000 to $75,000 at the age of 65. Self-control, developed by investing $10 to $20 a month, nurtures a more forceful character. The experience of dealing in fluctuating securities through good and bad times tends to produce emotional stability in the individual sufficient to withstand adversity and yet maintain a definite faith in the future.

Next let us examine the benefits to the local business community. The club movement has very definite contributions to make. Club members are encouraged to invest in 12 issues during the first year of existence, and the majority of these are in the category of small to moderate-sized local businesses. This permits first hand investigation and inquiry. Only a small amount is invested in the large national companies. The clubs are not concerned with market movement, nor do they attempt to "keep up with the Joneses" in a bull market. The members learn to buy an unlisted security with as much confidence as they would a name security like U. S. Steel. It is not difficult to imagine the amount of capital that can be made available to local industry through the education and savings of the progressive and forward looking people in these clubs and their families. The impetus in terms of jobs and community development should not be overlooked.

Movement Has National Significance

It might be said, finally, that this movement has national significance. Where the ownership of industry is concentrated in a few hands, or where only big business has access to the capital markets, there are great dangers—politically and economically. Concentration of industry plays into Communist hands. If long-term capital is readily available to large enterprises only, competition—the catalytic agent of the American industrial system—is reduced and private enterprise loses much of its vitality and flexibility. The investment club movement thus can insure better competitive conditions through its normal concern with local industries. I can foresee the day when investment clubs and their members will be instrumental in financing the equity capital requirements of businesses needing as little as $10,000.

Now let us turn for a moment to actual investment operations—that is what has to be done to make a practical success of a club. The ideal investment principles to follow are these: (1) invest money each month, more or less without regard to the market outlook, because this tends to produce a low average cost; (2) reinvest all dividends immediately because money grows faster if compounded quarterly; (3) invest only in growth type securities where the rate of sales gain appears to be well in excess of 10% compounded annually with good prospects for continuing another five years.

Sales of individual issues are made from time to time when the upside opportunities appear to be small and the down-side risk has become too great. Each bull market usually permits the taking of profits where issues have advanced too far. A bear market is usually welcomed because it permits the club to obtain bargains in securities where the statistics are favorable. Great emphasis is placed on buying at a low average price. While these principles may produce inferior results over the short-term, nevertheless the long-term results are usually superior.

You can appreciate, I believe, how sound it is to accumulate your investment capital and investment "know-how" in unison and over a period of years. Too many people try to match $5,000 of capital with one *free* lecture on how to invest. Such an equation may be expressed this way: $5,000x0=0. So much for investing.

In forming the National Association, an attempt has been made by the interested clubs to keep fees and dues to a minimum and render really valuable services. These may have to be raised slightly in the light of experience. The monthly information letter will call attention to interesting growth situations that the various clubs have been able to find and wish to pass along to others. The quarterly reviews of portfolios are designed to keep the clubs on the main track. The project of qualifying counsellors in various communities should contribute materially to educational aspects and investment performances of clubs. To gain qualification, counsellors will have to have a record of successful investing in growth securities of moderate sized companies on a long-term basis. Over-active trading is detrimental to club investing because it does not produce the desirable educational values and because it would cut down investment performance in all but a few cases.

Purpose of Program

The purpose and program of the Association is to put as much responsibility on the club members as possible. In other words, it is up to the clubs to make their own decisions in the final analysis. They are encouraged to make their own investigations of local industries and check their findings with their counsellors. Experience has proven that this concept is practical.

The National Association of Investment Clubs will, today, elect national and Michigan directors and officers. The various county groups will meet subsequently to elect their officials. The objectives of these officials will be to expand the club movement, and to seek quality performance on the part of the clubs. It is the present intention to go slowly in developing the Association in additional states, although the Association will endeavor to register active clubs in all states immediately. In this way the movement can be developed soundly and the possible abuses reduced to a minimum. There are perhaps 100 clubs now in existence and these are located from coast to coast.

A trust fund has been set up to give financial stability to the movement. An advisory board will be developed over the next few years to assist the Trust and the Association in carrying out their respective purposes. It is the intention of those connected with the investment club movement to award places on the advisory board only to men with outstanding industrial, financial, or educational background whose breadth of experience and abilities can contribute substantially to the movement.

There are few rewards to the officers and trustees of the Association other than the satisfaction gained from hard work. To some extent, the Trust (not the Association) is now over-balanced with members of the Mutual Investment Club of Detroit, but this preponderance will become less as new states are added. There are several reasons for this; perhaps the most important is the fact that these men have been through good and bad times and have firm faith in the investment principles it is necessary to use. They also feel some obligation to do this work in order to extend to others the advantages and opportunities that they themselves have realized. Numerous areas of Michigan are represented and the men and women who have combined to form this association are truly representative of the best the state has to offer.

It is fitting, indeed, that Michigan, a state which has given mass production to the world, is developing a mass educational and investing project which can play a large role in this nation's future. There is, to be sure, a crying need today for more people who both understand business and know it well enough to invest in it confidently and successfully.

This grass roots movement of investment clubs is truly in the tradition and character of the dynamic American Revolution. May you have 100,000 members three years from this date. That would mean about 500 clubs and 5,000 members in Michigan alone. May you succeed beyond your fondest expectations.

*From an address by Mr. Nicholson at Convention of National Association of Investment Clubs, Detroit, Mich., Oct. 20, 1951.

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Arthur L. Williams, II, is with Waddell & Reed, Inc., 1012 Baltimore Ave.

Inadequate Rail Rates Endanger Our Defense Program

By J. M. SYMES*
Vice-President, Pennsylvania Railroad Company

Asserting nation's defense effort and general economic strength is endangered unless the Interstate Commerce Commission grants adequate rates to railroads, Pennsylvania Railroad executive contends rail rate increases have been insufficient to meet rising operating costs. Denies increased rates will drive rail traffic to competing transport, and contends inadequate earnings prevent improvement and expansion of railroad facilities.

The industrial might of America, upon which we place our chief reliance to win a war if need be—or preferably, to secure a peace which may be maintained by the caution or fear of our enemies—is based on our capacity to produce and deliver the terrible instruments of modern war to the doorsteps of an enemy in quantities unmatched by any other nation. Other nations have more men. Other nations know how to make atomic bombs, jet planes, homing rockets and modern warfare weapons of that sort. But we can manufacture and transport these weapons in unmatched volume, and we can bring them to bear in concentrations that far exceed the ability of the slave-labor countries. Upon this fact we place our hope for continued existence in a world which has seen many countries fall under dictatorship, where the power of war or peace has been placed in the hands of a few men. Power concentrated in the hands of a few men is always threatening. Power in the hands of the people can be trusted in the long run to work for the good of the greatest number.

J. M. Symes

This industrial might of which we are justly proud is like a protective tent over our civilization, supported in America by the staunch tent poles of private enterprise. Privately owned and managed farms, mines, factories, power plants and transportation agencies, each represent the accumulated and treasured savings of many individuals. The owners and managers of these enterprises daily demonstrate a continually improving efficiency, which comes when thousands of inventive minds in a given field are spurred to extra effort by the rivalries of competition and the incentive rewards for individual success. Others have warned of the dangers we face if the termites of Socialism are allowed to eat away the tent poles that uphold our industrial civilization, and I shall not dwell on that point tonight. There is, however, an immediate danger confronting an important segment of our economy and threatening the success of our defense program which I wish to discuss.

The U. S. Rail System

Before coming to those aspects in which I believe you will be interested, it is necessary to cite some figures, not too burdensome I hope, that will give you a picture of what the railroad industry means to the overall economy of this great country of ours:

The Class I railroads in the United States, of which there are 131 in number, employ a million and a quarter men and women. They operate 225,000 miles of railroad and 397,000 miles of track; enough to circle the globe 13 times. They operate 40,500 locomotives, about 2 million freight cars and 37,000 passenger cars. This equipment, standing end to end, would extend across the continent and two-thirds of the way back again. Last year, railroads handled 589 billion ton-miles of freight at an average cost to shippers of one and a third cents per ton. They provided passengers with the nation's safest, most comfortable and dependable type of transportation at an average cost to the passenger of 2½c per mile of travel. For these services in 1950, they received—in round figures—a total revenue from all operations of $9½ billion. Their operating expenses were $7 billion. They paid out in taxes $1.2 billion. They had net income of $784 million. The net income in dollars seems large, but when you consider the $25 billion net property investment of these carriers, they actually earned last year less than a 4% return on investment. Their capital expenditures for road and equipment last year amounted to $1,065 million dollars—and this has been a continuing program every year since the end of World War II—and should continue at an even larger rate. The capital expenditures of the railroads last year amounted to 134% of their gross net income without any provisions for dividends. Of course, there was some depreciation money available for improvements, but entirely inadequate when you consider that the price of replacements is more than double—and in many instances more than triple—the original cost of the facilities being replaced. I am sure you will agree that the figures cited are somewhat staggering and indicate that the railroads are one of our nation's most important assets.

There is ample traffic available to move at rates which will allow the railroads to earn the income they must have if they are to continue to improve their efficiency and service. This efficiency has already been improved more than is generally realized. If we compare railroad efficiency with other forms of transportation we find some very startling figures: To equal one railroad man working one day moving freight with railroad equipment, it takes 28 men to move the same amount of freight the same distance in trucks. On fuel efficiency, trucks use three times as much fuel per ton-mile of pay-load as railroads —airplanes use 30 times as much.

The real efficiency of the rail method of transportation is so great that its competitive advantages are certain to increase as America's standard of living goes up and the value of an hour's work increases. Contrary to the belief of many, the railroads are not losing their "place in the sun" as the nation's principal transportation agency. If you count the traffic now being handled—both freight and passenger—on a unit or on a dollar basis, railroads did more business in 1950 than they did in the boom year of 1929.

The figures I have used have been for the purpose of indicating what the railroads are—what they do—and why healthy railroads are important to our overall economy in time of peace and essential to the defense or war protection of our great country. These facts will remain true whether railroads are allowed to continue under the free enterprise system which we all cherish so much, or are operated by the government through taxation.

Insufficient Rates—Biggest Problem

The biggest problem confronting the railroad industry during the past several years—and still unsolved—is the failure of those regulating the pricing of the industry, to recognize that when inflation moves in on the costs of conducting business, as it has since World War II, it must also move in on the pricing of the product sold. We sell but one product—transportation—moving people and goods to where they want to go. Why we are denied the right to increase charges, in keeping with increased costs, is difficult to understand.

Freight rates represent a far lower proportion of the cost of commodities today than they did 20 years ago. Despite this, the Interstate Commerce Commission has reduced, or delayed inordinately, practically every request the railroads have made during the last 20 years for a general adjustment of freight rates. The recent decision of the Commission to cut the rate application of the railroads in half has failed utterly to meet the increased costs which are absolutely necessary to place the railroad industry in position to give our country the improved equipment and service called for by the men in charge of defense mobilization of the nation.

Here is what we are up against: Take the railroad I represent alone (just one of the many railroads)—the Interstate Commerce Commission has authorized freight rate increases this year that will increase our gross revenue in the calendar year by $27 million. The increased cost of wages and materials during the same calendar year will amount to $85 million. This means we are $58 million short in this one year alone from obtaining relief on rates to offset increased costs. Extending this situation to a full year — increased rates would amount to $59 million, and increased wages and materials to $96 million—still $37 million short in offsetting increased costs. We are told overnight, or even to a retroactive date, by government agencies, that our wage rates have been increased. We are told overnight that our costs of materials have gone up and that the manufacturer must have inflationary protection through escalator clauses in the purchase contracts we make. But we are told by the Interstate Commerce Commission—many months after our costs have gone up—that you can't have what you are seeking in the way of increased pricing—because, as nearly as I can understand the reasoning, "we just won't authorize it."

As an example of what the lag in procedure for rate relief means: In the years following World War II there have been a number of applications for increased rates to partially offset inflationary costs, but from the time the applications were filed for such relief until actually granted—averaging nearly a year —we were deprived of nearly $400 million in revenue on the Pennsylvania Railroad alone. Revenue so sorely needed to improve, maintain and expand our plant to meet the challenge of the future.

It is only natural, from what I have said, that you would raise two questions—why is the industry being shackled in the manner I have described, and what can be done about it? I should like to declare tonight that the nation's defense effort and the economic soundness of all types of business will be endangered unless the Interstate Commerce Commission changes the practice is has followed of "too little and too late" in regulating railroad rates and fares. If the Commission does not change such practices of its own accord, Congress should amend the Interstate Commerce Act.

Sixty-four years ago when the Interstate Commerce Act was first written, it was a good law for our country, that then, except for steel rails, was ankle deep in mud. At that time the railroads were more or less of a monopoly in the transportation field. Today they compete for every ton of freight and every passenger they carry, but they are regulated under a statute that has not been adequately amended to meet modern conditions.

The railroads required regulation in the public interest when the Act was written, and as then administered, it no doubt served the needed purpose of the time. However, during the past 50 years there has been a complete change of transportation in this country. We now find the nation laced with super-highways, checker-boarded with airports, dredged for thousands of miles of inland waterways, and criss-crossed by ditch-diggers as 150,000 miles of pipelines are burrowed under ground. The railroads no longer need regulation over rates in so far as "ceilings" are concerned. Competition from outside the industry now takes care of that.

Are Higher Rates Helping Other Forms of Transport?

Unfortunately, however, it is apparent that regulatory authorities give much weight in their decisions as to whether increased rates might drive rail traffic to other competitive forms of transportation—adversely affecting net income to a greater extent than increased rates might improve net income. I say that should not now be a consideration of regulatory authorities. If the railroads require additional net income—and the records clearly indicate that they do—not even disputed by regulatory authorities —they should be permitted to bring it about in a businesslike way. If management does not know how to price their product in a competitive market, such as we now have in the transportation field, then there should be new management. But we should not now delegate that very important function of management to those not held directly responsible for their actions. Don't misunderstand me—I am not advocating that the railroads be released from all regulation—I am suggesting that they be relieved from the shackles of over-regulation, such as is now occurring by working under procedures of a Commerce Act written more than 50 years ago and, as stated, not adequately amended since.

Certainly, I would want regulation to see that the industry is fully protected with respect to area and other established differentials—so essential to protect the free flow of commerce in our country. I would want regulation for abandonments of line, consolidations of properties, safety appliances, certain financial transactions, and things of that sort, designed to fully protect the public interest. I would want regulation to prevent any possibility of cutthroat competition within the industry itself that would be detrimental to all. So I repeat:

I advocate regulation of the industry designed to fully protect the public interests under transportation conditions as they now exist. It may be that the Interstate Commerce Act actually does not require too much change—maybe it only needs proper interpretation through administration designed to meet present-day conditions, which after all was its original intent.

The next biggest problem facing the industry is that of subsidy. The inherent economic advantage of rail transportation is being submerged by the subsidy of other forms of transportation, particularly the highways and airways.

Without question, all modern transportation agencies have a proper field in the economy of our country, and each and everyone has certain inherent advantages over the other. However, these inherent advantages should not be pushed aside by subsidy, and when such subsidy enables one transportation agency to take traffic from another that is not subsidized, you have the forerunner of destruction of a healthy transportation system. All we ask is equality of treatment, and from there on it is up to each transportation agency to demonstrate its ability to survive. A transportation agency that can produce the *demanded* service of the shipper, at the lowest *full* costs, is the one that should move the traffic.

You now see how this all fits into the topic of my discussion tonight—"Defense—and the Railroads." The railroads proved during World War II that they were the only transportation agency equipped to handle the war traffic. They are just as essential to the defense program. They will be more essential if there be another war. Without adequate railroad transportation there could not be adequate defense or war production in this country. That is a fact not disputed by anyone. If the railroads are prevented from procuring adequate earnings, to improve and expand their facilities, and outside capital is not obtainable, which it certainly will not be without proper earnings, where is the money coming from to do the things that need to be done? Without a continuous rail flow of raw materials to our industrial assembly lines, and adequate rail transportation from one plant to the next, millions of workers would soon be idle and America's entire mobilization program would be snarled in hopeless confusion. If the railroad plant is allowed to deteriorate, and there is not sufficient equipment to move the traffic, it would be the most serious thing I could think of in our economy or in our defense.

Rails and the Defense Program

In 1950, Congress passed and the President signed the Act known as the "Defense Production Act of 1950." The purpose of this Act was to strengthen this country militarily and economically, in order to enable it to carry out its policy, as stated in the Act, "to oppose acts of aggression and to promote peace," and, for this purpose, "to develop and maintain whatever military and economic strength is found to be necessary to carry out this purpose."

To achieve this objective, the Act expressly states that there must be "expansion of productive facilities beyond the levels needed to meet the civilian demand." Expansion of productive facilities, in a free enterprise economy like ours, necessarily means increased investment by private capital in the creation of additional productive facilities. This in turn means that private capital must be allowed to earn enough to provide additional funds for such increased investment.

With this policy of encouraging expansion of productive facilities

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*An address by Mr. Symes before the Fifth Annual Conference of Bank Correspondents, St. Louis, Mo., Nov. 6, 1951.

Foreign Trade and Point IV Program Passports to Progress

By BENJAMIN F. FAIRLESS*
President, United States Steel Corporation

Leading industrialist, stressing need of healthy foreign trade, upholds program of foreign aid if aim is to help free nations help themselves. Urges government, in carrying out Point IV Program, to help create favorable economic climate for American investment abroad, and says America is eager to share its know-how with free world. Stresses value of foreign trade and Point IV program in giving U. S. access to needed raw materials.

A certain predecessor of mine as President of U. S. Steel was a man of unusually persuasive powers. His name was Charlie Schwab.

Benjamin F. Fairless

One incident in Schwab's life perhaps best illustrates this gift of his.

It seems that plans had been drawn up for a new steel mill, and company officials had collected all but one parcel of a large tract of land they needed. Here they struck a snag. The farmer who owned the land steadily and stubbornly refused to sell.

Vice-presidents, lawyers, the local mayor, everybody took a crack at trying to win him over. They offered him more money, some company stock, double the acreage somewhere else. The farmer would not budge. He had a sentimental attachment to his land.

Then Charlie Schwab heard about the problem and decided to try his hand. He went to call on the farmer at his home. They sat down together on the parlor sofa and Charlie put his big, genial arm around the farmer's shoulder. Turning on the full voltage of his electric personality, he started to reason with him. Schwab had talked only a short time when suddenly the farmer jumped up!

"Mr. Schwab," he said, "I'll sell you the property, but thank God I'm not a woman!"

Now, the problems of American industry today are pretty much like the smaller one which Charlie Schwab faced when he sat down with the farmer.

American industry, with only 6% of the earth's population and 7% of its area, produces more than half of the world's industrial goods. In fact, in the 175 years since the birth of our Nation—thanks especially to the strides we have made during the last 50 years—the United States has produced more material things than all the rest of the world has produced in all the ages of man combined.

Healthy Foreign Trade Needed

We industrialists have made our estimates, called in the architects and engineers, got the approval of the board for our plans, and at last acquired the property we need—all but one piece. And that piece I've labeled a "healthy foreign trade." Our vital interest in foreign trade requires us to play a new role in the community of nations — a role of bold adventure which will require all the courage, patience, humility—and, yes, persuasiveness at our command.

Now our huge manufacturing capacity is a bulwark against all whose aim it is to destroy us. Our capacity to produce and our desire and determination to give more and more of the goods we make to the people of this Nation—and to the people of the world — have been responsible for our amazing growth as a Nation and as a world power.

The economic power of the United States has twice saved individual liberty for the world. Now, for the third time, we are rapidly increasing our productive might to defend our Nation and the free world. At the same time we are encouraging and giving aid to the other nations of the non-Communist world so that they may build up their strength against the threat of yet another war.

Two wars in less than 40 years and other historic developments have basically changed the world balance of power. The two main strands in the new pattern of world affairs are first, the rise of Soviet Russia, and second, the fact that the strength of the British Empire has been seriously modified as an arbiter of world peace.

Nature abhors a vacuum. Therefore, either we must move or Russia will move into the vacuum created by the decline of British power. I know that all of us here are deeply aware of this sobering thought. Since the end of the last war we have attempted to fill this vacuum. For this purpose we have sent overseas, in one form or another, $100 billion worth of foreign aid. And the end apparently is not yet in sight. We must go one, and I am sure we will go on, helping in every effective way.

Help Free Nations to Help Themselves

Now comes the question: How can be best move forward? In my opinion the surest path is to increase our aid to the nations who have common interests with us by helping them to help themselves.

This, I understand, is the aim of the Point IV program, in principle. To the extent that this view is correct, I am highly in favor of full support of Point IV.

Point IV actually has two main features. The first offers our advanced scientific and industrial knowledge to less industrialized nations. The second aims to "foster capital development" in those countries.

As a matter of fact American business for years has been doing, in an industrial sense, just what the Government's Point IV program now sets out to accomplish. What's more, American industry stands ready to step up its time-honored role in foreign trade—provided, of course, that our government supports American business in its desire for increased world trade by helping to create a favorable economic climate for American investments in foreign lands.

This can be brought about best by negotiating treaties of friendship and commerce and similar agreements with all countries of the non-Communist world. Such measures will give American business faith in the safety of its investments, freedom to manage them in cooperation with nationals of the countries concerned, and a fair return in good American dollars. I recommend that we urge our government to speed such a program.

We Will Share Our Know-How

America is eager to share her know-how with the world. But what is our reason for giving this technical assistance to the people of other countries? It should be clear that our purpose is to see to it that the nations on our side in the struggle against Communism are better equipped to defend themselves. For by so strengthening them we will be defending our heritage and our way of life for generations to come—and they, too, will benefit from our efforts.

Let's consider for a moment what we mean by the American way of life which we are trying to defend. Some call it the free enterprise system, others the capitalistic system. But no matter what we call it, this American way of life—this American way of doing things—is unique in the economic history of the world.

Unfortunately this is a point which few people in foreign nations understand. While there never has been a system which offered so many advantages to all classes of people, the world at large, generally speaking, still fails to understand its basic values. I've heard many definitions of our system, but it can perhaps best be described in words which many of you who attended the Rye Conference will remember. I quote:

"Basically and fundamentally, it is the right of the citizen, as an individual, or jointly with others, to set up in business for himself—to venture his personal efforts and capital; to own, use, and risk the mechanical means of production. The reward of success is profit, and the penalty of failure is the loss of what has been ven-

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*An address by Mr. Fairless at World Trade Dinner of the 38th National Foreign Trade Convention, New York City, Oct. 31, 1951.

Is Stalin Right About the Free Enterprise System?

By EDWIN G. NOURSE*
Former Chairman, Council of Economic Advisers

Former Federal economic adviser, referring to adverse effects of inflation, says Stalin is shrewd enough to know that whole system of free enterprise is submarined when monetary unit is corrupted. Questions whether we are doing a good job in running a free economy, and warns we now have an "inflationary prosperity." Says tax load is as much as economy can stand and Office of Price Stabilization has become "an office of price stimulation." Urges public be aroused in defense of the dollar, and criticizes Congress' complacency.

What does Marshal Stalin say about us and our idea of freedom? Simply this: "It won't work." As the leading spokesman of authoritarianism, or autarchy, or totalitarianism, or communism, or whatever you want to call it, he says that people — just people, not party members or, more particularly, the Politburo —don't know how to handle their own affairs. As to you and me and the rest of the 154 million other Americans, he says we don't know how to make our own choices, to enact our own laws, and then comply with those laws well enough so that we can keep our economy running, keep it strong and productive. All the Kremlin has to do is to wait for our fragile scheme of freedom to break down and fall of its own weight.

Edwin G. Nourse

I am not going to talk back. I am not going to go into the details of Communist theory or make any comments on the breakdown of the communal farms, or the slaughter of the Kulaks, or the volcano of revolt that already rumbles behind the Iron Curtain and that probably will blow the top off in some unpredictable day in the not very distant future. There is nothing to be gained by screaming, "You're another!" But there is much to be gained by turning our eyes inward to ask whether all is well with our cherished system of freedom and self-direction.

Is free enterprise in America working so well, are we doing our respective parts within it well enough so that we are sure to build up an impregnable wall of defense against the dangers of Soviet aggression? Not merely that, are we doing a good enough job of running a free economy so that we will be safe against the danger of a depressionary collapse, once the stimulus of rearmament is removed? Still beyond that, are we doing a good enough job so that we will satisfy the needs and expectations of our people in peacetime so fully that they will defend free enterprise against any proposal for revolutionary change—in other words, that our people will not be seduced by the rosy Planners, the Socialists, or the Communists within our midst. Free government gives them the opportunity to upset free enterprise if they are deeply dissatisfied by its actual performance.

How Are We Doing?

So much for the question. Now for the answer. In all frankness, I do not think that the record we have written since October, 1929 (the crash), since December, 1940 (Pearl Harbor), since August, 1945 (V-J Day) and since June, 1950 (the Korean outbreak) give us much cause for confidence and certainly no excuse for complacency.

In the 30's, we tried devaluation and a whole flock of New Deal alphabetical agencies. But we never solved the problem of getting our economic machine going again and rescuing the country from what seemed to be settling down to be a period of chronic stagnation. It was the shock of war, not the brilliance of our economic management, that bailed us out. The war was a great triumph of industrial technology, but it begged all the economic questions and set the stage for the postwar inflation.

After V-J Day, we went in for a mental vacation of inflationary prosperity. We simply ducked consideration of the responsibilities of a $260 billion national debt or the adjustments necessary to put our peacetime economy on a stable foundation. Labor used its power to get a first, a second, and on to a fifth round of wage increases, and management passed them on to the public—with a little addition—in the comforable spiral of inflation. It is a fair guess that we might have come to a showdown some time in 1950. But again the test of our economic sense and fortitude was postponed. Korea was the latest reprieve.

Back to Military Stimuli

Since K-Day our record has been a strange mixture of economic sense and folly, of vigor and vacillation. Congress was scared, and the country was scared. With a rearmament burden thrust upon us, taxes were upped —by two laws, that totalled about $10 billion—but not near as much spending. The Federal Reserve was authorized to put the brakes on credit so that men and materials would be shifted to war work. And a direct defense control agency was set up.

Does all this demonstrate that Stalin is wrong and that a people living under a system of free enterprise and free government will handle their economic affairs ably? Far from it. From that high point of resolve or of terror, we began to crumble under the strain. A year later, all three of the lines of defense against economic threats have been appreciably, if not dangerously, weakened.

First, let us look at taxing and spending. The two tax bills passed by the Congress last fall were sufficient to pull the country out of the red and leave it with a moderate surplus on June 30 last. The third tax bill, just completed, brings the tax load, as a practical matter up to about the maximum the country can or will stand.

This presents us with the alternative of a deficit next June and another push of the dollar below its present 53-cent level or else a trimming of appropriation bills to a point where expenditures will not exceed revenues. Our Congress has not done nearly as well in this direction as it has in taxing. Even on present authorizations we could do no more than squeak through next June and might even have a deficit which some people now estimate at at least six billion. And the President, the Pentagon, and the various Congressional committees are all assuring us that only part of the story is told in the present spending bills.

Military spending alone ran nearly $20 billion last year, is projected at $40 billion this year, and nearly $60 billion for the following year. With this alarming prospect before them, the Congress refused—even on the threshold of a campaign year—to take a serious look at the problem of waste and extravagance in either the civilian or the military establishment or at the pressing necessity, in any practical business sense, of postponing projects which are in themselves desirable in peacetime, but which impair the rearmament effort, disturb the labor and materials market, and undermine the dollar under present semi-war conditions.

Second, the Congress last fall did something significant to check the flow of inflationary dollars through credit expansion. But as soon as Regulations W and X interfered with some comsumers' ability to buy on a shoe string or dealers' ability to maintain sales volume by easy credit, pressure was brought on the Congress, and they tied the hands of the persons technically competent to control this source of inflationary danger.

Third, instead of the effective and equitable safeguards through overall fiscal and monetary measures, we sought the easy way of so-called price and wage controls. That looked like a good way to make the other fellow bear the burden of war shortages. The interested parties prated about "equality of sacrifice" but interpreted it to mean that everybody should get a little more than everybody else.

The Office of Price Stabilization became an office of price stimulation, and the Wage Stabilization Board became a wage stimulation board. They imposed a "freeze" in late January, and on Feb. 1 they began to thaw it out here and there and everywhere. The "control" program has become a costly and burdensome hoax.

Eric Johnston, in a radio broadcast only a couple of weeks ago, frankly admitted not only that price and wage controls have lots of "give" to them but also that this reflects the policy of ESA—don't do anything that would make anybody unhappy. He said:

"The twin objectives—to prevent inflation and at the same time to maintain fair play for labor to assure production—have presided over the wage stabilization program from the very beginning. . . . If we have an unfair and unsatisfactory wage stabilization program, then it means that our workers will naturally feel resentful, will feel that they have been asked to work under rules that have been rigged against them and that rob them of the buying power of their wages. Such workers—dissatisfied workers, workers who feel themselves cheated—cannot be counted upon to produce the goods in the speed and volume that we need."

After explaining that the wage program was based on acceptance of the escalator principle, Mr. Johnston went on to say that the Board's policy "does not, as some have said, single out labor for special treatment—for favoritism —in the stabilization program. Our stabilization program has been designed to give fair and equitable treatment to all the producing groups. The farmer by law is given the protection of the parity formula. . . . Similarly, the manufacturer and the merchant are given the protection of generally fair and equitable price ceilings.

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*An address by Edwin G. Nourse before the National Coffee Association, San Diego, Calif., Oct. 24, 1951.

Loans to Build Sounder Trade

By HERBERT E. GASTON*
Chairman, Export-Import Bank of Washington

Mr. Gaston describes purposes and operations of the Export-Import Bank. Stresses relation between loans of the Bank and foreign trade and foreign investment of U. S. Explains why Bank makes loans for key improvements, to establish key industries and to aid in financing the national economy of countries in which U. S. has interests. Says, there are, here and there, obstacles to foreign private investment due to exclusive and discriminating laws, but sees atmosphere improved.

It is my intention to talk a little while about the Export-Import Bank of Washington. Especially I should like to give you some idea of what we think is the relation between the loans of the Bank and the foreign trade of the United States and the foreign investment field. That is a subject in which I think all of you have an interest.

Herbert E. Gaston

First, let me give you a summary of the facts about what the Export-Import Bank was created to do and what it is actually doing. If you find a discrepancy you can note it down. But we think that what we are doing is the logical and sound evolution, in tune with the needs of the day, of what we were specifically created to do.

The President and the Congress seem to agree. We read that into the words of the President recommending that the Bank's revolving authority to lend funds, subscribed by or borrowed from the United States Treasury, be increased by a billion dollars. Also in the unanimous reports of the Banking and Currency Committees of the two Houses favoring this action, and finally in the approval of it in both Houses by votes from both sides of the aisle with practically no dissent.

Banks Loans to Facilitate Foreign Trade

What are we for? The Act (the Export-Import Bank Act of 1945, as amended) says we are to make loans generally for specific purposes to facilitate and aid in financing the export and import trade of the United States. It also stipulates that, so far as is consistent with achieving our main purpose, there shall be "reasonable assurance of repayment." We don't make loans without expectation of repayment. We are definitely not in the give-away or grant business.

We are a public institution and our duty is to serve the interests of the United States. Our loans are political in that very broad sense. They are made in the interest of American trade and sometimes—very often—they are made for a more vitally important purpose. That purpose is to make friends for the United States and, going just a little beyond that, to serve the cause of peace and freedom in the world. The freedom of which I speak means freedom to trade, to be accomplished by the progressive removal of restrictions, and freedom also from all other kinds of oppression that we find menacing.

I think we need to recognize and to understand that these are critical times to an unusual degree, times in which we need to do positive things in the national interest and times in which we need to watch our step. There are extremely menacing movements afoot and there are others that may seem to us momentarily dangerous which are actuated only by aspirations for some better degree of living and of freedom.

Once a very great man whom I admired gave utterance to the thought that it was wise to speak softly and carry a big stick. I am going to suggest not a contradiction but the converse of that; it is wise for those who carry a big stick to speak softly and to read softly in these times that we are in. These are no times for hasty and excited action; they are times that call for all the patience and all the wisdom the ages have taught us—if they have taught us anything. We need a little more, too, than the mere teaching of experience. We need all our powers of scientific analysis, all our powers of reason to meet what we have to meet.

The Export-Import Bank has made and is making loans in many countries. We have $3 billion in commitments outstanding. Our loans are made to promote foreign trade. We are making them definitely with the purpose also of creating greater stability in the world. But we are not making just any loans. I assure you we are not trying to take over the foreign banking and the foreign investment business of the United States. We are trying to restore normal trade, normal lending and a better economic climate all around.

That sounds like a big order, and it is. But we are not so ambitious as that might sound. We have no franchise and no such abundance of funds as to enable us to enter upon programs to remake the economies of any countries.

What we hope to do in all cases is to make possible the accomplishment of key improvements, to establish key industries or to aid in financing necessary and highly critical aids to the economies of the countries where we work. This might be called the bottleneck basis of working toward the objectives we have before us.

The Philippines and Indonesia

A delegation from the Bank recently returned from the Philippines, where they examined several new loan projects which may help to inject new life into an economy which needs specific investments and needs also the example of improvement efficiently accomplished. The Filipinos are doing their part faithfully in trying to bring about the reforms advocated by the Bell mission and incorporated in the Foster-Quirino agreement. We are working in the Philippines in the closest harmony with the ECA, both in the field and in Washington. They are not directing us what loans to make and we are not telling them how to run their grant aid program; but the two programs are being meshed together.

It may or it may not surprise you to know that two agencies of the United States can work together amicably on two aspects of what is inherently the same program. But it is done; and it is being done in the Philippines.

*An address by Mr. Gaston at the International Finance Session of the 38th National Foreign Trade Convention, New York City, Oct. 29, 1951.

The economic problem of those islands, like the political problem, has significance for us that some of us may underestimate. There is a trade angle, but there is also an angle of face that may be of tremendous importance to us. It is a question of our reputation in all Asia as a nation that means well and is able and willing or unable and unwilling to finish what it starts—in peace as well as war.

Somewhat the same question is involved in Indonesia, where a people of ancient culture and of great productive accomplishments is manfully facing difficult political and economic problems and hoping that they may gain from our experience and sympathy knowledge useful to them. We can't afford, I think, to disappoint them, and if we are too harshly critical of a people earnestly trying to rise and stand on their feet and are too impatient with them, the result may be very bad indeed for us in all the Orient.

Our credit there of $100 million, not yet fully allocated, is very much on my mind because an Export-Import Bank team headed by Mr. Lynn Stambaugh, one of our directors, has just returned from there, but leaving for a time an economist and an engineer for further studies.

I might mention in passing that our Vice-Chairman, Mr. Arey, is now returning from Europe after visits to Holland, West Germany, France, Italy and Yugoslavia. We have been working in Tito's country since September 1949, when we made the first of three credits totaling $55 million to help them in the reorientation of their economy toward the West.

Mexico

Let those who are in fear lest I intend to view all the Bank's credits around the world be reassured. I'm not going to do that. But I do want to mention another that has some special features. Mexico is an old and sound customer of ours and we have a great variety of credits there, from steel to synthetic fertilizer. They borrow for production and Nacional Financiera, their borrowing and lending agency, is a thoroughly business-like and well-run institution.

Recently through Financiera, we agreed to lend $51 million to help them to put their railroads in first-class shape. I choose my words with some care when I say "help them." With the aid of some experienced railroad men and some pretty able men on our own staff, it has been possible for us to make some suggestions, but it is with a great deal of pleasure that I make it known that the Mexican Government and Nacional Financiera have voluntarily sought the assistance of the Association of American Railroads in selecting a technical adviser who will go to Mexico to help with the big job.

The Export-Import Bank—and this is the point I want to make —is not going to rebuild the physical system and renovate the management of the Mexican railways. No, it is going to be done by the Mexicans for the Mexican people. The Mexican railways are not lacking in mechanical, operating and managerial talent. If we can help them now and then with a suggestion that may or may not prove good, we'll do it and we know by experience that it will enter attentive ears.

The United States has a definite interest in better railroad service to take care of the growing traffic in Mexico; but we also have a deep interest in the welfare of the nation to the south of us that is by a choice a free and democratic country.

My special purposes in talking of the Mexican railroad credit are these: it is a key credit related directly to the economic progress there, as are the power loans there and elsewhere; but also it serves to illustrate the principle that, after all, we are only auxiliaries. We can start things moving; we can't remodel the economy of a country.

That is a job that can best be done by the initiative and eagerness to get ahead of the people who live in the country. It involves free enterprise and it involves local capital. It also means employing the device that did so much for us: welcoming foreign private enterprise and foreign private investment.

There are here and there obstacles in the way of this in the shape of exclusive and discriminatory laws. They are the result of pride—perhaps a proper national pride—and fear of something that is called exploitation. Here and there I think there was justification for that too. But it is now a roadblock in the path of progress.

The atmosphere that caused it is, I think, being improved, and mainly not by any governmental or intergovernmental institutions, but by the progressive policies and experience of foreigners with the fair dealing of American individuals and American corporations. They and the men we may send out to work as supervisors or contractors on foreign jobs are our best missionaries, just as they could be our worst, if they were to look on the foreign fields as a place to make money quickly.

If there were time I'd like to say something about selling foreign-made goods in the United States. But what I would say, if I had the chance, boils down to this: security and prosperity require a prosperous world; if we want to sell freely we've got to buy.

And let me add by way of summation: the job to be done can't be done by U. S. loans or U. S. grants. But they can help. I don't think the United States can afford to stop lending by a United States Government agency so long as loans act as the spark plug they are intended to be, and so long as they make friends for us.

We need friends. We also need private trade and investment which make friends for us.

With Lamson Bros. Co.

(Special to THE FINANCIAL CHRONICLE)

LINCOLN, Neb. — Gordon K. Rouze has become affiliated with Lamson Bros. & Co., Stuart Bldg.

Two With A. M. Kidder

(Special to THE FINANCIAL CHRONICLE)

FT. LAUDERDALE, Fla.—P. Aurelio Geraci and Ray A. Tipton have joined the staff of A. M. Kidder & Co., 207 East Las Olas Boulevard.

With Kidder in Miami

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla. — Francis X. J. O'Brien has become associated with A. M. Kidder & Co., 209-11 Southeast First Street. He was formerly with Cohu & Torrey and J. S. Bache & Co.

With Renyx, Field

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Robert Koehler is now with Renyx, Field & Co., Inc., 22'9 East Colfax.

Dollar Gap Constitutes Serious Problem to Britain

By PAUL EINZIG

In calling attention to forthcoming conference of Sterling Area countries to discuss the dollar gap, Dr. Einzig points out difficulties of remedying situation through further reduction of dollar imports or through increase of exports to Dollar Area. Sees as immediate solution resumption of economic and financial assistance from United States.

LONDON, Eng.—Representatives of the Sterling Area countries will meet in London in November, to discuss the dollar difficulties arising from the deterioration of their balances of payments during the third quarter of 1951. At the present rate of outflow the gold reserve would decline to a dangerously low level by the end of next year. Everybody agrees that effective measures must be adopted to check or at least slow down the decline.

Dr. Paul Einzig

The first question that will be examined is whether it would be possible to curtail further dollar imports. Most governments are expected to answer this question in an emphatic negative. The cuts made during the crisis of 1949 have not been restored, and there is very little scope for further substantial economies in dollar imports. In fact the import of raw materials and equipment may have to be increased as a result of the rearmament. There is very little scope for a reduction of food imports from the Dollar Area. Any substantial cuts in the expenditure of dollars on luxuries such as Hollywood films is likely to be resented by American opinion. The second question to be considered will be the possibility of increasing exports to the Dollar Area. As far as the United Kingdom is concerned the outlook in this respect is far from promising. The sales of British automobiles in Canada met recently with an unexpected reverse. Although in some lines there is a possibility of increasing dollar earnings, the total involved can only be an insignificant fraction of the $300 million lost each year through the nationalization of the Anglo-Iranian Oil Co. The priority of rearmament necessarily limits the chances of a successful dollar drive.

As for the chances of the exports of the rest of the Sterling Area to the United States and Canada, they depend in part on the level of raw material prices and in part on the willingness of the United States Government to pay the high prices for materials acquired for stockpiling purposes. Most people in Britain, experts and laymen alike, are facing a dilemma. They don't know whether to hope and pray for a resumption of heavy American stockpiling for the sake of checking the drain on the gold reserve, or whether to hope and pray that the American official buying agents should continue to remain aloof from the market in order to avoid a further sharp rise in raw material prices. They are beginning to realize that they cannot have it both ways, and that the choice rests between dollar deficit combined with lower prices and dollar surplus combined with higher prices. Britain could ill afford to lose much gold, but she could also ill afford to be subject to a further rise in prices. In either case there is bound to be grave trouble ahead.

The immediate solution lies in the resumption of economic and financial assistance from the United States, whether in the form of military supplies in the broadest sense of the term, or a resumption of Marshall aid, or some other forms of loans. It was a mistake to proceed with the repayment of the loan obtained from the Reconstruction Finance Corporation at the beginning of the Second World War. The arrangement for its repayment was made months ago, at a time when the gold reserve was still increasing. Since the tide has turned the two governments concerned ought to have agreed on a deferment of the repayment.

The British Government would be reluctant to apply for a renewal of Marshall Aid. More than six years after the end of the war application for such form of assistance might be considered undignified. There are several preferable alternatives. One of them is to draw on dollar facilities of the International Monetary Fund. These facilities were suspended in 1948 on the ground that Britain was a beneficiary under the Marshall Plan. Now that this is no longer the case there seems to be no reason why the use of the IMF's resources should not be resumed. Of course it is a pity that the British Government did not repay the amounts used up in 1947-48 during the period of gold influx. It would be now in a much stronger moral position to claim fresh assistance. Other Sterling Area countries also could and should avail themselves of their quotas with the IMF.

Alternatively the Sterling Area countries, or at any rate some of them, could apply for loans by the International Bank. The credit of some of the Dominions is good enough, and there would be no difficulty in elaborating capital investment schemes of a kind that would appeal to the Bank.

Britain is likely to receive materials and equipment from the United States in connection with the North Atlantic Pact. It is hoped in London that such assistance would be forthcoming on a liberal scale in the interests of rearmament. Otherwise balance of payments difficulties might frustrate the efforts to carry through the £4,700 million scheme according to schedule. Another form which American economic assistance could assume would be an increase of Britain's allocations of scarce raw materials. This is essential, because shortage of essential raw materials would lead to a reduction of the arms output and also of the volume of goods available for export to the dollar area and other hard currency areas.

Needless to say, Britain and the other Sterling Area countries themselves could and should make a supreme effort to work out their own salvation, irrespective of any American aid. They could do so by a drastic reduction of civilian consumption at home. To that end it would be necessary to curtail consumers' purchasing power. In the absence of such curtailment any practicable external aid would be in the long run a mere drop in the ocean.

Business Activity Seen Continuing At Favorable Level

Report of Business Survey Committee of the National Association of Purchasing Agents finds price structure stronger with tendency to level off. Inventories declining all along the line.

According to composite opinion of purchasing agents who comprise the National Association of Purchasing Agents' Business Survey Committee, whose Chairman is Robert C. Swanton, Director of Purchases, Winchester Repeating Arms Company, Division of Olin Industries, Inc., New Haven, Conn., business trends in the United States for the month of October indicate the slight improvement which developed in September is being maintained. Order backlogs continue to decline, but at a slower pace. Where necessary, production is being adjusted to lower demand, but is still higher than is warranted by the order position of many plants. The demand for holiday goods has picked up somewhat, but not to the normal seasonal volume, and much of it can be filled from stocks. Defense production is growing. The Purchasing Agents' consensus is that there must be more of it, and a wider spread, if hardships in some regions are to be avoided. Inventories are declining all along the line: raw materials, work-in-process, and finished goods. The price structure is stronger, with a tendency to level off. Employment is high, but spotty, as much short time is reported. Buying policy is unchanged, and is strongly on the conservative side.

Robert C. Swanton

Overall, business is good and is expected to continue through November. December and first-quarter 1952 conditions will depend upon (1) the movement of finished goods stocks by the holiday buying; (2) the allocations of first-quarter controlled materials for civilian uses, and (3) the rate at which defense orders can be brought into production in these months.

Commodity Prices

Production material prices have shown more strength in October than in any month since April. The general trend, however, is to level off, rather than any definite upward movement. More OPS calculated prices are in evidence this month, but most of them have not been tested by supply and demand factors. The OPS increase of two cents per pound on lead and zinc, still below world price, forecast necessary price increases in the lead and zinc products and scrap. Failure to grant such increases at once held back production of many essential items.

Purchasing Agents are watching for developments in steel wage negotiations, in view of the producers' announcement that any wage increase must be immediately reflected in steel prices. If allowed, it will probably indicate some ceiling price lifting on other products which customarily follow steel's wage and price pattern.

Inventories

The rate of decline in purchased materials inventories increased in October. Production schedules were reduced for lack of orders,

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The Mutual Security Program And Foreign Trade

By THOMAS D. CABOT*

Director, International Security Affairs, Dept. of State

Estimating the Mutual Security Program will cost American taxpayers at least $25 billion, if needs are fulfilled, State Department official defends outlays. Says by aiding free nations we are receiving in return vastly increased opportunity for survival. Calls outlays "an investment in peace."

It is always a pleasure for me to talk about the Mutual Security Program to a group of businessmen because I feel it is a hard-headed program which should appeal to businessmen. It is the cheapest way for us to defend ourselves and perhaps the only way. It is the cheapest because we put up only a part of the cost. Generally speaking, especially in the important European area, we are supplying only a part of the heavy arms and equipment, whereas our allies are supplying not only the troops but most of the individual equipment to those troops such as uniforms, tents, small arms and ammunition, and a part of the heavier equipment.

Thomas D. Cabot

It is truly a mutual program and in no sense are we employing mercenaries for we are helping others to defend their home lands which in turn helps us to defend our home land. It is a basic instrument of American foreign policy, which aims at protecting our national security by contributing strength to other nations whose strength is a part of our own strength. The kinds of assistance given in each area and each country are tailored to the particular problems and needs in that area, and are conditioned upon the prospects for effective use of the assistance. By far the major portion of American aid is made up of military end-items—tanks, guns, planes, and other capital military equipment. However, the aid program also includes a smaller amount of complementary economic aid, technical assistance, loans, etc.

During the current fiscal year, the Mutual Security Program will cost the American taxpayers about $7.3 billion. In order to complete the entire program during the next three years, it is now estimated that at least $25 billion will be needed.

This is a lot of money, but it is only about one-tenth of our total defense cost and a little more than 2% of our gross national product. It is easy to point out, of course, that we Americans spent more money last year for tobacco and television sets than we spent for all forms of foregn aid. It is even useful to recall that the total cost of the program, as now estimated, is less than one-twentieth of the total cost of the last war to us. But the fact remains that the sum is very great, and that it can be justified only if such an expenditure is necessary to our national security.

Basic Premises of Program

I believe that it is. I want to review the four basic premises upon which the Mutual Security Program rests.

First is the fact that there exists a grave threat to the survival of the United States and the remainder of the free world. I don't think there can be much argument about this point. The Soviet Empire is by far the most dangerous antagonist we have ever confronted. In both numbers and equipment, its standing army and air force are the most powerful in the world. It occupies a very strong geographical position. It has access to virtually all the material resources it needs either to live in isolation or to wage destructive war. It holds in slavery over one-third of the population of the globe. By a ruthless slave labor system, it has built a powerful industrial establishment. Its leaders are fired by a strong faith in the inevitability of the ultimate triumph of world Communism. Although our superiority in atomic weapons is a strong deterrent against aggression, the recent atomic blasts in Russia indicate that this deterrent is being counteracted by increased Soviet capacity in producing weapons of mass destruction.

Moreover, the men in the Kremlin have achieved a tremendous political success in identifying their movement with a remedy for social inequities where such inequities exist and in deceiving a large number of people about the true aims of Communism. Never has any tyranny been so successful in stealing and perverting the basic symbols of our own civilization—the ideals of social justice, human equality, and economic progress. Among millions of underprivileged people throughout the world, the Kremlin has planted the belief that acceptance of Russian leadership will mean the end of foreign domination, of feudal landlordship, of industrial slavery, or racial inequality and of recurrent economic insecurity. It is easy for Americans to see the bear-trap that lies hidden beneath the green pastures of Communist promises, but it is not so easy for people whose living conditions are intolerable. To them, any prospect of change arouses hope for improvement. By the time the victims of Communism realize they have accepted something worse, it is too late. Thus, the Kremlin is able to maintain a continuous two-pronged attack. It confronts all nations with the constant threat of military aggression and simultaneously confronts them with danger of a Communist political victory if they ignore social and economic conditions.

The second major premise upon which the Mutual Security Program rests is that the Soviet threat can be held back only by strength. On this point also, I think there can be little disagreement. Because the Soviet imperialists prefer to gamble on a sure thing, and because the ruling clique are deeply concerned about the self-preservation of their regime, we have a good chance to avoid war altogether if we can rapidly build the total political, military and economic strength of the free world. And we can be certain that this strength represents our only hope of victory in the event the Kremlin should decide, regardless of the odds, to launch a global war.

Our third basic premise is the fact that the United States cannot "go it alone." You who are interested in foreign trade will hardly need to be reminded of our

*An address by Mr. Cabot at the First General Session of the 38th National Foreign Trade Convention, New York City, Oct. 29, 1951.

dependence on the rest of the world. Despite the enormous power of our country, actual and potential, we need strong and determined allies in all parts of the world.

We Americans have good reason to be proud of our tremendous resources, our technical genius, and the courage of our people. We know—and hope both our friends and enemies will remember—that we will never stop fighting for our freedom, whatever the odds against us may be. However, it would not be pride, but stupidity, to pursue a course which would eventually leave us standing alone against a world enslaved by the Soviet Union. Our population is only one-fifteenth of the world's total. We need many important raw materials that cannot be found on this continent. Our unequalled industrial establishment would even now be overshadowed if the total industrial potential of the Eurasion continent were harnessed to the Soviet war machine and our free enterprise system would be faced with a tremendous handicap with such a supply of materials and manpower arrayed against us.

Western Europe Resources

To illustrate this point, let us consider one single area—Western Europe. The countries of free Europe have more than three hundred million people, including the world's largest single pool of skilled manpower. They have approximately two million men under arms, and millions more in trained reserves. They occupy a vital strategic position, both for defense and counter-attack against Soviet aggression. They control the largest and finest group of ports in the world. Most important of all, Western Europe's potential represents the balance of industrial power between the United States and the Soviet Empire.

Today, the combined coal production of the United States and Western Europe is nearly three times that of the Soviet bloc. But if the Soviet Union got control of Europe's coal resources, it could outproduce the United States by nearly two to one. The combined steel production of the United States and Western Europe is nearly five times greater than that of the Soviet bloc, but the Soviet bloc with Western Europe would approximately equal our steel production. The same result is obtained by comparing many other vital industrial commodities. All told, the conquest of Western Europe alone would immediately double the Soviet war-making potential. Simultaneously, such a conquest would eliminate European influence from large areas of Africa and Asia, upon which we depend for a large part of our manganese, tin, rubber and wool.

These facts help to obtain why the United States has tried to protect its own security by giving large amounts of economic and military assistance to Western Europe. Similar considerations apply to other parts of the world. Most of the countries of the Near East, the Far East, and Africa are underdeveloped economically, and their conquest would not be as immediately useful to the Soviet war machine as the conquest of Western Europe. However, many of these countries rich in manpower and natural resources, and a victory for Communism in any of them would mean a long-term gain for Soviet power. It would be one of the great tragedies of human history if the peoples of Asia and Africa, who are just beginning to rise from ages of oppression and breathe the fresh air of freedom, should be subjected to a tyranny many times worse than that from which they have ever suffered. All of these countries are important assets in the struggle against Sovietism, and their strength has become inseparable from our own.

The fourth essential premise that underlies the Mutual Security Program is the fact that our friends and allies abroad are not capable of developing the strength they need—and the strength we need—without American assistance. They do not have enough money—they do not have enough resources—they do not have adequate industrial plant—and, most of all, they do not have enough time.

Western Europe, for example, is the strongest and richest part of the free world outside the United States. But even Europe does not have an adequate industrial plant for the mass production of the defense weapons needed. It does not have enough tools and materials. It must use precious dollars to buy these things, and it can get dollars only by selling to the dollar market, which in turn diverts production facilities from defense purposes.

The low incomes and the marginal standards of living of the European people represent a basic obstacle to an adequate defense program. The gross national income of the European members of the North Atlantic Treaty Organization is only enough to provide the average citizen with an annual income of $500, as compared with an average of $1,916 in the United States. And out of this sum must come all the expenses of life—armaments, governmental services and capital investment, as well as housing, clothes, and bread. In view of the fact that the European price structure is not greatly different from our own, it is easy to understand the heavy burdens imposed even by a moderate defense effort. As I mentioned, the foreign aid program costs America about 2% of its gross national product, which for the average citizen means 2½% of an income of about $2,000. In order for Europe to carry this expense alone, even if it possessed the necessary productive facilities and raw materials, would require a 7% additional bite in an average income of about $500.

In a Nazi or Communist dictatorship, of course, incomes can be squeezed below the subsistence level if it serves the purposes of the ruling clique. But there is a point below which no free nation can reduce consumption. And we must remember that the people of Western Europe were very close to this point to begin with. In countries like France and Italy, where the total proportion of income taken in taxation is already approximately the same as in the United states, and where the real income of the average citizen is between one-fourth and one-fifth that of the United States citizen, no government can ask its people to make very large new sacrifices.

We must also remember that the destruction effects of World War II have not yet been made up, despite the great progress made under the European Recovery Program. The threat of economic chaos has been halted, but very little economic fat has been

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Dangerous Trends in the American Economic System

"honest money" in this fair land of ours the prospect both of inflation and of significant depression would alike be forever banished.

The modern printing press process is briefly as follows: The government, quite understandably wanting to engage in favor-currying spending while avoiding equivalent and unpopular taxation, "discovers" an emergency and authorizes expenditures in excess of the taxes it levies. To cover the difference it expands the national debt and has the Bureau of Engraving print up the additional bonds. If individuals and corporations then buy those bonds by writing checks against their own deposits, there is no inflation of the money supply and no general inflation of prices in the markets. It is a transfer of existing deposits to the government, not the creation of additional deposits to compete in the markets for the existing supply of goods and services.

But it does not stop there. More bonds are printed up than people care to buy in view of the unattractive interest rate and of the dollar having been cut loose from gold. So the overflow of bonds is lodged with the commercial banks. This is the effective monetization of the debt which can proceed unrestrained in a country which has made it a crime for anyone to own monetary gold. What happens is that a commercial bank in buying the bonds pays for them quite simply by pen and ink entries on its books serving to write up or increase the deposits of the government. These are thus brand new deposits unmatched by new goods in the market, but which nevertheless flood into the markets to bid up the prices of existing goods and services as the government spends or gives them away.

This is necessarily a most sketchy description of the process. A full exposure of the monetary manipulations involved would be interminable. But it is not necessary for everybody to understand all the technicalities of either printing press or gold-standard money to put an end to the trend towards dollar debasement. If they really want honest money it is sufficent for them to put their finger on the end result and know that honest money means an end to the endless expansion of the sum of demand deposits plus pocket money, regardless of any and all behind-the-scene manipulations. These figures on the money supply are published every month in the Federal Reserve Bulletin and by watching them each can check up for himself on dollar debasement at its source. If they want the trend arrested a simple legislative mandate to the monetary authorities either to halt or severely limit the rate of expansion in the money supply is all that is required. These authorities already have, and have had all along, more than ample power to halt monetary inflation. Our dangerous debasement of the dollar reflects abuse of, not deficiency in, monetary authority

Price Coercion

From the trend toward dollar debasement there derives another destructive and dangerous trend. It is the attempt to hide the consequences of the debasement by issuing price control decrees, enforceable by fine and imprisonment. This is the substitution of coercion for competition in the market place and strikes at the very heart of the American economic system.

Competitive prices might better be called voluntary prices to emphasize their essential nature. They are prices that buyers are voluntarily willing to pay in the light of what other buyers are willing to pay for the same thing; while simultaneously they are prices at which sellers are willing to sell in view of what other sellers are charging for the same thing. They are prices achieved in the absence of fraud, coercion or monopoly abuse. They are all four-square with the moral doctrine that each is entitled to the fruits of his exertions to consume or dispose of as he sees fit in voluntary exchange for the fruits of others' efforts. Dictated prices are all four-square with the way things are done in Russia.

Competitive prices perform fundamental functions. They are the sensitive and wonderfully efficient means of continuously directing manpower and resources into the production of the most wanted goods and services. If more mousetraps are wanted their price is bid up, thereby provoking an enlarged production. If fewer mousetraps are wanted, their diminished sale deflects productive power into the providing of other more wanted goods. Competitive prices are thus the guardian of progress. They are also the guarantee of efficiency, for the inefficient is penalized by loss on his production, whereas the efficient is rewarded with profit. Competitive prices are also our only means of dispensing economic justice to all the people all the time. In such competitive markets the worth of each person's product or service is continuously judged by all the buyers and he is compensated in accordance therewith. With the money he receives he can then buy the products of others as similarly valued in those markets. Under voluntary markets each man gets in exchange the exact equivalent of what he gives as judged by the most comprehensive, most continuous and most democratic bar of judgment conceivable. When we substitute coercion for competition in markets, we thus discard the guardian of progress, the guarantee of efficiency and the essence of liberty. We substitute wholesale injustice for automatic justice and use the police to enforce that substitution. We throw away the most democratic feature of our economy and we prevent rather than promote wanted production—for who will produce more if it has to be sold for less than it is worth?

We do more than that. We waste manpower and resources. We burden the already hard-pressed taxpayers with an ever-mounting swarm of administrators and agents who might otherwise be producing useful things. We incite the creation of black markets in which man-hours and money are wastefully utilized. We enforce time-consuming queue lines on the law-abiding, but reward the law breaker. We build disrespect for law by giving big power to small men, inviting corruption of administrators and too often substituting privilege or "pull" for merit in obtaining products. While simultaneously holding prices down and keeping money artificially abundant we also quite naturally make everything look scarce despite record-breaking production, and so we build a framework of seeming plausibility for bureaucracy dictatorially to step in and boss distribution, or even socialize industry. If you do not believe it — just look on the other side of the Atlantic.

I noted a moment ago that price control was a by-product of dollar debasement. This is not my opinion alone. I asked a keen-minded friend of mine what price control was all about. I got a quick smile and a quicker reply. The reply was: "It is just a big cover-up for bad money. We would be lots better off without it." To that I can only add, "Amen."

Tax Despoliation

I have time for the discussion of but one more dangerous trend. It is the use of the tax power to destroy the unique system of maximum possible incentive to individual thrift and productivity that lies at the heart of the American civilization and has been responsible for the growth of its production beyond the wildest dreams of other times and places. It is the story of the deep violation of the moral principle that there was to be no stealing—even through the government. It is the story of the massive redistribution of income coercively conducted by government which has recently been characterized by the National Bureau of Economic Research "as one of the great social revolutions of history." It has been the promising, to use Kipling's words[1] ". . . of abundance for all by robbing selected Peter to pay for collective Paul."

Spearheading the taking, in this government-conducted taking and giving process, is the progressive taxation of individual income. It provides, first, that many voters of small income are either exempted entirely from paying, or pay very little, and, secondly, that successive increments of larger incomes are taxed at progressively increased rates for no other reason than that the incomes are larger than those of the average voter. Kipling's "selected Peter" is now taxed up to nearly 90% of his income. When we remember that under competitive markets no one gets a money income in this land except as compensation for his goods or services, voluntarily paid him by the community at the community's own price, and thus realize that justice has thereby been done—that the community and the individual are quits with each other at that point—when we realize this, then we are indeed hard put to it to justify the community's turn-around tax seizure of the income dollar equivalent of major proportions of the output of its more productive members. There is, in fact, no justification in morals or in the principles of our civilization for progressive taxation. It is the simple looting through law of the more productive by the more numerous but less productive. Its appeal is demagogic; its morals are those of the burglar, and its effect is increasingly to punish, as if by fine, those who produce more of the goods and services wanted by the community than do their neighbors.

We may gain some insight into how dangerous this progressive punishment of the productive is to the functioning of the American economy by going back over the record. The Founding Fathers well knew the dangers of tax tyranny. "Taxation without representation is tyranny" was one of the slogans of the Revolutionary War. They well knew the temptation, under popular sovereignty, for majorities to get together and vote taxes on minorities without similarly burdening themselves. And so they wrote into the Constitution in three different places that all direct taxes, of which income taxes are the most direct, had to be distributed on a per capita basis. The theory was, I suppose, that every one had one vote and that every one should therefore pay the same tax voted by their representatives. Voting for and paying taxes were tied together. That way no majority could vote a tax on a minority without similarly burdening itself. Minorities were thereby protected by the willingness of the majority voluntarily to tax itself. Thus tax despoliation was outlawed and taxation by the consent of the taxpayers was insured.

In 1913 the Sixteenth Amendment repealed these strict safeguards by authorizing the taxation of income without regard to its per capita distribution. Most unfortunately it did not additionally provide that income taxes levied should be at uniform rates, geographically and with respect to the tax base, thus insuring that the taxes would conform to the moral law established by Moses and honored in other forms of taxation. The door was thus opened to selective taxation and discouragement of superior initiative, production and thrift—that is, to erosion of the mainspring of our system. At the time no one thought that the income tax rates were to be more than 2% or 3%. And, indeed, for many years they were moderate. But under demagogic urging, as foreseen by Macaulay, the tax has now become a confiscatory punishment of people for being productive. It is a devourer of the seed corn of progress. That is exactly as the Communists seeking to overthrow our system wish it to be, as may be observed in the Communist Manifesto, issued in 1848.

Thus all Communists realize, although few Americans seem to, that Karl Marx in that document selected steep progressive income taxation as an ideal means of making, to use his words, "despotic inroads on the rights of property, and on the condition of bourgeois (that is, private, competitive) production."

But we do not have to accept the evidence of Marx unsupported. We can see it for ourselves by supposing for a moment that our civilization had been founded on the simple he's-got-it-let's-take-it morality of the robber instead of the thou-shalt-not steal morality of Moses. Such a system would have said to those living under it, "If you produce or save more than your neighbors, the policeman will take it away from you and give it to those who produce or save less than you do." You instantly perceive that under the Iron Law of human behavior, those able to produce more, being denied incentive for so doing, would not exert themselves to that end. Similarly, the less productive, by getting something for nothing, would have diminished incentive to produce as much as they could. In short, people would be diverted from the pursuit of individual productivity to the competitive practice of getting something for nothing through the government. Is there something faintly familiar in this picture?

The end result of such an economy would, of course, be declining production leading towards chaos into which the policeman, armed with monopoly power to coerce, would step to force everybody to produce as he ordered—and he would then arrogate the monopoly of taking without paying unto himself. Once such taking through government is tolerated, it eventually and inevitably becomes theft for the benefit and perpetuation of a ruling class at the expense of a systematically exploited populace, largely deprived of individual incentives to be productive and thrifty. This we do not have to take as an untested theory. In our own lifetime we have seen it actually happen in Russia. Over there, you recall, there was a Communist revolution. But the promised Utopia was almost instantly superseded by a sterile totalitarian dictatorship as savage, as bloody and as godless as history records.

The War Excuse

In these comments I have thus far made no reference to the fact that this nation is currently engaged in building an immense stock of the weapons of war. At best we exist in an uneasy peace and now we are arming again. The burden of defense is great and the generally expected prospect is that the burden will be long enduring. In such situations Americans are prone to tolerate curtailment of their liberties, assumption of authority by government not ordinarily permitted, and resort to fiscal and monetary devices that transgress our peacetime ideas of the appropriate.

But it is exactly in such situations that the dangerous trends I have been describing gain hidden impetus that could eventually prove irreversible. Thus in the decade of the 1930s these trends, in the judgment of numerous students, had already developed to the point of fastening a condition of permanent unemployment on the land, an unemployment that was only dissipated by the coming of war. Ever since then we have been engaged in waging war, making good the war-accumulated backlogs, and now in getting ready for possible war. The war needs and monetary inflation have obscured the destruction of incentives for peacetime progress, which destruction has nevertheless gone on apace through the period. We must now soberly ask ourselves if a true full employment at home is readily achievable in the absence of costly war or its prospect abroad.

Thus the possibility that the world may be an armed camp for a long time to come is, to my mind, not an excuse for relaxing the moral tenets of the American civilization; it is instead an imperative reason for their more scrupulous and constant observance as the precious citadel of our productive power and progress, on which alone we can enduringly rely for peacetime prosperity and national survival in a hostile world. This is more greatly the case because I judge the purpose of the Kremlin is less to meet us in direct warfare than it is to induce us suicidally to undermine the moral and economic sources of our productive strength. The men in the Kremlin, as well as we in this land, know that an alerted America, preserving its principles, can always outproduce and outfight the slave state armies—we have dealt with would-be world conquerors before. And we are alerted on that score.

But can we truthfully say that we are equally alerted to the dangers of internal erosion when we embrace and adopt the very devices, like currency debauchery and progressive taxation, specifically selected and recommended by the Communists themselves as ideal instruments to bring about our self-destruction? Have we, in fact, been so preoccupied with the immediacies that we have lost sight of the moral principles that it took three thousand years to develop and finally focus—for but once in the history of humanity —in a republic of free men? Do we think we can "outsmart" the principles and yet preserve the proven benefits of their observance? Can we really out-steal each other into permanent Utopia? I think not.

Yes, we are well alerted to the immediate and obvious military problem but not equally so to the continuing and hidden erosion of our system. I know it is easier to make a gun and shoot it at an enemy than it is to discern high principle and religiously adhere to it. Yet, as we love our children and grandchildren, it is the latter that we must now do.

[1] "The Gods of The Copybook Headings."

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Foreign Trade and Point IV Program Passports to Progress

tured. Nothing less than this can provide the incentive to that initiative and efficiency upon which economic progress is built. The processes of exploration, research, invention, and experiment are all characteristic of free private enterprise.

"And without such economic freedom, without substantial freedom of the individual to seek his living where he can find it, and to venture his means where profit seems likely, and to be obliged to no man for this—without these, it is pure delusion to imagine that political freedom, even if it exists, can long endure!"

Governments Cannot Create Wealth

It also has been said that governments cannot create wealth apart from the wealth of the governed, or provide for their people as well as the people can provide for themselves.

Fundamentally, our American system and our American way of life are a concept handed down to us through centuries of the Christian era by men and women who loved God. They believed, as we do now, that man is not a materialistic being but a spiritual one —and that the worth and dignity of the human soul are worth fighting for. If these beliefs ever should be abandoned, the human race will return again to the bondage of mob tyranny.

This concept of the American way of life has its roots in our Constitution and Bill of Rights, and men of good will everywhere cherish these two great charters in the age-old struggle for human freedom.

Today, because of Communist aggression, we again face the threat of the loss of our way of life and of our freedom. The forces of evil which are attempting to destroy us can be seen everywhere. By open insult and by whispered slander, those who seek to tear down our way of life are saying that our method of doing things is a capitalistic scheme to exploit the masses. Those who listen to this falsehood do not know—much less understand—the true worth of our American system.

I have said that in the 175 years since our birth as a Nation we have produced more material things than has the rest of the world in all the centuries of human effort during the recorded history of man. But we must always remember that this material achievement has its foundations in our enduring moral values.

Now let us look at the combination of forces that has given us our vast productive power.

American industry is based on an integration of raw materials, manpower and tools. They work together in a favorable atmosphere of economic, political and social freedom. It is this combination of material and moral forces which has brought about the American Miracle of Production.

Must Have Access to Raw Materials

During most of our history we have been more or less self-contained, economically speaking. For those raw materials in which we were not self-sufficient, we formerly could remain confident of continued access to the sources of supply and uninterrupted transport to our shores. America's confidence in our continuous access to the sources of raw materials and the lines of communication was guaranteed to us by the British Empire and the British fleet until comparatively recent times. This responsibility we must now take on our own shoulders. Either we must guarantee these sources and the lines of communication for ourselves, of our own accord, or forces in the world hostile to the American system will take over. If unfriendly powers get the upper hand, the United States will be denied the strategic materials needed from abroad. This danger is an added reason why we must take every step to help the nations who share our purposes to attain their goal of increased economic health and well-being.

This we are doing, and I believe it is enlightened self-interest for us to continue and to intensify this effort.

Human Side of Picture

Now let us consider the human side of the picture in the less productive countries of the world. We have all read that the per capita purchasing power in China amounts to only $19 per year, while in India it averages $28. Yet these two nations together comprise about one-third of the entire world's population.

On the other hand, the average American earns an income after taxes of $1,350, according to last year's figures. In this comparison we see a startling example of inequality — the kind of inequality that is creating so much unrest today in so many regions of the world. These differences in per capita income are, of course, directly related to a nation's productive and economic power.

How can the less industrialized nations best increase this rate of productivity? Expanded production means the ability to convert raw materials by the efficient use of mechanical energy to augment human effort. In other words, it is the process of coordinating nature's riches and man's intelligence to increase his output of goods.

This then means getting more tools and machinery into more hands and training more people to use them. The need for the capital to do this is unlimited. But we in America will have to supply most of it, and we cannot get so big-hearted about it that we go broke in the process.

The best method by which the United States can turn this unhappy outlook into a happy advantage is by making the other countries of the non-Communist world realize that the supply of raw materials we need can be their contribution to a balanced program. Why? Because they will be sending raw materials to us, and we will be paying them in dollars supplied by American industry—good working dollars. On the other hand, we will be getting the commodities we need to increase our production. It will therefore be a two-way street on which we travel together toward a rising standard of living not only for ourselves but for the world.

I understand this problem all too well, because I come from a large family which has suffered from a "dollar shortage" ever since I can remember; and I suppose no man of my acquaintance has ever had more relatives who needed "economic aid." But if I had tried to support them all, I would have been bankrupt long ago. They would still be broke, and I would be of no use to them whatever—a fact which they recognized quite as well as I did. So instead of giving them unlimited loans and grants, I helped them to establish themselves in self-supporting occupations—and I do not need to tell you that today they are a lot prouder and a lot happier than they would have been if they were merely getting "dollar aid" from their Uncle Ben!

In order to get on with their end of the job, nations abroad—especially the less developed ones —will often need the technical advice necessary to develop their resources.

If our government program of technical assistance is looked at in this light it is on the right track. As I have already pointed out, I am for technical aid in principle. But if government plans to use the program to build bureaucracies and spend and spend on uneconomic undertakings, then I am against the method.

Opposes Government Insurance of Investments Abroad

Another proposal frequently advanced in connection with Point IV relates to government insurance of American investors abroad against losses due to war or other hazards. At first blush, this suggestion might appeal, but I do not believe—and there are many reasons to support my view—in the workability of the idea.

There is a further thought that I would like to pass on, and it applies especially to the American business man. In essence, Point IV is a long-range program, but we Americans like to rush things. I sometimes think we rush too much! It is my belief that we get better results in foreign fields if we do not try to accomplish everything overnight. And we must bear this thought in mind particularly in our dealings with the less productive nations.

However, the Point IV program has a big feature which in my opinion makes it especially valid. It offers a challenge that the Communist world is not well prepared to meet, or willing to meet.

Will Rogers once described the Communists as "people who have nothing, but believe in sharing it with everybody." While this may not be as true today as it was when he said it, the philosophy behind it still holds. For it is pretty plain that the Russians do not have the expert technicians to spare, the potential capital to invest, or the desire to share their technical ability with the rest of the world.

On the other hand, we have all of these things in overflowing measure. Therefore, if it is managed with a sense of proportion, the Point IV program gives America the opportunity to change its policy from one of containment, which is negative in character, to one of positive and productive action.

One might even put it this way. If the quickest way to a man's heart is through his stomach, it might equally well be said that the surest way to a nation's friendship is through raising its standard of living.

American business enterprise is equipped to do the major part of the job, a job that can greatly benefit many regions where the Russians are waging cold war.

History has so shaped its course as to make us leaders in the world today. This leadership can be a source of strength—morally, psychologically and economically—to those nations who wish to share their destinies with ours. Because of our great strength we can make it possible for them to profit from the healthy influence of our prosperity.

Our creditor status today is more impressive than it ever was. It can only be justified if we increase the flow of private capital to foreign lands and at the same time expand our imports sufficiently so that foreign nations can pay the interest and amortization on the loans.

Point IV Program Must Work

We must, therefore, see to it that Point IV works.

We must make it clear that these funds are not another donation from Uncle Sam, and that America is also in it for the returns we expect to receive.

Our free competitive system is well equipped to do the job—to help the nations who share our purposes to increase their productive power. But to do so, we must act promptly with courage and with wisdom. We must see that the other fellow gets a fair share of the profits so that the citizens of these non-industrialized nations may also find a better way of life.

Here, in an economic sense, is our greatest obligation to our neighbors throughout the world; and here also is their greatest opportunity to remain masters in their own houses.

This, then, is my message to you foreign traders as you set sail on your missions to the far off places of the world. Each of you is an emissary for our American way of life, and each of you carries in his pocket a document from our Government—your American passport. But the most important document that you carry with you is the one you bear in your heart—your dedication and devotion to the cause of human freedom—for that is mankind's best and only passport to progress.

Edward E. Parsons Forms Own Firm

CLEVELAND, Ohio—Parsons & Co., Inc., has been formed with offices in the Union Commerce Building to act as dealers in securities, specializing in special situations. Officers are Edward E. Parsons, Jr., President; M. S. Parsons, Vice-President; and J. D. Moss, Secretary-Treasurer. Mr. Parsons was formerly an officer of Wm. J. Mericka & Co., Inc. He is a director of the Bingham-Herbrand Corporation, The Ferry Cap & Set Screw Company, Cleveland Mortgage Company, Mutual Drug Company, and Grand Industries, Inc.

Edw. E. Parsons, Jr.

Securities Salesman's Corner

By JOHN DUTTON

In every territory there are just so many prospects. There are only a certain percentage of prospects that will reply to even the best planned advertising program. There is also a top limit to the accounts which can be opened by even the most efficient salesman. Fortunately, the men who usually are the highest in production in every sales organization are those who feel the strongest obligations —both to themselves and their firms. They are not only conscientious in following leads that are given to them, but they also look upon each lead as an important and expensive item of overhead which their firm has placed in their hands.

I have never been able to understand how some salesmen have been able to justify negligence and indifference in their handling of costly leads. I recently saw the report of a salesman who had been given about 50 leads in which his firm had invested a fairly substantial sum of money. Here were some of his comments. "Not interested"; "No name in phone book, no name in city directory"; "Smart Alec"; "Couldn't locate"; "Too busy, see later"; "Too small"; "Just wanted to see what we had to say"; etc., etc. Out of 50 leads, he had located one prospect which he rated fair. Needless to say this man's production has not been anything but mediocre.

Another salesman was given the same territory. He went into the town a stranger. He took about the same number of leads and went to work. He began to make his telephone calls for appointments. He qualified his people over the phone. He built up his proposition by making it important. He told his prospects that he was on a trip and that he had valuable information on the securities about which they had inquired. The first day he made four appointments. By four o'clock in the afternoon he had his first opportunity to do business, but his prospect suggested that he wished to talk it over with the wife. This salesman knew when he had developed real interest, and he followed up by making an appointment to call back that evening at the prospect's home. By eleven that night he left with the order. Out of nine telephone calls that day he had four interviews—one call back—and a mighty good day's wages. In addition he had about 40 more prospects to call upon. He spent four days more doing the same thing. He opened five accounts, paved the way for several more, and eliminated those which were definitely not prospects. Here was the same identical territory, the same kind of leads, and yet one man did business and the other **went through some motions.**

It Is Attitude That Counts

If it were further analyzed I believe that you would find that the first salesman has constantly been sort of a fault finder. When his sales manager would try and give him some suggestions he would resent them. His attitude has been wrong. If he looked at his sales standing in comparison with other men he would have recognized that something was holding him back. But he ducked the truth. He blamed his leads. He said his territory was no good. When a man didn't buy he showed his latent resentment by making some sort of caustic report on the back of his prospect card. When he was given 50 valuable and expensive leads by his firm he didn't care whether or not they were used, or abused. He made his calls —hoping an easy order would come through—the others could go into the trash basket.

The second man had a sense of responsibility. He went about his job in the most serious and painstaking manner. **He qualified.** He didn't run away from the job of making that night call after he got his first nibble at four in the afternoon. He skimmed off the cream. That was right. He didn't waste time following those who were not prospects. But he did say to himself, "Here are 50 leads. My firm has done a job for me. These are people who have expressed some interest in our proposition. Some of them will see me. Some will buy. How many, I can't tell until I try to see them. Now I'll use the best technique within my power to make my appointments, and when I am in there I am going to sell. That much I owe to my firm—I also owe something to my family who depend upon me, and more than anything else I owe it to myself to do this job in which I am engaged as well as I can. I am not going to blame my leads, my territory, or my firm. When I send back 50 names marked N. G. with no sales or prospects, brother I am going to find out **where I failed.** If I can't at least do that, then I don't believe I should be in the selling business—or for that matter any other kind of business where a man's own self respect is still counted as an asset."

With T. H. Jones & Co.

(Special to The Financial Chronicle)

CLEVELAND, Ohio — Howard E. Snyder has become associated with T. H. Jones & Co., Union Commerce Building, members of the Midwest Stock Exchange. He was previously with John P. Witt & Co.

Joins Hirsch Staff

Hirsch & Co., 25 Broad Street, New York City, members of the New York Stock Exchange, announce that G. Arthur Behrmann has become a registered representative in the firm's main office.

With Vance Securities

(Special to The Financial Chronicle)

WASHINGTON, N. C.—Jarl E. Bowers is now connected with Vance Securities Corp. of Greensboro, N. C.

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"I have signed H. R. 5215 and H. R. 5650, the first and second supplemental appropriation acts of 1952, providing additional funds for carrying on activities of the Government.

President Truman

"These appropriations were requested for essential mobilization activities and for important programs contributing to our national security. I regret, however, that these bills fall seriously short of providing adequate funds for a number of vital activities.

* * *

"There is no economy in short-changing these programs. Without adequate appropriations for these activities we cannot maintain our production schedules, and all of us will pay for this lack of foresight through a higher cost of living.

* * *

"I am greatly concerned by this indirect nullification of our laws which results from the action taken by the Congress on these and a number of other appropriation bills. It avails us little to enact legislation if its purposes are to be frustrated by lack of adequate appropriations.

"We, of course, will do our best to operate as effectively as possible within the limitations of presently available funds. However, I will continue to ask Congress for the balanced appropriations which are necessary for our national security and wellbeing. There are no bargain basements where we can pick up America's security at cut-rate prices."—President Harry S. Truman.

How much more convincing the President could be had he in the past regularly showed real concern about governmental profligacy!

Continued from page 10

Political Expediency Should Not Motivate Foreign Policy!

know that they are getting only what they really need—and full value of every penny.

An annual expenditure so huge as $57 billion has to be considered along with the whole complicated puzzle of which it is just one part. Here, for example, are some of the other pieces of that puzzle.

How Far Can We Go?

To make it unprofitable for Stalin to start anything, how far should we go in helping our friends to become healthy and strong—strong not only in military might be economically? How much can we wisely spend in this way?

How far can we go in taxes to support this effort without removing the progressive incentive out of which the whole strength of America grows?

How much government control over our economy do we really need, and how much can we afford when we know that our strength lies in freedom from control?

How can we do what we must do without causing a creeping inflation that would drain our economic lifeblood?

What really is the margin of disaster we face as we look at all of the pieces in the puzzle and try to put them together? How close are we to serious danger from war, from inflation, from hamstringing our national effort toward the economic and social progress which is our very strength?

These are questions on which the American people deserve facts, and free and open public discussion.

Not long ago a distinguished resident of this area, Dr. Sumner H. Slichter, pointed out that the suggested 1952-53 outlays on defense and foreign aid of $65 billion—even with economies in nondefense expenditures — would mean a cash budget of $85 billion, and perhaps as much as $90 billion. This is $15 to $20 billion larger than the cash budget of the current fiscal year.

Simply in terms of our economic health, Dr. Slichter questions whether expenditures should be permitted to rise to such a peak.

He said this: "Much of the case in support of the requests for large military expenditures involves military secrets that cannot be publicly disclosed and, therefore, cannot be properly investigated and publicly criticized. Nevertheless, the country should not permit outlays on defense, foreign aid and atomic energy to rise to $65 billion or more in 1952-53 without an adequate demonstration that this peak is really necessary."

Quite aside from the effect of such a peak of expenditure on the health of our economy, I think there is a by-product that is beginning to worry the American people.

Such huge sums available for public spending are in themselves corrupting. It may be that we can never entirely eliminate the petty pilfering of little men with big influence, but the current demand for a code of higher moral conduct among all government officials is certainly warranted. If we can't provide **moral** leadership, I don't think we can provide any other kind. Not all our wealth nor all our physical strength will do any good if we cannot stand as an example as well as a leader.

A statesman-friend from south of the Rio Grande is quoted as telling ex-Ambassador Spruille Braden that: "If dishonesty amongst your officials continues, you might as well forget about the Voice of America and other efforts to keep us on your side. The millions you spend for these purposes will go down the drain unless you get back to your old system of integrity of public life."

If our real goal is to make any attempt at world aggression too costly to be worthwhile, it seems clear that, in addition to maintaining our own military strength, we must help our friends to be strong—strong economically, and strong in potential military might.

We are learning how to help other nations restore economies shattered by the most terrible war in history. Thanks to the European Recovery Program, Europe is no longer on the brink of nightmarish bankruptcy.

Of course, as we move forward on our international road, we must remember that we are currently the healthiest and strongest figure on the road. We can expect anything—even attempts at blackmail. I, for one, want to take a second look at any nation that approaches us with the threat to turn Communist if we refuse to put up the money to raise its domestic standards of living.

We are also learning how to help bring nations together into mutual alliance for peace. With General Eisenhower as Supreme Commander, a European army is gradually being forged for the defense of Europe.

Through the North Atlantic Treaty Organization, we are building a community of nations to bridge the Atlantic. NATO is an international effort to give peace a strength it has never known in our generation.

The price of aggression is going up. I hope we can price it out of the market.

I agree, then, that the big stick we are obliged to carry with us into this international world must be part armed-might, part standby-capacity to produce more armed-might, part military and economic aid to our friends and friendly cooperation toward peace with all the peoples of the world.

But the biggest part—the part on which success or failure in this whole business rests—is our continuing ability to make progress in our own economic health and strength.

To me, our ability to stay alive and be a force for good in the world — over the short or long term—depends upon our stubborn insistence on continuing to increase the fruits of our freedom of opportunity. It depends on our ability constantly to expand that very freedom—not in strangling it by restraints, suppression of enquiry and unnecessary controls. We are strong because we are free—and the way to stay strong is to stay free.

A society moving forward with real faith in the individual can perform miracles. If this faith is adopted by more and more people the world over—and I hope it is; if the world continues to turn to us for leadership—and I hope it does; it will not be primarily because of arguments or propaganda, but because our continuing record of performance is a constant living example.

Summary

In summary, this is where I stand:

(1) As we enter our new road of leadership in international affairs, we deserve to have more widespread, more frank and free public discussion of the vital issues involved. The American people do not want to be talked down to, nor do they want to be treated like irresponsible children. They deserve something better than actions based on short-term political expediency. They deserve to have a hand in forming a long-term policy and program they can live with—a policy and

program befitting a great nation with a stubborn faith in maximum freedom of the individual.

(2) I want that road to be a road toward peace, and I think the people of the world want to travel that road with us. And I do not mean appeasement, or peace at any price.

(3) I am enough of a realist to know that world peace will not come quickly by some miracle—but only through strong, patient, determined and intelligent dealing with international problems through the UN and on our own, too. But I would like to see my country constantly talking peace and working toward it.

(4) To enable us to travel down this road with confidence and self-respect, I am for spending whatever money we can afford to spend to make it dangerous and unprofitable for any aggressive nation to start another world war. That means that I am **for** building and maintaining whatever military power of our own is really required. I do not want my country to be an international Santa Claus, but **I am** for giving military and economic aid to other nations to the extent that it can prove a good investment toward peace. But all such effort is to me only an insurance policy that enables us to get on with our main job — continued progress which will prove the merit of a free society. And nothing — absolutely nothing—should be allowed to sidetrack us from that main job.

(5) I'd like always to keep the channels of communication open—including those with the Kremlin bosses. And I'd like to see us quick to seize any realistic proposal for stopping wasteful military expenditure.

(6) Whatever happens, I'm for keeping the road to peace and progress open. I don't want to trade our way of free discussion, freedom of action, reliance on the individual, for any controlled or military economy — even an American model. As we move out into the confusing, dangerous and strange international world, let's play **our** part **our** way—the **American** way.

D. D. Schubert Joins Milwaukee Company

MILWAUKEE, Wis. — Fred G. Morton, Vice-President of The Milwaukee Company, 207 East Michigan Street, and in charge of the Trading Department, announces that Donald D. Schubert is now associated with the firm in the Trading Department. Mr. Schubert comes to The Milwaukee Company from Chicago where he has been in the investment business for the past five years. For the past two and one-half years he was in the Trading Department of the Chicago office of Smith, Barney & Company.


Donald D. Schubert

Fowler & Rosenau

Thomas P. Fowler and Walter N. Rosenau, both members of the New York Stock Exchange, will form the Exchange member firm of Fowler & Rosenau with offices at 15 Broad Street, New York City, effective Dec. 1.

To Be NYSE Member

On Nov. 15 the New York Stock Exchange will consider the transfer of the Exchange membership of John C. Duncan, Jr., to Wilton L. Jaffee.

Calculated Risks

By ROGER W. BABSON

Asserting there are still lots of opportunities if one is willing to take risks, Mr. Babson lays lack of moral and spiritual gumption in present generation to too much dependence upon science and technology. Finds courage of our forefathers lacking today.

I hear young people today say that opportunities aren't what they once were. To a certain extent this is true. When the government takes so much of everyone's earnings, some people lose their incentive to work hard. But there are lots of opportunities still with us provided we are willing to take the risk. As I look back over my fifty years of business experience, I find there is a basic difference in the character of men fifty years ago and now. Our forefathers before us had an abundance of moral and spiritual gumption. These character qualities enabled them to make every risk a calculated risk with a fighting chance of paying off.


Roger W. Babson

Some young chaps today inherit their fathers' businesses. The fathers obviously had what it takes. They took the chance and earned their successes without the advantages of education. But the sons won't do it, for all their book learning. Why? Too many youths today seem to be interested only in a **"sure thing."** They are afraid to take a risk. They prefer the sure bet of sixty dollars a week salary rather than a chance to earn one hundred dollars a week commission.

Risk and Moral Values

One reason is that our youths are being trained by schools and colleges to depend too heavily upon science and technology. Technical and scientific advance alone cannot bring us courage. This kind of materialism could lick America just as it will ultimately lick Russia. Young people, wholly dependent upon technology, find that when the going gets tough there is nothing there to lean on. I wonder if during my lifetime we haven't gained in the material things of life only to lose ground in the realm of the moral and spiritual.

Thousands of inventors have died poverty stricken, although their ideas may have been excellent. Before an inventor's idea can take shape and come rolling off the assembly line in the form of some sort of product, someone must be found who has faith enough in the idea, faith enough in the inventor and in the future prosperity of his country, to be willing to risk financing the invention. The willingness to take a calculated risk and make it pay off springs from a spiritual fountain of courage within the individual. Courage is one thing of which our fathers had an abundance and which I find lacking today in most young men.

Risk and the Future of America

About 2,400 years ago a Greek statesman, Pericles, said, "The secret of liberty is courage." He didn't mention bank accounts or social security. What he was telling his countrymen was that if they wanted to assure Greece of an everlasting future they needed to develop some good old-fashioned moral and spiritual fortitude. I have faith enough in the future of America to believe that we are on the threshold of a new prosperity, plus longer periods of peace.

The age of materialism in which we live has given the world better food, better clothing, better shelter, better transportation, and better communication. I hope that with these material comforts more individuals now have a greater amount of time to give to the spiritual side of life. Only by now bringing into balance, at this crucial time in world history, things of the spirit and things material, can we develop in the coming generations the kind of intelligence and courage which is willing to take a calculated risk.

What About Joe Stalin?

The armies of Joe Stalin aren't half as dangerous as a siege of frustration, materialism, and cynicism. But greater spiritual development can offset these grave dangers—although it will take all the skill we as parents, and educators and community leaders have to move in that direction.

Continued from page 2

The Security I Like Best

tive. Bank premises on June 30, 1951 were carried at 56% of present assessed valuations. On the same date United States Government issues, comprising 26% of total resources, had an average maturity of 3 years, 2 months and 23 days when calculated to the first call date.

With interest rates on loans and investments rising, it is reasonable to anticipate improved earnings for First National of Boston. In view of over $15 million new capital funds and excellent earnings in the first half of 1951, operating profits of $4 on the 2,600,000 shares now outstanding are a sound expectation. It is also a sound assumption that $1.25 will be declared on the stock before the end of the year.

Annual dividend payments of $2.25 give the stock a current yield of almost 5%. At this writing a number of leading New York banks yield 4½% and even less. National Shawmut of Boston gives a return of about 4.41%. There are popular bank stocks in Chicago, Cleveland and other cities which yield less than 4½%.

To sum up, a satisfactory return can be obtained on an unusually high grade security selling fractionally close to its eight-year low. If it only duplicates what other bank stocks in similar situations have accomplished, a pleasant enhancement of capital would result. With the general stock market in a period of indecision, this may be an excellent time to stay close to home and hunt for smaller game, leaving the larger targets for another day. First National Bank of Boston is ideal for anyone who wishes to embrace that philosophy.

Joins Reynolds & Co.

(Special to THE FINANCIAL CHRONICLE)

SOUTHERN PINES, N. C. — Donald L. Madigan is associated with Reynolds & Co.

With Consolidated Inv.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Cal. — Joseph M. O'Keefe has become affiliated with Consolidated Investments, Inc., Russ Building.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week—Insurance Stocks

Fire losses for the current year are likely to reach a new record.

According to the National Board of Fire Underwriters, estimated fire damages for the month of September totaled $53,398,000 an increase of 16.3% over the $45,922,000 reported for the similar month of 1950. For the nine months to September the National Board estimates fire losses at $548,475,000 as against $515,806,000 in the first three-quarters of last year or a gain for the period of 6.3%.

Current indications are that losses may continue to run ahead of last year. Although inflationary pressures have eased in recent months prices are still above a year ago. One indication of the current price level is the index of wholesale commodity prices compiled by the Bureau of Labor Statistics.

For the week ended Sept. 25, 1951 the index was 176.7. In August of 1950 the same index was 166.4. Thus the current level of wholesale commodity prices is approximately 6.1% higher than a year ago. This is important because with the same frequency of fires the cost of repairing the damage is greater as a result of the increase in prices during the past year.

Providing losses continue to increase at the rate shown in the first nine months of the current year, total damage would approximate $731,000,000 for 1951. This would represent a new high in fire losses.

The previous record in fire damage was the $711,114,000 reached in 1948. Even if losses in the last three months no more than equal those of the last year, the total damage figure would be $720,364,000.

For purposes of comparing losses in recent months with those of the two previous years, we show a tabulation of monthly fire losses as estimated by the National Board of Fire Underwriters.

	Estimated Fire Damage		
	1951	1950	1949
January	$68,686,000	$58,823,000	$57,926,000
February	69,138,000	58,340,000	62,424,000
March	71,507,000	72,468,000	67,218,000
April	62,965,000	61,605,000	55,290,000
May	58,744,000	58,765,000	54,162,000
June	56,403,000	57,116,000	51,787,000
July	52,220,000	52,980,000	49,592,000
August	55,416,000	49,787,000	50,150,000
September	53,398,000	45,922,000	49,678,000
Nine Months	$548,475,000	$515,806,000	$498,227,000
October		49,953,000	48,914,000
November		55,116,000	53,116,000
December		66,820,000	67,279,000
Twelve Months		$688,460,000	$667,356,000

While fire losses are thus likely to reach a new record, it does not necessarily follow that fire insurance lines will be unprofitable for the year.

Higher property values, and additional insurable property have helped to increase the fire insurance premiums. Also, earned premiums are expected to show a healthy increase and although losses and adjustment expenses will be higher, the fire lines should still be profitable. Of course, the margins would not be so favorable as in 1949 and 1950.

The pattern of fire losses follows closely the trend of general business. This is also true of prices. Thus as business activity and prices rise, fire losses also increase. Adjustments in rates usually lag behind the changes in losses so that margins maybe temporarily squeezed before relief is granted.

Recently there has been some indication that the various regulatory commissions are more ready to grant rate adjustments than heretofore because of the rapidly changing economic conditions.

While the trends present in fire underwriting do not indicate the need for immediate action, if they persist it is likely that some effort may be made to raise rates.

Another consideration is that fire losses may tend to stabilize or turn downward in the coming months. There are a number of reasons for this—(1) prices may have passed their peak and (2), industrial production is not likely to show much, if any, increase from current levels.

Fire losses seem to go through a cycle. They now have been rising for over two years and while they may increase moderately from the current level, the next major move should be down.

Joins J. Lee Peeler

(Special to The Financial Chronicle)

WASHINGTON, N. C.—C. T. Bowers is now associated with J. Lee Peeler & Co., Inc. of Durham.

Mutual Funds

By CARTER GRENVILLE BURKE

The Family Wash—I

One accepted reason today for the renewed public interest in the stock market is that, through this last decade's thick mist of war, inflation and turmoil, the 1929 debacle is only faintly remembered, and, if one peers back at all, it seems a distant, even remote, event in a nearly buried age.

If the public has forgotten, then one might ask "Is the financial community also forgetting?". Is the event so distant that the causes before Black Friday are now only tenuously connected with the effects after Black Friday?

In general, it has not slipped the memory of the financial community. In fact, mutual funds leaders today are strong proponents of a conservative and well-grounded approach toward the public's investment in the capital market.

The selfdiscipline the industry has imposed, the evidence of its record in cooperating with government, its willingness to work with legislatures and commissions for the public interest are sufficient proof that the experiences of a previous generation are vividly remembered.

However, in recent months, the financial elements in our economy have witnessed minor evidences of forgetfulness, nothing in violation of regulation, but occurrences that would not be classified under the heading of sound practice; rather a too strong and quick grasp on fortunate opportunities.

To the many, if not all, who are concerned with mutual funds and who believe the mutual fund idea, *per se*, to be sound, these occasional commissions against good practice are painful to watch.

Because, in an economy tending toward an egalitarian income distribution, the investment companies can one day be a trusted repository of people's savings, a vital pipeline of equity capital and a strong influence in the demand factor of the stock market.

The few dollars gained today in recent activities by a few enterprising individuals can, in this light, be a costly proposition tomorrow for which the industry will not be grateful.

The MUTUAL FUND RETAILER

By BENTON G. CARR

As people learn about mutual funds, they are going to form definite opinions about them before you ever present your story.

And these people are apt to base their opinions on the attitude of the man who tells them about mutual funds.

The man telling the story could be you. Or it could be one of your customers.

If it's your customer, and he's enthusiastic, his listeners —who are your prospects tomorrow—are going to be impressed. If he's disgruntled, it will show up in your sales results tomorrow.

Consequently, the way you sell mutual funds to today's customer is going to have two important effects on your future business.

The first effect — a direct one—is on your repeat sales to today's customer. If you have carefully informed him about the greater capital risk necessary to achieve greater income, the importance of investing for the long-term, and the likelihood of fluctuating income, it isn't likely that there will be disappointments.

Your customer is going to be much easier to approach for another order or an accumulation program.

The second effect—an indirect one—will be on your new sales to prospects. Count on the fact that five people will judge mutual funds on the basis of your customer's attitude. That can be a wonderful hidden "sales lever" in your favor if you have done the job right.

The moral of all this: No town's so big that you can escape tomorrow from bad selling done today. The basic selling you do now, with today's customers, is an important investment in your future business.

Two advertisements on profit-sharing retirement plans have been prepared for your use by Wellington Fund.

The advertisements, differing primarily in size (either one or two columns wide and six inches deep), are titled, "The Talk of The Town."

The copy tells in simple language why the demand for

Continued on page 23

Current Mutual Funds Literature

The Story of The Prudent Man Rule. Aside from the professional interest which every mutual funds dealer and salesman will have in this story, I can think of no more subtle reason for a salesman's call than to present the local banker, trust officer, trustee or lawyer with a copy of this booklet.

This 12-page booklet contains a brief account of the events leading up to the opinion now known as the "Prudent Man Rule," which was rendered over 121 years ago, in March, 1830, by Samuel Putnam, Justice of the Supreme Judicial Court of Massachusetts.

Putnam Fund will send you copies if you write them at 50 State Street, Boston, Mass.

The Five Funds and Industry Classes of Group Securities. This booklet is a professional communication, for dealers only, explaining the characteristics and objectives of the Group Securities family. You have probably received one by now, but if not, write to Distributors Group, 63 Wall Street, New York City.

About Eaton & Howard Stock Fund. This pamphlet shouldn't be underrated because of its deceptively simple title. Using a "question-and-answer" approach, Eaton & Howard clearly and effectively develops, for the unsophisticated prospect, the mutual fund idea and the investment objective of the Fund. Salesmen will find this pamphlet "echoes" their sales talk after they've closed the door. Available from Eaton & Howard, 24 Federal Street, Boston 10, Mass.

Are You Building a Complete Investment Policy? In a remarkably clear analogy, Putnam Fund compares investing to building a house—from the investment "blueprint" of the prospect's objective to the finally architected "investment structure," ready for all kinds of weather. To complete the idea, Putnam Fund presents its investment holdings (ready for all kinds of "investment weather") divided into reserve section, high return bond and preferred section, and common stock section. The purpose of each portfolio "compartment" is given. The copy is excellent and the approach simple.

Other literature you can also write for now include, **"10 Ways to Make Your Money Go Further,"** illustrating the fact that a family is really a little business and should use business methods; **"What Every Woman Should Know About Her Husband's Finances"** in times of emergency when she must take over; **"Be Smart About Inflation,"**—seven ways to protect your money; and, for dealers, too, **"How to Money-Train Your Wife."** Write The Putnam Fund, 50 State Street, Boston, Mass.

Facts and Figures From Wellington Fund. This revised folder contains a new chart showing the results of an investment of $10,000 in Wellington Fund at offering price for the 10½-year period from Jan. 1, 1941 to June 30, 1951. The investment diversification and list of investments of the Fund as of Sept. 30, 1951, also are given in the folder. Wellington Fund, 1420 Walnut Street, Philadelphia, Pa.

For You—A "Millionaire's Investment Program"—For as little as $100. Important features of Stock & Bond Group Shares, a list of portfolio holdings and their diversification and a performance chart. Available from Hare's Ltd., 19 Rector Street, New York 6, New York.

"Keeping Up," regular letter of Television-Electronics Fund, covers in its latest issue the rapid expansion of military production in the electronics industry, a story on industrial microwave, the coming use of two-way television sets for inter-office business communication, in which you will have to look at your boss as well as listen to him, and incidental news items in the television and electronics field.

Attached to our copy of the letter was a reprint from "Retailing Daily" entitled "Guesstimating," in which the outlook for demand in the television industry is reported favorable and the recent sales slump regarded as seasonal. You can presumably have a reprint of this also if you write to Television-Electronics Fund, 135 South LaSalle Street, Chicago 3, Ill.

Who Owns the "Axe" Funds? No names are given—otherwise this small four-page folder emphasizes the prestige or institutional background of the 18,000 shareholders of the four mutual funds in the "Axe" group. E. W. Axe & Co., 730 Fifth Avenue, New York City.

—B. G. Carr

Continued from page 22

Mutual Funds

profit-sharing retirement plans are growing daily. Employers are offered a booklet on such plans through a return coupon, which serves as your lead. Wellington Fund can supply you with booklets, and the advertisements in mat form may be obtained from W. L. Morgan & Co., 1420 Walnut Street, Philadelphia 2, Pa.

REFLECTING THE large expansion of facilities to produce new chemical products, Chemical Fund reports in its fifty-third quarterly report that fourteen portfolio companies have raised, during the first nine months of 1951, over $600,000,000 in new capital through the sale of securities. Together with substantial retained earnings, this capital will be used principally to construct new plants.

As of Sept. 30, 1951, net assets of Chemical Fund amounted to $51,006,432, equivalent to $23.86 per share, compared with $45,784,998, or $21.88 per share on June 30, 1951.

You Have Two Cows . . .

Fred Bowes, Jr., of Pitney-Bowes, regaled a U. S. Chamber of Commerce meeting with these illuminating definitions:

Socialism: You have two cows and give one to your neighbor.

Fascism: You have two cows; the Government takes both and lets you buy back some of the milk (skimmed).

Communism: You have two cows; the Government takes both and shoots you.

Capitalism: You have two cows; you sell one and buy a bull.

Capitalism Under a Certain Administration: You have two cows; the Government takes both, shoots one, milks the other—and throws the milk away.

From Bennet Cerf's "Trade Winds" Saturday Review of Literature

The Mutual Fund—A Lusty Infant

By VERNON S. VIVIAN*

Vice-President, Diversified Funds, Inc., and Manhattan Bond Fund, Inc.

Authority explains what Funds are, what they can do for the investor, what they cannot do, and what they actually cost. Cites growing and widening use of Funds by institutions and other groups, including employes.

While it is true that some forms of investment trusts made their appearance in Belgium, England and Scotland well before the end of the eighteen hundreds, the American mutual fund, with redeemable shares, has been in existence for only about 25 years and most of them are considerably younger than that. So the mutual fund itself is modern and a relatively new approach to the problem of investment.

Vernon S. Vivian

As I understand my assignment, I am to try to tell you briefly what mutual funds are; what they can do for you; what they can't do for you and what they cost you.

Most investors, as distinguished from speculators, are reasonable and realistic in their desires. They want a fair return on their capital and they would like to see that capital grow in value over the years.

Only an investor who is lucky beyond reasonable expectation is likely to have a very satisfactory investment experience unless he bases his program on the three foundation stones of investment success. Those three stones are broad diversification, informed selection and continuous and informed supervision. Let's look at them, one by one.

Diversification is simply the application to investments of the insurance principle of spreading the risk. No insurance company would insure just one or a few lives, or one or a few houses. One death or one fire would mean a crippling loss. Similarly, no investor of sufficient means will risk his capital in one security or a few securities. He, too, spreads the risk by investing in a broad list of securities, so that damage to one has no substantial effect on the whole.

Imformed selection almost defines itself. It means the purchase of securities only after careful analysis by people trained to make such analyses. Past record, management reputation, profit margins, tax position and the outlook for business generally and for the particular business in which the company is engaged are only some of the things which must be considered in appraising future prospects for a security. It is distinctly a job for specialists who work at that job full time.

Continuous supervision is also a job for those same specialists. It means, of course, constant watchfulness over securities owned. Stocks and bonds cannot safely be "put away and forgotten." Too many things can happen. Within my own span of service in the investment business many highly regarded securities, including even bonds considered as of the highest grade, have fallen by the wayside and ceased to produce income. And this watching job must be done by those eqipped to watch; those who have the facts and figures constantly before them and know how to interpret them.

These are the things that are essential to intelligent investing; they are things that only the investor of wealth can get for himself; and they are the things that both the investor of wealth and the investor of modest means can enjoy by the use of Mutual Funds.

How Funds Work

How does a typical Mutual Fund work? When you become a stockholder it takes your money and adds it to the money of many other investors. With this combined pool of capital it buys a broad list of securities and deposits them for safekeeping with a large bank which acts as custodian. Let us say it buys a hundred different common stocks. The bank collects roughly four hundred dividend checks a year and after deducting necessary expense, pays the proceeds to you, the stockholders, in four quarterly dividend checks. The bank does this as agent for the Fund. No matter how small your holdings in the Fund may be you have an interest in all of these 100 stocks. But instead of 400 dividends to deposit and record you have four. And instead of 100 certificates to keep safely you have one.

These 100 stocks are purchased by the Fund upon the advice of an experienced research organization which not only makes the selections but maintains a constant watching service and recommends the sale of some of these stocks and the purchase of others, as time goes on and conditions change. The Fund, of course, pays a fee to the research oranization and that fee is one of the expenses charged against the Fund's income before your dividends are computed.

Tagging Along With the Pro's

So, through the Fund, you are doing your investing as wealthy investors and investing institutions do theirs. Your money is spread over a broad list of securities and those securities are selected and supervised by professionals. And you have other advantages which the direct owner of 100 stocks does not have. The great bulk of your bookkeeping is done for you and your income tax accounting is simplified. Should anything happen to you, there is one security and not one hundred to be handled for estate and inheritance taxes. Far more important, you can bequeath a managed investment account to your family rather than burdening your wife or children with a task for which they are probably totally untrained.

If you need to dispose of part or all of your shares at any time, the Fund itself will repurchase them promptly at the liquidating value then in effect. That liquidating value, in terms of a single share, represents the net worth of the Fund, divided by the number of shares outstanding. It may be more or less than your original cost, depending upon what has happened to the value of the Fund's investments in the meantime.

I think what I have said gives you a fair, though necessarily brief, outline of what a Mutual Fund of the common stock type is and what it can do for you. Now let's consider what it can't do.

If you believe, as I do, in the future of American industry, then I think you must agree also that good American stocks are desirable things to own. But stocks fluctuate in price, both individually and as a whole. Mutual Fund shares fluctuate, too. Diversification and professional management can reduce your risks but cannot eliminate them. By the same token, dividends paid by a Fund will vary, because dividends on the stocks it owns will vary. Investment management is an art and not a science. Professional managers are trained and competent people. Nevertheless they will make mistakes, though I think they will make far fewer than amateurs and will recognize them much more quickly. But they are not miracle men and they cannot make your shares go up when the securities market, as a whole, is going down. Nor can they maintain dividends unreduced at a time when dividends generally are in a downtrend. Those are hazards inseparable from ownership of common stocks. They are the risks which accompany what have been the substantial long-term rewards of owning good American equities. They are, in my humble opinion, risks well worth taking.

So far, for the sake of simplicity, I have been talking about Mutual Funds which invest in common stocks. There are many other kinds. Some invest only in bonds. Since their dividends are derived from bond interest, they tend to be quite stable and the value of their shares fluctuates much less than those of stock funds. Others spread their money over bonds, preferred stocks and common stocks. There, dividend and price stability usually fall somewhere between bond funds and stock funds. Still other funds concentrate on preferred stocks, or low priced common stocks, or stocks selected for growth prospects, or securities of a particular industry. All have their places, depending upon the objectives of the particular investor.

Yields

Investment yields on Mutual Funds today vary from something under 3% on high grade bond funds to 5½% or slightly over on some of the more aggressive common stock funds. The risks bear a fairly direct relationship to the returns.

In addition to dividends from investment income, Mutual Funds at times distribute realized profits to their stockholders. Of course, this can be done only when there are profits and such payments should never be confused with, or considered as part of, regular income. They are, in effect, a return of part of your capital and should be reinvested if you wish to keep all your capital at work. Most Mutual Funds give you the option of taking these profit distributions in additional shares at asset value, which means without sales charge.

The Cost

This brings us to the third portion of our discourse; what Mutual Funds cost you. The funds sell shares continuously, usually through an underwriter who conducts a wholesale operation, the shares reaching you through the retail investment house whose customer you are.

To cover the expenses of the underwriter and the dealer and to compensate them and the salesman who has the job of explaining Funds to you and helping you to select those suited to your purpose a sales charge is added to the asset value of the shares. In most cases this charge runs between 7½% and 8¾% of the price you pay, with reductions on large purchases. This may be considered as similar to the commissions included in your life insurance premiums and, incidentally, it is a smaller percentage than selling expense bears to total life insurance premiums.

The other fixed cost is a management fee, usually ½ of 1% a year of asset value. This is about the same rate charged by private investment counsel, but private counsel does not like to take accounts of less than $100,000. You do not pay this fee separately—it is charged against the income of the fund, as stated previously. If you own $5,000 worth of shares your management expense is a little less than fifty cents a week, or less than the cost of your morning and evening newspaper. Of course, the Funds, like every other business, have normal operating expenses. These are not fixed, but ordinarily represent slightly less than ¼ of 1% of asset value annually.

A Lusty Infant

The Mutual Fund is in its infancy, but it is a lusty infant. Already more than a million people own shares worth over three billion dollars. Individual holdings run from a hundred dollars or so to over half a million. And not only individuals buy them. The funds which I represent are owned by schools, colleges, hospitals, churches, cemeteries, public libraries, employees profit-sharing funds and, in fact, almost every type of institutional investor. That is doubtless true of many other funds, too, although not of all, since institutions naturally choose reasonably conservative funds.

Recently the Socony-Vacuum Oil Co. established an employees savings plan, under which the employees may allocate part of their salaries and the company adds 50%. Each employee may direct the investment of his interest in this fund in one or more of three things and only three: Government Bonds, Socony-Vacuum stock and Mutual Funds meeting certain qualifications as to size, etc.

During the past two or three years several states have enacted laws specifically including Mutual Fund shares among the securities which may be purchased by trustees and other fiduciaries.

Thus, in their relatively short career to date, Mutual Funds have shown themselves modern investments of wide acceptance. I think every investor should know about them and should study their application to his plans for his own financial future.

*A talk by Mr. Vivian before the Adult School of Montclair, Montclair, N. J., Oct. 30, 1951.

N. Y. Securities Dealers Annual Dinner Nov. 9

The annual dinner of the New York Securities Dealers Association will be held on Nov. 9 at the Waldorf Astoria, according to an announcement by David Morris, David Morris & Co., President of the Association.

Principal speaker will be Lawrence C. Marshall, President of the Bank of the Manhattan Company.

Among the guests who will attend are all five commissioners of the Securities and Exchange Commission, including Harry A. McDonald, Chairman, Mr. Morris said. Other guests expected include Edward T. McCormick, President of the New York Curb Exchange, Richard M. Crooks, Thomson & McKinnon, Chairman of the Board of Governors of the New York Stock Exchange, John J. Mann, Chairman of the Board of Governors of the New York Curb Exchange, W. Warren Wilson, Chairman of the National Association of Securities Dealers, District 13 Committee, Wallace H. Fulton, Executive Director of the NASD, and O. Glenn Saxon, Professor of Economics, Yale University.

Helbig Branch Opened

ORLANDO, Fla.—Baron G. Helbig & Co. of New York City have opened a branch office at 1218 Golfview Avenue.

G. A. Seligmann

George A. Seligmann, member of the New York Stock Exchange, passed away Oct. 30 at the age of 64 after a long illness.

Canadian Securities

By WILLIAM J. McKAY

In a recent address to the Canadian Exporters Association the Dominion Deputy Minister of Trade drew attention to certain disquieting features of the present Canadian pattern of foreign trade. Although there have been misgivings in private quarters with regard to the dramatic change over the past few years in the direction of the Dominion's foreign commerce, this is the first indication of similar official concern. Although the Deputy Trade Minister was reassuring with respect to the immediate situation, he expressed the view that Canada was leaning dangerously on the United States market for her exports. He warned that there was a tendency to overlook the hard fact that in certain commodities such as wheat, flour, and manufactured goods "the United States is not now nor is it likely to be a satisfactory long-term market."

Although the volume of exports to this country has more than doubled in the past five years and has been instrumental in closing the U. S. dollar gap the following statistics provide sufficient basis for the warning expressed by the Canadian Trade Ministry:

	Canadian Exports U. S.	U. K.	Other Countries
1946	38.4%	25.8%	35.8%
1947	37.3	27.1	35.6
1948	48.8	22.3	28.9
1949	50.2	23.6	26.2
1950	64.8	15.1	20.1

An analysis of the percentages indicated above reveals an alarming drop in Canadian exports to the traditional markets of the United Kingdom and Europe. These natural outlets for the Dominion's surpluses of grain, farm products and manufactured goods have now been replaced by the U. S. market which is normally competitive in these items. In addition it has been frequently demonstrated in the past that the Canadian economy is directly and immediately affected by developments south of the border. In view therefore of Canadian vulnerability to U. S. economic crises, it is clearly unwise to place too many export eggs in the one basket. Recent experience has also demonstrated that Canadian markets in the United States are at the mercy of unpredictable Congressional curbs and the action of competitive pressure groups.

Fortunately a solution of this Canadian trade problem is not difficult to find. As previously mentioned it is a somewhat strange anomaly that Canada as the senior British Dominion is almost entirely divorced from the financial and economic system of the British Commonwealth. Whereas Australia, for example, sells unreservedly to the United Kingdom against inconvertible sterling, Canada's sales to Britain are effected on the basis of immediate settlement in hard currency. This condition of payment obviously is the principal cause of the disturbing decline of Canadian exports to Britain. Furthermore as the United Kingdom cannot afford to import from Canada on these conditions, it has been obliged in many cases to contract on uneconomic terms for alternative supplies. Thus Canada has lost a natural outlet for her sometimes embarrassing surpluses of grain and farm products and Britain pays more for essential imports.

This state of affairs could however be conveniently remedied if Canada would agree to sell to the United Kingdom for settlement in inconvertible sterling. In many respects such a step would entail a considerable sacrifice on the part of Canada. On the other hand, as a virtual member of the sterling bloc, Canada would derive certain advantages. The present British Commonwealth restrictions against Canadian trade would be lifted and the Dominion would regain markets in the sterling area previously as a consequence of the currency barrier. Moreover, in the event of an economic upset south of the border that would surely result in a disastrous decline of exports to the United States, Canada would still have a natural outlet for her surpluses in the vast market of the sterling area.

* * *

During the week there was a minimum of activity in the external section of the bond markets and dealings were mostly confined to purchases of the recent new issues and liquidation of the older issues. Business in both recorded and unrecorded categories of internal bonds was almost at a standstill but the arbitrage rate eased slightly to 6¾%-6¼%. The Canadian dollar on the other hand resumed its strong trend following a temporary weakening caused by sales in connection with the maturity of the 1¾% Dominion notes of Nov. 1. Stocks were lower in sympathy with the decline in New York but the Western oil and base-metal issues continued to resist the general downward trend.

Federal Reserve Index To Be Discussed

NEW YORK, N. Y.—At an open meeting of the New York Area Chapter of the American Statistical Association, Lorman C. Trueblood and Arthur Broida, of the staff of the Board of Governors of the Federal Reserve System, will speak on "The Federal Reserve Index of Industrial Production and Its Impending Revision." The meeting will be held Friday, Nov. 9, at 8 p.m., in the Remington Rand Auditorium, at 315 Fourth Avenue near 23rd Street.

Joins Founders Mutual

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Paul W. Sittler has joined the staff of Founders Mutual Depositor Corp., First National Bank Building.

Continued from first page

Private Enterprise the Key to More Productivity Abroad

forth in this pronouncement to be critical to the national defense and the national welfare, and it urges the Council to exert every effort toward securing the acceptance, by the American people and by their government, of the constructive policies proposed.

The Statement rightly asserts that the burden of leadership the United States has been called upon to assume, in these days of great and growing emergency, demands the formulation and administration of a foreign policy having its inspiration in the concept of freedom and dedicated in its every aspect to the maintenance and increase of America's strength. The obligation rests upon our government, in the exercise of that leadership, to make clear, to the American people and to the peoples of foreign lands, the course our foreign policy will take and the objectives it has in view. There must be no doubt that the preservation or restitution of human freedom is a common goal, and that we are seeking, in its attainment, a common effort and a common dedication.

The foreign economic policy pursued by any nation is a vital part of the all-embracing foreign policy from which it derives. The course we follow in our own international economic relations can mean success or failure for the efforts we make in other fields, and the Convention holds it to be imperative that the course be one which will support and strengthen our capacity to resist aggression and subversion, from whatever source they may come. Such a course, designed to promote our security and well-being as a nation and to preserve the institutions we cherish, the National Foreign Trade Council has set forth with clarity and vigor. The Convention calls for the following action looking toward the implementation and fulfillment of the proposals contained in the Council's statement:

I

The first objective of our foreign economic policy must be the maintenance and increase of America's economic potential. The Convention holds that this potential can be fully realized and our liberties preserved, only if our Government, in the formulation and application of its foreign economic policy, puts its chief reliance upon the recources, skills and techniques of private enterprise. The Convention calls, therefore, for a forthright declaration by the Government that it will look to private enterprise for the accomplishment of the purposes our national interests require, and that it will seek to broaden end extend the opportunities available to private enterprise in all fields of international endeavor.

The American system of free, private, competitive enterprise brings forth the initiative and energies requisite to the assurance of high living standards in time of peace, and to the production of those military weapons so urgently needed when peace is threatened. It is the sure bulwark, in war or peace, of all our other freedoms and ideals. It has won the right to the devotion and support of the American people and of their government.

II

The Convention holds that a further requisite to the full realization of America's economic potential is the increased production abroad, and the continuing availability to American industry, of those raw materials needed to supplement our own resources in sustaining our industrial progress. The task of increasing production is one which can be discharged fully and effectively only by private industry and private endeavor. The Convention urges, therefore, that our foreign economic policy be directed aggressively toward facilitating the contribution which private industry can make in increasing raw material production in foreign lands, and toward assuring the availability of these materials in quantities adequate to our growing requirements in the United States.

Production and distribution, under the American concept, are the functions of private enterprise. Experience has demonstrated, wherever the experiment has been tried, that the entry of government into these operations leads to inefficiency, waste and frustration. . . . Our own economy has become increasingly dependent upon raw materials produced in other lands, and the availability of these raw materials in adequate quantities is a vital factor in our own capacity to produce and consume.

III

In addition to the requirement for a full realization of America's economic potential in the crisis confronting us, the Convention holds that a major purpose of our foreign economic policy must be the upbuilding of the strength and security of the rest of the free world. This demands a great and continuing increase in productivity in all those countries where freedom still prevails. The Convention believes that this can be accomplished only if private enterprise is called upon to play its due part in the world-wide effort put forth. The managerial and technical resources requisite to the success of any industrial undertaking can be effectively employed only if they are linked with a sense of continuing responsibility for the productiveness of the required investment and for the earning of a satisfactory return. The Convention urges, therefore, that our foreign economic policy give practical recognition to the fact that the provision of public funds for expenditure through political instrumentalities will never bring the desired result.

The management decisions and technological capacities essential to the conduct of a product of a productive enterprise cannot be provided by makeshift "hiring" for government account, nor can there be any substitute for the sense of continuing responsibility that private ownership entails. No greater fallacy has marked the course of our foreign economic policy to date than the assumption that dollars can magically be transmuted into goods.

IV

The Convention submits that private enterprise cannot play the essential part that it must, in securing increased productivity abroad, so long as economic environments exist which are inimical to the entry of the private investment capital so desperately needed. Until foreign governments are convinced that they will no longer have free access to American public funds, we may well expect that they will refuse to take the steps necessary to attract private capital. This dilemma, which could be fatal to the whole program of economic expansion abroad, can be resolved only by forthright and aggressive action on the part of the United States Government in the field of its fundamental foreign economic policy. The Convention urges, with all the force at its command, that the Government make known immediately that, until other countries manifest the receptive and cooperative attitudes called for, they will receive no public funds from the United States for any purpose except those of the most exigent military or humanitarian nature.

It cannot be expected that economic environments conducive to the investment of American private capital will be established in the foreign lands so long as the governments concerned have reason to believe—as they do have reason to believe—that they will continue to be the beneficiaries of the hand-outs our own government has given them for so long. The keynote to the establishment of the climates needed for the achievement of the ends in view is the recognition by the foreign governments concerned that the United States will not yield to pressures for the provision of indiscriminate largesse.

V

In placing chief reliance upon private enterprise for the increase of productivity abroad, it is entirely consistant that the Government should continue to extend limited aid to foreign lands in the field of the public services, embracing broadly such areas as education, health, sanitation and agricultural techniques. But a sound foreign economic policy demands that even this aid should not be extended gratuitously and without regard for the cooperative attitude of the recipient. The Convention urges immediate implementation of this concept.

Those countries which have shown reluctance or open opposition to the establishment of political and economic climates conducive to the entrance of private capital for productive purposes should not expect our help in these other fields.

VI

The Convention holds it to be essential, if our foreign economic policy is to serve effectively the purposes it must, that the tremendous diplomatic, political and economic facilities at the disposal of the United States Government be exerted aggressively to the end of giving effect to these intentions. There is urgent need for a common effort in the common cause. Progress toward the goal in view can be expedited, it is felt, by a vigorous assertion of our leadership in the directions sought. To this end, the Convention urges that our Government exact a *quid pro quo* for all aid which it extends to foreign governments, including military aid.

The legitimate demands in this regard could well include the opportunity of access to sources of needed raw materials; the opportunity to acquire an equitable share of the increased production of both raw materials and manufactured goods resulting from the aid extended; the conclusion of Treaties of Friendship, Commerce and Economic Development looking toward the creation of political and economic environments conducive to the investment of private capital; the facilitation of a wider system of multilateral, nondiscriminatory world trade; the establishment of closer regional economic integration; and any appropriate and constructive action in the military sector. In face of the great contribution the United States is making to the common cause, no nation should be reluctant to accept the *obligations essential to a common effort.*

VII

The Convention emphasizes the vital need that exists for recognition throughout the world of the sanctity of contract. No aggreement is any better than the enforcement it receives. Our Government should do whatever is required to make certain that other countries live up to the letter and spirit of their engagements with the United States or with any of its citizens.

The need is not merely for the conclusion of agreements conducive to the attraction of private capital abroad, but for determined and vigorous action to ensure that the foreign governments concerned fulfill the commitments they make.

VIII

Conscious of the vital part that private enterprise must play if our foreign economic policy is to serve effectively the ends of our national security and well-being, the Convention calls upon the Government to abondon the aloof, disinterested, and all-too-often hostile attitude it has displayed toward American industry. It demands that it seek instead, by positive and forthright action, to enlist to the maximum the facilities and capacities that private enterprise alone can bring to the task.

The defense of the free world, and the hopes of all who cherish freedom, are centered in the strength and security that only a great and increasing productivity can bring. Our strength and security in the United States, now and in the future, depend upon the levels of production which we and the nations friendly to us can achieve. It is to the end of procuring this strength and security, abroad and at home, that our foreign economic policy, in all of its aspects, must be dedicated. The increased productivity called for abroad will supplement and bolster, to a highly essential degree, the efforts we ourselves must make. It is, however, the productivity of our own free, private competitive enterprise system in the United States, given the increased raw material resources needed to sustain it, to which we must look as the major bulwark of our national strength.

The task before us is not easy. But the Convention holds, in common with the National Foreign Trade Council, that if foreign economic policy is directed boldly and aggressively along the lines proposed, the purposes of our foreign policy itself will be met, and the security and well-being of our country and our American way of life best assured.

E. T. O'Malley Opens; Ahmadjian an Associate

(Special to THE FINANCIAL CHRONICLE)

WORCESTER, Mass.—Edward T. O'Malley is engaging in the securities business from offices at 340 Main Street. Mr. O'Malley was formerly with du Pont, Homsey & Company, and Cannell, French & Copp.

Associated with him is Azad Ahmadjian, who was formerly with du Pont, Homsey & Company and recently conducted his own investment business in Whitinsville, Mass.

William T. Hyde

William Truslow Hyde passed away Oct. 31 at the age of 83. Prior to his retirement in 1940 Mr. Hyde had been a member of the New York Stock Exchange for 40 years.

Public Utility Securities

By OWEN ELY

Pacific Gas & Electric Company

Pacific Gas & Electric Company supplies electricity and natural gas to the major part of northern and central California, with a population of nearly 5,000,000. The area comprises about half of the state—equivalent to the combined areas of New York, New Jersey and New England excluding Maine. The company ranks as the third largest electric utility (after Consolidated Edison and Commonwealth Edison), but it has under way the largest construction program of any utility company. In the 12 months ended July 31 revenues approximated $260 million, with electric service accounting for 69.4%, gas 30.1% and miscellaneous 0.5%.

In the past decade California has gained about 52% in population, and World War II, as well as the present defense program, have afforded great stimulus to industry in the state. Pacific Gas' construction program for the period 1946-54 is expected to exceed a billion dollars—a large segment of the industry's total. The peak of this program was reached in 1949 when expenditures exceeded $192 million; during the years 1951-54 expenditures will average about $150 million.

This is the fifth consecutive year in which the company has acquired over 100,000 new customers. Thus since 1945 the company has had to add almost 1.4 million kilowatts to generating capacity (including 300,000 added recently) and some 1 million kw. more is scheduled to be completed by the end of 1954—making total capacity 2½ times as great as at the end of World War II.

The company has also been increasing its gas facilities at a record rate. Originally natural gas was obtained within the state (practically all of the gas distributed by the company is natural gas) but in 1950 the company began to receive out-of-state gas through El Paso Natural Gas Company. Toward the close of 1950 the company completed and placed in commercial operation its Topock-Milpitas gas transmission line, the largest diameter pipe line constructed to date for the high-pressure transmission of natural gas. Deliveries through this line from Texas and New Mexico fields now approximate 250 million cubic feet per day and are expected to increase to about 400 million cubic feet in the winter of 1951. By 1952 approximately one-half of the company's total gas supply will be out-of-state gas. Steps have been taken to augment this supply with an additional 150 million cubic feet per day, a portion of which it is expected will become available late in 1952, and the balance one year later.

The company now operates 58 hydro plants with a gross normal operating capacity of 1,326,000 kw. and 17 steam plants with 1,723,000 kw. capacity—64% of which have been installed since 1947. The following major projects are now under way or planned for completion by the end of 1954:

Years	Steam (kw.)	Hydro (kva.)
1952	235,000	----
1953	235,000	33,000
1954	600,000	----
Total	1,070,000	33,000

The company's residential electric rates are well below the national average, averaging 2.50 cents per kwh., while average domestic use of 1,941 kwh. is moderately above the U. S. average.

Despite the rapid increase in revenues—$237 million in 1950 compared with $64 million in 1929—stockholders have obtained little advantage from this growth. Except for lower rates during the years 1933-36, the $2 dividend rate had been maintained since 1928. Earnings ranged from $2.02 to $2.84 during the period 1937-50. During the past year or so, the company has reported earnings on "average" rather than outstanding shares, to make a better showing; but in the 12 months ended July 31, 1951, the rate earned was only $2.20 on this basis.

These earnings reflect an inadequate rate of return on the rate base, and the company has had to seek rate increases. Several increases in natural gas rates have been granted by the California Public Utilities Commission during 1949-51, totaling about $20 million. In April, 1950, a 6% increase in electric rates, amounting to about $9 million a year, was obtained and in July the company asked for an increase of 18½% on a system-wide basis, amounting to over $37 million per annum. The Commission has set Nov. 7 for a hearing on the latter application. If granted, this new increase in electric rates might in theory add about $1.60 a share to the earnings. Considering higher taxes and other factors, however, it seems doubtful whether share earnings would top the $3 level. It is estimated that the EPT exemption is about $3.45 per share.

Capitalization, including the recent sale of 1,500,000 shares of 5% preferred stock ($25 par), is approximately as follows: bonds 49.3%; preferred stock 22.7%; common stock equity (including plant acquisition adjustments and other intangibles) 28.0%. The management hopes eventually to increase the common stock equity to 30-33%. The company has no definite plans at this time for future financing, except that they expect a bond issue or bank borrowing next spring, and some common stock financing toward the end of 1952. The company has on file applications for accelerated depreciation on about $90 million of new plant.

Lawrence A. Wingader

Lawrence A. Wingader, manager of the trading department for John Nuveen & Co., Chicago, passed away Oct. 29.

With Rockwell-Gould

ELMIRA, N. Y. — Bennett W. Cleveland has become affiliated with Rockwell-Gould Co., Inc., 159-167 Lake Street.

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Is Stalin Right About the Free Enterprise System?

This means that their prices cannot be frozen if their costs go up—their ceilings must be set fairly in relation to costs. . . . The fact is—and anybody can verify the facts from the figures on business profits—that the stabilization program certainly has not been developed at the expense of business."

In other words, in this inflation race we are in, everybody is to be ahead of everybody else.

Even Charles Wilson, Eric Johnston, and Mike DiSalle now claim no more for price "controls" than that they will to some extent slow down the process of inflation. Even that claim is dubious. It might be more correct to say that what they do is to make the march of inflation a little more orderly but also more irresistible. Instead of an inflation mob, we have an inflationary army, making its advance under the sanction of law and administrative authority. Testifying before the Joint Economic Committee of Congress last January, I said the only sense in which prices were "frozen" was that certain relationships were given rigidity, while "escalator, parity, and other escape clauses will permit prices to move on up with the quiet but irresistible force of a glacier." Meanwhile the so-called price "control" set-up imposes substantial costs on the Treasury and inflicts serious burdens and disruptions on business.

While we insist that the operation of industry and trade is most flexible and most efficient when left to private enterprise, there are two functions that simply have to be delegated to the Federal Government. One is the defense of the country against attack from without. Of that I say nothing. It speaks for itself. The other is the defense of the dollar against attack from within. To this matter, I direct my closing remarks.

Business managers, workers, farmers, and plain consumers—the business army of free enterprise—cannot carry out their activities in the market in a sound and successful way if the dollar in which they must do their buying and selling, their saving and investing is subject to severe and unpredictable fluctuations. If the dollar crumbles, the whole structure of business collapses. The government can be required—by you and me—to control the money supply in such a way as to preserve the soundness of our dollars. On the other hand, it can be forced—by you and me—to debauch our currency. Which of these results will be brought about depends on the way we, the people, react to questions of fiscal and monetary policy and on the kind of men we elect to the Congress and the Executive Branch.

Mr. Truman, in his recent address at the laying of the cornerstone of the new General Accounting Office, expressed a very complacent attitude as to the course which we have been following since World War II. He pointed with pride to the fact that during the last five years the government had had a surplus of almost $8 billion. This was not "butterfly statistics." The figure was $7,751,000,000. But of this $7.8 billion, $8.4 billion accrued in the single year 1948: And this was followed the next year by a jump up of government spending by more than $6 billion, so that we ended that year with a deficit of nearly $2 billion, followed by a deficit of over $3 billion in fiscal 1950, which was the super-boom year ending June 30, 1950 before the impact of Korea was felt.

In fact, when the President went to the Congress in January, 1950—at a time when he reported the domestic situation prosperous and the international situation never more secure—he defended a budget which promised a deficit of $5.5 billion that year and a $5.1 billion deficit the next year, adding, "This financial program provides a sound basis on which to proceed."

Against Mr. Truman's complacency that, through a fluke, we had shown one solitary surplus of $8 billion during five years of inflationary postwar boom, let us put the judgment of those who can properly be classed as experts in public finance. They were recommending through these very years that, to get our gigantic World War II debt under control and government finances on a sound basis, there should have been a surplus of from $5 to $10 billion a year.

There is no use crying over spilt milk. The real question is: How are we dealing with this important matter at the present time? Estimates are that we are fixing for a deficit of $6 billion next year even if spending is not increased. Guesses on probable increases put the deficit at anywhere from $10 to $15 billion next June and perhaps $25 billion the following year. Under such circumstances the national debt would be close to $300 billion. How will bonds sell under those circumstances? Would such a rise initiate a flight from the dollar? That, on a larger scale, is the equivalent of a run on the bank.

Now perhaps it reveals something basically wrong in my make-up that I don't relax in child-like contentment when the Great White Father soothes his people: "Don't be afraid. This (fear of deficit spending) is something that has been worrying you for a number of years now. It's something you've been saying over and over again. It wasn't true when you began to say it, and it has not been true as you have repeated it over and over since then, and now it's further from the truth than ever. The country is stronger economically than it has ever been before."

Whatever you may think of the President's financial acumen or economic statesmanship, he does not pass the final appropriation bills or the tax laws. Congress does this. But it does it with the sanction or under the pressure of businessmen and citizens.

Under our republican form of government Senators and Representatives are bound to respond to the pressures put upon them. Ask them where they stand on a question and, again and again, they will say: "My mail indicates that the people want this" or "I am getting almost no mail or telegrams on that. Apparently the people are indifferent." But the lobbies never sleep, the cocktail party blooms nightly, and all the methods of pressure or intimidation are being plied by those who have an axe to grind.

When the country tells Washington it really wants inflation controlled, and will bear its part in the process, then our dollar will be defended. Not before.

We hurl his words back in his teeth when Stalin says an authoritarian economy is more productive than a free enterprise economy. But he is shrewd enough to know that the whole system of free market business is submarined when the monetary unit is corrupted. Are we smart enough and public-minded enough to restore the dollar to soundness?

Railroad Securities

Chesapeake & Ohio

The long anticipated liberalization of Chesapeake & Ohio's dividend came last week. Directors authorized a distribution of $0.75 a share payable Dec. 20 to holders of record Nov. 30. This compares with a quarterly rate of $0.50 a share previously. Historically the stock had long been a regular $3.00 payer, with periodic extras in cash or stocks such as Nickel Plate and Pittston. Then late in 1949 dividend payment dates were changed and the first quarterly distribution under the new schedule was missed. Since then a regular $0.50 quarterly rate has been maintained.

According to press reports the recently declared $0.75 was not designated as a quarterly distribution, but merely as a dividend. Apparently the management did not wish to commit themselves regularly to a more liberal policy until there is a clearer picture of business potentialities in the coming year. Nevertheless, based on the company's current earnings and its prospects in a defense economy, most railroad analysts have expressed confidence that this recent move marks a return to the traditional $3.00 basis. If so, the common stock, which did not show any particular buoyancy on the announcement, appears to these analysts to have a considerable measure of investment appeal for liberal income return.

Chesapeake & Ohio will apparently be one of the few railroads in the country to report higher earnings this year than in 1950. Last year's results amounted to $4.25 a share, in comparison with only $1.36 a share realized in 1949 when the company was very severely affected by the long series of labor disturbances in the bituminous coal fields. This year it is indicated that earnings should run between $4.50 and $5.00 per share, depending in large measure on whether or not the I.C.C finally allows the railroads to charge off amortization of defense projects at the same accelerated rate as is allowed for tax purposes. This question is still pending.

For the nine months through September, C. & O. scored a rise of nearly 16% in gross—the trend of revenues was still upward in September despite the letdown in general business. Expenses during the period were held pretty well under control although the mounting wages and material costs could not be fully offset. The transportation ratio was up about a point from the preceding year and the overall operating ratio climbed nearly two points. Even at that it was only the substantially heavier income tax bite that prevented a measurable year-to-year increase in net. Actually, share earnings at $3.21 were unchanged from the like 1951 interim.

The report for October will not be out for a couple of weeks. Last week, however, Mr. Walter Tuohy, president, realeased to the press some preliminary estimates for the latest period. He said that in October the road had a record gross revenues of over $35 million. Net was estimated at around $4,250,000. While this would be some $500,000 lower than the net for the like 1950 month it would still work out to approximately $0.55 a share, bringing the cumulative for the year to date to $3.76.

One of the brightest spots in the C. & O. picture this year has been the sharp jump in the movement of export coal, which has more than offset the rather spotty domestic coal situation. A large portion of this export coal is being handled by the C. & O. All available information points to a continuation of this export demand over the visible future—it is estimated in many quarters that export tonnage next year will establish a new all-time high. Also, the company should benefit materially through merchandise traffic from the anticipated accelerated rate of defense production. It is on the basis of these factors that analysts consider the road's 1952 earnings outlook as highly encouraging and are optimistic as to the new dividend rate.

G. S. Channer, Jr. With Barcus, Kindred

G. S. Channer, Jr.

(Special to The Financial Chronicle)

CHICAGO, Ill. — George S. Channer, Jr., has become associated with Barcus, Kindred & Co., 231 South La Salle Street. Mr. Channer was formerly executive Vice-President of the Channer Securities Company.

William S. Baren With Baren Helbig in Florida

(Special to The Financial Chronicle)

ORLANDO, Fla. — William S. Baren has become associated with Baren G. Helbig & Co. in their newly opened Orlando office. Mr. Baren formerly conducted his own investment business in Florida and New York City.

Madden Mgr. for Brown Bros. Harriman

Brown Brothers Harriman & Co., 59 Wall Street, New York City, private bankers, New York, announce the promotion of John B. Madden from assistant manager to a manager.

Chicago Analysts to Hear

CHICAGO, Ill. — Howard L. Spindler, vice-president of the American Radiator and Standard Sanitary Corporation, will be the speaker at the regular luncheon meeting of the Investment Analysts Club of Chicago to be held today (Nov. 8) at 12:15 p.m. at the Georgian Room of Carson Pirie Scott & Co.

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The Mutual Security Program And Foreign Trade

produced which can be converted into capital investment. Actually the average Western European citizen's real income has just barely returned to the pre-war level, while the average American citizen's real income, even allowing for higher prices, has risen about 40%.

It is definitely in the American interest to encourage the Europeans to do everything they can possibly do in contributing to the common defense program. But it is not in our interest to demand that they exceed their capacities. The Communists hope that Western Europe, in trying to build up its military strength, will undermine its economic stability and present Communism with an easy victory. But if we keep in mind the real limitations on the capabilities of our allies, we can make sure that this Communist hope remains a pipe dream.

Areas of Asia and Africa

What I have said about the economic limitations on Europe, of course, is even more true of vast areas of Asia and Africa. Their resources are undeveloped and their standards of living are unbelievably low. Most of these countries are actually incapable of maintaining modern armies, and our assistance to them is aimed primarily at helping them to achieve internal security and to increase their economic potential. Without our assistance, some of these countries would be completely at the mercy of Communist political and military aggression. With a moderate amount of aid, we have reason to hope that they can hold out against the danger of Communist revolution, gradually destroy the social and economic breeding grounds of Communism, and eventually make a substantial positive contribution to the defense of the free world.

Of all the limitations upon the capabilities of other free nations, perhaps the greatest limitation is time. After the last war, their armies were shattered, their economies were teetering on the brink of collapse and their people were overwhelmed by defeatism and despair. In a very few years, remarkable progress has been made in overcoming these difficulties. I have no doubt that, given enough time, the free peoples of the world would be able gradually to build sound political and military defense through their own efforts. But we have no assurance that they will be given enough time. In fact, the very opposite is true. The coup in Czechoslovakia, the foment of war in Greece, the conquest of China, and the invasion of Korea all demonstrate that the Kremlin is willing to move whenever and wherever the prize looks great and the risk seems small. Strength is needed immediately, and the only way it can be created is by substantial assistance from the United States.

Question of Allies' Will to Resist

There has been much criticism in this country of the attitudes and efforts of other free nations, and of our policy of providing these nations military and economic support. We have heard it said that our allies have no will to resist, and that they have no sense of urgency and are lying down on the job of building their defenses. We have heard questions asked as to why the American people support nations which have forms of government that we oppose or which pursue policies with which we disagree. We have heard cries that "America can't save the world; it should look after its own interests." I would like to consider some of these criticisms.

It is easy to make broad statements about a nation's will to resist, because "will to resist" is very hard to measure, But I think it is obvious that at least two things are necessary to give any people the determination to defend themselves. They must have something to fight for; and they must have something to fight with. During the last few years, the free world has made real progress in meeting these conditions. The people of the free world have seen their economic conditions improve and have gained new hope for the future. The weapons of defense are now becoming available in increasing quantities. As a result, we have seen a tremendous upsurge in the morale of free peoples everywhere. A people can't be expected to commit suicide when they lack even a fighting chance of success, but as the capacity to resist grows, we can be sure that the will to resist will continue to increase in the same proportion.

As to the specific efforts of other nations in the field of mutual security, I think we have clear evidence that they are by no means lying down on the job. Our partners in NATO, for example, despite the tight economic squeeze with which they are faced, have increased their defense budgets by more than 75% since the spring of 1950. They have doubled their military production. They have all lengthened their periods of compulsory military training. They have increased the total strength of their organized combat units by more than 40%. Meanwhile, Britain and France are conducting an expensive bloody war against Communist guerrillas in Malaya and Indo-China. while a substantial number of their troops are also fighting side by side with us in Korea.

We believe that our NATO allies, as well as other free nations, must do still more if we are to build a truly effective defense against Communist imperialism. In fact, many of them have already laid definite plans to do more. But it is very unfair to discredit what they have already done, at a sacrifice much greater than we ourselves have suffered. And it would be very foolish of us to ignore the very great contribution which their efforts have made to our own safety.

To those who demand that American aid be denied to countries whose political or economic systems differ from our own, I can only ask that we be utterly realistic both about foreign politics and American self-interest. Some people, for example, still make the mistake of placing Socialism in the same category as Communism, and insist that no American funds should be given to a Socialistic nation. Now, we all know that most Americans dislike the Socialistic economic philosophy, and I happen to be one of them. But anyone who is unable to distinguish between a freely elected Socialistic government, preserving civil rights and capable of being removed from political life by a vote of the people, and the ruthless tyranny of Soviet dictatorship, simply fails to understand the plain facts about political life in the world today. In recent years, Great Britain, France, Holland, Denmark, Norway, Belgium, Australia, and several similar countries have all had Socialistic governments or governments in which Socialists participated. Today, these countries are among our firmest allies in the struggle for freedom, and the power of their local Communist parties has steadily declined. If we were to deny aid to countries simply because their people vote for measures which we ourselves would not choose, we would be striking at the very foundation of democratic freedom and would provide the Soviet propaganda machine with new fuel for its repeated charge that America seeks to dominate the world.

A more difficult moral choice is presented when we face the question of giving aid to nations which have dictatorial governments, which deny fundamental human rights, and which cannot be removed from office by the will of the people. In cases like this, I believe that our judgment must be strongly influenced by the nation's respect for its international obligations and its willingness to live in peace with its neighbors. In the last analysis, our difficulties with the Soviet Union have arisen not so much from its political and economic systems as from its determination to impose these systems on other peoples.

But the fundamental fallacy in most of the criticism directed against the policy of aiding friendly nations is that these criticisms usually ignore the bacic principle behind the entire program—which is to promote the security of the United States. The question is not whether a particular nation is deserving of aid in an abstract moral sense, or whether we like its social customs, its constitutional system or its ways of doing business. The real question is whether assistance to that nation will advance the short-term and long-term interests of the American people.

We are trying to save the rest of the world because we have learned through bitter experience that we cannot save ourselves if we ignore the fate of other peoples. The ancient precept that we should consider the welfare of our neighbors has become not only a matter of morality but a matter of practical, strategic necessity.

In a recent conference in Washington, the representative of a national organization declared that "it's not America's fault that the standard of living is low in other parts of the world, and that other countries are unable to support adequate armies and navies." This statement, of course, is quite true. It is not our fault. But the real question is whether it is in our interest that other free nations be strong. Those who wish to disclaim all responsibility for what happens beyond our own shores remind me of the two passengers on a ship in the middle of the ocean. One dashes up to the other in great excitement and announced that the ship was sinking. The other casually replied: "What do we care? We don't own it."

Program is "Mutual"

When I speak of the Mutual Security Program, I like to emphasize the word "mutual." Too often we think of what we are contributing to the security of the free world and fail to remember that we are receiving in return a vastly increased opportunity for survival. It is not our fault that a country does not have an army or that its people do not have enough food. But if that country should be absorbed in the Soviet empire, America will have lost strength and the Soviet Union will have gained strength. Whatever the Communists can seize anywhere in the world becomes a resource for the Russian war machine; whatever remains outside their grasp is a potential asset for the cause of freedom.

We Americans have always had a keen eye for profitable investments. I am convinced that the Mutual Security Program represents an investment in American security which we cannot afford to pass up.

First, it is an investment in

peace. If we can succeed in building sufficient strength rapidly enough to deter the Kremlin from launching a global war, we may be sure that this investment will save us from twenty to fifty times its cost. And it is a pattern for peace in which foreign trade will prosper. This, as you well know, is the only hope for a continuing peace.

Next, it is an investment in victory if war is forced upon us. It will help keep out of Soviet hands the human and material resources which represent the balance of military power in the modern world. It will ensure us the support of valuable allies, permit us to fight as far as possible from American shores, and provide us bases from which we can launch effective counter-attacks against the aggressor. It will buy us more actual protection than we could obtain by spending a far greater sum in any other manner.

It is an investment in the human spirit and in the possibility of human progress. It is bringing new hope and new energy to the backward areas of the world and offering millions of people the opportunity for a life free from feudalism and Communism alike.

Finally, it is an investment in democracy itself, which is still—as Abraham Lincoln once described it—"the last, best hope on earth."

Air Reduction Stock Offer Underwritten

Air Reduction Co., Inc., is offering to the holders of its common stock rights to subscribe at $100 per share for 248,805 shares of 4.50% cumulative preferred stock, 1951 series (par $100), at the rate of one share for each 11 shares of common stock held of record Nov. 2, 1951. Morgan Stanley & Co. and Harriman Ripley & Co., Inc., and 60 associated investment firms are underwriting the offering and will purchase from the company any preferred shares not taken by the exercise of rights, which will expire at 3 p.m. (EST) on Nov. 19, 1951.

The 1951 preferred stock is convertible prior to Dec. 1, 1961, unless previously redeemed, into common stock at an initial conversion rate of 3.75 shares of common for each share of preferred. The new preferred stock is redeemable at $103 per share if redeemed on or before Dec. 1, 1956, and thereafter at $101.50 per share. There is provision for an annual sinking fund commencing in 1957, to retire 3% of the shares outstanding on the prior Dec. 31 until the year 1962 and for the year 1962 and thereafter 3% of the shares outstanding on Dec. 31, 1961. The sinking fund redemption price is $100 per share.

Proceeds of the financing will be added to the general funds of the company and used for general corporate purposes. The company estimates it will spend approximately $31,000,000 for capital assets in 1951 and 1952. It is now constructing a $10,000,000 calcium carbide and acetylene plant at Calvert City, Ky., in view of the expanding demand for acetylene in the chemical industry. Another important project is a liquid oxygen plant at Butler, Pa., estimated to cost approximately $6,000,000.

The company reported net sales of $87,577,191 for the nine months ended Sept. 30, 1951, and net income for this period of $5,560,054.

Warren H. Spurge

Warren H. Spurge, partner in E. F. Hutton & Company, New York City, passed away at the age of 76.

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Inadequate Rail Rates Endanger Our Defense Program

in mind, many agencies of the Federal Government — the National Security Resources Board, the Defense Production Administration, the Defense Transport Administration, and the Interstate Commerce Commission itself — have been calling upon the railroads of the country to acquire additional freight cars and locomotives, and otherwise build up the railroad plant. And the railroads, on their own initiative as well as in response to these calls, have undertaken to build up their plant by the addition of large quantities of equipment and other essential facilities.

But the acquisition of these and other additional facilities so vitally needed for the expanded transportation essential to the country's defense effort requires the investment of large amounts of additional capital on the part of the railroads. This capital can come only from earnings — or from loans, which require earnings to carry them and pay them off.

Earnings adequate to enable the railroads to build up and expand their plant, as should be done for achievement of the objective set up in the Defense Production Act, and at the same time maintain their financial soundness, are simply not available to the railroads without adequate rates and fares. One of the main objectives of the railroads in asking for the increase proposed in their recent general rate case, was to enable them to provide for the plant expansion and improvement called for by the Defense Production Act.

Surely, in these circumstances, it should be the duty of government, which is charged with the administration of that Act and the achievement of its purposes, to aid the railroads in reaching a rate level which would permit sound financing of adequate plant expansion. But in fact the efforts of government have to a large degree been exerted in precisely the opposite direction. Several important Departments of Government actively and vigorously oppose the rate relief sought by the railroads. And the action of the Commission itself, which has held the railroads down to an inadequate rate level designed to produce anything but a fair return on their investment, can have only the effect of preventing the railroads from achieving that degree of financial soundness which would permit plant expansion and improvement to the extent called for by the national welfare and contemplated in the Defense Production Act. Does this all make sense? I don't think so.

I am speaking largely to a banking group. Most of you realize where we stand in those circles—where our securities stand from an investment and speculative standpoint. I have read recently a number of reports dealing with this situation, prepared by financial institutions and pertaining more specifically to the railroads in the East. You have, too. They are not optimistic as to the future. Many of the reports recommend disposal of railroad securities for investment purposes—there are so many others that appear more favorable. This is because of the lack of earning power on a big investment during prosperous times. The situation is not healthy from the standpoint of borrowing money. The railroads need money—need it to improve their properties and carry on a more efficient transportation service than ever before—so essential to the economy and defense of the country. It is not in the public interest to deprive them of the right to adequate earnings on their investment—to earn enough to pay their owners an adequate return—to earn enough to put some of it into the improvement of the property—to earn enough to attract outside capital. If we are not permitted to do this, and we are not, principally because of the conditions I have cited, then we cannot survive under the free enterprise system. The railroad industry is a substantial part of the more than $100 billion of private and government funds invested in transportation of all kinds in this country, representing one-fifth of the nation's productive capital assets. Whatever happens to these vast public services in the critical years ahead, will shape the destiny of America for generations to come. Agriculture, industry, or finance cannot survive within the framework of the enterprise system, if transportation is permitted to drift into government ownership. The great need today is for the railroads, and industry and finance and others, to coordinate their efforts to keep enterprise alive and healthy, in all segments of our economy, and to demonstrate that no socialistic bureaucracy can compete in benefits to the individual citizen with economic freedom, which is the keystone of all liberty.

Canadian Firm to Sell In Free Gold Market

Lake Shore Mines, Ltd., following recent permission by Canadian Government to gold mine operators to dispose of their product in free market, by foregoing subsidy provided in law of 1948, announces its entire production for rest of year will be sold on world market.

As a result of the recent decision of the Canadian Government to permit gold mine operators in Canada to dispose of their product in the free market, provided they forego the subsidy given under the Canadian Emergency Gold Mining Assistance Act of 1948. Lake Shore Mines, Ltd. of Kirkland Lake, Ont., announced on Oct. 31, that for the remainder of the year it would sell its total gold production on the free market.

However, according to a statement of Finance Minister Abott, it is not expected many Canadian gold mining companies will follow the same policy as the Lake Shore . . since only those mines in the low-cost category, would take advantage of the free market offer. These mines receive little or no government aid. The maximum subsidy a marginal or high-cost mine can get in 1951 is $11 an ounce, which together with the offical price of about $37 (Canadian) an ounce, would give the mine a steady price of about $48.

Prices on free markets, in Paris, Bombay, Hong Kong and other points, though fluctuating sharply, are down to $40 (U. S.) per fine ounce from a high of $55 a fine ounce earlier this year.

The subsidy plan, started in 1948 to aid high-cost, marginal producers, ends Dec. 31 next. No decision has yet been taken by the Canadian government whether to continue it into 1952.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The government bond market, despite somewhat enlarged takings in the higher income sector, continues to remain in a restricted range on not too much volume or activity. Non-bank investors, mainly pension funds, according to advices, have increased their purchases of the longer-term Treasuries slightly. Scale buying, however, is still the main interest of these buyers. Commercial banks are still concerned principally with the near-term liquid obligations although there has been a bit more than the usual activity among these institutions in the longer, partially exempt securities.

The restricted bonds appear to be getting most of their limited activity from the shortest and the longest maturities in the group. It is evident that the 2¼s of 1959-62 and the 2½s due 1962-67 are attracting more attention in a not too active market. This is attributed to the near eligibility feature. The longest non-eligibles are being bought for income, with some switching from bills and certificates being reported, in order to acquire the Vics.

Non-Bank Investors Active

A minor pickup in volume and activity in the longer end of the Treasury list, due principally to very moderately expanded purchases by pension funds and charitable organizations, as well as takings by former holders of equities, has tended to put the higher income obligations a bit more in the limelight. Volume and activity has not increased out of proportion to what has been going on, because an order market continues to prevail in nearly all of these issues. Nevertheless, the somewhat larger purchases by non-bank investors of the restricted bonds is not regarded as an unfavorable development in government circles.

Uncertainty over both domestic and foreign affairs is beyond doubt putting more investment funds into the government market. So far, however, this money has gone largely into the near-term issues, because it has been coming from institutions that were concerned mainly with liquidity and riskless obligations. This same kind of investing continues to go on in a very substantial way, but there is evidence appearing that some of the funds that were being put into short-term obligations by non-bank investors, are now being shifted into the higher income obligations. The risk factor is not of prime consideration with these buyers, but funds were being kept short for buying opportunities that might appear in other securities. Now it seems as though some of the money which had been invested in Treasury bills and certificates is being used to buy higher yielding government obligations. The questionable position of the stock market is responsible in an important way for the shift of funds into the longer-term Treasuries. Also the desire to improve income continues to help the movement into the Treasury obligations that meet these requirements.

More Tax Anticipation Bills in Offing

Financing by the Treasury again seems to be in the making, with indications that it will take the form of more tax anticipation bills which are quite likely to be announced in the near future. This kind of financing is not going to have too much of an influence upon the intermediate and long-term obligations. Th short-term market likewise is not likely to be affected very muc by such an offering, because there will still be plenty of func around that will be seeking liquidity, to keep the near-ter obligations from losing much of their appeal. The expected offe ing of tax anticipation bills will most likely mature on June 1 1952. This financing along with the March 15 maturity of ta anticipation bills, should just about wrap up the new money need of the Treasury for the current fiscal year.

The called 2¼% due Dec. 15, 1951, it is believed, will be refunded with a certificate. Commercial banks, according to th latest figures, are the largest owners of the maturing obligation A short-term security should not be distasteful to the deposit institutions, even in place of the higher coupon obligation, because the liquidity preference is likely to continue strong with these banks for quite some time to come.

Savings Banks Continue Selling

Savings banks continue to be moderate and spotty sellers o certain of the restricted issues, because these funds are still bein put into mortgages. Saving and loan associations are, accordin to reports, giving the savings banks keener competition for deposits. Whether this trend will continue to expand is open t question, because it is believed the savings banks are makin preparations to take care of this competition.

Switching and swapping among non-bank investors seem to be spotty and not as important as it was a short time ago. There is, however, more of a tendency now in these exchanges to move into the 1952 eligible taps than was the case not so long ago. It i believed in some quarters that the 2¼s of 1959-62 and the 2½s o 1962-67 are being bought because of the opinion that, as they approach the eligible date, interesting and probably profitable developments could take place in these obligations. The question as to what will be done about the restricted issues as they become eligible for purchase by the commercial banks, is a topic of considerable discussion in government circles, and it is likely to wax hotter as time passes.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

An interline clearing plan for truck companies operating along the eastern seaboard has been launched by the **Chase National Bank of New York.** The Chase plan it is stated, assures prompt payment of split freight charges when two or more truck companies participated in the delivery of a freight shipment. On such shipments, when the freight charges are collected at the point of delivery, the carrier picking up the freight at the point of origin (Company A) deposits with the bank a copy of the freight bill showing its share of the freight charge. The account of Company A at Chase is then credited with this amount. At the same time the account of the trucking company that completes delivery of the cargo (Company B), and receives payment for the entire freight bill, will be charged the amount due Company A. On prepaid shipments, when Company A receives payment for the entire freight bill at the point of origin, the procedure at the bank will be reversed. The announcement adds that the plan features sharp savings in accounting costs and eliminates delay in payment between trucking companies. The Chase's fee for this service is 3½c a shipment, regardless of its size. The plan was put into operation Nov. 4 with 60 major trucking companies participating during its initial stages and additional carriers expected to join in as the clearing system gathers momentum.

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Robert Calder, Eustace B. Chapman, Richard L. Faust, Henry F. Heil and J. Frank Wiedeman were appointed Assistant Secretaries of **United States Trust Co. of New York,** according to announcement by Benjamin Strong, President. These officers will continue with their duties as heretofore.

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Guaranty Quarter Century Club, honorary organization of staff members of **Guaranty Trust Company of New York** who have served the bank for 25 or more years, held its annual reunion dinner on Nov. 2 at the Waldorf-Astoria, with 700 attending. The club has inducted 1,216 members and includes in its roster more than one-fifth of the bank's active staff, as well as 191 pensioners, and chapters in London, Paris and Brussels. William J. Neil presided at the dinner and was succeeded as Club President by Henry W. Olsen. Hamilton C. Hoyt spoke for the 77 new members inducted during 1951. Senior officials of the bank who are members of the club include J. Luther Cleveland, Chairman of the board; William L. Kleitz, President, and George G. Allen, W. Palen Conway, John W. Davis, Charles E. Dunlap, Cornelius F. Kelley, William C. Potter, George E. Roosevelt and Eugene W. Stetson, all directors.

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J. Stewart Baker, Chairman of the **Bank of Manhattan Company of New York,** has announced the appointment of William J. Levitt to the Queens Committee of the bank. Mr. Levitt is President of Levitt & Sons, Inc., real estate construction company. He is also active in civic and philanthropic organizations.

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Horace C. Flanigan, President of **Manufacturers Trust Company of New York,** announces that Michael P. Pattwell, of the bank's Greenwich office at 378 Avenue of the Americas (Sixth Avenue), has been named an Assistant Secretary and placed in charge of the Port Morris office at 410 East 138th Street, Bronx. Mr. Pattwell, a native of Yonkers, has served Manufacturers Trust Company since 1937 at various branch offices.

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Charles J. Stewart, President, of **The New York Trust Company,** at 100 Broadway, **New York** announced on Nov. 7 the following promotions and appointments: James H. M. Ewart, Trust Officer, was promoted to Vice-President in the Personal Trust Division; Jules R. Fink, Manager, and Eugene T. H. Colvin, Assistant Manager, were appointed Assistant Treasurers in the Foreign Division; Warren W. Swift was appointed Assistant Trust Officer in the Personal Trust Division.

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The Staten Island National Bank & Trust Company of New York at Port Richmond, Staten Island, New York, with common stock of $500,000, and the **West New Brighton Bank of West New Brighton, New York,** with common stock of $100,000 were consolidated, effective as of the close of Business Oct. 31, according to the weekly Bulletin, Nov. 5 issued by the Office of the Comptroller of the Currency at Washington, which adds:

"The consolidation was effected under the charter and title of 'Staten Island National Bank & Trust Company of New York.' The initial capital stock of the consolidated bank is $750,000, divided into 15,000 shares of the par value of $50 each. The initial surplus is $400,000, with initial undivided profits of not less than $1,200,000. Certificate was also issued Oct. 31 authorizing the consolidated bank to continue the operation of branches previously authorized for the Staten Island National Bank & Trust Company of New York, at 179 Main St., Tottenville, Staten Island, New York, N. Y., and at 139 New Dorp Lane, New Dorp, Staten Island, New York, N. Y. The consolidated bank will also continue to operate the following branch of the Staten Island National Bank & Trust Company of New York: 28 Bay Street, St. George, Staten Island, New York, N. Y."

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Following the absorption of the **Bank of Hammondsport, at Hammondsport, N. Y.,** by the **Lincoln Rochester Trust Co., of Rochester, N. Y.,** a branch was established by the latter in the former quarters of the Hammondsport bank.

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The **Federal Reserve Bank of Boston** announced on Nov. 1 that the **Rhode Island Hospital Trust Company of Providence, R. I.** has become one of its members, the bank thus having direct access to the facilities, resources, etc., of the Federal Reserve System as they may be required in serving the needs of its customers. **The Rhode Island Hospital Trust Company,** since the consolidation with the Rhode Island Hospital National Bank, has total deposits which place it within the first 100 of the nation's 15,000 banks. The liquidation of the Rhode Island Hospital National Bank was voted on Sept. 25, incident to the transfer of its assets and business to the Rhode Island Hospital Trust Co.

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Stockholders of **The Pennsylvania Company for Banking and Trusts** and the **Northeast National Bank** both of **Philadelphia** voted in favor of a merger of the two institutions at meetings held on Nov. 5. The consolidation will become effective at the close of business on November 9. On Nov. 13, following banking holiday, of Nov. 12 the three offices of the Northeast National will be opened as branches in The Pennsylvania Company's city-wide banking organization. With their addition, The Pennsylvania Company will have 23 offices in the metropolitan area. The terms of the merger agreement provide that each share of Northeast National shall receive 10 shares of The Pennsylvania Company's stock. Northeast now has 6,000 shares outstanding, so that its shareholders are entitled to 60,000 shares. According to the President of the Pennsylvania Company, William Fulton Kurtz, "the acquisition of the current $20,000,000 in assets of Northeast National resulting from the merger will bring the total assets of The Pennsylvania Company to more than $700,000,000. Northeast National was first opened for business in 1928. It was announced on Nov. 5 that there would be no change in its original objective of providing financial service to individuals and businesses in the community, and that all of its officers and employees will be continued in their present duties after the merger becomes effective. The merger plans were referred to in these columns Aug. 9, page 518 and Aug. 30, page 780.

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William R. K. Mitchell, President of **The Provident Trust Company of Philadelphia,** announced on Nov. 5 the election of H. C. Turner, Jr., President of the Turner Construction Company, as a director of the trust company to fill the vacancy created by the death of Charles F. Jenkins. Mr. Turner, a native of Brooklyn, N. Y., was graduated from Swarthmore College in 1923, following which he entered the employ of Turner Construction Company. After serving in various capacities, he was elected Vice-President in charge of the Philadelphia office in 1938, and in 1947 was elected President of the company with headquarters in New York. Mr. Turner has served as President of the Philadelphia and New York chapters of the Associated General Contractors of America and is currently a member of the Executive Committee, Director and Chairman of the Building Division of the National Association. He is a past director of the Philadelphia Chamber of Commerce and is presently on the board of the Liberty Mutual Insurance Co.

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Joseph M. Dodge, President of **The Detroit Bank of Detroit, Mich.,** has announced the election of Walker L. Cisler to the Board of Directors of the bank. Mr. Cisler is Executive Vice-President of The Detroit Edison Company, and on Dec. 1 will become President and General Manager of that company. Mr. Cisler, who was born in Marietta, Ohio, was graduated from Cornell University in 1922 with a degree in Mechanical Engineering. He was employed in 1922 by Public Service Electric & Gas Co., New Jersey, as a cadet engineer and gradually advanced to general superintendent of generation and assistant general manager of the electric department. In 1941, he was loaned by the company to the War Production Board, Office of War Utilities, to assist in mobilizing electric power for the then preparedness program. In October, 1943, Mr. Cisler was employed by The Detroit Edison Co. and granted a leave-of-absence to serve in the U. S. Army at the request of the Secretary of War. He was commissioned a Lieutenant-Colonel and ordered to the Mediterranean Theatre of Operations to survey and make recommendations concerning the rehabilitation and operation of electric power facilities. Early in 1944, he was appointed Chief of the Public Utilities Section, Supreme Headquarters, Allied Expeditionary Forces (SHAEF), European Theatre of Operations. In January, 1945, he was promoted to Colonel and after the dissolution of SHAEF became Chief of Public Utilities Section, Office of Military Government for Germany. As a member of General Eisenhower's staff, he was responsible, it is stated, for the planning and rehabilitation of electric power, gas and water service for military and essential civilian requirements. He was awarded the American Bronze Star, the American Legion of Merit, the French Croix de Guerre with Palm, the French Legion of Honor, the English Order of the British Empire, the Netherlands Order of Orange Nassau and the Belgian l'Ordre de Leopold. In November, 1945, Mr. Cisler returned from overseas and assumed the duties of the Chief Engineer of Power Plants of the Detroit Edison Company.

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Edgar F. Zelle, Chairman of the Board and Treasurer of Jefferson Transportation Co., Minneapolis, was elected Chairman of the Board of Directors of **First National Bank of Minneapolis** when directors of the bank met Nov. 1. At the same meeting, Ellwood O. Jenkins, President of **First Bank Stock Corporation,** was elected to membership on the bank's board. He will also serve on the bank's executive committee. Announcement of the elections emphasized that Guy W. LaLone, Senior Vice-President of the bank, will continue for the time being to carry on the duties of Arthur H. Quay, President, who died in September. Mr. Zelle has been a director of First National since 1937 and a director of First Bank Stock Corporation since 1947. In addition to being active in civic affairs, he is trustee of the Wisconsin Central Railway and a director of Northwestern Fire & Marine Insurance Co. and Russell Miller Milling Co. and a trustee of **Farmers and Mechanics Savings Bank of Minneapolis.** A long-time resident of Montana, Mr. Jenkins served from 1936 to 1947 as President of the **First National Bank of Great Falls,** First Bank Stock Corporation's largest affiliate outside the Twin Cities. In 1944, he became a director of First Bank Stock Corporation. In 1947, he came to Minneapolis as Vice-President of that corporation and as Executive Vice-President and director of the corporation's operating affiliate, First Service Corporation. A year later he was named President of First Service Corporation and, in 1949, President of First Bank Stock Corporation.

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The **First National Bank of Mineola, Texas,** has been increased, as of Oct. 1, from $75,000 to $100,000; of the addition, $12,500 represented a stock dividend, while the further increase of $12,500 resulted from the sale of new stock.

With Standard Inv. Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Harry E. Lewis has joined the staff of Standard Investment Co. of California, 210 West Seventh Street. He was previously with Marache, Sims & Co.

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As We See It

of general business conditions or with international relations—or else that careful students of these matters change their mind with each shift of the wind!

Independence Demanded

Now the truth of the matter is that the former subcommittee under the chairmanship of Senator Douglas, whatever else may be said of its report, did definitely take the position that central bank management must be free from bondage to the financial position of the Federal Government. It went so far, in fact, as to say that additional interest costs on the public debt would be less expensive to the nation than a crippling of the Federal Reserve System. One could wish that the so-called Douglas subcommittee had gone a good deal further at various points and faced up to a number of issues in a much more direct and understanding fashion, but for this much the community owes the Senator and his associates a debt of gratitude.

But this whole idea is anathema to Representative Patman. It has always been anathema to him, and if some of his underlying assumptions are granted—e. g., that the Federal Government is and must be held strictly responsible for the elimination of depressions—it is not difficult to make out a superficially plausible case for political control of the central banking mechanism. For our part, we do not grant any such premise, and with equal vigor object to the further enslavement of the Federal Reserve to the politicians in Washington. At the same time, it must not be overlooked that the Employment Act of 1946 and the general philosophy which it represents now have a very large following in this country, so large indeed that few have the hardihood to take exception.

Change in Conditions

But what is more ominous at the moment is the fact that indications of an early runaway inflation have largely vanished, to be replaced by what appears to be a possibility—we are not prepared to say whether it is more than that—of a recession large enough to cause embarrassment to politicians who must seek reelection next year. It is one thing to insist that the Federal Reserve be left with power to check inflation when prices are bounding upward, and everywhere there is expectation of a continued seller's market; it is quite another to give vigorous support to such ideas of independence for the Federal Reserve when there is considerable uncertainty in the minds of the public about the future. There are some disturbing rumors in circulation about alleged progress the Patman element is making in preaching the doctrine of political servitude for the Federal Reserve.

Now, of course, it is obviously true that the Reserve System has never been free of a very considerable degree of Treasury domination. At its very inception, when World War I was turning the world financial situation topsy-turvy, politics in a broad sense was evident in its management. When we became involved in that conflict, it soon became what the late Senator Glass described as a "doormat for the Treasury." One would certainly need to be naive (or ignorant) indeed to assert or believe that even in the roaring Twenties, the Treasury did not play a very influential role in the affairs of the System. There was little independence left when we entered World War II, and whatever was left promptly vanished.

But he would be a defeatist unworthy of respect who felt it not useful to resist the loss of the last vestige of independence of the central banking system or the surrender of this vast source of power to the politicians. The "full accord" of some months ago between the Treasury and the Reserve, however much its importance may have been exaggerated in some quarters, has obviously been of some value. It has put an end to the artificial support of a large volume of Treasury obligations at a price above par and, of course, far above the market appraisal of them. It could never have been achieved in all probability had the Federal Reserve been merely a department or division in the Treasury. One must certainly doubt that it could have been accomplished if the Reserve had been an "independent" office directly and fully responsible to the President.

No Surrender!

The surrender of what remains independent of the central government, to say nothing of the surrender of basic principles of a free people and a free economy, cannot, of course, be of assistance in the struggle which must be made and which must ultimately be successful in freeing this country of the manacles of a managed or planned economy. It is obvious that in its questions about "conflicts" between the Treasury and the Reserve System the Patman subcommittee has carefully, subtly laid a basis for propaganda in favor of the chairman's own ideas on the subject.

Such questions as bear directly on this subject are, unfortunately (and we suspect by shrewd design) not ordinarily asked of those who could be expected to feel free to speak in straight-flung words and few. This basic issue, of whether the Federal Reserve is to be turned over, lock, stock and barrel, to the politicians, is in danger of going by default.

Apropos of the subject, readers will recall that the "Chronicle" of Oct. 25 (page 8) gave the full text of the Patman questionnaire addressed to bankers and others throughout the country, together with the replies made thereto by Mr. John J. Rowe, President of the Fifth Third Union Trust Co., Cincinnati. Since then, Mr. Rowe has favored us with some additional observations on the subject, which we believe should be made part of the record. Mr. Rowe's further comments follow:

"The thought [based on Question No. 8] that the army of bank examiners could be used as a Gestapo to enforce ideological OPINIONS over every single loan and every single investment of a given bank seems to me certainly taking over the banking business by Government."

* * *

"I would like to offer the thought that, as I recollect it, when the Federal Reserve Act was first passed, the phrase 'Central Bank' was not used, and the whole conception was 12 practically independent banks tied together through the creation of the Federal Reserve Board. This original plot was much more in keeping with the then conception of States' rights.

"I cannot believe that the intent of the creators of the Federal Reserve System meant to copy the European Continent 'Central Bank' idea, disliking monopoly. As I read it, the whole original intent was to avoid the Central Bank idea by having 12 separate institutions choosing directors from an allocated territory."

Continued from first page

Environment Needed to Promote Investing Abroad

investor to decide that a foreign country does or does not provide a favorable environment for his business. The investor is motivated by one of the oldest, strongest and, I dare say, most laudable impulses known to man—the urge to accomplish, build, or produce something of recognized value for which he will receive adequate compensation in the way of earnings or profits. The motive is the same whether the prospective investor be an individual capitalist who wants to put his savings to constructive use, or an executive of a large corporation seeking safe and profitable employment for the savings that thousands of individual wage-earners have entrusted to his stewardship. In both cases, an opportunity is sought to put these accumulated savings to work in such a way that they will produce a profit commensurate with the known risks; and the greater the risks, the greater must be the opportunity for profit. We all have heard a lot in these postwar years about economic aid, technical assistance to underdeveloped countries, investments to close the foreign trade gap, and investments to meet our responsibilities to other nations. But let's be realistic; none of us is going to invest a penny because our technical friends tell us that our international balance of payments is in a sad state of dis-equilibrium. We are the most generous people in the world but, until recently, at least, we also have been the most practical; and we are not going to invest our own savings, or those of our stockholders to whom we are responsible, because we wish to share in the national responsibility for the welfare and improvement of other nations and peoples. As businessmen, we are accustomed to drawing a clear distinction between our gifts and the investments which make them possible; and while we will persevere in our efforts to educate those who cannot distinguish the one from the other, we will continue to keep them well sorted in our own minds.

Foreign Aid Criticised

Furthermore, we have every right and duty to insist that our government servants act with similar realism in the appropriations they make from our savings and those of future generations. We are all stockholders in this great democracy of ours and it is our responsibility to hold our government officials strictly to account for their stewardship. I want to make my position perfectly clear on this point which is, certainly, the most important economic issue of our generation. I am not an isolationist and I am not inveighing against our entire post-war program of foreign aid. I know that much of what we have done has been dictated by considerations of national defense. I know, also, that much of our giving has been motivated by a simple desire to lend assistance to those in need. Such assistance is entirely in the American tradition and is consistent with the Christian principles upon which this nation was founded. There will always be a need and an opportunity to contribute to the relief of human misery, both at home and abroad. I am sure we will do what we can to meet emergency situations as they develop; but in the name of simple honesty, when we give, let our gifts bear clearly the label of sweet charity. The fatuous pretense that a nation can win friends and influence people by such means should be exposed to the ridicule it deserves. We must be reconciled to receiving our reward in the pure joy of giving; for, assuredly, we shall get no other.

If the issue is presented honestly and fairly to the American people, they can decide how far they want to go, and how far it is safe to go, in this matter of unrequited giving. Beyond that point, it is our responsibility, as individual citizens, to insist on full value received for every penny of economic, yes, and military aid extended to foreign countries; and the burden of proof as to whether this vast outpouring of our national wealth, which is being projected far into the future, is producing and will produce compensating returns to the American people must be placed on our government officials who appropriate the funds; and we should insist that the recipients be held to strict standards of performance.

"Spoiling" the Underdeveloped Countries

This may appear to be a digression from my subject of "private investment environment" but I assure you it is very pertinent. One of the foremost obstacles that investors face in seeking this improved environment is the firmly rooted belief in many foreign countries that they can obtain all the investment capital they need from the United States Government or from inter-governmental agencies, without taking the stern measures of self-discipline required to create a favorable environment for private investment. Actually, there are very few of the so-called underdeveloped countries which are not convinced of their need for outside assistance and there is a growing understanding of the nature of the essential reforms that are prerequisite to an inflow of private funds from abroad. True, we have had some recent and conspicuous examples of governments guilty of flagrant violations of foreign property rights and of agreements entered into by private investors in all good faith, who have continued to profess their readiness to accord fair treatment to new investors. These governments are not so naive as to expect existing investors to respond to promises so far removed from performance. It is patent that a private investor, once his fingers have been burned, will be twice-cautious; but it is not to him that these promises are directed; they are designed to lure those who have not yet learned to shun the fire; new investors, whose skins are as yet unscorched; and government spenders who are well insulated by the epidermis of the taxpayer. It is only on rare occasions that we see such candor as that exhibited at a recent international meeting by a representative of one of the under-developed countries who protested that too much emphasis was being placed on the treatment of private investors, since investments should be made through governments, rather than private channels.

Political Pressure Back of Some Government Foreign Loans

I know that this attitude is deplored by the conscientious and capable officials of the Export-Import Bank and the International Bank, who, time and again, have stated that the function of these Banks is to supplement rather than to supplant private investment; and who, in specific instances, have been helpful in obtaining better treatment for American private investors from governments that have come to them for financial assistance. Both institutions have made sound loans to enterprises engaged in essential activities in critical areas, who were unable to obtain their requirements from private banking institutions. On the other hand, some loans have been made under political pressure that have tended to strengthen the impression that a bad record in dealing with private investors need not deprive a nation of access to U. S. Government funds. Moreover, a vast potential menace to private investors beyond anything yet experienced, is inherent in the huge program now getting under way for furnishing military and economic aid to governments of all shades of political and economic belief who may be useful in building up the defenses of the free world against Communist aggression.

I am quite ready to concede that, in this time of great national peril, the need to safeguard the national security must be the foremost consideration—whatever immediate violence may be done to the interests of private investors, as well as to sound economics and business judgment. There is no disagreement among the American people on the need for quickly building up the productivity of our friends with whatever tools are immediately available. We must realize, however, that we are living in a generation which has known nothing but emergencies, and which casually accepts government intervention in business, commerce, and finance to meet these emergencies as normal and desirable. Furthermore, we now are facing a deepening and ever more pervasive emergency which seems to extend far out into the infinite future. These departures from the private enterprise concept — our emergency detours along the bypaths of expediency —are taking us far from the main highway: the private enterprise road to national progress and achievement; and we are in grave danger of losing sight of the economic landmarks that have made us a free and progressive people. We must be very sure that, in our gropings for national security, we do not mistake the shadow for the substance.

It will take but a few moments of reflection to realize how indistinct some of the old landmarks have become. Beginning with what then seemed to be a huge expenditure for postwar relief under UNRRA, we have extended our concept of national responsibility to include a multi-billion dollar loan to help a friendly people with a Socialistic government; a $17 billion program for European recovery; a Point IV program for technical assistance to underdeveloped countries, which can accomplish much good, at small cost, if kept within the field of government competence; but which is capable of grave harm if expanded to invade the field of private enterprise; and, finally, a continuing sense of responsibility for the protection and welfare of all nations this side of the Iron Curtain which, we are told, will cost us another $25 billion during the next three years.

"What Are We Buying," in Giving Foreign Aid?

Never before has a free people so heavily mortgaged their future. The time has come to ask what we are buying. How much in real protection against communist aggression? How much in subsidizing the inefficiency of socialist governments; maintaining dictatorships in power; and protecting from the logical consequences of their acts those whose troubles are due largely to their own inef-

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ficiency, their incapacity, or their political corruption?

I recognize that our new concept of national responsibility—this readiness to pour forth our national substance and treasure without sufficient weighing of objectives and results—raises questions that extend far beyond my subject of investment environment: questions of national security on the one hand, and of national solvency on the other, with the hope of preserving our political freedom most delicately balanced against the risk of destroying our economic system; but I am very sure that this matter of encouraging private investment and the problems of facilitating capital formation and national productivity to which it is so intimately related, are very close to the heart of the matter. It is the unparalleled productivity of our private enterprise system that has furnished, and is furnishing, the means of national defense and the sinews of war; and it is the projection of this productivity abroad through our exports of capital, materials, skills, and ideas that constitutes the chief hope of the free world in its hour of grave danger.

Where Should Private Investments Go?

There are few who would question the desirability of increasing the flow of private capital from the United States for productive investment abroad—few who will not pay lip service to the desirability of developing a more receptive and favorable environment in the recipient countries. Some of these countries are making a real effort to improve the investment environment, and it is these nations which are receiving, and will continue to receive, the bulk of our new investments. But what incentive is there for a corrupt and profligate government to eradicate venality in public office; to institute unpopular measures of economy; to get back to a sound and stable currency that will have the confidence of investors; to eliminate discriminatory, unfair, and repressive measures against foreign investors; and to discontinue the easy political practice of blaming the foreigner for the nation's ills, when it seems so easy to obtain the assistance they need from Uncle Sam?

I said at the beginning that there is nothing at all complicated about an investor's reasoning when he lists the pros and cons of a contemplated business venture in a foreign country. He knows what he wants and what he does not want. The infinitely complicating element is the sometimes irrational and always unpredictable behavior of the governments with which investors must deal: governments of capital-hungry nations who profess their eagerness to receive private investments while creating new obstacles, and allowing others to exist, that make it impossible for existing foreign enterprises to expand or even to survive; and governments of capital-exporting countries who urge their citizens to increase their foreign commitments but whose official acts in the fields of taxation, fiscal policy, and diplomacy frequently have the effect of inducing investors to keep their money at home.

During the past few years I have participated in a number of discussions and conferences among businessmen and government officials in the United States and in foreign countries on the general subject of foreign investment problems. At these meetings, there are two questions that the business representatives are called upon to answer. The first has to do with the reasons for their alleged reluctance to invest abroad; or for their failure to "play their part" in the drive to build up the productivity of the world's industrially retarded areas. The second question derives from the logical answer to the first, and is concerned with the necessary elements of a favorable investment environment. The first question usually carries with it the threat of some sort of government action, under the theory that the United States, as a great creditor nation, must export capital, if not by private investment, then by use of public funds.

Now, I will not concede that there is any obligation on the people of the United States, individually or collectively, to make any investment or export any capital that will not produce compensating benefits for our people; nor will I concede that American private investors are in any way derelict in their duty, unpatriotic, or unduly timid, in failing to measure up to the expectations of some theorist who calculates how many billions of new foreign investment we should undertake each year to raise foreign productivity or living standards to a level that he considers appropriate. In my opinion, our recent annual investment abroad of some $1 billion of new private capital is not an inconsiderable amount—probably as much as can be justified on any reasonable basis in view of the disturbed and uncertain conditions; and I am not impressed by arguments that a disproportionate amount of the total is being invested in this industry or in that country. There are excellent reasons for the large petroleum and steel investments that have been going into Venezuela; for the expansion which is taking place in North American utility properties and manufacturing enterprises in Brazil; and for the rapid growth of all kinds of United States investments in the friendly environment of our great neighbor, Canada.

The American business executive has learned, the hard way, to shun those countries whose records are such as to inspire no confidence of good treatment. He has become a hard-headed realist, and, in view of the softening tendencies so apparent elsewhere, and the heavy burdens he must bear to enable his government to meet its ever-increasing commitments, it is well that he is. He sees no legitimate reason to divert the corporate funds to a foreign investment other than the expectation that, under good management, and with fair treatment from the recipient country, it will be productive enough to earn and return to the American stockholders a reasonable profit in a currency they can use. A man who is faithful to his trust can take no other view.

Requisites of Favorable Environment

The question as to the requisites of a favorable environment for foreign investment is one that I have been called upon to answer on many occasions, both in private conversations with my friends in the Latin American area, which is my main field of interest, and in public discussions on foreign investment problems. I have found that the best answer is a simple and direct statement of fact, and that good will is not lost by frankness so much as by well-intentioned promises and the creation of hopes that cannot be fulfilled.

My answer, of course, is presented from the viewpoint of the private investor—as it must be if any progress is to be made in securing the additional productive investment that is so urgently needed; and it is predicated upon the fundamental premise that the United States is a private enterprise country, where the private investor is a free agent to whom it is entirely a matter of comparative advantage, as he sees it, whether he invests in country "A" or country "B," or keeps his money at home; and I only wish that I could add, as a corollary to this statement, that nations that owe their shortage of investment capital, of domestic as well as foreign origin, to their unwillingness to provide a suitable environment, cannot expect to have their deficiencies made up by the United States Government.

When private capital is free to move, it always tends to flow into those industries and to those countries where the greatest opportunities are found for its safe and profitable employment; and there is no fundamental difference between a local industrialist and a foreign investor in this respect. Each is looking for an opportunity to invest his own savings, or the corporate funds, under conditions that give promise that the investment will be productive and profitable. The basic economic requirements are not difficult to list: the new enterprise must have access to a labor force which possesses, or is able to acquire, the necessary skills and has some sense of responsibility for its role in the productive process; access to an economic source of raw materials; the ability to acquire locally, or to import, necessary machinery and equipment; access to an adequate and dependable supply of electric power; the right to employ capable technicians and management of whatever nationality; and finally, and most importantly, assurance of an adequate and dependable market for the product.

Assuming that these basic economic conditions have been met, a careful investor will want to make sure of his freedom to operate his business according to his best judgment, without prejudice, discrimination, or fear of seizure by the arbitrary action of an unfriendly government. On the contrary, the investor will expect the government to uphold him in the possession of his property, so long as he observes its laws and accepts his social responsibilities. In return, he should be willing to pay his just share of the cost of a government which is efficiently run and honestly administered; but he will want to make sure that, if his enterprise is successful, his profits, which are the rewards for his risk-taking, his enterprise and his hard work, will not be confiscated by the government through unjust or unreasonable taxes.

All these conditions which are essential to a favorable environment for private investment apply with equal force to domestic and foreign capital; and it is a significant fact that some countries that have been unable to attract new investment from abroad are not regarded by many of their own citizens as offering attractive opportunities for the productive investment of their savings.

The Balance of Payments Problem

There are, however, certain additional considerations that a foreign investor must have in mind. He must be concerned with all the factors entering into the international balance of payments of the country where his dollars are invested. He must be concerned with exchange controls, import and export restrictions, remittance taxes, and differential exchange rates. He wants a reasonable assurance that the value of his property, or his income from that property, will not be dissipated through currency depreciation; and that he, or his stockholders, will not be deprived of the enjoyment of that income by exchange blockages and inability to remit reasonable profits.

I would say, then, that if the basic economic requirements that I first listed are satisfied in a given country; if it provides opportunities for the establishment of new enterprises, and a chance for them to grow and earn a profit commensurate with the risks and with the service rendered; if the foreign investor or entrepreneur feels secure in the possession of his property; if he is not faced with the hazard of depreciation in its value because of ill-considered or arbitrary government action; and if he has the option of reinvesting or remitting his earnings—then he has every reason to consider that the investment environment is a favorable one.

But what are some of the actual conditions an investor encounters as he investigates the investment environment of a foreign country? He may find that the government has a strong socialistic bias—that the trend is toward nationalization of industry and intervention by the State in economic affairs. He may learn that there are deeply rooted inequalities in the social structure—antagonisms that threaten to erupt in social conflict. He may discover a long-term record of exchange difficulties, resulting in depreciating exchange, and resort to foreign trade restrictions and exchange controls. As stated in a recent United Nations report, in what surely must be the understatement of the year: "The plight of a foreign investor on account of exchange controls is frequently considerable." Now, these exchange difficulties may be due to various causes—to fiscal mismanagement by the government, or perhaps to some fundamental weakness in the social or economic background of the country; but the result is the same to the investor. Investigation may also disclose that local men of wealth and substance are not putting their own funds into productive enterprises—that they are seeking a foreign refuge for their savings, or are showing a preference for speculative ventures where the turnover is quick and the profits large. This is a clear warning that the investment climate is not healthy.

Then, there are the legislative impediments. The investor may find that there are nationalistic laws which may keep him from hiring capable technicians, or legislation which, by unfair taxation or otherwise, discriminates directly against foreign capital; or laws that deprive him of effective control of his property. (And here I must share with you another slight understatement from the United Nations study on Foreign Investment Problems: "Under any circumstances, the prospect of nationalization gives rise to uncertainties.")

The prospective investor must look carefully into the legislative and constitutional framework within which his business must operate; and if he finds that the country has negotiated a satisfactory commercial and investment treaty with the United States, he may regard it as an indication of good intentions. But he is influenced more by the past record than by anything else. Nothing can impress him as much as a history of fair treatment, over the years, of both domestic and foreign capital; a record of earnest effort by the government to meet its international obligations and to safeguard the private capital already invested.

I will concede that, at the present time, something additional may be needed to attract private investment from the United States. The American businessman finds ample opportunities at home for the profitable investment of his savings. He does not have the foreign exchange problem, and is free to use his profits, after taxes, as he sees fit. On the other hand, competition in the United States is intense. A businessman must work very hard to make a profit; and profits on a unit basis are small, as compared to the profits obtainable in other countries.

It also is true that there are few countries where the impact of taxation is so heavy as in the United States. The tax differential in favor of foreign investment, however, is rendered ineffective by our tax legislation which applies the high United States tax rates to income earned abroad. Businessmen in this country long have urged, as the greatest immediate incentive for an increase in our foreign investments, that the United States Government adopt the principle, recognized in the tax legislation of some 17 foreign countries, that income on foreign investments should be taxed only in the country where it is earned; and that tax treaties be negotiated with other countries embodying this principle and containing ample provisions for the protection of American business from discriminatory and unduly burdensome taxes abroad.

It was pointed out, in a resolution adopted at last year's National Foreign Trade Convention, that application of the high United States rates to income produced in foreign countries creates a competitive disadvantage for American enterprises as compared with local enterprises or those of other countries which exempt foreign-earned income. Although precise figures are lacking, it is certain that the income which the United States Government would lose if it ceased taxing foreign-earned income would be very small compared to the tremendous sums we are spending in an effort to increase foreign productivity through government-to-government loans and similar devices. Our government, therefore, by its short-sighted policy, is destroying one of the few real inducements the less-developed countries can offer our private investors, and is extending an open invitation to those countries to raise their tax rates on industry to the levels prevailing in the United States. The issue was stated clearly in a recent Survey of Policies Affecting Foreign Investment by the United Nations which points out, in discussing our system of tax credits, "Under-developed countries are able to raise tax rates to the level prevailing in the countries of registration without a deterrent effect on investment, since the total tax burden on the foreign company is not increased. In general, rates of taxation are lower in under-developed countries, so that there is scope for such increases." Once this has occurred, this great potential incentive to private enterprise investment will have been lost.

In the absence of this tax incentive, an investor may still be attracted to a less-developed country offering a favorable investment environment, by the opportunities afforded by its untapped natural resources, industrial opportunities, and unusual possibilities for profit. I am sure that what I have said regarding the hazards of foreign investments should explain why an American businessman expects to receive a higher rate of return on a foreign venture. In reality, the differential is not large at the present time. In the case of public utility investments and railroads, earnings on foreign investments are even less than in the United States—a fact which helps to account for the shortage of investment in these key industries, which are fundamental to all economic development.

This matter of return or yield on investment has been the source of much misunderstanding between our investors and the people of the less-developed countries, impressed, as they are, by reports of low interest rates in the United States and the relatively easy terms obtainable on borrowings from governmental and intergovernmental agencies. In many of these countries, there is a tendency to look askance at reasonable earnings on the United States capital invested in local industry while the much higher returns received by local businessmen, which may reach 30%, 50% or more annually on the capital invested, are viewed with complacency.

This attitude is well illustrated by a conversation I had with a government official on a recent trip to South America. Having learned that I was connected with the principal investors in the local electric company, he asked if I would care to tell him what rate of return was being earned. I replied that that particular company was one of our better investments and was currently earning a 10% return. "Why," he said, "that's altogether too much." "And what would you consider right?" I asked. "Oh, about 4%," he replied. "What interest rates do your local banks pay on personal savings accounts in your city?" I inquired. "Around 8%," was the answer. "And what interest would you have to pay if you were to borrow money from your local bank?" "Probably 10%," he replied. "And yet you expect a foreign investor to expand and develop his business while paying taxes to your government as well as to his own on earnings far below the going rate of interest?" "I see your point," he said, "but your money comes from the United States where interest rates are much lower and where you have a surplus of capital." I explained, then, that interest rates were determined not only by the supply and demand for investment funds, but also by the lender's evaluation of the risks involved; and I added that there was no factual basis for the belief that there was a surplus of investment capital in the United States or any shortage of investment opportunities. We agreed, finally, that the proper rate of return must vary from country to country, and from industry to industry, and that it will tend to be whatever is required to keep an enterprise economically sound and, at the same time, attract the capital required for its necessary expansion and growth.

This, and many similar experiences, have convinced me that we investors are partly to blame for the persistence of the belief that we selfishly exploit the peoples of the less-developed countries and, somehow, take unfair advantage of their hospitality; and I can tell you that this belief is as strong in some Washington quarters as it is in India, the Philippines or South America. It is a regrettable fact that, in our preoccupation with our daily financial and operating problems, we investors have neglected our public relations. We have not taken the time to refute these charges of foreign exploitation that are the stock-in-trade of Communist agitators and unscrupulous politicians. We have never publicized the real and inspiring story of progress and achievement that has been written by American industry at home and abroad—wherever it has had a fair opportunity to invest, to produce, and to open up these new vistas of hope and opportunity.

American business enterprise, with its discoveries, its ideas, its techniques, and its social outlook, has made a unique and matchless contribution to the history of human progress, and we need make no apologies for the profit incentive that has made this possible. With this record of solid achievement, we need make no claim to perfection, nor need we gloss over the mistakes that were made in those early days, when the foreign investment field was new to us. We have learned and are still learning. Ours is not a static system. We do not grope in the shadows of the past. We have not lost our eagerness to venture and we are not abdicating our hard-won position in the foreign investment field.

As private enterprise men, we can meet the challenge of Statism, whether it arises from the new internationalism at home or the burgeoning nationalism abroad; but we must tell our story; we must improve our communications with the governments and peoples with whom we do business; we must play a larger role in the development of foreign policy; we must maintain our contacts with the men who represent us in Washington, particularly in the fields of commerce and foreign policy; we must contribute more of our time to the work of such trade organizations as the National Foreign Trade Council, who are fighting our battles; and we must exercise more care than ever before in the selection of the men who represent American interests abroad.

I feel that this last point cannot be stressed too strongly. In too many instances, the difficulties of American-owned enterprises in foreign countries have been the direct result of the friction and ill will created by representatives of American business who are poorly equipped and psychologically unsuited for their tasks. In my own business, we have a little booklet which we give to each of our employees when he undertakes his first trip abroad—a list of do's and don't's which we have compiled from our experience, over the years, in dealing with people of many foreign countries. In the closing paragraph of this booklet, there is a little sentence that sums it all up and which could well be used as a guide in the selection of our political as well as our business representatives in foreign countries: "Where the instincts of a gentleman do not exist, volumes of suggestions will not suffice to prevent the creation of ill will."

I hope that what I have said today will help our friends in the less-developed countries to understand our viewpoint, as private investors. After all, there is very little that we can do about such matters as exchange controls, import restrictions, inflation, ill-considered social legislation, excessive nationalism and most of the other political and economic obstacles to foreign investment. The positive action required to remedy these conditions can be taken only by the countries affected; while the investor is limited to the negative gesture of keeping his money at home. But we investors can, and should, play a positive part in guiding the foreign policy of our own government, particularly in its economic aspects. We have stored up, through the years, a vast reservoir of knowledge and experience in dealing with foreign nations and peoples. We have a practical knowledge of their production potentials and a realistic understanding of their limitations. We know how to plan, and build, and produce, for that is our business. We know the energizing and transforming powers that surge within our free, competitive, capitalistic system; for we are part of it, and have helped to make it what it is. We know also the frustrations, the waste and inefficiency, that come when government intervenes in the processes of production and trade, for we have seen its failures in many lands.

The nation has need of our counsel in the critical days that lie ahead; but we must learn to stand together and speak with one voice in the defense of our fundamental principles. Each of us must resist the temptation to compromise on principle for the sake of gaining a personal advantage. United by our faith in the free and progressive economic system by which we live, we can resist the resurgent tide of Statism and make ourselves heard above the strident voices of economic reaction. We must be more active and more vocal, for, in defending private enterprise at home and abroad, we are holding a major position in the decisive battle of production in which all our freedoms are at stake. This battle is now being waged on many fronts by American private investors who have had the vision and the initiative to seek out and develop in distant lands the resources that are the raw materials of production. But we can go only where we are welcome and we have no choice but to concentrate our efforts where the environment is friendly. There are many such countries today and the number can be increased if our government will use its vast influence and tremendous economic power in a determined and consistent effort to encourage private enterprise development throughout the free world. But our government is not a vague political abstraction. It is a government of men responsive to the will of the people. We are part of that will and in the field of foreign policy we possess all the attributes of leadership. Let us exercise that leadership and justify the faith that is within us.

Victor J. Brady Now With Barbour, Smith Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Victor J. Brady is now with Barbour, Smith & Company, 621 South Flower Street. In the past Mr. Brady was with the Los Angeles office of Buckley Brothers. Prior thereto he had been manager of the trading department of the New York office of A. G. Edwards & Sons.

With Consolidated Inv.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Ann L. Abel is with Consolidated Investments, Inc., Russ Building.

Harris, Upham Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Walter T. Pinska is with Harris, Upham & Co., 232 Montgomery Street.

With Wilson, Johnson

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Robert P. Chickering has been added to the staff of Wilson, Johnson & Higgins, 300 Montgomery Street.

Joins Remer, Mitchell

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Eugene Kuhne has been added to the staff of Remer, Mitchell & Reitzel, Inc., 208 South La Salle Street.

Samuel E. Terman Opens

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Samuel E. Terman is engaging in the securities business from offices at 4121 Wilshire Boulevard.

Dean Witter Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Sam H. Husbands, Jr. is with Dean Witter & Co., 623 South Spring Street.

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Observations . . .

ket opinion, it would be rather cumbersome to say "I believe (listing 900 stocks) are going to sell lower and (listing 300 stocks) are going to sell higher. Instead of that, I use an average, even though I admit that any average is a pretty poor picture of the entire market.

You cannot reconcile my opinion that the market, as an average, may sell possibly 20% lower with the thought that certain "better quality secondary issues" appear undervalued. You ask which assertion shall control the investor's action and you further state "certainly not both." Well, if you found 900 issues that appeared overvalued from the present and future fundamental and statistical outlook and 300 that appeared undervalued, what would you do? Most likely the same thing I would do. I would take both assertions into consideration and avoid the overvalued issues and buy small amounts of the undervalued group and have some buying power in reserve.

I still do not think that using the technical method to check the economic and statistical approach is bad policy. Instead of hopelessly confusing the issue by falling between three stools, it puts a third leg on a two-legged stool.

Sincerely

(Signed) EDMUND W. TABELL.

Walston, Hoffman & Goodwin,
Members N. Y. Stock Exchange
35 Wall Street, New York.

* * * *

Our comment follows on those portions of Mr. Tabell's letter which seem to manifest important key fallacies:

He assures us that his graphs and other indices are manifold; that they are confined to detecting the longer-term trends of the market; and protests that he is much more interested in the trend of individual issues than in the general market.

If Mr. Tabell's essential interest really is, as he reiterates, confined to individual stocks, and if the expression "the market" is merely necessary short-hand for "the majority of stocks," then it is difficult to understand why he and most other technicians devote so much space and time to "market" anticipation, instead of to discussion of under- or over-valuation of specific individual issues.

Mr. Tabell's hypothetical example of his and my respective processes after buying a stock a year before Korea, seems to leave completely uncontroverted the fact that there is a crucial obstacle put in his way whenever any of his several tools contradict each other. I, on the other hand, with only one set of criteria controlling—namely those related to furnishing me with the probability of recouping my capital, plus its riskless rental value, plus some extra increment derived through income, over a 20-year term—am unconcerned with switching tools in accordance with external events of the day. He does not seem to realize that a true investor's concern is with *value* derived through *income;* the difference between our approaches does not merely involve differing methods of trying to anticipate fluctuations in market *price.*

Not Too Pure

I am not too much of a purist to see advantage in confirmation of value-analysis by occasional other elements. For example, recognition of *psychological* elements (as overenthusiasm, prejudice or other foibles of the crowd) which cause the detected divergence between a stock's market price and its appraised value, serves as an important confirmation of the value appraisal. **But such quantitative investment-value criteria still must always take precedence.**

Assuredly, one set of tools I will not use, even in the most distant ancillary way, is that based on interpreting the market's alleged own internal "evidence." The relevant factors are voluminous; but I would cite Mr. Tabell's statement (at the end of his third paragraph): "Of course, I have the added advantage of observing how the stock is acting relative to the general market." This no doubt assumes the conclusion, a la *Ratio* philosophy, that an issue going down vis-a-vis other comparable issues or the general market, denotes a selling signal; and that, conversely, a disproportionate rise constitutes a bullish sign. Actually Ratio Theory in its variations, thus based on the premise that evidenced disparity will continue, and characteristic of technical systems generally (including the latest Moving-Average gadgets), presupposing continuation of evidenced trend—whether applied to performance between individual stocks, or of an individual stock vs. its industry group, or vs. "the general market"—essentially is directly contradictory to *investment* functioning. It assumes that the lower an issue moves, the less is its value (i.e., the cheaper is the more expensive); when surely logic dictates that just the opposite is more likely to be so.

Successful artists in various fields usually are hazy over the mechanics of their achievement. Despite elaborate explanation of his techniques, the music genius largely plays by ear. Mr. Tabell has an awfully fine ear!

In actual practice, forecasters using the economics and market-analysis "tools," either singly or jointly, have not fared well. Not to "rub in" the 1929 debacle, which unpleasantness confounded, when it did not actually bankrupt, both the chartists and the economists; the market in its doldrum-whipsawing behavior during the highly active business period from 1946 to 1949 vividly demonstrated complete non-existence of a market trend conforming to either the external economic factors or the technical signals.

A. W. M.

NSTA Notes

SECURITY TRADERS ASSOCIATION OF NEW YORK

The following candidates have been nominated for officers of the Security Traders Association of New York for the year 1952:


Harry L. Arnold


John J. Meyers, Jr.


Charles M. Zingraf


George V. Hunt


Alfred F. Tisch

President—Harry L. Arnold, Goldman, Sachs & Co.

First Vice-President—John J. Meyers, Jr., Gordon Graves & Co.

Second Vice-President—Charles M. Zingraf, Laurence M. Marks & Co.

Treasurer—George V. Hunt, Starkweather & Co.

Secretary—Alfred F. Tisch, Fitzgerald & Company, Inc.

Directors (Two-Year Term): Edward J. Kelly, Carl M. Loeb, Rhoades & Co.; Daniel Gordon Mullin, Tucker, Anthony & Co.; Henry Oetjen, McGinnis & Company; Lewis H. Serlen, Josephthal & Co.

Trustees of Gratuity Fund (Two-Year Term): Samuel F. Colwell, W. E. Hutton & Co.; John Gahan, Schoellkopf, Hutton & Pomeroy, Inc.

National Committeemen: Samuel Magid, Hill, Thompson & Co., Inc.; Edwin J. Markham, Wertheim & Co.; Stanley L. Roggenburg, Roggenburg & Co.

National Committeemen Alternates: James F. FitzGerald, W. L. Canady & Co., Inc.; Irving P. Grace, W. C. Pitfield & Company, Inc.; Cyril M. Murphy, John C. Legg & Co.; Barney Nieman, Carl Marks & Co., Inc.; John J. O'Kane, Jr., John J. O'Kane, Jr. & Co.

Nominating Committee (Four (4) Members to be Elected): Arthur J. Burian, Daniel F. Rice & Co.; John T. Cusack, Amott, Baker & Co., Inc.; J. S. Duga, Merrill Lynch, Pierce, Fenner & Beane; James B. Durnin, H. D. Knox & Co., Inc.; Paul G. Fredericks, Jr., Warren W. York & Co., Inc.; A. Kingston Ghegan, Edwin L. Tatro Co.; John H. Gertler, Barr Brothers & Co.; Richard H. Goodman, Shields & Co.; Walter Kane, Shearson, Hammill & Co.; James F. Kelly, Kidder, Peabody & Co.; James T. McGivney, Hornblower & Weeks; John S. McLaughlin, White, Weld & Co.; Herman D. Meyer, Gruntal & Co.; Frank E. Mulligan, Joseph McManus & Co.; W. Foster Webster, Hardy & Co.

Nominations other than those selected by the Nominating Committee can be made by a petition presented to the Secretary endorsed by 15% of the members eligible to vote for candidates. All nominations close 15 days prior to the Annual Election.

Members of the Nominating Committee were: Louis A. Gibbs, Laird, Bissell & Meeds; Michael J. Heaney, Michael J. Heaney & Co.; Milton Van Riper, John C. Legg & Co.; Arnold J. Wechsler, Ogden, Wechsler & Co.; John M. Mayer, Chairman, Merrill Lynch, Pierce, Fenner & Beane.

SECURITY TRADERS ASSOCIATION OF NEW YORK

The Security Traders Association of New York (STANY) Bowling League standing as of Nov. 1, 1951 are as follows:

TEAM	Points
Kumm (Capt.), Ghegan, R. Montanye, Krassowich, Manson	30
Leone (Capt.), Tisch, O'Mara, Nieman, Bradley	27½
Goodman (Capt.), Weissman, Farrell, Valentine, Smith	25
Serlan (Capt.), Gold, Krumholz, Young, Gersten	24
Donadio (Capt.), Rappa, O'Connor, Whiting, Demaye	24
Mewing (Capt.), G. Montanye, M. Meyer, LaPato, Klein	23
Bruian (Capt.), Siepser, Gronick, Growney, Kaiser	22½
Hunter (Capt.), Craig, Fredericks, Weseman, Lytle	22
Krisam (Capt.), Gavin, Gannon, Jacobs, Murphy	20
Bean (Capt.), Lax, H. Frankel, Werkmeister, Ried	19
Greenberg (Capt.), Siegel, Cohen, Sullivan, Voccoli	18
H. Meyer (Capt.), Swenson, A. Frankel, Wechsler, King	15

200 Club

Richy Goodman______203

5 Point Club

Richy Goodman

J. Donadio

NEW ORLEANS SECURITY TRADERS ASSOCIATION

At the annual meeting of the New Orleans Security Traders Association the following officers were elected to serve for the ensuing year:


Arthur J. Keenan


G. Shelby Friedrichs


John J. Zollinger, Jr.

President—Arthur J. Keenan, St. Denis J. Villere & Co.

Vice-President—G. Shelby Friedrichs, Howard, Weil, Labouisse, Friedrichs & Company.

Secretary-Treasurer—John J. Zollinger, Jr., Scharff & Jones, Inc.

Delegates (and alternate delegates) elected to serve at the annual convention of the National Security Traders Association, Inc., to be held at Miami, Fla., were as follows:

Delegates—Wm. Perry Brown, Newman, Brown & Co., Inc.; Gilbert J. Hattier, Jr., White, Hattier & Sanford.

Alternate Delegates—Joseph P. Mintree, Steiner Rouse & Co.; John J. Zollinger, Jr., Scharff & Jones, Inc.

SECURITIES TRADERS ASSOCIATION OF DETROIT AND MICHIGAN

The Securities Traders Association of Detroit and Michigan, Inc. will hold their annual fall party on Nov. 9 at the Detroit Boat Club. Cocktails and music are scheduled for 6:00 p.m. with dinner to follow at 7:30 p.m. The charge for guests is $10.

Members of the Program Committee are Leslie C. Muschette, First of Michigan Corporation, Chairman; William P. Brown, Baker, Simonds & Co.; Richard A. Carman, Manley, Bennett & Co.; Robert Moons, Manley, Bennett & Co.; and Victor Williams, Paine, Webber, Jackson & Curtis.

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After Mobilization—What?

business. I think this is notably true of the capital goods industries. Now many of them are rationing rather than selling their wares. I doubt if this will be true of many of them a year or so hence.

Financial Implications Underemphasized

At present most of the talk about the defense program runs in terms of further expansion—more billions for more air groups, more billions for more atomic weapon development. There is extremely little talk relatively about the crisis in government financing into which the defence program is very clearly moving. But in a matter of months this financial crisis is likely to dominate the talk about the defense program.

Here in very brief is the nature of the crisis. The Federal government is now scheduled to spend between $85 and $90 billion during the fiscal year ending June 30, 1953, about $65 billion of it for defense. It is scheduled to collect only about $70 billion in taxes, including taxes added by the tax bill passed at this session of Congress. That means a prospective Federal deficit of $15 to $20 billion. If $10 billion more were added for more air groups and more atomic development—that is the figure of added cost frequently mentioned — the prospective deficit would be $25 to $30 billion.

Well, what of it? Why not slap on enough more taxes to make up the deficit? That is right where the financial crisis comes. In the judgment of those best equipped to know, our rickety Federal tax structure cannot be geared up to collect anything like $25 to $30 billion more in taxes, or $15 to $20 billion for that matter, without falling apart at the seams. Both individual and corporate tax rates have been pushed to a point where those who should know say that further increases would be largely self-defeating. And no other large sources of new taxes are in sight.

Tax Overhauling Needed

Regardless of defense needs, what is called for, of course, is a thorough-going overhauling of our ramshackle Federal tax system. But that is a difficult and time-consuming process. It is also a process behind which it is hardly possible to get much effective political steam during a presidential campaign year.

So, as matters stand, we are heading for a situation—it might be more accurate to say drifting—where to carry out a defense program of the dimensions now being contemplated will produce a Federal deficit of truly frightening proportions. If by that time, a year hence, all-out war seems imminent I am sure that the fiscal problem will take a place of minor importance. We will be thinking in terms of elemental survival. But if, as I anticipate, all-out war seems more remote than it does today, I expect the defense program to be trimmed down to proportions which can be carried somewhere near on a cash and carry basis with the present tax structure. Such a course, it occurs to me, might very well appeal to our military supply people. With military technology moving at the rate it is, they must be extremely hesitant to stockpile a lot of planes and tanks which are obsolete before they get to the stockpile. They would, I imagine, much prefer to keep models of new weapons in flux as long as possible, thus putting a brake of sorts on the defense program.

On a recent trip to Washington I ran into a couple of striking illustrations of the extraordinary potentialities of military technology. It seems that one possibility in guided missile warfare is that the enemy will devise control devices which will re-route guided missiles right back where they came from. The British did something of that general sort during the last war when they jiggered with the radio beams which guided the German bombers and, for a time, had them unloading most of their bombs in the ocean or in remote uninhabited places. Personally I would like to be quite sure that our guided missile experts have figured some way of being sure that their missiles won't be dumped right back in our laps before they start turning them out in mass production.

Another striking potentiality developed from an injury as to why the jet plane battles over Korea result in so few "kills" relatively. The answer, it seems, is that jet planes go so fast that it is extremely difficult to hit them, and when they are hit the number of vulnerable parts is far more limited than in propeller-driven planes. Once on the tail of an old-type propeller plane, an air war authority told us, a fighter may have as much as three minutes to take a good bead. With a jet plane the comparable time is two and a half seconds. I find those statistics rather incredible, but if they are not more than a few hundred percent off, they suggest the possibility that air war will get to moving so fast that neither side will be able to make deadly contact with the other. That, in a world like this, is not an altogether cheerless thought.

If the defense program should be trimmed along the general lines I have indicated, it would, of course, increase the leeway for civilian business. Also, it occurs to me that it might also be a setback of sorts for those Communist theorists who have been saying that we capitalists could be counted upon to spend and inflate ourselves into a fatal collapse.

In thinking about what is going to happen in the future I always keep in mind the dictum of the illustrious ancient philosopher Aristotle that "it is part of probability that the improbable will happen." It promotes humility, and it also provides comfort of a sort when things don't turn out precisely as predicted.

Unless the defense program is greatly expanded, capital expenditures on its account are going to start falling off in a year or so. When they do, our economy can get into trouble pretty fast if nothing emerges to take up the slack. Regardless of cause and effect—an issue which economists debate indecisively—the general level of prosperity and the general level of capital expenditure are economic Siamese twins. Whether going up or going down they stick right together.

Replacement for Capital Expenditures

I know of a highly desirable replacement of capital expenditures for the defense program. It is capital expenditures to modernize and improve the operating efficiency of American industry. Contrary to what I find quite widespread opinion, including that of some sales managers, a large part of the plant and equipment of American industry is worn out or obsolete. It is a safe guess that if it were thoroughly modernized the operating efficiency could be increased at least 20%. The process of doing it would sustain our prosperity and the result would be a higher standard of living, even while we continue to carry the heavy load of expenditures for defense which it appears will be our lot for years to come.

However, a shift from capital expenditure for war-making equipment to capital expenditure for modernization is not going to take place automatically. It is going to take place only if salesmen of the appropriate equipment do an effective job. Many managers of industrial enterprises obviously have no idea of how antiquated their establishments are. This is attested by the fact that government studies indicate that in a number of important lines of manufacturing the most efficient plants are four times as efficient as the least efficient. A key part of the job of getting American industry modernized is to get these zombies waked up—largely a job for salesman and sales executives.

If we are not to suffer a generally debilitating letdown in capital expenditures it will also be necessary, I fear, to do a far better job than has been done in creating some popular understanding of the role of corporate profits in our economy. As matters stand, many, perhaps even most of my fellow citizens, seem to feel that a blow had been struck for wisdom and righteousness when another hike is made in the corporate profit tax rate. Actually, however, corporate profits provide most (about two-thirds) of the funds for new industrial plant and equipment. Consequently, what looks like a politically attractive effort to shake down corporate profits can actually undermine the entire economy by cutting the heart out of capital expenditures. If we do not manage to explain this situation far more effectively than we have managed thus far, I think it well may.

After Mobilization?

On the question of "After Mobilization, What?" to which, believe it or not, I really have been addressing myself, I tried to make three points, all of which I suspect of being of first-rate importance. They are that:

(1) The tremendous forced draft which the mobilization program is putting under our economy is likely to play out sooner than most people seem to anticipate.

(2) As the boom itself has been very uneven, so the playing out process will also be uneven, with some industries (notably the all-important capital goods industries) feeling the harsh winds of rugged competition much sooner than some others.

(3) In the post-mobilization period, the ability of the American consuming public to postpone perhaps as much as 40% of its consumption without any immediate personal inconvenience will be a dominant fact about the American economy.

Now—always with Aristotle in mind—I shall turn to what I anticipate will be some other dominant characteristics of the period after the present defense build-up is concluded. Perhaps, in this connection, I should emphasize the fact that I do not have in mind a defense build-up which will be chopped off abruptly, with everyone going back to business as usual. I assume that we are going to be carrying a heavy load in defense expenditures for years. But I don't expect that load to be more than about half—say $35 billion as opposed to nearly $70 billion—of the peak we are scheduled to hit in overcoming the folly of our postwar rush to disarm.

The Price Outlook

Will prices in general keep on going up? Yes, I think they will, not in any wild runaway fashion; not even with the speed with which they went up during the first year after the Korean war started, when wholesale prices rose 17% and the cost of living jumped 9%. I anticipate a slow-moving increase in prices, working out at perhaps 4% or 5% a year, with many downs along with the steady trend upward.

If I were to give a single controlling reason for that view it is that all the major organized political pressure groups—farmers, organized workers and business—enjoy having it that way. Of course, the fixed income group gets progressively robbed, but they have relatively little political power.

Some of the other reasons why I anticipate a continuing upward trend of prices have to do with (1) the tremendous power to get wage increases which has been mobilized by organized labor, (2) what, in a pinch, I believe would be widespread popular insistence that policies designed to insure full employment be adopted, and (3) the very wide margin of optional consumption on which I have already dwelt.

Appetite for Wage Increases

In this postwar period the leaders of organized labor have given their clients an appetite for annual money wage increases far larger than can be absorbed through increased efficiency of labor or the efficiency of its application. The managers of industry have, of course, aided in this process by being a soft touch most of the time. At any rate, the only way it has been possible to accommodate the wage increases has been by increasing prices. But always thus far it has been possible to float off the higher prices on waves of buying attending postwar or mobilization booms. In fact, it has frequently been possible to increase prices more than necessary to meet increased costs.

As this mobilization boom wanes, the art of passing along wage increases is going to get much more difficult. And the difficulty can be increased by the fact that consumers will need be in no hurry at all to buy a very large share of what is produced.

Under such circumstances, annual wage increases in the magnitude that workers have been taught to expect in this postwar period would result in a lot of unemployment if we were playing under the old rules. Consumers simply would not pay the increased prices and the goods would not move until unemployment had resulted in a shakedown.

Full Employment Politically Assured

Under the new dispensation, however, I do not believe that the shakedown process would be tolerated. I think that there would be effective political insistence that the government adopt policies designed to maintain full employment. Whether they would work or not is problematical. In any event, I think the end result would be highly undesirable. But, I don't believe that fact would check the process or prevent it from pumping enough money around the economy to sustain a trend of price inflation.

If the inflationary process is to be kept within tolerable limits it will be through a combination of (1) great competence on the part of industrial management in offsetting higher money costs through greater efficiency, and (2) great competence on the part of sales management.

I keep hearing economists who at least look wise say that our economy is going to be much more stable from here out than it has been in the past. They may be right, but if so, it is not because of any inherent stability. This fact of optional consumption, to which I keep returning because it is so crucially important, creates an overshadowing element of instability. It it is not mastered by business management, any greater stability we attain will be by what I regard as the highly undesirable route of government intervention.

I trust that I have made it clear that there is a rugged job ahead for business executives, and not so far ahead as many seem to think at that. This observation, of course, raises the crucial question of whether or not the incentives will be adequate to get the work done properly. Put another way, the question is whether the income levelling which has proceeded so rapidly in recent years will continue to the point where incentives will be blighted.

I think I know the answer to one part of the question, but not to the other.

Income Levelling to Continue

The process of levelling incomes, after taxes, will, I am confident, continue—perhaps with a little respite now and then. But I have no confidence at all in my judgment on what it will do to incentives. It looks to me as though personal income taxes have already reached a point in the high brackets where they put a major blight on the incentive to work. But, so far as is visible to the naked eye, the people in those brackets keep right on working themselves to death. This phenomena convinces me that I have a great deal to learn about how money incentives actually work. And I do not believe that I am altogether unique in this regard.

Even so, I am convinced that the problem of preventing the political enthusiasm for income levelling from killing economic incentives is going to become a key problem in the years ahead, as it has already become in Britain where the levelling process has been carried much further. Perhaps it would be a constructive procedure to look into the possibilities of depletion allowances for executives designed along lines similar to the allowances for companies which exhaust their natural resources in meeting the market demands upon them. At any rate, there is a job ahead for business executives which will put an exhausting strain on both their physical and intellectual resources—a fact of which only a wildly improvident nation will lose sight.

The wear and tear on sales executives in the years ahead will, of course, be sustained, if not increased by the continuing technological revolution in industry. When the American Chemical Society recently celebrated its 75th anniversary it presented a collection of forecasts of the shape of things to come prepared by various of its members. Here are just a few of them, as presented in *Chemical and Engineering News* (for Aug. 13, 1951):

"Iron obtained from earth's core will require no furnace treatment. Atomic bombardment will yield stainless steels of any desired composition and nickel, cobalt, vanadium, chromium." — John C. Bailar, University of Illinois.

"Bacteria and viruses will not be important causes of mortality. . . . Complex chemistry of the degenerative diseases such as cancer, arteriosclerosis, arthritis will be unraveled."—H. B. Hass, General Aniline & Film Corporation.

"Not only making rain, but preventing it will be established practice."—Gustavus J. Esselen, U. S. Testing Co., Inc.

"At least one man will have circumnavigated the moon and returned safely."—C. C. Furnas, Cornell Aeronautical Laboratories, Inc.

For all I know, there may be a touch of Buck Rogers in these fellows. I suspect there is in many first-rate creative scientists. But, even so, I have no doubt that technical changes will keep large parts of our economy churned up for large parts of the time. The great outlays being made by industry for organized research almost inevitably have that result. They also have and are likely to continue to have the result of making successful survival more difficult for small companies which individually cannot afford much in the way of research, and are not clever enough to get together in co-operative research operations with other small companies.

Problems Continuing

I have stressed the prospect that after mobilization sales executives and business executives generally, for that matter, are not likely to run short of rugged problems. They are going to be operating in an economy that is very fast-moving, an economy that has great elements of instability, and an economy that may get extremely lopsided at times, with parts of it thriving and other parts full of aches and pains such as those recently (and in some measure currently) experienced by some of our textile and appliance industries. The prospect that the economy may assume some remarkably lopsided postures is heightened by the fact that for years large segments of it have been shaped by artificial supports or controls of one kind and another. Let those be progressively removed and all sorts of bumps and bulges are sure to develop in the process of readjustment.

To keep things balanced up, however, I also should stress the fact that there will be a lot of new or relatively new resources available to help solve the problems at hand. I shall not even attempt a comprehensive catalog. But one of thes resources, of no mean importance, will be a lot of relatively reliable knowledge of how this economy of ours actually works. When many of you went to college the connection between the study of economics and what actually went on in the world was scarcely perceptible. Economics was handled largely as a form of abstract logic with a singularly forbidding technical lingo. Now all that is changed. Economists have a great deal of intensely practical value to contribute to the solution of the problem you have ahead.

Another very important solvent of your problems should be our remarkably expanding population. At a time when most people who called themselves population experts thought that the increase in our population was about to play out, forces generated by World War II touched off a boom in babies of which no need seems to be in sight. There is, of course, no fixed and immutable relation between more people and more prosperity. In India, more people seems to add up to more hungry and wretched people. But thus far in our country the higher birth rate has ended up by meaning expanded markets. I see no reason why this general relationship is going to change during the period ahead.

Over this period, I have no misgivings about have enough produced and distributed to continue to provide the American people with by far the highest material standard of living in the world. I doubt that anyone, no matter how prodigious in that line, can mess things up badly enough to prevent that. I think it is quite possible, however, to have serious inroads made on our most precious possession as American citizens—our personal and political freedom—by having the Federal Government extend its control over private business management. In fact, the only way I know of avoiding that is by having private business management do its work so well that the problems I have touched on, and pre-eminently the problem of economic stability, will be handled to the satisfaction of a safe majority of the electorate. Perhaps I have said something which will help in this direction. I hope so, because I regard the perpetuation of private business management in the fields where it now operates an essential bulwark of personal and political freedom.

Nominees for Govs. of Exch. Firms Assn.

The following have been nominated to serve as Governors of the Association of Stock Exchange Firms for the periods indicated:

Until Annual Meeting of Members in 1954:

*Edmond du Pont, Francis I. du Pont & Co., Wilmington, Del.

*Eugene M. Geddes, Clark, Dodge & Co., New York City.

Marco F. Hellman, J. Barth & Co., San Francisco.

E. Jansen Hunt, White, Weld & Co., New York City.

Lloyd W. Mason, Paine, Webber, Jackson & Curtis, New York City.

William M. Meehan, M. J. Meehan & Co., New York City.

*James Parker Nolan, Folger, Nolan & Co., Washington, D. C.

*Walter S. Robertson, Scott & Stringfellow, Richmond, Va.

Frederick C. Rogers, Thomson & McKinnon, New York City

Edward Starr, Jr., Drexel & Co., Philadelphia

John J. Sullivan, Bosworth, Sullivan & Co., Denver, Colo.

Until Annual Meeting of Members in 1953:

*Henry I. Cobb, Jr., DeCoppet & Doremus, New York City

Edward H. Hilliard, J. J. B. Hilliard & Son, Louisville, Ky.

Until Annual Meeting of Members in 1952:

*Harold L. Bache, Bache & Co., New York City.

John E. Blunt, 3rd, Blunt, Ellis & Simmons, Chicago, Ill.

The proposed Nominating Committee for 1952 is as follows: Albert D. Farwell, Farwell, Chapman & Co., Chicago, Ill.; Charles B. Harding, Smith, Barney & Co., New York City; Henry Upham Harris, Harris, Upham & Co., New York City; W. Wilson Holden, Corlies & Booker, New York City; C. B. McDonald, McDonald & Company, Cleveland, Ohio.

The Nominating Committee for 1951 which presented the above slate consisted of: Eugene Barry, Chairman, Shields & Co., New York City; James F. Burns, Jr., Harris, Upham & Co., New York City; William E. Huger, Courts & Co., Atlanta, Ga.; James M. Hutton, Jr., W. E. Hutton & Co., Cincinnati, Ohio; Philip W. Nash, Nash & Co., New York City.

Election of Governors will be held at 3:15 P.M. Nov. 14, 1951 in the Board of Governors Room, New York Stock Exchange.

*Nominated for reelection.

Joins F. L. Putnam

(Special to The Financial Chronicle)

BOSTON, Mass. — Gordon M. Benedict is now associated with F. L. Putnam & Co., Inc., 77 Franklin Street, members of the Boston Stock Exchange. He was previously with Proctor, Cook & Co.

Schirmer, Atherton Adds

(Special to The Financial Chronicle)

BOSTON, Mass. — Robert S. Tannebring has become affiliated with Schirmer, Atherton & Co., 50 Congress Street, members of the New York and Boston Stock Exchanges.

With Waddell & Reed

(Special to The Financial Chronicle)

MINNEAPOLIS, Minn.—Donald L. Lyle has become associated with Waddell & Reed, Inc., of Kansas City. He was formerly with the Northwestern National Bank of Minneapolis.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

They went up during the week and down again at the weekend, giving holders a nervous holiday. My guess is that there will be more nervous days ahead; days that will drive the recent buyers into almost complete collapse.

* * *

The reasons for the recent decline still rage up and down the financial districts like forest fires. Why anybody would be so interested I can't understand. At best they're ancient history and even assuming that history repeats itself the results for investors and traders are seldom satisfactory.

* * *

One of the basic causes (not reasons) of the break were a series of stop orders that were set off like fire crackers. Obviously such stops are not responsible for any decline. They merely accelerate it.

* * *

The market letters are now full of statements pointing to various points in the averages as stopping points against additional declines, and equally impressive arguments stating still other points which will be barriers to further advances. I have two such statements before me, each giving diametrically opposite opinions.

* * *

I suppose I too will have to give an opinion if for no other reason than to justify the existence of this column.

* * *

Actually I have no firm convictions one way or another. I can see some stocks going down; others going up. I can also see a picture that can whipsaw anybody with firm convictions. So here goes.

* * *

I think the market has made a base around current levels. There'll be some stocks that will go under this base. But the majority will either go into a dullness or will slowly start to inch up.

* * *

From a trading viewpoint I think the leaders and some specialties are a buy at present prices with mental reservations as to how long to keep them. What stops are used I think should be placed just underneath the lows of last week. These stops to be advanced each day by a fraction to a full point depending on the action of individual stocks.

* * *

Such procedure won't guarantee you against loss. But it will at least keep you from taking a shellacking. Of course I don't recommend buying stocks on strong days. Competing for them is one endeavor I leave to somebody else.

[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.]

Lewis Williams V.-P. Of Merrill Turben

CLEVELAND, Ohio—Merrill, Turben & Co., Union Commerce Building, members of the Midwest Stock Exchange, announce that Lewis C. Williams is now associated with their firm as Vice-President and Director. Mr. Williams was formerly Vice-President of the National City Bank of Cleveland.

Joins Wm. C. Roney

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — John E. Farley is now with Wm. C. Roney & Co., Buhl Building, members of the New York and Detroit Stock Exchanges.

Continued from page 3

In Which Industries Should You Invest?

1937 high Dow Jones Industrial average was selling about 120% above its book value while today it is only around 32% above. If common stocks today were to sell at the 1937 ratio to book value, the Dow Jones Industrial averages would have to rise to 425. Not only has the advance in stock prices today been small in relation to the substantial increase in book values over recent years but it has also been moderate in relation to the tremendous inflationary rise in other segments of our economy. In 1937, income to individuals equaled $71 billion but as of August, 1951, disposable personal income was running at the rate of $224 billion, an increase of 216%, whereas the Dow Jones averages have risen since 1937 by the small amount of 32%. From the standpoint of the increase in the population's liquid resources, the market advance has also been extremely moderate. Last month demand deposits of the Federal Reserve member banks stood at $50.5 billion, or up about 240% over the 1937 total of $14.8 billion. If stocks were priced today in relation to the demand deposits in the same ratio as at the 1937 peak, the averages would be selling at 660. In relation to currency in circulation too, the rise in stock prices has been moderate. Back in 1937 there were $6.6 billion of currency in circulation while this figure last month stood at $28.5 billion, an increase of about 315%. The averages would stand at 800 today were it selling at the same ratio to currency in circulation as prevailed at the 1937 market top.

How about other forms of property? In 1937 the Bureau of Labor's Commodity price index stood at 86.3. Up until August, 1951, the index had risen to 178, an increase of 106%. Again using the same relationship, the averages would have to rise to 400. Building costs have risen from 197 to 403 as of October of this year, an increase of 106%. The Dow Jones Industrial averages would stand at 400 in order to continue the same ratio. The rise in the value of farm property has way outrun the advance in common stocks. The Department of Agriculture's index of farm lands has risen from 102 to 265 as of June, 1951, an advance of 160%, and the Dow Jones Industrial averages would have to rise to 507 in order to complete the same picture. Consequently, it does not look as if common stocks are inflated.

Three Major Investing Changes

It seems to me that there have been three major changes with respect to investing over recent years. One has been the injection of pension fund and trustee buying of common stocks. The effect of this development has been to emphasize the quality stocks and to push its price rather strongly as against the medium grade stocks. I think if you made a study of the advance in insurance company shares for 1950, you would find that about 10 or 12 of the leaders would show the price advance as against 20 to 30 of the not so well known showing a decline, a very significant and illustrative development. Next we have the investment public turning to so-called growth stocks. I say so-called growth stocks because many stocks are now being touted as growth stocks by various institutions but are really not growth issues at all. This, however, has been an important item in the advance of the chemicals, the pharmaceuticals and many certain special situations like Corning Glass.

Thirdly, there has been an increasing acceptance by the man on the street of the thesis of inflation this year and this has become a one-way street. Accordingly, even he has come into the market as indicated by the increase in the number of purchases of odd lots. It is difficult to give you any accurate estimate as to the number of shares or amounts of dollars that have gone into pension fund purchases but it is my opinion that purchases for pension fund accounts have been somewhere in the neighborhood of $200 to $300 million in the year 1951 and that this figure is likely to be exceeded in the year 1952. Purchases for the account of investment companies of the open-end type have been increasing at a very rapid rate during the last few years. Net total assets of open-end investment trusts as of the year 1940 totaled $447 million whereas at the end of 1949 this figure amounted to $1,973,000,000 reflecting sales for the year at $385 million. In the year 1950, net assets totaled $2,530,000,000, reflecting sales for the year of $518,000,000. As of Sept. 30, 1951, the total net assets of open-end investment companies reached the gigantic size of $3,045,000,000 indicating sales of $480 million for the first nine months of 1951. These figures are based on statistics for 98 of the open-end funds. However, as I understand it, I am not here to tell you whether the market is going up or down. I am here primarily to tell you which groups of securities, and possibly which issues in my opinion may be relatively attractive for investment for the next several months.

Despite the enthusiasm that is current in the oil industry, this is not a new industry, although it was originally ushered in, insofar as the United States is concerned, in 1859, with a 69½ foot deep well in Titusville, Pa., with an initial production of 25 barrels a day. If you read Chapter VI of Genesis, you will find that God commanded Noah to build an Ark and "pitch it within and without with pitch." This pitch, of course, was petroleum asphalt collected from the abundant springs of this material in Mesapotamia, such as the celebrated spring of Hit. Visitors to this spring in 1931 found the natives gathering snakes of asphalt and coiling them into lumps in precisely the same manner employed by their ancestors in 400 B. C. Petroleum asphalt was used in the daily life of the people of Mesapotamia thousands of years ago. It was then used as a mortar for the construction of the temples, palaces and walls of the various cities, and important roads and streets were paved with asphalt even as they are today. The Egyptians used petroleum asphalt for many purposes including the fabrication of waterproof containers. The shipbuilding industry used it also. The use of flame throwers by the Germans in World War I and by our forces against the Japanese in World War II was not a new development but rather the adaptation of an ancient method of warfare. The Greeks' fire, a mixture of petroleum naphtha and quicklime, which ignites on contact with the water, was developed in very early times and proved to be the most potent military weapon before the invention of gunpowder. It was then packaged in pottery vessels and was used as hand grenades, as well as being squirted by means of hand syringes.

Oil Group Attractive

Market commentators have been emphasizing that the reason for the setback in the general market was due to the belated recognition by the investing public of the lower level of earnings in prospect as a result of the increase in taxes. This reasoning cannot be applied to the oil group. With only a few exceptions, their earnings in the third quarter, even after allowing for higher taxes, were not only above those for the second quarter of this year but also ahead of last year. The Iranian situation has something to do with the future outlook but so far as our own picture is concerned, it looks to me as if stocks of crude oil and refined products are substantially above a year ago but, in relation to demand, they do not appear excessive. Gasoline stocks, for example, represent 35 days' supply as against 40 days a year ago, and heating oils are in relatively greater supply but whether or not they are excessive naturally will depend upon weather conditions over the period ahead. A substantial part of the build-up in stocks of such oils on the East Coast is attributed to the possibility of a lifting of ceiling prices due to the advance in tanker rates. With stocks close to major consuming areas, suppliers therefore appear to be in good position to take advantage of any increase in prices that may occur. Not to be overlooked in measuring prospective demand for heating oil is the improved competitive position of the fuel resulting from the recent increases in hard and soft coal prices.

Therefore, despite the sharp rise which the petroleum industry has had marketwise in the last two years, although, as I said before, it has been soft somewhat in the last two or three weeks, I believe that it is still one of the outstanding growth industries in which the average investor should have some representation. At present levels, I am of the opinion that Anderson-Prichard, South Penn Oil, Sinclair and Pure Oil are outstandingly attractive.

In my opinion, Pure Oil Co. is doing an outstanding job. It has title to extremely large reserves of oil and natural gas in the ground, not only in the Gulf of Mexico but also in the now potentially famous Williston Basin, where it has an estimated 1,500,000 acres and where it is now drilling somewhere at the 6,000 to 7,000 foot level. If Pure Oil brings oil to the surface at around 9,000 feet, as it is now hoped, such a discovery could add millions and millions of barrels to Pure Oil's reserves. The company has done no outside financing since 1937. Sinclair's progress has been remarkable lately. It has been extremely successful in making important discoveries from time to time and currently it is doing some new exploratory drilling in Colorado and Wyoming from which interesting developments can be expected.

The importance of oil as a basic raw material for the chemical industry has been growing steadily. About 25% of all the chemicals produced in this country at the present time are estimated to have their roots in our petroleum resources. Petrochemicals derived from the almost inexhaustible supplies of petroleum and natural gas are the bellwether of the expanding chemical industry. Two major developments in petroleum chemistry have been responsible for the utilization of petroleum hydrocarbons as a basic raw material for the production of synthetic organic chemicals. The first was the development of more efficient methods of fractional distillation and the second was the development of special refining processes such as thermal and catalytic cracking, hydrogenation, polymerization, etc. The by-products from these new refinery operations such as ethylene, propylene, butanes, tuloene and other aromatics are the basic raw materials for the production of today's petrochemicals. There has been an 80% overall increase in production of petrochemicals during the past five years with greatest growth in the field of vinyl chlorides and ethylene glycols. Such growth has been the result of the increasing demand for the new synthetic textile fibres, the shift to permanent type anti-freezes and the tremendous demand for plastics.

Some of the major companies vitally interested in and dependent upon future growth in these fields are duPont, Union Carbide, Dow, Monsanto, American Cyanamid, Celanese, Cities Service, Standard Oil of New Jersey, Shell Oil, Lion Oil, Phillips Petroleum, Standard Oil of Indiana, Atlantic Refining, and Rohm & Haas. Investment in companies such as these is an investment in a petrochemical field which we expect will far out-distance the rate of growth expected by industry in general over the next ten years. Today textiles provide the largest market for petrochemicals and the development of synthetic fibres seems to be just at the start of a new growth period. We are familiar with the rayon and nylon fibres and although we have heard the names of dynel, orlon, acrilan, dacron, fiberglass, vicara and saran, the actual commercial production of these newer synthetics is just beginning. There is a tremendous growth for companies in this group and I advocate an investment interest in some of them, particularly in those companies which have just entered this field and which have not as yet received adequate recognition as a result of this new interest. I think we may expect greater emphasis on the part of Allied Chemical in the field of organic chemicals to produce plastics and fibres. American Cyanamid may soon announce its entry as a producer of a new synthetic fibre.

Commercial Solvents

The chemical-drug industry is so dynamic in character that it is extremely difficult to keep up with new developments. Among the companies in the growing drug field about which there seems to be an increasing interest is Commercial Solvents. During the past three or four years, this company has been swinging sharply into the field of pharmaceuticals and agricultural chemicals. It is not now the alcohol company which existed prior to World War II. Commercial Solvents has used its knowledge and experience in the field of fermentation to become a major producer of penicillin. Furthermore, this company has recently announced a new form of penicillin which, we believe, is patentable and it seems likey that they are about to steal a march on the other major producers, since this new form of penicillin is said to be one which may be given without any allergic effect. This may very well place Commercial Solvents in a position similar to that of Pfizer, American Cyanamid, and Parke Davis as a producer of a specialty product. Through their knowledge of fermentation methods, the company has been extremely active in the search for a blood plasma substitute. They have succeeded in producing the plasma substitute, dextran, which they call "Expandex." It seems to me that the company is on its way to long-term growth in pharmaceuticals through penicillin and in fertilizers and synthetic fibers through a doubling of productive capacity of their low-cost ammonia plants.

Titanium Outlook Bright

As a chemical raw material, titanium isn't news, but as a new metal for industry it promises to be almost as spectacular as aluminum or stainless steel. Last year, titanium metal production amounted to only $840,000 at $7 per pound. This year, the total may approximate $7 million and by 1952 the annual rate of production may exceed $30 million, even assuming a 50% price reduction. These dollar figures reflect physical output of only 60 tons last year, an estimated 500 tons in 1951 and a projected annual rate of 5,000 tons or better by late 1952. I think there will be many improvements which may spell an eventual output exceeding many times over the highest output yet officially projected.

There are large and small companies identified with this new development but I believe that the safest investments in this field can be narrowed down to Allegheny Ludlum, Kennecott Copper, New Jersey Zinc, National Lead, du Pont and Ferro Corp., if its interest in Horizons Titanium proves to be a successful one. For armament, the U. S. Government has been taking all the titanium that can be produced even at the initial high price of $7 per ingot pound, a level which probably involves large initial losses to the producers. If costs can be cut in order to bring them closer in line with the costs of producing stainless steel and aluminum alloys, titanium may find a wide range of commercial applications as a structural material. It offers a special challenge to the military and commercial aircraft fields permitting weight savings up to 20% or more. As plane loads now represent only 15% to 20% of overall weight, a 20% plane weight reduction could virtually double load carrying capacity. In trans-Atlantic commercial aircraft, the usual pay load is a little over 4% of take-off weight, so that for this application a 20% plane weight saving could increase load carrying capacity several times over. One of the leading factors in world copper, Kennecott, not only is one of the lowest cost but also one of the strongest financed of all companies in the metal trade. Kennecott is said to be making a substantial investment in the development of South African gold properties which less than three years from now will begin producing on a large scale ore probably higher in gold content than the average of South African gold mines; and through the development of Quebec Iron & Titanium and related activities, Kennecott is likely to derive eventually a worthwhile equity in titanium earnings.

New Jersey Zinc, by the way, has a one-third interest in the Quebec Iron & Titanium Co. and is also a major factor in the production and refining of zinc in the United States. By the end of 1952, output should start from another large zinc mine now under development at Freudensville, Pa., and its recently developed sterling process is expected to permit reduction in zinc refining costs and may well be a source of royalty income. I think that the work Anaconda, Inspiration Copper and American Zinc are doing makes them outstandingly attractive also.

Many of us may wonder whether the release of atomic energy may not be a far-reaching and profound development. The need to restrict the use of available fissionable materials on a good portion of the information for national security reasons adds to the difficulty of estimating future industrial uses. However, it is possible to categorize the industries which seem to be best situated to benefit more directly and sooner than others. As a long range consideration, I have no doubt but that atomic fuel will eventually permit a substantial reduction in the cost of electric power. The recent contract awarded to Electric Boat Company to build an atomic powered submarine shows that progress in the power plant for the submarine has been substantial, although costs are still probably prohibitive from a commercial standpoint. The Air Force contract just awarded to Consolidated Vultee Aircraft to develop an airplane to be propelled by a nuclear reactor suggests that General Electric is making headway with the aircraft atomic power plant. In addition to such large companies, General Electric, Westinghouse, Union Carbide and du Pont, Monsanto Chemical, Dow Chemical and Eastman Kodak, there are many companies in a position to supply special instruments for work with radioactive materials. Incidentally, talking about Electric Boat, its major income is probably derived for the present from the manufacture of airplanes.

Motion Picture Stocks Gaining In Favor

Judging by recent market actions, stocks of the leading motion picture companies appear to be meeting with greater favor. Although long-term considerations still present serious problems, it would appear that interest towards this negelected group may be activated by the belief that an improvement in earnings may be seen in the forthcoming months. Attendance at the box office appears to be picking up in the majority of the key cities due largely to better quality of product and I think that we are all in agreement that the quality of the product during the last several years has been mighty poor. Also, taking the seasonal factor into consideration, it is logical to anticipate that earnings of the motion picture units in the last several months of the year and early next year should make favorable comparisons with those of the last two or three years. Perhaps the novelty of television is wearing off, which is contributing to the favorable attendance records but not only this, disposable income and savings are relatively high and demand for entertainment is undiminished and is being spurred on by a larger number of potential movie patrons. All the motion picture companies have a large potential value in connection with their huge film libraries which are presently carried at nominal values. If these fully depreciated films should eventually be released for telecasting, the industry would be provided with a very substantial source of new revenues.

Film producers appear to be paying increasing interest to other phases of the television art, namely the filming or kinescoping of television programs. Paramount Pictures has been active along these lines and is understood to be making considerable headway in this direction. At this time, there is some skepticism as to whether phonevision, which is undergoing a limited 90-day test, will ultimately prove to be an important revenue producer. With home phonevision, television receivers would be equipped with a special device whereby viewers could receive televised films for a stipulated fee. Whether it is phonevision, or some other type of vision, I feel pretty sure that eventually the television industry may utilize the many films that are available in the archives of the leading motion picture companies. I feel that Paramount, 20th Century-Fox and Loew's are well worth present prices.

Television Shares Attractive

The television industry itself may find the going rather difficult for the early part of 1952 because of the shortage of raw materials and component parts, which may cause further reductions in civilian production. However, military business will be a factor of increasing importance next year and while its relative importance will vary from company to company, military business should account for roughly one-quarter to one-third of sales for certain of the electronics producers. With the eventual lifting of the station freeze many new outlets for broadcasting will be opened and it has been estimated that there will be at least 140 new very high frequency outlets compared with 108 now in operation and at least 136 ultra high frequency outlets. By the end of five years Dr. Baker, the Vice-President in charge of electronics at General Electric Co., has estimated a minimum of 500 stations, 343 of which will be very high frequency stations and 166 ultra high frequencies. By the end of 1955, he believes 35,035,000 American families, out of an estimated 44,500,000 could be within range of at least one television station. Possibly nine out of ten of these will own at least one set, indicating a potential 32 million set market, as against 15 million that will have been sold by the end of this year.

Furthermore, allowing for obsolescence of some of the present sets, it is not difficult for anyone to estimate an annual average market of at least 5 million sets over the next several years. The recent decision to limit the production of color sets is an important constructive step in my opinion. While there may be certain technical problems yet to be worked out, the quality of color pictures which I have seen, such as Paramount Pictures' simple all electronic tube and RCA's tri-color tube, makes me believe that the future of television will be greatly stimulated by color. Its impact far exceeds that of black and white and it should make powerful appeal to the consumer's dollar. My favorites in the electronics field are Philco, Motorola, Zenith and, of course, Radio Corporation of America.

Utilities to Increase Dividends

I can't help but feel that the utility companies for the most part are quite attractive from a yield point of view. However, utility companies are not attractive for any substantial price appreciation, except in the case where from time to time dividends are being increased. I would suspect that in the case of Delaware Power & Light, Central Hudson Gas & Electric, Niagara Mohawk and West Penn Electric, some dividend increases can be looked forward to in the coming year.

The subject of family income and new car demands have been studied by all of the automobile companies and although we have in this country some 13,600,000 cars, which are generally considered to be new, that is, not over three years of age, there are about 26 million cars that exceed the three-year limitation and, of this number, over 16 million are 10 years old, or more. The number of so-called new car buyers and the number of new cars on the road now appear to be in fairly good balance. However, it is my opinion, that towards the latter part of 1952, we may again come into a sellers' market in cars and that somewhere along the line, we should begin to look for new buying opportunities in the automobile stocks. General Motors and Chrysler are, of course, the two favorites but let us not omit the profit potentialities in Studebaker, which during the last three years has reported earnings of about $29 a share, or about its current price, and its earnings this year should approximate $5.00 per share. The defense orders which the company has to produce jet engines should begin to click at the annual rate of $500 million by the middle of 1952. With good plants and a strong working capital position of around $23-$24 per share, this 100 year old company looks to be fairly priced.

So far, I have given you only the highlights because, as we all know, there is not too much time available for a discussion on such a serious topic. Don't forget that there are cycles and occasionally wide price movements in the market. It is a topic which requires constant study and constant surveillance of all portfolios. It is not a tick-tack-toe proposition.

Along this line, I would like to tell you a little story. In 1923, a group of the world's most successful financiers met at the Edgewater Beach Hotel in Chicago. Present were the President of the largest independent steel company, the President of the largest utility company, the greatest wheat speculator, the President of the New York Stock Exchange, a member of the President's Cabinet, the greatest bear in Wall Street, the President of the Bank of International Settlements and the head of the world's greatest monopoly. Collectively, these tycoons controlled more wealth than there was in U. S. Treasury and for years newspapers and magazines had been printing their success stories and urging the youth of the nation to follow their examples. Now, let us see what happened to these men 25 year[s] later. The President of the larges[t] steel company, Charles Schwa[b] lived on borrowed money the las[t] five years of his life and die[d] broke. The utility operator, Samuel Insull, died virtually in exile. The greatest wheat speculator, Arthur Patton, died abroad insolvent. The President of the New York Stock Exchange, Richar[d] Whitney, had served a term i[n] Sing Sing prison. The member o[f] the President's Cabinet, Albert Fall, was pardoned from prison so he could die at home. The greatest bear in Wall Street, Jessie Livermore, committed suicide. The President of the Bank o[f] International Settlements, Lec[n] Frazer, committed suicide and th[e] head of the world's greate[st] monopoly, Ivar Kreuger com[]mitted suicide. All of these me[n] had learned how to make mon[ey] but not one of them had learn[ed] how to live.

There was a time when you[ng] men and women in America co[uld] shape their own destinies. Succ[ess] in business or anything else [de]pended upon individual initiat[ive]. Anyone with enough "get up a[nd] get" who wanted to make a m[il]lion dollars could do so if he w[as] willing to work hard, plan ca[re]fully, study incessantly, attend [to] business and pursue his goal w[ith] dogged determination. This [has] become progressively more dif[fi]cult during the past two decad[es] owing in part to our tremendou[s] tax burdens and controls. There seems little hope of any relief on that score, but let's hope that b[y] educating ourselves and the youn[g] Americans coming along that w[e] will be able to prevent any fu[r]ther encroachment of socialis[tic] ideas sponsored or advanced [by] those who would hamper [or] destroy our true American way [of] life as guaranteed by our Cons[ti]tution. Let us do the things th[at] must be done to recover and re[in]stitute the original concept of t[he] American system.

Jackson Co. Adds

(Special to The Financial Chronicle)

BOSTON, Mass. — Charles [] Jensen has become associated wi[th] Jackson & Company, Inc., [] Milk Street.

Joins Gibbs & Coe

(Special to The Financial Chronicle)

WORCESTER, Mass. — George W. Gibbs, Jr. is now with Gibbs & Coe, 507 Main Street.

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The State of Trade and Industry

pared with 108,000 assembled in October. This would bring the total by the end of November to 1,339,000, "Ward's" noted.

The Office of Price Stabilization on Friday will begin to administer the Capehart Amendment which was made a part of the Economic Controls Law at the time of its extension on July 31, last. Manufacturers under the revised law are permitted to ask for price ceilings based on their pre-Korean prices, plus cost increases up to last July 26.

Steel Operating Rate Scheduled to Drop 3.5 Points

This week the threatened railroad strike against the Chicago & North Western; Baltimore & Ohio; Louisville & Nashville, and the St. Louis Terminal railroads was postponed indefinitely by the Brotherhood of Locomotive Enginemen and Firemen after President Truman set up an emergency board under provisions of the Railway Labor Act to deal with the dispute. The union has been conducting negotiations on wage demands for the past two years.

In the steel industry producers anticipate better balance between supply and demand by mid-1952, says "Steel," the weekly magazine of metalworking, the current week. But for the months immediately ahead they see no easing in the over-all supply squeeze. Recent wildcat strikes at several large steelworks resulted in substantial tonnage losses. This will mean order carryover into the first quarter of next year will be larger than previously indicated. This tonnage can never be made up and will force postponement of the time when production and consumption can be brought into balance despite new additions to producing facilities.

Everything considered, prospects appear anything but promising for early improvement in general market conditions, this trade journal points out. Severe shortage of scrap is threatening sharp curtailment of production this winter. And to cap it all, defense requirements, swelling steadily as government programs get into full stride, will not reach peak until well into next year. Even conditions in the light, flat-rolled products, for which demand has shown some softening, currently are tightening as heavier tonnages of semi-finished steel are diverted to production of other products, particularly plates.

Except for revisions in the ceiling price schedule on metal castings, and approval of higher prices on galvanized products to offset the recent 2-cent per pound increase in zinc, steel and related product prices are unchanged. No immediate adjustments are in prospect, "Steel" concludes.

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 101.0% of capacity for the week beginning Nov. 5, 1951, a decrease of 3.5 points from a week ago.

This week's operating rate is equivalent to 2,019,000 tons of steel ingots and castings for the entire industry, compared to 104.5%, or 2.089.000 tons a week ago, and 101.8%, or 2,035,000 tons a month ago. A year ago it stood at 103% of the old capacity and amounted to 1,986,600 tons.

Electric Output Exceeds Record Level in Latest Week

The amount of electric energy distributed by the electric light and power industry for the week ended Nov. 3, 1951, was estimated at 7,319,019,000 kwh., according to the Edison Electric Institute.

The current total established a new record high and compared with 7,233,928,000 kwh. produced in the previous week.

The current total was 85,091,000 kwh. above that of the preceding week; 768,404,000 kwh., or 11.7% above the total output for the week ended Nov. 4, 1950, and 1,884,095,000 kwh. in excess of the output reported for the corresponding period two years ago.

Carloadings Drop 2.6% Under Previous Week

Loading of revenue freight for the week ended Oct. 27, 1951, totaled 863,961 cars, according to the Association of American Railroads, representing a decrease of 22,687 cars, or 2.6% below the preceding week.

The week's total represented a decrease of 23,974 cars, or 2.7% below the corresponding week in 1950, but an increase of 272,646 cars, or 46.1% above the comparable period of 1949, when loadings were reduced by major strikes in the coal and steel industries.

Auto Output Dips 2% Below Previous Week

Combined motor vehicle production in the United States and Canada the past week, according to "Ward's Automotive Reports," declined to 119,247 units, compared with the previous week's total of 121,215 (revised) units, and 177,122 units in the like week of 1950.

Passenger car production last week in the United States was slightly below the previous week, and about 38% below the like week of last year.

For the United States, total output rose to an estimated 112,047 units from last week's revised total of 114,579 units. In the like week of last year output totaled 169,553 units.

Total output for the current week was made up of 89,749 cars and 22,298 trucks built in the United States, against 90,136 cars and 24,443 trucks last week and 144,892 cars and 24,661 trucks in the comparable 1950 week.

Canadian production last week was placed at 4,405 cars and 2,795 trucks, against 4,473 cars and 2,163 trucks the week before and 5,515 cars and 2,054 trucks in the like week of 1950.

Business Failures Decline Further

Commercial and industrial failures declined to 143 from 155 in the preceding week, Dun & Bradstreet, Inc., stated. Off for the second consecutive week, casualties were considerably less numerous than in 1950 and 1949 when 181 and 196 occurred in the comparable weeks. Less than one-half as many concerns succumbed as in prewar 1939 when they totaled 318.

Wholesale Food Price Index Reaches Lowest Level Since Nov. 21, 1950

The downward trend in foods, as measured by the Dun & Bradstreet wholesale food price index continued in evidence last week. The Oct. 30 figure fell to $6.65, from $6.69 the week before to reach a new low since Nov. 21, 1950, when it stood at $6.63. The current level represents a gain of 2.0% over the comparable 1950 index of $6.52. The 1951 high was $7.31 on Feb. 20, last.

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 Shows Little Variation From Preceding Week

The Dun & Bradstreet daily wholesale commodity price index trended upward in the first part of the week but moved lower in the latter half to close at 304.25 on Oct. 30. This compared with 304.18 a week earlier, and with 294.05 on the corresponding date a year ago.

Grain markets were irregular and prices moved in a narrow range showing little change for the week.

Wheat was generally steady following recent sharp gains. Domestic inquiry was light but export demand continued active with substantial sales recorded under the International Wheat Agreement. Corn prices showed strength at times but the market developed a weaker tone despite the prospect of smaller supplies this season. Oats were mostly steady, reflecting light domestic country offerings. Trading in rye was more active with prices relatively stronger than other grains.

Transactions in all grain futures on the Chicago Board of Trade fell sharply for the week. Sales totaled 234,923,000 bushels, or a daily average of 47,000,000 bushels, the latter comparing with 55,000,000 the previous week, and 50,000,000 bushels for the same week last year.

Flour prices were generally firm during the week. Trading in the domestic market was spotty and mostly of a fill-in nature, as buyers held off following recent activity in family and cake flours as well as hard Winter wheat bakery types. Export flour business was more active. Cocoa showed a further decline for the week. The market was quiet at the close following some early strength as the result of better manufacturer interest. Supplies of cocoa were restricted due to the dock strike with current stocks reported at the lowest since early August. Spot coffee sold at ceiling prices from warehouse supplies as new arrivals continued to pile up due to the dock tie-up.

The sugar market was featured by active forward buying of refined by industrial users and distributors in an effort to build up depleted stocks.

Lard continued to sag with prices down sharply for the week under the influence of heavier output and lighter demand. Hog values dropped to the lowest since last December as market receipts rose to the heaviest since January. Steers turned lower the past week as receipts increased rather sharply. Trading in lambs was more active at moderately higher prices.

Domestic cotton prices moved steadily upward during the past week to reach new high levels for the season. The rise was influenced by steady trade buying, active foreign price-fixing and the bullish interpretation placed upon the Department of Agriculture's survey of the current crop outlook. The report indicated that a carryover of around 3,000,000 bales is in prospect as a result of the outlook for greatly increased exports and high domestic consumption. Entries of the staple into the Government's 1951 loan stock showed a moderate decline to 92,387 bales for the week ended Oct. 18, as compared with 107,000 bales a week previous, and 110,000 bales two weeks previous.

Trade Volume Shows Noticeable Expansion as Result of Promotions and Colder Weather

As temperatures dropped and promotions increased, retail trade expanded noticeably in most parts of the nation in the period ended on Wednesday of last week, Dun & Bradstreet, Inc., currently reports.

Merchants generally encountered less difficulty in matching or surpassing last year's sales figures than they had in recent months; at this time in 1950 the first wave of scare-buying had ebbed perceptibly.

Total retail volume in the nation for the period ended on Wednesday of last week was estimated to be from 1 to 5% higher than that of a year ago. Regional estimates varied from the levels of a year ago by these percentages:

New England and East 0 to +4; Midwest, Southwest, and South +2 to +6; Northwest +4 to +8, and Pacific Coast +1 to +5.

Wholesale buying was largely sustained, during the week, at the fairly high level of the past few weeks. Fill-in orders remained responsible for much of the dollar volume, which was moderately above the level of a year ago. The number of buyers attending various wholesale markets, while somewhat below that of the prior week, was substantially above last year.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended Oct. 27, 1951, increased 4% from the like period of last year. In the preceding week an increase of 10% was registered above the like 1950 week and an increase of 4% for the four weeks ended Oct. 27, 1951. For the year to date, department store sales registered an advance of 3%.

Retail trade in New York last week was stimulated by rush buying to avoid the Federal tax increase, which became effective Nov. 1. The rise above the 1950 period was estimated for the week at 8%.

According to Federal Reserve Board's index, department store sales in New York City for the weekly period ended Oct. 27, 1951, advanced 1% above the like period of last year. In the preceding week an increase of 4% (revised) was recorded above the similar week of 1950, and the four weeks ended Oct. 27, 1951, no change was indicated from that of a year ago. For the year to date volume advanced 5% from the like period of last year.

Continued from page 16

Business Activity Seen Continuing At Favorable Level

and CMP allotments and end-use restrictions are major reasons for lower stocks. Most production planning must be tied to CMP or other NPA allotments. Until these allotments are turned into firmly scheduled delivery commitments, Purchasing Agents are reluctant to take in the easier-to-get companion items. The pinch of controlled materials has caused a drastic run-out of work-in-process inventories. The slight firming of demand on many industries is not reflected immediately in increased raw material needs, as much of the new business can be delivered from finished goods stocks built up since the early spring.

Employment

The total number on payrolls remains about the same as previous months. Some areas, where defense work is not taking up the slack, report severe payroll cutbacks, both in layoffs and hours of work. Other communities are short of skilled help. Wage demands being formulated now may indicate labor trouble in the near future.

Buying Policy

The very cautious policy on future commitments, prevalent in industrial buying for the past six months, still is reported, with 81% holding to a top range of 90 days. There has been some lengthening within the hand-to-mouth to 90-day bracket, and few have gone into four-to-six-month coverage where firm acknowledgments can be obtained. The general belief that first-quarter CMP allotments for civilian goods will be substantially lower than fourth-quarter quotas, is giving buyers a rather dim view of Winter possibilities on the metals.

With King Merrit Co.

(Special to THE FINANCIAL CHRONICLE)

ST. CLOUD, Minn.—Clifford G. Knier is with King Merritt & Co., Inc., 1516 St. Germain Street.

Slayton Co. Adds

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—Lillian K. Theiss has joined the staff of Slayton & Company, Inc., 408 Olive Street.

With Bache & Co.

(Special to THE FINANCIAL CHRONICLE)

RALEIGH, N. C.—James E. Rhoades, Jr. has been added to the staff of Bache & Co., 126 South Salisbury Street.

James A. K. Marshall

James A. K. Marshall passed away at the age of 61 after a long illness. Mr. Marshall was a senior partner in Wood, Struthers & Co. of New York.

Edwin Drexel Godfrey

Edwin Drexel Godfrey passed away at the age of 71 after a long illness. Mr. Godfrey was a former member of the New York Stock Exchange.

Midwest Exch. Member

CHICAGO, Ill.—The Executive Committee of the Midwest Stock Exchange has elected to membership William H. Hutchinson, Hutchinson & Co., Pueblo, Colo.

Joins Inv. Service

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Allen C. Simpson is with Investment Service Corporation, 650 17th Street.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	Nov. 11	101.0	104.5	101.8	103.0
Equivalent to—					
Steel ingots and castings (net tons)	Nov. 11	2,019,000	2,089,000	2,035,000	1,986,600
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output — daily average (bbls. of 42 gallons each)	Oct. 27	6,339,900	6,353,200	6,337,600	5,895,250
Crude runs to stills—daily average (bbls.)	Oct. 27	‖6,461,000	6,481,000	6,558,000	6,051,000
Gasoline output (bbls.)	Oct. 27	22,364,000	21,839,000	21,085,000	19,878,000
Kerosene output (bbls.)	Oct. 27	2,573,000	2,415,000	2,549,000	2,288,000
Distillate fuel oil output (bbls.)	Oct. 27	9,380,000	9,461,000	9,124,000	8,259,000
Residual fuel oil output (bbls.)	Oct. 27	8,433,000	8,502,000	8,332,000	8,495,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Oct. 27	111,120,000	111,363,000	112,356,000	105,062,000
Kerosene (bbls.) at	Oct. 27	33,541,000	33,392,000	33,837,000	28,634,000
Distillate fuel oil (bbls.) at	Oct. 27	102,106,000	101,548,000	96,695,000	84,057,000
Residual fuel oil (bbls.) at	Oct. 27	49,168,000	49,279,000	47,893,000	44,486,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Oct. 27	863,961	886,648	864,573	887,935
Revenue freight received from connections (number of cars)	Oct. 27	708,620	706,756	702,392	729,735
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Nov. 1	$209,778,000	$189,111,000	$421,940,000	$199,716,000
Private construction	Nov. 1	140,314,000	105,732,000	315,014,000	89,874,000
Public construction	Nov. 1	69,464,000	83,379,000	106,926,000	109,842,000
State and municipal	Nov. 1	53,602,000	41,379,000	24,967,000	86,392,000
Federal	Nov. 1	15,862,000	42,000,000	81,959,000	23,450,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Oct. 27	11,535,000	*11,355,000	11,075,000	11,724,000
Pennsylvania anthracite (tons)	Oct. 27	1,086,000	1,045,000	937,000	1,048,000
Beehive coke (tons)	Oct. 27	136,300	*131,200	132,100	163,800
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE = 100	Oct. 27	327	334	328	313
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Nov. 3	7,319,019	7,233,928	7,155,921	6,550,615
FAILURES (COMMERCIAL AND INDUSTRIAL)—DUN & BRADSTREET, INC.	Nov. 1	143	155	133	181
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Oct. 30	4.131c	4.131c	4.131c	3.837c
Pig iron (per gross ton)	Oct. 30	$52.72	$52.72	$52.69	$49.36
Scrap steel (per gross ton)	Oct. 30	$42.00	$42.00	$43.00	$40.67
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Oct. 31	24.200c	24.200c	24.200c	24.200c
Export refinery at	Oct. 31	27.425c	27.425c	27.425c	24.425c
Straits tin (New York) at	Oct. 31	103.000c	103.000c	103.000c	126.000c
Lead (New York) at	Oct. 31	19.000c	19.000c	17.000c	17.000c
Lead (St. Louis) at	Oct. 31	18.800c	18.800c	16.800c	16.800c
Zinc (East St. Louis) at	Oct. 31	19.500c	19.500c	17.500c	17.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Nov. 5	97.72	97.74	98.21	101.40
Average corporate	Nov. 5	109.60	109.79	111.25	115.24
Aaa	Nov. 5	113.89	114.27	115.82	119.61
Aa	Nov. 5	112.93	113.31	115.04	118.60
A	Nov. 5	108.70	109.06	110.15	114.66
Baa	Nov. 5	103.47	103.30	104.66	108.88
Railroad Group	Nov. 5	105.86	106.04	108.16	111.44
Public Utilities Group	Nov. 5	109.42	109.79	111.07	115.63
Industrials Group	Nov. 5	113.70	113.89	114.85	119.00
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Nov. 5	2.65	2.65	2.62	2.39
Average corporate	Nov. 5	3.19	3.18	3.10	2.89
Aaa	Nov. 5	2.96	2.94	2.86	2.67
Aa	Nov. 5	3.01	2.99	2.90	2.72
A	Nov. 5	3.24	3.22	3.16	2.92
Baa	Nov. 5	3.54	3.55	3.47	3.23
Railroad Group	Nov. 5	3.40	3.39	3.27	3.09
Public Utilities Group	Nov. 5	3.20	3.18	3.11	2.87
Industrials Group	Nov. 5	2.97	2.96	2.91	2.70
MOODY'S COMMODITY INDEX	Nov. 5	458.0	458.4	466.0	471.0
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Oct. 27	184,971	168,866	206,321	221,590
Production (tons)	Oct. 27	203,278	217,734	218,174	240,123
Percentage of activity	Oct. 27	85	89	90	104
Unfilled orders (tons) at end of period	Oct. 27	402,751	429,639	458,150	694,741
OIL, PAINT AND DRUG REPORTER PRICE INDEX — 1926-36 AVERAGE = 100	Nov. 2	149.0	149.0	148.9	138.4
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. 20	33,621	26,144	35,154	32,848
Number of shares	Oct. 20	1,016,076	770,718	1,025,367	1,001,253
Dollar value	Oct. 20	$45,120,076	$32,981,060	$45,026,496	$43,015,819
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Oct. 20	31,172	23,601	32,871	36,075
Customers' short sales	Oct. 20	239	131	228	186
Customers' other sales	Oct. 20	30,933	23,470	32,643	35,889
Number of shares—Total sales	Oct. 20	903,857	676,754	929,213	1,034,529
Customers' short sales	Oct. 20	8,600	4,469	8,148	6,711
Customers' other sales	Oct. 20	895,257	672,285	921,065	1,027,818
Dollar value	Oct. 20	$38,304,868	$27,166,119	$37,508,929	$38,463,216
Round-lot sales by dealers—					
Number of shares—Total sales	Oct. 20	296,670	185,090	281,400	340,410
Short sales	Oct. 20	------	------	------	------
Other sales	Oct. 20	296,670	185,090	281,400	340,410
Round-lot purchases by dealers—					
Number of shares	Oct. 20	353,150	283,440	364,750	324,180
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR— 1926 = 100:					
All commodities	Oct. 30	177.0	177.1	177.1	169.7
Farm products	Oct. 30	192.1	*192.3	191.1	178.8
Grains	Oct. 30	189.5	188.9	183.8	167.0
Livestock	Oct. 30	247.6	253.5	260.1	223.9
Foods	Oct. 30	189.9	*190.1	189.5	172.4
Meats	Oct. 30	282.1	282.4	284.7	239.8
All commodities other than farm and foods	Oct. 30	165.1	165.1	165.2	162.3
Textile products	Oct. 30	156.8	*156.8	158.7	164.3
Fuel and lighting materials	Oct. 30	138.8	138.8	138.7	135.6
Metals and metal products	Oct. 30	190.9	190.9	190.9	179.8
Building materials	Oct. 30	223.8	223.7	223.0	216.0
Lumber	Oct. 30	346.6	345.9	343.6	‡
Chemicals and allied products	Oct. 30	140.7	141.8	141.0	133.6

*Revised. ‡Not available. ‖Includes 400,000 barrels of foreign crude runs.

	Latest Month	Previous Month	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:			
Steel ingots and steel for castings produced (net tons)—Month of September	8,644,000	*8,733,592	8,204,997
Shipments of steel products, including alloy and stainless (net tons)—Month of August	6,755,589	5,988,574	6,326,464
AMERICAN ZINC INSTITUTE, INC.—Month of September:			
Slab zinc smelter output, all grades (tons of 2,000 lbs.)	70,623	74,035	71,057
Shipments (tons of 2,000 lbs.)	64,632	74,191	75,241
Stocks at end of period (tons)	17,235	11,244	10,267
Unfilled orders at end of period (tons)	66,838	62,867	69,062
COAL OUTPUT (BUREAU OF MINES)—Month of September:			
Bituminous coal and lignite (net tons)	42,689,000	47,156,000	47,297,000
Pennsylvania anthracite (net tons)	3,178,000	3,514,000	3,835,000
Beehive coke (net tons)	552,300	625,400	619,700
COKE (BUREAU OF MINES)—Month of Sept.:			
Production (net tons)	6,470,251	6,777,820	6,329,900
Oven coke (net tons)	5,923,388	6,152,299	5,710,200
Beehive coke (net tons)	546,863	625,521	619,700
Oven coke stocks at end of month (net tons)	1,763,801	1,626,389	855,133
ALUMINUM (BUREAU OF MINES):			
Production of primary aluminum in the U. S. (in short tons)—Month of August	73,816	72,698	63,006
Stocks of aluminum (short tons) end of Aug.	10,968	11,369	10,516
AMERICAN GAS ASSOCIATION — For Month of August:			
Total gas (M therms)	3,254,515	3,123,907	2,803,400
Natural gas sales (M therms)	3,053,840	2,906,813	2,608,600
Manufactured gas sales (M therms)	99,488	110,278	116,800
Mixed gas sales (M therms)	101,187	106,816	78,000
COAL EXPORTS (BUREAU OF MINES) — Month of August:			
U. S. exports of Pennsylvania anthracite (net tons)	605,128	526,289	318,127
To North and Central America (net tons)	293,578	294,884	318,092
To South America (net tons)	308	35	------
To Europe (net tons)	311,228	231,370	35
To Asia (net tons)	14	------	------
To Africa (net tons)	------	------	------
CONSUMER CREDIT OUTSTANDING—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM — Estimated short-term credit in millions as of Sept. 30:			
Total consumer credit	$19,356	$19,262	$19,329
Instalment credit	13,156	13,044	13,344
Sale credit	7,320	7,247	7,858
Automobile	4,171	4,138	4,213
Other	3,149	3,109	3,645
Loan credit	5,836	5,797	5,486
Noninstalment credit	6,200	6,218	5,985
Charge accounts	3,700	3,724	3,741
Single payment loans	1,403	1,399	1,197
Service credit	1,097	1,095	1,047
EDISON ELECTRIC INSTITUTE:			
Kilowatt-hour sales to ultimate consumers—Month of August (000s omitted)	26,725,250	25,663,089	23,777,151
Revenue from ultimate customers—month of August	$469,300,000	$457,799,100	$421,089,900
Number of ultimate customers at Aug. 31	46,214,651	46,066,441	44,283,690
FABRICATED STRUCTURAL STEEL (AMERICAN INSTITUTE OF STEEL CONSTRUCTION)—Month of September:			
Contracts closed (tonnage)—estimated	188,013	*212,256	317,225
Shipments (tonnage) estimated	229,299	*239,840	198,719
HOUSEHOLD WASHERS AND IRONERS — STANDARD SIZE — (AMERICAN HOME LAUNDRY MANUFACTURERS' ASSOCIATION)—Month of September:			
Factory sales of washers (units)	313,746	239,081	424,043
Factory sales of ironers (units)	18,300	17,200	41,400
Factory sales of dryers (units)	43,752	40,191	31,399
INTERSTATE COMMERCE COMMISSION—			
Index of Railway Employment at middle of September (1935-39 average=100)	123.0	124.4	122.8
MOTOR VEHICLE FACTORY SALES FROM PLANTS IN U. S. (AUTOMOBILE MANUFACTURERS ASSN.)—Month of Sept.:			
Total number of vehicles	476,002	549,708	722,842
Number of passenger cars	365,906	426,932	616,827
Number of motor trucks	109,353	121,993	105,593
Number of motor coaches	743	783	423
PORTLAND CEMENT (BUREAU OF MINES)—Month of September:			
Production (bbls.)	22,269,000	22,085,000	20,945,000
Shipment from mills (bbls.)	23,256,000	25,852,000	22,810,000
Stocks (at end of month—barrels)	10,290,000	11,277,000	7,642,000
Capacity used	100%	98%	98%
METAL PRICES (E. & M. J. QUOTATIONS)— Average for month of October:			
Copper (per pound)—			
Electrolytic domestic refinery	24.200c	24.200c	24.200c
Electrolytic export refinery	27.425c	27.425c	24.425c
Lead (per pound)—			
Common, New York	19.000c	17.000c	16.040c
Common, St. Louis	18.800c	16.800c	15.840c
Silver and Sterling Exchange—			
Silver, New York (per ounce)	88.147c	90.160c	75.060c
Silver, London (pence per ounce)	77.130c	78.500c	65.182c
Sterling Exchange (Check)	$2.79943	$2.79921	$2.80000
Zinc (per pound)—East St. Louis	19.500c	17.500c	17.500c
Tin (per pound)—			
New York Straits	103.000c	103.000c	113.420c
§§New York, 99% min.	102.000c	102.000c	112.420c
Gold (per ounce, U. S. price)	$35.000	$35.000	$35.000
Quicksilver (per flask of 76 pounds)	$216.962	$206.250	$89.520
¶Antimony (per pound) (E. & M. J.)	45.350c	45.350c	35.280c
Antimony (per pound) bulk, Laredo	42.000c	42.000c	32.000c
Antimony (per pound) in cases, Laredo	42.500c	42.500c	32.500c
Antimony (per pound), Chinese Spot	Nominal	Nominal	Nominal
Platinum, refined (per ounce)	$90.000	$90.000	$95.200
†Cadmium (per pound)	$2.55000	$2.55000	$2.40000
‡Cadmium (per pound)	$2.67500	$2.67500	$2.52500
§Cadmium (per pound)	$2.80000	$2.80000	$2.65000
Cobalt, 97%	$2.40000	$2.10000	$1.80000
Aluminum, 99% plus, ingot (per pound)	19.000c	19.000c	19.000c
Magnesium, ingot (per pound)	24.500c	24.500c	24.500c
**Nickel	56.500c	50.500c	48.000c

*Revised figure. †Based on the producers' quotation. ‡Based on the average of the producers' and platers' quotations. §Based on platers' quotations. ¶Domestic, five tons or more but less than carload lot packed in cases, f.o.b. New York. **F.O.B. Port [illegible] §§Tin contained.

Securities Now in Registration

★ REVISIONS THIS WEEK
• INDICATES ADDITIONS

New Registrations and Filings

Acushnet Process Co. (11/20)
Nov. 2 filed 40,000 shares of common stock (par $2). **Price**—To be supplied by amendment. **Underwriter**—Paine, Webber, Jackson & Curtis, Boston, Mass. **Proceeds**—To certain selling stockholders. **Office**—New Bedford, Mass.

American-Marietta Co., Chicago, Ill. (11/26-27)
Nov. 6 filed 48,634 shares of common stock (par $2) and 7,779 shares of 5% cumulative preferred stock (par $100). **Price**—To be supplied by amendment. **Underwriters**—H. M. Byllesby & Co., Inc., and A. C. Allyn & Co., Inc., Chicago, Ill. **Proceeds**—To 18 selling stockholders.

Birmingham Fire Insurance Co. (11/15)
Nov. 1 (letter of notification) 12,500 shares of common stock, to be offered to stockholders of record Nov. 15 at rate of one share for each seven shares held. **Price**—At par ($10 per share). **Underwriter**—None. **Proceeds**—To enlarge insurance business. **Office**—221 No. 21st St., Birmingham 3, Ala.

Columbia Gas System, Inc. (11/26)
Nov. 1 filed 1,501,826 shares of common stock (no par), to be offered to common stockholders of record Nov. 26 at rate of one new share for each 10 shares held with oversubscription privilege; rights to expire about Dec. 12. **Price**—To be supplied by amendment. **Underwriters**—To be determined by competitive bidding. Probable bidders: Shields & Co. and R. W. Pressprich & Co. (jointly); Morgan Stanley & Co.; Merrill Lynch, Pierce, Fenner & Beane; Lehman Brothers, Goldman, Sachs & Co. and Union Securities Corp. (jointly). **Proceeds**—To finance construction program. **Bids**—Expected to receive up to 11:30 a.m. (EST) on Nov. 26.

Consolidated Engineering Corp., Pasadena, Calif.
Oct. 29 (letter of notification) 460 shares of common stock (par $1), to be issued upon exercise of stock options held by Armand F. DuFresne and Paul W. Heasley. **Price**—$27 per share. **Underwriter**—None. **Proceeds**—For working capital.

Consolidated Silver Lead Mines, Inc., Duphie, Idaho
Oct. 29 (letter of notification) 400,000 shares of capital stock (par 10 cents). **Price**—25 cents per share. **Underwriter**—None. **Proceeds**—For development of mines. **Offices**—Duphie, Ida., and 6501 N. Greeley, Portland, Ore.

Dee Cee Corp., Shreveport, La.
Nov. 2 (letter of notification) 30,422 shares of capital stock. **Price**—At par ($1 per share). **Underwriter**—None. **Proceeds**—To develop oil leases. **Office**—1049 Southfield Road, Shreveport, La.

Florida Telephone Corp., Ocala, Fla.
Oct. 29 (letter of notification) 26,000 shares of common stock (par $10). **Price**—$11.50 per share. **Underwriter**—None. **Proceeds**—For expansion program.

Garco Corp., Seattle, Wash.
Nov. 1 (letter of notification) 150,000 shares of common stock. **Price**—At par ($1 per share). **Underwriter**—None. **Proceeds**—For expansion of production. **Office**—203 West Thomas St., Seattle, Wash.

Golden Century Industries, Inc., Salt Lake City, Utah
Oct. 29 (letter of notification) 200,000 shares of common stock. **Price**—50 cents per share. **Underwriter**—None. **Proceeds**—For mining expenses. **Office** — 413 Darling Bldg., Salt Lake City 1, Utah.

Granite City Steel Co., Granite City, Ill. (11/28)
Nov. 5 filed 102,276 shares of cumulative preferred stock (par $100), convertible through Dec. 31, 1961, to be offered for subscription by common stockholders at rate of one preferred share for each 12½ shares of common stock. **Price**—To be supplied by amendment. **Underwriters**—The First Boston Corp. and Merrill Lynch, Pierce, Fenner & Beane, New York. **Proceeds**—From sale of stock, together with proceeds from proposed sale of $25,000,000 first mortgage bonds, will be added to general funds of the company, for use in connection with its steel production expansion program. **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.

Ithaca Mutual Music Co., Inc.
Nov. 2 (letter of notification) 12,500 shares of common stock (no par). **Price** — $10 per share. **Underwriter**—None. **Proceeds** — For working capital and to increase inventory of music machines and parts.

Kankakee Water Co., Portland, Me.
Oct. 29 (letter of notification) 2,186 shares of 5½% cumulative preferred stock (par $100). **Price**—$105 per share. **Underwriter**—None. **Proceeds**—For additions and improvements. **Office**—95 Exchange Street, Portland 6, Maine.

Knorr-Maynard, Inc., Detroit, Mich.
Oct. 31 (letter of notification) $250,000 of 6% 10-year registered debentures. **Price**—At par (in denominations of $1,000 each). **Underwriter**—Lang-Hennan & Co., Detroit, Mich. **Proceeds** — For working capital. **Office**—5743 Woodward Ave., Detroit 2, Mich.

Long Island Lighting Co. (11/27)
Oct. 31 filed $25,000,000 of first mortgage bonds, series D, due 1976. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc. and The First Boston Corp. (jointly); Lehman Brothers; Kidder, Peabody & Co.; Smith, Barney & Co.; W. C. Langley & Co.; 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. **Bids**—Expected to be received on Nov. 27.

Love Hollow Limestone Co., Little Rock, Ark.
Nov. 1 (letter of notification) $150,000 of first lien 6% bonds. **Price**—At par (in denominations of $1,000 each). **Underwriters** — Hill, Crawford & Lanford, Inc., and Southern Securities Corp., of Little Rock, Ark. **Proceeds**—To purchase portable quarrying equipment. **Office**—815 Boyle Bldg., Little Rock, Ark.

Manufacturers Chemical Co., Milwaukee, Wis.
Oct. 29 (letter of notification) 375 shares of common stock (to be sold only in Wisconsin). **Price**—At par ($100 per share). **Underwriter**—None. **Proceeds**—For working capital. **Office**—204 West Washington Street, Milwaukee 4, Wis.

Mohawk Business Machines Corp. (11/9)
Nov. 2 (letter of notification) 80,385 shares of common stock (par 10 cents). **Price**—$1 per share. **Underwriter**—Tellier & Co., New York. **Proceeds** — For working capital.

Mt. Mansfield Hotel Co., Inc., Stowe, Vt.
Oct. 18 (letter of notification) 2,000 shares of common stock. **Price**—At par ($100 per share). **Underwriter**—None. **Proceeds**—To retire indebtedness.

National Rubber Machinery Co., Akron, O. (11/9)
Oct. 30 (letter of notification) 22,000 shares of common stock (par $10), to be offered to common stockholders of record Nov. 9 at rate of one share for each seven shares held, with an oversubscription privilege; rights to expire on Nov. 29. **Price**—$11 per share. **Underwriter**—None. **Proceeds**—For working capital, etc. **Office**—47 West Exchange St., Akron 8, Ohio.

Nebraska Central Telephone Co., Gibbon, Neb.
Oct. 30 (letter of notification) $55,000 of first mortgage 4½% bonds, series A, due Nov. 15, 1971. **Price**—At 102 and accrued interest. **Underwriter** — Wachob-Bender Corp., Omaha, Neb. **Proceeds**—To reduce debt.

Northern Oil Co., Salt Lake City, Utah
Oct. 29 (letter of notification) 500,000 shares of common stcok (par 10 cents). **Price**—50 cents per share. **Underwriter**—None. **Proceeds**—For drilling expenses. **Office**—19 West South Temple St., Salt Lake City, Utah.

Recovery Oil Co., Durango, Colo.
Oct. 29 (letter of notification) 50,000 shares of common stock (may be offered and issued for leases, royalties, and drilling on basis of one share of stock for each $1 value based on going rates). **Price**—At par ($1 per share). **Underwriter**—None. **Proceeds**—To drill wells. **Office**—735 Main Avenue (P. O. Box 375), Durango, Colorado.

Southwest Louisiana Community Hotel Corp., Jennings, La.
Oct. 29 (letter of notification) $225,000 of first mortgage 5% bonds. **Price** — At principal amount (in denominations of $1,000 each). **Underwriter**—None. **Proceeds**—To construct, equip and maintain a hotel.

Standard Cable Corp., Chickasha, Okla.
Oct. 29 (letter of notification) 11,319 shares of common stock (par 25 cents) to be issued at $1.50 per share "to settle accrued wages and a loan to R. P. Hall, J. T. Sullivan, L. W. Lord, and W. D. Claypool."

Sylvania Electric Products, Inc. (11/20)
Nov. 1 filed $25,000,000 of sinking fund debentures due 1971. **Price**—To be supplied by amendment. **Underwriters**—Paine, Webber, Jackson & Curtis and Halsey, Stuart & Co. Inc., New York. **Proceeds**—To retire $17,200,000 of 3¼% debentures, to finance expansion program and for working capital. **Meeting**—Stockholders will vote Nov. 19 on approving financing program (See also registration of 200,000 shares of preferred stock.)

Sylvania Electric Products, Inc. (11/20)
Nov. 1 filed 200,000 shares of $4.25 cumulative convertible preferred stock (no par). **Price**—To be supplied by amendment. **Underwriter**—Paine, Webber, Jackson & Curtis, New York. **Proceeds**—To increase plant capacity and for working capital. **Meeting**—Stockholders will vote Nov. 19 on approving financing program. (See also registration of $25,000,000 of debentures.)

Tennessee Gas Transmission Co.
Nov. 1 filed $25,000,000 of 20-year sinking fund debentures due Nov. 1, 1971. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Stone & Webster Securities Corp. and White, Weld & Co. (jointly). **Proceeds**—To repay short-term notes and for expansion program. **Bids**—Expected to be received in December.

United Merchants & Manufacturers, Inc., N. Y.
Nov. 2 filed 300,000 shares of common stock (par $1) to be issuable under "The Employees Stock Purchase Plan and The Executive Employees Restricted Stock Option Plan." **Underwriter**—None. **Proceeds**—For general corporate purposes.

U. S. Rubber Reclaiming Co., Inc.
Nov. 2 (letter of notification) 4,224 shares of common stock (par $1). **Price**—At market, but not less than $5 per share. **Underwriter**—None, but Landenburg, Thalmann & Co., New York, will act as broker. **Proceeds**—To selling stockholder.

Video Corp. of America (11/9)
Nov. 2 (letter of notification) 468,105 shares of common stock. **Price**—At par (10 cents per share). **Underwriter** — Tellier & Co., New York. **Proceeds** — For working capital.

Weaver Gold Placers, Inc., Phoenix, Ariz.
Oct. 22 (letter of notification) 37,500 shares of 5% preferred stock (par $2) and 187,500 shares of common stock (par 10 cents) to be offered in units of one preferred and five common shares. **Price**—$2 per unit. **Underwriter**—None. **Proceeds**—For mining equipment, exploration, etc., expenses. **Office** — 1004 No. Second St., Phoenix, Ariz.

West Coast Telephone Co. (11/26)
Nov. 5 filed 40,000 shares of common stock (par $20). **Price**—To be supplied by amendment. **Underwriter**—Blyth & Co., Inc. **Proceeds**—For expansion program and to reduce bank loans.

Previous 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 Reduction Co., Inc., N. Y.
Oct. 10 filed 248,805 shares of 4.50% cumulative preferred stock, 1951 series (par $100) being 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**—$100 per share. **Underwriters**—Morgan Stanley & Co. and Harriman Ripley & Co., both of New York. **Proceeds**—For expansion program.

Alabama Flake Graphite Co., Birmingham, Ala.
July 12 (letter of notification) $100,000 of 7% 20-year sinking fund bonds dated Jan. 15, 1949 and due Jan. 15, 1969 (in denominations of $1,000 each). **Price**—At par. **Underwriter**—Odess, Martin & Herzberg, Inc., Birmingham, Ala. **Proceeds**—For plant expansion. **Office**—420 Comer Bldg., Birmingham, Ala.

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.

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.

American Brake Shoe Co.
June 29 filed 50,000 shares of common stock (no par) to be offered to certain officers and key employees through a stock purchase plan. **Price**—To be not greater than the market price on the date of the offering, or no less than 85% of such price. **Underwriter**—None. **Proceeds**—To be added to general funds.

American Investment Co. of Illinois
Aug. 16 filed 167,105 shares of $1.25 cumulative convertible preference stock, series A (par $25), being offered in exchange for common stock of Domestic Finance Corp., Chicago, Ill. on basis of one American share for each five Domestic common shares; the offer to expire on Sept. 30, 1952. **Dealer-Managers**—Kidder, Peabody & Co., New York, and Alex. Brown & Sons, Baltimore, Md. Statement effective Sept. 5.

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.

NEW ISSUE CALENDAR

November 8, 1951

Seaboard Air Line RR. noon (EST)__**Eq. Trust Ctfs.**

November 9, 1951

Consolidated Freightways, Inc.__________**Common**
Eureka Corp., Ltd.____________________**Common**
Mohawk Business Machines Corp._________**Common**
National Rubber Machinery Co.__________**Common**
Video Corp. of America_________________**Common**

November 13, 1951

Florida Power & Light Co. noon (EST)_____**Bonds**
Great Northern Ry. noon (EST)__**Equip. Trust Ctfs.**
Hycon Corp.____________________________**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**
General Acceptance Corp.______________**Debentures**
Jacobsen Manufacturing Co.______________**Common**
New York Air Brake Co.__________________**Common**
Penn Controls, Inc._____________________**Common**

November 15, 1951

Birmingham Fire Insurance Co.____________**Common**
Imperial Oil, Ltd.______________________**Common**
Metals & Chemicals Corp.________________**Common**
Oxford Paper Co.________________________**Common**
Pittsburgh & Lake Erie RR.
noon (EST) ___________________**Equip. Trust Ctfs.**
Silex Co._______________________________**Common**
Silver Buckle Mining Co.________________**Common**
Western Maryland Ry. 11:30 a.m. (EST)_____**Bonds**

November 16, 1951

Abbott Laboratories ___________________**Preferred**

November 19, 1951

Fanner Manufacturing Co.________________**Common**
Gulf States Utilities Co. noon (EST)________**Bonds**
Lehigh & New England RR.
noon (EST)____________________**Equip. Trust Ctfs.**
Northern Indiana Public Service Co.___**Preference**
Western Leaseholds, Ltd.________________**Common**

November 20, 1951

Acushnet Process Co.____________________**Common**
Johnston Testers, Inc.__________________**Common**
Pacific Telephone & Telegraph Co.
11:30 a.m. (EST)_____________________**Debentures**
Parker Pen Co.__________________________**Class B**
Sylvania Electric Products, Inc.________**Debs. & Pfd.**

November 21, 1951

New York Central RR.__________**Equip. Trust Ctfs.**

November 23, 1951

Carolina Telephone & Telegraph Co._____**Common**

November 26, 1951

American-Marietta Co. ____________**Pfd. & Common**
Columbia Gas System, Inc. 11:30 a.m. (EST)__**Com.**
West Coast Telephone Co.________________**Common**

November 27, 1951

Central Illinois Light Co. 11 a.m. (EST)_____**Bonds**
Erie RR. _______________________**Equip. Trust Ctfs.**
Long Island Lighting Co.__________________**Bonds**
Pacific Telephone & Telegraph Co._______**Common**

November 28, 1951

Granite City Steel Co.________________**Preferred**

December 5, 1951

Central Maine Power Co. 11 a.m. (EST)____**Bonds**

December 6, 1951

Central Maine Power Co.________________**Common**
Texas & Pacific Ry.____________**Equip. Trust Ctfs.**

December 10, 1951

Virginia Electric & Power Co.______________**Bonds**

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), of which 500 shares will be offered in exchange for old preferred stock. **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 Building, Seymour, Ind.

Burlington Mills Corp.
March 5 filed 300,000 shares of convertible preferred 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 Petroleums 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.

★ **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; right to expire on Dec. 12. **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 at 11 a.m. (EDT) on Nov. 27.

★ **Central Maine Power Co. (12/5)**
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. **Bids**—Expected to be invited Nov. 21 and opened at 11 a.m. (EST) on Dec. 5 at 443 Congress Street, Portland, Me.

★ **Central Maine Power Co. (12/6)**
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 of record Dec. 5 at rate of five shares of common for each seven shares of preferred stock held and at rate of one share of new common for each seven shares of common stock held; rights to expire on Dec. 17. 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.; Harrison 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.

★ **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. Statement effective Oct. 30.

Consumers Public Service Co., Brookfield, Mo.
Aug. 22 (letter of notification) 1,500 shares of 5% cumulative preferred stock. **Price** — At par ($50 per share). **Underwriter**—None, but will be sold through Wachob-Bender Corp., Omaha, Neb. **Proceeds**—For liquidation of short-term notes and for further extensions and betterments of the company's electric property. **Office**—201½ No. Main St., Brookfield, Mo.

★ **County Gas Co., Atlantic Highlands, N. J.**
Oct. 23 (letter of notification) 10,399 shares of common stock (no par) of which 1,800 shares are being offered to stockholders of record Oct. 15 on a 2-for-17 basis; and 8,599 shares are offered to the public; rights expire on Nov. 20. **Price**—To stockholders, $13 per share; to public $14.25 per share. **Underwriter**—Woodcock, Hess & Co., Inc., Philadelphia, Pa. **Proceeds**—For construction purposes.

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. 15, 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**—To be opened at 11 a.m. (EST) on Nov. 14, at 60 Broadway, New York 4, N. Y.

Dobeckmun 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 (11/9)**
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 as of record Nov. 9. Subscribers will receive for each three shares subscribed for, a warrant to purchase one additional share at $1.25 per share—Canadian—at any time until June 1, 1953. Rights will expire on Nov. 29. **Price**—55 cents per share—Canadian. **Underwriter**—None. **Proceeds**—For working capital.

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.

Fedders-Quigan Corp., L. I., N. Y.
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, at Room 2033, No. 2 Rector Street, New York 4, New York.

★ **General Acceptance Corp. (11/14)**
Sept. 26 filed $5,000,000 10-year 3½% sinking fund debentures due Oct. 1, 1961 (subsequently increased to $7,000,000 principal amount with a 3¾% coupon, of which $3,000,000 will be privately placed with two institutional investors and $4,000,000 will be offered publicly). **Price**—100% and accrued interest. **Underwriters**—Paine, Webber, Jackson & Curtis and Kidder, Peabody & Co., and associates. **Proceeds**—To refund 3⅜% senior notes, to reimburse company for funds used to repay 3½% installment notes and for business expansion and working capital.

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.

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.

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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.

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. **Underwriters**—H. M. Herrin & Co., Seattle, Wash.; and Pennaluna & Co., Wallace, Ida. **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.

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 38,239 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.

Jacobsen Manufacturing Co. (11/14)
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.

Keever Starch Co., Columbus, Ohio
Aug. 1 (letter of notification) 50,400 shares of common stock. **Price** — At par ($5 per share). **Underwriter**—None. **Proceeds**—To finance inventories and to purchase capital equipment. **Office**—538 E. Town St., Columbus, Ohio.

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. Statement effective Oct. 25.

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**—Fewel & Co., Los Angeles, Calif. **Proceeds**—To Richard W. Fewel, the selling stockholder. **Address**—P. O. Box 277, Kingsburg, Calif.

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.

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 $25,000,000 of first mortgage bonds on Nov. 27, 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.

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.**
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**—Coffin & Burr, Inc., New York. **Proceeds**—To retire outstanding preferred stock and to reduce construction notes. **Offering**—Expected this month.

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.

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.

★ **New York Air Brake Co., N. Y. (11/14)**
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.

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.

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.

★ **Northern Indiana Public Service Co. (11/19)**
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; rights to expire about Dec. 3. **Price**—To be supplied by amendment. **Underwriters**—Central Republic Co., Inc.; Blyth & Co., Inc.; and Merril Lynch, Pierce, Fenner & Beane. **Proceeds**—For construction program. Statement expected to become effective on Nov. 19.

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.

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 at 195 Broadway, New York, N. Y., before 11:30 a.m. (EST) on Nov. 30.

★ **Pacific Telephone & Telegraph Co. (11/27)**
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.

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.

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 91,674⅓ out of 100,000 shares outstanding); rights will expire on Nov. 21. **Price**—$30 per share. **Underwriter**—None. **Proceeds**—For working capital.

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.

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.

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-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.
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.

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 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, Combest & 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 Glore, 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.

★ **Rockland Light & Power Co.**
Sept. 21 filed $6,000,000 of first mortgage bonds, series D due 1981. **Underwriters**—Awarded on Nov. 7 to Halsey, Stuart & Co., Inc., on its bid of 102.0202 on a 3¾% coupon. **Proceeds**—To reduce bank loans and for construction program.

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.

★ **Silex Co., Hartford, Conn. (11/15)**
Oct. 19 (letter of notification) 53,750 shares of common stock (no par), to be offered for subscription by common stockholders of record Nov. 13 at rate of one share for each four shares held; rights to expire Nov. 30. **Price**—$5 per share. **Underwriter**—None. **Proceeds**—For working capital. **Office**—80 Pliny Street, Hartford, Conn.

Silver Buckle 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.

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.

★ **Standard Oil Co. (Ohio)**
Oct. 18 filed 364,727 shares of common stock (par $10) being 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.

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.

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.

Vinco 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. Osplack, the selling stockholder. **Office**—9111 Schaefer Highway, Detroit 28, Mich. **Withdrawal** — Letter has been withdrawn.

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 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 (for 625,000 shares) and A. E. Ames & Co., Ltd., and Mills, Spence & Co., Ltd., in Canada (for 625,000 shares). **Proceeds**—To 39 selling stockholders.

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. (11/9-13)**
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 retire present outstanding 5% preferred stock and 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.**
Nov. 7 company submitted to RFC the best bid of 100.375 for the purchase from RFC of $5,200,000 of the company's first mortgage 4% series A bonds due Jan. 1, 1993. This was 5¾ points above the nearest syndicate bid.

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 $300,000,00. **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.

● **Fort Dodge, Des Moines & Southern Ry.**
Nov. 1 company applied to ICC for authority to issue and sell $750,000 first mortgage bonds. Proceeds will be used to build additional power plant facilities.

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.

● **Hamilton Manufacturing Co.**
Oct. 30 it was reported company soon plans to issue and sell about 200,000 shares of common stock (par $5). **Underwriters**—A. C. Allyn & Co., Inc., Chicago, Ill.; Loewi & Co., Milwaukee, Wis. **Proceeds**—For working capital.

● **Hycon Corp. (Calif.) (11/12-17)**
Nov. 1 it was reported company plans to issue and sell 290,000 shares of common stock. **Price**—$1 per share. **Underwriters**—Gearhart, Kinnard & Otis, Inc., New York, and White & Co., St. Louis, Mo. **Proceeds**—For working capital. **Business**—Electronics.

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

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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.

● Kellogg Co., Battle Creek, Mich.
Oct. 30 it was reported Kellogg Foundation (said to be the owner of about 50% of the outstanding $1 par stock) may dispose of some of its holdings. **Underwriter**—Probably Morgan Stanley & Co., New York.

★ Lehigh & New England RR. (11/19)
Bids will be received by the company at Room 2001, 123 So. Broad Street, Philadelphia 9, Pa., up to noon (EST) on Nov. 19 for the purchase from it of $1,875,000 equipment trust certificates, series M, to mature in 15 equal annual instalments. Probable bidders: Halsey, Stuart & Co. Inc., Salomon Bros. & Hutzler.

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.

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.; Merill 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.

● Niagara Mohawk Power Corp.
Oct. 26 it was announced that company anticipates that permanent financing will be undertaken early in 1952 in order to repay $35,000,000 bank loans. No definite plans for such financing have been formulated. **Underwriters**—To be determined by competitive bidding, if bonds. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Kuhn, Loeb & Co.; The First Boston Corp. Merrill Lynch, Pierce, Fenner & Beane may bid for common stock if same is to be issued.

● Northern States Power Co. (Minn.)
Oct. 25 it was announced company estimates that approximately $32,500,000 of new money will be required to finance its construction program for 1951 and 1952 through the sale next year of common stock, and senior securities. Probable bidders for stock and bonds: Smith, Barney & Co.; The First Boston Corp.; Glore, Forgan & Co.; Lehman Brothers and Riter & Co. (jointly); Equitable Securities Corp.; Union Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane; Kidder, Peabody & Co. and White, Weld & Co. (jointly). Probable bidder on bonds only: Halsey, Stuart & Co. Inc.

Olsen, Inc., Elyria, O.
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. **Offering**—Expected in November.

Parkersburg Rig & Reel Co.
Aug. 1 A. Sidney Knowles, Chairman and President, announced that the directors have approved in principle a plan to offer a modest amount (not exceeding $300,000) of common stock for subscription by common stockholders. This may involve the issuance of 24,700 additional shares on a one-for-eight basis. There are presently outstanding 197,600 shares of $1 par value. **Probable Underwriter**—H. M. Byllesby & Co., Chicago, Ill. **Proceeds**—For working capital.

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.

● Pioneer Air Lines, Inc., Dallas, Tex.
Oct. 31 it was reported that company may issue additional securities sufficient to raise about $700,000 to $800,000. **Underwriters**: Probably Schneider, Bernet & Hickman and First Southwest Co., both of Dallas, Tex.; and Chas. B. White & Co. of Houston, Tex.

★ Pittsburgh & Lake Erie RR. (11/15)
Bids will be received by the company at 466 Lexington Avenue, New York, N. Y., until noon (EST) on Nov. 15 for the purchase from it $6,435,000 equipment trust certificates to mature in 1-to-15 years. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

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 1,000,000 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.

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 4⅛% 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 3⅛% 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.

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 Land Trust
Nov. 5 it was reported that secondary offering of 55,100 of sub-shares (par $1) was planned. This may be reduced to 30,000 shares. **Price**—To be announced later. **Underwriters**—Clark, Dodge & Co. and The First Boston Corp., New York. **Proceeds**—To United States Smelting, Refining & Mining Co., the selling stockholder.

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.

● Transcon Lines, Los Angeles, Calif.
Oct. 31 it was reported company may be considering issuance and sale of 30,000 shares of common stock (par $10). **Underwriter**—Probably Floyd A. Allen & Co., Inc., Los Angeles, Calif.

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 at 11:30 a.m. (EST) 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 Central Airlines, Inc.
Oct. 30 it was stated the company plans to offer for subscription by common stockholders 51,667 additional shares of common stock (par $1) on a 1-for-3 basis, with an oversubscription privilege. **Underwriter**—Loewi & Co., Milwaukee, Wis.

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 investment world is "singing the blues" these days and not without some justification. Currently the market is not conducive to cheerfulness.

To add to prevailing woes, as though these of themselves were not enough, there is a growing disposition on the part of some people who have been lugging unsold portions of new issues to let these go.

The weight of this selling in an already thin market naturally leaves its mark. Some of the leftovers now being worked off have been carried along for many weeks.

Meantime the general picture is not especially gratifying. The general complaint is that people "are in no mood to do business." The disturbed market situation is a weighty factor behind this reticence, of course, but the international picture is not such as promotes confidence.

Every bit as important, however, judging from the run-of-the-mine reports reaching underwriters and dealers, is the rather widespread tendency of investors to sit back and look over the newly created tax situation.

Institutions and individuals alike are quite keenly aware of the newest tax bite and for the moment the rank and file are inclined to do little more than mark time and endeavor to determine just what the Revenue Act of 1951 means where their particular holdings are concerned.

Big Triborough Deal

Reports in the Street indicate that the Triborough Bridge Authority is just about ready to go through with its huge refinancing program. It is expected that this big operation will be in the works within a week or ten days.

It calls for the flotation of some $210,000,000 of new serial refunding bonds which would be due from 1957 through 1969.

Two banking groups are understood to be in the field for this business which will enable the Authority to consolidate its outstanding debt represented by three separate issues.

Test Corporate Market

Provided there is no change in the plans of the prospective issuer, the new corporate bond market appears likely to experience a test of its absorbtion powers next week.

Bids are due up Wednesday on $40,000,000 of new general and refunding 25-year bonds of Detroit Edison Co. Four banking groups have been organized to seek this business.

The underwriting fraternity will be watching this one with more than usual interest since it has been observed that handling $5,000,000, $10,000,000 and $15,000,000 issues when they are priced right is one thing, but it's another field when you get up into the $40,000,000 and $50,000,000 deals.

Other Issues on Tap

Several smaller pieces of new financing via the bond market are due out next week with Florida Power & Light Co. scheduled to open bids Tuesday on $10,000,000 of 30-year first mortgage bonds.

Great Northern Railway on the same day will market $16,900,000 of new equipment trust certificates, one of the largest offerings of this type in some weeks.

On Thursday of next week Western Maryland Railway Co. will open bids on $14,950,000 of new 25-year series B general mortgage bonds to refinance a similar amount of debt maturing Oct. 1, 1952. Three groups will bid for this offering.

Meanwhile a number of preferred and common equity deals are in the calandar, but these could be set back if the stock market encounters anything in the way of a fresh blow.

Continued from page 8

Dealer-Broker Investment Recommendations and Literature

Central Soya Co., Inc.—Bulletin—Remer, Mitchell & Reitzel, Inc., 208 South La Salle Street, Chicago 4, Ill.

Central Vermont Public Service Co.—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Citizens National Trust & Savings Bank of Los Angeles—Memorandum — Fewel & Co., 453 South Spring Street, Los Angeles 13, Calif.

Cosden Petroleum Corporation—Analysis—Sincere and Company, 231 South La Salle Street, Chicago 4, Ill.

Erie Forge—Comment on in "Highlights"—Troster, Singer & Co., 74 Trinity Place, New York 4, N. Y. Also in the same issue are comments on **Jacob Ruppert, Purolator Products and Safety Car Heating & Lighting.**

Grinnell Corporation—Analysis—Amott, Baker & Co., Incorporated, 150 Broadway, New York 38, N. Y.

Hunt Foods, Inc.—Brochure—Sutro & Co., 407 Montgomery Street, San Francisco 4, Calif.

Kentucky Securities — "Local Note" bulletin — The Bankers Bond Co., Inc., Kentucky Home Life Building, Louisville 2, Kentucky.

Middle South Utilities—Memorandum—Josephthal & Co., 120 Broadway, New York 5, N. Y. Also available are memoranda on **New York State Electric & Gas, Niagara Mohawk Power, Portland Gas & Coke, Scranton Electric, and South Carolina Electric & Gas.**

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.**

Phillips Petroleum — Analysis — Newborg & Co., 30 Broad Street, New York 4, N. Y.

Placer Development Limited—Analysis—John R. Lewis, Inc., 1006 Second Avenue, Seattle 4, Wash.

Reading Tube Corporation—Circular—Aetna Securities Corporation, 111 Broadway, New York 6, N. Y.

Riverside Cement Company—Card memorandum—Lerner & Co., 10 Post Office Square, Boston 9, Mass. Also available is a memorandum on **Gear Grinding Machine Co.** and on **Seneca Falls Machine Co.**

Seneca Oil Company—Analysis—Genesee Valley Securities Co., Powers Building, Rochester 14, N. Y.

Studebaker Corporation—Analysis—Van Alstyne, Noel & Co., 52 Wall Street, New York 5, N. Y.

Tide Water Associated Oil Company—Analysis—Bruns, Nordeman & Co., 60 Beaver Street, New York 4, N. Y.

Trane Company—Analysis—Cruttenden & Co., 209 South La Salle Street, Chicago 4, Ill.

U. S. Thermo Control—Data—Raymond & Co., 148 State Street, Boston 9, Mass. Also available is information on **Thermo King Railway.**

DIVIDEND NOTICES

CANCO AMERICAN CAN COMPANY

COMMON STOCK

On October 30, 1951 a special dividend of one dollar per share was declared on the Common Stock of this Company, payable December 15, 1951 to Stockholders of record at the close of business November 21, 1951. Transfer books will remain open. Checks will be mailed.

EDMUND HOFFMAN, Secretary

Allegheny Ludlum Steel Corporation

Pittsburgh, Penna.

At a meeting of the Board of Directors of the Allegheny Ludlum Steel Corporation held today, October 30, 1951, a dividend of fifty cents (50c) per share was declared on the Common Stock of the Corporation, payable December 22, 1951, to Common stockholders of record at the close of business on December 1, 1951. In addition, the Board declared an extra dividend of fifty cents (50c) per share on the Common Stock, also payable December 22, 1951, to Common stockholders of record on December 1, 1951.

S. A. McCASKEY, Jr.
Secretary

THE DAYTON POWER AND LIGHT COMPANY

DAYTON, OHIO

117th Common Dividend

The Board of Directors has declared a regular quarterly dividend of 50c per share on the Common Stock of the Company, payable on December 1, 1951 to stockholders of record at the close of business on November 14, 1951.

GEORGE SELLERS, Secretary

November 2, 1951

THE FLINTKOTE COMPANY

30 ROCKEFELLER PLAZA — FLINTKOTE PROTECTION — NEW YORK 20, N. Y.

A quarterly dividend of $1.00 per share has been declared on the **$4 Cumulative Preferred Stock** payable December 15, 1951 to stockholders of record at the close of business December 1, 1951.

A quarterly dividend of $.50 per share and a year end dividend of $1.00 per share have been declared on the **Common Stock** payable December 10, 1951, to stockholders of record at the close of business November 26, 1951.

CLIFTON W. GREGG,
Vice-President and Treasurer

November 7, 1951

DIVIDEND NOTICES

St. Louis, Rocky Mountain & Pacific Co.
Raton, New Mexico, November 1, 1951.
COMMON STOCK DIVIDEND NO. 108

The above company has declared a dividend of Fifty Cents per share on the Common Stock of the Company to stockholders of record at the close of business November 15, 1951, payable December 1, 1951. Transfer books will not be closed.

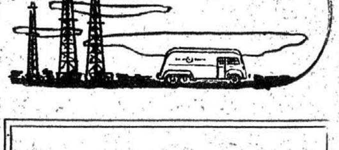
P. L. BONNYMAN, Treasurer.

TECHNICAL OIL FIELD SERVICES
LANE-WELLS COMPANY

Dividend Notice

The Directors have declared a quarterly dividend of 30 cents and an extra dividend of 20 cents per share on the common stock, payable December 15, 1951, to stockholders of record November 21, 1951.

WILLIAM A. MILLER
Secretary-Treasurer



NATIONAL CAN CORPORATION

DIVIDEND

The Board of Directors today declared a dividend of fifteen cents (15c) per share on the Common Stock of the Company, payable December 14, 1951, to stockholders of record at the close of business November 30, 1951.

C. L. THOMPSON
Chairman of the Board and President

November 2, 1951.

PEPPERELL FABRICS

PEPPERELL MANUFACTURING COMPANY

Boston, November 1, 1951

A regular quarterly dividend of Seventy Cents (75¢) and an extra dividend of Fifty Cents (50¢) per share have been declared payable November 15, 1951, to stockholders of record at the close of business November 8, 1951.

Checks will be mailed by the Old Colony Trust Company of Boston, Dividend Disbursing Agents.

PAUL E. CROCKER, *Secretary*
160 State Street, Boston, Mass.

pf

PACIFIC FINANCE CORPORATION

DIVIDEND NOTICE

On October 24, 1951, the Board of Directors declared a regular quarterly dividend of 50 cents per share and a special dividend of 25 cents per share on the common stock ($10 par value), both payable December 1, 1951, to stockholders of record November 15, 1951.

B. C. Reynolds
B. C. REYNOLDS, *Secretary*

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—Charley Brannan's latest dream of empire has vanished in the cold awakening dawn, and that dawn has told Charley that great bureaucratic empires are won not by fighting 100 simultaneous campaigns on 100 separate fronts, but by piecemeal conquest of the conservative enemy over a dozen or so years, as has become the more standard Roosevelt-Truman technique.

Charley's beautiful dream of empire is all set forth in the "Family Farm Policy Review," a 121-page offset job first issued June 11. Its style is the all-promising, over-simplicity of Truman. Its music is Wagnerian.

Even when it is read—and few farmers could understand it—it defies credulity. It defies credulity because even after reading it, it does not seem possible that one or a group of buraucrat's ambitions could ever be so all-encompassing. Or, if one is of the belief that most officials are dedicated to the public weal, it doesn't seem possible that one official could imagine he had such wisdom that he could dedicate himself to solving so many hundreds of problems for so many millions of people.

To instance its breadth: The Brannan plan is reasserted, but enormous and controversial as are the implications of this plan alone, the reassertion is only a tiny part of the innumerable additional powers which the Department of Agriculture either "recommends" or "suggests" for itself in this 121-page document. The Brannan plan proposes that in lieu of conventional price supports, the government simply pay all farmers a cash bonus at the end of the year on ALL crops, the cash to make up the difference between selling price and "parity."

Among other things, the report suggests that the government buy up large farms and resell this land to farmers whose holdings are too small for what Mr. Brannan would consider efficient, profitable operation.

This, incidentally, is not the only instance of Mr. Brannan's willingness to sacrifice the large, successful commercial farmer for the sake of the small farmer. Under the direct payment subsidy or Brannan plan, the Secretary of Agriculture would put some kind of a limit on the dollar payments which could go to any one farmer. He also doesn't like such a high maximum as $2,500 per farm—the present statutory limit on the amount which can be paid to any individual for soil conservation practices. Throughout the report there are other instances which hint that Charley regards the successful farmers as kulaks whose liquidation would be in the social interest, leaving the unsuccessful farmers as his sole wards.

Only a few of the powers sought by Brannan can be listed in any reasonable space. He would set up a new Federal system of intermediate term loans (there is already one such under his department) to take care of needs too heavy to be financed with D of A short-term credit but too light to be financed with D of A long-term credit.

Brannan believes that he should set up a systen of long-term forestry credit so that people could be financed in making long-term investments in forestry. Charley would also use the tried and proved Federal aid device to cajole the states into setting up Federally-directed systems under which the cutting of all timber in the United States would be controlled.

Brannan would like to develop experimental "guinea pig" farms all over the country. Although he doesn't quite spell this out, the idea apparently is that if there were enough of these they could try every idea which occurred to any D of A official and "demonstrate" these wonderful practices to the poor farmers.

He would give the dapartment power to make direct government loans to farmers and cooperatives to encourage "defense food production."

The Secretary's ideas are not all strictly economic. "Good home management is essential if family farms are to be financially successful," Charley Brannan's report opined. "Unfortunately, little research in home management has been conducted," it was added, the misfortune being only that such research was not being conducted by the Agricultural Research Administration. It was recommended that ARA delve into such subjects as "time and money management in the home, housekeeping procedures, purchasing practices, child development, and family relations."

Brannan is apparently not at this point referring to getting Johnnie, the Farmer's Son, out of bed on a winter morning to start the fire, and break the ice on the water pail. This was made clear, because he would also do something about the poor state of farm houses and their lack of modernization by other recommendations elsewhere in the report. By family relations he means the problems, perhaps, of too demanding husbands, or why farm wives don't get mink coats.

As a whole, the report is one grand assemblage of proposed burdens for the Department of Agriculture and Charley Brannan to shoulder. If there is any departmental agency which Charley overlooked in his request for new and additional spending and regulatory powers, it is not visible to the microscope-equipped eye.

Brannan dispatched this package to the field staff of the Department of Agriculture and the local defense mobilization committees. All in all, the department has a local regulatory propaganda, and political bureaucracy of some 150,000 persons. Usually, but not invariably, these committeemen get about $7 per diem plus around five cents a mile for the use of their cars, when operating on business of the Secretary of Agriculture.

These committeemen, plus the available local bureaucracy of the D of A—Production and Marketing Administration, Farmers Home Administration, extension workers, Forest Service, et al., ad infinitum, were supposed to retail the virtues of the "Family Farm Policy Review" to the farmers. They held at least one meeting in every farm county, even if D of A bureaucracy often constituted half or more of the attendance at the meetings.

Instructions written by C. J. McCormick, the Under Secretary of Agriculture, were that these "tentative recommendations" were to be shown to the farmers. After the farmers had reacted to these recommendations, they were to be whipped into final form by the department.

In a word, the local D of A bureaucracy — conservative farm organizations opposing — were supposed to develop one enormous "groundswell of grass roots opinion," to use the jargon of the times, for the Bigger & Better Department of Agriculture.

* * *

Actually, the whole thing was a flop. Farmers could not read or savvy such an enormous brochure of new proposals, even when allegedly in their interest, in a two-hour meeting. The county meetings usually got tied up instead with such questions as "why is the department so late paying me for that lime I put on last spring." So even the most imaginative officials could not report to Charley Brannan a wild rush of farm opinion for his many-sided program.

And Charley has come around to admit it. He told a Senate Committee recently he was just being a good administrator and asking farmers—as any good Administrator should do—how are we doing, guys. "In such times of national emergency as now confront the country there is an ever-increasing need for the maximum effort on the part of all agencies of government to make certain that the programs they are operating are being carried out in the most efficient and effective and economical way possible," he said.

Charley specifically denied that he was trying to "sell" a program to the country through this review. The huge review, says Charley, was only to stimulate discussion. After all, if you get a roomful of 100 people, half of them farmers and half of them paid government agents, you have to have something for them to talk about.

This denial ex-post facto squares with the written language of the "Family Farm Policy Review," only in that Charley hasn't sold his program and he probably won't dare to submit recommendations to Congress in '52. He has got many farm leaders and Congressmen wise to what he is doing and in bitter opposition. So he has to give up, for the time being.

* * *

Old-time politicos here say that the Taft strategy of announcing is, in the light of relevant political circumstances, nothing short of brilliant. Furthermore, they say, a considerable part of the press has failed to grasp why. Here is the way they explain it:

Ordinarily when a candidate out in front announces early (when one is not in front, as when Harold Stassen announced early in the '48 campaign, he is laughed at), the announcement immediately becomes a signal to his opponents to initiate a "stop movement." In this case it would be a "stop Taft" movement.

Those persons who are rivals for the nomination as well as those who oppose the ideas of the announced aspirant for the nomination, immediately move to form a temporary alliance for holding down the progress of the announced man.

Now there is only one serious rival to Senator Taft at present, and that is General Eisenhower. There is only one important group of men in the Republican party opposed to Taft's ideas, and that consists of the internationalists.

However, General Eisenhower is so obviously the choice of the internationalists that there is no other Republican possibility upon whom the opposition to Taft can coalesce so long as Eisenhower is a possibility. And Eisenhower is also the leading personal rival (that is, of course, if he has any interest in the nomination).

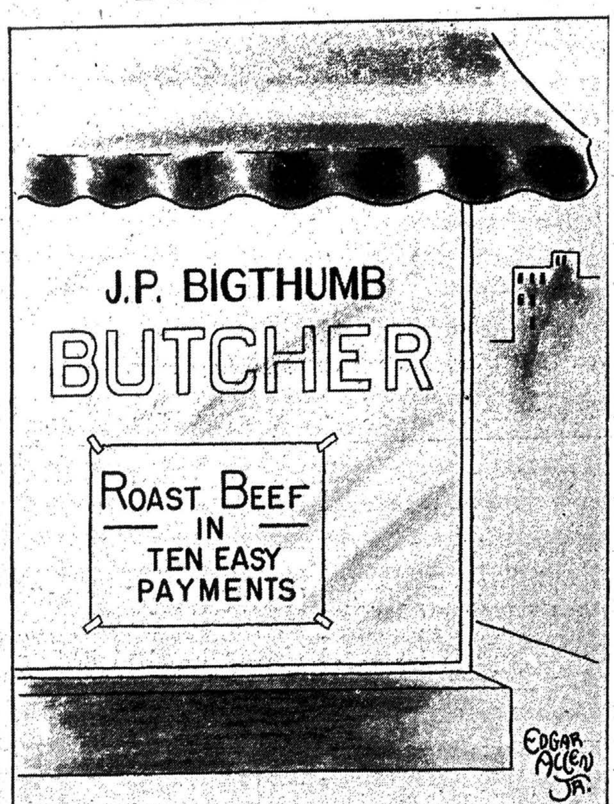
Taft's early announcement thus stymies the normal political reaction from developing. So long as there is a possibility of Eisenhower running, the Lodges and the Saltonstalls, et. al., cannot find any man remotely useful either as a straw man or a real candidate, upon whom to center their support, hoping thus to counter Taft's build-up.

And Eisenhower may prove to be, politically speaking, a broken stick. If he will not profess to become a candidate until he is "drafted," the Taft build-up may proceed so far as utterly to preclude such a draft. And then Eisenhower may not want to run anyway, "draft" or no draft.

So the internationalist camp as well as those who might aspire for the nomination, are left held in suspense.

(This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.)

BUSINESS BUZZ



Business Man's Bookshelf

Causes of Industrial Peace Under Collective Bargaining—Minnequa Plant of Colorado Fuel and Iron Corporation and Two Locals of United Steelworkers of America—National Planning Association, 800 21st Street, N. W., Washington 6, D. C.—Paper—$1.00.

Conference on Business Cycles held under the auspices of Universities-National Bureau Committee for Economic Research—National Bureau of Economic Research Incorporated, 1819 Broadway, New York 23, N. Y.—Cloth—$6.00.

Revenue Act of 1951 With Explanation and Pay-as-you-go tables—Prentice-Hall, Inc., 70 Fifth Avenue, New York 11, N. Y.—Paper—$1.50 (lower rate on quantity orders).