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EDITORIAL

As We See It

The change of Government in England and the impending visit of the new Prime Minister to this country bring again to the fore some vital questions about Britain and the British Empire. These questions, ordinarily perhaps best left to the British to solve as they think best, cannot in existing circumstances be regarded as wholly foreign to the legitimate interests of the United States. In fact they more or less vitally affect us at several points, and accordingly it is necessary that the American people at large come to some sort of reasonable understanding of the economic position of Britain at this time and the basic reasons therefor.

It has become a commonplace that Britain in two costly world wars has lost a large part of the investments it had accumulated abroad in decades, even centuries, preceding the outbreak in 1914, and in addition has accumulated foreign debt in large amounts, some of which at least has been or is being honored in one degree or another. Every school child also knows that German bombing and other destruction or exhaustion incident to total war cost the British a substantial part of their capital accumulations at home. These, of course, are basic factors in the current ills of the British people, but they are not the only factors, and it is these other conditions and circumstances which are amenable to action on the part of the British. Only by addressing themselves to these latter is it possible for the British to make headway in eliminating or ameliorating the former.

Long Term Change

The fact of the matter is that the tide had def-

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Funds Buy on Balance

By HENRY ANSBACHER LONG

Investment companies' third-quarter purchases exceeded sales by 25%, as one-third of companies drew down on cash reserves. Utilities continued favorites, as merchandising, radio, electrical equipment, natural gas and textile issues were also bought on balance. Profits taken in oils and chemicals. Cooling of enthusiasm for non-ferrous metals noted with building shares remaining unpopular.

Investment companies took partial profits on their oil and chemical holdings in the third quarter of the year as these industries' issues registered sizable appreciation over original cost. But despite the rise in general security prices during both the quarterly and previous 12 months' period, over-all selling of portfolio securities was not the rule, and total purchases actually exceeded sales by 25%. Managements continued their preference for utility shares, although there were shifts in the individual issues most favored. Also, as in the previous quarter, longer term prospects of the merchandising, electrical equipment and radio stocks were deemed attractive. Interest in natural gas, textiles and drug equities was sustained at about the same pace as in the June period, but there was an increase in sales of food stocks due primarily to lightening of commitments in United Fruit. A reversal in the previous three months' bearish attitude toward certain industries was apparent as managers purchased on balance steel, auto and broadcasting and amusement shares.

Henry A. Long

Buying of Bank Stocks

Bank stocks were still bought, but with much less enthusiasm than in the previous quarter. Affiliated Fund continued to round out its commitments in the New York financial institutions initiated in the June period. Less aggressive buying was also evidenced in the rails and non-ferrous metal industry. Sales approximated purchases in the latter issues as well as in those of

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Raw Materials Prices

By MELCHIOR PALYI

Dr. Palyi, in calling attention to rising raw materials prices, sees in this development incentives to greater output under the profit impulse. Says prospects in next year should be bullish for raw materials, which will receive added impulse from renewed industrialization of Japan and Germany. Concludes crude materials prices are most likely to move higher.

Shortages in Permanence?

European experts speak of a "structural" change occurring on the raw material markets. They mean that bottlenecks will be with us, more or less, for years to come; that prices might fluctuate over relatively short periods but will stay high; and that their trend is definitely upward.

Theoretically, high prices should provide the profit impulse to expand production, in turn correcting extravagant prices, if not breaking them. This automatism of the market forces should be even more effective than indicated by the averages, inflated as they are. Individual commodity prices have increased beyond all experience of a century; they should suffice to bring about —in peacetime, at any rate—a new balance of supply and demand.

Dr. Melchior Palyi

The profit impulse inherent in high prices (on a sellers' market at that) is being intensified by additional stimuli. One is the American practice of permitting the accelerated amortization of fresh investments. This works out as a premium to attract capital into mining ventures, especially of a sub-marginal character, by greatly reducing the corporate tax liability which is the biggest single financial deterrent.

Extraordinary incentives are being provided abroad by the U. S. Government in "its search for scarce minerals in the far corners of the globe." The Defense Material Procurement Agency—a new one on the taxpayer—covers Latin America, Africa, Southern Asia and Polynesia. It offers the raw material producers engineering know-how, priorities on equipment, and

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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

Tide Water Associated Oil—Henry J. Low, Security Analyst, Bruns, Nordeman & Co., N. Y. C. (P. 2)

Four Wheel Drive Auto Co.—Irving J. Rice, President, Irving J. Rice & Co., Inc., Saint Paul, Minn. (P. 2)

Latin American Countries—Stanley L. Roggenburg, partner, Roggenburg & Co., N.Y.C. (P. 35)

Avildsen Tools and Machines, Inc.—James H. Young, Pres., J. H. Young & Co., Inc., N.Y.C. (P. 35)

HENRY J. LOW
Security Analyst,
Bruns, Nordeman & Co.
Members, New York Stock Exchange

Tide Water Associated Oil

When asked to select an outstanding equity for the popular forum, "The Security I Like Best," I found a natural answer in what appears to be a unique opportunity for participation in growth offered to the investor in the common stock of **Tide Water Associated Oil.**

Henry J. Low

Tide Water Associated Oil Company is engaged in all phases of the petroleum industry. The company operates 5,336 oil producing wells and 95 gas wells in the United States, and also holds oil and gas leases on approximately 1,600,000 acres, principally in Texas, California, Oklahoma, Louisiana, Mississippi, New Mexico, Kansas and Pennsylvania. Out of this total, leases on 149,000 acres are being maintained in force by production of oil and gas.

Tide Water's crude oil production is largely obtained from several major domestic oil fields, such as East Texas, New Hope, Kelly-Snyder, Yates, Conroe, Cayuga, Venice, West Bay, Ventura Avenue, etc. The latter, producing good gravity crude, is one of California's greatest oil fields.

In 1950 Tide Water acquired some 222,000 acres of new leases considered promising for the discovery of oil and gas. Among the most important purchases were 2,100 acres of proven oil lands in the West Texas counties of Borden and Scurry. With 48 producing wells presently drilling and further intensified exploration progressing in this area, sizable additions to Tide Water's crude oil reserves are being developed. Earlier in the year a new discovery well was completed on a block of 2,480 acres in Lea County, New Mexico. 3,000 additional acres are owned in the immediate vicinity of this promising discovery.

In 1948 Tide Water, through a wholly owned subsidiary, acquired a 20% interest in the Bear Oil Company which owns oil and gas leases on approximately 4,600,000 acres in the Province of Alberta, Canada. Large proven gas reserves have been found and can be marketed as soon as pipe line facilities become available. During the past two years geophysical activities have also been carried on in the Province of Saskatchewan where Tide Water, together with three other oil producers, has a joint interest in 9,000,000 acres of oil lands. An intensified drilling and exploration program is scheduled for the next 12 to 18 months. Recent discoveries in the Williston Basin region in North Dakota, Montana and South Saskatchewan, and also in the nearby Province of Manitoba indicate great potential for future oil findings in this section. In addition, the company owns a 25% interest in 1,360,000 acres in the Keg River area of northwestern Alberta and also in 211.000 acres, under lease from Canadian Pacific Railway, in western Saskatchewan.

Tide Water's total domestic crude oil production in 1950 was approximately 89,000 barrels per day and has averaged in excess of 100,000 barrels daily this year. 1950 production was about 52% of Tide Water's refinery requirements as compared with an average of 54% for the two preceding years. Present production is believed to be in the neighborhood of 56% of refinery needs.

Tide Water owns and operates four refineries, located in California, Oklahoma and New Jersey, with a daily capacity of 188,000 barrels. It also owns three natural gasoline plants at Ventura, Calif., with a daily capacity of 150,000 barrels, and holds part interests in nine other plants with a combined daily capacity of 214,000 barrels. Transportation facilities include interests in about 4,000 miles of crude oil gathering systems and pipe lines. In addition the company owns a fleet of ocean-going tankers and lake vessels.

Marketing and distribution activities of refined petroleum products throughout the United States and Canada are handled by its 300 bulk and 1,323 retail service stations and thousands of independent distributors. Exports of lubricating oils and greases are increasing to South and Central America, Western Europe, Africa, Turkey, India, the Philippines and Japan.

Net income for nine months ended Sept. 30, 1951 was $4.19 per share compared with $3.62 per share reported in the same period last year. Total 1951 earnings are estimated at about $5.50 per share compared with 1950 net income of $5.17 per share.

Tide Water recently declared an extra dividend of 25 cents per share bringing 1951 total annual disbursements to $2.15 per share of common stock and the highest yearly payments in the company's history. Dividends have been paid continuously since 1936.

Tide Water is in very sound financial and working capital position with current assets of $121,477,000 on June 30, 1951, including cash and government securities of $37,621,000, compared with $40,736,000, current liabilities. Book value on June 30, 1951 stood at $41.62 per share.

Total crude oil reserves of Tide Water are officially estimated at 517 million barrels and natural gas reserves in excess of 1½ trillion cubic feet.

Tide Water's capitalization consists solely of 6,396,809 shares of common stock, of which 3,208,644 shares or 50.1% are owned by the Getty interests through ownership of about 38.6% by Mission Development Company and 11.5% by Pacific Western Oil Corporation. With redemption of its remaining 172,135 shares of preferred stock on July 1, 1950 Tide Water's ultra conservative management successfully accomplished complete elimination of $98,000,000 of long-term debt and preferred shares during a period of 17 years. At the same time the common stock equity was more than doubled. For the first time in the history of the company there are no senior obligations ahead of the common stock. In view of the company's new freedom for expansion and of the controlling interest of the Getty family, who have shown a willingness toward active drilling and exploration, a changeover to complete integration of Tide Water's facilities with emphasis on increased production and acquisition of crude oil reserves appears imminent.

IRVING J. RICE
President, Irving J. Rice & Co., Inc.,
Saint Paul, Minn.
Member Midwest Stock Exchange

Four Wheel Drive Auto Company

Generally speaking, timing is just as important in selecting a security as is the particular issue itself. The market has advanced on such a broad front during the past year that selectivity now takes on more importance. The issue about which I am writing currently combines both of these very important factors together with another very important factor, namely, intrinsic value.

Irving J. Rice

Four Wheel Drive Auto Company is one of the important producers of heavy duty trucks in the United States. Its foreign agencies are also of great importance so that the company is a decided factor in export business as well.

The heavy truck business is cyclical. Its sales and earnings in the past have fluctuated with the demand for capital goods. In common with other progressive companies, the management of Four Wheel Drive is gradually leveling off its cyclical tendency through the addition of other products, which should smooth out the valleys to some extent.

The heavy truck industry is currently in the sharply ascending portion of its cycle. Yet this has not been reflected by market values, particularly in the case of Four Wheel Drive Auto Company. Prior to World War II, the company's sales were largely to municipalities and its trucks were used for road construction, highway maintenance, and snow plowing. During the War, military demands for the company's products were tremendous. Sales hit a record of $39,000,000 during 1944 and 1945.

Since the War, the use of FWD trucks by the utility companies for line construction and maintenance, has increased sharply. Several companies, including Pacific Gas and Electric, and Southern California Edison, have standardized on FWD. Lumber and paper companies are finding FWD trucks to be most efficient for hauling heavy logs. Northern Indiana Public Service is currently laying what is believed to be the largest privately constructed gas pipeline in the nation, on which they are using Four Wheel Drive trucks to haul machinery, materials and long pipes directly to their installation sites over terrain of all descriptions.

The company has become a substantial factor in fire department equipment and cities large and small, from Maine to California, and from Alaska to Florida, are among the 166 cities now using FWD fire trucks. Over-the-road hauling with four-wheel powered trucks has also been found to increase the efficiency and tire milage, and more and more, semi-

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Investment Problems In Current Economy

By ROGER F. MURRAY*

Vice-President, Bankers Trust Company, New York

Contending wide movements in investment market are likely, New York banker holds problems center about: (1) appraisal of inflationary pressures; (2) demand and supply of capital funds; (3) factors affecting corporate profits; and (4) role of government policies. Sees, however, immediate strong business situation, but looks for strain in cash position of corporations and rise in commercial borrowing, with firm interest rates and better tone to corporate bond market. Predicts no "roaring bull market" and advocates middle-of-road investment position.

Most of the our investment problems in the current economy relate either to the trend of interest rates or to the trend of stock prices. These questions on the outlook are somewhat more urgent than they have been for a number of years because there exist possibilities of wide movements in all portions of the investment markets. Government bond prices are no longer rigidly pegged; mortgage loan rates have stiffened; corporate bonds have fluctuated in price over a considerable range; municipal bonds have shown sharp changes in yield within short periods of time; and common stocks show their characteristic tendency to follow unpredictable patterns of behavior. As usual, there are widespread disagreements among competent observers as to the probable trends. Most of the disagreements seem to originate from basic differences in the appraisal of the economic factors at work, rather than in matters of interpreting their impact on our investment problems.

Roger F. Murray

Top priority must be given, therefore, to the analysis or diagnosis of the economic situation on the basis of the facts at hand and the trends now visible. What is involved is an appraisal of the strength of inflationary pressures, the demand for and supply of capital funds, the factors affecting corporate profits, and the role which government policies will play. We are obliged to weigh the evidence presently available on these and related questions with a view to arriving at some fairly specific conclusions. As time passes, of course, we shall be obliged to review the situation again and again, revising such conclusions in general terms and in detail.

The Present Outlook

The present outlook for the next year or so seems to be for a fairly strong business situation, with an uneasy balance achieved in the price structure. Full utilization of our productive capacity means spot shortages in manpower and materials, frictions and delays, and extremely difficult problems in administering the machinery for allocating available resources between civilian and military demands. Relatively minor changes in the comprehensive measures of total economic activity will obscure wide variations in the details of conditions in individual lines of business.

Economic trends are subject from time to time to the influences of war scares and so-called "peace scares," but it seems sensible to look ahead on the basis that such episodes are of limited significance in the waging of a cold war which is likely to last for years in one form or another. In being more specific about the outlook, therefore, my observations will reflect the view that the defense and foreign aid programs of our Federal Government are firm and continuing elements in the economy. It seems reasonable to suppose that such expenditures will aggregate $55 to $60 billion in 1952. Our tax system, which will presumably be operative in about its present form throughout the year, is tremendously productive at high levels of economic activity. The budget for the fiscal year ending next June 30 should be approximately balanced on a cash basis. During the second half of the calendar year, a substantial deficit will reflect in part the increasingly uneven distribution of tax collections which accentuates the poor results of the September and December quarters.

Plant and equipment expenditures by business should continue at a very high rate even if not up to the present level after the early months of next year. Residential housing construction will probably be in reduced volume, perhaps 15% to 20% below this year's total. Inventories in the aggregate are not likely to increase materially. These conclusions suggest some diminution in the capital expenditure boom and some relaxation of inflationary pressures as the year progresses. Nevertheless, there is in prospect a very high level of business activity, with industrial production showing a further increase of 5% to 10%. Rising consumer incomes

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*An address by Mr. Murray at the 23rd Annual Trust and Banking Conference of the New Jersey Bankers Association, Asbury Park, Nov. 14, 1951.

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What Lies Ahead for Business

By RAYMOND RODGERS*
Professor of Banking, Graduate School of Business Administration, New York University

Professor Rodgers, commenting on reversal of inflationary trend last March "as capitalism's brightest hour," points to increased production, aside from military output, as most fantastic achievement of the American economy. Sees paradox of increasing income and declining spending, and says heavy inventories are "first class headache in many lines." Warns, however, danger of inflation is not eliminated. Looks for sufficient non-durable goods, despite heavier military expenditures. Criticizes current taxation.

History will undoubtedly record the reversal of the inflationary trend last March as capitalism's brightest hour. The Russians, with shortages of consumer goods necessary to support even their very low standard of living, to say nothing of their almost complete lack of consumer durable goods, should ponder this "made in America" economic miracle. The implications are so staggering that they should give the Russians pause in their demonic dream of world domination. Certainly, the implications could hardly be more reassuring to the peoples of the free world, as no one could have expected that America could carry on the war in Korea, rearm for defense, aid the free world, maintain the highest standard of living in history, and, at the same time, produce so much goods that inventories could be built up to such high levels that an "inventory recession" could result. But that's exactly what was done!

Raymond Rodgers

The $65 Billion Boom

To comprehend the utterly fantastic character of this achievement of the American economy, it is necessary to look back of last spring. When this is done, it is quickly seen that from the first quarter of 1950 to the second quarter of 1951, our economy, in addition to its "normal" load, carried a boom of some $65 billion, made up of *increases* in the following factors:

	Increases (In Billions)
Defense Spending	$18
Other Govt. Spending	2
Personal Consumption	18
Foreign Investment	2
Capital Expenditures (plant and equipment)	11
Inventory Investment	14

Naturally this $65 billion *increase*—of which you will note only $18 billion came from rearmament spending — caused a sharp upward trend in practically all economic factors.

*An address by Professor Rodgers at the Economic Meeting, The Bank of Virginia, Richmond, Va., Nov. 7, 1951.

Reversal of the Inflationary Trend

Well, what happened to stop the upward trend last spring? The answer can be put in a nutshell: *Consumers regained their faith in American capacity to produce!* While the Federal budget cash surplus of $7.5 billion, the various credit restriction measures such as Regulations W and X, the Voluntary Credit Restraint program of lenders, particularly the commercial banks, and the removal of the fixed peg on government bonds, all contributed to the reversal, the main reason was the realization by consumers that the supply of goods—even of consumer durable goods—would be adequate unless military pressures greatly increased. This belated recognition gave rise to a paradox unparalled in modern economic history: *In the face of sharply rising consumer income, consumer purchases actually declined.* More specifically, consumer income increased about $5 billion on an annual basis in the second quarter of 1951 *but* consumer purchases declined some $6 billion.

This paradox of increasing income and declining spending has continued up to the present so far as can be told from the information available. This development is of great significance to business as the trend can be reversed very quickly if the military outlook worsens to the point where World War III appears unavoidable.

In addition, of course, past savings can be called on. In fact, one of the greatest economic dangers of today is the extreme liquidity of the various forms of savings held by the American people. Estimates of the purchasing power which might attempt to come to market overnight place the total above $200 billion, which gives an idea of the economic danger involved. Because of this unprecedented liquidity of past savings and the possibility of a reversal of the present consumer saving trend, businessmen should watch the international situation very carefully for clues as to future business conditions. The thing to keep in mind is that such developments will not only determine the level of government spending, *they will powerfully affect consumer spending.*

Inventories

Business inventories of more than $70 billion are a first class "headache" in many lines. But, for that matter, aren't inventories always a "headache?" Can you remember a time when they weren't too large or too small? In this respect, the present situation is particularly ironic. As you will recall, until last March, it was generally thought that the inventory problem throughout the defense build-up period would be "too little and too late!" But since then, the problem—even in consumer durable goods made out of scarce metals — has been, "too much and too early!" In fact, other than automobiles, which are somewhat less, the inventories of consumer durable goods are two to three times one year ago with the exception of television stocks which are around eight times the comparable 1950 figure!

While it is true that the National Production Authority plans further cutbacks of production during this quarter and the early months of 1952, it is very easy to misunderstand the actual relation of these cutbacks to normal demand. For example, stoves, refrigerators, radios and most household appliances have been cut back to 58% of *the pre-Korean rate*, but that was a very high, in fact, an inflated rate. Or, take the announcement that steel quotas in the fourth quarter range from 11% for stores, garages and warehouses, through 26% for non-defense industries, 40% for schools and hospitals, 43% for roads and 59% for oil to 100% for aluminum production facilities — these are percentages of the steel *requested!*

Agriculture

On the agricultural front, with an overall production equal, or exceeding last year's crop, which was the second highest on record, the problem is also that of surpluses. With most of these totals, such as cotton, wheat and corn, you are quite familiar. But it may be of interest to take a closer look at fats and oils, and cattle.

In fats and oils, we face a serious over-supply. With 70% more cottonseed oil, a near record supply of soybean oil, and the second largest output of lard in our history, such a conclusion seems inescapable.

As for beef, that economic problem-child of the Washington planners, the outlook is not so clear-cut, although powerful long-run factors are working in favor of the consumer. Most important of these factors, the cattle on farms will have increased from 84 million head at the beginning of this year to probably more than 90 million by the end of the year. This herd build-up of six million head has been one of the biggest supporting factors in the current high prices of beef, as approximately one-sixth of the 1951 production is being used for this purpose. If feed production continues heavy, and if cattle prices continue high, this herd build-up may continue to, say, 100 million head by 1954 or 1955, but inevitably the *rate of growth will be slower than the six million of the current year.*

A weakening price structure would, of course, completely reverse this trend and beef would flood the market. In any event, a larger proportion of production of larger herds may confidently be expected to come to market in the future. This is the first good news from the beef front that consumers have had for a long time.

Prices

Prices, like inventories, are always a sore spot in the economy. There are always large groups dissatisfied with prices no matter what level prevails. While part of this dissatisfaction arises from debtor-creditor and producer-consumer relationships, a considerable part of it is caused by false impressions of price realities. The current belief that prices have skyrocketed since Korea Day is a good example of the fallacious notions that people often have on price behavior.

Since the Korean involvement, consumers' prices have increased only about 8% and wholesale prices, after having increased 17%, have declined 4%, leaving a net increase of only 13% and, while it is true that the very sensitive index of 28 important raw materials, such as cotton, copper, wheat, etc., shot up 46%, it later declined 17%, leaving a net increase of only 29% in the raw materials basic to the war effort.

The inflation indicated by these increases, while substantial, is considerably less than is generally thought. But what is most important, since March of this year, agricultural prices, raw materials prices and wholesale prices slowly, but almost continuously, declined until October, when the trend apparently was reversed. As for consumer prices (cost of living), although this group did not decline, as did the other categories, the increase in the consumer index since March has been of extremely modest proportions.

Even though the inflationary trend was definitely reversed last March, that was but one victory in a continuing battle. It was only a "for the time being" proposition. As the higher October prices indicate, the danger of inflation has by no means been eliminated. Increasing inflationary pressures in the months ahead present new dangers which must be carefully watched and combated by every measure possible.

Taxes

Any estimate of the future must give due regard to the impact of taxes, as they have become so heavy that they have a great effect on business developments. In 1950, Federal, State and local taxes rose to the enormous total of $54,676,000,000. Since then, Federal taxes have been sharply increased, and indicative of what we may expect from Washington in the future. Elmer B. Staats, Assistant Budget Director, testified the other day that in fiscal '53 Federal Budget expenditures alone would mount to between $80 and $90 billion. In addition, he said that even after the completion of the rearmament program, Defense Department expenditures of $40 billion a year should be anticipated!

Too heavy reliance of the Federal Government on the income tax for the production of such enormous revenues has created a dangerous fiscal situation. For example, in Canada and Great Britain income taxes, as a whole, account for about half of the total revenue; but in America, income taxes, which produced only 42% of Federal revenue in 1939, are expected to produce 83% of the total in fiscal 1951-1952!

Personal income taxes have reached such high levels that if the government taxed at a 100% rate (expropriated) all of the remaining individual income of people earning above $10,000 a year, the yield would amount to only $3.5 billion, according to Professor Lutz; or, if they taxed at 100% all such income above $25,000 a year, the yield would be less than $1 billion!

Corporate income taxes have become just as onerous, and just as unfair. Thus, in the ten-year period 1942-1950, inclusive, corporate profits of $264 billion were distributed as follows: Federal, State and local income and excess profits taxes, $122 billion, or 46%; retained as working capital, $82 billion (of which $21 billion was inventory appreciation and not actual profit); and stockholders' dividends, $60 billion, or 22.7% of the total. Thus, on a gross basis, government took out of corporate industry, largely via the income tax route, more than twice as much as the stockholders who had the dubious distinction of "owning" the enterprises!

But this is not the whole story, it does not include the double taxation which the stockholders must pay via their own personal income tax return when they report the income received on the shares. Using the very conservative assumption that such stockholders paid an average rate of 30% on the $60 billion received, it is reasonable to conclude that the government received an additional $18 billion in revenue. Subtracting this $18 billion from the $60 billion received by the stockholders and adding it to the $122 billion paid directly by the corporations, the total for the owners becomes $42 billion, and for the government $140 billion, or nearly 3½ times as much, and since then, taxes have been greatly increased!

Now, add to this the warping, deadening, wasteful effects on business of the excess profits tax, and the urgent, yes, emergent need for tax revision cannot be denied by any honest, fair-minded person.

In any event, one thing is certain: this situation cannot continue indefinitely—it will break down of its own weight. A more scientific method of taxation and at least a little economy in government are categorical imperatives if American progress is not to die "a borning!" In fact, as our good friend, Captain Henry Heimann, head of the National Association of Credit Men, so trenchantly put it last month, "If there were no hope of lower costs in government, then there would be very little hope for the type of government we have." Or to put it in other words, the very future of democracy depends on its ability to substitute self-discipline for political expediency, i.e., to trim its dreams to fit its means!

The Outlook

In the coming months the business pattern will be characterized by widely divergent trends because the rearmament effort with its increasing billions of expenditures will assume growing importance in the economy. Those producing defense materials and durable goods will have an increasing problem of shortages of metals and other commodities and thus will face stricter allocations and more and more government controls and assistance, if they are to maintain full production. In sharp contrast, however, to the feverish activity in the defense and durable goods sector, soft goods producers may expect keen competition.

As you will recall, from 1941 to 1948, soft goods producers, in general, enjoyed a strong sellers' market. Profits were higher than ever before and many uneconomic practices, characteristic of such lush markets, developed. But from now on, despite the huge rearmament program, these non-durable goods industries will operate in a more normal market with supply often exceeding demand assuming, of course, that all-out war will not develop. Competition will be keen and the price factors will once again play a controlling role in the success of such producers. This means that the deadwood

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and extravagances born of too-easy times will have to go.

Many businessmen in the field are relying too heavily on the hope that the decline in the output of consumer durable goods will cause a spilling over of the rising disposable income of our people into the soft goods field. Although this will happen, and business will improve, three facts should be kept in mind:

(1) Inventories in the hands of consumers are large.

(2) Productivity capacity in the soft goods field has been greatly increased.

(3) Only an insignificant part of the total output of soft goods will be diverted to the defense effort.

Looking a little further ahead, once the rearmament program is complete both durable and non-durable goods will face buyers' market with competition keener than ever before. This will be the inevitable consequence of the great expansion of productive capacity in World War II and the $109 billion of plant and equipment which business has added since the end of that war. Remember, this great productive capacity checked inflation last March; don't underestimate it!

Conclusions

On the assumption that all-out war will not materialize, my conclusions, in brief, are:

(1) Production checked inflation last Spring but inflationary pressures will continue to mount in the coming months. The extent to which they will be kept in check will depend on what is done about the forthcoming wage demands and the amount of any new Treasury borrowing placed in the banks.

(2) Inventories are too large, but growing defense payrolls and increasing cutbacks in production of consumer durable goods will solve the problem in most lines.

(3) Prices of commodities in the months ahead should, in general, be stable, or even tend to decline, unless, of course, another buying panic materializes.

(4) Too heavy reliance on the income tax as a source of revenue endangers the fiscal stability of the government and damages the economy because it is unfair and destroys initiative.

Goodbody Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

SARASOTA, Fla.—Lee Carnes has been added to the staff of Goodbody & Co., 203 South Palm Avenue.

Joins Schwanz Co.

(Special to THE FINANCIAL CHRONICLE)

AURORA, Ill.—Harold F. Wrigley is now affiliated with Schwanz & Company, Inc., Merchants Bank Building.

With E. E. Mathews

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Thomas F. Noble has joined the staff of Edward E. Mathews Co., 53 State Street.

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The State of Trade and Industry

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

The decline in country-wide industrial production last week was almost imperceptible, although output still held well above the level for the comparable period one year ago. An important factor in maintaining the nation's high production level was the steady rise in defense output which continues to offset shortage-created declines in the manufacture of some civilian goods.

Steel production this week is scheduled to rise mildly to 101.1% of capacity, representing an increase of 0.1 of a point. In terms of tonnage, the gain amounts to 2,000 tons over the previous week.

The steel industry is rapidly building up an impelling case for decontrol, states "The Iron Age," national metalworking weekly. Production this year, it adds, is expected to total about 105.1 million net tons of ingots—a new all-time record—compared with 96.8 million tons last year. To do this, steelmaking operations this year will have to average about 100.9% of rated capacity. Last year, the average was placed at 96.9% of rated capacity.

Prior to last year, this trade authority states, the steelmaking high was in 1944, the peak of World War II, when output totaled 89.2% million net tons, equal to 95.5% of rated capacity.

From now on the advantages of steel's early start on defense expansion will become more and more apparent. The first new steelmaking facility started since Korea poured its first heat of steel two weeks ago and others will follow during the next 18 months, by which time annual capacity will total close to 120 million net tons.

Labor and scrap are potential roadblocks which could delay the production timetable, it notes.

Despite Washington pleas for temperance, The Congress of Industrial Organizations is determined to break through the wage ceiling, with the United Steelworkers of America leading the assault, this trade paper observes.

If a wage increase is granted, "The Iron Age" states, steel firms will positively insist that prices must also be raised—not only to cover the wage boost, but also to cover other cumulative cost increases. A wage productivity plan might be used as a hedge to permit an orderly retreat by government stabilization officials.

The scrap outlook is bleak, according to this trade journal. The great efforts of steel, scrap and other industries, widespread publicity of the need, and full force of government persuasion, have barely managed to keep steel furnaces from shutting down.

What steel people feared has happened. In some sections of the country, winter is here, and mills have been caught with their stocks down. Cold weather and snow in some parts of the Midwest have already brought rural collections of scrap to a standstill, putting added pressure on industrial scrap sources, which may not be equal to the task.

Steel producers are still in the midst of a sellers' market. And it is expected to continue strong for at least the next six or eight months—possibly longer. But signs of softness in the cold-rolled sheet market detected recently are plainly visible this week. Although it is believed this softness is caused by government curbs on steel users' demand, it is spurring producers to give an eye to their future markets, "The Iron Age" concludes.

Total automotive production in the United States the past week advanced slightly, while passenger car output alone was off mildly, but registered a drop of close to 29% below the similar period of last year, "Ward's Automotive Reports" stated.

Suspensions by six auto producers were responsible for the decline last week. Lincoln and Hudson were down for model changeovers; Nash was idled by the effects of the Borg-Warner strike; and Chevrolet assemblies were halted at Flint on Wednesday, the past week, because of bad weather. Snow storms also stopped Mercury production at St. Louis around the middle of the week, but production has been scheduled near the close at Mercury's Metuchen and St. Louis plants to recoup the loss, the agency added.

United States plants will probably achieve their second highest production year in history, "Ward's" said. In the year to date, about 6,075,000 cars and trucks have been built, compared with 7,039,000 for the like period of 1950, the record year. A new high in truck output will be reached this year, this agency predicted, and car output will drop 25% to 30% behind 1950.

The month of October saw industrial production reach its highest level since June, according to the Federal Reserve Board. The board's preliminary estimate for the month was 220% of the 1935-1939 average, compared with an estimated 219% in September. The high point for the year was in April, at 223% of the base period. A rise in machinery output, the board said, caused an increase in the durable goods output index, which offset a drop in non-durable goods output.

Other highlights revealed that total new construction dropped in October, estimated third quarter non-farm plant and equipment expenditures reached a new high record, and that personal income in September showed the first monthly decline since February.

Steel Output Scheduled to Advance Mildly This Week

Over-all pressure for steel continues unabated, says "Steel," the weekly magazine of metalworking. But soft spots are developing in demand, chiefly from consumer durable goods lines, which give the market a spotty appearance. This is reflected in several ways, such as conversion deals, especially in sheets, which are on the decline. Shipments on defense account are improving and premium prices on gray market and imported steel are being shaved, while increasingly larger steel tonnage is being diverted

Continued on page 39

The Investor and the News

By A. WILFRED MAY*

Mr. May cites the relevant financial and industrial news items, and the comparative readership of the financial and other sections of the daily newspaper. Offers suggestions of attitudes toward current journalism to follow and to avoid, to conform to sound basic investment principles and policies.

I want to point out as underlying this discussion, that one's reaction to financial journalism and use of news media are part and parcel of fundamental investment principles and practice.

A. Wilfred May

The following thoughts on the investor's reactions to the financial news will briefly cover:

(1) Specification of the relevant financial and industrial news items.

(2) *Who* reads the financial and business section?

(3) How to read it?

(4) How *not* to read it?

Nature of the News

It should be realized that in *every* section of the newspaper or other periodical which is concerned with world politics, editorial opinion, sports, obituaries and even society news on occasion, there will be items having some indirect bearing on the world of finance. But there such effect will be secondary; only in the financial and business section itself will the newspaper or magazine reader get specific, concentrated, and assuredly complete coverage of the happenings he as an investor human being must not miss.

In that section of the newspaper he gains access to the day's news in the worlds of business and finance. On the finance side, there are items about specific companies, including their dividend action and earnings; about the course of thousands of prices of items ranging from stocks, bonds and international currencies, to basic commodities and future prices of farm products. And there is that most popular phenomenon, the stock table—a tabulation, either in whole or in part, of the stock market's transactions, along with news and editorial comment thereon. I'll have more to say on this a bit further on.

On the business side, the reader is offered a wealth of specific indices, as weekly figures of automobile production, business construction, railroad carloadings, oil production, department store sales, electric power, and iron and steel production.

Who Reads What?

A reliable survey conducted by one of the nation's large metropolitan dailies two years ago found the following degrees of attention given to the respective sections by its readers, classified according to sex.

Department of Paper—	Read by Following Proportions of Male Circulation	By Female
Sports	60%	26%
Editorial	69	62
Society and Bridge	35	60
Women's	19	70
Financial	35	19

It may be suprising to you that as many men read the society and bridge pages as the financial news, but this latter apathy has been existing for a very long time. Finance reading has no doubt measurably increased since this survey was taken, because of the subsequent enlargement of the public's interest in common stocks arising from the intervening bull market and the distribution of the mutual funds. Further future stimulation from the former source seems quite assured; from the latter more uncertain.

How to Read—From an Investment Approach

This reference to the correlation of public interest with rising prices leads to our primary affirmative precept: (1) Maintain a stable and phlegmatic attitude toward the content of the financial section. Treat it with unchanging attention throughout succeeding periods of rising and falling speculative activity and excitement. While interest customarily rises along with market prices and volume, if anything the converse is, of course, a more logical course for the potential buyer with a genuine investment approach.

Although the financial pages of the dailies may well be read, the newspaper should not be read *for* the financial section. Consider the general news sections more important, irrespective of the particular condition of the market. Take a morning or once-a-week attitude toward Stock Exchange price changes, in lieu of being a hound for after-the-close hot news, feverishly published between the baseball and horse-race editions.

(2) Distinguish sharply between factual data and interpretation. Realize that facts are fundamentally and constructively useful; while the editorializing, including the forecasting, is only of secondary importance. In your reading activities, as elsewhere, maintain a long-term value-appraisal instead of indulging yourself in the more enjoyable immersion in forecasting discussion.

(3) Try to use for your own advantage the psychological clues in the market place. With intelligent observation employed in proper perspective, one can detect the many foibles in which the financial community recurrently in-

Continued on page 50

*A talk by Mr. May before Adults' School of Montclair, N. J., Nov. 13, 1951.

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Outlook for Our Economy When Defense Program Ends

By LAWRENCE C. MARSHALL*

President, Bank of the Manhattan Co., New York City

Pointing out that in not too distant future we will be confronted with task of adjusting our economy to a basis less heavily weighted with defense expenditures, Mr. Marshall holds that success in bridging the gap will largely determine the continuance of our free enterprise economy. Warns if our private business and financial system fails to meet the challenge, leftists and radicals will seize the opportunity to "take another step down the road to a socialistic economy." Discusses potentialities for growth and development of domestic industries and of less well-developed areas of the world, particularly in countries of the Western Hemisphere. Says our economic planners are incapable of preventing economic reversals.

Our economic planners have been hard at work for a considerable period of time, but they have failed to discover an economic antibiotic which will immunize us from sharp or even violent readjustments in the level of prices and in the volume of production.

Lawrence C. Marshall

The years since World War II have been marked, with only occasional interruption, by intense economic activity, by sharply rising incomes, over-full employment and, unfortunately, by one of the biggest inflationary sprees in our history. That we can travel this inflationary road indefinitely without, at some future time, suffering severe and difficult readjustments, is a theory that would be rejected by even a first-year student of economics with a normal quota of common sense. We have experienced the greatest booms in automobile production and residential construction ever witnessed in this country. We have engaged in a phenomenal expansion in industrial plant and equipment, and we have witnessed repeated surges of consumer buying. On top of these, we are now superimposing a vast military defense program. No one can foresee with assuranec the exact timing of this defense program, but all of us with any basic appreciation of the values of our way of life fervently hope that it can, and will, soon be brought to an end. Yet if that outcome materializes, it will create problems of economic readjustment which challenge our resourcefulness to the limit.

*Excerpts from an address by Mr. Marshall before the 26th Annual Dinner of the New York Security Dealers Association, Waldorf Astoria, New York City, November 9, 1951.

How we manage to bridge the gap which arises when military production tapers off is of the greatest consequence. But of one thing we can be reasonably sure —if our private business and financial system fails to act with courage and decision, the leftists and the radicals will use the occasion to take another step down the road to a socialistic economy.

Planners Cannot Produce Results

Even if the planners should suddenly develop unusual acumen, there is reason to doubt that they can effectively insulate our economy from any decisive turn in the economic tide. Any depression in an economically important country can easily and quickly be communicated to other nations, for the gold coverage of currencies in 26 countries has dwindled to 15% of their total money supply, whereas before the war the figure was something more than 40%. What the consequences of this will be no one can know, but we should not close our eyes to the possibilities involved. True, there are a few hopeful straws in the wind. There is an increasing volume of evidence that the masses are fed up with policies that beget inflation. And there are signs in some areas that the people are beginning to learn that extravagant government spending and artificial easing of money are lowering the value of their currency and the level of their standard of living.

In our own country the situation is all too clear to need much elaboration. We are engaged in a mighty and unquestionably essential effort to build up our military defenses. That it is expensive we, as taxpayers, know full well. Whether we can live indefinitely in a garrison state without sacrificing many of our freedoms, without further drying up the sources of venture capital, again, no one can know, but we dare not disregard the possibility that the tactics of Communist forces will test our endurance to the limit. It seems clear to me that these unpredictables and these imponderables are of a character which can cause fairly violent reactions both here and abroad and that it would be folly for anyone to assume that our economy is going to stay on an even keel.

If we assume—as I propose to do—that neither all-out war nor a material change in the volume or timing of our defense program occurs, we should have a year or so in which to prepare for the period of readjustment.

In looking toward the time when we will be readjusting to a period of proportionately less war-related activities, I am impressed with the possibilities for growth and development in two major fields—one domestic and the other foreign.

Impressive Economic Frontiers

While the American frontier, as we used to think of it—in terms of unlimited expanses of undeveloped land—is a thing of the past, it has been replaced by other frontiers no less impressive as a challenge to initiative and no less promising in the potentialities they hold forth. We are in the midst of a veritable revolution in industrial technology, affecting a wide range of fields—to mention only a few, power development, electronics, metallurgy, chemistry, agricultural production, and medicine, with its far-flung implications of an extended span of life, population growth and bigger markets in the future. To exploit these opportunities will require not only initiative at the research and industrial levels, but in the realm of finance as well. Industry will need vast amounts of capital to carry forward these projects and only as we succeed in keeping the proportion of equity money to fixed income securities in reasonable balance, will it be possible to move forward with maximum safety. Here is a real challenge to the financial community—to help marshal the funds in acceptable form that industry will need to pace its progress at the research, engineering and production levels.

Foreign Investment Essential

Another field which offers great opportunities for development and should provide vast outlets for American investment in the form of capital equipment and technical "know-how" lies in the less well-developed areas of the world —especially in the countries of the Western Hemisphere. Both to the north and to the south of us are good neighbors with rapidly growing populations, vast natural resources, and large potential labor forces. To foster their development would seem to me of mutual advantage—both in terms of trade and in terms of hemispheric solidarity for defense purposes.

I am, of course, aware that vast problems are involved—both in reactivating the flow of equity money into American industry and in effectively reopening the American capital market to foreign borrowers. But I firmly believe that we have a double incentive to spur us forward to find solutions. In the not-too-distant future, we shall have to face up to the problem of readjusting our economy to a basis less heavily weighted with defense activities. The better prepared our private capitalistic system is to carry forward aggressively with capital expenditures, the less need and the less excuse there will be for government intervention. And the better job we can do of financing industry—both here and abroad—the more likelihood there is that economic development will not falter more than temporarily.

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Arthur V. King Joins du Pont, Homsey & Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Arthur V. King has become associated with du Pont, Homsey & Company, 31 Milk Street, members of the New York and Boston Stock Exchanges. Mr. King was formerly with A. C. Allyn & Co., and E. H. Rollins & Co.

Joins Townsend Dabney

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Raymond B. Farnsworth has become associated with Townsend, Dabney & Tyson, 30 State Street, members of the New York and Boston Stock Exchanges. He was formerly for many years with Pearson, Erhard & Co., Inc.

Broadening the Market At Broad and Wall

By IRA U. COBLEIGH

Author of "Expanding Your Income"

Suggesting wider share ownership as a bulwark against the Socialism that debilitated England; plus some specific suggestions to that end.

The last two weeks have witnessed an historic swing in Britain away from the Labor Party, and back to leadership that inspired her citizens and preserved her Empire in her darkest hour. Naturally as ardent believers in a dynamic capitalism on this side of the Atlantic, we fondly hope Churchill's return augurs a real departure from "crib to slab" Socialism, a real return to an economy based on initiative and enterprise. We would like to see expanded production, rather than free false teeth and eye glasses, as the major goal of British economy.

Ira U. Cobleigh

But let's face it—perhaps it's too late. Steel nationalization may be suspended, and some motor transport restored to private ownership, but coal, railways, and banking will probably never be privately run again; and even if presently given opportunity to buy back some sections of state-owned industry, capitalists will surely hesitate—so thin is the thread by which Churchill's regime holds power.

Well, we owe it to ourselves to ask how did this all come about? How did the nation, that for a century was the prime capitalist of this planet, slip thus into economic dependence and decadence? True, the toll of two world wars was appalling—and surging nationalism caused upheavals in big sections of the earth's crust, once securely attached to the British Empire. But can't we truly say that an important reason for the downfall of Enterprise England was that she never really sold her system to her people? She didn't have enough stockholders; and further, she didn't offer the stockholders she had enough opportunities to subscribe to new shares to expand production. Her capitalism became in due course self consuming; security replaced incentive, and welfare diluted work.

We're silly if we sit idly by, and see our fabulous economic system, that has brought more material comforts and luxuries to more people than any other system in history—we're silly, I say, to let this way of life be washed out by the muddled Marx mythology, and Keynesian fiscal crackpottery that has brought Britain to hopeless indebtedness and gross industrial inefficiency.

So, using Albion as a classic example in the follies of Fabianism, let's intensively pursue one of the programs well calculated to defend our American way. Let everybody who can save a buck become a stockholder. Let's follow the inspiring leadership of G. Keith Funston, President of the New York Stock Exchange, who recently inaugurated his regime with a fine article on buying shares in America, and a national census of stockholders.

Well, granting the worth of our objective, how do we go about it? How can we actually increase the number of those who are partners in our enterprise from 15 million to at least 50 million?

First, we have to dispel, once and for all, the lingering notion—a hangover from 1929—that buying stock is gambling. For every plunger, there are, today, 10 buyers for investment income. People should take note that (1) pool operators are gone forever, (2) shoe string margins are dead, (3) the arrival of the SEC and the rigid requirements for truth in security offerings were aimed to destroy the financial weasels, (4) dizzy and dangerous pyramid financing after the style of the Insulls and Hopson is now illegal, and (5) there is a highly impressive list of companies whose shares have paid dividends for uninterrupted decades.

American Telephone and Telegraph has paid a $9 dividend in each of the last 32 years; several hundred companies listed on the N. Y. Stock Exchange have paid some dividend for at least 10 years; and just cast your eyes over the list below selected at random from outfits whose dividend record has been pleasingly persistent. Common stocks have now become not only financially correct but socially acceptable!

Common Stocks That Have Paid for Half a Century or More

Issue—	No. of Years Some Dividend has been Paid	1950 Payment Per Share
Cleveland Electric Illuminating Co.	50	$2.40
Hartford Electric Light	50	2.75
Borden Co.	51	2.80
General Electric Co.	52	3.80
Boston Edison Co.	53	2.80
United States Playing Card Co.	55	6.00
Cannon Mills Co.	60	3.00
Commonwealth Edison	60	1.60
Procter and Gamble	60	3.55
New England Telephone & Telegraph	65	6.00
Standard Oil of N. J.	69	5.00
Bell Telephone Co. of Canada	70	2.00
Corning Glass Works	70	2.00
United New Jersey Railway & Canal Co.	79	10.00
N. Y. & Harlem RR.	84	5.00
Pullman, Inc.	84	4.00
Singer Manufacturing	88	15.00
Pepperell Mfg. Co.	99	5.00
Pennsylvania Railroad	102	1.00
Providence Gas Co.	102	.50

After reassuring our citizenry about the merits of share ownership, we have to go further. We want to make sure that stocks sell in a popular price range; so we accept the theory of the stock split-up, to broaden the stockholders' list, and prevent buyers from being frightened away by the altitude of quotations at several hundred dollars per share.

Next, we should advertise more widely—in farm journals, union magazines, professional journals. Those security firms that have set up booths at exhibits, and country fairs, and stay open a couple of nights a week, are on the right track. They're bringing the message of "shares in America" to farmers, highly paid industrial

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and transportation workers, to whom stock purchase is a brand new adventure. And bear in mind, these groups are fast becoming the most important section of our economy as far as capacity for saving and investment is concerned. They're the new fat cats.

Commercial banks could, it seems to me, do a lot more than they do in supplying investment information and literature to depositors who make inquiry, and a lot of them could be just a little more gracious in transmitting a depositor's small order for a few shares of General Motors, Standard of New Jersey and other worthy issues. Savings banks, too, will clear stock purchases for depositors, but it would not harm their long-term best interests to make more readily available information about equity investment.

A number of partners and customers' brokers, in brokerage houses, frankly say that the commission on, say, 10 shares of General Motors is not sufficient to justify effort to find and cultivate so small a buyer. To those I say, that the small buyer may well be cultivated because he may some day be a big buyer, or send a big buyer to you, if he's satisfied with the service and results shown. And if a larger commission is a prerequisite, I would certainly urge the use of some of the fine mutual funds as an introduction of the newcomer to share ownership. Just see what can happen. Mr. Spelvin buys 20 shares of Extra-mutual Shares. He gets in the mail a list of its securities in portfolio. Then, as he goes over this, he gets curious. He watches some of the issues quoted in the daily papers. He notices that some are going up more than others; that oils and chemicals are more dynamic than tobaccos. Then he may say to himself, "Why don't I buy five shares of Amerada, ten shares of Allied Chemical, or ten of Woolworth?" and, lo, before you know it, this lad has blossomed into a full fledged investor, an expanding shareholder, and an excellent client, to boot!

In other words, the mutual fund today is in a position, among other things, to soundly start hundreds of thousands on the road to sane, intelligent investment — just as sale and later redemption of Liberty Bonds spawned a vast new group of bond buyers right after World War I.

The current stock yields of 5½% to 6% on such premier American enterprises as Consolidated Edison, General Motors, Woolworth, Socony Vacuum, and American Telephone and Telegraph are surely encouraging to prudent investment for income. The fact that so elegant, and so sagaciously managed a fund, as the endowment of Harvard University, is presently composed of 45% in common stocks, should reassure the doubting Thomases about the wisdom of stock buying in general.

So let's go out and get 50,000,000 stockholders. Let's spread the good word about equities by literature in the high schools and colleges, in women's clubs and trade organizations.

It is, of course, incorrect to state that England failed, financially and industrially, solely because of too few stockholders; but it is not idle to advance the idea that wider stockholding could have dissuaded tens of thousands of Britishers from espousal of the State-ownership fallacy, and the financial flop it engendered.

So let us re-read the fine phrase of Professor James Burnham of New York University: "If this country is basely materialistic in its philosophy, then let it be noted that such materialism is the cause of less suffering and more joy than most idealisms which history records." Let's get 50 million stockholders—let's broaden the market at Broad and Wall.

From Washington Ahead of the News

By CARLISLE BARGERON

Along with the spending by our government of billions of dollars on the development and construction of the atomic bomb, the propagandists have swung pendulum-like from the theme that it could destroy whole civilizations to the warning that it could not be depended upon in itself to win a war. In running up and down the scale in this way we were told tales of a man who was only remotely exposed to an explosion having his ear drop off six months later, and again of how the bomb was ineffective against an enemy who might be just around the corner in a hilly country.

Carlisle Bargeron

As to the effect on us as applied by Russia, as told by the propagandists, there is no doubt. The bomb would be devastating. You have our Civil Defense Administrator, Mr. Caldwell, a political lame duck, going around the country daily telling us this. As to the effect of the bomb on Russia applied by us, it seems there are doubts in the propagandists' minds. Certainly such doubts as not to permit us to curtail our spending on other forms of warfare.

In this light, it is little difficult to tell just what the recent experiments in Nevada in the tactical use of the bomb were supposed to prove. The Atomic Energy Commission, that citadel of mystery and secrecy, had no traffic with the newspapermen. Five thousand troops were massed within seven miles of the explosion and told to sit down, and turn their heads in the opposite direction. After the explosion they counted three turned around but did not get up. Subsequently they got up and a thousand or so of them went on a "mopping up" expedition into the area which we had been told up until a few months ago would not be fit for man or beast. But this was a different or controlled bomb minus, apparently, the element that might cause the ear of a man, even remotely exposed, to fall off in six months.

Anyway, along with the thousands of soldiers on hand for the experiment there were also thousands of tourists. Indeed, I am told that the Reno and Las Vegas Chambers of Commerce were quite annoyed over the earlier publicity concerning the atomic bomb experiments in their state for fear it would hurt the tourist trade. Instead, the exploding bombs have come to be an added attraction. This is well, though hard on Civilian Defense Administrator Caldwell.

Speaking recently to a meeting of the American Petroleum Institute, General Omar Bradley, said that if the Russians started out tomorrow for the English Channel marching 100 yards apart, no atomic bomb could stop them. And they would be just devilish enough, I understood the General to believe to march just this way. Indeed, we are now being told that unless we can catch the enemy in mass formation no purpose would be served by dropping the bomb. The latest Pentagon explanation being peddled as to why the bomb is not used in Korea is that the Chinese Commies do not concentrate their forces until just before the attack; at all other times they are scattered. Along with this is another current Pentagon explanation that we must never drop the bomb until we are sure of its devastating effects because the Russians might cease to be afraid of it.

It is all pretty bewildering. Such statements as those made by General Bradley are intended, of course, to keep us from putting too much stock in the bomb at the expense of the ground troops and the air force. But you wonder just why he and his associates would have any apprehensions on this score right at this time. The last session of Congress appropriated some $57 billion for the military and with funds already on hand it has some $92 billion to spend in the current fiscal year. The answer is they are coming up for more. It is amazing, but it is true.

Now, just why have we gone so crazy as this? Well, it seems that one of the most inefficient and uncivilized nations on earth is out to conquer us. Nobody has been so foolhardy as to say Russia could land troops over here to do this, but the Russians have atomic bombs, must have at least several because our scientists have recorded two explosions over there and in one instance, Stalin "admitted" it was an atomic bomb explosion.

Now, here is the most amazing part of this amazing situation. We unquestionably have a greater stockpile of these bombs. But although the few bombs Russia might have are great enough to make shambles of us, our greater stockpile is not enough for us to rely upon in making war upon Russia.

You wonder just how long the American people intend to swallow such propaganda as this; you wonder just how long they intend to let the military and the politicians run hog wild.

It is on this overall issue, the all embracing issue of our foreign policy in the past and at present, of which the military spending, the secret spending for bombs, the spending of billions on a vast development of hydrogen bombs when it is not known whether they can be developed; this overall package that the next Presidential election should turn. For a man to say he is a Democrat in International affairs but a Republican in domestic affairs as does General Eisenhower, is to my mind, downright stupid. The demands of organized labor, socialized medicine, the Brannan Plan, corruption in public office—these are picayunish as compared with the greater question of whether we are going to stop, look and listen and take some stock of what is being done in the guise of Russia's physical menace to us. There won't be such an issue if Eisenhower should be the Republican nominee.

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Our Strength Lies in Strong Economy and Alert Citizenship

By LANSING P. SHIELD*
President, The Grand Union Company

Warning our increasing military might isn't influencing peoples or making friends, President of large chain organization stresses need of maintaining a strong economy under an enlightened citzenship. Says too much emphasis is placed on value of mass production and distribution while superior weapons in themselves will not permanently hold back Communism. Urges all to assume responsibilities of "full-time" citizens, and advocates granting stock ownership options to strengthen unity of economic system.

My theme deals with the quality of citizenship needed as the free world faces its greatest crisis. The citizenship of everyone of us will be tested in a life and death struggle in which no holds are barred. In this apparently endless war of attrition between peoples of opposing ideologies the American system itself will be put to its greatest test.

Lansing P. Shield

Our system is only as good as the citizenship of those who live under it. Its only true value lies in providing a way of life for free men. We are too inclined to consider it superior because of its achievements in the field of mass production and mass distribution. We place too much reliance on its lethal products — its A-bombs, guns and jet planes. These weapons might well be carried on both sides of America's ledger—they may turn out to be as much a liability as an asset.

"They that take the sword shall perish with the sword." As creators of the sword's most modern counterparts, we would do well to be mindful of this Biblical prophecy. These weapons by themselves will hold back only for a little while the rising wave of Communism that has already engulfed more than one-third of the earth's population. Our increasing military might apparently isn't influencing peoples and making friends in the way we expected. The restless millions in Asia and Africa are reacting in a manner disconcerting to us. The free world will not be preserved indefinitely by using armed strength to force the American system down the throats of skeptical peoples.

It is generally recognized that the survival of a free world is dependent upon the preservation of American democracy. In turn, the success or failure of democracy depends on the quality of citizenship. The dynamic quality of the American system lies in the willingness of generations of citizens to alter it to meet changing conditions. As a result we enjoy a way of life that of all systems since the beginning of time itself has provided the greatest improvement in man's lot.

Weakness and Abuses That Impair Economic System

At this critical time, it is more imperative than ever that we don't try to freeze our gains — that we don't drop an iron curtain over weaknesses and abuses that impair the strength of our system. Citizens who view with alarm necessary changes remind me of Chauncey Depew's definition of a person of narrow vision. He described a narrow-minded man as one who could look through a keyhole with both eyes at the same time. Isn't the test of the quality of our citizenship the degree to which we are willing to overhaul and continue to improve our American democracy?

History provides many examples of where strong nations have become weak and eventually have fallen when their citizens failed to adapt their societies to the realities of a changing world. Two of the most striking illustrations occurred during periods of Roman history. In the period of 133 to 27 B. C., during the last century of the Republic, larger and larger numbers of citizens became so complacent that their chief interest was in baths and banquets. Only the slaves worked in useful occupations. The social structure disintegrated so fast that by the time of Julius Caesar, 320,000 members of an idle mob were living on a government dole. Countless others subsisted on the bounty of corrupt politicians in exchange for votes. This has a familiar ring, doesn't it?

In the last two centuries of the Empire (284-476 A.D.) this trend was even more pronounced. Rome was engulfed by Oriental attitudes which contributed still further to a disdain toward the obligations of citizenship. The apathy of the people heralded the approach of the dark ages.

Now it seems to be the old story of history repeating itself. Today in this country this same Roman concept is rearing its ugly head. We seem to have gone up the hill and down again.

Shirking Our Responsibilities As Citizens

Too often the quality of citizenship is evidenced by a "less for more" philosophy in this country — less effort for more reward. It seems that in this machine age there is a tendency to let "George", the machine, do it. The more we make the machine our Roman slave, the more we are inclined to shirk our responsibilities as citizens. I must confess, in my own home this latest machine, TV, causes considerable shirking of responsibilities.

This change in our national attitude is revealed in many ways. Insurance companies sell millions of dollars' worth of annuities through the use of pictures showing a man and his wife at 65 no longer having any responsibilities but traveling luxuriously all over the world on $250 per month. Implicit in this sales approach is the philosophy that one becomes truly happy only when one is freed from his obligations to society.

It is an understatement to say that many of our citizens holding public office shirk their responsibilities. They are not even part-time citizens. Their chief ambition seems to be spending—they apparently have become allergic to work—they seem to be so busy doing one another and their friends favors they have little time to discharge the duties they have sworn to perform. Speaking here in Atlantic City, I needn't point out that these part-time citizens are not all Democrats, either. In league with corrupt politicians are the members of the gambling and racketeering fraternities. The rise in power and wealth of these parasites of our society highlight the abuses that today plague our American system.

A minority of conscientious public servants fight an uphill battle. I might say in this State, we are fortunate in having a majority of office-holders at the top and in the ranks who are conscientiously trying to make the American system work.

While history is thus in the making, the average man John Doe (in these days of high taxes John Doe should be spelled John D-O-E, and not John D-O-U-G-H) is disturbed but he has little confidence in his ability to change the course of things. At best he is confused. John Doe is a good citizen according to his lights. He earns a living for his family, makes a contribution to organized charities and usually votes in the general election. But is he a full-time citizen?

A full-time citizen's responsibilities cover a wide area — in his job, in his community, and in his home. Responsibilities of leaders in industry and in the professions — and this applies to everyone who is here tonight—are broader than those of John Doe, and the impact of their actions on society is more significant.

We Need Full-Time Citizens

Is it not the primary obligation of leaders in industry to strengthen the economic system which already has contributed so much to the American way of life and has made them personally prosperous? Because our system needs so much improvement this responsibility must be accepted by full-time citizens. As our industrial state has developed, there are basic problems that have not been adequately resolved. The worker still does not have the sense of security and feeling of achievement enjoyed by his forefathers in a rural society.

Our Social Gains Are Not Solid

Much progress toward these goals has been made since the 19th century exploitation of the industrial worker. Yet our social gains are not as solid as they sometimes appear. For example, while retirement plans now are generally recognized as being necessary for the security of the worker, most of the pension plans already adopted by industry give an illusory form of security. If a man is required to stay with one company until he is 65 in order to get a pension, he is trading some of his liberty for security. Plans that guarantee a pension even if a worker changes jobs (these plans are known as vested plans) should be the accepted method of providing security for superannuated workers.

We have heard much about the desirability of having the worker participate directly in the fruits of his labor, but actually profit-sharing plans have few adherents in industry. Commonly the excuse given for failure to use this means of distributing the rewards of the profit system more equitably is the difficulty of working out a plan that is practicable. Yet if businessmen are smart enough to make profits, they should be smart enough to divide them equitably.

The impression has been created that fringe benefits—such as sick pay, adequate vacations, and group insurance — have been adopted generally in industry. But is this so? Well, based on the latest available figures (1949) group insurance protection, the most widespread benefit of them all, is enjoyed by less than 17 million workers out of a total of

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*An address by Mr. Shield before the Occupational Vision Conference, Atlantic City, N. J., Nov. 2, 1951.

Dealer-Broker Investment Recommendations and Literature

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

Airlines—Detailed analysis—Abraham & Co., 120 Broadway, New York 5, N. Y.

Air Lines, Oils and Coppers—Leaflet of comment—Cohu & Co., 1 Wall Street, New York 5, N. Y.

Canadian Oils—Analysis—Dreyfus & Co., 50 Broadway, New York 4, N. Y.

Capital Gains and Losses—Changes in taxation—Dean Witter & Co., 14 Wall Street, 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.—F. W. Stephens Co., 15 William Street, New York 5, N. Y.

How to Save on Taxes—Bulletin—A. M. Kidder & Co., 1 Wall Street, New York 5, N. Y. Also available is an analysis of **Winn & Lovett Grocery Company.**

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.

Pennsylvania Tax Free Long Dividend Paying Stocks—List of 140 common stocks—Moore, Leonard & Lynch, Union Trust Building, Pittsburgh 19, Pa.

Public Utility Stocks—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Report Service—Special introductory offer for five weeks of complete weekly report service (via airmail) plus three special research studies and booklet "Planning for Profits in the Stock Market"—$1—Dept. C-95, Investors Research Co., Santa Barbara, Calif.

Tokyo Market Review—Review of current market action on the Tokyo Securities Exchange with spot quotations on Major Stocks listed — Nomura Securities Co., 1-1, Kabuto-cho, Nihonbashi, Chuo-ku, Tokyo, Japan.

Yields—Bulletin—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y.

* * *

American Machine & Foundry Co. — Analysis — Freehling, Meyerhoff & Co., 120 S. La Salle Street, Chicago 3, Ill.

American Metal, Ltd.—Circular—Bond, Richman & Co., 37 Wall Street, New York 5, N. Y.

Bausch & Lomb Optical Company—Analysis—Floyd D. Cerf Jr. Company, Inc., 120 South La Salle Street, Chicago 3, Ill.

Bingham-Herbrand Corp.—Circular—L. Johnson & Co., State Tower Building, Syracuse 2, N. Y. Also available are data on **Gisholt Machine Co.** and **Dayton Malleable Iron Co.**

Buda Company—Analysis—Barclay Investment Co., 39 South La Salle Street, Chicago 3, Ill.

Cockshutt Farm Equipment Limited—Analysis—A. F. Francis & Co., Ltd., 66 King Street, West, Toronto 1, Ont., Canada.

Collins Radio Company—Analysis—Butler, Candee & Moser, 44 Wall Street, New York 5, N. Y.

Connecticut Light & Power—Descriptive memorandum—Chas. W. Scranton & Co., 209 Church Street, New Haven 7, Conn. Also available are memoranda on **United Illuminating, Connectivut Power, New Haven Gas Light, Hartford Electric Light,** and **Harftford Gas.**

L. A. Darling Company—Late data—Moreland Co., Penobscot Building, Detroit 26, Mich.

Douglas Oil Co. of California—Analysis—Ferris & Co., First National Bank Building, Dallas 1, Texas.

Erie Forge—Comment on in "Highlights"—Troster, Singer & Co., 74 Trinity Place, New York 4, N. Y. Also in the same

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Facts and Forecasts of Economic Activity

By ROY A. FOULKE*
Vice-President, Dun & Bradstreet, Inc.

Mr. Foulke enumerates as significant characteristics of current economic activity: (1) highest retail and wholesale prices in history; (2) highest employment in history at top wages; (3) all-time high for manufacturers' sales; (4) inventories still large despite reduction from May's peak; (5) a new high point for demand deposits and commercial bank loans; and (6) corporation profits still in ascendency. Sees heavy inventories as fly in ointment of present situation and forecasts long inflation trend.

We live at such a pace that events of just a few years ago seem to get lost in a haze. When the Joint Committee of Congress for the Economic Report had been in existence less than a year—and I might say that that Committee is the most important Committee in Congress that has anything to do with business—the greatest worry in the country was the coming postwar depression and potential heavy unemployment. That was only four years ago, and Washington at that time was wondering what legislation should be passed to take care of unemployment when it passed the five million mark. Only four years ago, practically nine out of ten businessmen, bankers, economists, newspaper columnists, and the individuals who write those weekly four-page letters solving all of the problems in this world, no matter what they are — practically nine out of ten of these people four years ago, said we were in for a serious depression, with heavy unemployment.

Roy A. Foulke

Senator Taft, who was the Chairman of that Joint Committee for Congress for the Economic Report at that time, felt that some legislation would be necessary by the end of the year if business was going to be as bad as was so widely and uniformly predicted. But he said, "What legislation should we have? While we have the opinions of people all over the country that business is going to be bad, we have no real facts on which to base any legislation."

So the Joint Committee of Congress for the Economic Report asked us if there was any way in which we could get facts for them. Dr. Hardy, who at that time was their economist, and his assistant, came to New York, and sat down with us to work out a basis for obtaining information from manufacturers, wholesalers, and retailers, in all parts of the country. That was in May, 1947. We worked out a plan to obtain information on six items, and those six items were these: orders, sales, profits, selling prices, employment, and inventory.

We went out and called on manufacturers, wholesalers, and retailers in all parts of the country. We would ask them a question like this: "Do you believe your sales for the full year 1947 (this was in May, 1947) will be smaller or greater than 1946, or about the same? If you think they will be smaller or greater, will you give us an estimated percent of the change?"

Then, we asked the same questions regarding his industry. We asked, "Do you believe the sales for your industry will be smaller or greater or about the same for 1947 compared with 1946?" Finally we asked the same question related to the business in the United States as a whole.

That information came back to New York where we tabulated the results. The strange thing was that practically all the businessmen were optimistic regarding their own individual businesses. They were a little less optimistic regarding their industry. And the great majority were pessimistic about the economy of the country as a whole. We turned that information over to the Joint Committee of Congress for the Economic Report.

When 1947 was over, we found that the sales of manufacturers, wholesalers, and retailers for that year had been the highest in our history, and the profits of all corporations amounted to $18½ billion, which was a record new high. In other words, the aggregate of the information which businessmen had given us individually about their respective businesses in May, 1947 has been right. But their opinions about their respective industries and the economy of the country was off the track.

In April, 1948, we made another survey of this character, this time for our own use. We asked business executives the same questions, and again we got the same results. Businessmen were optimistic regarding their own businesses, a little less optimistic regarding their industry, and by and large they were pessimistic about the economy of the country. And, again, what they told us about their own individual businesses turned out to be accurate in the light of what eventually happened in 1948.

We have made 16 similar surveys since that time, but we have discontinued asking businessmen any questions regarding their industry and regarding business in general, because we found out that the aggregate of what they tell us about their own business is accurate. We made our last survey of this character in the first 12 days of this month, when we asked manufacturers, wholesalers, and retailers in all parts of the country to give us their expectations of business for the first quarter of 1952, compared with the first quarter of 1951.

Let me give you a few of the high lights of that survey. But keep in mind that the first quarter of 1951 was an exceptionally good quarter. We had been at war in Korea for six months. Business was at a high level of activity. Profits were high. In January of this year we had had the second wave of scare consumer buying. With that background, this is what we found out in the first 12 days of this month in our "business expectation" survey regarding the first quarter of next year:

(1) Six out of every 10 businessmen we interviewed expect higher sales in the first quarter of 1952 than in the first quarter of 1951. Two out of every 10 expect the same volume, and two expect lower sales.

(2) Four out of every 10 expect higher profits, three the same profits; and three lower profits.

(3) Two out of every 10 expect greater employment, seven the same employment; and one lower employment.

The details of this survey are broken down into manufacturers of durable goods, manufacturers of non-durable goods, wholesalers, and retailers. On most of these points, the returns were the similar whether the sample was manufacturers of durable goods, manufacturers of non-durable goods, wholesalers or retailers. But on the one question of employment, manufacturers of durable goods expect relatively higher employment, which is natural, during the first quarter of next year, than the other three breakdowns.

(4) Four out of every 10 businessmen expect higher inventories; three the same inventories; and three lower inventories. Those figures indicate a leveling-off process, but it doesn't look as though the leveling-off process has been sufficiently great at the wholesale and retail levels.

(5) Four out of every 10 businessmen expect higher prices; five the same prices; and one lower prices.

Characteristics of Economic Activity

Now, I would like to do four things in the next few minutes. (1) I would like to enumerate eight signficant characteristics of economic activity which indicate the high level of business on which we are operating today. (2) I would like to give you a brief background sketch of this high activity. (3) I would like to discuss the fly in the ointment, which is heavy inventories at the wholesale and retail level, and (4) I would like to discuss the long-term trend of inflation. Let me take each of those points up briefly.

First, what are those eight outstanding characteristics of industry, banking and commerce which indicate a higher level of business? Here they are:

(1) Retail prices today are the highest in the history of our country. They are 9% higher than they were one year ago.

(2) Wholesale prices reached their highest point since 1779 — that is, 172 years ago—last March. At the present time, wholesale prices are 4% higher than a year ago, but 4% lower than they were in March of this year. Wholesale prices went off steadily but very slowly from March until August, and since then have been stiffening.

(3) More people today are employed than ever before in our history. And not only are more people employed, but they are employed at the highest hourly and weekly wages in our history.

(4) Dollar sales of manufacturers are at an all-time high. Sales of retailers and wholesalers, however, have been easing since March, as a result of consumer resistance to high prices.

(5) Dollar inventories of retailers and wholesalers reached an all-time high in May. Since that

Continued on page 16

*An address by Mr. Foulke at 7th Annual Conference of the Commercial Finance Industry, New York City, Oct. 29, 1951.

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Outlook for Stock Prices and Reasons for Recent Reversal

By NICHOLAS MOLODOVSKY*
White, Weld & Co., Members, New York Stock Exchange

Bringing up-to-date his latest articles in these columns, analyst discusses some characteristics of the market's summer rise, of the recent top of stock prices and of the ensuing reversal. Concludes that last month's break was not a mere technical correction, and that it is likely to be followed, with interruptions, by further downward adjustments in the stock market.

As "The New Yorker" would put it, this discussion is the third of a series of three. The first two were published in "The Commercial and Financial Chronicle" of Aug. 2 and Aug. 16. They presented an outline of the condition of the stock market and a survey of the business outlook. They reached the conclusion that stock prices were probably forming an important top.

Nicholas Molodovsky

This opinion that underlying conditions were unfavorable for the continuation of the bull market made no attempt at an exact timing of its reversal. Areas of trend changes can be quite broad and can extend through lengthy periods of indecision. And anyone who chooses to operate against an established trend, even when it is traversing its final phase, must be prepared to pay a heavy cost in nervous wear and tear, regardless of the final financial outcome.

This is a situation quite typical of important turning areas of stock prices. Let us mention, as an illustration, an article which appeared in the "Chronicle" of Nov. 22, 1945. This study was written by a respected Wall Street economist, the head of the research department of a well known investment trust. The author took the position that the then current stock market appraisals were largely over-optimistic. He stressed that it was an excellent time to emphasize the adverse side.

Even though stock prices did not reach the top of the bull market for another six months, while a truly drastic decline did not materialize for more than nine months, these events justified the author's warning.

That same article related an even more telling experience. It was the story of the head of a large investment house who, in the spring of 1929, foresaw the coming crash, but was dissuaded by his partners from adopting proper preventive measures. To quote from the article in question, "He hadn't assurance enough to go against the tide. It is much easier to join the crowd than oppose it, particularly when it is on the optimistic side."

Outside of the extended period needed for its formation, we wish to draw no parallel between the recent top of the market and that of 1929. Besides, there exists another important difference between the present situation and both these illustrative cases. The latter already belong to history. The correctness of these market judgments has been since vindicated. But, as the cynic Sporting Life sings, "it ain't necessarily so" that such will be the case in this instance. While the market did suffer a severe break, the full extent and significance of this decline remain as yet unknown. And the formality of a mere correction could not qualify as a real change of trend.

*Talk by Mr. Molodovsky before the Association of Customers' Brokers in New York, on Nov. 13, 1951.

Let us then examine whether recent developments in business conditions and in the stock market itself have increased or diminished the probability that we are witnessing a significant reversal of the upward trend of stock prices.

Stock Prices and Index of Effective Demand

Chart I brings up-to-date a similar graph contained in the article of Aug. 2. Once again it plots the Dow-Jones Industrial Averages, as well as the Index of Effective Demand, at weekly intervals, showing their respective Friday closings. It extends from the beginning of the current year up to and including the close of last week.

The Index of Effective Demand is a ratio of a price index of secondary stocks to a price index of quality stocks. As noted in the article of Aug. 2, the functioning of such an index is based on the simple economic truth that, in periods of business improvement, weaker companies improve relatively more than the stronger companies. Conversely, in periods of deterioration of business, the weaker companies begin to suffer sooner and continue to suffer more than the well established companies. These conditions of relative improvement or deterioration are reflected in changes in the demand for the stocks of these secondary companies. And this, in turn, brings about rises or declines in our index.

Values measured in relative terms are much more indicative of the market's internal condition than values measured in dollars and cents. A declining trend of the Index of Effective Demand reveals that secondary stocks are receiving an increasingly lower valuation in terms of quality stocks. Viewed against the economic background of 1951, it showed that, in the opinion of investors, the outlook for marginal enterprises was unfavorable. It is at the economic margin that the realities of expansion or contraction, the stimulations or pressures acquire their greatest significance and clearest manifestation. A reversal in an economic trend is likely to manifest itself in the marginal zone earlier than at the better protected core. And should the new downward trend gain momentum, it is bound to extend beyond the margin. In economics, as in politics, a house divided cannot stand.

Even a cursory glance at Chart I suffices to make one aware of the fact that the stock market, as measured by the Dow-Jones industrials, had taken this year three big steps upward. It registered successive new highs in February, May and September. It also becomes apparent at once that, on the contrary, the Index of Effective Demand was completely unable to exceed later in the year its February-March level. Even during the market's powerful upward drive from the June lows our index was advancing at a much slower rate than the stock prices themselves. And at their September top, the distortion between the respective levels of stock prices and our index was even greater than at the two preceding tops recorded by the averages since the start of this year.

In fact, in examining Chart I with greater attention, we observe that in order to place the Index of Effective Demand in a truer perspective we should foreshorten it by a goodly piece. In terms of the Dow-Jones industrials, the market reached its 1951 closing high on Sept. 13. As is clearly visible on the chart, when the market was at its September peak, the Index of Effective Demand was not only considerably under its February-March level, but even well below its own May top. One should mentally eliminate from the outline traced by the index a section covering the two week period ending Sept. 28. On Chart I, this section is boxed in by a broken line rectangle. The strength of the index during that period was not due to a rise of stock prices, but was caused merely by the relatively greater resistance to the decline on the part of the secondary equities. Many conservative investors were already shading offers, while the more light-hearted operators were still pursuing speculative bluebirds in holding up the bids for secondary stocks.

In all fairness, I cannot claim that "I planned it that way." After the Dow average had crossed 260 last May, I felt that the distortion between the relative action of leading and secondary stocks had proceeded too far to make a new speculative phase very probable. It is true, of course, that the final tops of many rises have been capped by speculative foam and froth. The occurrence of such a development cannot be, however, necessarily taken for granted in advance of the event. To believe that a bull market will not end until it goes through all the typical phases of development is equivalent to thinking that men can die only of old age. But since it so happened that the last rise did ripen into full maturity and, in the course of a natural sequence, entered upon a normal disintegration, it becomes a particularly instructive specimen for the analyst's scalpel.

Analysis of the Relative Activity of Transactions

The deterioration in the quality of trading has been particularly pronounced since Labor Day. "Cats and dogs" started dancing a lively saraband to the tunes piped by such stocks as Electric and Musical Industries common which appeared repeatedly as the most active stock of the day. And this equity's name seemed appropriate to signal that, in Keynes' words, the "game of musical chairs" was on.

But let us not indulge in symbolism. Instead we shall translate what has been recently happening in the market into statistical figures. Chart II has been constructed for that purpose.

Chart II presents the latest developments in the market in greater detail than Chart I. It covers a shorter period, beginning only with the second half of last June. It plots daily data instead of weekly figures. Its purpose, however, is not so much to amplify the picture as to illustrate the changes that have taken place during this period in the internal structure of the market in terms of the relative activity of transactions. The same two statistical samples of 50 quality stocks ("value" stocks) and 50 secondary equities ("vision" stocks) are used for the construction of Chart II, as was done in the case of the Index of Effective Demand appearing on Chart I.

As may be seen from Chart II, the percentage of the daily volume of transactions in value stocks to the total number of shares traded daily on the Stock Exchange declined from approximately 14% to about 6% in the course of the market's rise to its September high. During the same period, the relative volume of vision stocks rose from approximately 8% to approximately 19%. When the market is in balance, each of these two groups normally represents 10% of the total daily volume traded on the Stock Exchange.

To complete this picture, it should be mentioned that the relative volume of value stocks has not only been gradually shrinking during the entire period of the rise, but it has since been giving indications of increasing during days of lower stock prices, and drying up again on rallies. Since the middle of September there

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CHART I

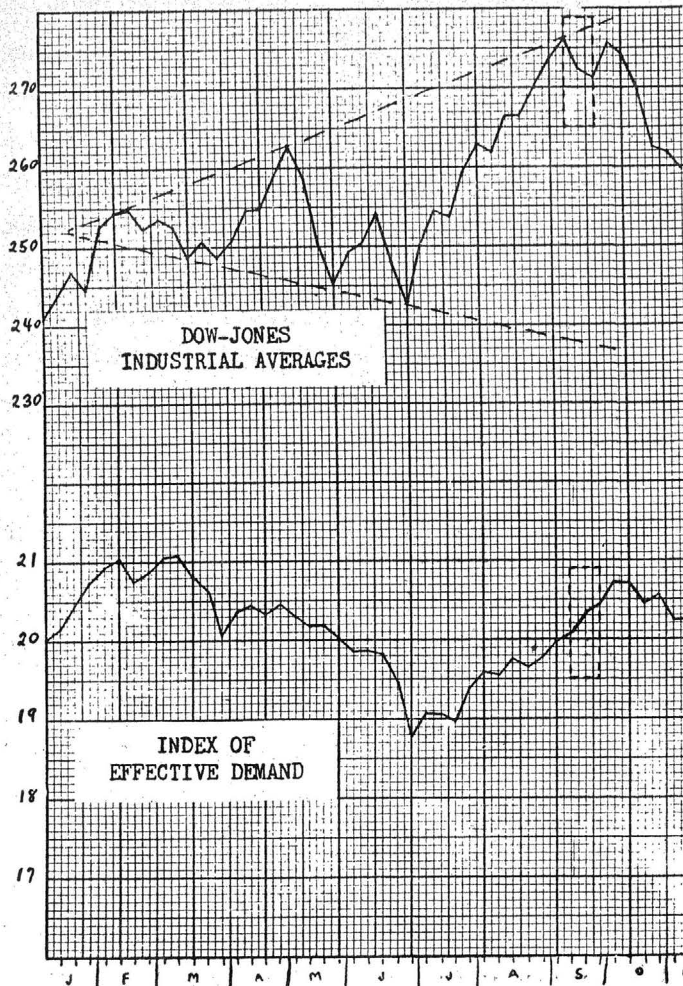
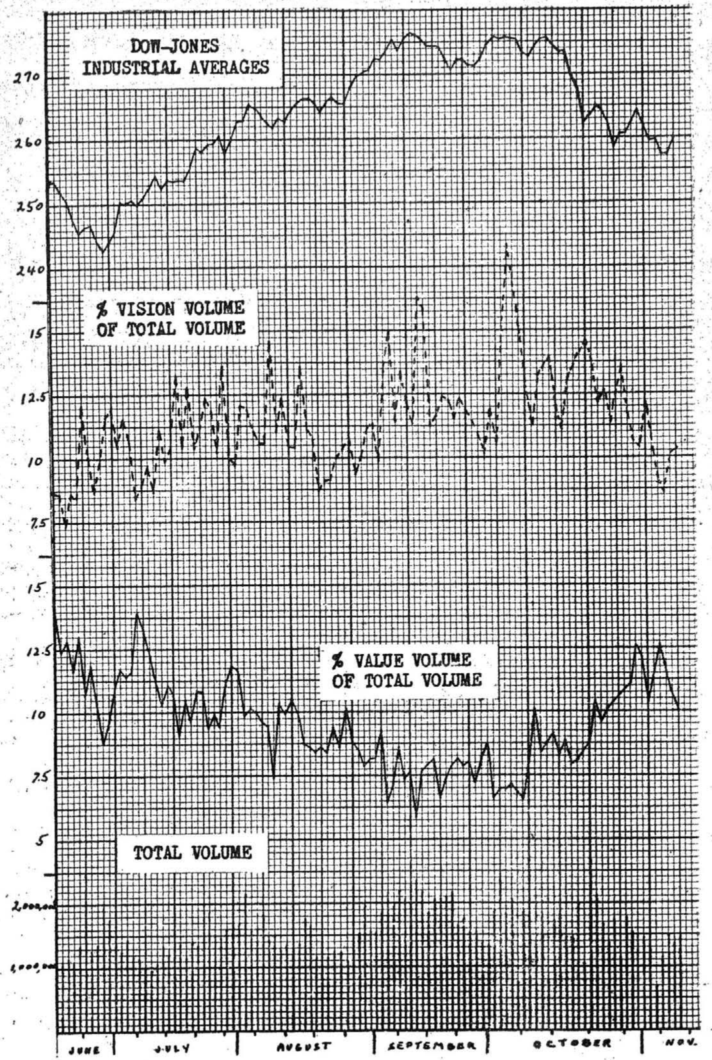


CHART II



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Let's Have an Independent Federal Reserve System!

By AUBREY G. LANSTON*
President, Aubrey G. Lanston & Co., Inc.

Commenting on Patman Committee questionnaire sent to banks for opinions on monetary, debt, and fiscal policies, Mr. Lanston pleads for independence of the Federal Reserve System, and calls upon bankers and insurance companies to raise their voices individually and collectively in support of this principle. Recommends Secretary of Treasury become member of Federal Open Market Committee and various powers of Federal Reserve be transferred to this Committee. Insists interest rates must be permitted to increase or decrease consistent with desirability of expansion and contraction of currency.

One of the most important matters confronting the financial and banking community at this time is the questionnaire recently sent out by the Patman Committee to various groups in and out of the government. In dealing with the problems to be reviewed, I imagine that you, like myself, may feel overwhelmed by the complexities of detail, technique, philosophy, and theory that become involved in serious discussions of these subjects.

Aubrey G. Lanston

An abundance of theory and philosophy will ensue from the replies to be received. 85% of the questions contained in the 30-page pamphlet issued by the Committee are directed to officials of the Federal Government and of the Federal Reserve System, who may feel compelled to make an effective, perhaps a lengthy presentation. This suggests the possibility that the opinions and facts available from bankers and insurance companies may be submerged by the very bulk of the official testimony. A resurgent determination to present your case as individuals, as well as by groups or organizations, may be necessary to insure that private banking and lending can continue to function adequately and that a desirable degree of independence will be preserved for the Federal Reserve System.

The questions asked of government and Federal Reserve officials should draw the issues more cleanly than was the result of the earlier, and admirably conducted, hearings of the Douglas Committee. This can be a plus factor of considerable value. Moreover, for the first time, questions are asked of you and others that can be answered from your practical experience as bankers. You, therefore, can dilute the pervasive appeal of some untried theories by facts of which you have first-hand knowledge.

There are times when bankers are asked to take a stand favoring one arm of the government in opposition to another, and they have sometimes demurred. This is reasonable, particularly when the issue may have been confused and multi-sided. In this instance, however, the issues to be heard will pierce to the heart of a fundamental question—namely, whether private banking and credit in this country shall be dominated and controlled by a political Administration. Private bankers and financial people have the duty and the right to speak their piece, in voices loud enough to be heard.

This morning, in the hope I may be helpful, I would like to offer you an over-all picture of the territory covered by the Patman questionnaire, tell you of an approach I found helpful in studying it, and some pitfalls that should be avoided.

Suppose we start with the membership of the sub-committee. This is the same as the earlier Douglas subcommittee, except that Frank Buchanan of Pennsylvania, now deceased, has been replaced by Richard Bolling of Missouri. The other members are Senators Paul H. Douglas of Illinois and Ralph E. Flanders of Vermont and Congressmen Jesse P. Wolcott of Michigan and Wright Patman of Texas, its Chairman.

The Questionnaires

As to the questionnaires, if you read them in the order of their presentation you will find that a number of questions are asked repeatedly of the different groups, public and private. You also may find, as I did, that upon finishing the questionnaires you have no clear idea as to how the particular questions may be related eventually to each other, as to differing objectives or to particular philosophies. I, therefore, rearranged the questions by subject matter as well as by questionnaires and ended up with six different classifications, somewhat similar to those mentioned in the introductory remarks of the pamphlet, but also with some differences.

To these I gave the following headings—

One: The directives and economic objectives given by Congress to each of the government groups.

Two: The present organization and powers of these groups as set up or delegated by Congress.

Three: The organization and powers of the Federal Reserve. The questions asked in this connection were sufficiently detailed to cause them to be treated apart.

Four: Matters directly bearing on the management of money, banking and credit, public and private.

Five: The earnings or income and expenses of the Federal Reserve and of government offices or agencies who operate with funds other than Congressional appropriations, and those of the member banks.

Six: Miscellaneous subjects not directly related to the fundamental issues.

Classification number one, dealing with the directives and economic objectives laid down by Congress, seeks to establish certain factual information and to suggest a possible revamping of these directives and objectives. One question, asked only of the government groups, is whether the preamble to the Employment Act of 1946 is balanced in the emphasis placed upon high-level employment and price stability. Since this preamble assumed an important place in the Douglas hearings and may in this one, the various private groups might give the question some consideration. One also notes at this point, an inquiry as to whether any particular government group wishes changes to be made in the directive it has received from Congress. Another question seemed appropriately classified under this heading because if it were adopted private banking thereby could become directly subjected to political considerations: should bank examination become an instrument for furthering the objectives of the Employment Act?

The second classification deals with the powers each government group believes have been reposed in it, and the relationships that exist between these agencies. In this section we find consistent repetition of the question, does the department or agency, including various organizational groupings of the Federal Reserve, operate under or subject to the powers of the President?

The apparent structure of thought suggested that later in the hearings it might be recommended that the Treasury or the Council of Economic Advisers be empowered, under the direction of the President, to coordinate the activities, policies, and objectives of the agencies and departments involved. It is to be presumed that the Federal Reserve's answers will place it apart from the others in this connection.

How Can Federal Reserve Stand As Independent Agency?

My third classification covers the questions designed to set forth the organization and the powers of the Federal Reserve. I note here a question as to what matters of common interest exist between the Federal and all of the other agencies or departments who received questionnaires. The obvious answer would be that they have a great deal in common. The implied follow-up question could be: why should or how can the Federal be permitted to stand apart as an independent agency?

The Federal Reserve replies to certain questions may be expected to confirm certain irrationalities in its organization, ones that arose from the compromises effected in the Banking Act of 1935. For example, the Federal Reserve Banks may vote to change their rediscount rates but the Federal Reserve Board must approve any change or no change. Thus, for practical purposes, the Board has the controlling say. In the matter of reserve requirements the power rests solely with the Board, as is true in the case of margin requirements and consumer and real estate credit. When it comes to open-market operations, which should be made consistent with the Board's policy as to discount rates and other matters, the power rests with the Open Market Committee. This includes the Board of Governors and five Reserve Bank Presidents.

It seems logical to expect that someone will ask if it would not be better for **all** powers to be vested in the Board.

The outstanding question concerning the Federal takes the following form: does the President have, and if not should he have, the power to resolve policy conflicts between agencies and departments directly responsible to him on the one hand, and the Federal Reserve on the other, or could such conflict be pursued indefinitely? Obviously, indefinite conflict cannot be permitted. It is unlikely, however, that, if differences existed and the President were so empowered, he would rule against the departments and agencies responsible to him in favor of the Federal. Consequently, if one granted that the President should or does have the power to resolve differences arising from and independent Federal Reserve, the latter would become fully responsive to the fiscal and monetary objectives set forth under the direction of the President.

The questions relating to the management of money, banking, and credit, public and private, encompass a variety of subjects. As I mention some of these, I think you will agree that decisions to adopt certain proposals could have a profound repercussion on private banking and lending institutions. For this reason, it seems to me important that everyone in the financial community try to reach a point of view on most questions, although only a handful are included in the questionnaires sent to private groups.

Differences Between Federal Reserve and Treasury

The first question in this series should produce replies that will interest the curious. Both the Secretary of the Treasury and the Chairman of the Federal Reserve Board are asked to disclose, in full, the differences that existed between the two parties over a period of time concluded by the announcement of the Treasury Federal Reserve accord on March 4, 1951. Then follows a request for a full description of that accord.

From observation, I would surmise that the differences may narrow themselves to two major points—one involving judgments as to market psychology and market reactions and the other involving a principle.

The differences of judgment may be illustrated by a question that was consistently in the minds of both parties as their differences became enlarged. If the Federal were to withdraw gradually its support of Treasury security prices, would the impact and the consequent market instability, prove to be more or less inflationary, over the near term, than a continuation of such support? The Federal obviously believed the answer to be "less," and the Treasury believed the answer to be "more." As the Federal handled open-market transactions more and more in accordance with its ideas as to the timing, techniques, and psychology involved, its problems and those of the Treasury were magnified.

Finally, the question of principle had to be faced. Should the Federal, if it disagreed with the Treasury's financing decisions and its views of the market, continue subservient to the Treasury or should it proceed to act independently to discharge its responsibility for the availability and cost of credit? The Federal's decision seems to have been reached by August, 1950, and the Treasury appears to have accepted this decision in the accord announced in

Continued on page 38

*An address by Mr. Lanston before the Arizona Bankers Association, Tucson, Arizona, Nov. 2, 1951.

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ALLEN & COMPANY

November 13, 1951

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Expanding Your Income

By IRA U. COBLEIGH*

Financial writer, addressing Customers' Brokers of New York, holds Dow-Jones Industrial Average will again cross 275 level before it sags into an interim decline of some 20% by Spring of 1953. Says there is overtrading in securities; that some customers' brokers try to cover too many issues; and that investor's purpose of buying stock should be adhered to by broker. Sees wide stock ownership aiding free enterprise.

The only possible justification for my being here is that in the past year and a half I have come to be sort of an itinerant financial writer. After a few terms in the Graduate School at Columbia and a brush with what I call the cloistered economists, I got rebellious. I rebelled at the drab aridity of most of the economic textbooks; and determined that with only a little effort a more readable book on finance could be written. So I turned out a brassy monograph called "How to Make a Killing in Wall Street and Keep It." And thinking it of dubious merit, I published anonymously. To advertise it, I approached the Vice-President of a leading financial weekly who looked at the title and exclaimed: "Why advertising 'How to Make a Killing in Wall Street' is picking up where Lydia Pinkham left off!" Well, he did advertise the book—sold widely—and I found myself in the same plight as the man who'd scratched his ear at an auction sale and found he'd bought a grand piano!

Ira U. Cobleigh

So somewhat belatedly we come now to my subject for today which by a perfectly amazing coincidence is "Expanding Your Income"—the same title as the book of my authorship which first hit the bookstalls of America on Oct. 30. The book is unimportant—don't bother to read it. It's just got a lot of off-beat economic ideas and some splashy chapter headings.

But seriously, everybody is interested in expanding income. You do that every day for your clientele whether by interest or dividend income, or cleverly arrived at capital gains. And if you do well for your clients you are bound to expand your own income at the same time.

Well, in your professional duties there are two things you're always interested in. First, the present position and trend of the market; and second, the wise selection of particular securities for purchase or sale.

About the first, it would be my definite idea that the Dow-Jones Industrial Average must cross again the 275 level before we sag off into an interim decline of some 20% carrying through to perhaps the spring of 1953. This I believe because war with Russia seems highly unlikely—she made the mistake in Korea of arousing us too soon (for her purposes) to important defense mobilization. Her only hope of beating us now is a destructive depression here, caused perhaps by overproduction for a war we may never have to fight. It may well be that should we reach defense expenditure in the order of $60 billion a year, the net result might be, to an important extent, the stockpiling of obsolescence. The technology of war makes such fantastic strides with each passing year as to make massive production of standardized items of military hardware, short of actual war, an ill-advised program.

For the long trend, after say 1953—how can you escape inflation? Annual rounds of labor increases, unrelated to increased productivity, a national debt that knows no upward bounds and that no one even dreams of reducing—these two things alone assure a loused up dollar—and inflation—for a long time to come.

About the selection of securities. By and large, I think you're doing a fine constructive job. There are, however, one or two specific thoughts I do have about certain practices in your profession which while surely not common today have, at some time, tended to limit somewhat the maximum efficiency of your work.

The first of these is overtrading. Going back to the different markets and far different income tax and commission structures of 1929 the clackety-clacketing of electric stock boards has fascinated traders and the persistent lure of the twinkling numbers in board rooms has led some into a program of churning securities around buying and selling far too often. The results of such a program are that commissions run high, and the trader never holds his items long enough to make really important swings that sustained retention could have created. The 26% income tax, provision for six months' holding has been a rather effective brake on this practice; and I have coined a corrective slogan to cover it. "Don't be a sucker for in and out trading—you'll never get rich if you sell and switch!"

Another thing that this detached observer has noted is that some members of your fraternity probably try to cover too many securities. I don't see how you can follow carefully, and effectively, a couple of hundred different issues. It would seem to me to be far more productive of maximum results to keep complete and up-to-the-minute information on about say, at the most, 40 or 50 securities in which you have developed an active interest. With 25,000 stocks unlisted and 3,200 on the Exchanges you can't know about them all—so specialize.

A third point that occurs to me is the frequent necessity of clearing up in the mind of your client the purpose for which he invests! If it's for income then by all means buy for just that. If you're digging for speculative profit—for capital gains—then dividend income must often be studiously ignored. Let me illustrate: About a year ago an old rail trader friend of mine got all hopped up about Texas and Pacific Railway paying then $5. Said he thought it ought to double in price—that's why he wanted to buy it. "If you really seek capital gain," I asked, "why don't you buy Texas and Pacific Land Trust at the same price level." "What?" he said, "and swap a $5 dividend for a lousy $1.70?" Well he bought the railroad stock because down deep in his mind his logic was woolly. He let the dividend sway him away from what would have been a rewarding capital gain.

Another thing. All of us believe in our system of enterprise—capitalism. It has made this country great and has been kind to you and to me. Therefore the very least any of us can do is to plump on every occasion for wider ownership of securities—to sell our system more completely to our fellow citizens and to avert a nasty trend toward state socialism. So even at some inconvenience I think it a swell idea for you to encourage stock buying, particularly among the small investors and newcomers to Wall Street—and you may well find mutual funds a fine introductory vehicle for this purpose.

Frankly yours is one of the most fascinating vocations on earth. Where else, but in Wall Street, can you buy a piece of paper like St. Louis Southwestern common at a *Buck* in 1941 and sell it for $300 ten years later. Why as you tonight riffle through the financial pages of your evening paper you'll rub your thumb on at least five listings of shares that, by 1955, will have gained 500%. Which are they? How do you recognize them? Ah, those are questions which you all are by training and temperament in a peculiarly favorable position to analyze and answer. And by the way, when you do have the answers—please phone me!

So let me congratulate you on the splendid overall job you are doing and have been doing for the investors. You are the trustees of an important section of our economy. Continue your searching and patient analyses and comparisons of values, continue to provide for each client the very best security list it is possible for you to assemble, and you will not only have played a fine role in the drama of expanded income but you will have adorned the edifice of opportunity, enterprise and initiative, which is America.

*An address by Mr. Cobleigh before the Association of Customers' Brokers, New York City, Nov. 13, 1951.

All of these shares having been publicly sold, this advertisement appears as a matter of record only.

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Continued from first page

As We See It

initely begun to turn against Britain and the British Empire even prior to the outbreak of war in 1914. Changes had been relatively minor in degree, and had escaped the notice of all but the more discerning, and even the keener students of international affairs had apparently not recognized the full implications of what was going on. Britain itself had long been in considerable degree what some one described as a nation of shopkeepers—that is to say, the nation which had in unusual degree made its living among the other nations of the world by the conduct of trade and other activities closely related thereto, such as shipping, insurance, and banking. Even before World War I goods had begun increasingly to move more directly from producer to consumers rather than via London. Other extensive primary and secondary markets and financial centers, notably New York, were developing in competition with London.

Mass production techniques, vast mechanization of industry generally, and rapid progress in scientific exploration and its application to the production of large quantities of goods not previously available and which had no particular incentive to pass through any central market, characterized industry in several countries of the world outside Britain, notably the United States and Germany. British manufacturing itself, which alongside of the nation's trading activities supplied large quantities of goods for export, had begun to feel the effects of these developments—but had shown little disposition to keep abreast—before the deluge in 1914.

The events of the past three or four decades have greatly stimulated the development and growth of these tendencies. They have stimulated them, that is, outside Britain. The British themselves have, by and large, apparently preferred to remain industrially in *statu quo ante* for the most part, each man doing just about what his father and grandfather did, priding himself indeed upon the quality of his workmanship and by implication at least demanding that the world outside, if it did not want to pay a premium for "quality goods" being produced in Britain, must in some other manner come to the rescue of the British as a reward for their heroism in war. (Or is it as a sort of tribute to them growing out of their geographical position, and hence of their importance to non-European nations, notably the United States, in their defense against attack from Russia and Eastern Europe?)

British Attitude

Such at least has for the most part apparently been the attitude of the British as respects their relationships to other nations and to other peoples. The apparent attitude of the rank and file Britisher to the conditions by which he is immediately surrounded may well be a sort of corollary to this basic feeling about his due from the world in general. Of course, the plane of living of the average inhabitant of the British Isles is not only dramatically below that of the rank and file in this country, but has fallen drastically in recent years. It was inevitable that such be the case. "Fair shares for all" could in the circumstances mean nothing better at best than a fair distribution of a drastically reduced total of goods and services available.

Now the accepted remedy in Britain for all this is, generally speaking, threefold. The first ingredient in this prescription is austerity. It may be a little difficult for the average citizen of this country to think of austerity as popular in any sense of the term. In fact, it is popular only in the sense that it is chosen and acquiesced in as a remedy for worse conditions which are believed certain to develop very quickly in its absence. The second ingredient is a large admixture of socialism—provision by the government itself of those things which the individual wants but is unable to get. The parties apparently disagree about this largely in respect of the degree in which government shall undertake to produce that which is wanted. The third element in this prescription is collection of funds from other nations by skillful exploitation of Britain's strategic geographical position. This is more appealing apparently to the Conservative than the Labor Party.

Basic Necessity Overlooked

Now all these proposals seem to us to overlook one basic necessity. That necessity is found in the simple fact that the British people, if they are to remain fully independent (to say nothing of their position among the free nations of the earth) must find a way and find it rather promptly to become economically self-sustaining.

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If they want a better plane of living, then they must find a way to produce the goods and services to support it. A complete re-orientation of British thought and attitude is essential. They must not only be far less afraid of hard work than they now seem to be, but must be much more ready to adopt and develop modern techniques of production. Individual initiative in these matters must be developed on a wide scale. Whatever stands in the way must be removed at once. If then the British people do not respond, they are lost.

The Retired Old Age Problem

By ROGER W. BABSON

Mr. Babson, noting trend toward increase in retired workers, holds pensions are here to stay, and oldsters are becoming a formidable pressure group. Says capitalism needs no gas chambers, since increase of productivity can be applied to support the aged.

BABSON PARK, Mass., Nov. 9—In 1850 there were eleven workers under 65 years of age for every person over 65 years old. Gradually the number of workers over 65 has increased until in 1951 there are only five working adults under 65 for every adult over 65. Projecting this trend to 1960, we find there will be only about three working adults for every oldster. If we project to 2,000 A. D., which is only 50 years hence, fantastic conclusions are indicated. The time can come when the idle retired population will be greater than the young and middle-aged workers who must pay the taxes to support them.

Roger W. Babson

Pensions Here to Stay

The vast majority of people over 65 will never own sufficient income-producing property to live on. Even though practising thrift all their life-long, they can lack the ability to invest advantageously and establish financial independence. Hence, most aged citizens must rely on their children or on pensions.

Many persons think the problem of the aged can be disposed of by voting in favor of whatever pensions are demanded; but this is only like pulling yourself up by your "boot straps." Distribution of vast sums of money by the government to any group, whether oldsters, veterans, or farmers, means making it harder for the other groups, unless offset by a corresponding increase in the production of goods and services.

Oldsters Politically Powerful

The oldsters are becoming a formidable political pressure group. They have made California a pensioner's paradise. Political propsals on behalf of older citizens are often foolishly supported by members of the younger generation. They welcome the opportunity to shift to the State the financial burden of supporting aged parents. What will happen when the oldsters, teamed up with their friends, account for a greater percentage of the national electorate? Will they vote themselves preposterously generous incomes from the Federal Treasury? This would be highly inflationary because it would put the nation completely out of line with the nation's productivity.

Medical Progress Aggravates Old-Age Problem

The modern American trend toward birth control is a large factor in bringing about an alarmingly high percentage of oldsters in the population. Yet, turning the clock backward on this trend might cause our population to expand beyond the ability of the land to support it. Some have suggested that medical science will eventually solve the problem by discovering how to preserve full powers of body and mind until 85, thus deferring the average age of retirement by 10 or 20 years. To me this seems to miss the point completely.

The problem is concerned not with the age of retirement, but with the length of life after retirement. If science succeeds in stretching the period of adult vigor to 85 or more, it is quite likely that it will also succeed in stretching considerably the period of declining vigor and senility, bringing the problem right back where we started. From the humanitarian point of view, progress in medical science is desirable, but from the economic point of view it is dangerous.

Capitalism Needs No Gas Chambers

In spite of all the discouraging aspects of the problem of our retired citizens, American industry, operating as a free capitalistic enterprise, can produce plenty for the aged without lowering the standard of living of the productive workers and their families. Pensions and other benefits can be expanded slowly enough to prevent shock to the nation's economy. No lethal chambers for excess senile population need ever be necessary.

In a free capitalistic society productivity per worker can be multiplied indefinitely. It is amazing how many labor-saving machines and labor-saving methods of distribution can be devised when needed. The solution lies with young workers using improved machines and methods and producing not only an abundance of goods for themselves and their children, but also an abundance for the leisure class of retired oldsters. One thing more—even more than economic security—oldsters need the respect and sympathy of their descendants. Old people hunger for a share in the social and spiritual life of the young, even more than for a share in the wealth.

Sheehan & Wolf Formed

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—Sheehan & Wolf, Inc. has been formed with offices at 114 N. E. Second Avenue to engage in the securities business. Officers are Raymond D. Sheehan, President; John W. Wolf, Vice-President and Secretary; and J. S. Sheehan, Treasurer.

Cooper With Davies

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Jack Cooper has joined the staff of Davies & Co., Russ Building, members of the New York and San Francisco Stock Exchanges. Mr. Cooper was formerly with Hill Richards & Co. and Walston, Hoffman & Goodwin.

Is the Bull Market Over?

By BRADBURY K. THURLOW

Partner, Talmage & Co., Members of N. Y. S. E.

Deploring haphazard prognostications of the stock market based on empirical systems or uninformed guesses as to the outlook for business or the international situation, Mr. Thurlow asserts that major question now is how much higher stock prices must go before today's pessimists are fully invested and no longer worrying about every "little shakeout." Says great bulk of common stocks are now held for long-term investment, and investors who adhere to theory of business and speculation collapse in 1952 may find the equities they want may not be available except at substantially higher prices.

On a number of occasions during the past two or three years, the writer has felt called upon to act as psychiatric nursemaid to those investors, speculators, *et alii* who were preparing to jettison all or a major part of their stock market positions in response to one of the many recurrent waves of uncertainty. It is now a matter of history that each of these waves, dating at least as far back as Mr. Truman's surprise reelection in 1948, has been motivated by a false assumption: namely, that current uncertainties would cause a subsequent overall decline in stock prices. No such overall decline has, of course, taken place, but it is not surprising to find that sentiment, following a 6% reduction in the level of the Dow-Jones Industrial Averages, has once more assumed the familiar forms witnessed during each of the minor reactions of this year and last.

B. K. Thurlow

Hits 1952 Depression Theory

Curiously enough, a large number of individuals still appear to be clinging tenaciously to a business cycle theory, propagated during 1947 in a non-fiction best seller, which holds that 1952 will be the worst year for speculation and business since 1932 because virtually all important cycles (including the great one running 54 years) will then reach their lowest points. Notwithstanding the implication of this theory that stocks should have been declining steadily for at least three years and that they must continue to do so for at least one more, it still appears to have many adherents. These followers are obviously out of the market now and are presumably looking on the present selloff as the beginning of the decline which will finally bear out their long-thwarted predictions. To the observer with a speculative turn of mind, logic suggests that these cycle theorists may be as wrong now as they have been for the past four years. The existence of a large supply of investible cash in their hands suggests that if and when the theory of cyclical collapse in 1952 is discredited (1952 is now only seven weeks away, so one shouldn't have to wait long), this money may well be led to seek investment in common stocks. With the great bulk of common stocks now held in safe deposit boxes for long-term investment, and the price fluctuations of these determined by transactions in a minute percentage of the total number of shares outstanding, buyers may find the equities they want available only at substantially higher prices.

The writer has often expressed the view that the fundamental force behind the present bull market is fear of inflation and long-term investor preference for common stocks over bonds or cash. Within the next few months, large amounts of Savings Bonds bought around the time of Pearl Harbor are going to fall due. If investor preference is influenced by fear of inflation at this time, then it stands to reason that another source of demand for equities will make its appearance, similar to that of the cycle theorists, but of far greater magnitude. Presumably this demand will come from funds seeking long-term investment and will therefore not be unduly influenced by such factors as the prevailing price level or the immediate business outlook.

Expects Higher Stock Prices

The above sources of potential investment buying are chosen merely to illustrate a variety of analysis which, in conjunction with a sane value approach to individual issues selected for purchase, ought to produce better results than haphazard prognostications of the market based on empirical systems or uninformed guesses as to the future of business or the international situation. The fact that the stock market of the past two weeks has betrayed an emotional lack of confidence on the part of forecasting services and short-term speculators (for the third time this year) should do much to fortify the confidence of those investors who have weathered past storms. For they must recognize by now that these flurries of nervousness are one of the surest signs that the market has higher to go. Rest assured that when the great collapse comes, practically everyone will be fully invested and worrying about nothing. The major question now, as it was a year and two years ago, still appears to be how much higher stock prices will have to go before today's pessimists are fully invested and no longer worrying about every little shakeout.

Ranson-Davidson Adds

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—Samuel H. Comly has been added to the staff of Ranson-Davidson Company, Inc., Alfred I. du Pont Building.

Joins Schwanz Staff

(Special to THE FINANCIAL CHRONICLE)

AURORA, Ill.—Ronald E. Wilkins has become connected with Schwanz & Company, Inc., Merchants National Bank Building.

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November 9, 1951

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We Should Have Free Gold Markets

By HON. PATRICK A. McCARRAN*
U. S. Senator from Nevada

Protesting gold mining industry is actually subsidizing the United States by selling gold to it at less than world price, Sen. McCarran pleads for free gold market. Criticizes government monopoly of gold buying and Treasury's policy of restricting its gold sales to central banks. Cites lowered confidence in the dollar, and contends free gold markets could increase bank reserves. Promises to introduce bill in Senate to end restriction on gold sales.

Many of our industries and groups of our people are subsidized by the government. Some of them receive their payments directly as authorized by law. Others of them get mink coats. Today I have the unusual experience of addressing a group of our people who are actually subsidizing the United States by selling to that government an essential product for less than its world market value.

Sen. Pat McCarran

Let me go back into the history of this strange state of affairs. Before 1933 a gold miner could sell the product of his labors for any price that he could obtain anywhere in the world. While the buying and selling prices of the United States Treasury basically governed the market prices, there were no restrictions on personal ownership or use of gold. A miner could sell or not sell as he chose. Gold was recognized as a monetary metal and an industrial raw material; and as a monetary metal it could be used as a personal store of value without any restrictions.

By 1933 our country was in the throes of a great financial depression.

New ideas, new concepts of economics were being tried in an attempt to solve the country's problem. It was during this period that the New Deal economists suddenly discovered that gold had taken on a new property: We were told that it had become, "vested with a public interest," whatever that may mean to you.

As a result of these theories gold was nationalized. Our citizens could no longer be trusted with it. A price was fixed in 1934 and ever since the miners have had to deliver their gold to the Mint and accept payment in the same number of paper dollars for it.

We all know that the price of almost every commodity has risen considerably since those dark days of 1933. The one price that has remained static is gold. Average prices today are nearly double those of the 1935-1939 period. Gold still bears the price set in 1934.

As the result of this fallacious theory, the gold producer became price control's first victim. He still has this dubious honor.

After the close of World War II, Congress did away with controls on most prices. Even railroad and public utility rates were allowed to be increased as the general cost levels rose. But nothing was done for the gold producer—things were done to him. The price of gold remained at the level established in 1934 and the miner had to sell his product to the Treasury. He didn't even have the option of holding on and waiting for a higher price. That was against the law. He was forced to sell to a monopolistic buyer; no one else was allowed to bid. He was forced to sell at a price well below that which prevailed in world markets. While governments themselves operated extensively in the unofficial world markets, the producers, the American gold miners, were not allowed to do so.

*An address by Senator McCarran before the American Mining Congress, Los Angeles, Calif., Oct. 24, 1951.

Injustices to Gold Producers

Besides being forced to sell the gold for less than its actual value, the government raised the miner's taxes and gave little allowance for depletion of his resources.

I might mention at this point another injustice suffered by the gold producers which I know you all remember only too well. I refer, of course, to the closing of the gold mines during World War II. Many of these mines have never been able to reopen. This closing occurred without compensation or apology, all because some government economists who knew nothing of the mining industry made another mistake.

Besides suffering from this shabby treatment, the miners have been forced to subsidize industrial users of gold to their own disadvantage, with the Treasury acting as middleman. This subsidy to the fabricator and consumer of jewelry serves to draw gold away from monetary usage—something which the International Monetary Fund is anxious avoid. It just doesn't make good sense to deplete our monetary reserves by offering gold for industrial use at prices susbtantially below the competitive market — especially when large monetary reserves are vitally needed.

Price fixing of commodities, started during World War II and recently revived, was established to control inflation. But gold doesn't enter into the cost of living of most people. In 1933 the theorists said an increased price for gold would stimulate rising commodity prices, and under conditions existing at that time there might have been such a tendency. But during the years since 1940 rising prices for gold in the world markets have been a reflection of rising commodity prices, rather than the cause of such a rise.

So far I have discussed the rights of gold miners to enjoy equitable prices for their product. I should also like to emphasize that the gold producing countries also have a right to get the greatest possible return in dollars or other hard currencies without a reprimand from the International Monetary Fund. If foreign central banks are permitted to sell freely, so as to get the greatest net return in desirable currencies, no one is the loser. The producing countries gain. And these countries realize that they have had a fair deal and have not been taken in by a monopolistic buyer of gold.

Monopoly in any form is repugnant to Americans. We don't like buying monopolies or selling monopolies, and we seek to break them up wherever they exist. A monopolistic buyer of gold was tolerated in the 1930s because the people had been told that this was the only means to raise prices generally. This practice was continued from emergency to emergency. World War II came along, and no one advocates redemption of currency in gold during war time. Enemy propaganda could exert pressure that would be too damaging to our monetary system. Gold was pushed further and further into the background as the government economists discussed grandiose plans to do away with gold for monetary purposes altogether.

Now we are engaged in another war, and again conscientious individuals do not advocate gold redemption of the currency. However, the price of $35 per ounce, set in 1934, is not a sacred figure as some would have you believe. It was not descended from heaven, as the diaries of Henry Morgenthau make very clear.

For the second time in a decade, we are finding that a stockpile of gold is indispensable to the successful conduct of a war. During World War II it was clearly demonstrated that gold was the only form of money or medium of exchange universally accepted, whether used to bribe enemy agents, encourage local resistance to the enemy, or to bring out vitally-needed raw materials so necessary for our industrial economy.

The years 1941 through 1945 saw the United States' gold reserve diminish by several billions of dollars. After World War II, the gold stock began to increase because most of the countries and peoples of the world were in desperate need of things only the United States had the capacity to supply. With the start of the Korean War in June, 1950, the gold stock again began to decline. In the past year it has declined two billion dollars, once again demonstrating that vitally needed materials and services are available if gold is offered in payment.

Any intelligent foreigner who has studied the price levels in the United States and the United Kingdom, the users of the two great international currencies, will hesitate to accept these currencies now in the expectation of buying goods for export to his own country at a later date. In other words, he would distrust a paper currency, even a so-called hard paper currency, as a standard of deferred payments.

It has often been said that gold producers gain as the costs of materials and wages decline, but suffer when prices increase. Over the decades the gold producer was presumed to average the good with the bad. Under our present system of controlled economies, it is doubtful that we will ever again face the long downward cycle which is supposed to benefit the gold producer. Many of the producers who have waited for falling prices, unemployment and reduced wages, have found themselves bankrupt.

Free Gold Markets Could Increase Bank Reserves

It has recently been suggested that an important method of reducing or adding to the volume of bank reserves in this country could be the open market purchase or sale of gold. This theory of credit control has promise of becoming a new weapon and should be fully explored by our central banking and treasury authorities.

Following the inflations of World War I, almost every country in the world adjusted the value of its currency in relation to gold. During and after World War II, similar revaluations took place to bring about a realistic relation between currency and gold. The United States should recognize these world trends and conform to them, rather than fight a losing battle resisting them. The victims of this losing battle are the gold producers of our great nation.

Changed International Monetary Fund Policy

Many attempts have been made to stabilize all foreign exchange and currency relationships. One of the better-known attempts is the International Monetary Fund. Even this august organization has failed to accomplish that purpose. After establishing official rates in 1946, it was found that the machinery set up for buying and selling currencies was not working as planned. The Fund found it was short of hard currencies and long on soft currencies. Since 1946 the Fund has given more time and effort to preventing the sale of raw or semi-processed gold at realistic prices in the various countries than it has to stabilizing the currencies of those countries.

Foreign countries recognize that costs of production and demand for newly-mined gold have increased, and have permitted more and more gold to be sold in the open markets. This has reached such proportions as to establish a trend—not the undermining of the United States price, but a frank difference of opinion as to the value of gold. Where international trade is unrestricted, there is no substantial difference in the price of gold between countries, but as trade becomes restricted and certain money shortages begin to appear, a difference can exist. This difference creates a trend toward a more realistic appraisal of the price of gold as set by supply and demand.

Recently the International Monetary Fund adopted a more realistic attitude, as witnessed by their statement which permits each country to make its own regulations governing the sale of gold for non-monetary purposes. This statement is considered by some as a case of locking the door after the horse has been stolen, since most gold producing countries, except the United States, were already permitting gold to be sold at premium prices for non-monetary purposes, and in many cases the term non-monetary was interpreted very liberally.

In the official statement of the Executive Board of the Fund, they imply that there is a shortage of monetary gold in the world to meet the increased demands for an international medium of exchange. I thoroughly agree with the Executive Board that there is a shortage. We all know why this shortage exists. When gold mining again becomes profitable, there will be no shortage. Higher prices will increase production, whether it be from the hard rock of our western mines or the backyards of India and China.

You know we in the halls of Congress pass many laws, amend many laws, and repeal many laws. It has been said that a law-making body has the power to control everything.

I'll admit that we do have a lot of power, but there are a few things we haven't as yet been able to control. One of these is a law first discovered by our old friend Isaac Newton. The other, the one we are now more interested in, is the law of supply and demand. Just as soon as such organizations as the International Monetary Fund find that the law of supply and demand is difficult to tamper with, and let the law operate as it should, there will no longer be such a problem as we are faced with today. This will not only eliminate premium gold markets by establishing an equilibrium price, but it will be a democratic way of reaching a decision on a fundamental question. A person will be able to choose whether he will buy gold or gooseberries, and the miner can choose whether he will mine gold or galena.

You will all remember that soon after the International Monetary Fund announced official parities, toward the close of 1946, a campaign headed by South Africa was quickly started to allow sales of gold for industrial purposes at premium prices. After many rebuffs, South Africa and many of the smaller producers relaxed their regulations to accomplish these sales. The International Monetary Fund, nearly five years later, has finally recognized that this situation was beyond their control, and has regained much of its lost prestige by ceasing to fight the inevitable. Canada announced a revision of its own rules within eight days after the statement of the Fund was published. The United States Treasury merely announced that it agreed with the statement of the Fund, and that it would not change its rules and regulations concerning the purchase and sale of gold.

The United States, as the chief buyer of gold in the world, can retain its present rules and regulations on gold, close its eyes to the premium markets which are always stimulated by wars or rumors or threats of wars, and can handicap its own gold mining industry and, where gold is a by-product, its non-ferrous metal industry, while foreign producers supply the non-monetary requirements of the world for gold. By so doing it will lose prestige just as the Fund did. Or this country can recognize changing conditions and economic trends that cannot be halted indefinitely by law. By appropriate legislation it can authorize the open market purchase and sale of gold for industrial uses, and restrict Mint purchases and sales solely for monetary purposes. By recognizing reality, it could gain prestige. Administration policy toward such legislation is controlled by the Treasury Department. Will the management of the Treasury have the integrity to recognize a changed situation which requires new policies, with the clear implication that the old policies were wrong or have been outgrown? It is time that we brought Treasury policies into line with world trends.

Canada's New Policy

On Oct. 6, less than three weeks ago, Mr. Abbott, the Canadian Minister of Finance, announced that Canadian gold producers would be granted access to premium markets. They could elect either to receive subsidies under the emergency Gold Mining Assistance Act, or to market their production in the premium markets in the form of non-monetary gold of 22 carats or lower fineness. The restriction as to fineness seems unwarranted but otherwise the action of the Canadian Minister is most commendable.

The Canadian Government adopted a statesmanlike attitude in revising its other regulations concerning gold and the United States Treasury might well take lessons from our northern neighbors.

Mr. Abbott stated that the Canadian Mint will no longer sell gold to domestic processors or to domestic manufacturers and all such requirements must be met by gold made available by the gold producers at the prevailing market prices. If adopted by the United States, this would put an end to the subsidy now given by the United States Treasury to the gold fabricators at the direct cost of the gold producers of this country. There is no excuse for continuing this allowance.

The Mint will continue to buy all gold at official prices and will be prepared to pay the official price for any gold that the producers who elect to use the premium markets choose to offer.

I suggest, and am prepared to put this in the form of a bill to be introduced into the Congress if it meets with the judgment of this Mining Congress, that the United States Government regulations be amended to permit an open market for gold, with the necessary accompanying rights of all persons to own and possess gold and to import it or export it freely, and that the United States Govern-

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Gold—Just Another Commodity!

By C. E. WILSON*

President of General Motors Corporation

Leading automobile executive, contending restoration of free gold convertible currency is impractical and unnecessary in order to establish and maintain a stable money system, points out gold in last half century has lost its function as a medium of exchange and is now relegated to use as bank reserves. Says in past, convertibility of bank deposits and currency was possible only part of time and has not prevented wide fluctuations in commodity prices. Denies gold convertible currency at all times reduces power of governments to spend excessively, and holds a gold coinage system under present conditions would be harmful to U. S. Contends integrity of our money depends on our productive power and not on gold convertibility

I realize that by taking such a subject as "Gold—Just Another Commodity," I am going on record as believing that restoring the free convertibility of currency into gold is impractical and unnecessary in order to establish and maintain a stable money system. I know that many do not agree with me and will hold me to be a heretic when they realize I do not subscribe to the gospel according to St. Midas. However, to make my position clear I would like all to understand that I am dead against either inflation or deflation as a national policy.

C. E. Wilson

Before the development of our modern banking system and especially the Federal Reserve System in 1913, hard money and especially gold had a somewhat different function than gold now has. Until comparatively recently, gold and silver coins were commonly used by individuals in trade and in the payment of wages. When I worked in the Westinghouse shops something over 40 years ago I was paid in hard money—a $20 gold piece and some silver coins for two weeks' work. Within the last 20 or 25 years, however, checks have come into general use by all the people, and hard money is used only for making small change. This was true even before gold redemption was suspended in 1933. Gold coins came to be used for only such things as directors' fees and Christmas presents. Gold had practically lost its function as a medium of exchange and was primarily used as bank reserves. Unfortunately, through the centuries one of the attractions of gold has been its suitability for hoarding. Any time that people got scared about the value of paper money they tried to exchange it for gold which they could hoard. This often resulted in suspension of specie payments by banks, precipitating a money panic and with it a depression and unemployment.

Views on Gold Convertibility

My views in this matter closely parallel those of Mr. Allan Sproul, President, Federal Reserve Bank, New York, who spoke on this problem before the American Bankers Association in San Francisco, Nov. 2, 1949. The points he made that most impressed me and that I believe deserve emphasizing are the following:

(1) Free convertibility of bank deposits and currency into gold on demand has only been possible for part of the time under modern conditions. It has generally broken down in times of trouble and its breakdowns have always made the troubles worse.

(2) Free convertibility of currency into gold during most of the 19th century was made possible only because of skillful management by the British under extremely favorable conditions of international peace, world trade and free capital movement, coincident with rich new gold discoveries—conditions that no longer exist.

(3) Gold convertibility of our money has not prevented wide fluctuations in commodity prices. Such fluctuations were common when we had gold convertibility.

(4) Our real problem today is to correct imbalances in international trade and capital movements. Gold convertibility within individual countries cannot cure these basic imbalances and could not long continue so long as these imbalances exist.

(5) Much of the desire for the restoration of gold convertibility springs from distrust of the monetary and fiscal policies of the government. Many people believe that convertibility will reduce the power of governments to spend excessively and particularly to incur heavy deficits. While gold convertibility might help police the politicians to some extent under normal conditions, it could not be counted on when most needed, especially in view of the decisions of our Supreme Court and what has happened time and again in the past when the nation faced emergency conditions. Specie payment would again be suspended under those conditions just like it has been many times. Thus, placing our faith in currency convertibility into gold coin as a means for stabilizing the economy of the nation would be found to be an illusion—a mirage—which would fade away when we were most depending upon it. Thus, gold convertibility would expose the country to the far greater danger of wrecking the entire banking and credit structure through fear and panic. In addition to those people whose potential gold withdrawals might discipline government officials for extravagances, there would be the hoarders and international and domestic speculators whose demands for gold might generate panic reactions by the public. These and other reasons could stimulate withdrawals of gold at the wrong time and thus produce results quite different from those sought by the sponsors of gold coin convertibility.

(6) Under present world conditions, gold coin convertibility established by the United States alone would be exceptionally harmful, because we would be catering not only to our domestic hoarders but to those of the whole world. Thus the whole hoarding demand of the world would converge upon the United States' gold reserves.

At this point I would like to quote a part of Mr. Sproul's address which summarizes my own views quite well. To quote:

"It was, in part, to offset such arbitrary and extreme influences upon the volume of credit, and to make up for the inflexibility of a money supply based on gold coins (in responding to the fluctuating seasonal, regional, and growth requirements of the economy), that the Federal Reserve System was initially established. During the first two decades of its existence, the System devoted much of its attention to offsetting the capricious or exaggerated effects of the gold movements associated with continuance of a gold coin standard. We had an embarrassing practical experience with gold coin convertibility as recently as 1933, when lines of people finally stormed the Federal Reserve Banks seeking gold, and our whole banking mechanism came to a dead stop. The gold coin standard was abandoned, an international gold bullion standard adopted, because repeated experience has shown that internal convertibility of the currency, at best, was no longer exerting a stabilizing influence on the economy, and at worst, was perverse in its effects. Discipline is necessary in these matters but it should be the discipline of competent and responsible men; not the automatic discipline of a harsh and perverse mechanism. If you are not willing to trust men with the management of money, history has proved that you will not get protection from a mechanical control. Ignorant, weak, or irresponsible men will pervert that which is already perverse.

"Here I would emphasize my view that the integrity of our money does not depend on domestic gold convertibility. It depends upon the great productive power of the American economy and the competence with which we manage our fiscal and monetary affairs. I suggest that anyone who is worried about the dollar concentrate on the correction of those tendencies in our economic and political life. I suggest that, going beyond the immediate situation, they address themselves to the difficult problem of the size of the budget, whether in deficit or surplus or balance. At some point the mere size of the budget, in relation to national product, can destroy incentives throughout the whole community. These are problems gold coin convertibility cannot solve under present economic and social conditions. Gold has a useful purpose to serve, chiefly as a medium for balancing international accounts among nations and as a guide to necessary disciplines in international trade and finance. It has no useful purpose to serve in the pockets or hoards of the people. To expose our gold reserves to the drains of speculative and hoarding demands at home and abroad strikes me as both unwise and improvident."

Other Reasons Against Gold Convertible Currency

There are some other reasons why I believe most of the world, as well as our country has outgrown the desirability or necessity for the free convertibility of their currencies into gold. In our modern industrial age so many other commodities in addition to basic foods are so necessary in our daily living and are so vital to our high standard of living that these commodities are the real values in the world today. Gold, in addition to its value in the arts and in industry, is only valuable to the extent that it can be used in commerce or traded to others for these fundamental commodities that are so necessary both in peace and war. Gold still has a speculative value because it has been considered to be valuable by so many millions of people for so many centuries, and they have hoarded it directly and indirectly as a means of achieving personal security or as a means of getting greater value by exchanging it for basic commodities at some later time.

I started to thing along this line many years ago. As a matter of fact, in 1932 before the nation suspended gold convertibility and when we had many millions of people unemployed, I happened to think that, if all the unemployed could take a pie pan and go out into the hills near their homes and by working all day pan out $3 worth of gold, they would have again had the purchasing power to buy the things they needed to live on, although actually no new wealth of the kind that people needed to live on would have been created. That this was a fact clearly indicated to me that gold was more important as a medium of exchange than it was in itself and that real values could only be maintained by maintaining production of those things that the people needed in their daily living.

Commodities Could Be Stockpiled by Unemployed

For the unemployed to start mining gold was obviously impossible since gold is only found in a few places over the world. It then occurred to me that many other commodities more valuable in our daily living could be produced by these unemployed people and temporarily stockpiled if necessary. As a result, I looked into the matter carefully to see what the current value was of certain non-perishable commodities that could be stockpiled or hoared much as gold had been. I wrote a memorandum on the subject, and a few weeks later, upon request, sent it to Senator Reed Smoot who was then Chairman of the Senate Finance Committee. I never heard anything more from it. (As I remember, he soon lost his job.)

I have always regretted that I did not do more to promote the idea contained in this memorandum, for if our country had then adopted a plan for stockpiling important raw materials, especially those not available in our own country, it would have stimulated world commerce, reduced the demand for gold to settle international trade balances, relieved unemployment and hardship not only in our country but in Germany and the other countries of the world where the unemployment and hardships of the people made possible the rise of fascism, socialism and communism. It might have even avoided World War II.

I would like to read to you what I wrote in 1932 and sent to our Senate Finance Committee. To quote:

"This memorandum gives the figures in quantity and value of the commodities which I believe might be accepted by our country as part payment of the war debts and covers my reasons for believ-

Continued on page 41

*An address by Mr. Wilson at the Eightieth Anniversary of Second National Bank and Trust Company, Saginaw, Mich., Nov. 8, 1951.

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

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November 9, 1951

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$7½ Billion Deficit in Fiscal 1952: Snyder

Treasury head also says defense output will reach 20% of total production by next summer, and warns resulting high purchasing power, unless offset by diminished civilian consumption and increased savings, will mean inflationary boost.

Addressing a meeting of the American Bottlers of Carbonated Beverages in Washington, D. C., on Nov. 13, Secretary of the Treasury John W. Snyder stated that, despite the new revenue measure, it is expected that the Federal deficit in the fiscal year 1952 will reach $7½ billion, and, because of this, there is in prospect a further boost in inflationary trends. On the basis of present estimates, which take into account the effect of the recently enacted tax bill, revenues for the fiscal year 1952 will still be some $7.5 billion short of anticipated Federal expenditures, it was announced by Mr. Snyder.

John W. Snyder

"The prospect of this sizable deficit comes at the very start of a period of prolonged preparation for defense, the length of which no one of us can at this time predict," the Treasury Secretary also stated. "And 1953," he added, "will undoubtedly bring much larger expenditures, as actual output and delivery under our current defense program gain momentum.

"The tension which this program will place on our economy is quickly evident in a brief review of the comparative figures. As recently as the second quarter of 1950, only about 6% of our national product was utilized for defense purposes. Most of our resources, consequently, were still available for civilian purposes. And that fact, I might note, provided a sort of Indian Summer of plentiful civilian supplies—a period which lulled many people into believing that the possibility of a serious increase in inflationary pressures could be brushed aside.

"That period, as our defense administrators have recently made amply clear, is rapidly ending. Already our defense program is drawing off a very much larger share of total output; and the proportion will increase, reaching something like 20% by next summer. Incomes, and therefore purchasing power, will continue at high levels. But the supply of goods available for civilian purchase will become increasingly restricted. All of the goods which consumers may want to buy with their high incomes cannot be turned out in sufficient quantities to meet demands without endangering our rearmament program.

"A strong and broadly based program to counter the impact of these developments on the economy is clearly necessary. Under such a program many desirable, but nonessential, expenditures are going to have to be postponed. Savings must be materially increased. At the same time our people are going to have to shoulder a substantial burden of taxation for a considerable period to come.

"Adequate revenues, however, are only the first step in safeguarding the financial system of our country. Of equal importance in bolstering the economic strength of our country are savings programs of all types. At a time when much of our production must go for defense purposes, it is only common sense that we must exercise considerable restraint in our personal expenditure programs if prices are to be kept in line."

Continued from page 9

Facts and Forecasts of Economic Activity

date inventories have been cut slightly, but at the end of August —the last date for which figures are available—retail inventories were 25% greater than in July of last year, and wholesale inventories 23% greater.

(6) Demand deposits are 4½% higher than they were a year ago, a new all-time high.

(7) Loans of commercial banks are 23% higher than they were a year ago, a new all-time high.

(8) Finally, profits of all corporations for the first six months of this year were at the annual rate of $19.6 billion, which was 3% greater than the first six months of last year and 13% greater than the first six months of 1949.

That is quite an array of facts to place before any group of businessmen, and they are mostly new highs. Those facts, by and large, are favorable, with the exception of the high inventories at the wholesale and retail level, and possibly the all-time high retail price level, which continued to go up from May through August, when wholesale prices were easing. Retail prices have never stopped going up.

Second, I said I would like to give you a brief background sketch of this high over-all activity. That background can be given in five words. Those five words are simply these: "Federal expenditures for national defense." This is what I mean:

For the fiscal year ending June 30, 1950, the expenditures of the Federal government for national defense were $17.6 billion. That was the last year of peace. For the year ending June 30, 1951, Federal expenditures for defense amounted to $27.1 billion, an increase of 54%. That was the first year of the Korean War. For the year ending June 30, 1952, the current fiscal year, we are spending $48 billion for national defense, an increase of 78% over last year.

During the past six months there has been some slippage in defense production. Shortages in steel, copper, aluminum, machine tools, and plants, have made it impossible to get production as fast as had been anticipated nine months ago. That means we shall have a higher peak of production, and a higher peak of Federal expenditures. These peaks will occur in the fiscal year beginning July 1, 1952. It now looks as though total expenditures of the Federal government for the next fiscal year— and you can hold your breath on this one—will amount to the fantastic figure of $87 billion! That is only $11 billion less than the peak year of 1945. And those preliminary figures are released in a report of the Joint Committtee of Congress for the Economic Report about two months ago.

The Fly in the Ointment

The current expenditures, and the anticipated expenditures, of the Federal government for next year are the basic reason for our high over-all business activity. I wanted to give you that general over-all picture before getting into my third point — the fly in the ointment—which is the heavy inventories at the wholesale and retail levels.

Professors are notoriously absent-minded. I wonder if they have anything on the businessman who never seems to learn that heavy inventories cause more failures and trials and tribulations and problems than anything else —in fact, more than everything else put together.

Manufacturers in certain lines, such as television, radio, pianos, musical instruments, muslins, sheetings, blankets and spreads, mattresses, bed-springs, shoes, toys and games, say that business has been slow and collections have been dragging. It is slow for concerns in those lines which have not had orders for the Federal government for defense equipment and supplies of some kind or other, because those are the lines that have been stocked heavily at the retail and the wholesale levels.

We have been making studies of the financial condition of department stores since 1931. About a month ago we completed the study for 1950, based on the figures of 367 department stores. Those figures show the slowest turnover of inventory of department stores over that entire 20-year period. We have also been studying the financial conditions of seven other retail lines since 1939, that is 12 years ago. Five of those lines show the slowest turnover of inventory in 1950 over the entire spread of those years. Those lines are these: Retail men's clothing stores; men's furnishings shops; installment furniture stores; shoe stores; and women's specialty shops.

Last year we had the highest retail sales we ever had in history. So if we had the slowest turnover of inventory in certain lines, that came about not through lower sales but because of the tremendous stocks at the end of the year. Not only were inventories stock heavily at the end of the year, but they continued to go up until May of this year. That indigestion is still with us, although there has been a slight start in cutting down stocks.

From all indications, the production of textiles, furniture, shoes, floor coverings, and soft goods are well below capacity and will continue in plentiful supply in the months ahead. Serious problems, however, appear to be on the horizon in the production of those consumer goods which utilize metals and so compete directly with the requirements of national defense.

So we are in a position today where soft consumer goods will continue plentiful, and durable consumer goods will become somewhat more difficult to obtain in the months ahead.

A Long-Term Inflation Trend

Fourth—I said I would like to discuss the long-term trend of inflation. That trend started at the low point of the great depression, in 1932. At that time, Roosevelt said he wanted to get prices back to the 1926 level. He succeeded. He got them back to the 1926 level, and with the exception of an occasional halt for breath, they have kept going up ever since.

Prices, in my opinion, will continue to go up in the years ahead. Let me tell you why I think so.

In 1928, the late Professor Irving Fisher, of Yale University, who was one of the great students of money and prices, published a very readable and enlightening volume on this subject called "The Money Illusion." In that volume, Professor Fisher pointed out a fact which very few of us recognized. He wrote that higher costs of living are actually due to increased quantities of money. In other words, higher prices in many commodities at the same time are not due to shortages in those commodities but to a drop in the value of money due to an increased supply of money.

Now, that is not sublime theory —it is everyday fact. Money actually varies in value due to supply and demand, just as hosiery, shoes, or automobiles vary in value. That is why prices rose to such fantastic heights in France following World War I, and in China following World War II. The same thing has happened in the good old U. S. A., but, fortunately for us all, not to the same extent as in France or China. This is what I mean:

In December, 1939, before the war, the money supply of the United States, that is, demand deposits and currency in circulation, amounted to $36.2 billion. In June of this year the money supply in circulation, that is, demand deposits and bills, amounted to $113.9 billion. That is somewhat more than a threefold increase in our money supply and is the basic reason for our higher prices.

Every great war has produced inflation in commodity prices, and after each war the cost of living has increased rapidly. The causes of these inflations have always been the same. During a war, expenditures by the government exceed the receipts from taxes and from the outright sale of bonds to the public. The difference is made up by the creation of new money which finds its way into the hands of the public. And how is that accomplished? Simply by selling government securities to the commercial banks of the country, and in that process creating increased demand deposits.

A New Plateau of Prices

We are now on a new plateau of prices, both wholesale and retail, due to the tremendous increase in the quantity of money. Wholesale prices went up quite steadily during and following the war, until March of this year, when prices, as I mentioned, were the highest in the history of our country since 1779. Following March, we had a moderate drop until August, and since then we have had a strengthening in prices.

Retail prices, on the other hand, have continued to go up, and today, as I mentioned before, are the highest in our history.

The underlying factor, however, is the tremendous expenditures of the Federal government in the years ahead which, I am afraid, can only be accomplished through more deficit spending. That means a continued expansion in our money supply, and more and more inflation over the years. Today we have a 61-cent dollar. Over the next 10 or 15 years we can look forward to a 38- or 40-cent dollar. That is not an encouraging outlook, but those seem to be the facts from a long-range viewpoint.

Now let me recapitulate what I have said.

One: Business is operating today at a high over-all level. And while profits will be off, due to higher taxes, they will still be large.

Two: The existing high level of business is largely due to heavy government expenditures for national defense. From preliminary reports, Federal expenditures, it seems, will amount to around $87 billion in the fiscal year beginning July 1, 1952, compared with $70 billion for the current fiscal year.

Three: Inventories have been exceedingly high at the wholesale and retail levels since early this year, and are still high, particularly in soft goods.

Four: The trend toward a cheaper dollar, one which will buy less and less, will continue in the years ahead, and deficit government financing appears inevitable with the tremendous expenditures authorized and under consideration by Washington.

New York Air Brake Com. Stock Offered

A group headed jointly by Smith, Barney & Co. and Dominick & Dominick offered 200,000 additional shares of common stock of The New York Air Brake Co., manufacturer of air brakes and hydraulic and high vacuum pumps. The stock is priced at $20.50 per share. The group managers announced that the offering was oversubscribed and the books closed.

Net proceeds from the sale of the stock will be used by New York Air Brake to diversify its activities in the pump manufacturing field by the acquisition of established companies whose products complement New York Air Brake's hydraulic pump business, as well as add to its line of pumps for purposes other than hydraulic control. In this connection the company on Oct. 25, 1951, purchased Hydraulic Equipment Co., Cleveland, Ohio, and has obtained an option for the acquisition of Aurora Pump Co., Aurora, Ill.

Incorporated in 1890, the company is the second largets manufacturer in the United States of air brakes for railroad locomotives and freight and passenger cars. Its various types of pumps are used for vacuum processing, and for control purposes on airplanes and on earth moving and materials handling equipment. Aurora's pumps are primarily for the movement of water and chemicals.

Sales during the eight months ended Aug. 31, 1951, amounted to $18,896,321 and net income to $1,339,337. For the full year 1950 the company reported sales of $16,291,890 and net income of $1,545,720. Dividends equivalent to $1.70 per common share have been declared to date in 1951, compared with the equivalent of $1.25 a share during the year 1950.

Upon issuance of the additional shares the company's capitalization will consist of 718,240 shares of common stock, the sole capital security.

William W. Peake

William Woodhouse Peake passed away Nov. 12 at the age of 73. Mr. Peake before his retirement was a partner of Pell, Peake & Co. and for a number of years was Secretary of the Association of Stock Exchange firms.

Mutual Fund Associates

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Neil T. Ferguson has opened offices at 127 Montgomery Street to engage in the securities business under the name of Mutual Fund Associates. Mr. Ferguson was a partner in Paul C. Rudolph and Company.

Lewis Sprague Agency

The Lewis C. Sprague Agency, Inc. has been formed with offices at 101 Park Avenue, to engage in the securities business. Officers are Lewis C. Sprague, President; S. R. Swenson and T. J. Graham, Vice-Presidents, and C. M. Stelljes, Secretary.

Samuel Feinstein

Samuel Feinstein, member of the New York Curb Exchange, passed away Nov. 3.

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The Outlook for Your Dividends

By CHARLES N. MORGAN, JR.*
Bache & Co., Members New York Stock Exchange

Mr. Morgan maintains activity will be greater next year than now, and will continue high through 1953. Predicts dividend payments, which will depend on corporate profit margins, may be somewhat reduced by excess profits taxation, government interference, and welfare capitalism, but still will be satisfactory as a whole.

At this time and in this world of rapidly changing economic values, it is extremely important that an overall review of security holdings and the outlook for individual dividend payments be carefully reviewed. Many complex factors, both in the international picture as well as the domestic economy will have a direct bearing on your future dividends.

C. N. Morgan, Jr.

Naturally, these factors will first be felt on corporate earnings which, after all, are the basis for practically all dividend distributions. Any developments of material importance to earnings will obviously be reflected in subsequent dividend distributions.

Therefore, to attempt to evaluate the future dividend potentialities, one must first ascertain the outlook for earnings and also make some allowance for the health of corporate finances, normal dividend policies, as well as cash requirements for other expenditures such as major plant expansion or improvement programs.

It is not feasible to predict the future, but certain factors permit a forecast of the possible volume of business activity in 1952. For example, the U. S. is currently committed to a staggering armament program. Congress recently allocated almost $60 billion for military equipment alone. It has been estimated that the Armed Forces have spent or awarded contracts for about $62.9 billion for weapons and military supplies since the start of the Korean War. The bulk of the expenditures has been for hard goods such as planes, ships, tanks, weapons, etc.

The last session of Congress voted some $80 billion for direct and indirect defense purposes. Some of the approved funds would cover expenses for the last fiscal year while others would not be spent until the next fiscal period. Administration officials, however, expect to use about $65 billion of the defense funds by next June 30. Additional requests for perhaps another $8 billion may be forthcoming before next summer to meet defense costs not included in appropriations already approved.

Under the circumstances, it would seem we are assured of a high level of industrial activity well into 1953. This will be reflected in full employment, expanding consumer purchasing power, and other signs of prosperity despite some decline in the manufacture of civilian goods because of material shortages. It becomes evident that our industrial machine will virtually burst at the seams in trying to meet present-day demands for its output. Gross national product should continue upward and the Federal Reserve Board's Index of Industrial Production should also reach new peacetime highs.

We therefore anticipate that business activity in 1952 will be at a higher rate than in 1951 after some initial hesitation during the early part of the year when conversion from civilian to military production may still be underway. This estimate may not be realized should a truce be achieved in Korea and our military planners revise current spending programs downward. All indications at present, however, point to maintenance of the current projected defense program even should the Korean problem be amicably settled. Under these conditions, dividend payments would be governed more by such profit margins as corporations will be able to realize in a period of high taxes and price and other controls.

Price Controls

Price controls and expanding volume of war work may result in some narrowing of pre-income tax profit margins. Nevertheless, the anticipated high volume of activity indicates that industry as a whole may well be able to withstand some shrinkage of margins without unduly hurting total pre-tax profits. Price controls are not expected to be particularly onerous since provisions have been made under the Capehart Amendment to adjust price ceilings to reflect higher costs—witness the overall 12% price increase recently granted to machine tool makers; also, the three cents per pound price mark-up allowed the copper fabricators on higher cost imported copper; again, a steel wage increase without at least a corresponding price increase is not apt to be granted by the steel industry. In this connection, it is interesting to note the latest 1½ cents per quart price increase for milk authorized by the Office of Price Stabilization on the basis of the recent strike settlement in the metropolitan New York area.

Thus, while operating profit margins may ease somewhat, total pre-tax corporate profits are not expected to be severely curtailed by a squeeze between controlled prices and mounting operating costs. Increased production, in itself, would permit some price reductions. It has been axiomatic of American business that unit prices may and will be dropped as production increases and the benefits of greater operating efficiency become evident. Furthermore, present price controls are considerably more lenient than those in effect during World War II.

Taxes—Excess Profits Tax

The impact of increased corporate tax rates and the excess profits tax law are somewhat harder pills to swallow. However, here, too, there are some offsetting factors. In a recent article, Beardsley Ruml, noted economist and founder of the pay-as-you-go tax plan, discussed at some length the corporate advantages to be obtained under the excess profits tax law. Mr. Ruml pointed out that with a tax ceiling, which is now 70% of pre-tax income, corporate managers would be remiss, if not downright foolish not to take advantage of these cheap dollars for greater plant maintenance. In effect, where only 30 cents out of every dollar of excess profits could be retained, it would appear far smarter to reduce the tax liability by spending funds for improving and modernizing the physical plant setup.

Some industries will be less adversely affected by the excess profits tax law as a result of many moderating clauses included therein. Those industries and companies that were able to report substantial earnings in the excess profits tax base period of 1946 to 1949 enjoy a considerable degree of shelter from this tax. In this category, one could mention the steels, oils, heavy machinery, tire and rubber and some consumer durable goods fields.

Other groups or individual companies may qualify under the growth provisions depressed industry or regulated industry classifications of the Act and therefore obtain preferential treatment.

The growth provisions of the excess profits tax law generally cover the smaller, rapidly growing concerns in fields such as television, ethical drugs, light chemicals or those with new products.

The depressed industry group includes primarily those fields which might be called "war babies" such as aircraft manufacturing, machine tools, shipbuilding, etc. These divisions of the economy were adversely affected in the postwar period as a result of a sharp drop in demand for their output and the adjustments necessary in a peacetime economy.

The regulated industries include railroads, utilities, air transport, traction companies, etc. Various provisions have been made under the law allowing either credits as a percentage return on invested capital or other special treatment for companies falling in certain categories.

There is no question but that the Excess Profits Tax will have an important effect on earnings and dividends. With certain exceptions, as briefly pointed out above, the tax is designed to siphon off 30% of the pretax profits in excess of a determined percentage of good normal years. Those companies increasing their earning power over their normal base period will be taxed at the higher rates. For industry as a whole, however, the high level of business anticipated should be large enough to assure reasonably favorable earnings reports and dividend payments despite a narrowing margin of net profits to sales. Total net corporate profits and dividend payments climbed steadily all through World War II in the face of a stiff excess profits tax and high corporate income taxes.

Income Taxes

Those companies holding Certificates of Necessity allowing a five-year amortization of defense facilities will have an easier tax burden in the immediate years ahead. The actual benefits of accelerated amortization are rather nebulous, however, since who can predict what the tax rates will be five years hence after the properties are fully depreciated for tax purposes. Also, there is some question in accounting circles at present as to the proper method of reporting depreciation charges. It is generally agreed that, for tax purposes, the facilities will be amortized as rapidly as possible. Reports to regulatory bodies and stockholders, on the other hand, will undoubtedly be somewhat different, although the tax charges in these statements will be considerably less during the amortization period than if the accelerated provisions were not in effect. Under any system, it would seem likely that actual corporate earnings may be somewhat higher unless individual managements determine to establish reserves for possible future tax liabilities when depreciation rates will be lower.

The net effect of higher corporate income taxes will fall most heavily on those civilian goods producers that were operating at virtual capacity in 1949 and 1950. Companies in these categories will suffer a sharp drop in earnings which may well threaten current dividend rates. Automotive producers in particular, such as Chrysler and General Motors, are good examples, and it seems quite likely that the 1952 dividend distributions of these concerns are not apt to approximate the treatment shareholders were accorded in 1950. On the other hand, some of the smaller independent car makers, such as Packard and Willys-Overland, may do relatively better under today's conditions than they did under the competitive peacetime conditions in effect in 1949 and 1950.

General Motors recently showed a sharp drop in 1951 earnings despite an increase in sales volumes. Earnings for the first nine months of this year fell to $4.14 per share from $7.89 for the comparable period of 1950. Packard Motors, on the other hand, showed a sales gain of approximately 36% and, despite the sharp increase in taxes, reported earnings of 33 cents per share as against a deficit in 1950. In 1950, Packard had a tax carry-back credit of $885,000 whereas this year the company's total tax liabilities for the first nine months were in excess of $5 million. Reflecting better results, Hugh J. Ferry, President, said shareholders would receive a dividend check for 10 cents per share which was justified by the estimated earnings for the year and still permitted the company to retain a reasonable amount for working capital.

Other companies that were operating well below capacity in the years immediately before Korea, or that have been able to show a sharp expansion in sales volumes, are currently reporting larger earnings despite the increased tax rates. One of the best indications of this pattern is the discrepancy in earnings within the steel industry. This is true, not only between the tonnage producers of carbon steel and the small-lot specialty producers of alloy steels, but also within the respective segments themselves. Bethlehem Steel reported earnings of $1.76 per share for the September, 1951, quarter as against $3.33 in the comparable 1950 period. For nine months the respective figures were $6.50 and $8.96. The 1951 third quarter earnings are understated to some extent as a result of the retroactive provisions of the recently enacted revenue tax law; but even so the decline from last year's excellent levels is fairly evident.

Pittsburgh Steel, on the other hand, boosted the 1951 first nine months' net income some 35% despite an increase of 212% in taxes. The company reported a profit of $4,937,457, equal to $4.18 per share of common stock as against the comparable 1950 profit of $3,655,942 and $3.92 per share on the stock outstanding at that time. The per share results in themselves are not strictly comparable due to the significant changes in the capital structure as a result of exchange offers and the retirement of some senior securities. Nevertheless it

Continued on page 40

*An address by Mr. Morgan before the Adult Education Group, Montclair, N. J., under the auspices of the Federation of Women Shareholders in American Business, Inc., Nov. 6, 1951.

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

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Common Stock
$2 (Canadian) Par Value

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Reynolds & Co. Bear, Stearns & Co.

November 15, 1951

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Missouri Brevities

American Investment Co. of Illinois on Nov. 2 announced the sale of $20,000,000 15-year 3⅞% notes due Oct. 1, 1966 to a group of institutional investors through Kidder, Peabody & Co. and Alex. Brown & Sons, the proceeds of which will be used to retire current bank loans. **American Investment Co.**, operating a nation-wide chain of 213 consumer loan offices in 20 States, for the nine months ended Sept. 30, 1951 reported net earnings after taxes, of $3,037,117, equal after preferred dividends to $1.50 per share on 1,955,176 shares of common stock outstanding. This compares with a net of $3,230,561 for the same period of 1950, equal to $1.66 per common share after adjusting for a 25% stock split late in 1950. Earnings were 29 times preference dividend requirements.

* * *

An issue of 50,000 shares of common stock (par $5) of **A. B. Chance Co.**, Centralia, was offered publicly on Oct. 6, at $12.50 per share, by a group of Missouri bankers, headed by **Stifel, Nicolaus & Co., Inc.**, and including **Dempsey-Tegeler & Co.; A. G. Edwards & Sons; Edward D. Jones & Co.; Newhard, Cook & Co.; Reinholdt & Gardner; Stern Brothers & Co.; G. H. Walker & Co.; Smith, Moore & Co.; Stix & Co.;** and **Burke & MacDonald.** The offering, which was oversubscribed and the books closed, did not constitute new financing on the part of the company, the proceeds going to certain selling stockholders. The **Chance** company, which was incorporated in 1932, manufacturers and sells electric transmission and distribution equipment for construction, maintenance and operation of electric power and communication lines. It also manufactures and sells electric power transmission line protective devices and power switches.

* * *

Consolidated sales of **Monsanto Chemical Co.** of St. Louis for the third quarter of 1951 amounted to $67,269,310 and for the nine months ended Sept. 30 totaled $207,012,340. For the quarter, net income was $4,647,486, or 93 cents per common share, while for the first nine months of 1951 net amounted to $16,687,188, after provision for Federal income and excess profits taxes at rates incorporated in the recently-enacted 1951 tax act and after adding to 1951 earnings an adjustment of $736,000 in 1950 excess profits taxes. These earnings, after provision for preference dividends, were equivalent to $3.34 a common share. This compares with $3.87 a common share earned during the same period in 1950 under the tax laws then in effect.

* * *

Mid-Continent Airlines, Inc., Kansas City, reported a consolidated net profit of $35,293 for the month of September, 1951, after provision for income taxes at the 1950 rates, and a net profit of $165,586, or 40 cents per share, for the first nine months of the year. Net profit on the company's trunk routes was $227,374, or 54 cents per share for the nine-month period, as compared to $246,418, or 59 cents per share, in the same period last year. System operating revenues totalling $7,224,390 in the nine months of 1951 were $1,293,245, or 22% above the same period in 1950. Total operating expenses for the 1951 period were $6,819,402, as compared to $5,474,603 in the 1950 period, an increase of $1,344,799, or 25%, with trunk lines showing an increase of $664,901, or 12%.

* * *

Sales of **Western Auto Supply Co. (Mo.)** in October totaled $14,580,000 compared with $13,345,000 in October of last year, an increase of 9.3%. In October, 1951 the company had 267 retail stores and 2,603 wholesale accounts compared with 269 and 2,596, respectively, a year earlier. Sales for the first ten months of 1951 amounted to $131,141,000 compared with $127,630,000 in the corresponding period of 1950, an increase of 2.8%.

* * *

A new issue of $24,000,000 first mortgage pipe line sinking fund 3⅝% bonds, series B, due Nov. 1, 1971, of **Mississippi River Fuel Corp.**, St. Louis, has been placed privately with institutional investors through Union Securities Corp. The proceeds are to be used to repay $17,500,000 of bank loans and the remainder applied toward the company's 1952 expansion program.

St. Louis-San Francisco Ry. Co., will until 12 o'clock noon (EDT) on Nov. 26 receive at its office at 120 Broadway, New York, N. Y., for the purchase from it of $4,725,000 equipment trust certificates, series J, to mature in 15 equal annual instalments and to be secured by new railroad equipment costing not less than $5,906,250.

* * *

The trustee for the **Missouri Pacific RR.** has been authorized by Federal District Court at St. Louis to spend $9,223,946 on a rail equipment program and for enlargement of diesel engine repair facilities at St. Louis.

Harrison & McKinney

(Special to THE FINANCIAL CHRONICLE)

GAINESVILLE, Fla. — Joe K. Harrison and Howard T. McKinney have formed Harrison and McKinney Investments with offices at 115 East University to engage in the securities business.

Halsey, Stuart Group Offer Utility Bonds

Halsey, Stuart & Co. Inc. and associates on Nov. 9 offered $6,000,000 first mortgage 3¾% bonds, series D, due 1981, of Rockland Light & Power Co. at 102.738% and accrued interest.

Proceeds of the issue to the extent of at least $3,684,000 will be applied to reduction of outstanding short-term borrowings from the First National Bank of Boston and Bankers Trust Co., New York, presently aggregating $4,500,000. The balance will be applied toward the payment for gross utility plant additions made in connection with the company's construction program for the balance of 1951 and the first half of 1952.

The bonds may be redeemed at general redemption prices ranging from 105.74% to par and at special redemption prices receding from 102.74% to par, plus accrued interest in each case.

Rockland Light & Power Co. is engaged in the business of generating, manufacturing, purchasing, transmitting, distributing and selling electricity and gas for lighting, heating, industrial and general utility purposes. The company serves practically all of Rockland County and parts of Orange and Sullivan Counties in New York State. The territory served is about 625 square miles. As of July 31, 1951, the company furnished electric service to 44,145 meters in 32 communities having an aggregate population of about 123,000. As of the same date gas service was supplied to 11,913 meters in 13 communities having an approximate population of 80,700. Rockland Electric Co., a subsidiary, serves 22 communities in Northern New Jersey having a population of approximately 31,600. Pike County Light & Power Co., also a subsidiary, serves five Pennsylvania communities with electricity and one with gas.

Phila. Investment Women to Hear

PHILADELPHIA, Pa.—The Investment Women's Club of Philadelphia wlil hold their second meeting of the 1951-1952 year on Monday, Nov. 19, at Kugler's. The speaker will be Daniel Francis Horseman Brickell, O.B.E., British Consul General, Philadelphia. Mr. Brickell served with the British Army as a Lieutenant with the Royal Flying Corps in the First World War, and as a member of the British Foreign Service in Turkey, Greece, Egypt, France and Iraq. He also has been British Minister to Paraguay and San Salvador, as well as Consul General at Detroit. Before his appointment at the beginning of this year as Consul General in Philadelphia, Mr. Brickell held the same office at Ahwaz in Persia.

With Hamilton Manage'nt

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—John F. Lamey has joined the staff of Hamilton Management Corporation, 445 Grant Street.

Connecticut Brevities

Horton Bristol Manufacturing has been purchased by an investment group headed by Jennis M. Doroshaw. The sixty-five year old company, located in Bristol, produces fishing rods, reels and golf clubs. Among the 250 employees is Ted Williams, Boston Red Sox player, who helps promotes the company's products.

* * *

The Whitney Chain division of **Whitney-Hansen Industries** has decided to postpone indefinitely the announced plans to construct a 250,000 square foot plant at Longview, Texas. Earlier this year the company received a certificate of necessity on the $4,796,000 to be spent for the new plant.

* * *

Landers, Frary & Clark has sold its line of Universal electric ranges, washing machines and water heaters to a new company, Universal Major Appliances, Inc., with plants in Baltimore and Lima, Ohio. As a result of the sale, Landers will have a substantial minority interest in Universal Major Appliances, but will take no part in its management. During the past two years Artcraft Manufacturing Corp., one of the organizers of the new company, has been producing Universal refrigerators under contract. Landers will concentrate on vacuum cleaners, small electric appliances and hardware lines. The company hopes to obtain defense contracts to provide work for employees who formerly produced ranges, washing machines, and water heaters.

* * *

Stockholders of **Silex Company** have approved an increase in the number of common shares authorized from 215,000 to 500,000. It is planned to offer 53,750 shares to stockholders of record Nov. 13 on a one-for-four basis at $5. Rights will expire Nov. 30. Any shares up to 50,000 not taken up through rights will be purchased by two individuals not presently connected with the company. The net proceeds of the offering will be added to working capital. Silex is working on development of several new products and operations are currently on a profitable basis.

* * *

The annual report of **Aspinook Corporation** for the fiscal year ended June 30, 1951 shows that the company's sales rose from $22.2 million to $26.8 million and earnings per share from $2.51 to $2.55. During the year working capital rose from $3,740,886 to $6,671,845 and the book value per share from $12.45 to $14.55. In September $1,698,000, obtained from sale of plants and equipment in 1951, was used to reduce the outstanding 4% sinking fund debentures, due July 1, 1965, to $2,077,000.

* * *

Stockholders of **Royal Typewriter Company** will meet on Nov. 14 to vote on a proposed increase in the number of authorized common shares from 1,078,816 to 2,000,000. No plans have been announced for issuance of the additional stock.

* * *

Russell Manufacturing Company offered its stockholders of record Oct. 17 rights to purchase one new share for each ten owned at a price of $15.75. Proceeds of the issue to be added to working capital to meet the requirements brought on by higher prices and an increase volume of business. The company has also arranged to sell $1,600,000 of notes to an insurance company to replace the former notes in the amount of $1,114,000 and to provide $486,000 of new money.

* * *

The Bridgeport Gas Light Company has obtained a rate increase from the Public Utilities Commission which is estimated to produce additional revenues in the amount of $329,000 annually. The increase was required to offset additional taxes and rising costs. It had been hoped earlier in the year that natural gas would be available in time to eliminate the necessity of a rate increase. The effective date of the new rates was Nov. 1.

* * *

The Connecticut Light & Power Company has applied to the Public Utilities Commission for permission to sell its main gas transmission facilities to a subsidiary, **The Connecticut Gas Company,** in return for up to 12,250 shares of $100 par stock. The subsidiary would own and operate the lines which presently transport manufactured gas from New Haven to Hartford and would construct and operate a mixing plant at New Haven where manufactured gas purchased under long-term contract from **The Connecticut Coke Company** would be mixed with natural gas to be purchased from Algonquin Gas Transmission Company. The mixed gas will be primarily for **Connecticut Light & Power, Hartford Gas** and **New Haven Gas.**

Graham to Discuss Security Analysis

Benjamin Graham, President of Graham-Newman Corp., will speak on "Planning a Specific Investment Program" at the New School for Social Research, 66 West 12th Street, Tuesday, Nov. 20, 5:20 p.m. Mr. Graham, lecturer on finance and author of "The Intelligent Investor," will speak on "Practical Techniques for Appraising and Analyzing Individual Issues." He is guest lecturer in the series "Your Investment Problems Today," by A. Wilfred May.

Benjamin Graham

Herbert T. Tomlinson

Herbert T. Tomlinson, limited partner in Moore, Leonard & Lynch, passed away Nov. 7.

Boatmens National Bank
Ely Walker Dry Goods Com. & Pfds.
First National Bank
Laclede Steel
Mercantile Trust
Moloney Electric Class "A"
Scruggs-Vandervoort-Barney Com. & Pfd.
St. Louis Union Trust
Stix Baer & Fuller Dry Goods Com. & Pfd.
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Descriptive memoranda available on request on these and other Connecticut companies.

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NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

A new branch of Bank of America (International) has been opened in Dusseldorf, Germany, under the management of Carl Banigan, a Californian long associated with **Bank of America National Trust & Savings Association of San Francisco.** Announcement of the opening was made in Germany by Russell G. Smith, the bank's Executive Vice-President, who had journeyed to Dusseldorf following his participation in the recent International Credit Conference in Rome. Mr. Smith stated that Dusseldorf was chosen because of its key industrial and commercial position in Western Germany. The new branch will provide special banking facilities for Americans in Germany, assist in the implementation of German-American trade, and serve as Bank of America's general representative in Germany which, in addition to its 528 branches in California, operates international branches in London, Manila, Tokyo, Yokohama, Kobe, Bangkok and Guam, and maintains representative offices in Paris, Zurich and Milan. Mr. Banigan and Assistant Manager George Ullmann, Jr., a former European banker, have both served in recent years in Bank of America's San Francisco headquarters.

* * *

Directors of the **National City Bank of New York** on Nov. 7 appointed William J. Brady and Richard J. Kine, Assistant Cashiers. Both are in the Personal Credit Department at the 42nd Street Branch.

* * *

E. Chester Gersten, President of **The Public National Bank and Trust Co. of New York,** announced on Nov. 7 that John S. Kozick and John Marshall of the midtown office, 39th Street and Broadway, were appointed Assistant Cashiers.

* * *

A certificate of increase in the capital of the **American Trust Company of New York,** from $1,000,000 to $1,250,000, was approved by the New York State Banking Department on Oct. 31. The stock is in shares of $10 each.

* * *

Arthur S. Kleeman, President of **Colonial Trust Company of New York,** announces that John W. Stewart has been associated with the banking house as Assistant Vice-President. Except for naval service during World War II, Mr. Stewart had been with the Chicago office of C. J. Devine & Co. for 15 years. Mr. Stewart will continue to be based in Chicago and will represent Colonial Trust in the Midwest area.

* * *

An underwriting group headed by Blair, Rollins & Co. Inc. is offering the unsubscribed portion of an issue of 25,000 shares of capital stock (par value $10 per share) of **The Franklin National Bank of Franklin Square, Long Island, N. Y.,** priced at $40 per share. The shares were offered for subscription to the stockholders of the bank who pursuant to such offering subscribed for 23,578 shares. The proceeds from the sale of such shares will be used to maintain the bank's capital position in relation to its outstanding loan and deposit liabilities and the continued expansion of the business of the bank. Chartered in 1926, it claims to be the largest bank engaged in a general banking business in Nassau County, Long Island. Besides its main office at Franklin Square, branches are located in Elmont, Levittown and Rockville Centre; on Sept. 30, 1951 total deposits in excess of $83,000,000 were reported and total resources in excess of $90,000,000. Upon the completion of the financing and after giving effect to a recent stock dividend the capitalization will consist of 279,000 shares representing capital surplus and undivided profits of in excess of $6,000,000.

* * *

The Bank of Babylon, at Babylon, Long Island, N. Y., has received from the New York State Banking Department approval of a certificate of increase in its capital stock from $175,000, consisting of 3,500 shares, par $50 each, to $225,000 in shares of 4,500, par $50 each.

* * *

The First National Bank of Boston, Mass., announces the forthcoming reopening of its representative office at 146 Leadenhall Street, London, E. C. 3, on Nov. 19, with George E. Putnam, Jr., as special representative.

* * *

The stockholders of **The Citizens Trust Co. of Summit, N. J.,** Harry W. Edgar, President, recently voted to increase its capital stock from $150,000 to $200,000 and surplus from $250,000 to $287,500 by the issuance of 2,500 new shares at $35 per share. The stockholders of this growing local institution were given the privilege of subscribing to one new share for each three shares already owned. The issue was substantially oversubscribed. The book value of the bank's stock will be in excess of $54 per share.

* * *

J. Mark Kirchgasser has been elected to the newly created position of Vice-President in charge of personnel of **Central-Penn National Bank of Philadelphia,** it is announced by C. A. Sienkiewicz, President. Mr. Kirchgasser, whose appointment becomes effective Dec. 1, leaves the post of Assistant Vice-President of the **Girard Trust Corn Exchange National Bank** to join Central-Penn. He will be in charge of the selection and development of personnel as well as administration. Mr. Kirchgasser joined the Pennsylvania Company for Banking and Trusts shortly after his graduation from the University of Pennsylvania. During the war he served as a Lieutenant in the U. S. Naval Reserve in a personnel capacity with the civilian staffs of Naval Shore Establishments. In 1946 he joined Edward N. Hay & Associates, Inc., Philadelphia management consulting firm. He became personnel director at the former Corn Exchange Bank in 1947, and he was elected Assistant Vice-President of the merged Girard Trust Corn Exchange Bank this past June. He is a past President of the Philadelphia Association of Bank Personnel Administrators, author of several published papers on personnel techniques, and a member of the board of directors of the Philadelphia Safety Council of the Chamber of Commerce.

* * *

Fred F. Florence, President of the **Republic National Bank of Dallas, Texas,** and prominent civic leader, celebrated his 60th birthday anniversary on Nov. 5. An antique silver tureen, a gift from the officers and employees of the bank, was presented to Mr. Florence by Chairman of the Board, Karl Hoblitzelle, in a ceremony held in the board room. Mr. Florence was born in New York City on Nov. 5, 1891. His parents moved to Rusk, Texas, when he was three months old. He entered the banking business when 15 years of age. At 17 he had risen to Teller and at 19 he was made Vice-President of the Bank at Alto, Texas. In 1915, at the age of 24, he was elected to the position of President of the Alto Bank. With World War I, Mr. Florence enlisted at Love Field in what is now the U. S. Air Force. He received a commission at a training camp in Georgia when the war ended. Soon after his return to the Presidency at the bank in Alto, he was elected Mayor of Alto. In the meantime the Guaranty Bank and Trust Company, forerunner of the Republic National Bank, opened for business in February, 1920. W. O. Conner, who was President, looking for a Vice-President, turned to Mr. Florence and as a result Mr. Florence joined the Guaranty Bank and Trust Company as First Vice-President. In 1923 this bank received its national charter and changed its name to the Republic National Bank of Dallas. Mr. Florence was only 38 when he became President of the Republic National Bank on Jan. 8, 1929. Mr. Florence is a Director of Reserve City Bankers; President, Dallas Clearing House; Past President, Texas Bankers Association; member of the Executive Council of American Bankers Association; and recently Chairman, Credit Policy Commission Committee of American Bankers Association.

* * *

The board of directors of **Crocker First National Bank of San Francisco** on Nov. 8 authorized an increase in the surplus account from $14,000,000 to $16,000,000 by a transfer of $2,000,000 from general reserves. Capital remains unchanged at $6,000,000.

Bankers Offer Public Serv. El. & Gas Pfd.

An underwriting group, comprising 67 investment firms headed by Morgan Stanley & Co.; Drexel & Co. and Glore, Forgan & Co. offered for public sale yesterday (Nov. 14) a new issue of 249,942 shares of Public Service Electric & Gas Co. (New Jersey) 4.70% cumulative preferred stock of $100 par value. The stock was priced at $102.17 plus accrued dividends to yield approximately 4.60%.

The stock is subject to redemption at any time, at the option of the company, at $106 per share on or before Oct. 31, 1953 and at $105 per share thereafter but on or before Oct. 31, 1957 and at $104 per share thereafter but on or before Oct. 31, 1961, and on and after Nov. 1, 1961 at $103.

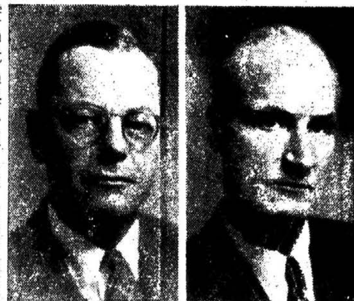
Proceeds of the sale will be used for general corporate purposes, including provision for a portion of the funds required for its construction program, toward reimbursement of its treasury for expenditures made for such purposes and for retirement of long-term debt.

As of June 30, 1951 the company's current construction program amounted to approximately $107,000,000 of which $95,432,000 was applicable to additions and improvements to the electric plant. Of the total the company estimates that $25,000,000 has been or will be expended during the last six months of 1951 and the major portion of the balance during 1952 and 1953.

The company, an operating utility engaged principally in the electric and gas business, serves a highly diversified industrial area in New Jersey including most of its larger cities. Population of the area served with both electricity and gas is estimated at 3,186,515. A wholly owned subsidiary, Public Service Coordinated Transport, owns all of the outstanding capital stock of Public Service Interstate Transportation Company. Busses of the two companies comprise the largest single fleet operated in mass transportation service in the United States.

For the 12 months ended June 30, 1951 operating revenues of the company alone were $197,143,283 and net income was $23,030,053. Total operating revenue of Transport and Interstate companies for the 12 months ended June 30, 1951 were $43,804,781.

General Precision Elects


Howard K. Halligan Norbert A. McKenna

Announcement has been made of the elections of Howard K. Halligan and Norbert A. McKenna as additional directors of General Precision Equipment Corporation. Mr. Halligan is a partner of Cyrus J. Lawrence & Sons and Mr. McKenna is a partner of Reynolds & Co.

With King Merritt

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—John N. Rea is now with King Merritt & Co., Inc., U. S. National Bank Building.

Joins Francis I. du Pont

(Special to THE FINANCIAL CHRONICLE)

FT. LAUDERDALE, Fla.—Richard M. Harder is now associated with Francis I. du Pont & Co., 455 East Las Olas Boulevard.

This is under no circumstances to be construed as an offering of these securities for sale, or as an offer to buy, or as a solicitation of any offer to buy, any of such securities. The offer is made only by means of the Prospectus.

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November 15, 1951

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Middle East Oil and Product Availability

By R. G. FOLLIS*

Chairman of the Board, Standard Oil Co. of California

Standard Oil executive reviews Middle East oil situation and concludes oil from that area is not cheap and domestic producers need have no fear this product will flood American market, since natural market is Europe, Africa and Asia. Says Russia has insufficient tankers to take out Iran's oil, and predicts settlement of Iran's oil controversy. Reports U. S. has filled gap created by stoppage of Iran's oil, but doubts supply can be continued.

A great deal of attention is currently focused upon the Middle East. You have all heard for years about the importance of Middle East oil, and now the press daily headlines the Iranian situation and the crisis in Egypt. Although I shall touch further upon these latter points my talk to you is concerned primarily with American oil operations in the Middle East.

Middle East—Reserves and Production, and Pipe Lines

First let me say that by the Middle East I am speaking of the countries between the Eastern Mediterranean and India. Those most important from the point of view of oil are Iran, Iraq, Kuwait, and Saudi Arabia. These countries alone have known reserves of over 40 billion barrels compared to 25 billion barrels of proven reserves in our country. Furthermore, we all realize it is becoming more and more expensive to find new oil here, whereas the potential of the Middle East has hardly been scratched. For example, peak production of that area last spring before Iran was shut in was 2.2 million barrels per day or annually less than 2% of the indicated reserve. In the United States we are producing 6 million barrels per day which, on a yearly basis, is about 9% of our reserves.

Except for the Kirkuk Field in Iraq, all the Middle East oil fields are close to the Persian Gulf and, accordingly, most of the crude has moved to market by tanker from Persian Gulf ports. Increasing amounts, however, are being brought by pipe line to the Eastern Mediterranean.

The original Iraq Petroleum Company pipe lines that were completed in 1934 terminated in Haifa and Tripoli, and had a total capacity of 90,000 barrels a day. Flow through the Haifa line, however, was stopped by Iraq early in 1948 because of the difficulties with Israel resulting from the partition of Palestine in November, 1947. This line has been unused since then, but the capacity to Tripoli has been increased to 135,000 barrels daily. A new "big inch" line is now under construction, and is expected to go into service in the spring of 1952. The completion of this line will bring a total of 435,000 barrels a day of Iraq crude to the Mediterranean.

In 1946 the owners of the Arabian American Oil Company decided to proceed with the construction of the Trans-Arabian Pipe Line which soon came to be known as Tapline. This line, together with the portion owned by Aramco, is 1,068 miles in length and delivers more than 300,000 barrels a day of Arabian crude to the Mediterranean terminal of Sidon in Lebanon, about 25 miles south of Beirut. This project probably encountered more obstacles than any other oil-industry undertaking abroad. The route that was finally selected crosses sand-dune country in the east, then 750 miles of absolutely barren desert land, and finally two mountain ranges before reaching the Mediterranean. The transporting of 265,000 tons of steel from the United States, the building of roads along the route, and the actual laying of the pipe and construction of six pumping stations in temperatures that reached 130 degrees F was a real engineering feat. The greatest problems, however, were not of a physical nature. After crews were in the field and the line being laid, the Department of Commerce suspended the issuance of export licenses for a year. Serious right-of-way difficulties also developed, aggravated by political assassinations and changes in government. However, in December of 1950 tankers started loading Arabian oil at Sidon and the $200 million privately-owned and financed job was done.

During 1951 almost two-thirds of Western Europe's petroleum requirements continued to go by tanker through the Suez Canal from the Persian Gulf. Although the completion of the expansion of the Iraq pipe lines will reduce this quantity materially, we will still depend on Suez for a substantial movement of oil. This is another reason for concern over Egypt's recent unilateral cancellation of the 1936 treaty with Great Britain. If the canal is closed, many more tankers would be required to move the oil around Africa. I don't know where they could be obtained.

Middle East Refineries

Although there are three great refineries in the Middle East, the bulk of the oil from this area is refined elsewhere. This is explained partly because Middle East crude has replaced other crudes that were run in European refineries before the war and partly because of the tendencies of many nations to favor local refining by imposing discriminatory tariffs against finished products.

The Abadan refinery of the Anglo Iranian Oil Company, at the head of the Persian Gulf, is the world's largest. Last spring it was processing 545,000 barrels daily of crude into a full range of products, including 18,000 barrels a day of aviation gasoline. It is really a complete refinery that includes four 85,000-barrels-per day distillation units, 130,000 barrels per day of cracking and polymerization capacity, five sulphur-dioxide plants, and isomerization and alkylation installations. In fact, this refinery alone has been supplying 20% of the product requirements of the entire Eastern Hemisphere. It is no wonder that its shutdown has changed the distribution of oil throughout the world.

Of next importance is the refinery on Bahrein Island owned by the Bahrein Petroleum Company Limited. This plant—straining to help fill the vacuum created by the Abadan shutdown—is now processing nearly 200,000 barrels per day of crude. This also is a complete plant with thermal and catalytic cracking, SO_2 treating, asphalt manufacturing, and supporting facilities.

Third in importance is the Ras Tanura refinery in Saudi Arabia. This is a comparatively simple plant that does not include cracking facilities, but it does process about 170,000 barrels per day and, together with Bahrein refinery, furnishes our armed forces with substantial quantities of fuel and diesel oil.

In addition to the refineries on the Persian Gulf, plants have been erected on the Mediterranean to process Middle East crude. At Haifa a refinery was built just before the last war that reached a throughput of about 80,000 barrels a day. Due to the political difficulties between Israel and the Arab countries, the operation of this refinery has been intermittent since 1948. A small refinery was also constructed at Tripoli in Lebanon during the war to supply local requirements. This was subsequently enlarged, but still only runs about 10,000 barrels a day.

Problems Related to Middle East Oil

I do not propose to dwell upon the operating problems connected with the oil industry in the Middle East because, while these are formidable, they are of secondary importance to those of a political, social, and economic nature. In fact, it was in recognition of this that early this year I traveled around the world to talk to the political leaders in the Middle and Far East. We heard at first hand about the Arab refugee problem that exists in Lebanon, Syria, Trans-Jordan, and Egypt; also about the growth of nationalism in Iran, Pakistan, India, and the countries of Southeast Asia; about the problems these governments are facing in trying to improve the standards of living of their people and assume positions of equality in the community of nations. Almost without exception we found that the responsible leaders realized that, even though their countries have natural resources and an abundance of labor, their economies cannot be developed without the know-how and capital that are only available from abroad. The oil industry constitutes the major vehicle whereby Western know-how and industry are brought to many of these countries.

Obligations Are Mutual

Both the foreign governments that grant oil concessions and the private companies that acquire those concessions have obligations to each other.

The foreign government, on the one hand, is entitled to expect adequate participation in the proceeds resulting from the development of its oil; the training and employment of its nationals at fair rates of compensation; petroleum products being made available at reasonable prices to meet the country's domestic requirements; and that the company and its employees conduct themselves in a manner consistent with the customs and the laws of the land.

On the other hand, the company that provides capital, technical skill, accumulated experence, and markets abroad is entitled to expect security of title and contract; retention of managerial control of the company; and the opportunity to make a reasonable profit.

Middle East Oil Is Not Cheap

I would like at this point to emphasize that the profit resulting from the development of Middle East oil is less than most people think. It is true that the wells in the Middle East have tremendous productivity, averaging on the order of 5,000 barrels per day per well. These wells, however, are costly to drill; most of the oil is sour and must be stabilized; and there are innumerable other costs in foreign operations not found in domestic operations. For example, in this country, when we develop an oil field, we have access to industry supply houses;

Continued on page 37

*An address by Mr. Follis at the 31st Annual Meeting of the American Petroleum Institute, Chicago, Ill., Nov. 7, 1951.

British After-Election Prospects

By PAUL EINZIG

Commenting on decline in London stock market following British election, Dr. Einzig ascribes this to (1) small Conservative majority; (2) realization of Britain's serious economic problem; (3) stern measures proposed by new Conservative Government, and (4) prospects of rising industrial unrest. Concludes, however, Stock Exchange slump may be temporary.

LONDON, Eng.—It was widely expected that a Conservative victory at the general election would be followed by a spectacular boom on the Stock Exchange. There was, in fact, a foretaste of it following on the announcement of Mr. Attlee's decision to ask for a dissolution of Parliament. The one-day boom provoked by that decision was followed by a relapse, though later on wishful thinkers among speculators and dealers bid up the prices gradually as Polling Day was approaching. Although the Conservatives defeated the Socialists and Mr. Churchill replaced Mr. Attlee, the response of the Stock Exchange was anything but favorable. There was a sharp decline, especially in Government issues. The reasons for this unexpected reaction may be summarized as follows:

Dr. Paul Einzig

(1) The Conservative majority was much smaller than it was anticipated by most Conservatives and their sympathizers. As a result of this disappointment their unwarranted optimism now gave way to unwarranted pessimism in regard to the stability of the new government. It is feared that an over-all majority that is only slightly larger than was that of the Labor Government in the last Parliament would not be sufficient to enable Mr. Churchill to carry on for any length of time. This view ignores the fact that, in spite of the smallness of its majority after the election of 1950, the Socialist Government carried on for some 18 months, and could have carried on much longer had it not been for the internal strife that forced Mr. Attlee to risk a general election. There appears to be no reason why Mr. Churchill should not be able to carry on for years in spite of the smallness of his majority.

(2) During the electioneering campaign most people were inclined to forget the gravity of the economic situation and prospects of Britain. Relatively little was said about it, and what was said was discounted to some extent by the public on the ground that it was mere electioneering. The sudden outburst of the conflict over the Suez Canal has also helped towards diverting attention from economic difficulties. Now that the election is over and, at the time of writing, the position in Egypt appears to be consolidating, the attention of the public is inclined to return to the economic problems. Even the most enthusiastic supporters of the new government have to realize that the change of government does not in itself diminish the gravity of the economic difficulties. Although the economic situation has not changed for the worse during the last week or two, more attention is now being paid to its bad aspects. Hence the wave of pessimism that is partly responsible for the unfavorable reaction of the Stock Exchange following the Conservative victory.

(3) Even though at the time of writing the new government has not yet disclosed its intentions, it is generally assumed that stern measures will be adopted in face of the threatening economic crisis. Taking a long view, this should be regarded as a bull point. The Stock Exchange lives, however, for the present and the immediate future. There can be no doubt that the immediate effect of the measures will be unfavorable to trade and to the value of government loans. Some means will have to be devised to reduce over-full employment and to deflate the inflated purchasing power of consumers and producers alike. Even though some of these measures will be directed against specific industries producing luxuries and secondary necessities, there is bound to be an all-round tightening of credit. This will necessarily inflict difficulties and losses on business firms. The object of the measures is to bring inflation to an end, and this could not be done without checking and reversing the trade boom that has accompanied inflation almost uninterruptedly ever since 1945. Higher interest rates that are expected to accompany the deflationary measures are expected to cause a fall in the price of bonds. This effect was largely anticipated during the days that followed the general election.

(4) There is a certain amount of uneasiness among businessmen, investors and speculators about the prospects of increasing industrial unrest resulting from the change of government. It is feared that the trade unions will not be so willing to restrain wage demands as they were under a Socialist Government. There will undoubtedly be less unofficial strikes and more official strikes, because the workers will no longer suspect their unions to be on the side of the government rather than on their side. But it remains to be seen whether the number and extent of strikes will really increase materially.

There can be little doubt about it that, to some extent at any rate, the prospects of the near future justify the pessimism of the Stock Exchange. It seems, however, that the pessimism is exaggerated. No government will be able to reverse the trend of trade altogether, even if it should want to do so, during the period of rearmament. There is bound to be a certain amount of inflation under any government, and the change in Britain may only mean a difference of degree. So long as inflation continues, even at a reduced scale, trade is bound to remain reasonably prosperous. There will be less governmental measures against capital and enterprise, which fact should go a long way towards generating optimism towards industrial equities. As for the prospects of government bonds, the Conservative government is doubtless aware of the need for maintaining them at a reasonably high level, and for this reason the weapon of higher interest rates will have to be used in moderation.

As and when the beneficial effects of the stern measures will begin to make themselves felt, this is bound to generate optimism towards the future. For this reason the post-election slump on the Stock Exchange is likely to prove to be temporary.

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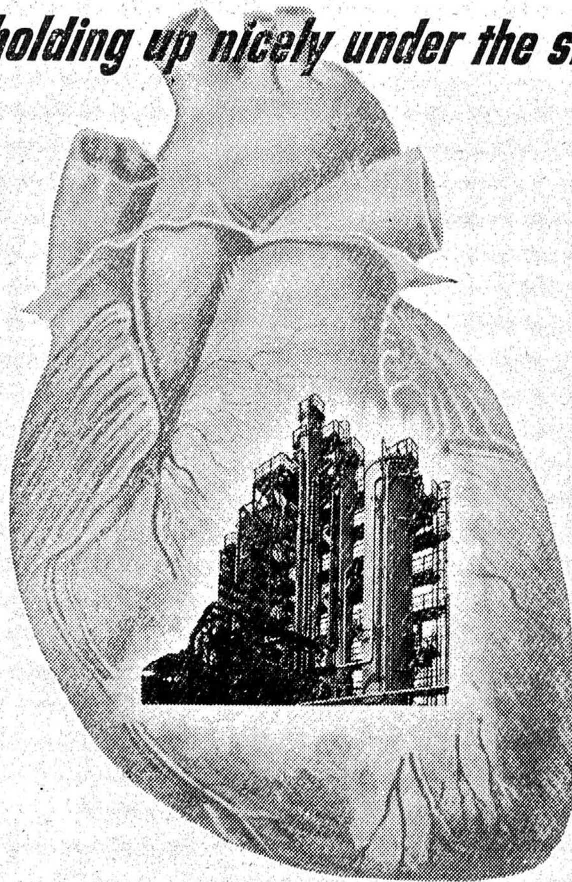
The "Heart" of American Industry

It's holding up nicely under the strain



You know how important your heart is to you.

Oil refineries are just as important to the factories and mills and mines of America. If they stopped "pumping" fuel, America's complex industrial machine would stand cold and useless. If they stopped "pumping" lubricants, it would quickly grind to a stop.

Right now, American industry is placing a severe strain on its "heart." Industry is growing at the rate of 25 billion dollars' worth of new plants and new equipment a year. Its need for lubricants—already great—will be even greater.

But the "heart" can take it. It is almost one third again as strong as it was five years ago—and it is getting stronger every day.

Petroleum has grown to be the third largest of all America's industries in terms of total investment. And on petroleum's ability to grow hinges the future growth of all industry.

This week, in Chicago, leaders from all phases of the petroleum industry are attending the annual convention of the American Petroleum Institute. Their job is to see to it that petroleum *will* grow and that all future needs will be met.

Pure Oil is doing its part. An ever-increasing quantity of top-quality industrial lubricants is now coming from Pure's great new lubricants plant near Beaumont, Texas, one of the units of which is pictured above.

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Canadian Securities

By WILLIAM J. McKAY

The Alberta Petroleum and Natural Gas Conservation Board will once again resume its hearings this week on six applications for permission to export natural gas from the province. Following several postponements it is now expected that definite action will be forthcoming that will herald a new era of dynamic development of the Dominion's hitherto neglected natural gas industry. With the consummation of the present plans not only will a new cheap fuel be available for the great industrial areas of Eastern Canada, but in the event of satisfactory arrangements for export south of the border, the Dominion will add another important U. S. dollar earning asset to its already long list.

Although natural gas has been utilized for many years by western Canadian cities such as Calgary and Edmonton it was not until the great oil discoveries in Alberta that the tremendous possibilities of this natural fuel were given serious attention. Until quite recently also most Canadian oil interests have been inclined to subordinate the search for new sources of natural gas to the development of oil. It is now becoming evident that natural gas affords greater scope than oil for immediate profitable exploitation. In the first place the conservation policy of the Alberta government sets a limit to the amount of oil that can be effectively marketed; as the volume of new production mounts the proportion of the marketable product is progressively reduced. Furthermore the market for Canadian oil is limited as a result of the competition of established U. S. sources of cheap supply. The production of natural gas on the other hand is not subject to handicaps of this kind. At the moment in fact a premium is placed on the discovery of new sources of supply of natural gas as a result of the insistence of the Alberta government that the existence of adequate reserves must be proven before sanction is given for the export of gas.

Fortunately the Dominion appears to be almost as well endowed as this country with this unique asset that is playing an increasingly important role in the economies of both countries. Whereas it was estimated at the beginning of the Conservation Board hearings that proven reserves were in the neighborhood of 4 trillion cubic feet they are now believed to amount to no less than 11 trillions. In this country during the last 20 years natural gas has become one of the leading growth industries. The tremendous consumer demand appears to be limited only by the availability of steel pipe, and the total mileage of the existing pipeline systems is now in excess of 300,000. Apart from the demand for domestic and industrial fuel purposes, natural gas has innumerable other industrial uses prominent among which is its employment as a raw material in the production of plastics, detergents, paints, alcohols, resins and fertilizers. It is also possible to produce commercially gasoline, fuel oil, and other petroleum products from this versatile and readily available commodity.

Thus it is probable that in the near future the development of Canada's natural gas resources will occupy the attention of U. S. and Canadian oil interests to a greater extent than the search for new sources of oil. Ultimately the utilization of natural gas as an alternative and superior form of fuel will result in considerable savings of U. S. dollars that are now expended for fuels imported from south of the border. Moreover in the event of the consummation of present plans for export to the Minneapolis-St. Paul, and Seattle and Spokane areas natural gas will make a valuable contribution to Canada's foreign exchange reserves. In particular the U. S. Pacific North West in view of its lack of local fuel resources and remoteness from U. S. sources of supply, lends itself admirably as a natural outlet for Canadian gas. Unlike the protracted and costly process involved in the development of iron-ore, and other mineral deposits, the exploitation of natural gas can be effected rapidly and at remarkably low cost. It will not be long therefore before this new and important Canadian industry will exert a notable influence in Canadian economic affairs.

During the week the external section of the bond market continued on the heavy side with offerings of Canadian Nationals and the new Ontarios still in evidence. There was also some liquidation of recorded internals but these were well absorbed and had little effect on the Canadian dollar which finally touched a recent new high point of 4⅛%. On the stock markets there was a moderate return of bullish sentiment that again was mostly expressed in a good demand for Western oils. The industrials and base-metals also shared in the recovery movement but the gold issues failed to make any notable headway.

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But . . . !

"I find it passing strange that, with all the hullabaloo about misbehavior of a handful of public servants, there has been no outraged indignation expressed by business regarding the role played by business in any unethical conduct under discussion."—Robert Ramspeck, Chairman of the Civil Service Commission (Nov. 7, 1951).

"It is just as culpable to buy Government influence as it is to sell it. If there were no businessmen willing to hand out home freezers, mink coats and costly vacations, there would be fewer public officials ready to take them. I hold no brief for any public officer who succumbs to bribery, and I hold no brief for businessmen who do the bribing."—C. A. Hulcy, President of the Chamber of Commerce of the United States (Oct. 19, 1951).

"I am confident that the people of this country are going to demand and that they will get a return to a high level of integrity and of morality in public life. But let us not forget that it takes two to make a deal and let us condemn just as readily the business or professional men who are on the other end of the corrupting deals."—Wm. H. Ruffin, President of N. A. M. (Oct. 19, 1951).

There are many others whose views might be cited. However, the main thing is to clean up anywhere and everywhere it is needed.

Continued from first page

Raw Materials Prices

long-term contracts to purchase the output in large volumes and at guaranteed prices. That dollar credits are forthcoming at low interest, goes without saying; the Export-Import Bank, the World Bank, and even the ECA, help.

Domestic miners—to say nothing of farmers—are being protected by tariffs, courted by subsidies, bathed in cheap credit facilities, etc. In governmental loans and purchasing contracts alone, $500 million are in the process of disbursement to promote staggering increase in the output of "critical" minerals: tungsten, antimony, zinc, manganese, molybdenum, copper, asbestos, mica, nickel, platinum, sulphur, chrome, and so forth. Stepping up titanium, aluminum and steel capacity is fostered by every means, partly even by threats that the government itself might go into the business.

At home and abroad, and this provides a most significant incentive, the Defense authorities are out on a stockpiling limb; presently, the available appropriation is a huge $1,400 million or so, with more to come. Our stockpiling program of $9,000 million has not reached as yet the half-way mark. Foreign nations stockpile too, or promote private inventory accumulation such as by relaxing on import licenses (Brazil).

On top of all that, substitutes are being developed in an unprecedented tempo, also methods for the more efficient utilization of costly materials, and for their more complete gathering.

Given this tremendous potential of output growth: why should the disequilibrium be anything more than a quickly passing phase? The answer is that general and particular factors are at work inhibiting and postponing the natural process of self-adjustment in the raw material economy of the Western World.

The time element is of the essence. It is a long way from discovering iron sulphide deposits in Minnesota to marketing the precious sulphur in commercial quantities. The time stretch between prospecting and actual producing is still longer, 18 months to 5 years, in remote colonial areas where all essential "ingredients," including transportation, may be lacking. Also, new substitutes are very slow in effectively materializing, fast as the laboratory processes may be. Time-lag is the prime adjustment hurdle even in a number of fields in which no problem of new technology arises. Wool is an outstanding example, and there is no equivalent quality to substitute for merino. Its price must stay very high for years if the demand holds up (as it is likely to).

In any case, the opening up of new sources of supply (and of synthetics) takes not only time but also expenses. During the incumbency, it means a drain on financial, human and physical resources—also on raw materials!—with nothing to show in exchange. Nay, the unprecedented expansion of basic production facilities and of their auxiliaries is itself a factor, for the time being, that contributes to the mounting costs and the upward tendency of commodity prices. Especially so, when scarcities compel the fabricators to use such substitutes as are available, often at the cost of quality in the final product.

Political obstacles, in the broadest sense of the adjective, further impede the expansion of plantation, mine, and partly even farm production. Patently, products depending on Soviet controlled sources — tungsten, antimony, manganese—are seriously affected by the slowly tightening East-West blockade. Domestic conflicts, war threats or war-like situations burden very important "underdeveloped" lands. We may gloss over the loss of Iranian oil; the fact is that its replacement from other fields, American or Arabian, amounts to the substitution of more expensive petroleum for the cheaper provenience. In 1950, in an unprecedented seller's market, Indonesia's export of 18 major raw materials ran some 25% below the pre-war level, largely because of riotings. Jute supply is a victim of the Kashmir conflict between Hindustan and Pakistan. Revolutionary insecurity reduces the output and the exports of Burma, to lesser extent also of Malaya and Siam. Indo-China need not even be mentioned. The turmoil in the vast region between Egypt and the Philippines, the world's greatest storehouse of tropical wealth, neither does nor promises to do its vital share.

Which may be interpreted to show that the majority of mankind is not ripe for any other but a colonial status to keep it working rather than boiling. Incidentally, "One of the reasons why totalitarianism offers an attraction to nationalist movements (in those countries) is precisely that it does provide a set of motivations, and a system of compulsions, strong enough to override both the apathy of the masses and the obstruction of the privileged," as an English student observed astutely.

Government interference reduces the productivity of non-colonial nations as well. Under a national-bolshevist regime, Argentina, traditionally a first-rate exporter of wheat, cattle, linseed, hides, etc., is fading out of the world market. The ill-treatment of foreign investors stops the growth of raw material capacity in quite a few backward and even "forward" countries, while their forced industrialization—much of it officially sponsored and financed by us — puts additional strain on the supply of the same basic commodities.

The monetary set-up of the Sterling Area is a further impediment. The raw material producing members must surrender their dollar proceeds and buy industrial goods from the mother country, which cannot deliver, or overcharges. Thus, the incentive for the producers of basic commodities to benefit from the seller's market is reduced.

Confounded Controls

One does not have to go abroad in search of poor judgment. While promoting with the right hand the growth of production, our own authorities inhibit it with the left that wields more or less arbitrary powers to confuse the markets by controlling prices and manipulating the tariff, by mismanaging the system of priorities and of bulk buying. Controls are a major factor in creating shortages and scare buying. One day, the scrap markets are unsettled; next, price ceilings on imported lead make that rare metal rarer. Injudicious haggling about Bolivian tin and Chilean copper, driving them into soft-currency markets, provides further samples of bureaucratic meddling.

The artificial boosting of American (and Canadian) farm product prices is perhaps the most pathetic chapter of our "inflation-control," with world-wide repercussions. The point is that even in the range of commodities, and most significant ones at that, in which production-incentives really work, inflation is being engendered. Presently, the Department of Agriculture incites the farmers to hold back grains and cotton by promising better "parities"—and a "sure bet" to the bulls in the Chicago pit.

Internationl "co-operation" was revived early in 1950—when a slump was deemed imminent—to reorganize the British-Dutch governmental cartels of 1930's and to hold commodity prices by setting floors, laying aside buffer-stocks, distributing production quotas, etc. Then came the new boom and the British interest in controls vanished. But on American urging, Conferences were set up; their committees debated for months in a row, the producing countries (outside the U. S.) resisting every price regulation or allocation plan that might reduce their freedom—to "gouge." However, tons of resolutions were produced advising the members how to economize with commodities. In the end, the American representatives agreed on letting the other industrial nations share in our supplies of sulphur, copper and zinc, thereby enhancing the domestic scarcity. The net result

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in terms of relieving the commodity price inflation is nil, of course.

Monopolies

Some international "co-operation" does flourish: between Spain and Italy, for example. Between them, they practically control the world's mercury output and make ruthless use of this monopoly, holding us up to a mercury price more than 1,000% above what it used to be. (But Spain's attempt to do the same with wolfram boomeranged: we stopped buying.) The U. S. connives with Cuba in "stabilizing" sugar; and with Mexico in silver. Individual countries also try their best in exploiting the sellers' market.

Here and elsewhere, full employment and government protection of union malfaisance have generated a monopoly on the labor markets that results in ever-higher unit wage costs, especially also in mining. Moreover, it permits labor's indulgence in wasteful strikes, contributing time and again to the tightening of supplies (copper).

The sum total of historical circumstances and national policies adds up to the conclusion that no commodity price relief could be expected by an early expansion on a large scale of the sources of supply, excepting a few lines (oil, sulphur, cocoa, etc.).

The demand side of the raw material equation has been taken for granted in the foregoing. It better remain "granted." The difference between plus and minus in that equation may be a matter of less than 10% change.

Can we count on a continued boom in the consumption of basic industrial ingredients? Or on perpetual floors, on a global scale, under their prices, notwithstanding the spectacular technological progress that tends to lower costs? This boom rests in the first place on war preparations which are almost certain to peter out by the middle of this decade, if not much earlier. Already, the conviction that Russia has "missed the boat" and could not attack any more—the thesis on which this writer has been hammering for a year or longer — is spreading. (The "news" seems to cause some fresh thinking in the Pentagon, and in Europe, but not as yet in the State Department.) Sooner or later, it may become extremely difficult to keep the restless Europeans on the armament job, and the American public might grow tired also. If so, we may or may not face a real recession, but the raw materials most certainly will be in for "trouble."

But the longer run outlook is not our present topic. For the **immediate future**, the next 12 months or so, prospects should be bullish, indeed, even if the demand for consumer goods proper should not rise, which is unlikely. The determining factor still is the extraordinary level of current output as well as of new construction in the so-called Defense sector of the North American economy. In both ways, that sector is headed for new records in 1952. In addition, Germany and Japan are on the home-bound as large-scale industrial producers; their demand for the "stuff" is due to increase accordingly.

Given the limitations under which the further expansion of supply labors—given the general inflationary drift and psychology—it should be safe to predict that crude material prices are most likely to move upward.

How much higher? That brings us to another crucial aspect of this unstable set-up. Take the leading non-ferrous metals, perhaps the most significant single group of primary products, other than foodstuffs and fuels, in international trade. With some exceptions, their current output is at or approaching all-time highs. There is every reason to assume that it is or soon will be sufficient to satisfy actual requirements. The same holds presumably for rubber, natural and synthetic combined, for lumber (plywood) and quite a few others. Evidently, inventories are the marginal factor that controls the price outlook for these and many other staples.

Excessive or deficient inventories private and governmental, are the prime cause of the unprecedented speculative price swings in the last 15 months. Their frenzied accumulation on the heels of Korea—reversing the then dominating depression-fear of Anglo-American official circles —put the skyrocketing of prices into motion. Since last February, a letdown in stockpiling (tin, zinc), plus minor liquidations, has slowed down or arrested, partly even reversed them. Briefly, a large number of commodities — call them the "inventory-sensitive" group—is subject to speculative bottlenecks which might disappear and reappear, depending largely on inventory policies.

A second category of raw materials is characterized by a tight statistical position. Wool and sisal inventories, for example, are virtually liquidated, and added supplies merely replace them. This group comprises genuinely scarce staples, including scrap, to stay scarce for the foreseeable period.

Even so, there was no reason other than an inept stockpiling policy based on war expectations for such fantastically climbing prices as have occurred. Corrections already have taken place.

The third category comprises the commodities in actual oversupply, like sugar and coffee; their prices are held up, for the most part, artificially.

It may be assumed that the next 12 months will not see a repetition of the mistakes made in the period preceding it. In other words, we may count (barring the unforeseeable) on **a more orderly process of rising staple prices.** Rise they must again — unless and until our foreign and military policies are subjected to a thoroughgoing revision. But it is well to bear in mind the synthetic character of most shortages and the consequent threat to the high level of prices on the primary level.

Thomas Morris

Thomas Morris, member of the New York Curb Exchange, passed away on Nov. 6.

James Henry Gundy

James Henry Gundy, Chairman of the board of Wood, Gundy & Co., Ltd., Toronto, passed away at the age of 71.

It Takes 500 Tons of Equipment for Just One Telephone Exchange

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Over-the-Counter Industry Profit Margins Are Inadequate!

By DAVID MORRIS*

David Morris & Co., New York City
President of New York Security Dealers Association

Pointing out that much of the over-the-counter securities business is conducted at some risk and little gain, Mr. Morris asserts that dealers have been circumscribed in ability to earn adequate profits through fear and other circumstances. Says solution of dealers' plight probably lies in an increase in the presently "ridiculously low" sales margins. Urges greater publicity of quotations and increased financial information by corporations as means to increase investor interest in over-the-counter securities.

Tonight we have behind us another year of hard work in which we experienced strong competition and limited rewards. We have seen large issues of securities sold for small profits. And we have transacted much of our business at some risk and little gain. Dealers in the over-the-counter industry have been circumscribed in their ability to earn adequate profits through fear and other circumstances beyond their control. As a result, many of us are growing old, all too quickly, in pursuit of security for our old age. The majority of us have not been able to set aside sufficient surplus to provide for our future security as have people in other industries. It will probably mean an increase in sales margins for our securities which remain ridiculously low in comparison with sales margins on other products. The glamor of Wall Street has been somewhat dimmed and the young men do not clamor today to enter our industry which has been living on the heritage of reserves accumulated in the past.

David Morris

Warns Against Sabotage of Free Enterprise System

In these confused times of changing politics, it is a paradox to find firms, which one would expect to be the exponents of free enterprise, taking advantage of socialistic tendencies to obtain immediate gains at the expense of our heritage of freedom. We think it is a sad commentary to see a city like Meridian, Mississippi, come to the financial district to obtain monies with which to erect buildings to rent to corporations whose securities are listed on the New York Stock Exchange. While these corporations achieve a tax saving, it is a short-term benefit at the expense of injury to our free enterprise economy. Do these and similar devices presage a socialistic scheme which in time can tear down our industry? It behooves us all to think carefully before we embrace new schemes. We must maintain our strength of character and make certain that what we do will benefit ourselves and our nation in the long run.

The deterioration of our national character and morals, as evidenced by the front-page headlines, will react to the harm of industry generally, if the leaders high in government and industry do not take proper recognition of the dangers and do their utmost to eliminate them. Wall Street has always enjoyed a coveted reputation for its adherence to high principles in the conduct of its business. Our industry could not have prospered without honesty of purposes and high ideals. If we are to continue to be held in high esteem, it is the responsibility of all in the security industry individually and collectively to uphold our reputation, and to do everything in our power to eliminate all malpractice that might endanger our standing.

Deplores Investor Apathy Toward Over-the-Counter Securities

As president of this association I feel it is my duty to express the concern, which I know is held by many, regarding the constantly diminishing interest shown by investors in fresh commitments in over-the-counter securities. I do not have in mind bank and insurance company stocks nor mutual funds, but rather the issues of the small and large industrial corporations that are not dealt in on any exchanges; the stocks that are held by a vast number of share owners throughout the nation.

Investors are insisting more and more, and rightfully so, upon the availability of quotations, and of balance sheet and earnings data.

This condition, which was discussed at the last general meeting of our membership held in September, has been recognized by most of us for some time. As it continues to exist it will bring about inferior markets that will be harmful to investors. In time it will retard, if not altogether prevent, the distribution of new securities by small- and medium-sized industrial companies.

This need for greater publicity of quotations and the need for adequate financial information is something that requires immediate study and correction. It must not be allowed to continue. We do not feel that we should wait for government to do the job for us. This association is of the opinion that steps should be taken by the over-the-counter dealers through the NASD to improve this condition which has so long existed. Therefore, it is the intention of this association to make certain suggestions to the NASD regarding quotations, and the enlisting of the aid and cooperation of unlisted companies, to make financial statements, earnings and other data available, to the end that we, in the over-the-counter business may protect our business and better serve the investing public.

*Remarks of Mr. Morris at 26th Annual Dinner of the New York Security Dealers Association, Waldorf Astoria, New York City, Nov. 9, 1951.

James W. Day V.-P. Of Aubrey Lanston Co.

Aubrey G. Lanston & Co. Inc., 15 Broad Street, New York City, have announced that James W. Day has been elected a Vice-President of the corporation. Mr. Day was formerly manager of C. J. Devine & Co.'s Chicago office.

Joins Goodbody Co.

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga. — William B. Cater has become affiliated with Goodbody & Co., 45 Forsyth Street, N. W.

Securities Salesman's Corner

By JOHN DUTTON

successful in closing business is fundamentally that their "attitude" is both positive and soundly constructive. I have seen men who have the one desire to go out and sell as much as possible who do fairly well for a while. They make up in enthusiasm and energy what they lack in perspective and understanding. Finally they exhaust their lush prospects. They tire out, and like the proverbial sky rocket they fizzle away. In the retail securities business it is essential that a professional approach toward clients take precedence over sales enthusiasm. Any man who can get his blood pressure up over a glamour stock, can go out with a pocket full of inquiries in a bull market and sell it. It is primarily an appeal to the profit incentive that motivates most buyers under such circumstances.

How Attitude Helps Make Telephone Appointments

Some men have difficulty in making telephone appointments when they work over a list of unqualified leads. In most cases they are drawn off into discussions about securities, or some other extraneous topic, and they allow the customer to gain the upper hand, which of course leads to a refusal of an appointment. The basic cause of indecision over the telephone, in interviews, or at any other time, is fundamentally a question of disbelief upon the part of the **one who is making the proposal.** Unless a salesman believes that he has something of VITAL importance to discuss, and that it will be of definite help to his prospect, whether or not immediate business is the result of the interview, a high percentage of turndowns will naturally take place. Stop and think this over—the only reason a man says he's not interested is that you haven't touched the spot where his interest lies. He isn't interested in spending money, or in denying himself the pleasure of loafing instead of warding off the importunations of some over avid salesman. He isn't interested in anything outside of what he may be doing when you ring the bell on his telephone, even if that is sitting back in his chair and daydreaming.

For this reason you have to shock him a bit, stir him up, get his reactions going along the right lines. Sometimes you can do this by taking the tack that you have information for him that will be helpful if he gets it, and harmful if he doesn't. If you would like to do a little thinking of your own on this subject, isn't it possible that some people whom you are going to ask for an appointment during the next few weeks, hold too much in stocks? Others may hold overpriced stocks. Isn't it possible that some people should be shocked out of their complacency? Haven't we been on a twenty-five month bull market spree? Are not commodity prices dropping, retail sales slipping, and isn't this a time for caution and for sound investment programs? If you believe that you are in a profession where your mission is to adjust the investment accounts of your clients, so that they will have a balanced program between the various types and classes of securities in order that over a period of years they will have protection instead of losses, haven't you got something to sell that is important? If you believe this, isn't it possible for you to say, "Mr. Jones, I am not calling upon you to try to sell you a thing. But I have some information for you that you will find valuable. If you will grant me five minutes I promise you that I will not stay longer unless you wish it. May I see you at 10 this morning or would 2:30 in the afternoon suit you better?"

If you believe that it is important for people to put their financial house in order, you are going to see people. You will use any and all dignified methods of setting up your interviews. In such cases as the foregoing, where you call for five minutes, then stick to five minutes. Use this time to project your personality, make the aquaintance of your prospect, and sell the importance of a future interview which will be devoted to a real discussion of the prospect's entire investment program. Don't ever lose control of the interview. I know of security salesmen who refuse to talk business with clients standing in a hall, at a desk, in a crowded office, at the club, or anywhere else except in their own quiet office, or the prospect's home or his office. They want attention and they place their business on a pedestal of respect. After all, if you weaken one little inch, if you importune, if you lower yourself in the slightest, either by the tone of your voice, the look in your eye, or the words that come out of your mouth, you are licked. The other fellow places emphasis where you direct it. If you are a peddler you'll know it first. If you are hungry for an order and you show it, your prospects and customers will know it first. But if you believe that another man's financial welfare is the second most important thing in his life next to his health, he'll know it. And he'll talk to you. If he doesn't, there are a lot more who will.

Fedders-Quigan Stock Offer Underwritten

Fedders-Quigan Corp. is offering to common stockholders of record Nov. 9 the right to subscribe to 62,041 shares of 5% cumulative preferred stock, series A ($50 par value), on the basis of one preferred share for each 20 shares of common stock held. The preferred stock is priced at $50 per share. The rights will be evidenced by subscription warrants expiring at 3:00 p.m. (EST) on Nov. 23, 1951. The offer to stockholders includes an oversubscription privilege under which preferred stock not subscribed for through the exercise of rights may be acquired by warrant holders at the regular subscription price.

The offering has been underwritten by Allen & Co. which has agreed to purchase from the company any preferred shares not subscribed for by warrant holders.

Net proceeds from the sale of the preferred stock will be used by Fedders-Quigan Corp. to retire $2,000,000 outstanding short-term bank loans and for general corporate purposes, including the furnishing of additional working capital to accommodate increased production.

The preferred stock is convertible on or prior to Nov. 1, 1961, into common stock at the price of $13.75 per share of common stock.

A sinking fund is provided for the preferred stock under which, commencing on June 1, 1953, the company is required to retire annually preferred stock with an aggregate par value equal to 20% of the consolidated net income of the company and its subsidiaries for the preceding calendar year in excess of $1,500,000.

Fedders-Quigan Corp., incorporated in 1913, is engaged in the manufacture of heat transfer and other miscellaneous metal products in four plants employing approximately 2,580 persons. Principal products of the company are radiators and heater cores for the automotive industry, unit room air conditioners, heat exchange components for the refrigeration industry, space heating equipment and appliances, and metal frames for the ladies' handbag industry. The company also is a contract manufacturer of unit air conditioners for Radio Corporation of America (Victor Division), Avco Manufacturing Corporation (Crosley Division) and others for sale under their own brand names, such products differing somewhat in design from those manufactured for sale under the Fedders name.

Sales during the calendar year 1950 were $33,607,050 and net income was $1,982,131. During the first eight months of 1951, sales amounted to $25,526,419 and net income to $1,147,381.

NSTA Notes

SECURITY TRADERS ASSOCIATION OF NEW YORK

Security Traders Association of New York (STANY) Bowling League standing as of Nov. 8, 1951 are as follows:

TEAM	Points
Kumm (Capt.), Ghegan, R. Montanye, Krassowich, Manson	33
Leone (Capt.), Tisch, O'Mara, Nieman, Bradley	30½
Goodman (Capt.), Weissman, Farrell, Valentine, Smith	29
Serlen (Capt.), Gold, Krumholz, Young, Gersten	28
Mewing Capt.), G. Montanye, M. Meyer, LaPato, Klein	27
Donadio (Capt.), Rappa, O'Connor, Whiting, Demaye	26
Hunter (Capt.), Craig, Fredericks, Weseman, Lytle	24
Bruian (Capt.), Siepser, Gronick, Growney, Kaiser	23½
Krisam (Capt.), Gavin, Gannon, Jacobs, Murphy	23
Bean (Capt.), Lax, H. Frankel, Werkmeister, Ried	20
Greenberg (Capt.), Siegel, Cohen, Sullivan, Voccoli	19
H. Meyer (Capt.), Swenson, A. Frankel, Wechsler, King	17

200 Club

Jack Manson 215
Walter Bradley 204

Five Point Club

None

Joins Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Percy M. Floyd is now associated with Waddell & Reed, Inc., 1012 Baltimore Avenue.

With King Merritt

(Special to THE FINANCIAL CHRONICLE)

SPRINGFIELD, Mo. — Charles W. Wear is with King Merritt & Co., Inc.

Two With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

MT. CLEMENS, Mich.—Esther M. Whetzel and Harvey C. Whetzel are now with Waddell & Reed, Inc.

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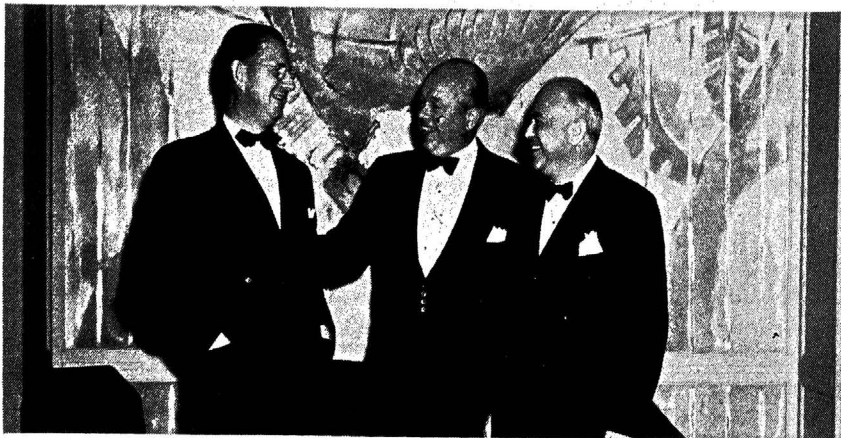
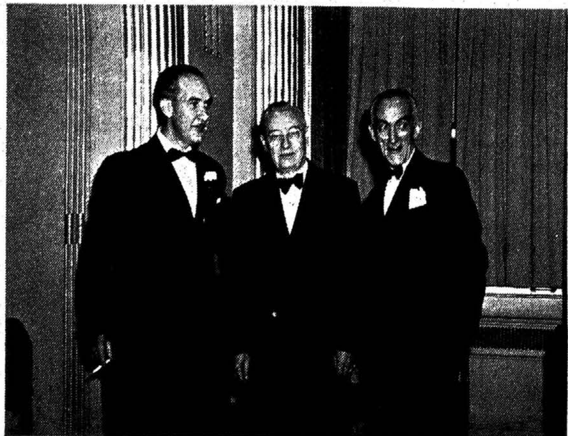
New York Security Dealers Association



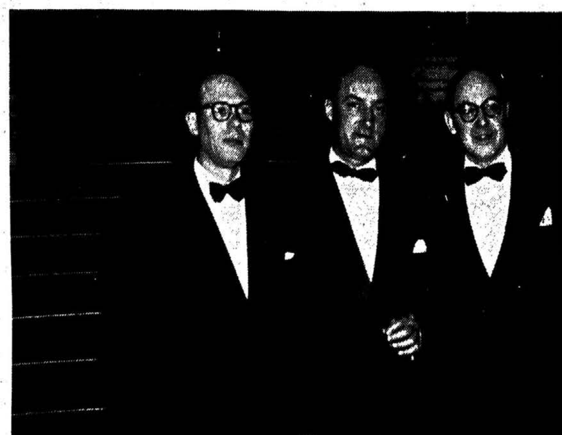
Lawrence C. Marshall, President of the *Bank of the Manhattan Co.*; Harry A. McDonald, Chairman of the Securities & Exchange Commission; David Morris, *David Morris & Co.*, President of the New York Security Dealers Association

Arthur Phelan, *Federal Reserve Bank of New York*; Clarence E. Unterberg, *C. E. Unterberg & Co.*; John J. Mann, Chairman of the Board of the New York Curb Exchange; Edward T. McCormick, President of the New York Curb Exchange



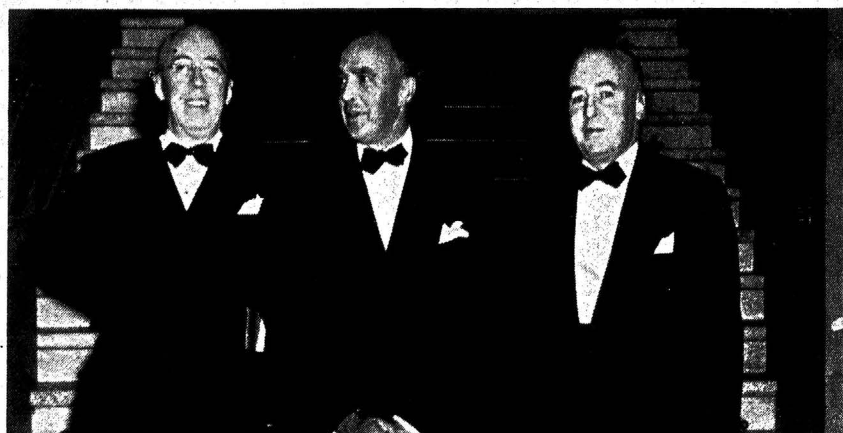
Hal E. Murphy, *Commercial & Financial Chronicle*; Herbert D. Knox, *H. D. Knox & Co., Inc.*; "Duke" Hunter, *Hunter & Co.*

Leroy Klein, *Lebenthal & Co.*; Elbridge H. Smith, *Stryker & Brown*; Irving L. Feltman, *Mitchell & Company*



Frank Becherer, *Irving Trust Company*; Richard Abbe, *Shields & Company*; Lester Frenkel, *Gersten & Frenkel*

Carl Stolle, *G. A. Saxton & Co., Inc.*; H. Warren Wilson, *Union Securities Corporation*; George Geyer, *Geyer & Co. Incorporated*; Samuel E. Magid, *Hill, Thompson & Co., Inc.*



Thomas A. Larkin, Harold P. Goodbody, James P. Cleaver, all of *Goodbody & Co.*

Wesley M. Bishop, *Smith, Bishop & Co.*, Syracuse, N. Y.; Hanns E. Kuehner, *Joyce, Kuehner & Co.*; Robert M. Topol, *Greene and Company*; Kurt H. Grunebaum, *New York Hanseatic Corporation*; Maurice Hart, *New York Hanseatic Corporation*

Wallace H. Fulton, Executive Director, National Association of Securities Dealers, Washington, D. C.; Edward C. Gray, Executive Vice-President, New York Stock Exchange; Professor O. Glenn Saxon, Professor of Economics, Yale University; Frank Dunne, *Dunne & Co.*

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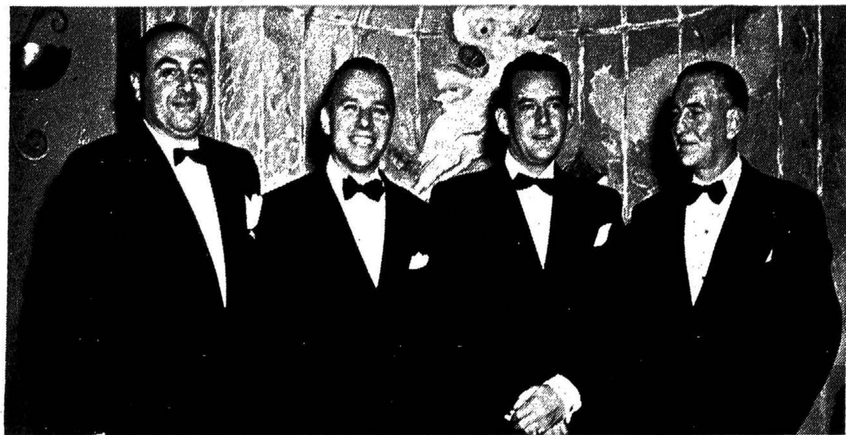
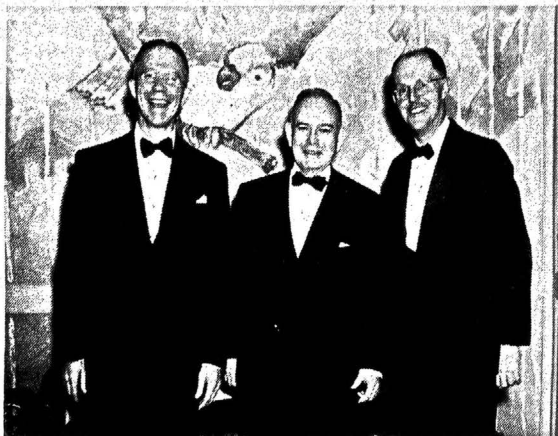
Twenty-Sixth Annual Dinner



Lloyd E. Lubetkin, *Seligman, Lubetkin & Co.*, Chairman of the Dinner Committee; George J. Varley, *Bank of the Manhattan Co.;* Thomas J. Cahill, *Bank of the Manhattan Co.;* Thomas D. Byrnes, *Bank of the Manhattan Co.*

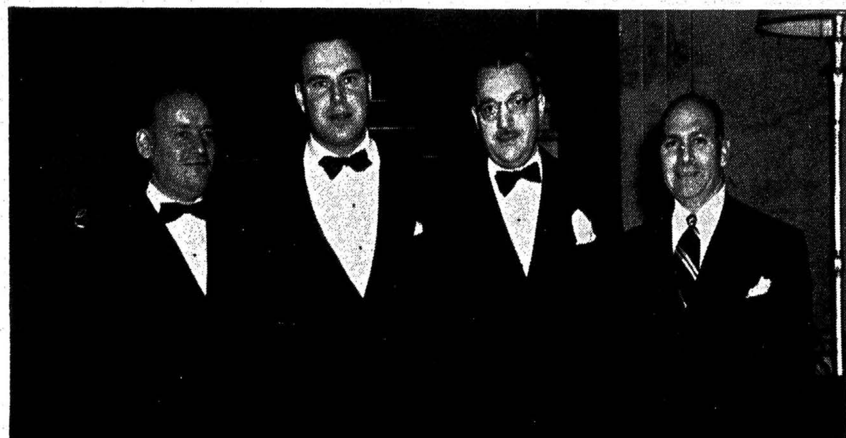
Clinton G. Hough, *Schafer, Long & Meaney;* George L. Collins, *Geyer & Co. Incorporated;* Belmont Towbin, *C. E. Unterberg & Co.;* John Connell, *Amott, Baker & Co., Incorporated;* Oscar S. Schafer, *Schafer, Long & Meaney*



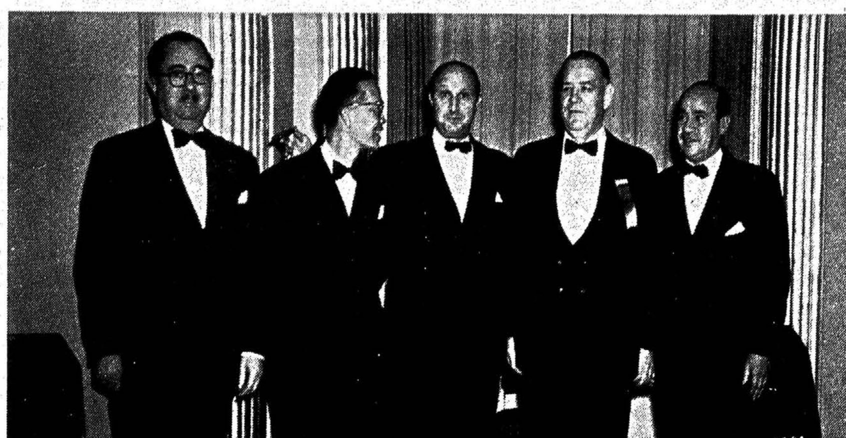
George A. Searight, *Eisele & King, Libaire, Stout & Co.;* Shelly Pierce, New York *Journal of Commerce;* Charles H. Dowd, *Hodson & Company, Inc.*

Louis P. Singer, *Troster, Singer & Co.*

Philip F. McManus, *New York Hanseatic Corporation;* Gustave J. Schlosser, *Union Securities Corporation;* Robert E. Define, *Wertheim & Co.*



Sidney Jacobs, *Sidney Jacobs Co.;* Ely Batkin, *Batkin & Co.;* Clifton B. Smith, *Francis I. du Pont & Co.;* Arthur Hatz, *Arnhold & S. Bleichroeder, Inc.*



Melville S. Wien, *M. S. Wien & Co.;* Dr. T. P. Chou, guest; Samuel B. Cantor, *S. B. Cantor & Co.;* John J. O'Kane, Jr., *John J. O'Kane, Jr. & Co.;* Irving A. Greene, *Greene and Company*

William Eiger, *Goodbody & Co.;* John R. Stein, *Frank Ginberg & Co.;* Arthur Vare, *Hourwich & Co.*

Julius Golden, *Greene and Company;* Sal Rappa, *F. S. Moseley & Co.;* Harry L. Arnold, *Goldman, Sachs & Co.*

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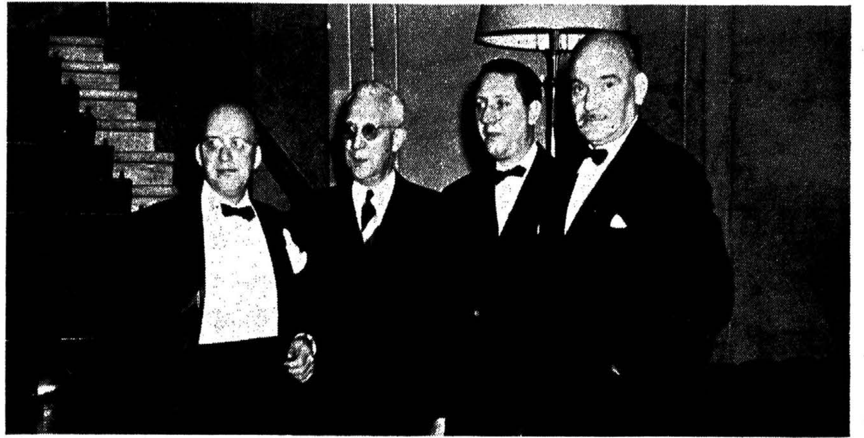
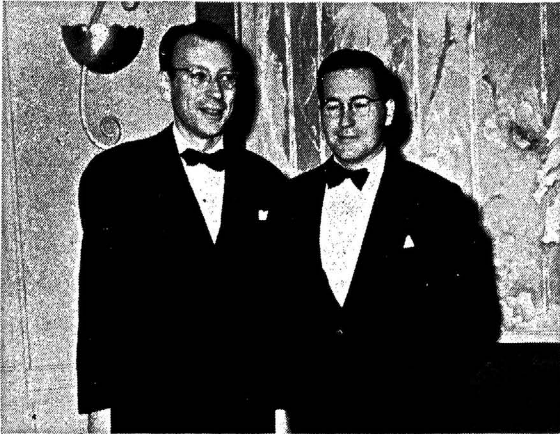
At the Waldorf-Astoria Hotel

Robert Strauss, *Daniel F. Rice & Company,* Chicago; Edwin L. Tatro, *Edwin L. Tatro Company;* Edwin G. Clemence, *Gersten & Frenkel*



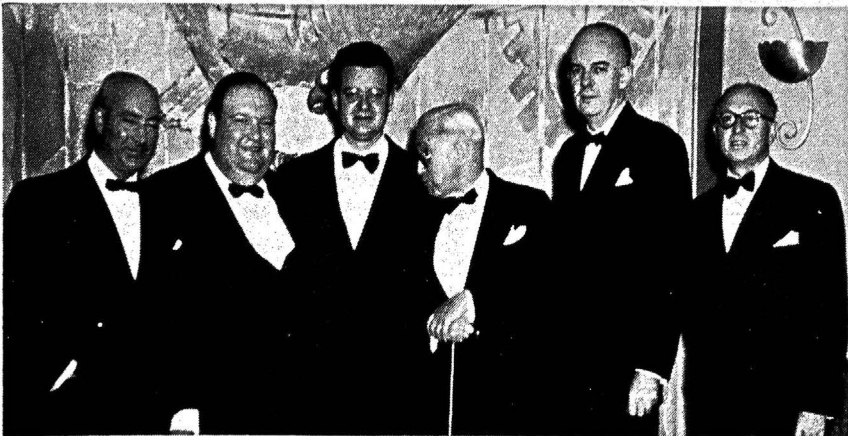
Frank L. Hall, *Gersten & Frenkel;* William James, *Chemical Bank & Trust Co.;* Chris J. Rais, *Calvin Bullock;* Jack Hunt, *Stroud & Company, Incorporated,* Philadelphia



Louis Loss, Securities & Exchange Commission, Washington, D. C.; Peter T. Byrne, Securities & Exchange Commission New York City

W. F. Moss, *National Quotation Bureau, Inc.;* Louis E. Walker, *National Quotation Bureau, Inc.*

Halsey C. Brewster, *Allen & Company;* Herbert Singer, *Singer, Bean & Mackie, Inc.;* C. Merritt Coleman, *Allen & Company*



Abener Goldstone, guest; Richard B. McEntire, Commissioner of Securities & Exchange Commission, Washington, D. C.; Joseph G. Connolly, guest; George S. Parlin, Securities & Exchange Commission, New York; C. Stanley Duggan, Securities & Exchange Commission, New York; Samuel Weinberg, *S. Weinberg & Co.*

John H. Stevenson, *Singer, Bean & Mackie, Inc.;* Harold J. Williams, *Boenning & Co.,* Philadelphia; Edward J. Caughlin, *Edward J. Caughlin & Co., Philadelphia;* Michael J. Heaney, *Michael J. Heaney & Co.*

Hans Jacobson, Harold Friedman and Martin I. King, all of *Sutro Bros. & Co.;* William S. Vanek, *Manufacturers Trust Co.*

Eugene Treuhold, *L. F. Rothschild & Co.;* James F. Fitz-Gerald, *W. L. Canady & Co., Inc.;* Frank Ginberg, *Frank Ginberg & Co.;* Wilfred N. Day, *Chas. A. Day & Co., Inc.,* Boston

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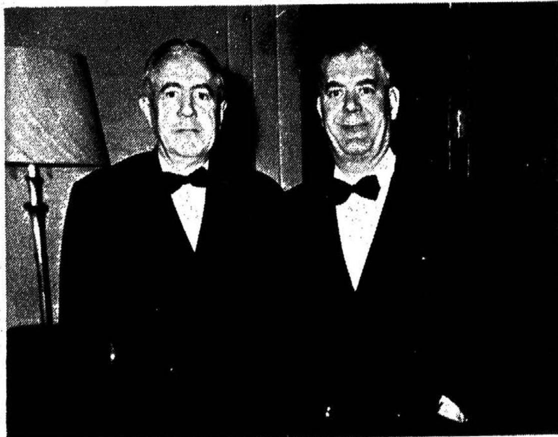
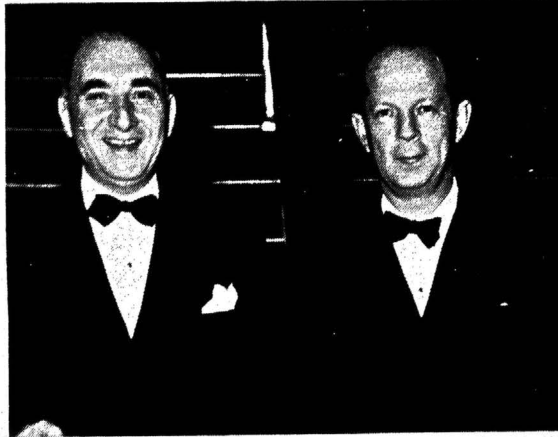
November 9th, 1951

Harold B. Smith, *Pershing & Co.;* Ed Beck, *Commercial & Financial Chronicle;* Paul Rowen, Securities & Exchange Commission; Russell M. Dotts, *Woodcock, Hess & Co., Inc.,* Philadelphia; Harold P. Woodcock, *Woodcock, Hess & Co., Inc.,* Philadelphia

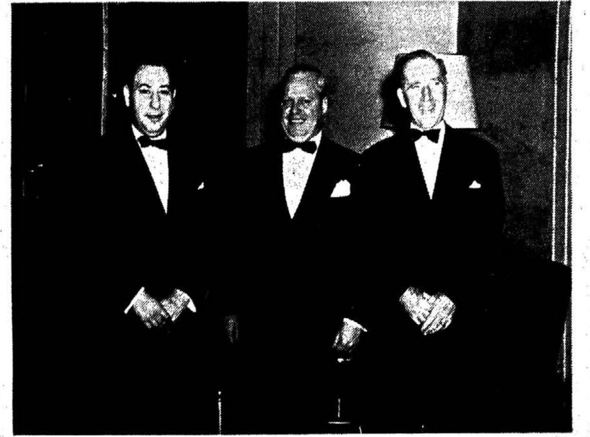
Irwin R. Frumberg, Securities & Exchange Commission, New York City; Shepard Kole, *Kole & Kole;* John J. Mann, Chairman of the New York Curb Exchange; Anthon Lund, Securities & Exchange Commission, Washington, D. C.; Edward A. Kole, *Kole & Kole;* A. M. Metz, New York City



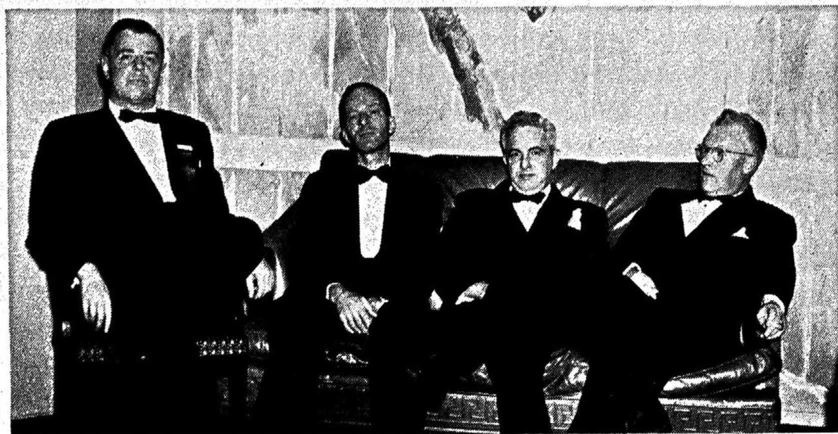
William Boggs, *Hill, Thompson & Co., Inc.;* Thomas J. Love, *Geo. E. Snyder & Co.,* Philadelphia



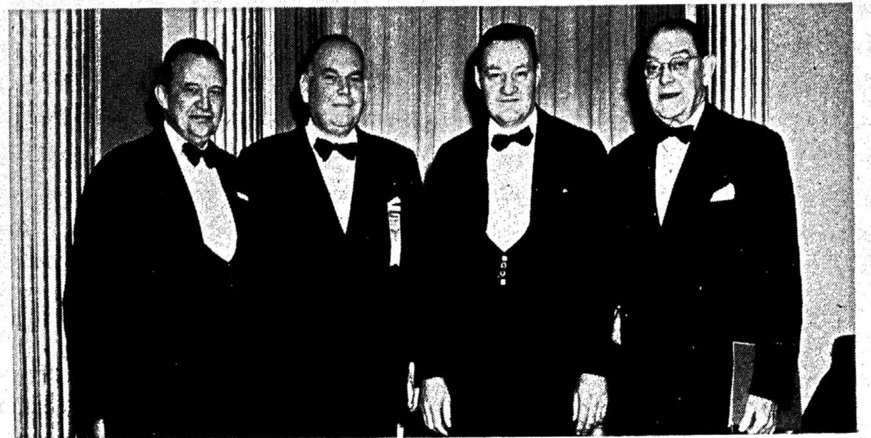
Michael A. Voccoli, Jr., *Charles King & Co.;* James Siepser, *Shaskan & Co.*



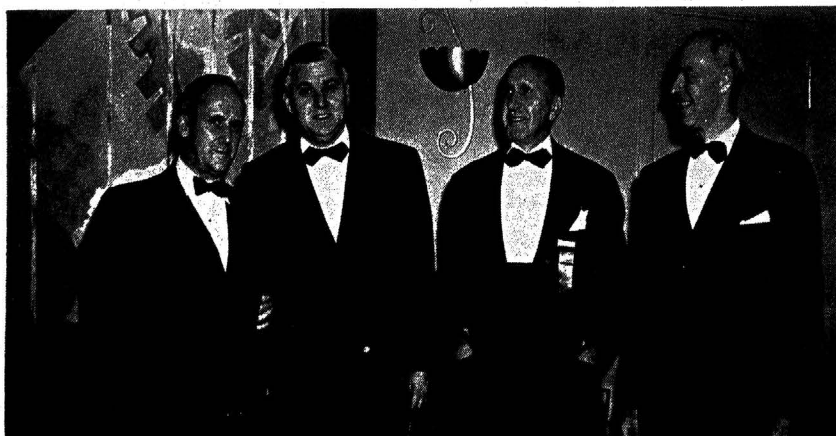
J. Jay Schwadron, *Burke & Company;* John O'Mara, *Goodbody & Co.;* Lawrence Wren, *Allen & Company*



J. William Kumm, *Dunne & Co.;* Leslie Barbier, *G. A. Saxton & Co., Inc.;* William A. Russell, *Mabon & Co.;* Edmund J. Davis, *Rambo, Close & Kerner, Inc.,* Philadelphia



Paul A. Gammons, *Bradley, Gammons & Co., Inc.;* Harry MacCallum, Jr., *MacCallum & Co.,* Mt. Vernon, N. Y.; Luke L. Benz, *Bradley, Gammons & Co., Inc.;* William P. Kelgard, guest



Everett W. Snyder, *E. W. Snyder and Co.,* Syracuse, N. Y.; William Moran, Securities & Exchange Commission, New York City; Stanley L. Roggenburg, *Roggenburg & Co.;* John J. Kelly, National Association of Securities Dealers, Inc., New York

Horace I. Poole, *Eisele & King, Libaire, Stout & Co.;* Thomas F. Melia, *The R. F. Griggs Company,* Waterbury, Conn.; William J. McCullen, *Hendricks & Eastwood, Inc.,* Philadelphia; T. Reid Rankin, *R. M. Horner & Co.*

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Bank and Insurance Stocks

By H. E. JOHNSON

This Week—Bank Stocks

Security-First National Bank of Los Angeles

The present Security-First National Bank of Los Angeles represents the consolidation on March 30, 1929 of Security Trust & Savings Bank and Los Angeles-First National Trust & Savings Bank under National charter. The history of the two consolidated banks goes back to 1875.

Security-First National at the end of last year ranked as the ninth largest bank in the country. It conducts a general commercial, trust, and savings business. Operations are conducted through 133 offices and branches in Central and Southern California, principally in the Los Angeles area.

Between 1940 and 1950 California had a growth in population of approximately 53%. This fact and the expansion of industrial activity in the area have been reflected in the growth of Security-First National.

The balance sheet figures reveal the increase of 175% in deposits which has taken place during the past ten years. At the same time capital funds of the Bank have almost doubled.

Development of Security-First National Bank of Los Angeles since 1939 is shown in the following tabulation.

			—Common Share—				
	Deposits	Capital Funds	Book Value	Oper. Earns.	Divi-dends	Price Range High	Low
1950	$1,702,042,138	$99,602,312	$83.00	$8.33	$3.25	72¾	63
1949	1,602,887,763	89,800,000	74.83	8.10	3.00	66½	56½
1948	1,619,817,087	85,800,000	71.50	7.58	2.70	64½	52¾
1947	1,650,555,265	81,440,000	67.87	6.25	2.40	64¼	52½
1946	1,633,051,837	77,440,000	64.53	5.36	2.40	83¾	59
1945	1,654,455,926	63,200,000	52.67	5.08	2.40	75	58
1944	1,340,701,440	59,200,000	49.33	6.29	2.40	61	50⅛
1943	1,104,741,047	56,200,000	46.83	5.76	2.25	50⅛	36¾
1942	806,484,204	53,700,000	44.75	5.68	2.30	44¾	32½
1941	663,566,255	54,060,000	40.05	5.95	2.60	48¾	38¾
1940	619,636,922	52,060,000	37.55	5.30	2.60	51¼	39
1939	580,438,057	52,060,000	36.72	6.02	2.60	49	41½

As of Sept. 29, 1951, Security-First National had deposits of $1,672,684,000. Capital funds totaled $102,835,000 and the book value of the stock had increased to $85.70 a share.

In 1942 the Bank retired $6,000,000 of preferred stock, the remaining part of a $12,000,000 issue borrowed from the Reconstruction Finance Corporation in 1934. At present the capitalization consists of 1,200,000 shares of $25 par common stock.

Operating earnings of the Bank reached a new high last year amounting to $8.33 a share. This figure does not include $2.36 a share which was obtained from security profits and recoveries. Including these profits, net earnings last year would be equal to $10.69 a share as compared with $8.28 on the same basis a year earlier.

Dividend payments have also gained in the last 12 years. The payment of $3.25 a share which has been disbursed in the last two years represents a conservative portion of the operating earnings. Last year it amounted to only 39%. Thus there is considerable reason to expect a larger payment in coming years. Dividends have been paid in each year since 1880.

The bank's ratio of deposits to capital funds is approximately 17 to 1, so it is likely that a large portion of earnings will continue to be retained to augment capital funds. This has been the means that have been used in the past. Security-First National is one of the large rapidly growing banks that has not, as yet, sold new shares to existing stockholders or the public.

The shares of Security-First National have a fairly wide market and so far this year have sold between 85 and 66¾. At the present time the stock is quoted at 84 bid at which price it yields 3.87% on the dividend of $3.25 paid this year.

Boston Investment Club Dinner November 19

BOSTON, Mass.—The next dinner meeting of the Boston Investment Club will be held Monday, Nov. 19, at the Boston Yacht Club at 5:30 p.m.

There will be a panel discussion on the subject of "Securities Outlook for the Next 12 Months." Those participating in the panel will be: Sidney B. Lurie, Analyst for Paine, Webber, Jackson & Curtis; Lucien O. Hooper, Chief Analyst for W. E. Hutton & Co.; Prof. Douglas H. Bellemore, Head of the Department of Economics & Finance, Boston University, and Investment Economist for the American Institute of Finance, and H. Nelson Conant, President of United Investment Counsel (United Business Service affiliate).

The Boston Investment Club also announces that their annual Christmas Party will be held Dec. 11.

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Subscribed Capital____£4,000,000
Paid-up Capital______£2,000,000
Reserve Fund_______£2,500,000
The Bank conducts every description of banking and exchange business
Trusteeships and Executorships also undertaken

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The government market continues to display a strong demand for liquidity and the riskless issues, which means the purchases of Treasury Bills and Certificates goes on in volume despite tight money market conditions. There is, however, a not unimportant demand apparently developing for the intermediate term obligations, which is bringing about a modest lengthening of maturities. Commercial banks in various sections of the country, according to reports, are doing selective buying of the higher income obligations, but these purchases are not sizable enough yet to give any clues as to what might be in the wind.

Volume and activity in the longer maturities is still light and evidently quite a bit on the professional side, even though there seems to be a moderate increase in switches and swaps, especially among the restricted obligations. There appears to be a somewhat enlarged interest developing in the 2½s of 1962/67, with the June 1959/62s not quite as much in demand as a short time ago. Although there has been some new money commitments in these two bonds, most of them are being acquired through exchanges from other tap issues.

Intermediates Finding Favor

Despite the strong and consistent demand for Treasury Bills and Certificates in the face of tight money conditions, which gives a healthy glow to the near term end of the list, there appears to be a growing interest developing for the intermediate-term maturities. This buying, although spotty and hesitant at times, seems to be gradually assuming more importance, especially among the commercial banks. To be sure the volume and activity among the somewhat more lengthy maturities has not been significant enough to create unusual developments; but it is bearing out the predictions of not a few money market followers that the issues out through 1956/59 would become increasingly attractive to the deposit institutions.

This buying of the intermediate-term obligations, appears to be well spread out, with no specific section of the country having a greater interest than another. However, according to reports, it is indicated that the Far West and the Middle West have been among the most consistent purchasers of these obligations. In addition to the buying of the middle maturities, there has been a slightly enlarged interest appearing for the most distant eligible bond. This buying has had no great influence upon the price action of the 2½s of September 1967/72, nor is it likely to have in the near future, because there are quite a few holders of this obligation that are willing to let it out in order to move into the earliest eligible restricted bonds. Nevertheless, the appearance of more bidders for the highest yielding bank obligation, which is not of substantial proportions yet, is an encouraging development. How far this may go cannot be indicated yet, because there still are many other attractive investment mediums for commercial banks.

Partial Exempts Equally Attractive

Even though there has been a moderate new interest in selected bank eligibles—that is, the taxables—there is still a good demand for the partially exempts, especially the last three maturities. At the present time it appears to be pretty much of a toss-up as to which one of the 2¾s is the most popular issue among the commercial banks. It appears to be a case of which one is available for purchase more than anything else. Recently it was indicated a few more of the 1958/63s have come out of hiding than the other two (the 2¾s of 1956/59 and the 2¾s of 1960/65), which makes the 2¾s due 1958/63 for the moment the bellwethers of the higher income partials. In this group, the buying, according to report, has come mostly from the Pacific Coast, with some of the competition being supplied by commercial banks in the Midwest and New England.

Volume as a whole continues to be about at the levels it has been at in recent weeks, which means that the greatest activity and the largest business is being done in the short-term maturities. The desire, if not the need, for liquidity is as strong as ever, and this coupled with the desire again to reduce the risk factor is keeping more than a small number of financial institutions in Treasury Bills and Certificates. This kind of buying is not by a long short confined mainly to the deposit institutions. Funds for income taxes, and the confused domestic and international picture, is no doubt responsible in some measure for the fairly sizable amount of money that is being put into near-term Treasury obligations by others than the deposit banks.

Restricteds Quiet

As to the restricted bonds, volume and activity has not expanded to any appreciable extent even though there appears to be a bit more switching going on among the various maturities. The earliest eligible tap issue, the 2½s due 1962/67, appears to be the object of considerable affection recently, with the appreciation-minded buyers taking a fairly good toe-hold on this obligation at the expense of some of the higher-yielding issues. The 2¼s of June 1959/62 to be sure have been given consideration also, but not nearly as much as was the case a few weeks ago.

Scale orders continue to be the pattern of the times as far as the Vics are concerned, with it not being so easy now to get prospective buyers to change their price ideas. They appear to be rather willing to sit back and wait it out.

Savings Bonds Subject Of "On Trial" TV Forum

Leslie Gould and A. Wilfred May to air opposing views on ABC-TV Network.

The timely topic "Do Savings Bonds Give a Fair Return?" will be discussed on ABC-TV's "On Trial" from 9:30 to 10:00 p.m., EST, on Tuesday, Nov. 20 and Tuesday, Nov. 27.

On the Nov. 20 session A. Wilfred May, Executive Editor of the Commercial and Financial Chronicle, will be the affirmative witness and his counsel will be John Kadel, New York lawyer and former Bronx County chairman, War Finance Committee, U. S. Treasury. The opposing counsel will be Mark F. Hughes, New York trial lawyer and a member of the Association of the Bar of the City of New York.

Leslie Gould, Financial Editor of the New York Journal-American and writer of the syndicated column, "Behind the News in Business," will be the expert witness on the Nov. 27 session. Mr. Hughes will act as his counsel, and the opposing counsel will be Robert W. Coyne, New York lawyer and former national director of the War Finance Division, U. S. Treasury.

William B. Groat, Judge of the Queens County Court, will preside over both sessions of "On Trial," which is presented by the ABC Public Affairs Department in cooperation with the Association of the Bar of the City of New York.

Texas IBA Group to Hold Spring Meeting

DALLAS, Tex. — The Texas Group of the Investment Bankers Association have chosen the Hotel Galvez, Galveston, Texas, for their spring meeting to be held May 1 and May 2, 1952.

Davies & Co. to Admit J. Robinson-Duff Jr.

J. Robinson-Duff, Jr., member of the New York Stock Exchange, on Dec. 1, will become a partner in Davies & Co., members of the New York and San Francisco Stock Exchanges. The firm's main office is in the Russ Building, San Francisco.

Dave H. Coddington, member of the Exchange, will withdraw from partnership in Davies & Co. on Nov. 30.

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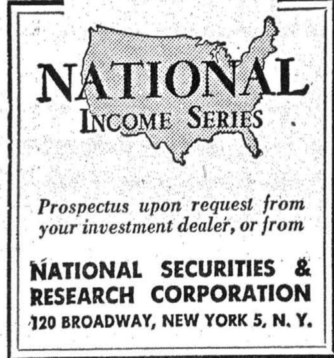
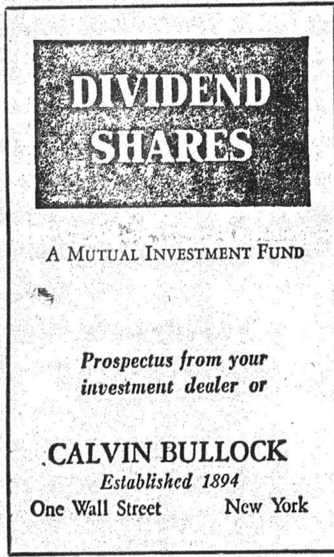
Mordecai Cohen Opens

BROOKLYN, N. Y.—Mordecai Cohen is engaging in the securities business from offices at 16 Court Street.





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Funds Buy on Balance

the paper companies. Holdings in the building industry were again reduced and commitments in the aviation field were lightened.

Notwithstanding the excess of purchases over sales, only one-third of the companies surveyed drew down on their cash reserves during the period. Special reasons existed for some of these decreases. Boston Fund increased its better grade senior equities by $4 million and prior liens by $6 million thereby strengthening its defensive position in spite of its smaller total of governments and cash. Blue Ridge Mutual Fund required $16,600,000 to redeem shares held by former Central States Electric bondholders and preferred stockholders since organization as an open-end fund on June 28 of this year. (It is understood that few of the former closed-end Blue Ridge holders required the new company to redeem.)

Excess of Purchases

It is interesting to observe that the actual number of investment companies whose purchases exceeded sales increased over that of the second period of the year. The addition occurred among the open-end stock funds bringing to 27 trusts or almost half the number covered in this survey those companies buying portfolio securities on balance. Only two of this total of 27 were closed-end funds and one of these two was the Lehman Corporation which raised an additional $8 million through sale of 130,000 shares to its present stockholders. During this same third quarter under review the stock market as measured by Standard and Poor's 90-Stock Composite Average rose 11%. Over the 12-month period ending on Sept. 28, the increase in stock prices was almost 20%, and, based on the same averages, share prices have risen 72½% since the 1949 lows. Students interested in the sound development and growth of the open-end or mutual fund industry have questioned whether the pressure of new funds coming into the treasuries of these companies, especially of those concentrating purchases in common stocks, is resulting in portfolio acquisitions at what may well prove to be peak prices.

While extreme shifts to defensive positions may indicate an inclination to gamble, little or no change might well be open to question. Of course, consideration of those relatively few funds whose policy it is to maintain a fully invested position is excluded in this discussion. But let us compare the 1950 and 1951 equity positions of balanced funds holding not over 65% of assets in common stocks or equivalents and open-end stock and closed-end companies with not over 80% thus invested:

Percent of Common Stocks and Equivalents

	End of September 1950	1951
Balanced Funds—		
American Business Shares	55.9	49.7
Boston Fund	54.8	53.9
Eaton & Howard Balanced Fund	64.3	63.6
Fully Administered Fund (Group Sec.)	57.3	39.5
Mutual Fund of Boston	61.9	60.2
Nation-Wide Securities	51.6	52.8
Scudder Stevens & Clark	56.4*	53.5
Wellington Fund	62.4	61.9
Whitehall Fund	53.2	50.5
Common Stock Funds—		
Bowling Green Fund	66.4	59.3
Eaton & Howard Stock Fund	80.5	87.5
First Mutual Trust Fund	56.3	25.3
General Capital Corporation	83.3	77.3
Institutional Shs. (Stock & Bond Gr.)	96.3	47.8
Investment Co. of America	80.9	78.7
Knickerbocker Fund	92.8	33.1
Loomis-Sayles Mutual Fund	55.0*	56.0
Loomis-Sayles Second Fund	58.0*	57.6
Mutual Investment Fund	51.7	54.6
New England Fund	73.0	66.7
Republic Investors	77.0	71.3
State Street Investing Corp.	79.3	76.2
Wall Street Investing Corp.	78.0	80.0
Closed-end Companies—		
General American Investors	73.1	80.0
National Shares Corp.	79.5	70.8
Standard & Poor's 90-Stock	**154.4**	**184.7**

*Dec. 31, 1950; September figures not available.

Two balanced funds shifted moderately to more defensive positions and, excluding extreme changes, four stock funds geared portfolios defensively to high-priced stock levels. Only one closed-end company decreased its percentage of assets committed to junior equities. Other changes not included above were Axe-Houghton "A" from 80.0% to 67.5% and Fidelity Fund from 95% to 87.9%.

Discussing the extreme shift in the composition of the portfolio of the Stock & Bond Group of Institutional Shares, Emlen S. Hare, President, in a letter to shareholders accompanying the dividend distribution on last Aug. 31 stated: "During the last two years, your (investment), inclusive of distributions paid from realized security profits but not including dividends paid from investment income, has shown a very substantial appreciation in market value of approximately 70% and our purpose in balancing the fund at this time between securities and cash is not only to preserve the gain, but, of equal importance, to be in a cash position to reinvest promptly at lower prices when we feel the market has fully discounted unfavorable factors and reached a bottom from which it may be expected to resume its upward trend. It is (also) expected that the security profits we have realized, in reducing our position in common stocks, will augment reduced income sufficiently to enable us to maintain the amount of dividend distributions we have been paying annually until such time as it again appears advisable to invest fully in stocks."

Secular Monetary Depreciation

Contrasted with the above is the statement accompanying the quarterly report of Incorporated Investors made by its President Mr. William A. Parker, to stockholders. Incorporated was almost fully invested on Sept. 28 with 92.8% of assets in common stocks: "Most industries cannot fail to feel the stimulating effect of a Federal budget that is expected to call for expenditures of 80 to 90 billion dollars in the fiscal year beginning July 1, 1952. The resulting increase in purchasing power will have far-reaching effects. . . . The level of general stock prices in the past is no criterion as to whether current prices are high or low. Such determination in our judgment must be made on the basis of intrinsic values. Considering current earnings, dividend yields, both in an absolute sense and relative to bond yields, and the prospect for a continuation of substantial earnings and dividends for some time, your management, while recognizing that temporary reactions in stock prices are an ever-present possibility, feels that good common stocks on a long-pull basis are not overvalued." This statement is dated Oct. 17.

Other managements stress the type of common stocks to be selected, as for example the trustees of The Shareholders' Trust of Boston in their quarterly report released on Oct. 22: "All industry is laboring under the burdens of rising costs, increased taxation and price controls, and it is essential in the selection of industrial common stocks to stress those equities representing industries having characteristics which minimize these burdens. It is still the opinion of the Trustees, the Advisory Committee and the Investment Adviser that the strongly entrenched companies controlling basic raw material resources and companies with large productive research organizations possess such characteristics."

Newcomers to portfolios during the quarter were not quite as numerous as usual and consisted chiefly of equities of oil companies. Included were Anglo-Canadian Oil Co., Ltd., Royalite Oil Co., Southland Royalty Co. and Monterey Oil Co., all purchased by the Lehman Corporation. One million dollars was invested in 13.83% of the voting common and 10,000 shares of the preferred stock of the Monterey Co. Other petroleum issues acquired were Husky Oil and Refining, Ltd. by Incorporated Investors and Canada Southern Oils, Ltd., by State Street Investment Corp. Bullock Fund made an initial purchase of Kobacker Stores while the George Putnam Fund bought 6,000 shares of Rhinelander Paper.

The preference shown for public utilities was not overly-concentrated on particular issues. Thus, the most popular stocks were Central and Southwest Corp., Middle South Utilities, the Southern Company and New England Telephone and Telegraph, each of which was acquired by

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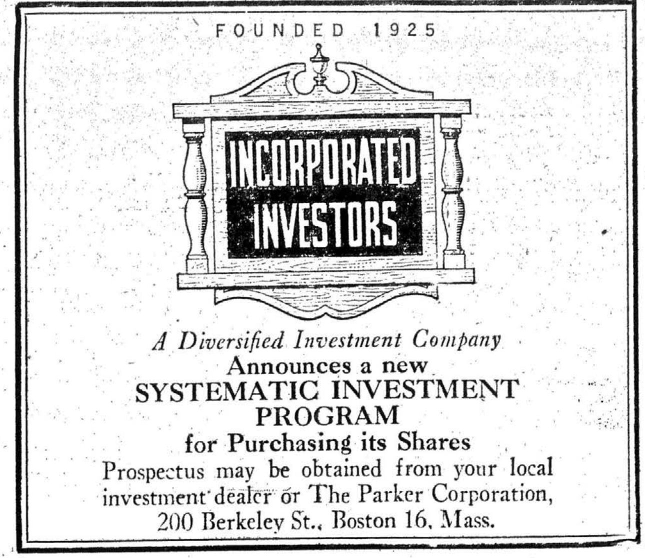

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five managements. A total of 32,700 shares of Central and Southwest was purchased, although offsetting were three sales which added up to 77,800 shares. Including two initial commitments, the purchases of Middle South Utilities equalled 15,000 shares, but a pair of sales tripled the volume on the minus side. The 12,600 shares of the New England Telephone stock included three first entries in portfolios; in contrast with the two previous issues, there were no sales. One management, however, completely eliminated a block of 18,000 shares of the Southern Company, while purchases totaled 21,800 shares.

Commonwealth Edison and Niagara Mohawk Power shared second honors for popularity, four managements adding 18,700 shares of the former and a like number acquiring 9,000 shares of the New York State utility. There were two initial commitments in Commonwealth and three in Niagara Mohawk. Single sales in each issue amounted to 5,800 shares and 44,325 shares respectively. American Telephone, which by contrast had been top favorite in the June period, was still liked by three managements, although partial acquisition resulted from bond conversions; one small block of 200 shares was sold. Also added by three funds were totals of 8,500 shares of Atlantic City Electric, 6,600 shares of Brooklyn Union Gas, 2,300 shares of Minnesota Power and Light, 11,600 shares of New England Electric System and 22,500 shares of Utah Power and Light.

About two-thirds of the 31,419 shares of General Public Utilities acquired by 11 managements were purchased through the exercise of rights. Two initial commitments totaled 4,000 shares. There was no liquidation in this issue nor in Rochester Gas and Electric, half of which stock was also acquired through rights. Eight managements added 37,700 shares of this latter company, two making initial portfolio purchases. New York State Electric and Gas also issued rights to its shareholders and approximately half of the 25,200 shares added to six portfolios were acquired through this special offer; there were no offsetting sales.

Selling of the power and light companies was scattered and not very heavy. Iowa-Illinois Gas and Electric was the least popular issue with four managements disposing of 67,800 shares, half of whom completely eliminated the stock from their portfolios. No additions were made to holdings by other trusts. In the second quarter this utility had been one of the two issues in which sellers had predominated. Also decreased among holdings by two funds were Illinois Power, Northern States Power, St. Joseph Light and Power and West Penn Electric. One sale of each of the latter two companies was made by Blue Ridge Mutual undoubtedly because of the special circumstances affecting that company.

Retail Stores Favored

The favorite among the merchandising issues was Allied Stores which thus retained its status as first choice in this group which had been held during the first two quarters of the current year. Five purchases totaled 13,400 shares, two of which represented initial commitments. Partly offsetting were three sales amounting to 3,800 shares. Next in popularity were Macy and Safeway Stores. Three funds added a total of 3,500 shares of Macy and the same number of trusts increased holdings of Safeway by 2,800 shares. One fund sold 1,500 shares of the latter store stock, but there were no portfolio decreases in Macy. Two managements purchased a total of 20,600 shares of Western Auto Supply, 4,900 shares of Woolworth and 7,700 shares of H. L. Green Co.

Continued on page 33

Balance Between Cash and Investments of 62 Investment Companies

End of Quarterly Periods, June and September, 1951

	Net Cash & Gov'ts Thous. of Dollars —End of—		Net Cash & Gov'ts Per Cent —End of—		Invest. Bonds & Preferred Stocks Per Cent* —End of—		Com. Stks. Plus Lower Grade Bonds & Pfds. Per Cent —End of—	
	June	Sept.	June	Sept.	June	Sept.	June	Sept.
Open-End Balanced Funds:								
American Business Shares	10,589	9,164	29.9	24.8	23.3	25.5	46.8	49.7
Axe-Houghton Fund "A"	4,712	3,984	29.1	20.7	12.5	11.8	58.4	67.5
Axe-Hougton "B"	974	1,471	5.1	6.9	23.7	22.9	71.2	70.2
Boston Fund	5,348	2,686	8.4	3.7	33.1	42.4	58.5	53.9
Commonwealth Investment	3,047	3,358	9.2	8.6	18.3	19.2	72.5	72.2
¶Dreyfus Fund	159	147	23.1	21.1	15.1	6.6	61.8	72.3
Eaton & Howard Balanced Fund	4,766	4,382	6.9	5.8	29.4	30.6	63.7	63.6
Fully Administered Fund—Group Secur.	2,918	3,156	50.5	51.1	9.8	9.4	39.7	39.5
General Investors Trust	460	298	20.4	12.2	2.6	10.7	77.0	77.1
Investors Mutual	5,898	10,298	2.2	3.4	30.3	27.3	67.5	69.3
Johnston Mutual Fund	258	240	22.2	19.6	13.6	13.5	64.2	66.9
§Mutual Fund of Boston	100	58	5.5	3.0	37.0	36.8	57.5	60.2
National Securities—Income	468	549	2.2	2.4	19.9	18.8	77.9	78.8
Nation Wide Securities	3,312	3,414	19.8	19.1	29.7	28.1	50.5	52.8
George Putnam Fund	5,554	3,159	11.9	6.3	20.5	21.1	67.6	72.6
Scudder-Stevens & Clark	7,501	7,570	21.6	20.3	23.4	26.2	55.0	53.5
Shareholders Trust of Boston	406	440	6.9	6.6	20.9	18.0	72.2	75.4
Wellington Fund	28,998	30,562	16.9	16.3	20.3	21.8	62.8	61.9
Whitehall Fund	98	106	5.2	4.8	46.6	44.7	48.2	50.5
Wisconsin Investment Co.	555	601	14.9	13.9	5.4	5.3	79.7	80.8
Open-End Stock Funds:								
Affiliated Fund	4,486	4,349	3.7	2.9	0.2	0.6	96.1	96.5
Bowling Green Fund	202	157	27.3	19.4	6.8	21.3	65.9	59.3
Blue Ridge Mutual Fund	11,829	6,714	19.5	22.0	None	None	80.5	78.0
Broad Street Investing	1,557	1,492	7.7	6.3	5.8	4.8	86.5	88.9
Bullock Fund	1,920	2,063	17.6	16.3	0.5	0.5	81.9	83.2
Delaware Fund	112	170	1.3	1.6	1.6	1.5	97.1	96.9
Dividend Shares	17,019	17,673	18.5	17.4	None	None	81.5	82.3
Eaton & Howard Stock	1,093	1,171	12.0	10.5	None	2.0	88.0	87.5
Fidelity Fund	8,498	5,418	16.4	8.8	2.4	3.3	81.2	87.9
First Mutual Trust Fund	47	33	1.5	1.1	61.2	73.6	37.3	25.3
Fundamental Investors	3,081	4,286	3.3	3.9	1.6	0.8	95.1	95.3
General Capital Corp.	1,707	3,584	13.2	22.7	None	None	86.8	77.3
Group Securities—Common Stock Fund	111	103	6.2	4.4	None	None	93.8	95.6
Incorporated Investors	6,530	8,252	6.6	7.2	None	None	93.4	92.8
Institutional Shs.—Stock & Bond Group	837	1,477	37.5	52.2	None	None	62.5	47.8
Investment Co. of America	2,573	3,187	18.5	20.3	1.0	1.0	80.5	78.7
Investors Management Fund	327	528	2.6	3.7	1.2	1.2	96.2	95.1
Knickerbocker Fund	5,301	9,099	35.2	58.0	11.4	8.9	53.4	33.1
Loomis-Sayles Mutual Fund	3,595	3,478	37.6	33.5	11.0	10.5	51.4	56.0
Loomis-Sayles Second Fund	4,076	3,854	36.2	32.0	9.5	10.4	54.3	57.6
Massachusetts Investors Trust	7,764	9,683	2.0	2.2	None	None	98.0	97.8
Massachusetts Investors 2nd Fund	849	1,746	3.0	5.4	None	None	97.0	94.6
Mutual Investment Fund	235	167	24.1	14.8	28.9	30.6	47.0	54.6
National Investors	670	523	2.7	1.9	None	None	97.3	98.1
New England Fund	1,265	1,160	30.7	25.0	9.0	8.3	60.3	66.7
Republic Investors	1,183	324	24.0	5.8	19.6	22.9	56.4	71.3
Selected American Shares	2,017	1,892	10.4	8.5	None	None	89.6	91.5
Sovereign Investors	14	18	3.4	3.9	6.0	6.0	90.6	90.1
State Street Investment Corp.	19,337	23,936	21.2	23.5	0.2	0.3	78.6	76.2
Wall Street Investing Corp.	509	611	18.6	20.0	0.8	None	80.6	80.0
Closed-End Companies:								
Adams Express	2,804	3,122	5.8	5.7	1.7	1.6	92.5	92.7
American European Securities	1,019	1,187	9.3	9.2	9.1	6.3	81.6	84.5
American International	1,260	1,547	5.6	6.1	2.5	2.2	91.9	91.7
Capital Administration	245	188	2.6	1.8	16.4	16.6	81.0	81.3
General American Investors	7,016	8,672	14.9	15.7	5.2	4.3	79.9	80.0
General Public Service	1,352	1,021	11.5	8.0	None	None	88.5	92.0
Lehman Corporation	8,999	16,067	7.7	11.4	2.3	0.4	90.0	88.2
National Shares Corp.	3,231	3,363	27.3	25.8	7.6	3.4	65.1	70.8
Overseas Securities	17	86	††	2.3	None	None	---	97.7
Tri-Continental Corp.	2,372	1,723	1.7	1.1	14.8	15.0	83.5	83.9
‡U. S. & Foreign Securities	2,418	2,589	4.8	4.5	0.8	0.7	94.4	94.8
U. S. & International Securities	5,724	5,078	10.5	8.1	0.8	0.3	88.7	91.6

FOOTNOTES

*Investment bonds and preferred stocks: Moody's Aaa through Ba for Bonds; Fitch's AAA through BB and approximate equivalents for preferreds. ‡Portfolio exclusive of securities in subsidiary or associated companies. §Name changed from Russell Berg Fund. ¶Name changed from Nebett Fund. ††Cash less than 1% of net assets.

SUMMARY

Change in Cash Positions of 60 Investment Companies

	Plus	Minus	Unchanged	Totals
Open-End Companies:				
Balanced Funds	7	8	5	20
Stock Funds	15	9	4	28
Closed-End Companies	7	4	1	12
Totals—All Companies	29	21	10	60

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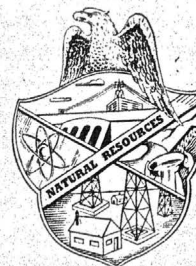

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Changes in Common Stock Holdings of 43 Investment Management Groups

(June 29-September 28, 1951)

Transactions in which buyers exceed sellers—or sellers exceed buyers—by two or more management groups. Issues which more managements sold than bought are in italics. Numerals in parentheses indicate number of managements making entirely new purchases or completely eliminating the stock from their portfolios.

—Bought— No. of Trusts	No. of Shares		—Sold— No. of Shares	No. of Trusts
		Agricultural Equipment:		
2	300	J. I. Case	None	None
2(1)	1,500	Caterpillar Tractor	None	None
None	*None*	*International Harvester*	*7,300*	*5*
		Auto and Auto Parts:		
2	2,800	Bohn Aluminum & Brass	None	None
5(1)	3,000	Chrysler	3,800	3(2)
2(2)	50,200	Nash-Kelvinator	None	None
6(2)	28,000	Studebaker	None	None
None	*None*	*Borg Warner*	*12,300*	*2(1)*
2(1)	*4,900*	*General Motors*	*4,100*	*4(1)*
None	*None*	*Kelsey-Hayes Wheel "B"*	*1,300*	*2*
		Aviation:		
2(1)	2,000	Lockheed Aircraft [1]	None	None
1	*3,600*	*Bendix Aviation*	*5,400*	*3(1)*
1	*100*	*Boeing Airplane*	*3,600*	*3(1)*
		Beverages:		
2(1)	7,500	Canada Dry Ginger Ale	None	None
4(3)	28,900	National Distillers	200	1(1)
		Building Construction and Equipment:		
4(1)	28,000	American Radiator	10,000	1
3	2,200	American Seating	None	None
4(2)	6,500	General Portland Cement	21,000	1(1)
4(3)	9,800	Glidden [2]	None	None
None	*None*	*Crane*	*17,800*	*3(1)*
None	*None*	*Lone Star Cement*	*8,000*	*5(2)*
None	*None*	*National Gypsum*	*15,200*	*4*
None	*None*	*National Lead*	*2,900*	*2*
None	*None*	*United States Gypsum*	*7,700*	*5(2)*
None	*None*	*York Corp.*	*1,100*	*2(1)*
		Chemicals:		
5(1)	7,700	Allied Chemical and Dye	3,200	2(1)
2	6,000	Spencer Chemical	None	None
1(1)	*2,500*	*Commercial Solvents*	*13,500*	*3(1)*
None	*None*	*duPont*	*1,500*	*3(1)*
4(2)	*800*	*Union Carbide*	*7,200*	*6(1)*
		Containers and Glass:		
2(1)	1,100	Container Corp. of America	None	None
4(2)	10,300	Owens-Illinois Glass	7,300	2
None	*None*	*Corning Glass Works*	*2,700*	*2(1)*
		Drug Products:		
3	14,500	Bristol-Myers	500	1
3	18,225	Colgate-Palmolive-Peet	None	None
10(2)	181,100	Merck and Co.[3]	55,100	3(1)
7(1)	20,070	Chas. Pfizer [4]	12,140	2
2	4,400	Smith, Kline and French	None	None
3	11,100	Squibb	None	None
2	25,600	Sterling Drug	None	None
None	*None*	*Procter and Gamble*	*30,100*	*2*
None	*None*	*Sharp and Dohme*	*800*	*2(1)*
		Electrical Equipment:		
2	2,200	Dumont	None	None
4	7,000	Motorola	5,400	1(1)
8(2)	35,500	Radio Corp. of America	15,000	1
3(2)	23,900	Square "D"	500	1
4(3)	6,000	Sylvania Electric Products	2,600	1
		Financial, Banking and Insurance:		
2	1,850	American Surety	None	None
2	4,400	Chemical Bank and Trust	None	None
2	3,300	Commercial Credit	None	None
2(1)	9,200	Continental Casualty	None	None
2(2)	2,000	Firemen's Insurance-Newark	None	None
2	3,600	General Reinsurance Corp.	None	None
3	1,500	Guaranty Trust, New York	None	None
2(1)	6,000	U. S. Fidelity and Guaranty	None	None
		Food Products:		
2(2)	1,400	Archer-Daniels-Midland	None	None
4(1)	22,800	General Foods	None	None
2(1)	6,600	Great Western Sugar	None	None
3	44,900	Standard Brands	20,000	1(1)
2	3,500	Wilson and Co.	None	None
3(1)	*18,100*	*United Fruit*	*4,400*	*5(3)*
		Machinery and Industrial Equipment:		
2(2)	45,000	Halliburton Oil Well Cementing	None	None
3	4,000	National Acme	None	None
2(1)	*2,500*	*Allis Chalmers*	*5,200*	*4(1)*
None	*None*	*Food Machinery & Chemical*	*2,100*	*2(1)*
1	*700*	*Joy Manufacturing*	*4,300*	*3*
None	*None*	*National Supply*	*4,700*	*2(1)*
		Metals and Mining:		
3(1)	1,600	Consolidated Mining & Smelting of Canada	None	None
2(1)	2,500	Howe Sound	None	None
3(1)	4,500	Hudson Bay Mining & Smelting	2,000	1
4	24,400	Pittsburgh Consolidation Coal	300	1
2	*9,200*	*Aluminum Co. of America*	*12,500*	*5(3)*
None	*None*	*Eagle Picher*	*2,800*	*2(1)*
1	*3,000*	*Reynolds Metals*	*2,300*	*3*
None	*None*	*West Kentucky Coal*	*19,223.4*	*2(1)*
		Office Equipment:		
5(1)	10,800	Remington Rand	30,000	1
2(1)	*500*	*National Cash Register*	*6,060*	*4*
None	*None*	*Underwood Corp.*	*2,900*	*2(1)*
		Paper and Printing:		
4(1)	39,600	Champion Paper & Fibre [5]	700	2
3(1)	4,600	Lily Tulip Cup	None	None
3	13,000	Rayonier	100	1
None	*None*	*Dixie Cup*	*800*	*2(2)*
1	*2,000*	*Kimberly Clark*	*2,100*	*3*
		Petroleum:		
3(2)	3,600	American Republics Corp.	2,000	1(1)
3(3)	9,800	Anderson-Prichard Oil	600	1
3(1)	2,440	Atlantic Refining	None	None
2(1)	12,700	British American Oil [6]	None	None
3(1)	147,965	Dome Exploration (Western) [7]	None	None
2(1)	2,200	Humble Oil and Refining	None	None
2(1)	5,700	Plymouth Oil [8]	None	None
2	2,000	Standard Oil of Kentucky	None	None
13(2)	8,760	Standard Oil of New Jersey [9]	16,303½	10(1)
None	*None*	*Imperial Oil, Ltd.*	*400*	*2(1)*
None	*None*	*Louisiana Land & Exploration*	*34,592*	*5(3)*
3(3)	*2,200*	*Phillips Petroleum* [1]	*20,900*	*10*
2(2)	*11,700*	*Shell Oil*	*6,300*	*4*
3(1)	*27,100*	*Socony Vacuum*	*12,500*	*5(2)*
2	*800*	*Standard Oil of California*	*5,150*	*4*
2	*800*	*Standard Oil of Indiana*	*16,700*	*4*
1(1)	*1,000*	*Standard Oil of Ohio*	*4,700*	*4*
None	*None*	*Texas Company*	*14,500*	*10(1)*
1	*200*	*Texas Pacific Coal & Oil*	*12,500*	*3*
		Natural Gas:		
20	15,898	American Gas and Electric [10]	2,172	6(1)
6	8,666	American Natural Gas [11]	200	1
2(1)	29,600	Northern Natural Gas	None	None
3	1,300	Oklahoma Natural Gas	None	None
2(1)	1,000	Tennessee Gas Transmission	None	None
13(3)	63,216	United Gas Corp.[12]	44,200	4(1)
2(1)	6,100	Western Natural Gas	None	None
None	*None*	*Peoples Gas Light & Coke*	*4,100*	*3(2)*
		Public Utilities:		
2(1)	4,900	American Power & Light	None	None
3(2)	8,800	American Tel. & Tel.[12a]	200	1
3(1)	8,500	Atlantic City Electric	600	1
3(1)	6,600	Brooklyn Union Gas	None	None
5(1)	32,700	Central & Southwest Corp.	77,800	3(2)
4(2)	18,700	Commonwealth Edison	5,800	1(1)
2(1)	19,000	Florida Power Corp.	None	None
11(2)	31,419	General Public Utilities [13]	None	None
2(1)	4,000	General Telephone	None	None
2	6,200	Gulf States Utilities	None	None
2	4,400	Louisville Gas & Electric	None	None
5(2)	15,000	Middle South Utilities	46,000	2
3	2,300	Minnesota Power & Light	None	None
2	2,200	Montana Power	None	None
3	11,600	New England Electric System	None	None
5(3)	12,600	New England Tel. & Tel.	None	None
6	25,200	N. Y. State Electric & Gas [14]	None	None
4(3)	9,000	Niagara Mohawk Power	44,325	1
2(1)	11,100	Public Service Electric & Gas	None	None
8(2)	37,700	Rochester Gas & Electric [15]	None	None
2	9,900	South Carolina Electric & Gas	None	None
5(1)	21,800	Southern Company	18,000	1(1)
3	22,500	Utah Power and Light	None	None
2(1)	*16,580*	*Consumers Power*	*21,100*	*4(2)*
None	*None*	*Illinois Power*	*5,100*	*2(2)*
None	*None*	*Iowa-Illinois Gas & Electric*	*67,800*	*4(2)*
None	*None*	*Northern States Power (Minn.)*	*36,000*	*2(2)*
None	*None*	*St. Joseph Light and Power*	*8,856½*	*2(1)*
None	*None*	*West Penn Electric*	*18,000*	*2*
		Radio and Amusement:		
3	3,500	Columbia Broadcasting "A"	None	None
3(1)	5,800	Columbia Broadcasting "B"	None	None
None	*None*	*Twentieth Century-Fox Film*	*3,500*	*2(2)*
		Railroads:		
4(1)	10,900	Chicago, Rock Island & Pacific	40,000	2(1)
4(2)	10,800	Illinois Central	3,300	2(2)
3(1)	11,500	Northern Pacific	500	1(1)
None	*None*	*Baltimore and Ohio*	*4,500*	*2*
4(2)	*3,900*	*Southern Pacific*	*6,950*	*8(3)*
		Railroad Equipment:		
1	*490*	*American Brake Shoe*	*5,200*	*3(3)*
None	*None*	*American Locomotive*	*4,000*	*3(2)*
		Retail Trade:		
5(2)	13,400	Allied Stores	3,800	3(1)
2	7,700	Green (H. L.) Company	None	None
3(1)	3,500	Macy	None	None
3	2,800	Safeway Stores	1,500	1
2	20,600	Western Auto Supply	None	None
2	4,900	Woolworth	None	None
		Rubber and Tires:		
3(2)	1,700	Goodyear [1]	3,400	1

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—Bought—			—Sold—	
No. of Trusts	No. of Shares		No. of Shares	No. of Trusts
Steels:				
5(1)	14,700	Allegheny Ludlum	None	None
8(1)	27,500	Bethlehem Steel	2,100	3(1)
2	593	Carpenter Steel [16]	None	None
3	1,626.6	Crucible Steel [17]	1,000	1
4	12,800	Youngstown Sheet & Tube	2,000	1(1)
1(1)	*1,000*	*Armco Steel*	*500*	*3(1)*
None	*None*	*Jones and Laughlin*	*9,000*	*2(1)*
None	*None*	*National Steel*	*4,500*	*3(1)*
Textiles:				
2	1,800	Anderson Clayton	None	None
3(2)	35,300	Cone Mills	1,000	1
2(1)	2,000	M. Lowenstein and Sons	None	None
6(3)	11,500	Robbins Mills	900	1
8	52,050	United Merchants & Mfrs. [18]	10,400	1
3	*10,300*	*Celanese*	*23,000*	*7(1)*

SUMMARY

Balance Purchases and Sales Portfolio Securities 60 Investment Companies

Open-End Companies:	Bought	Sold	Matched	Totals
Balanced Funds	11	3	6	20
Stock Funds	14	7	7	28
Closed-End Companies	2	3	7	12
Totals—All Companies	27	13	20	60

FOOTNOTES

1 Excluding shares received in two-for-1 split-up or 100% stock dividend.
2 1,198 shares converted from 4½% preferred issue.
3 Received in three-for-one split-up except 2,700 shares.
4 Purchased through rights except 300 shares. Basis: 1 for 10 original shares.
5 19,600 shares received in 2-for-1 split-up.
6 2,700 acquired as result of 2-for-1 split-up.
7 Part received in 6-for-1 split-up.
8 5,200 shares distributed in 2-for-1 split-up.
9 3,548 shares received as dividend from Standard Oil of Indiana. Basis: 5 shares of Jersey for each 200 of Indiana.
10 13,143 shares received as 5% stock distribution.
11 Part acquired through rights.
12 38,546 shares purchased with rights. Basis: 1 for 10 shares held.
12a 7,000 shares received from conversion of bonds.
13 19,719 acquired with rights. Basis: 1 new share for 15 originally owned.
14 13,500 shares bought through exercise of rights. Basis: 1 for 10.
15 17,683 shares added with aid of rights. Basis: 1 for 6.
16 Received as a 5% stock dividend.
17 136.6 shares distributed as 2% capital dividend.
18 46,110 shares declared as 10% stock dividend.

NOTE—This survey covers 62 investment companies, but purchases or sales of funds sponsored by one management group are treated as a unit. For example, the several companies sponsored by Calvin Bullock are considered as having the weight of one manager. Individual portfolio changes of the two Loomis-Sayles funds are not surveyed.

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Funds Buy on Balance

There had been three purchases of each of the last two issues in the second quarter.

Montgomery Ward Bought

Selling was concentrated in no particular issue of this group. As during the previous period, transactions in both Montgomery Ward and Sears Roebuck were fairly evenly divided, although in total volume purchases of the former company were over four times sales of 1,300 shares. Of interest was an initial purchase of 5,000 shares of Ward by State Street Investment Corp. and the sale of 5,000 shares of Sears during the period under review. 26,000 shares of the latter mail order house were still retained. Opinion was evenly divided between two managements on Gimbel, which had been one of the top favorites in the second quarter. There was no activity in Bond Stores, although this issue had found two purchasers in the previous three months' period.

Radio Corp. Popular

Despite the fact that radio and electrical equipment stocks continued to be one of the most desirable groups, purchases decreased 20% from those of the June quarter. Radio Corporation remained the favorite issue, as eight managements purchased a total of 35,500 shares, two making initial commitments. One block of 15,000 shares was sold by Knickerbocker Fund. The next two most popular companies—Sylvania Electric and Motorola—were similarly preferred in the previous three months' period. Four trusts purchased a total of 6,000 shares of Sylvania, three of which blocks constituted new portfolio acquisitions. The same number of funds acquired 7,000 shares of Motorola. There was one offsetting sale of each issue. 23,900 shares of Square "D" were added to the existing holdings of one investment company and initially introduced into two other portfolios; another management cut down its list by 500 shares. Dumont found two purchasers for its shares in total volume of 2,200 There was a division of opinion on General Electric and Westinghouse, the latter issue having been heavily bought three months previously. Currently there were six transactions on each side of the market in Westinghouse, while four purchases of General Electric equalling 17,200 shares were set off against five sales amounting to 8,200 shares.

In the natural gas industry, United Gas Corporation was the favorite company, even after making due allowance for acquisition of stock stimulated by the distribution of rights. Of 13 portfolio purchases totaling 33,216 shares, only four were executed *exclusively* through the use of such rights. Included among acquisitions were three initial commitments; decreases made by four managements equaled 44,000 shares. American Gas and Electric was the second most popular issue in this group, five trusts increasing holdings through purchases in addition to the large number of funds receiving stock through distribution of the 5% share dividend. Twenty portfolio additions equaled 15,898 shares while six offsetting sales totaled only 2,172. American Natural Gas was added to six portfolios, but a major part of this increase was stimulated through rights. Three managements liked Oklahoma Natural Gas, purchases of which amounted to 1,300 shares; there was no decrease in holdings. Two funds purchased a total of 29,600 shares of Northern Natural Gas, 6,100 shares of Western Natural Gas and 1,000 shares of Tennessee Gas Transmission Co. The only concentrated selling was in Peoples Gas Light and Coke (which might possibly be included in the general public utility grouping). Three investment companies liquidated 4,100 shares, two of which completely eliminated the stock from their portfolios. Columbia Gas System was added by one trust, but two others sold blocks totaling 26,000 shares.

Textile Issues

Preference in the textile issues was accorded to Robbins Mills with six portfolio additions of 11,500 shares, half of which represented new commitments. One block of 900 shares was sold. In the preceding quarter Robbins had found only one purchaser. Cone Mills was also well-liked in contrast to the previous three months' period when it constituted the lone issue in which sellers predominated. 33,500 shares were bought by three managements, two making new purchases of the stock. Another lightened holdings by 1,000 shares. A large part of the increased holdings in United Merchants and Manufacturers resulted from the 10% stock dividend, but three trusts also made purchases. Another sold 10,400 shares. Anderson Clayton and M. Lowenstein were each bought by two companies, purchases totaling 1,800 and 2,000 shares respectively. Selling was concentrated on Celanese Corporation, 23,000 shares of which were lightened in seven portfolios. Three contrasting purchases amounted to 10,300 shares. As during the previous period, opinion was about divided on both American Viscose and Burlington Mills.

Bethlehem the Favorite Steel

Bethlehem Steel, which had run into liquidation during the June quarter, now was the favorite in the steel group as eight managements added a total of 27,500 shares. Offsetting decreases in three portfolios amounting to 2,100 shares was comparatively light. Five investment companies gave second preference to Allegheny Ludlum, portfolio additions totaling 14,700 shares. Youngstown Sheet and Tube was also well thought of as four trusts increased holdings by 12,800 shares. Another completely eliminated shares from its portfolio. Additions to Carpenter Steel resulted from a 5% stock dividend, but three managers added to the shares of Crucible received as a 2% distribution. Sellers predominated in National and Armco Steel, three trusts disposing of 4,500 shares of the former and a like number offering 500 shares of the latter. 9,000 shares of Jones and Laughlin were also sold by two funds. Transactions were mixed in United States Steel as during the June quarter, although they were considerably heavier in that earlier period. Opinion was also fairly well divided on Republic, five purchases contrasting with four sales.

General Foods was first choice in its group as it was during the second quarter of the year. Four funds purchased a total of 22,800 shares while no trusts liquidated. Second most popular issue was Standard Brands, 44,900 shares of which were added to three portfolios. Here, however, there was one fairly sizable block of 20,000 shares sold. Two initial commitments were made in Archer-Daniels-Midland equaling 1,400 shares. Wilson and Co. and Great Western Sugar were also each bought by two managements. Selling was concentrated on United Fruit (as mentioned earlier), five trusts disposing of 4,400 shares, three of

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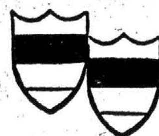

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Funds Buy on Balance

which completely eliminated the stock from their holdings.

Drugs

Interest in the drug products was distributed among several issues. Three investment companies bought a total of 14,500 shares of Bristol-Myers, 11,000 shares of Squibb, 18,225 shares of Colgate-Palmolive-Peet and 2,700 shares of Merck. Additions of the latter company do not include 178,400 shares received in the three-for-one stock split-up. 25,-600 shares of Sterling Drug were added to two portfolios and 4,400 shares of Smith, Kline and French were purchased by a like number of managements. Two trusts also added shares of Pfizer in addition to those acquired through the exercise of rights. In all, seven companies bought 20,070 shares. Selling predominated in Procter and Gamble and Sharp and Dohme.

Buying in the automobile issues was topped by Studebaker, six managements adding 28,000 shares, two of which made initial commitments; there were no sales. Interest was also shown in Chrysler by five funds, purchases totaling 3,000 shares. However, stock was lightened in one portfolio and eliminated from two others. Nash-Kelvinator and Bohn Aluminum and Brass were each bought by two companies. Shares added of the former company equalled 50,200 and represented new commitments. Sellers were on the ascendant in General Motors, although liquidation was comparatively light. Four managements disposed of 4,100 shares, but offsetting purchases were made by two others totaling 4,900. Also sold, each by two trusts, were Borg Warner and Kelsey-Hays Wheel "B."

Banks and Finance Companies

Choice among the bank stocks was Guaranty Trust of New York, three managements acquiring a total of 1,500 shares; there were no sales. Chemical Bank and Trust was also favored as two funds bought 4,400 shares. Among the finance companies some interest was indicated in Commercial Credit by two purchases of 3,300 shares. However, opinion was almost exactly divided between four funds on C.I.T. Financial Corp., purchases of 2,500 shares contrasting with sales of 3,000. A few casualty, indemnity and fire companies were purchased by two managements. These included American Surety, Continental Casualty, Firemen's Insurance of Newark, the General Reinsurance Corp. and the U. S. Fidelity and Guaranty.

Selling of Oils

The selling of oil stocks was concentrated on Texas Corporation and Phillips Petroleum, sellers also having predominated in the Texas issue during the previous quarterly period. Ten managements sold 14,500 shares, one completely eliminating the stock from its portfolio. Ten investment companies also decreased holdings of Phillips by a total of 20,900 shares. In addition to new stock distributed in the two-for-one split-up, there were three offsetting purchases of 2,200 shares which represented initial commitments. A total of 34,592 shares of Louisiana Land and Exploration was disposed of by five funds, three of which cleared the decks of the issue entirely. In the June quarter there had also been considerable liquidation in this stock. Socony Vacuum, which during that period had been the most popular issue, was now being subjected to profit-taking as three managements lightened commitments and two others eliminated it from their holdings. However, three trusts still favored this stock with purchases totaling 27,100 shares. Three Standard oil issues—California, Indiana and Ohio—were each sold by four funds. Sales of California totaled 5,150; of Indiana, 16,700; and of Ohio, 4,700. Texas Pacific Coal and Oil was lightened in three portfolios. Profit-taking also overshadowed new acquisitions of Standard of New Jersey. Ten sales totaling 16,306½ shares about doubled the overall volume of four purchases.

Anderson-Prichard, Atlantic Refining and American Republics were the best liked stocks in this group, each being bought by three managements. Total acquisitions of 9,800 shares of Anderson Prichard represented initial commitments, while two of those in American Republics were new portfolio holdings. One trust eliminated a block of 2,000 shares of this latter issue. Humble Oil and Standard of Kentucky each found favor with two managements. Transactions were mixed in Cities Service, Pure Oil and Sinclair. Opinion was also fairly well divided on Mid-Continent Petroleum, although three of the additions to portfolios represented initial commitments.

Chemical Mixed

Union Carbide was the chemical issue most generally sold as six trusts disposed of 7,200 shares. Four offsetting purchases tallied only 800 shares. DuPont was lightened in two portfolios and eliminated from another, volume totaling 1,500 shares. Other sales were distributed throughout the group with transactions mixed and opinion divided on such issues as Dow and Monsanto. Allied Chemical was the favorite among buyers as it was during the second quarter of the year. Five purchases amounted to 7,700 shares; offsetting were two sales tallying 3,200 shares. Also favored as a particular growth specialty was Spencer Chemical, two managements increasing their holdings by 6,000 shares.

Building Shares Sold

Lone Star Cement and United States Gypsum were the least popular among building stocks as five funds sold 7,700 of the former issue and 8,000 of the latter. In each instance two of the sales represented complete portfolio eliminations. There were no offsetting purchases of either stock. 15,200 shares of National Gypsum were also lightened in four portfolios with again no interest shown in purchases. Crane was disposed of by three managements and National Lead and York Corporation were each sold by two others. Favorite in the group was American Radiator, four trusts adding a total of 28,000 shares. Also liked by four managers were General Portland Cement and Glidden. Three purchases of the latter stock represented initial commitments. American Seating was added to three portfolios.

Apathy Toward Aviations

Apathy continued to exist in the aviation stocks with selling still predominant. Three managements sold 3,600 shares of Boeing and the same number disposed of 5,-400 shares of Bendix. Two purchases of Lockheed totaled 2,000 shares while existing shareholdings were doubled as a result of the stock split-up. Opinion was divided on United Aircraft and Douglas. Worthy of note was the almost complete lack of activity on either side of the market in the air transportation issues.

Among non-ferrous metals Pittsburgh Consolidation Coal was the most popular stock, four managements acquiring a total of 24,400 shares. During the June quarter it had shared honors with other companies for the same position. Three trusts each acquired Hudson Bay Mining and Smelting and Consolidated Mining and Smelting of Canada. Purchases of the former tallied 4,500 shares and of the latter 1,600. Howe Sound was also liked by two funds. Aluminum of America was the most heavily sold issue in the group, two companies reducing holdings and three others eliminating the stock from their portfolios. Sales totaled 12,500 shares. Three managements sold Reynolds Metals and two each disposed of shares of Eagle Picher and West Kentucky Coal. Transactions were evenly divided in Kennecott, Phelps Dodge and International Nickel. Two purchases of Anaconda totaling 5,000 shares were offset by one lone sale of 200.

Rails Selling Subsides

The selling of the rails, experienced during the preceding quarter, subsided somewhat with transactions fairly well divided on either side of the market. Illinois Central and Rock Island were each bought by four funds. Purchases of the former totaled 10,-800 and of the latter 10,900. There were two offsetting sales in each issue. Northern Pacific, which had been the favorite in the preceding three months' period, was added to three portfolios. Another management eliminated this rail from its list. Selling was concentrated in Southern Pacific, eight companies reducing holdings by 6,950 shares. Half as many trusts, however, made purchases totaling 3,900 shares. Baltimore and Ohio also was sold by two funds. Opinion was divided on Santa Fe, Great Northern, Canadian Pacific and Southern.

Overall transactions in the paper and printing stocks were evenly balanced between purchases and sales. Three funds bought 13,000 shares of Rayonier and a like number added 4,600 shares of Lily Tulip Cup. In addition to stock received in a two-for-one split-up, there was an initial commitment of 20,000 shares in Champion Paper and Fibre. Sellers predominated in Kimberly Clark as three portfolios were lightened by 2,100 shares. Dixie Cup was completely eliminated by two managements. Transactions were evenly matched in both International Paper and Crown Zellerbach.

Other than three purchases of Goodyear totaling 1,700 shares, opinion was divided on the rubber stocks. Allis Chalmers and Joy were the outstanding machinery issues sold, while buyers favored Halliburton Oil Well Cementing and National Acme. Worthy of note also were four purchases of National Distillers totaling 28,-900 shares. Three of these represented new portfolio commitments.

Exchange Firms Elect Maynard President

Walter Maynard, a partner of Shearson, Hammill & Co., New York City, was elected President of the Association of Stock Exchange Firms for the 1951-52 fiscal year by the Board of Governors at its Annual Meeting in New York City. He succeeds Joseph M. Scribner, senior partner of Singer, Deane & Scribner, Pittsburgh, who has served as President of the Association since November, 1950. Mr. Maynard became a member of the board in 1949; except for three war years in the Air Force he has spent his entire career in the securities business.

Walter Maynard

Maynard C. Ivison, Abbott, Proctor & Paine, New York, and Phelps Witter, Dean Witter & Co., Los Angeles, were elected Vice-Presidents and William F. Van Deventer, Laidlaw & Co., New York, Treasurer.

New Governors elected, to the Board of 35, at the Annual Meeting of members of the Association were: John E. Blunt, 3rd, Blunt, Ellis & Simmons, Chicago; Marco F. Hellman, J. Barth & Co., San Francisco; Edward H. Hilliard, J. J. B. Hilliard & Son, Louisville; E. Jansen Hunt, White, Weld & Co., New York; Lloyd W. Mason, Paine, Webber, Jackson & Curtis, New York; William M. Meehan, M. J. Meehan & Co., New York; Frederick R. Rogers, Thomson & McKinnon, New York; Edward Starr, Jr., Drexel & Co., Philadelphia; John J. Sullivan, Bosworth, Sullivan & Co., Denver.

Governors re-elected for varying terms are:

Harold L. Bache, Bache & Co., New York; Henry I. Cobb, Jr., DeCoppet & Doremus, New York; Edmond du Pont, Francis I. du Pont & Co., Wilmington, Del.; Eugene M. Geddes, Clark, Dodge & Co., New York; James Parker Nolan, Folger, Nolan & Co., Washington, D. C.; Walter S. Robertson, Scott & Stringfellow, Richmond, Va.

Following the organizational meeting of the Board, Mr. Scribner and the retiring Governors were guests at a dinner in their honor, attended by many past Presidents and Governors of the Association.

The Association of Stock Exchange Firms is a trade body for members and member firms of the New York Stock Exchange. It is a voluntary organization formed in 1913 to provide a trade association equipped to help its members give the public more efficient investment services and to foster a better public understanding of the securities business.

With Bradley Higbie

(Special to The Financial Chronicle)

DETROIT, Mich.—Nathan Bradley Higbie, 3rd is now with Bradley Higbie & Co., Guardian Building, members of the Detroit Stock Exchange.

With Hanrahan & Co.

(Special to The Financial Chronicle)

WORCESTER, Mass. — David R. Miller has become associated with Hanrahan & Co., 332 Main Street, members of the Boston Stock Exchange.

12th Quarterly Dividend

The Directors of Television-Electronics Fund, Inc. have authorized payment of approximately 15c per share from net investment income and a distribution of approximately 45c per share from net realized capital gain, both payable November 27, 1951 to shareholders of record November 16, 1951.

Chester D. Tripp
President

November 8, 1951

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Continued from page 2

The Security I Like Best

trailers are being powered by FWD equipment for transcontinental hauling. Halliburton Oil Well Cementing Company is one of many large industrial organizations that have standardized on FWD trucks, and is completely equipped with more than 600 FWD units. The company is currently turning out an important transportation unit for the United States Government. Military production presently accounts for approximately one-third of the company's current backlog and production.

Four Wheel Drive Auto Company has been in business since 1909. A purchaser of one share at that time now holds ninety shares through stock dividends and split-ups which have occurred since. While a look at the company's dividend record over that period indicates lapses now and then because of the cyclical nature of the company's business, it should be noted that in the more prosperous years that followed each low point in the cycle, the company has paid dividends to make up for the lapsed years on an average basis of 6% on its $10 par value. After each stock dividend or split, the 6% rate has been maintained on the new shares. In 1947 the company received a 10-year loan of $1,500,000 from certain insurance companies, containing the usual provisions which freeze surplus and permit dividends to be paid only from subsequent earnings. In 1948 and 1949 the heavy truck industry faced reconversion problems and losses were shown by this company and many others in the industry. Dividends, therefore, have not been paid since 1948, but current earnings suggest an early resumption of dividends since all deficits have now been repaired, and the company's management considers that it has a moral obligation to its stockholders to pay dividends aggregating $1.80 for the three lapsed years as soon as possible.

Four Wheel Drive Auto Company is listed on the Midwest Stock Exchange. It is currently selling at 8, having sold as high as 18 in 1946, and as low as 4 in 1949, while the industry was showing losses. On June 30, 1951, net current assets were $18.01 per share, or $15.03 after deducting long-term debt; net depreciated book value, $20.89 per share; and intrinsic value, based on a current appraisal of the company's property for insurance purposes, was $31.08 per share. Sales for the fiscal year ending June 30, 1950, were $7,600,000; June 30, 1951, $18,000,000, and current production schedules indicate that sales will approach $36,000,000 for the year to end June 30, 1952. After a loss of $1.09 per share for the 1950 fiscal year, the company showed a profit of $1.32 per share in the 1951 fiscal year, virtually all of which was earned in the final four months. Excess profits tax base is approximately $2.50 per share.

Capitalization consists solely of 300,000 common shares, $10 par, and long-term debt privately placed, maturing $150,000 per year, amounting to $887,647 on June 30, 1951.

Summarizing, I believe this stock to be considerably undervalued; it is currently selling at 8, near its low of the year, having sold as high as 9⅝ earlier. In the past, the company's market value has approached its intrinsic value frequently and can be expected to do so again. Its earning power is high and the company should enjoy one of the most successful years in its history during the current year. The broadening of its markets should bring a continuation of high earnings.

STANLEY L. ROGGENBURG

Partner, Roggenburg & Co., New York City

Latin American Countries

My favorite securities are obligations of the Latin American Countries which in the last 10 years have refunded their external debts at yields ranging from 4½% to 7½%. There are cities and states of Brazil which are paying from 2% to 2½% selling between 35 and 50. Chile has 2½% bonds selling at 39 which go to 3% in 1954. Colombia has department and city bonds paying 3% selling around 44. Peru has 2% bonds which go to 2½% in 1953, selling at 34.

S. L. Roggenburg

In Central America there are Salvador bonds which pay 3½% and sell around 62½. Mexico has bonds which are payable at maturity between 1963 and 1968 for $200, and selling between 8¾ and 18, thereby affording a yield of approximately 7% or better.

In the case of each of the foregoing issues, anywhere from 20% to 50% of the amount of the bonds originally issued have been retired, and the chance of principal enhancement is very good.

With world conditions as they are, Latin American countries will be about the only place that benefits from present troubled conditions, and some of these countries have tremendous natural resources.

As this is being written Chile 2½s, Peru 2s and Brazil 3¾s have made new all-time highs and there are rumors the Peru Plan will be improved, thus proving that these countries are not only in position to meet present debt requirements but could improve them if they so wished.

To me a package purchase of the various securities would give the buyer a good return and also a great chance of principal appreciation within the next few years, regardless of world conditions generally.

JAMES H. YOUNG

President, J. H. Young & Co. Inc., New York City

Avildsen Tools and Machines, Inc.

The company whose securities I like best at this time are the 5% prior preferred, as an investment, and the common stock, as a speculation, of Avildsen Tools and Machines, Inc.

James H. Young

The pertinent facts enumerated below will indicate why I believe these securities are interesting purchases at this time:

(1) Sales for the year ended June 30, 1951, were $9,323,097 against $4,563,788 a year earlier. Sales are now running at about $1,000,000 a month and increasing.

(2) Net earnings of $405,064 for the last fiscal year are equal to $2.11 a share on the 5% cumulative prior preferred (par value $5), or more than eight times the regular annual dividend requirement.

(3) For the fiscal year ended June 30, 1951, the common stock earned about 80 cents a share after prior charges and current preferred dividend requirements. At 2⅛ it is selling at slightly over 2½ times earnings.

(4) The company is now in third place in the industry in point of volume of twist drill sales as against 17th 11 years ago.

(5) The company's principal products, high-speed twist drills, are known as perishable tools, because they wear out in proportion to their usage. This assures repeat orders. These tools are used for aircraft, trucks, tractors, tanks, jet engines, electronics, guided missiles, electric equipment, machinery, farm implements, and household utilities. The company, therefore, is in the unique position of being able to benefit from both war and peacetime business.

An increase of about 5% in the selling price of the company's products became effective in September. Furthermore, a number of its customers who have suffered from cutbacks on civilian production are expected to place substantial orders for Avildsen's products when their transition programs have been completed. This additional buying should be reflected in a corresponding increase in net earnings for Avildsen.

The company has been alert to the necessity of expanding its sales and service staff and has appointed several new district managers and a number of new sales engineers.

Avildsen has expended close to $500,000 in the last fiscal year for new production machinery which has enabled the company to improve the quality of its tools and reduce manufacturing costs. $290,000 of this amount has already been covered by a Certificate of Necessity, permitting accelerated depreciation of about 85% of this amount. It is anticipated that Certificates of Necessity for the balance will be authorized as soon as applications have been processed by the authorities in Washington. In addition to large quantities of products being sold directly to the Air Force, the Army and the Navy, a substantial portion of the company's current production is being shipped to defense industries. For that reason it enjoys a high priority rating for the procurement of steel and supplies.

Long-term debt now amounts to $571,666 as compared with $741,705 a year ago. The mortgage note of the company, held by the Mutual Life Insurance Company of New York, amounted to $650,000 on June 30, 1951, and has a provision for minimum working capital requirements which has prevented the company from paying preferred dividends. The accumulations amounted to 62½ cents a share on the prior preferred as of Sept. 30, 1951. However, the company is now working on a refinancing plan which will remove this working capital restriction, and the stockholders on Sept. 18, 1951, authorized the directors to refinance the long-term debt of the company and to provide for additional working capital necessary due to the considerable expansion of sales volume during the year. According to the annual report just released, the company anticipates that this refinancing will permit the payment of a substantial proportion of the arrearage on the prior preferred during 1952.

With a current price of 3⅝ for the prior preferred and 2⅛ for the common, I believe a package combination of the two issues represents an interesting purchase at this time and holds possibilities for realization of a good income on the preferred and anticipated growth in the value of the common as the accumulations on the preferred are paid.

Railroad Securities

Canadian Pacific Railroad

There is considerable enthusiasm among investors over the long-term prospects for the economic growth of our neighbor to the north. Canada is rich in natural resources, the potentialities of which have as yet barely been scratched. Along with the strong probability that these natural resources will now be more intensively exploited, most people are of the opinion that greater industrialization is in store for the Dominion over the intermediate future. Likely population growth is another favorable aspect of the picture. These bulls on Canada's future find in Canadian Pacific stock a comprehensive medium for participating in this future.

Canadian Pacific Railroad is the largest and most comprehensive privately owned transportation system in the world. Its rail lines span the entire Dominion, serving every major city in Canada and all of the important industrial, agricultural, timber and mining sections. Thus, as its railroad business constitutes a complete cross-section of the country's economic life, it can not help but participate fully in any long-term economic growth. Its transportation activities also include extensive air routes, and trans-Atlantic, trans-Pacific and coastal steamship services. It has extensive rail holdings in the United States. Corollary services include hotels, and express, telegraph and cable networks.

Railroad operations by themselves have consistently been profitable. Year-by-year they have been sufficient to more than cover fixed charges. Moreover, these charges have been pared sharply over the past 10 to 15 years. They now total roughly $13.5 million compared with a peak of nearly $37 million in 1938. Railroad earnings last year amounted to $38 million after taxes but before fixed charges. On an overall basis net income after taxes and charges last year came to $48 million, equivalent to $3.32 a share on the stock. Some improvement over this showing is anticipated in the current year.

Canadian Pacific does not rely entirely on its transportation activities and allied services. It has substantial outside interests. For one thing, it owns 51% of the stock (1,682,500 shares) of the leading mining and smelting concern in Canada, Consolidated Mining & Smelting. At recent market levels this investment alone had a market value of $275,930,000. This was equivalent to $20.60 a share on the 13,400,000 shares of Canadian Pacific stock outstanding. Consolidated Mining & Smelting has increased its dividend to $10.50 in 1951 from $8.50 paid in 1950. Dividend income to Canadian Pacific this year from this source will be equivalent to $1.32 a share on its own stock.

Potentially a factor of even greater importance is the possibility of substantial oil earnings in the not too distant future. At the end of last year the company had direct land holdings of 1,583,549 acres which it is selling off gradually. In addition, it held title to petroleum rights underlying 11,328,485 acres of land in the Prairie Provinces. Of this land, 42,743 acres were under lease to oil companies and the balance was under reservation for exploration.

To date income from this source has not been important. Last year income from petroleum rents, royalties and reservation fees amounted to $1,900,000, up $254,000 from the preceding year. Eventually this could become very substantial. Oil discoveries in the area have been hailed in many quarters as the most important ever made on this continent and the potentialities are viewed as virtually limitless. At recent market prices it is pointed out that Canadian Pacific stocks reflect little, if any, value in the petroleum rights. In the meantime, the stock affords an attractive income return. Distributions this year have been $1.75 a share, payable in Canadian funds. In the preceding six years the rate had been $1.25 annually.

Long Island Lighting Preferred Stock Sold

W. C. Langley & Co. and associates on Nov. 9 offered 100,000 shares of Long Island Lighting Co. preferred stock, 5.25% series A, at par ($100 per share) and accrued dividends. The offering was oversubscribed and the books closed.

Net proceeds to be received from the sale of the preferred shares together with proceeds from the sale of additional bonds will be used to retire $14,493,400 of bonds of former subsidiaries, to pay off the then outstanding bank loans, to complete the financing of 1951 construction, and to furnish approximately $2,000,000 toward 1952 construction. To complete the construction program through 1954, it is estimated that the company will require approximately $100,000,000 in addition to funds expected to be provided by depreciation accruals, retained earnings and presently contemplated financing.

Long Island Lighting Co. is an operating public utility, principally engaged in the business of producing, transmitting, distributing and selling electricity and manufactured or reformed natural gas. The company is not in direct competition with any privately or publicly owned electric or gas utility company or agency rendering similar services in the territory served by it. The franchis area of the company cover approximately 1,200 square mile wholly within the boundaries c Nassau and Suffolk counties an the Fifth Ward of Queens Count (the Rockaway peninsula) in th city of New York. Estimate population of the territory serve is approximately 1,100,000.

Firm Name Is Now Barmonde, Gilliland Co.

The firm name of R. M. Gilliland Company, 52 Wall Street, New York City, has been changed to Barmonde, Gilliland & Company. Principals of the firm are Robert M. Gilliland, who makes his headquarters in the firm' Utica office, and Philip T. Barmonde.

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Investment Problems In Current Economy

should keep individual savings very large.

Prices should be fairly steady under these circumstances and the cost of living index is not expected to rise as much as 5%. The rise in wage rates, however, is likely to be persistent and in excess of any increases in living costs. With a greater proportion of defense business and with wage increases not fully offset by price increases, the squeeze on profit margins will continue. On the other hand, it does not seem likely that profits will be curtailed further by new tax legislation. This adds up to aggregate corporate profits after taxes at about present levels but well down from the peaks of late last year and early this year.

This abbreviated sketch of the economic outlook may not meet with the endorsement of all of you; certainly it does not bear too close a resemblance to the picture which some government officials have been presenting for several months. No doubt my appraisal will prove inaccurate in certain respects, yet we are obliged to start somewhere if we are to succeed in coming to grips with specific investment problems.

Short-Term Interest Rates

The factors affecting short-term interest rates provide a good starting point for our analysis. Nonfinancial corporations have been losing liquidity at a rapid rate. When war broke out in Korea, cash and government securities were estimated at 73% of current liabilities. One year later, the comparable relationship had dropped to 59%. Recently enacted tax legislation has reduced this measure of liquidity even further. The strain on the cash positions of corporations will undoubtedly continue. Particularly during the early months of 1952, the rate of expenditures for plant and equipment may be about as high as it is currently, with the principal limitation being the availability of materials and qualified workers. Somewhat later accelerated amortization will enlarge the return flow of funds, but there will be no real relief from this financial problem until expenditures level out and start to decline. Working capital requirements will not be greatly enlarged if inventories are relatively stable. However, we know that defense production inventories will be rising and creating a problem for defense contractors even though producers of civilian goods may find their situation eased somewhat by a modest liquidation of inventories.

Of special significance will be the operation of the so-called Mills Plan which will require the payment of 70% of Federal income taxes on 1951 profits during the first half of 1952. The company which has been financing a portion of its working capital requirements out of the delayed payment of tax liabilities will find that this particular line of credit has been cancelled in part. The reverse situation, of course, will prevail in the latter half of the 1952 calendar year.

Under the circumstances, the seasonal decline in bank credit during the first half of the year may be relatively small, and the volume of outstanding commercial loans is likely to remain at historically high levels. This suggests a firm tone in short-term interest rates for commercial borrowing and, on the whole, a fairly tight money position for the commercial banks.

In addition, we have to reckon with the policies which the monetary authorities are likely to pursue. It seems reasonable to assume that the Federal Reserve will keep a tight rein on any expansion in bank credit. Since the Treasury's financing problem will not be a major factor in the months ahead, except for the April 1 refunding operation, we might assume that the Federal Reserve will permit the market forces at work to keep money tight and short-term rates firm for considerable periods between now and next June. After mid-year, however, a different situation will prevail because of the necessity for financing the substantial cash deficit.

Long-Term Interest Rates

It is considerably more difficult to appraise the trends affecting long-term interest rates. The heavy demand for corporate funds will be supplemented by a volume of real estate mortgage financing of somewhat indeterminate size. While it seems reasonable to assume that net new corporate security issues will be only about $1 billion greater in 1952 than in 1951, it is still quite uncertain whether the rate of net increase in real estate mortgages will be down $2 billion or $3 billion or more from this year's total. The volume of new state and municipal financing, including public housing bonds, is not likely to show much change. On the whole, therefore, the demand for long-term capital promises to be somewhat less next year. Since the flow of funds to savings institutions and the savings of individuals should be higher, we might conclude that there will be a better tone to the corporate bond market and the mortgage market.

Eventually this is likely to be the case, but during the months immediately ahead there may be a sufficient bunching of new issues to keep these markets in a state of considerable uncertainty. Roughly speaking, it seems appropriate to divide 1952 into two halves. The first half-year of heavy corporate demands for funds may well witness further selling of government securities by the principal savings institutions. During the latter half of the year, when a lower level of plant and equipment expenditures is anticipated, the savings institutions may be much more comfortably situated. The timing of such a change in the bond market is not subject to precise measurements, but perhaps around mid-year will serve until the situation becomes subject to closer analysis.

Government Financing

The preceding comments are based largely upon an appraisal of the supply and demand conditions likely to prevail in the private capital markets. They do not take into account the size and scope of Treasury operations. For the period between now and the middle of next year, however, this seems appropriate, since it does not appear likely that the Treasury will have to raise new money prior to the close of the fiscal year. However, in the second half of 1952, the Treasury will be facing a substantial deficit on a cash basis, and there remains the question of how this will be handled.

If a complete revision in savings bonds terms were made the basis of a sustained drive to mobilize individual savings, it is conceivable that the problem could be met with little difficulty. The big increase in personal incomes will occur among workers in defense centers who can be most effectively reached by payroll savings plans if an effective appeal is made. However, on the basis of developments to date, this does not appear likely to happen.

The Treasury is more likely to look to the savings institutions if they have any free funds at the time, and if not, to borrow from corporations for part of the required sum while obtaining the balance from the commercial banking system.

Any of these possibilities, from which it is difficult to select the most likely at this early date, would suggest fairly steady government security prices. Essentially what we face is probably a period of substantial borrowing from the commercial banks. This suggests that there will be some easing of their positions whether to facilitate the direct sale to them of short-term securities or to permit them to purchase newly eligible issues from the savings institutions who would then replace the bonds sold with new long-term issues.

There is a presumption that the spread between corporates and governments might widen during the next few months and then narrow again after the peak of private demand has passed.

Common Stock Yields

The question of yield spreads leads quite naturally into the second phase of our discussion, which relates to the position of common stock investments under these conditions. A roaring bull market does not seem particularly likely when the trend of profits is flat or moderately downward. Nevertheless, the rate of return provided by good quality stocks showing adequate protection for dividends exerts a strong attraction for capital free to go into either the debt or equity markets. In the early postwar period, we saw the bulk of the flow of savings directed through institutions which were unable by law or custom to put any significant portion in equity securities. This condition has gradually been modified in several respects.

First, the open-end investment trusts have developed the techniques and the selling force for gathering a sizable volume of funds from individuals. Net sales of shares in 1946 and 1947 averaged about $200 million, whereas this year they may approach $300 million. Trusteed pension funds will probably acquire some $200 million of common stocks compared with negligible purchases five years ago. The spread of full and modified prudent man rules applicable to personal trusts has undoubtedly induced large common stock investments for those purposes. The life insurance companies are just starting to become a factor in the field as a result of the change in the laws of New York. The mutual savings banks in New York are requesting, and may obtain next year, permission to invest a portion of their surpluses in equities.

While the total of institutional buying in the market is often exaggerated, it is a factor of very real importance. Compared with five years ago, the volume of net new stock issues is running only $200 or $300 million higher, while the new sources of equity funds may be running twice those amounts. This field is not subject to precise measurement, but the general implications are reasonably clear: the barrier against stocks which previously existed for most institutionalized savings has been breached for at least a portion of such funds.

What these developments suggest is that there may, over a period of years, be some closing of the gap between bond and stock yields. However, this is a long-term factor. Institutional buying cannot be counted upon to cushion the market against declines which are generated by either the bursting of a speculative bubble or by a persistent deterioration in the profit position of business. In fact, since the primary impetus to this buying comes from the search for a better rate of return, these investors may stop buying if dividends are threatened or if yield experience proves unsatisfactory.

Implications for Investment Policy

Perhaps at this point we should pause to reflect upon the preceding discussion in order to consider some of the implications for investment policy.

If we are entitled to look for a fairly firm money market in the months ahead, the emphasis in bank portfolio management should be upon having enough short maturities to provide liquidity. Having established an adequate short position for this purpose, it will be appropriate to think about longer maturities for income as evidence begins to accumulate that the peak loan demand has passed and that the Federal Reserve is no longer motivated toward exercising a moderately restrictive influence on bank credit.

For the kind of long-term investing outside of the bank portfolio where liquidity is not a factor, favorable opportunities should be available to acquire corporate bonds and sound mortgage loans during this period of heavy demand for funds. The market for state and municipal bonds should be subject to most of the same influences, with the supply factor of greatest importance. Some buying of tax-exempt bonds is likely to result from the taxation of mutual savings banks but it will probably be in moderate amounts over the immediate future.

While good quality preferred stocks will continue to flucutate with corporate bonds, the spread in yield makes them only moderately attractive at present. There may be a good buying opportunity, however, in the months ahead.

The trend of common stock prices, as always, defies prediction. Despite the squeeze on operating margins and the heavy impact of taxes, dividends should remain close to the present level, even though below the 1950 peak. Well-managed companies in favorably situated industries will, of course, do better, but the tax structure is acting as a leveling influence. Although, on the whole, the picture is moderately reassuring for long-term investment in stocks, we all know that over the short run prices will vary from what we may anticipate in accordance with what investors are willing to pay for stocks in the light of their hopes and fears for the future.

The Longer Range Outlook

Thus far we have concentrated our attention on some of the factors which may influence our investment activities during the period between now and the end of next year. But all of us expect to be in business for a long time beyond that date. What are some of the longer range factors which we ought to take into account as we face the investment problems created by the present economy?

No doubt most of you have heard the forecast frequently being made these days of a major cyclical downturn in business beginning after defense and foreign aid expenditures start to decline. This is based on the passing of the capital expenditure boom and the fact that war-induced shortages of housing and consumer durable goods have been met. The case for this sequence of events can be quite persuasively presented, with considerable reinforcement from logic and experience, even though the factor of timing in such forecasts has always presented great difficulties in the past.

Another large section of opinion holds that we have learned a great deal about cushioning a decline in the durable goods sector of the economy. The point is made that the relaxation of credit controls will stimulate consumer buying and that easy terms and guarantees can boost a lagging demand for residental housing. The tremendous backlog of public construction is mentioned as a powerful sustaining force in the field of capital goods. Farm price supports, social security, and similar measures can, it is argued, prevent a serious deflation from developing. The inventory correction of 1949, in contrast to the severe postwar recessions or depressions of the past, is cited as evidence of how much we have learned about maintaining economic stability.

Still another supposition about the longer-term outlook is that we face continuous inflation and further depreciation in the value of money as a result of fiscal measures, wages policy, and unqualified devotion to the goal of full employment. In this view, the principal investment problem is to maintain as much purchasing power as possible. Credit risks become of secondary importance since debts can be settled in dollars of declining real value. This line of argument emphasizes where we may be in ten or twenty years if the price trends of the last decade continue.

The perplexing fact is that each of these long-range forecasts,—deflation, stability at a high level, and inflation,—has a strong element of validity, but they cannot all be right at the same time and we do not know how to arrange them in sequence. Just to add to the confusion, I should like to mention a fourth possibility, one which is not nearly as widely accepted. This is a cross between the first and second forecasts. It is the possibility of stagnation at a level well below the capacity of the country's resources because we do encounter a cyclical downturn and we also find that we do not know all the answers to the question of how a deflation can be checked and reversed within a short period of time. Such an eventuality would undoubtedly find corporate profits extremely vulnerable to the decline in volume.

A Doctrine of the Middle of the Road

Canvassing all of the possibilities is, however, a pursuit of limited value except as it convinces us of the basic truth that the future is not predetermined but but rather what we make of it in our own fumbling way. The most important point in relation to dealing with our investment problems is that we should aviod the pitfalls of static analysis in a dynamic economy. We should avoid the kind of mechanical projection which assumes that while one factor in the economic outlook changes all others remain the same. It just is not so. That being the case, we ought to retain flexiblitiy in our investment programs and avoid taking extreme positions.

The point can be illustrated in bank portfolio management. Neither extreme liquidity nor reaching out extensively into longer maturities in the hope of catching a shift in the level of interest rates is justified under the circumstances which currently prevail. I happen to believe that the long-term trend of interest rates is flat or slightly downward from present levels, but this is a trend which could be interrupted for extended periods and one of those periods may be now. It seems to me that favorable opportunities new exist to acquire sound earnings assets, but I certainly would not advocate exhausting the last bit of the liquidity and flexibility which only short maturities can provide.

In the handling of funds for individuals, the same principles

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apply. Stocks have some attraction for the rate of return which they provide but nothing has really happened to make them free of risk and impervious to the effect of technological changes and competive conditions. The tested standards of investment analysis, on the contrary, are more important than ever: good management, aggressive research and development, favorable industry characteristics, a strong competitive position, and sound financial planning, are still at a premium, not at a discount.

I suppose this all adds up to the doctrine that we should seek a middle-of-the-road position in our approach to investment problems in the present economy. Some people may describe this as the easy escape from our difficulties in appraising what lies ahead. I strongly dissent from this view. I believe that the most difficult problem in the investment field is to avoid following the fashions of the moment, to maintain a balanced point of view, and to keep one's judgment from being unduly influenced by mass psychology as we see it so often generated in the investment markets.

This is always important for us who are engaged in the care of other people's money. It is especially vital when, in addition to all of the usual hazards, there exists imponderables quite beyond the scope of our analytical abilities in an international situation which may remain fraught with uncertainty for years to come.

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Middle East Oil and Product Availability

contractors are readily available; and most employees can be recruited from nearby communities. In these communities, the taxpayers have provided the funds to build roads, schools, hospitals, and transportation facilities. The employees build or rent their own homes, pay their own utility bills, and find their own recreation. The Middle East is very different. A company operating there must provide practically everything. All that is available is land and untrained labor. Facilities must be constructed to handle materials imported, a supply of water must be developed, roads and utilities built, houses for employees provided along with schools, hospitals, stores, recreational facilities. In other words, the company must build communities to serve as bases for its operations. The skilled labor must be brought from abroad at high rates of pay, and the employee and his family transported at company expense.

Every effort is made to restrict the number of American employees to those positions for which nationals of the various countries are not qualified. Accordingly, each of the major operators in the Middle East employs many thousands of nationals, often-times having to recruit them at a distance, and also provides these people with housing and related facilities in the operating areas. Although the rates of pay for common labor are comparatively low, the productivity of these workers is also low, with the result that there is no such thing as low-cost labor in foreign operations.

You may be interested to know that the Arabian American Oil Company, together with its sister company, Tapline, have invested nearly $600 million in the Middle East.

Considering the above costs, plus the royalties which are really minimum payments to the government, and the profit-sharing which is the new pattern for operations abroad, we find that the cost per barrel of Middle East production is about the same as that from prolific production in this country. Since Middle East oil is a great distance from markets, the posted price for crude in the Persian Gulf is $1.75 per barrel as compared to about $2.65 per barrel for similar domestic crude. This means the net return on Middle East oil is well under that from a prolific West Texas field.

I am certain our domestic producers need have no fear that "cheap" Middle East oil will flood their markets in the United States. Even the severe currency problems that faced foreign operators in the last half of 1949 and early 1950 did not cause any large increase in Middle East oil imports to the United States. At that time less than 8% of Middle East production was brought into this country.

The natural market for Middle East oil is the Eastern Hemisphere, particularly the great industrial areas of Western Europe. Africa and Asia also represent fast-growing markets. The oil companies serve as a middleman in this trade—they provide the link necessary, on the one hand, to make Middle East oil available to Europe, Africa, and Asia, and, on the other hand, make it possible for the Middle East countries to purchase food and manufactured goods from abroad.

Currency Problems

I would like to further touch upon the currency problems that concern the Middle East oil operators. The American controlled companies have many dollar obligations. These include royalties, the equipment and labor that are only available from the United States, and the payment of dollar dividends to the shareholders.

The countries that import most of the Middle East oil are, however, short of dollars. After months of negotiating, arrangements were worked out with the British Government last year for the marketing of American-controlled oil in the sterling area. A condition to this settlement, however, was the minimizing of the dollar content in our oil. This has necessitated maximum purchases of foreign-made materials and equipment and maximum employment of people who will accept other than dollars for compensation. The dollar problem is pressing in non-sterling countries as well, and ways and means must be found to make oil available to these countries at least in part in their own currencies so that their ability to buy can be extended to meet their needs. Continuing currency difficulties are in prospect.

Importance of the Middle East

I have dwelled at some length upon the problems connected with the oil business in the Middle East. I do, however, wish to again emphasize the importance of this area to our country and its allies. Before the war the Western Hemisphere reserves were sufficient to not only supply this area's own requirements, but also the bulk of the petroleum requirements of the Eastern Hemisphere. This is no longer possible because of the tremendous increase in consumption that has taken place in this country. Accordingly, we are most fortunate in having Middle East oil to meet the growing requirements of Europe, Africa and Asia and to supplement our own production as required.

Russia's Designs on the Middle East

There has been considerable mention made of Russia's intentions in Iran. Over the near-term it appears that Russia benefits almost entirely through the denial of Iran's oil to the West. Russia has no means of transporting Iran's oil other than in small propaganda quantities. Over 200 large tankers would be required to move Iran's normal production by sea from the Persian Gulf through the Suez Canal and to the Black Sea. Russia reportedly has the equivalent of only a dozen such tankers. While she might purchase or charter quite a few more, the total would not be impressive. By land, at least two "big inch" pipe lines would be needed, involving over 400,000 tons of steel and a right-of-way over mountain passes 10,000 feet high. This would be a tremendous undertaking, and presumably Russia would do better to develop her own productive possibilities.

Product Availability

Now let us turn to the question of product availability. The suspension of production in Iran this summer created a very serious situation, but the vacuum has been filled as a result of a request from our government for the cooperation of United States oil companies, both here and abroad. Both foreign and domestic production have been stepped up, spare refinery capacity has been utilized, and products have been taken from inventories in this country for shipment abroad. In the fourth quarter of this year, 125,000 barrels per day of Middle East crude that had been coming to the United States has been diverted to European refineries and replaced by increasing domestic production. We likewise are shipping an average of 190,000 additional barrels per day of finished products abroad because of the Abadan shutdown. The only serious product shortage that now exists abroad is aviation gasoline.

The situation as regards the first quarter of 1952 is not so certain. Although production in Kuwait and Saudi Arabia is mounting rapidly, there will probably be a shortage of foreign refining capacity to handle that crude. I am also doubtful that we can continue to make available substantial quantities of additional refined products from the United States.

What will happen later in 1952 depends largely on whether or not Abadan operations are back to capacity. If it is not, I think the increased production from other Middle East sources and the new refinery capacity that will be available—particularly in Europe—will cover requirements. If normal Abadan shipments are resumed by then, there will probably be some surplus abroad, but I do not think this will be too serious as in the present emergency, foreign operations are on an "all out" basis that could not well be sustained without provision of more producing and refining facilities.

Although I am hopeful that a satisfactory solution to the Iranian problem will soon be found, it will take months to get the oil fields and the Abadan refinery back to normal operation.

Whatever the situation may be, I'm sure our industry will measure up to it just as we have measured up to the challenges of the past.

With Central Republic

(Special to THE FINANCIAL CHRONICLE)

OMAHA, Neb.—Chas. E. Warrick has joined the staff of Central Republic Company, Farnam Building.

Public Utility Securities

By OWEN ELY

Central Illinois Light Company

Central Illinois Light Company, which was formerly in the Commonwealth & Southern system, is the fifth largest electric utility in Illinois. It serves 2,000 of the 56,000 square miles in the State, covering three separate areas (two of which are interconnected), centering around DeKalb, Peoria and Springfield.

Besides being the largest distilling center in the world, an industry from which the company receives appreciable revenues, Peoria is also the location of the Caterpillar Tractor Company, which now manufactures a full line of farm machinery and has 25,000 employees, representing about one-quarter of the industrial labor in Peoria. It contributes about 10% of the company's gross revenues. Central Illinois Light's current earnings figures are somewhat depressed from the effect of a strike at the Caterpillar plant in September.

Since 1941 electric revenues have risen 117% and gas revenues 234%. Farm electric sales are practically at the saturation point, with average sales at around 6,000 kwh. annual average, as against the 2,500 (eastern) national average. The influence of REA's in the area is negligible. The balance of electric revenues is quite heavily weighted in the industrial field, with domestic contributing 32%, commercial 21%, industrial 43% and miscellaneous revenues 4%.

The company now has 27,000 gas space-heating customers and residential business is around 35% saturation, while the company estimates that it could reach 65% eventually. The company uses straight natural gas obtained primarily from Panhandle Eastern Pipeline, and it recently received authority from the Federal Power Commission to receive additional gas from Panhandle. However, space heating additions are now restricted to small units and emergency needs, and it is questionable how much relaxation of these limitations will be permitted by any additional allocation allowed at this time by the FPC.

Capitalization ratios, including the $8 million bond issue proposed for issuance in December, 1951, will be approximately as follows:

Debt	48%
Preferred	18
Common equity	34
	100%

The company's bonds are rated Aaa by Moody. The $8 million bond issue proposed will be to provide funds for extensions of both gas and electric distribution facilities.

It is estimated that the company will earn $2.85 in 1951 and $3 in 1952. It is paying about $200,000 EPT annually, equal to some 22 cents per share. The EPT ceiling is about $2.50 per share in 1951, but will probably be somewhat higher in 1952, because the company will have a certificate for rapid amortization of about $4½ million of new property. The company will save on elimination of the electric energy tax about 10 cents per share net.

The company recently arranged with the Illinois Commerce Commission to make a large number of changes in its rate schedules. While the net result would appear to be a gross annual reduction of some $278,000 (as indicated in the bond registration statement) as a result of other miscellaneous adjustments and the application of EPT, the effect on earnings is considered to be negligible. Moreover, the company feels that the proper realignment of rates will place the company in a better position to ask for quick rate relief in the future should this become necessary.

The company's postwar construction program, inaugurated on a large scale in 1947, required the expenditure of over $9.5 million in 1951 and will call for about $6 million in 1952. The largest construction item is the Number Six steam generating unit of 60,000 kw. capacity at the R. S. Wallace station scheduled for operation early next year. 1951 financing includes the 100,000 shares of common stock sold last February (bringing the total to 900,000 shares), and a proposed bond issue in December.

The company's common stock is currently selling on the New York Stock Exchange around 36 and pays $2.20 to yield 6.1%. It is selling at about 12.6 times earnings and the dividend payout is 77%.

Kuhn, Loeb Offers Florida Pow. & Lt. Bds.

Kuhn, Loeb & Co. are offering $10,000,000 first mortgage bonds, 3⅝ series due 1981, of Florida Power & Light Co. at 101.377% and accrued interest. Award of the bonds was made at competitive sale on Aug. 13 on the group's bid of 101.10%.

Net proceeds from the sale of these bonds will be used to provide additional facilities required to meet the growing demand for electric and gas service and for other corporate purposes. The company's present estimates anticipate that its construction program for the years 1951-1952, inclusive, may approximate $39,500,000, of which amount approximately $20,500,000 will be for 1951. The portion of the construction program for 1952, as now contemplated, which may require expenditures of as much as $19,000,000, is expected to include extensions of existing generating, transmission and distribution facilities. The company has not completed the formulation of its construction program for 1952.

General redemption of the bonds may be made at prices declining from 104.38% to par. Special redemption prices range down from 101.38% to par.

Florida Power & Light Co. is an operating public utility principally engaged in the business of generating, transmitting, distributing and selling electric energy. The company is also engaged in the manufacture, distribution and sale of natural gas. The company operates wholly within Florida, and is not in direct competition with any privately or publicly owned electric or gas utility company or agency. The company supplies electric service in 354 communities, including Miami, West Palm Beach, Miami Beach, Ft. Lauderdale, Daytona Beach, Fort Myers, Sarasota, Sanford, St. Augustine, Bradenton, North Miami, Coral Gables, Hialeah and Hollywood.

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Continued from page 11

Let's Have an Independent Federal Reserve System!

March, 1951. In return, the Federal agreed to insure the success of new Treasury issues if the terms were mutually agreed upon in advance.

I should return, however, to the summary of the questions related to the management of money, banking, and credit.

A number of these ask for points of view as to the relative efficacy of general credit controls. For example, how appropriate are they? What bearing do actual or potential capital gains and losses have in this connection? What selective controls are appropriate at present? Has the growth of public debt changed the nature of the methods the Federal Reserve can prudently use with respect to monetary and credit policy? To what extent is the expectancy of a trend in interest rates more or less important than a level of rates?

With respect to reserve requirements—what are the merits and demerits of an asset reserve plan? What are the advantages and disadvantages of requiring (a) all member banks and (b) all insured banks to maintain secondary reserves in addition to present reserves? Should nonmember banks be required to maintain the same reserves as member banks?

In a separate grouping we find —explain and evaluate the voluntary credit restraint program. Under what conditions, if any, would compulsory sales of government securities be desirable for (a) banks, (b) other financial institutions, (c) other corporations, and (d) individuals? What are the advantages of marketable and nonmarketable securities under present conditions, and in the event of substantial government borrowing? What are the merits and demerits of a bond guaranteed to be stable as to purchasing power?

Further, do you have any suggestions for insulating public debt securities from the impact of restrictive credit policies designed to discourage the growth of private debt?

What is the statutory power, if any, whereby the government may control directly, or ration the extension of credit by individual banks?

At this point, I would like to stop and make a comment. As you can see the diversity of thought is overwhelming. I would guess that you, like myself, could be easily thrown off balance attempting to take either the pro or con side in a debate over many of the issues raised. In our own organization, we frequently find ourselves bogged down in unprovable contentions on these subjects.

Under such circumstances, the temptation is to deal with these issues in general terms that may be wholly ineffective in the debate ahead of us. Yet, the questionnaires invite you by drawing on your own practical experience to prove your point by illustrations. This you can do effectively.

The fifth classification asks for information on earnings or income and expenses of the various government groups, including the Federal, who operate with funds other than Congressional appropriations. As I mentioned, such information is also requested for the member banks. I guess that the ultimate purposes may be to point out the percentage of gross income that is derived from interest received from Treasury securities, the amount of expense that is defrayed by such interest, and the part it plays in producing the net earnings of banking institutions, including the Federal.

My last classification was miscellaneous. The questions in this group are directed to an expansion of the coverage of deposit insurance, the adequacy of banking facilities throughout recent years, changes in the ease or difficulty with which small businessmen have been able to borrow or raise capital, and some other items.

Three Principles

The piercing nature of the survey being conducted by the Patman Committee is impressive, almost bewildering. I immediately felt in need of certain bench marks with which to find my way through the maze of subjects covered and their interlocking complexities. Finally, I established three principles with which to test each proposal or point of view.

These are—

One: The normal functioning of the nation's banking and credit machinery must be administered by private hands.

Two: The necessary regulation of private banking and credit activities by the Federal and State governments must be achieved through instruments and methods that are impersonal in their application.

Three: The essential difference between the printing of money by the Federal Government and the issuance of its bonds to private banks or central banks is the cost of interest. This must be permitted to increase or decrease consistent with the desirability of an expansion or contraction of the currency.

Frankly, I was rather pleased later to realize that these were pretty much the principles set forth by Woodrow Wilson, and followed by Carter Glass, in working out the compromises necessary to the creation of an elastic currency through the Federal Reserve System. Using them, I found that where a proposal violated one or more of these principles, I usually could think of some practical example or illustration with which to express my opposition. Where, on the other hand, a proposal was not contrary to these principles, or conformed to them, I found the technical advantages or disadvantages easier to resolve.

Now if private banking and credit are to be run and administered by private parties, and if the regulation of such activity is to be impersonal, something or somebody must be interposed between the private banking and credit machinery of the country and our political government. This place is filled by the Federal Reserve System.

The System, as you know, was expected to provide the machinery through which the interests of private banking, lending, and of business would resolve their needs with Reserve Board Governors who are empowered by Congress to exercise a responsibility for providing an elastic currency. The ownership of the Federal Reserve Banks by the member banks is symbolic of this intent.

Two-thirds of the directors of the Federal Reserve Banks are elected by the member banks. Five of the Presidents of the Reserve Banks are selected from the 12 banks to serve as members of the Open Market Committee together with the seven Governors of the Board. The Douglas Committee hearings emphasized that the open-market transactions had become the most important single instrument available to the System. It seems to me appropriate and throughly consistent with the three principles I have outlined that such a Committee should include indirect representation of private business.

On the other hand, the Governors of the Federal Reserve Board are appointed by the President, and its Chairman and Vice-Chairman are designated by him. By virtue of the character of their appointments these men may be expected to be more susceptible to the social trends of the times than might be true of the Reserve Bank Presidents. Thus, we find in the Open Market Committee one group of men who might be expected to lean toward the government's point of view, and another group of men who might be expected to lean more toward the point of view of private business.

If, however, the Federal Reserve were made directly responsive to a political administration, is it not clear that we would risk losing the protection that presently exists for our private financial institutions?

There are safer ways to obtain the desired coordination between government departments and agencies and the Federal Reserve. One would be to make the various government departments and agencies more responsive to either the Treasury or the Open Market Committee, whichever makes the most sense. Then, transfer the present powers of the Board of Governors over discount rates, reserve requirements, stock market, consumer, and real estate credit to the Open Market Committee. Provide, in addition, that the Secretary of the Treasury become a member of the Open Market Committee. This Committee thus would become one in which the Administration would have direct representation through the Secretary of the Treasury, Congress would have indirect representation through the members of the Board, and private interests would be represented indirectly by the Reserve Bank Presidents. The government, with eight direct and indirect representatives, would be assured of more than a working majority in any clear-cut test of strength with the indirect representatives of private interests. The Committee, along with the Board, should be responsible to Congress, but it would remain independent of direct control by an Admistration.

Now, I would like to emphasize the importance of clearly delineating the differences between principles of organization or operation, and the methods or procedures that may be amployed, from time to time, to attain a given objective.

Federal Reserve Independence Must Be Maintained

I trust I have made amply clear my fervent belief that the independence of the Federal Reserve System must be maintained. It does not necessarily follow, however, that an independent Federal Reserve System insures adequate independence for private banking and lending institutions.

I would like to restate the second principle. The necessary regulation of private banking and credit activities by the Federal and State governments must be achieved through instruments and methods that are impersonal in their application. This applies just as much to the methods that are employed by the Federal Reserve System as it does to the methods employed by an Administration.

Private lending institutions are asked in the questionnaire if "moral suasion" has contributed to changes in their investment practices since July, 1950. This invites comment upon the degree by which the Federal open-market operations, that have been held to be an impersonal instrument, have been personalized whenever it suited those who handle such transactions.

During a large part of 1950, and in the early portion of 1951, it frequently was necessary for a dealer to disclose the name of, or otherwise identify, his customer in a Treasury security transaction to the Federal Reserve Bank of New York, before he could obtain an execution through the Bank. On many occasions this was not enough. The Bank requested "a story" as to why the holder wished to sell. If the dealer could not say, or if the Reserve Bank officer felt the story to be unsatisfactory, the latter might withhold an execution. On some occasions this was the equivalent of denying the Treasury security holder access to any market, or to any bid even at a lower price. The Reserve Bank also turned down, on innumerable occasions, one seller of securities whose identity had been made known to it by a dealer, while simultaneously accepting a comparable transaction of a different holder. In many cases, the decisions were whimsical.

In no sense does such a criticism, directed to methods, take away one iota from a principle, namely, that the independence of the Federal Reserve System be maintained at all costs.

The Third Principle

Although my talk is overlong, I feel impelled to comment upon the third principle. This is, that the essential difference between the printing of money by the Federal Government, and the issuance of its bonds to private banks or central banks, is the cost of interest. This must be permitted to increase or decrease consistent with the **desirability** of an expansion of the currency.

Now, if the government is unable to meet its expenses, it may print the money or sell Treasury securities. If it sells these securities to banks, either private or Federal Reserve, it, in effect, prints money in the process.

If an Administration is inclined to high spending it may wish to be consistently assured of easy access to additional money. Therefore, a high-spending Administration tends to be an advocate of low interest rates. The lower the interest rate, the greater the likelihood that a substantial portion of the Treasury debt will flow to the banks, both private and the Federal Reserve. The tendency, therefore, is to give lip service, to non-bank financing while continuing to finance through the banks.

During the war many Treasury securities were purchased by the public and its non-bank institutions as temporary investments. After the war, the failure of Congress to provide successive cash surpluses commensurate with out prosperity had two results.

One, as non-bank institutions and miscellaneous holders wished to sell Treasury securities for various peacetime purposes, someone else had to acquire this Treasury debt. The government's cash surplus did not provide for enough debt retirement in relation to the large private demand for goods and services. Consequently, the residual purchaser was the Federal Reserve System. These purchases printed money that was five to six times more powerful than money printed by the purchases of private banks.

Two, the money needs of private business to finance reconversion and to enlarge peacetime productive capacity were tremendous. The tax structure, particularly the treatment of gross income applicable to interest on indebtedness, and the double taxation of net earnings disbursed as dividends, caused the external money needs of business to be met largely by borrowing. Directly or indirectly, this expansion in private borrowing also added to the supply of money.

These factors, plus the enlarged volume of wartime savings, and other government policies, materially inflated living costs. The post-war rise was magnified by the further increase in the money supply and by the ability of the public to add to it, almost at will.

Must Have Flexible Interest Rates

The mechanics of enlarging the money supply, through the support of a given interest rate, remained with us. No effective steps had been prepared to permit the desirable flexibility in interest rates.

Korea provided a *coup de grace*. The purchasing power of the dollar was quite sharply reduced as individuals expecting shortages began to spend, and as government and business did the same or prepared to do so.

This, I believe, has some bearing on certain investment arithmetic. I would like to give one example. If an individual in 1945 acquired a fixed-income security, and if he were to receive repayment in 1951 in dollars of equal purchasing power, a semi-annually compounded interest rate of 6% would have been required.

If such an individual were to have received 2½% per annum, as rental for his money, the repayment in 1951 of principal and interest in dollars with an equal purchasing power to those of 1945, would have required an 8½% rate, compounded semi-annually.

I don't believe that savings bond holders, in general, make up their minds as to the desirability of savings bond investments by means of such computations. But, in time, they arrive at the same conclusion in their own ways.

I am not advocating that the Treasury pay to anyone either 6% or 8½% for its money, I simply am trying to point out that we have been pushing prices up unnecessarily.

Now, and although the Federal Reserve's actions toward the Treasury security market, during the past year, magnified the inflationary consequences of a large liquid Treasury debt, we need to move forward in the direction of the Federal's basic objectives.

The Treasury must pay higher costs of interest on its new issues in order to stop the rise in living costs. Rate differentials between prime and less prime credits have widened. A general and major upsurge, overnight, in short-term Treasury interest rates would be most effective, at this stage, in deflating the inflation. The Treasury deficit must be financed and the Treasury must be able to refund. An undesirable portion of Treasury borrowing may have to be done through the banking system. Even so, the volume of reserve credit needed, would not increase with a rise in interest rates. A decline in private borrowing would make it possible to absorb a Treasury deficit with a smaller increase in Federal Reserve credit. If the Treasury sold its securities at comparatively high interest rates, coincidentally with a forced decline in the demand for private credit, an increased demand for Government securities would appear from non-bank sources. To the extent the Treasury prices its new issues generously, the need for Federal support would be definitely reduced.

All of these considerations must be combined with the fact that the Treasury has been forced to finance, during the past year, solely through short-term or redeemable paper. It is necessary to widen the difference between currency and Treasury securities. An overnight increase in Treasury short-term interest rates to 2½% or 3% is desirable. Whatever the level, either lower or higher, it should be one that would reduce substantially the marginal borrowing demand, and make short-term Treasury securities increasingly preferable to cash.

Furthermore, an enlarged inter-

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est cost on public debt would discomfort those who tend to be high spenders. This would be healthy.

It is clear that he general public would be the principal beneficiary and, in the final analysis, this is the ultimate test of the third principle.

The issues posed by the Patman questionnaire are clearly of great importance. Regardless of where the hearings may lead, the questionnaire invites bankers to give their views. If you speak loudly, and from your vast experience, you will deserve, and I am sure you will receive, the grateful thanks of the communities you serve.

Canadian Atlantic Oil Com. Stock Offered

Offering is being made today of 1,150,000 shares of $2 (Canadian) par value common stock of Canadian Atlantic Oil Co. Ltd. at $6.75 per share. A group headed by Reynolds & Co. and Bear, Stearns & Co. is offering 1,125,000 shares of the stock in the United States, while the remaining 25,000 shares are being offered simultaneously in Canada by Ross Whittall Ltd. Of the total offering, 500,000 shares are being sold by the company and the balance is being sold for the account of Pacific Petroleums Ltd.

Proceeds to be received by the company from the sale of its 500,000 shares will be applied first to the liquidation of the company's outstanding bank loan from The Royal Bank of Canada which amounted to $872,000 on Oct. 1, 1951, and the balance will be used from time to time for such corporate purposes as the directors may determine. Among the purposes for which such funds may be used are the exploration of, acquisition of interests in and development of prospective and proven oil and gas lands and the development of the company's existing properties.

Upon completion of this financing, the outstanding debt and capitalization of the company will consist of 2,931,671 shares of $2 par value common stock.

Canadian Atlantic Oil Co., Ltd., is engaged in the business of producing and selling petroleum and natural gas from lands leased or held under concession or in joint ownership with others and of engaging in exploratory and development work for the purpose of adding to its oil and gas reserves. It is currently engaged in the production of oil and, to a limited extent, natural gas in the Province of Alberta.

Hefner With du Pont

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Raymond J. Hefner has become associated with Francis I. du Pont & Co., 722 South Spring Street. Mr. Hefner was formerly with Cohu & Co. and John B. Dunbar & Co. In the past he was wtih Crutten-den & Co. in Los Angeles and Chicago.

Strauss Bros. Inc. in New and Larger Quarters

Strauss Bros. Inc. announce the removal of their offices to new and larger quarters in the same building, 42 Broadway, New York City.

With Stone & Webster

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—John L. Reynolds is now affiliated with Stone & Webster Securities Corporation, 33 South Clark Street. He was formerly with Channer Securities Company.

Joins Staats Staff

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Helen M. Tighe has become connected with William R. Staats & Co., 111 Sutter Street.

Continued from page 5

The State of Trade and Industry

to production of those products required chiefly for defense programs. Meanwhile, military and related defense requirements are rising steadily and promise to continue to expand.

Despite growing evidence of slackening demand for consumer durable goods manufacturers, some interests in this consuming area report difficulty in filling their needs, this trade paper points out. This is true even in sheets which are definitely under less pressure. Explanation for this seeming paradox is found in the fact the slack in sheets is being offset to a large extent by increasing diversion of semi-finished steel to production of those products in more acute shortage, notably plates which can be rolled on continuous mills. In especially tight supply at present are plates, bars and structural shapes, in that order.

Whether the slackening in demand being experienced in some areas of the market accurately reflect basic economic conditions is debatable, "Steel" asserts. There is evidence to indicate some of the contraction being experienced in certain lines is directly attributable to government restrictions on production. Certainly there still is a large unsatisfied demand for steel as evidenced by the fact producers experienced a flurry of orders in virtually all major products just before Nov. 2, the date on which they were to open their books on a first-come first-served basis for January under government regulations, it adds.

Plate producers were under pressure for additional tonnage on the first-come first-served basis just before Nov. 2, "Steel" observes. But they had little tonnage open for the month. In fact, they will have little tonnage available outside their commitments for months to come barring order cancellations. In structurals, however, the situation presents a different outlook, it notes. While supply of shapes is short, fabricators are showing noticeably less concern in their inventory position with their order backlogs shrinking due to government restrictions on building. Early this year they held well over 12 to 15 months' work on order. Now they can accept rated tonnage for delivery in five to six months, this trade paper 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 101.1% of capacity for the week beginning Nov. 12, 1951, or an increase of 0.1 of a point from a week ago.

This week's operating rate is equivalent to 2,021,000 tons of steel ingots and castings for the entire industry, compared to 101.0%, or 2,013,000 tons a week ago, and 102.1%, or 2,041,000 tons a month ago. A year ago it stood at 102.7% of the old capacity and amounted to 1,980,800 tons.

Electric Output Attains New Historical High in Latest Week

The amount of electric energy distributed by the electric light and power industry for the week ended Nov. 10, 1951, was estimated at 7,396,115,000 kwh., according to the Edison Electric Institute.

The current total established a new all-time record high for the industry and compared with 7,319,019,000 kwh. produced in the previous week.

The current total was 77,096,000 kwh. above that of the preceding week; 822,031,000 kwh., or 12.5% above the total output for the week ended Nov. 11, 1950, and 1,961,560,000 kwh. in excess of the output reported for the corresponding period two years ago.

Carloadings Resume Downward Trend of Previous Week

Loading of revenue freight for the week ended Nov. 3, 1951, totaled 837,743 cars, according to the Association of American Railroads, representing a decrease of 26,218 cars, or 3% below the preceding week.

The week's total represented a decrease of 25,406 cars, or 2.9% below the corresponding week in 1950, but an increase of 258,762 cars, or 44.7% above the comparable period of 1949, when loadings were reduced by major strikes in the coal and steel industries.

Auto Output Makes Slight Advance From Previous Week

Combined motor vehicle production in the United States and Canada the past week, according to "Ward's Automotive Reports," rose to 120,483 units, compared with the previous week's total of 118,743 (revised) units, and 161,038 units in the like week of 1950.

Passenger car production last week in the United States was slightly below the previous week, and about 29% below the like week of last year.

For the United States, total output rose to an estimated 112,680 units from last week's revised total of 111,735 units. In the like week of last year output totaled 153,695 units.

Total output for the current week was made up of 87,778 cars and 24,902 trucks built in the United States, against 89,443 cars and 22,292 trucks last week and 126,412 cars and 27,283 trucks in the comparable 1950 week.

Canadian production last week was placed at 4,903 cars and 2,900 trucks, against 4,133 cars and 2,875 trucks the week before and 5,709 cars and 1,534 trucks in the like week of 1950.

Business Failures Rise Slightly

Commercial and industrial failures increased to 150 in the week ended Nov. 8 from 143 in the preceding week, according to Dun & Bradstreet, Inc. Although casualties were up moderately from a year ago when 135 occurred, they fell considerably below the 1949 total of 222 for the similar week and were down 44% from the prewar level of 269 in 1939.

The week's rise centered in small failures, those with liabilities under $5,000, which rose to 34 from 23 last week but remained below the 46 of this size recorded in 1950. Casualties involving liabilities of $5,000 or more dipped to 116 from 120 but nonetheless exceeded their total of 89 a year ago.

Wholesale Food Price Index Reflects Further Mild Decline

A further mild drop in the wholesale food price index, compiled by Dun & Bradstreet, Inc., brought the Nov. 6 figure to $6.64, the lowest level since Nov. 21, 1950, when it stood at $6.63. The latest index compares with $6.52 on the like date a year ago, or a gain of 1.9%. It is down 9.2% from the 1951 high of $7.31 recorded on Feb. 20.

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 Movements Show an Irregular Trend in Latest Week

The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., finished slightly higher last week following a mild dip at mid-week. The index closed at 305.02 on Nov. 5, comparing with 304.25 a week earlier, and with 297.79 on the corresponding date last year.

Movements in leading grain markets were mixed for the week. Wheat firmed up in the latter part, aided by pessimistic reports on the wheat crop in Western Canada and the outlook for greater exports from the United States. Corn was unsettled and irregular. Heavy selling of the yellow cereal reflected the possibility of a cease-fire agreement in Korea and reports of colder weather which is expected to hasten the curing of new crop corn. Oats prices strengthened under steady demand coupled with small receipts and light country offerings. Trading in grain futures on the Chicago Board of Trade increased moderately to a daily average of 51,000,000 bushels, compared with 47,000,000 the previous week, and 50,000,000 in the like week a year ago.

Flour prices were generally steady. Scattered bookings of small lots of hard Winter wheat bakery flours featured an otherwise dull domestic market. Trading in cocoa was fairly active as values continued to sag with most futures reaching new lows for the current season. Warehouse stocks of cocoa showed a further reduction during the week, reflecting a continuation of the longshoremen's strike.

Prices for coffee futures held in a narrow range and showed little net change during the week. In the spot coffee market, there was an urgent demand at ceiling prices for supplies that were immediately available. Raw supplies, however, were reported very tight as stocks continued to pile up on docks.

Sugar futures trended downward in the domestic and world markets, but the spot raw market at New York advanced about 10 points over a week ago.

The rise was largely influenced by a further tightening of raw supplies resulting from the dock workers' strike.

Lard was steadier the past week following the sharp declines of recent weeks. Although wholesale pork prices continued lower, live hogs strengthened as the result of smaller marketings.

Domestic cotton prices continued their upward trend during the week. The advance, which lifted values to new seasonal highs, reflected buying influenced by the request of the Department of Agriculture for increased production next year, the favorable outlook for export business, and the trade expectation of a further reduction in the Nov. 1 government crop estimate. Entries of cotton into the 1951 loan stock declined from 92,387 bales to 86,400 in the week ended Oct. 25, bringing total entries for the season to 628,170 bales. Exports of the staple for the season through Oct. 30, as estimated by the New York Cotton Exchange, totalled 1,102,000 bales, against 1,012,000 in the like period last year.

Trade Volume Extends Advance of Previous Week

Consumer spending rose very slightly throughout the nation, in the period ended on Wednesday of last week, partly in response to vigorous promotions and partly as a result of sustained cool weather in many regions. The week's retail dollar volume was noticeably above the level for the similar 1950 period, according to Dun & Bradstreet's current summary of trade.

The presence of cool weather was deemed responsible for a moderate increase in the sale of overcoats, topcoats and Winter suits in scattered shopping centers, bringing apparel demand to a level somewhat above a week ago. Requests for men's suits were limited in some sections, while the demand for some articles of children's clothing was seasonally low.

The over-all consumer purchase of food dipped slightly during the week following a decided drop in the demand for beverages.

Upward price adjustments on many items, however, helped to maintain dollar volume on a level substantially above a year earlier.

Total retail dollar volume for the period ended on Wednesday of last week was estimated to be from 2% to 6% above a year ago. Regional estimates varied from the levels of a year ago by these percentages:

New England, Midwest, and Southwest 0 to +4; East +2 to +6; South +1 to +5; Northwest +4 to +8 and Pacific Coast +3 to +7.

Ordering at the nation's wholesale markets rose slightly in the aggregate during the week, reflecting increases in both fill-in requests and Spring bookings. The total dollar volume of orders was considerably above the level of the corresponding week a year ago. The number of buyers attending various wholesale centers was slightly above that for the prior week and for a year earlier.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended Nov. 3, 1951, increased 11% from the like period of last year. In the preceding week an increase of 5% (revised) was registered above the like 1950 week and an increase of 7% for the four weeks ended Nov. 3, 1951. For the year to date, department store sales registered an advance of 3%.

Retail trade in New York reacted favorably last week to promotions, and as a consequence, most types of merchandise registered increases. The over-all advance for the week approximated 8%.

According to Federal Reserve Board's index, department store sales in New York City for the weekly period ended Nov. 3, 1951, advanced 7% above the like period of last year. In the preceding week no change was recorded from the similar week of 1950 but for the four weeks ended Nov. 3, 1951, an increase of 3% was registered above the level of a year ago. For the year to date volume advanced 5% from the like period of last year.

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The Outlook for Your Dividends

is indicative that a smaller, high cost, non-integrated producer can score a sharp gain in earnings on increased operations.

While Bethlehem is maintaining the present $1.00 indicated quarterly dividend rate on the common stock, Pittsburgh Steel has declared a 2% common stock dividend which is the first distribution on the junior equity since a cash payment on the old $100 par value common stock in 1930. The inference to be derived from the above comparison of earnings and dividends is not that Bethlehem has lost its position, but rather, that despite present-day problems of increased taxes, price controls, etc., some of the smaller, more marginal companies are in a position to resume or pay more liberal dividends. Some good companies, such as leading automotive producers, may well reduce dividend distributions, while other strongly entrenched units in more favorably situated industries should be able to maintain the current rate of cash distributions.

Companies engaged in such stable industries as food, proprietary drug and cigarettes may suffer particularly from higher corporate normal and surtaxes. Due to the very stability of the businesses in which they are engaged, they are not in a position to offset the increased tax burden with a larger volume of sales, while competition and controls make price increases difficult. Many of these concerns are of sound investment quality, but under current conditions, dividend reductions may become necessary in some instances.

Welfare Capitalism

Welfare capitalism is a rather vague subject in so far as evaluating its effects on corporate earnings or dividend payments. It deals primarily with the establishment of welfare plans and programs for employees at corporate expense. These expenses have bulked increasingly larger in the corporate picture in recent years as a result of the establishment of pension, health and other employee welfare programs. It is somewhat difficult to make an accurate breakdown of the percentage employee costs covering these items from the total labor cost. Obviously, payments to or for the account of employees in so far as vacations, sick leave, health benefits, unemployment insurance, etc., must also be included with the costs of pensions under the heading of Welfare Capitalism. The sum total of these expenses is quite large and increasing at what may be a rather alarming rate. It is interesting to note that when organized labor felt pay rates were pretty much in line with the cost of living, greater emphasis was placed on welfare or fringe benefits. Unquestionably, expenditures for welfare will increase as time goes on. A new and interesting development in this field which we may be able to observe in the years ahead is the demand for an annual minimum wage instead of merely an hourly basis of compensation.

These employee expenses are deductible items for tax purposes and thus, under high level taxation, employee costs are considerably less than at first glance. Ultimately, the consumer actually pays the cost of these increased benefits through higher prices as has been evident in the inflationary pattern of the last few years. Welfare capitalism is perhaps an indirect subsidy payment by the consumer rather than by the corporation itself or its stockholders.

Stock Options

While not an employee expense, some thought should be given to the possible effects of stock options granted to key personnel. The chief effect of such stock options would be a dilution of the shareholders' equity when the options are exercised. However, most employee stock options plans cover less than 5% of the outstanding common stock and thus, the dilution factor does not bulk large in the total picture. There is an offsetting factor in that the stock is not being given away, but rather sold at a price close to the public market price prevailing for the shares at the time the stock option is granted. Thus, the corporation is in effect undertaking new financing to a restricted group and would receive certain cash proceeds from the sale of its shares. These moneys would be added to the company's funds and used for general corporate purposes.

When properly used, options do not present a threat to the shareholder, but rather may be an advantage since they are an employee incentive to improve the overall position of the company.

Earnings Retained for Expansion

Current plant and equipment expansion programs will call for substantial capital outlays by corporate managements in the period ahead. It is believed that total outlays for plant and equipment for 1951 will approximate $25 billion, a new all-time high. The substantial modernization and expansion programs undertaken in the postwar period were largely financed from retained earnings rather than borrowing or new financing. This factor was responsible in large part for the relatively more conservative rate of dividend distribution in the war and postwar years than the rate of payout as a percentage of earnings prior to World War II.

The current expansion programs of industry may have some temporary moderating effect on dividend policies due to the large cash requirements for materials and equipment. Obviously, U. S. Steel's $400 million plant at Morrisville, Pennsylvania, will have some bearing on dividend payments in the immediate future although the benefits to be obtained from this operation may ultimately result in an increase in distributions. No doubt this factor had considerable weight on U. S. Steel's recent declaration of only the regular 75c dividend for December, whereas last year shareholders received a 75c special distribution along with an increase in the regular payment to 75c. Those plant expansion and improvement programs which have received certificates of necessity will allow a sharp buildup in the cash position once the properties are being amortized. It is entirely possible that some portion of these funds may be disbursed to shareholders or at least allow managements to take a more liberal policy toward the distribution of earnings.

Financial Position

While earnings are the chief determinant of dividend payments, financial position must be such as to enable a company to distribute some portion of the profits. Where heavy plant expansions are underway or working capital requirements are large, distributions may be somewhat restricted. Consideration must also be given to senior security requirements including not only bond interest and preferred stock dividend payments, but also maturities and sinking funds. Corporations in general, however, have shown a steady upward increase in net working capital since before World War II. The Securities & Exchange Commission estimated total corporate net working capital at close to $80 billion at the end of the first half of 1951, as against well under $40 billion at year-end 1941. In the same period, cash items have not shown as large a percentage increase, the bulk of the gain being in inventories and receivables. This is in part a reflection of the large volume of business handled and, in part, a reflection of a higher price level. It has, undoubtedly, importantly influenced the amount of dividend payments. Nevertheless, liquid finances have been sufficiently strong enough that total corporate dividends have increased fairly steadily since 1941.

Renegotiation

Renegotiation is primarily of concern to those companies engaging largely in government work. While virtually all segments of the economy are expected to participate in some phases of the defense economy, the leading industries falling in this category will include the aircraft, automotive and ordnance makers. Direct government contracts will be subject to renegotiation and it has been historically true that profit margins on this work are generally quite narrow. However, for those companies able to report a sharp increase in sales volumes, such as the aircraft makers, total profits should be quite large even though the percentage in itself is relatively small. In effect, the aircraft makers should do quite well under war or semi-war conditions, whereas the automotive producers are not expected to be able to achieve sufficient volume to maintain earnings at the excellent levels reported in 1949 and 1950. General Motors, as an example, did a larger volume of business in 1941 through 1945 than in the preceding peacetime years. However, the low profit margins obtainable and the increased taxes resulted in a decline in net earnings and dividend distributions during World War II. The aircraft companies, on the other hand, scored sharp gains not only in sales, but also in earnings and dividend payments.

New Financing

New financing may have some effect on dividend payments, dependent on the form which it takes. There are certain advantages to increasing debt structure for the tax benefits derived therefrom, and in some cases it is actually possible to earn more money through tax savings by borrowing. On the other hand, senior securities which are convertible into common stock may restrict, to some extent, the dividend potentialities on the junior equity by reason of the increased number of shares which may be outstanding as a result of conversion. Direct sale of additional shares of common stock, of course, has the same effect. In cases where the convertible securities or new common is sold by means of rights given to common stockholders, the latter are compensated, in part, for the dilution of their position since they may either subscribe to the new securities at a designated price (usually below the market or anticipated market price) or they may sell the rights which frequently possess substantial value.

Nevertheless most new financing recently undertaken or contemplated is being utilized for plant expansion or modernization of facilities which, in themselves, should result in larger earning power. It is a little early to evaluate the potential benefits from some of the newer plant construction, but in many cases it is fairly evident that the replacement of obsolete high-cost units will greatly augment the position of many of the companies. Good examples are the new melt shop being constructed by Jones & Laughlin to replace a bank of small units dating back to the turn of the century. Pittsburgh Steel is also greatly improving its trade position through modernization as well as the acquisition of additional facilities to round out and improve its over-all position.

The utilities provide an interesting contrast to many industrial concerns in the method of raising funds for expansion purposes. While the industrial companies have chosen to rely importantly on reinvestment of earnings, utilities generally pay out a higher percentage of earnings in the form of dividends. This causes the utility shares to sell more on a yield basis rather than merely on a price to earnings basis. The resulting higher prices for utility equities in relation to per share profits has enabled the utility companies to sell their stocks publicly at more favorable levels, and they have raised much of their new junior capital by this means.

This is probably a reflection of the more stable character of the utility industry when the common stocks can be regarded as investments for income. In many volatile industrial companies, temporary increases in dividend payments would not have a commensurate beneficial permanent effect on the prices of the shares.

Dividend Trends

In prewar years it was not uncommon to find many companies distributing 80% to 90% of net earnings to their shareholders. A recent compilation of selected companies and industries showed that, on the average, about 75% of pre-World War II earnings were distributed in the form of dividends. Increased taxes, plant expansion programs and the higher level of activity reduced the percentage distributed in the war years although the total dividend payout was actually larger. A continuation of this pattern was shown in postwar years with dividends for the same selected group of companies averaging approximately 50% in the years 1946 through 1950. Nevertheless, here too, total dividend payments were larger although the percentage to total earnings was smaller.

This pattern seems likely for 1951 and beyond. It is entirely possible that many companies will resort to stock dividends for year-end extra distributions rather than the cash payments distributed last year.

The New York Stock Exchange recently reported that for the ninth consecutive year, dividend distributions for the first nine months exceeded the previous year's distribution for the same period. The 1951 dividends of $3,730,000,000 were 9.4% above the 1950 nine months' total of $3,410,000,000. Individual industry payments, however, varied sharply as exemplified by the 47 oil and natural gas stocks which showed a gain of 28.8% whereas the 73 automotive issues showed 12.8% lower dividend payments. Of the 1,049 issues, 443 reported larger payments, 363 were the same and 137 declined. In general, "war babies" and capital goods producers reported increases whereas those fields catering primarily to civilian activities declined. Among the groups showing larger earnings and their percentage increases were aircraft, up 26.9%, mining up 24.7%, railroads and railroad equipment up 17.5%, tires and rubber up 22.0%, steel and iron up 21.0% and utilities up 12.1%. In addition to the automotive industry, amusements, tobacco, financial, leather, shipbuilding and ship operators reported lower payments this year than the amounts distributed in 1950.

The following tabulation more fully summarizes the beneficial effects of high level industrial activity on total dividend payments.

Conclusion

Although there may be some reduction in the rate of dividend payments in 1951 and 1952, they nevertheless should still be satisfactory as a whole, despite price controls, the excess profits tax and other adverse government regulations and welfare capitalism. A word of caution is advised, however, in the selection and retention of individual securities since all will not fare equally well.

CASH DIVIDENDS ON NYSE LISTED COMMON STOCKS
1st 9 Months 1951 vs. 1st 9 Months 1950

INDUSTRY—	No. Issues in Group	No. Div. Payers 1st 9 Mos. 1951	Div. Increased	Div. Same	Div. Reduced	Estimated Payments 9 Mos. 1951 (000 omitted)	Per Cent Change
Aircraft	24	19	11	6	2	$30,413	+26.9%
Amusement	23	17	6	8	3	41,998	— 9.4
Automotive	73	63	30	13	20	413,493	—12.8
Building Trade	30	29	11	14	4	43,213	+ 4.0
Chemical	79	75	44	20	11	406,048	+ 1.5
Electrical Equipment	22	21	14	4	3	104,748	+ 9.4
Farm Machinery	7	7	4	1	2	43,277	+16.7
Financial	32	30	15	11	4	72,632	— 1.2
Food Prod. & Beverages	70	63	18	34	11	161,839	+ 1.3
Leather & Its Products	11	9	3	5	1	14,370	— 0.7
Machinery & Metals	103	99	51	23	15	127,500	+ 6.9
Mining	42	34	23	7	4	141,539	+24.7
Office Equipment	10	9	4	4	1	23,830	+ 3.1
Paper & Publishing	36	31	15	8	8	65,817	+16.0
Petroleum & Natural Gas	47	45	31	11	3	572,937	+28.8
Railroad & RR. Equip.	81	61	22	33	6	177,814	+17.5
Real Estate	10	9	5	3	1	10,654	+ 5.0
Retail Trade	70	64	20	37	7	200,063	+ 7.7
Rubber	9	9	8	--	1	28,213	+22.0
Shipbuilding & Oper.	11	9	--	6	3	8,810	—17.2
Steel & Iron	38	35	25	7	3	178,913	+21.0
Textile	43	42	22	18	2	69,303	+26.3
Tobacco	16	15	--	12	3	57,132	— 2.1
Utilities	101	95	34	57	4	572,001	+12.1
U. S. Cos. Oper. Abroad	25	20	14	1	5	55,490	+24.5
Foreign Companies	18	16	6	5	5	81,054	+23.4
Other Companies	18	17	7	5	5	26,982	+12.9
TOTAL	1,049	943	443	363	137	$3,730,083	+ 9.4%

NOTE—Above table is from October issue of "Exchange" Magazine.

Israel & Co. Sells Central Okla. Oil Stk.

Israel & Co., members of the National Association of Securities Dealers, of New York, have sold all of the 299,970 shares of Central Oklahoma Oil Corp. common stock (par 10 cents) which were recently offered to the public "as a speculation" at $1 per share.

The corporation was formed in Delaware for the purpose of engaging in all phases of the oil business and, more particularly, to drill wells on certain properties in Creek County Lease Block, Oklahoma.

The net proceeds from the sale of the 299,970 shares are to be used to pay for drilling costs and for working capital.

Morton Seidel Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Herbert C. Adler has become affiliated with Morton Seidel & Company, 458 South Spring Street.

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Gold—Just Another Commodity!

ing that such an arrangement would be constructive in the present world situation.

"The commodities which could be considered for the plan must be non-perishable or at least semi-non-perishable. They have been divided into three classes: (1) Commodities produced principally outside of the United States; (2) Those produced in the U. S. A., and consumed in the U. S. A. in approximately equal quantity and protected by tariff; and (3) Those produced over the world and involving problems of storage and which are not exported in volume at the present time.

"Prices for standard grades of the commodities are given in cents per lb. except for crude oil which is given in dollars per barrel. The annual consumption for the United States is the average of the last ten years (1922-1931). The present value is the annual consumption times the present price. The prewar and postwar values are calculated from this same consumption figure and the average prices for ten-year periods before and after the war.

"The basic idea is that the commodities accepted as payment would not be consumed in commerce and no definite plans made at this time for their ultimate consumption, but that they would be held as part of the natural resources of the country to be used in case of a national emergency. This position could be justified as a national defense measure as it is very apparent that a proper supply of class 1 commodities might be very difficult to obtain in time of war even though this country itself were not engaged in the war. The commodities in class 2 and 3 would be very valuable in case this country itself became involved in war. A supply of class 1 commodities would also be valuable in case attempts were made outside of the U. S. A. to control the production and price of these commodities.

"Even though these commodities were not used in war, they would have a real value and at some time in the future could be fitted into the economy of the nation. Even if these commodities were never used but ultimately were destroyed without purpose there would be no greater loss than that incurred in canceling the equivalent debt which cancellation many people, especially from the other side of the Atlantic, are advocating."

(The class 1 commodities which I mentioned are: rubber, tin, nickel and silk. The class 2 commodities are copper, lead and aluminum. The class 3 commodities are crude oil, raw sugar and wool.)

Commodity	Yearly Consumption	Present Price (1932)	Present Value (1932)	Prewar Value Before (World War I)	Postwar Value (1922-1931)
Group No. 1—					
Rubber	1,110,000,000 Lbs.	$.0323	$35,853,000	$111,000,000*	$338,550,000
Tin	161,000,000 Lbs.	.225	36,250,000	56,100,000	74,500,000
Nickel	90,500,000 Lbs.	.360	32,600,000	36,200,000	29,500,000
Silk	67,000,000 Lbs.	1.46	98,000,000	264,000,000	378,000,000
Total			$202,703,000	$467,300,000	$820,550,000
Group No. 2—					
Copper	1,615,000,000 Lbs.	$.05	$81,000,000	$245,000,000	$218,000,000
Lead	1,152,000,000 Lbs.	.0287	33,100,000	53,100,000	76,800,000
Aluminum	163,957,850 Lbs.	.16	26,200,000	44,000,000	40,000,000
Total			$140,300,000	$342,100,000	$334,800,000
Group No. 3—					
Crude Oil	776,076,000 Bbls.	$.88	$682.000,000	$1,210,000,000	$1,050,000,000
Raw Sugar	10,450,000,000 Lbs.	.029	304,000,000	423,000,000	480,000,000
Wool	548,493,600 Lbs.	.20	110,000,000	272,500,000	244,000,000
Total			$1,096,000,000	$1,905,500,000	$1,774,000,000
Grand Total			$1,439,003,000	$2,714,900,000	$2,929,350,000

*Figured at 10c per lb. Actual average $1.19 per lb.

"The acceptance of these commodities in payment and their non-use in commerce at this time, would not further disturb the exchange of goods between the USA and the rest of the world. The effect on the finances of the world would be about the same as though the equivalent additional value in gold has been mined outside of the USA during the time these commodities were being shipped to the USA. The production of the commodities involved would use production facilities already available, increase employment, and probably increase the price of these commodities. This activity and price increase would stimulate business and the prices of other commodities and would probably hasten the return of prosperity.

"A serious consideration of the desirability of making such a commodity arrangement might be worthwhile even though it were not ultimated consummated. The debtor nations maintain that they cannot pay because we will not accept goods and they do not have enough gold to make payment. An offer to accept goods (commodities) which they could supply and which would not be influenced by our tariff wall would certainly help us to decide whether or not the debtors would pay if they could.

"Besides getting information and a point of view regarding their honest intentions, the fact that a reserve of the commodities in question would be a national defense measure for our country might be of considerable value as a trading point in disarmament discussions.

"A reasonable reserve of these commodities to consider would be a two-years' consumption for class 1—one year for class 2 and 3. This quantity to be taken in five years as long as prices are below the average of prewar values and at a rate of not more than 25% of the allotment in any one year. Using these figures and assuming that the average price would be 75% of prewar values, we obtain a total figure of $2,442,150,000, or an average payment of principal of $488,430,000 per year by this means.

"Of course, the suggestions made here do not constitute a complete plan as many details would have to be considered. It would probably be desirable to include other commodities, some chemicals for example. Storage facilities would have to be worked out, particularly for sugar and oil. Perhaps the oil would have to be exchanged for oil in reserve in this country, possibly still in the ground. The quality of the commodities would have to be carefully specified and inspected. However, none of the many details incident to this plan seem very difficult provided the main assumptions of the plan are logical and sound."

At the time (in the Fall of 1932) the market value of an average year's consumption of these basic materials was less than $1½ billion. Both the pre-World War I and the post-World War I values of these commodities were about twice as great as they were at the time the memorandum was written.

The comparison of the present 1951 prices with those of 1932 are startling, for example:

Commodity and Grade—	Average U. S. Consumption (Million units)	Price per Pound (Dollars/Pound) 1932	Price per Pound (Dollars/Pound) 1951 (Jan.-July)	Total Value (Million $) 1932	Total Value (Million $) 1951
Rubber (Smoked sheets—N. Y.)	1110 lbs.	$.0323	$.653	$36	725
Tin (Straits'—N. Y.)	161 lbs.	.225	1.3909	36	224
Nickel (Electrolytic—N. Y.)	91 lbs.	.360	.5272	33	48
Silk ((Raw—Japan 13/15)	67 lbs.	1.46	4.90	98	328
Copper (Electrolytic—N. Y.)	1615 lbs.	.05	.2420	81	391
Lead (Desilvered pig—N. Y.)	1152 lbs.	.0287	.170	33	196
Aluminum (⅔ prim. ⅓ scrap)	164 lbs.	.16	.1745	26	29
Crude Oil (Kansas-Okla.—at wells)	776 bls.	.88	2.570	682	1994
Sugar (96° centrifugal—N. Y.)	10450 lbs.	.029	.061	304	637
Wool (Raw—Ohio & Pa. fleeces)	548 lbs.	.20	1.257	110	689
Total				$1439	$5261

You will note that the total amount of material which would have cost something less than $1½ billion in 1932 would today cost more than $5¼ billion.

If our country had just adopted this policy in 1932 instead of going off gold convertibility and stockpiling gold, we would not only have made a big profit, but we would have importantly increased the real assets of the nation. Our government did mark up the value of the gold, which it had forced citizens to give up, from $20 to $35 an ounce and made an apparent profit which was used to balance an otherwise unbalanced budget. But this did not create any new wealth nor in itself raise the standard of living of the people. Perhaps what would have been even more important, by stockpiling these critical commodities we would have established greater security for our nation and we might have avoided World War II. But if we had not been finally able to avoid war, we would have been better prepared for it when it came.

What General Motors Did

While the nation did not do anything about this idea, we did do a little about it in General Motors. We have always considered General Motors to be a value-added industry and that it was our job to buy materials at the market and convert them into products that people wanted to buy. It is our policy to avoid speculation and maintain minimum inventories. However, in this particular case, the General Motors Finance Committee did appropriate some money for the specific purpose of buying additional commodities not immediately needed in our business but that could ultimately be used in our business. A committee of three, of which I was one, was appointed to carry out this idea. We only spent about one-half the money that was available to this committee because prices were so low it was difficult to make up our minds to buy.

Mr. C. O. Miller, who had had a great deal of purchasing experience and was in charge of the General Motors central purchasing at the time, had the responsibility of actually make the purchases approved by the committee. I remember of having a meeting of the committee, and Mr. Miller and I recommended additional purchases of rubber at 3½c per pound. Since we had already purchased 50 million pounds, the majority of the committee were unwilling to buy any more rubber at 3½c, thinking perhaps it might even go lower. About two days later Mr. Miller came into my office and said, "I am sure we made a mistake in not buying more rubber." I said, "Charlie, what additional information do you have that makes you so sure about the matter?" He answered, "I just bought some sheep manure for my lawn and paid 7c a pound for it, and when rubber is half the price of sheep manure I am sure it's a buy." A new kind of standard to measure values, but he was right.

Basis of Value of American Dollars

Actually, current American dollars amount to commodity and confidence money. While they no longer give the owners a call on so much gold, they do give a call on material, products and services at the market. This is the same position owners of gold would have been in if they could first exchange their currency for gold and would then have to exchange their gold for the other materials, products and services they wanted. The only advantage the owners of dollars would have if dollars were freely convertible into gold would be in case they wished to spend their money abroad or in case they wanted to hoard it, having no confidence in currency and expecting the value of currency to depreciate in terms of gold. Otherwise, they could hoard the currency just as well as they could hoard the gold if they expected later to buy at a lower price.

I am sure that the country will be very much better off if we adopt sound policies in regard to our credit and confidence money in order to avoid both inflation and deflation rather than depending on free convertibility of our currency into gold to accomplish this objective. This history of money throughout the world shows clearly that to rely upon gold for stabilizing the purchasing power of money is a vain hope. In addition, accepting this philosophy, proven to be false so many times, would delude us into thinking that we are making progress toward economic stability when we were merely closing our eyes to the economic facts of life.

Some weeks ago, Mrs. Wilson received a small silver coin from England which had been coined as part of a centennial celebration. It had on it an old inscription in Latin which was supposed to have appeared on the first silver coins coined in Britain. The English translation of this inscription is "By the industry of the people the state flourishes." You are all familiar with the inscription on our silver dollars which is "In God We Trust." I would recommend putting our confidence in these two ideas as a means of maintaining a sound value for our currency rather than its convertibility into gold.

So, I would like to say again, gold should be considered for what it really is, namely, just another commodity. I am not trying to mark down its value to the people of the world or trying to tell them what they should use it for. I am sure that to rely on gold as the basic means for maintaining and stabilizing the value of our money would again be a great mistake. The world has long since passed the point where the personal privilege to hoard gold can be justified as one of the main objectives of life.

Continued from page 14

We Should Have Free Gold Markets

ment cease the sale of gold for industrial purposes, although it should continue to buy all gold offered at the rate of $35 per fine ounce.

It should be made clear to the Administration that sales of gold to central banks and governments for monetary purposes should be made sparingly and only after the most careful scrutiny as to the character of the country of destination. In the past, much of the gold sold to central banks found its way into premium markets. It also seems evident that most foreign countries prefer gold in their own possession or earmarked for their account, to dollars in a commercial or Federal Reserve Bank. There seems to be an active distrust of the present price of gold offered by the United States Treasury for purchase or sale. An unchanged Mint purchase price of $35 per fine ounce would protect this country against those foreigners who have been raiding our gold supply during the past 25 months with the hope that they can eventually resell this metal to the Treasury at a price higher than the $35 per ounce.

Under certain circumstances the Treasury could continue to sell gold to friendly governments and central banks at the $35 figure. This right to sell should be left optional, as it is in the present law. Under the 1934 law the Treasury is not required to sell gold to anyone; sales are permitted, but not required. In my opinion the Treasury has often been negligent in administering this program. It has sold too freely without proper inquiry as to where the metal was going and how it was to be used. This proposed policy would conform strictly to the letter and spirit of the regulations of the International Monetary Fund.

Because the United States Government is the most important buyer of gold in the world, any change in world price must be acceptable to that government to be effective. The gold producer is not asking the government to increase the price it pays. In fact, he is asking that the official buying price for gold remain unchanged. All the producer wants is simple justice, the right to sell his product at whatever price he can obtain in the national or world markets. He is asking to be freed from the strait-jacket of price control clamped on him seventeen years ago. We all know now that the 1934 price was based on a complete misunderstanding of monetary principles. Time has demonstrated only too well the fallacies of this proposition. Immediately after 1933 our financial structure adjusted itself to the new price and the new supply of gold that was brought out by that price. In later years the United States and the world erected a credit structure that was far out of proportion to the increased inventory of gold.

The time has come to make a basic choice. We can deflate this credit structure with unemployment and falling prices, or rid ourselves of the fallacy that the $35 per ounce price of gold is sacred. Let us abolish the monopoly on gold in the United States. Let the forces of competition come in and establish, in a true American way, a representative price for industrial gold. This new price, based on the law of supply and demand, will be realistic. Let's stop kidding ourselves.

This country has grown since 1933. We have a greater productive capacity; we have better means of transportation; we have better means of communication, better schools, better hospitals, a better standard of living. I would like also to say that we have a better dollar, but as a realist I say that is something we all must work toward. It will require a lot of work and a lot of time and a lot of effort.

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Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

An early end of the cold war apparently out of the question, the market, reeling from its recent blows, recovered and has started to climb back to higher levels. The question still to be answered, however, is the prospects for the future.

* * *

Asking the question, "how about the future?" makes me feel like a swami peering into the future when actually the future is a murky mess I don't know anything about.

* * *

But if I don't know anything about the future, the market by its recent action indicates a number of interesting possibilities. And it is such possibilities this column will attempt to explore at this time.

* * *

The significant thing about the current market is the type of stocks that are slowly but surely poking up their heads. Oddly enough the majority of such stocks are not the accepted leaders or the conventional blue chips. They are the low priced issues which in many cases had their last move about ten months ago; the stocks in the 10 to 20 range, taking in such widely varied groups as the air lines, mail orders, dairies, ship builders, beer and liquor companies and television outfits.

* * *

Most of the stocks in these groups had their last important advance about 10 months ago. Coincidentally they acquired a public interest and thereafter went into a hibernation that gave holders of these stocks acute indigestion.

* * *

Looking back at these groups for the last ten months it looks as if they were under some kind of accumulation, an accumulation that now seems to be approaching completion. If that's the case a move of perhaps as long as a month, may start almost any day.

* * *

It is even likely that if such a move does start the leaders, or better still the averages, may do little of significance. Though it is quite unlikely that the averages will lie dormant during any advance in a low priced group.

* * *

It is also in the realm of possibility that a low priced advance may be the forerunner of a major decline, though calling attention to such a possibility may be premature. In any case you now have two sides to the picture. What you will do about it remains your business.

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

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Richfield Oil . .	@57	Dec. 31	362.50
Molybdenum. .	@52	Dec. 19	487.50
Schenley Ind. .	@33½	Dec. 31	137.50
Int'l Tel. & Tel.	@16⅜	Feb. 19	137.50
Amer. Woolen.	@40	Dec. 31	237.50
Pure Oil	@55	Feb. 9	375.00
St. L.-San Fr. .	@26⅝	Jan. 11	250.00
So. Railway . .	@51	Dec. 26	200.00
Homest. Mng. .	@36½	Feb. 2	287.50
New Mex. Ariz.	@24¼	Jan. 2	375.00
Beth. Steel . . .	@50½	Dec. 31	237.50
U. S. Steel. . .	@41	Dec. 26	137.50
Zenith Radio. .	@63	Dec. 31	475.00
Radio Corp. . . .	@23⅝	Jan. 7	87.50

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Two With A. M. Kidder

(Special to THE FINANCIAL CHRONICLE)

FT. LAUDERDALE, Fla.—Richard F. Baldwin and George E. Hudson have become associated with A. M. Kidder & Co., 297 East Las Olas Boulevard. Mr. Hudson was formerly with Daniel F. Rice & Co. and prior thereto with Lawrence R. Leeby & Co.

W. J. Mericka Adds

CLEVELAND, Ohio—G. Thomas Greenfield has become associated with the sales department of Wm. J. Mericka & Co., Inc., Union Commerce Building, members of the Midwest Stock Exchange.

With Rockwell-Gould

ELMIRA, N. Y.—Rockwell-Gould Co., Inc., 159-167 Lake Street, announce that Mrs. Stephanie Patterson of Owego, N. Y. has been added to their sales staff.

With Lester, Ryons

(Special to THE FINANCIAL CHRONICLE)

SANTA ANA, Calif.—Charles A. Swanson is now with Lester, Ryons & Co., 312 North Main Street.

King Merritt Adds

(Special to THE FINANCIAL CHRONICLE)

BENICIA, Calif.—Rae A. Theuer is now with King Merritt & Co., Inc.

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Outlook for Stock Prices and Reasons for Recent Reversal

thus began to appear signs of weakness of quality stocks.

The condition of the market pictured by Chart II finds an even more striking illustration in Chart III, which views the same statistical picture from a different angle.

On Chart III, the daily numbers of shares traded in our 50 vision stocks are related directly to the daily volumes of transactions in our value stocks, instead of computing their relative percentages of total volume. To compute the Ratio of Volumes shown on Chart III, we place the volume of vision stocks in the numerator, while the volume of value stocks forms the denominator of the Ratio. This method gives a more homogeneous character to the comparison which is thus carried out in terms of the same 100 stocks throughout the entire period, thereby excluding random influences.

The Action of the Ratio of Volumes

Chart III begins by picturing the final phase of the descent from last May's highs to the bottom of last June. This tail-end decline was accompanied by a rise of the Ratio of Volumes, reflecting the predominance of disappointed speculative selling. To distinguish the rises of the Ratio occurring in a falling market from its rises which are coincidental with an improving price trend, they may be designated as "inverted" rises. On Chart III, the Ratio's inverted rises are marked by two small parallel cross bars. In order not to clutter up the chart, and to facilitate its reading, the inverted rises of the Ratio have been omitted during the period of the market's rise.

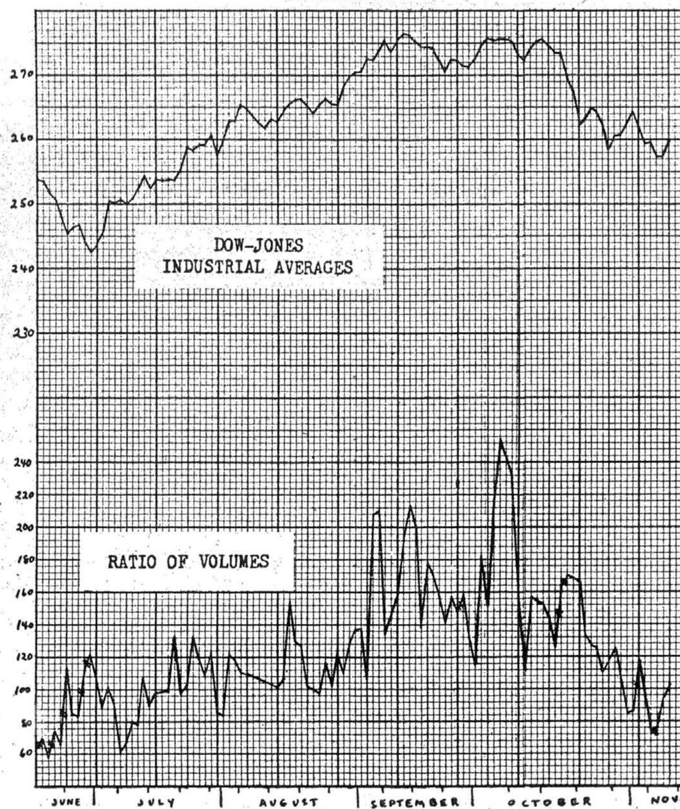
As the Dow-Jones industrials, in the course of the decline, began to approach once more the 240 level, larger purchases of quality stocks returned to the investment scene. The denominator of the Ratio of Volumes started growing. At the end of June, its numerical value exceeded that of the numerator, and, accordingly, the Ratio turned downward. This coincided with the reversal of the market itself, and indicated a selling climax.

For a brief period, the volume of transactions in value stocks continued to exceed that of the speculative contingent of the market. Accordingly, the Ratio of Volumes was declining. But beginning with the second half of July both the Ratio of Volumes and the Index of Effective Demand began a series of advances, indicating a return of broader public participation in stock market activity.

The real fireworks in the Ratio of Volumes did not occur until September. On Sept. 6, the Ratio recorded a jump of 100 points from the preceding day's close, and the next day added a few more points to finish at 210. It remained at a fairly high level throughout most of the following week, ending it, on Sept. 14, at the high point of 212. A long road had been travelled by the Ratio from its low of 61 recorded on July 9. The peak reached at the end of this journey seemed sufficiently elevated to mark an important buying climax.

The subsequent decline of the Ratio of Volumes suggested that this possibility was not excluded. In fact, such actually proved to be the case. But the market soon made another attempt to keep the kettle boiling. Once again, most of the fuel was provided by vision stocks. Beginning with the second half of September, as was indicated by Chart II, value stocks were producing abundant evidence of battle fatigue. Still, in the course of the first week of October, they made yet another half-hearted effort. But it was clearly visible that their life stream was rapidly waning. In terms of relative activity of transactions, they were far outdistanced by vision stocks. On Friday, Oct. 5, the Ratio of Volumes rose to the unusual peak of 255. The following day it jumped to 331. Since Saturday trading may present a distorted picture, and is not completely comparable to normal full-day sessions, this point was not plotted on Chart III. Even so, Friday's high stands out like an impressive summit—perhaps as a last salute to the bull market.

CHART III



The Ratio of Volumes could not indefinitely linger at these exalted heights. The slowly but surely mounting selling pressure laid its heavy hand on value stocks, swelling the denominator of the Ratio. Simultaneously, the speculative activity in vision stocks dwindled. The steam that was propelling the final phase of the advance was drying up. With the buying of vision stocks falling off, while the selling of value stocks was growing, the Ratio of Volumes recorded a quick collapse, indicating thereby that the party was over. The timing of this event could not have been forecast in advance. Nor could it have been taken for granted that it would present itself in such a clear-cut manner. But once we saw it unfold, a break of the market had become a probability of a high order; it was as close to certainty as is possible in so uncertain a field.

Intermediate Cycles

The ensuing decline was sharp. It is sufficiently recent to need a description. But it is of greater interest to note that already there are some indications, some precursory signs of a possible change in the speculative weather. If we revert to Chart II, we shall see that once again a shift took place in the character of trading. After the averages touched their first low during the recent break, i.e., after Oct. 22, the percentage of the volume of value stocks to total volume has been moving mostly in the positive direction. In other words, since that time, the relative volume of value stocks had a tendency to expand concurrently with rises in stock prices and to shrink on declines, while the contrary was true of vision stocks. As a result, the Ratio of Volumes pictured on Chart III declined almost to the level from which it began to register the trend-building phase of the summer advance. We see on this chart a rather neat technical picture of a full intermediate cycle. It constitutes a good practical illustration of the mechanics of the formation and disintegration of intermediate moves described in an earlier article published in the "Chronicle" on Dec. 30, 1948.

The better performance of the market in the course of the two final sessions of last week has not been sufficiently conclusive to justify a conviction that a new rising phase is already under way. It is possible that the market may yet have to face more selling before a new intermediate cycle begins.

If we are still in a bull market, the rising phase of the next intermediate swing should carry the averages to new highs. To me this seems unlikely. I am inclined to consider the intermediate cycle which we have been just discussing as the first link in a chain of coming downward adjustments of stock prices.

A Technical Pattern

We have used three charts in this discussion. In a graphical form, they presented some statistical data derived from stock prices and the activity of trading. To quote from a textbook of statistics used by me some 25 years ago, or more, at Harvard, "charting is quite generally a preliminary or intermediate step in the analysis of time or frequency series. . . . It is quite as thoroughly a tool of research as a method of presentation."

Statistical charting of this kind is an adjunct of scientific analysis. It has little in common with the "reading of the charts" in the Wall Street sense. The latter usually means interpretation, in the light of past experience, of patterns of price behavior recorded on a chart. I am only superficially familiar with this technique. But I believe I am correct in saying that the

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pattern of this year's market action is quite impressive. The broken line triangle on Chart I encompasses what market technicians describe as a "broadening top," which is one of the basic reversal patterns. It will not become completed until the averages have broken through the June lows. When such a breakthrough occurs, there usually follows another deep decline. Until then, optimists will not surrender the hope that the market may yet turn around, rise to new highs and leave the ominous pattern uncompleted.

The Economic Background

If one looks at the "broadening top" pattern not just by itself but in conjunction with the Index of Effective Demand appearing on the same graph, it becomes difficult to give it a hopeful interpretation. In this connection our index strikes again a pessimistic note. Perhaps before we definitely accept this message, we should filter it to make sure that it is unambiguous and clear. As we know, this index is a ratio. Therefore, its meaning is complex rather than simple. It cannot be used as a mechanical gadget. Uncomfortable as it may be, it is not a robot which can give us dispensation from the need for exercising judgment.

Like any ratio, the index reflects the interactions of two factors. As a little probing will show, it can decline as a result of five different types of relations between the factors in question. It is easy to imagine, for instance, a highly bullish meaning for a decline of the index. This usually occurs, in fact, during the early phase of an important rise when value stocks are sought out by investors while vision stocks find little support on the part of the still shattered speculative spirit. But in a favorable economic climate vision stocks will eventually pull up alongside and even exceed the advance of value stocks. This would be then reflected in a strong upsurge of our index. In this anticipation, we should disregard what is likely to prove a passing weakness on its part.

To secure a reliable reading, we must therefore view the index against the economic background. Since the beginning of 1951, there has been no reason for investors to hope for an economic improvement sufficiently abundant to overflow at the margin and strengthen the relative prosperity of secondary companies. On the contrary, is it not more reasonable to assume that the weakness of the ratio has been caused by the greater sensitivity of the marginal concerns to the less favorable economic conditions appearing on the horizon?

There has been no improvement in the economic outlook since the publication of the two papers mentioned at the beginning of this discussion. Some of the then expected unfavorable developments have since become accomplished facts. The most telling event in this respect has been the appearance of corporate earnings for the third quarter of the current year. As you know, approximately 75% of the reporting companies showed declining profits after taxes. The average decrease amounted to almost 30%.

Higher tax rates and the retroactive feature of the new law were not the only reasons for this poor showing. According to quarterly estimates released jointly last month by the Federal Trade Commission and the Securities and Exchange Commission, net profits before taxes of all manufacturing corporations had shown already in the second quarter of this year a decline from the preceding quarter. And as to the third quarter, it seems clear that one of the causes of the shrinking earnings was a decrease in the volume of business of many corporations. Information recently published by the Department of Commerce with respect to manufacturers' unfilled orders and the Federal Reserve Board's latest analysis of the consumer goods situation, as well as other statistical data are all adding to the evidence that the basic problem of the day is lagging demand rather than shortages in supply.

It is probably true that the third quarter of 1951 will show the worst earnings picture for some time to come. The coming quarterly earnings reports will no longer have to cope with the problem of retroactive adjustments for insufficient previous accruals. Thus, they should show an improvement compared to the third quarter even though they will look unfavorable by comparison with the corresponding quarters of the preceding year. But once plant and equipment expenditures begin to contract and the general economic activity starts to recede, the decline in corporate sales will become more marked. A new series of unfavorable comparisons will then descend upon corporate earnings.

The basic cyclical time series of profits is not the only one to have turned downwards. In fact, its downturn had been preceded, earlier this year, by a turnabout in commodity prices and interest rates. There are other important economic series which we can reasonably assume to have passed their cyclical peaks. We could at least tentatively enter on this list the series which, from our point of view, is the most important of them all, viz., that of stock prices. I doubt we should later have occasion to consider such inclusion as too hasty.

There are, of course, still many factors pointing upwards. But this is as it should be. Imagine a statistical table showing the movements of a thousand economic activities and, as Burns and Mitchell say in "Measuring Business Cycles," you "will begin to face in their full complexity the timing relations among the cyclical movements of actual life." But the authors add immediately that "although the four phases of expansion, recession, contraction and revival will be found running side by side at all times, the basic conception that emerges is that at any one time one phase is dominant."

Perhaps I am prejudiced by my opinion concerning economic and stock market conditions and am unconsciously seeking out current developments that tend to confirm my views. But it does seem to me that what we observe is a succession of economic time series gradually bending over from expansion into recession as part and parcel of a general cyclical peak.

The Question of Inflation Once More

One of the dominant influences causing last summer's upward drive of stock prices was the fear of inflation. However, spasmodic stock market movements, which sometimes occur during the inception of real or imaginary inflationary periods, are caused by waves of speculative emotionalism, not by changes in economic fundamentals that might be brought about by the expected depreciation of the currency. Changes in the purchasing power of money do not affect the bases for the valuation of stocks, which continue, as always to be bound to corporate earnings. Inflation might be accompanied by a bear market if it produced conditions unfavorable to profits; for example, if costs, such as wages, rose faster or further than selling prices, as may easily happen in a controlled economy. During inflation the prices of stocks rise if earnings in depreciated currency are increasing. But there is no logical reason why one should pay higher prices in sound money in order to get eventually a larger sum in depreciated currency.

Financial history confirms that earnings continue to govern stock prices in inflationary periods. The classical example is that of the French inflation following World War I up to the Poincare stabilization of the franc. Despite the substantial decline in the value of the currency, as measured by its fall on foreign exchange markets and by the rise in the wholesale price level, the progressive depreciation of the monetary unit was translated into stock prices only so far as it affected corporate earning power. And since companies engaged in different spheres of economic activity benefited or suffered from inflation in varying degree, the prices of their stocks diverged widely.

The situation was similar in England during the postwar inflation until 1920. The inflationary trends did not become evident in stock prices until company earnings had begun to rise.

Earnings lose their influence over stock prices only if and when inflation reaches the stage where the value of money is melting so rapidly that there is a real flight from the currency. If sound foreign currencies are accessible to the public, they are the first and most popular refuge. Any assets that offer more solid value, such as real estate, commodities, and stocks, are other islands of financial salvation from the flood of paper money. When the currency is certain to be worth less tomorrow and probably nothing the day after, stock yields and earnings lose meaning. It's a financial *sauve qui peut.*

That such a stage is unlikely to be reached in this country in any visible future hardly deserves elaborate demonstration. But even as an emotional stimulant to stock buying, inflation seems to be fading out of the picture for the time being. The skepticism expressed in this connection in the article of Aug. 16 seems to have been justified by events.

As was stated previously in this discussion, the threat of shortages is lessened or postponed until some indefinite future. The well advertised "inflationary gap" has not materialized so far. At the other term of the money and goods relation, the prospects of enormous deficits are being whittled down to a less terrifying size. For the balance of the current fiscal year, the Mills law has placed corporate taxes practically on a pay-as-you-go basis. It will serve to strengthen considerably the Treasury's cash position. Even for the fiscal year 1953, which is likely to witness the peak military expenditures, many experts now look forward to a cash deficit within a range of estimates that is small in terms of gross national product. And if we extend our vision beyond the borders of the U. S. A., we may well wonder whether measures recently taken by the Bank of England and the Bank of France do not lend added significance to earlier interest rate developments in this country.

The Trend of the Stock Market

It may be asked why we should waste so much time and effort in studying something that perhaps does not exist. The general market is the sum total of all the stocks traded in it. And we know only too well from constant experience that many currents crisscross its price formation surface. Individual stocks and stock groups of various classifications frequently follow completely heterogeneous price movements and sometimes even seem to be propelled in diametrically opposite directions. What is the point then of discussing a general price movement?

This is a good question. Closer study, however, soon reveals that despite the undeniable cross-currents, stock prices do move in overall general directions. Whether we take at random a small statistical sample of five stocks, or increase it to 50, or blow it up to 500, we shall observe the same unmistakable general movement. In their already mentioned book, Burns and Mitchell specifically demonstrate that, for every cycle in general business, there is a cycle in stock prices and even in the number of shares traded. Not until we have more conclusive evidence that government intervention can eliminate cyclical fluctuations can we neglect the study of their effects on stock prices.

The importance of studying the general movement of the stock market was well expressed by an expert who is not a professional market analyst but on the contrary one of the leading analysts of security values. In an address before a national convention of security analysts, Dr. William F. Edwards had the following to say on the subject:

"The price trends of reasonably well-selected common stocks are probably controlled to the extent of at least two-thirds by the general movement of stock prices. Studies of the proportion of common stocks that advance in price when the stock market is rising and decline in price when the market is receding; of the proportion of listed securities that make major tops and bottoms at approximately the same time, and the experience of large investment funds all support this conclusion. If fully invested in common stocks during a phase of decline in the stock market, the probabilities are at least two out of three that the results will be unfavorable. Conversely, if in a rising market one holds a reasonably well-selected portfolio of common stocks, the probabilities are at least two out of three that he will do well. During dynamic phases of the stock market, such as the declines of 1929 into 1932, the summer of 1937 into 1938 and the less important but more recent decline in 1946, the influences affecting the stock market as a whole may control the price trends of individual common stocks to the extent of 80% to 90%; or even more."

Furthermore, not for practical reasons alone, but also on theoretical grounds, we cannot abandon lightly the use of conceptual devices. Progress of knowledge brings with it increasing use of generalizations and abstractions. Statisitcs could not exist without the use of general trends or summary numbers. Should we reject an average if none of the individual values of a variable in a statistical series happens to coincide with this average, which merely represents the typical value of them all? Conceptual generalizations, like the eternal "Mothers" in Goethe's "Faust," are the guardians of our culture.

Conclusion

Neither an analysis of the trend of the stock market nor a review of economic conditions can help us to answer with complete assurance whether the October break was a mere passing incident in a continuing bull market or the beginning of a significant downward trend. But we can at least arrive at an informed opinion. In my judgment, a marshalling of relevant facts by the means of both these approaches favors the probability that we have left the bull market behind us.

For those who share this opinion, there is no single method for using it as a guide for practical operations. The attitudes of long-term investors for income and sort-term traders for profit would obviously differ and could conceivably stand at the opposite poles of complete disregard and strict adherence. But between these extremes there extends a wide range of transitions whose shadings are rendered even more subtle by the infinite variations in the types of individual or collective investors, the size and character of their holdings, the nature of their tax problems as well as the principles and objectives governing their investment policies. I shall not irritate you by writing out a prescription for one and all.

Besides, those economic activities which have already turned downward are still in the early phase of the decline. And in the economy around them there are many elements of strength. Nor should we underestimate the dynamic force of the defense program. The demand for goods and services flowing out of military expenditures will keep business active in wide areas for many months to come. Even at a later stage of the cycle, the application of new governmental techniques will probably considerably soften its contours and alter its rhythm. In the meantime, the emotional climate of an election year that promises to be particularly exciting is likely to bring in its wake sudden speculative movements. Powerful intermediate rises should interrupt the unfolding of the basic downward trend. Market analysis will try to locate their inceptions and reversals until the welcome moment when it will have the privilege of identifying once more the beginning of a new bull market.

$40,000,000 Detroit Edison Bonds Offered

An underwriting group headed by Kuhn, Loeb & Co. is offering $40,000,000 The Detroit Edison Co. general and refunding mortgage bonds, series K, 3⅜% due Nov. 15, 1976, at 101.783 and accrued interest. Other members of the underwriting group are: Blyth & Co., Inc.; Union Securities Corp.; Wood, Struthers & Co.; Carl M. Loeb, Rhoades & Co.; Fulton, Reid & Co.

Proceeds from the sale of these bonds will be applied toward the company's construction program in 1952. The company has been engaged for several years in making extensive additions to plant to meet the increasing demand for its services. Gross expenditures for property additions from 1947 through the first nine months of 1951 were approximately $217,000,000. The accelerated defense program and continued growth of ordinary requirements will necessitate a continuation of additions to plant.

Redemption of the bonds may be made at prices ranging from 104.79% to par.

Serving an area of 7,587 square miles with a total estimated population of 3,371,000, The Detroit Edison Co. is the only electric utility selling electric lighting and power in the City of Detroit and in extensive adjacent territory in the State of Michigan. In addition, the company sells to Consumers Power Company all of the electric energy requirements for the City of Pontiac. The company also conducts a steam-heating business in the central business section of the City of Detroit. Water service is furnished in the City of Vassar.

Goodbody's Quarter Century Dinner

The New York Stock Exchange firm of Goodbody & Co., 115 Broadway, New York City, established in 1891, will hold its Quarter Century Club Dinner tonight (Nov. 15) in the Manhattan Room of the New York Athletic Club for the firm's 27 members. Marcus Goodbody will preside and present watches to three new members of the 25-year group.

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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. 18	101.1	101.0	102.1	102.7
Equivalent to—					
Steel ingots and castings (net tons)	Nov. 18	2,021,000	2,019,000	2,041,000	1,980,800
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output — daily average (bbls. of 42 gallons each)	Nov. 3	6,287,800	6,339,900	6,337,600	5,888,900
Crude runs to stills—daily average (bbls.)	Nov. 3	‡6,543,000	6,461,000	6,536,000	6,117,000
Gasoline output (bbls.)	Nov. 3	22,057,000	22,364,000	21,446,000	20,156,000
Kerosene output (bbls.)	Nov. 3	2,737,000	2,573,000	2,656,000	2,309,000
Distillate fuel oil output (bbls.)	Nov. 3	9,226,000	9,380,000	9,329,000	8,747,000
Residual fuel oil output (bbls.)	Nov. 3	8,792,000	8,433,000	8,330,000	8,500,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Nov. 3	109,513,000	111,120,000	112,703,000	104,350,000
Kerosene (bbls.) at	Nov. 3	33,522,000	33,541,000	33,704,000	29,115,000
Distillate fuel oil (bbls.) at	Nov. 3	102,926,000	102,106,000	98,198,000	86,886,000
Residual fuel oil (bbls.) at	Nov. 3	48,570,000	49,168,000	47,966,000	44,911,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Nov. 3	837,743	863,961	858,750	863,149
Revenue freight received from connections (number of cars)	Nov. 3	696,496	708,620	709,524	723,309
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Nov. 8	$159,525,000	$209,778,000	$220,702,000	$101,916,000
Private construction	Nov. 8	85,693,000	140,314,000	108,463,000	39,831,000
Public construction	Nov. 8	73,832,000	69,464,000	112,239,000	62,085,000
State and municipal	Nov. 8	54,267,000	53,602,000	86,234,000	52,924,000
Federal	Nov. 8	19,565,000	15,862,000	26,005,000	9,161,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Nov. 3	11,315,000	*11,565,000	10,865,000	11,535,000
Pennsylvania anthracite (tons)	Nov. 3	673,000	1,086,000	981,000	583,000
Beehive coke (tons)	Nov. 3	143,500	*136,600	139,900	158,600
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE = 100	Nov. 3	348	327	318	315
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Nov. 10	7,396,115	7,319,019	7,160,380	6,574,084
FAILURES (COMMERCIAL AND INDUSTRIAL)—DUN & BRADSTREET, INC.	Nov. 8	150	143	126	135
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Nov. 6	4.131c	4.131c	4.131c	3.837c
Pig iron (per gross ton)	Nov. 6	$52.72	$52.72	$52.72	$49.69
Scrap steel (per gross ton)	Nov. 6	$42.00	$42.00	$43.00	$41.67
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Nov. 7	24.200c	24.200c	24.200c	24.200c
Export refinery at	Nov. 7	27.425c	27.425c	27.425c	24.425c
Straits tin (New York) at	Nov. 7	103.000c	103.000c	103.000c	151.000c
Lead (New York) at	Nov. 7	19.000c	19.000c	19.000c	17.000c
Lead (St. Louis) at	Nov. 7	18.800c	18.800c	18.800c	16.800c
Zinc (East St. Louis) at	Nov. 7	19.500c	19.500c	19.500c	17.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Nov. 13	97.59	97.72	98.03	101.63
Average corporate	Nov. 13	109.60	109.60	111.07	115.43
Aaa	Nov. 13	114.08	113.89	115.63	119.61
Aa	Nov. 13	112.93	112.93	115.04	118.80
A	Nov. 13	108.88	108.70	109.97	114.66
Baa	Nov. 13	103.30	103.47	104.31	109.06
Railroad Group	Nov. 13	105.86	105.86	107.80	111.62
Public Utilities Group	Nov. 13	109.42	109.42	110.07	115.82
Industrials Group	Nov. 13	113.89	113.70	114.66	119.00
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Nov. 13	2.66	2.65	2.63	2.37
Average corporate	Nov. 13	3.19	3.19	3.11	2.88
Aaa	Nov. 13	2.95	2.96	2.87	2.67
Aa	Nov. 13	3.01	3.01	2.90	2.71
A	Nov. 13	3.23	3.24	3.17	2.92
Baa	Nov. 13	3.55	3.54	3.49	3.22
Railroad Group	Nov. 13	3.40	3.40	3.29	3.08
Public Utilities Group	Nov. 13	3.20	3.20	3.11	2.86
Industrials Group	Nov. 13	2.96	2.97	2.92	2.70
MOODY'S COMMODITY INDEX	Nov. 13	461.4	458.0	461.3	488.1
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Nov. 3	297,394	184,971	287,590	321,394
Production (tons)	Nov. 3	207,910	203,278	215,312	236,142
Percentage of activity	Nov. 3	85	85	88	102
Unfilled orders (tons) at end of period	Nov. 3	487,788	402,751	528,885	774,891
OIL, PAINT AND DRUG REPORTER PRICE INDEX — 1926-36 AVERAGE = 100	Nov. 9	149.1	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. 27	42,697	33,621	29,815	35,054
Number of shares	Oct. 27	1,224,443	1,016,076	867,872	1,058,610
Dollar value	Oct. 27	$53,842,025	$45,120,076	$37,739,448	$44,640,123
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Oct. 27	32,865	31,172	26,625	36,060
Customers' short sales	Oct. 27	532	239	149	276
Customers' other sales	Oct. 27	32,333	30,933	26,476	35,784
Number of shares—Total sales	Oct. 27	971,059	903,857	753,464	1,044,301
Customers' short sales	Oct. 27	17,049	8,600	5,046	10,451
Customers' other sales	Oct. 27	954,010	895,257	748,418	1,033,850
Dollar value	Oct. 27	$41,923,238	$38,304,868	$30,723,051	$40,534,080
Round-lot sales by dealers—					
Number of shares—Total sales	Oct. 27	265,550	296,670	216,000	326,910
Short sales	Oct. 27	------	------	------	------
Other sales	Oct. 27	265,550	296,670	216,000	326,910
Round-lot purchases by dealers—					
Number of shares	Oct. 27	487,220	353,150	320,350	347,990
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR—1926 = 100:					
All commodities	Nov. 6	177.2	177.0	177.4	170.4
Farm products	Nov. 6	193.3	192.1	193.1	181.2
Grains	Nov. 6	191.3	189.5	185.1	172.6
Livestock	Nov. 6	246.7	247.6	257.2	225.5
Foods	Nov. 6	190.1	189.9	191.3	172.5
Meats	Nov. 6	279.2	282.1	285.1	237.6
All commodities other than farm and foods	Nov. 6	165.3	165.1	165.0	163.0
Textile products	Nov. 6	158.1	*157.0	157.1	164.8
Fuel and lighting materials	Nov. 6	138.7	138.8	138.9	135.4
Metals and metal products	Nov. 6	190.9	190.9	190.9	180.7
Building materials	Nov. 6	223.9	223.8	223.2	216.8
Lumber	Nov. 6	345.6	346.6	344.5	‡
Chemicals and allied products	Nov. 6	140.7	140.7	140.9	134.0

*Revised. ‡Not available. ‡Includes 486,000 barrels of foreign crude runs.

	Latest Month	Previous Month	Year Ago
BUILDING CONSTRUCTION PERMIT VALUATION IN URBAN AREAS OF THE U. S. — U. S. DEPT. OF LABOR — Month of August (000's omitted):			
All building construction	$755,926	$703,258	$1,102,437
New residential	401,779	376,217	650,625
New nonresidential	253,957	224,381	336,375
Additions, alterations, etc.	100,190	102,660	115,437
BUILDING CONSTRUCTION—U. S. DEPT. OF LABOR—Month of October (in millions):			
Total new construction	$2,692	$2,837	$2,773
Private construction	1,789	1,879	2,025
Residential building (nonfarm)	933	934	1,247
New dwelling units	830	825	1,145
Additions and alterations	89	93	84
Nonhousekeeping	14	16	18
Nonresidential building (nonfarm)	390	451	382
Industrial	177	202	112
Commercial	83	100	136
Warehouses, office and loft buildings	36	45	43
Stores, restaurants, and garages	47	55	93
Other nonresidential building	130	149	134
Religious	33	42	40
Educational	29	32	29
Social and recreational	9	12	23
Hospital and institutional	36	37	30
Miscellaneous	23	26	12
Farm construction	108	130	95
Public utilities	353	358	294
Railroad	38	35	32
Telephone and telegraph	37	40	39
Other public utilities	278	283	223
All other private	5	6	7
Public construction	903	958	748
Residential building	69	65	30
Nonresidential building	310	323	247
Industrial	106	103	31
Educational	125	136	115
Hospital and institutional	48	49	42
Other nonresidential building	31	35	59
Military and naval facilities	127	120	28
Highways	235	275	265
Sewer and water	61	65	65
Miscellaneous public-service enterprises	16	20	21
Conservation and development	79	83	84
All other public	6	7	8
CONSUMER PRICE INDEX FOR MODERATE INCOME FAMILIES IN LARGE CITIES—1935-1939 = 100—Adjusted as of Sept. 15:			
All items	186.6	185.5	174.6
All foods	227.3	227.0	210.0
Cereals and bakery products	189.4	188.7	176.9
Meats	277.6	276.6	260.2
Dairy products	206.4	205.9	186.9
Eggs	239.3	225.8	192.1
Fruits and vegetables	205.1	208.9	186.0
Beverages	345.0	345.2	327.3
Fats and oils	161.5	162.7	154.8
Sugar and sweets	188.2	188.3	185.4
Clothing	209.0	203.6	189.8
Rent	137.5	136.8	131.8
Fuel, electricity and refrigerators	144.4	144.2	141.2
Gas and electricity	97.3	97.3	96.9
Other fuels	204.9	204.2	196.1
Ice	157.8	157.8	148.1
House furnishings	211.1	210.8	194.2
Miscellaneous	166.0	165.4	157.8
COTTON GINNING (DEPT. OF COMMERCE):			
Running bales (excl. of linters) to Oct. 18	8,389,303	------	4,869,675
COTTON PRODUCTION — U. S. DEPT. OF AGRICULTURE—Estimates as of Nov. 1:			
Production 500-lb. gross bales	15,771,000	16,931,000	10,012,000
COTTON SEED AND COTTON SEED PRODUCTS—DEPT. OF COMMERCE—Month of September:			
Cotton Seed—			
Received at mills (tons)	1,053,658	*555,350	599,914
Crushed (tons)	541,257	*199,371	403,932
Stocks (tons) Sept. 30	934,861	*422,460	471,919
Crude Oil—			
Stocks (pounds) Sept. 30	90,010,000	29,133,000	63,370,000
Produced (pounds)	166,505,000	60,200,000	121,868,000
Shipped (pounds)	102,211,000	44,582,000	93,241,000
Refined Oil—			
Stocks (pounds) Sept. 30	102,715,000	98,103,000	73,621,000
Produced (pounds)	96,085,000	40,499,000	85,825,000
Consumption (pounds)	100,550,000	97,735,000	116,937,000
Cake and Meat—			
Stocks (tons) Sept. 30	70,841	57,343	153,478
Produced (tons)	250,122	92,222	180,934
Shipped (tons)	236,624	106,524	148,635
Hulls—			
Stocks (tons) Sept. 30	23,457	16,914	82,470
Produced (tons)	119,904	44,104	93,436
Shipped (tons)	115,361	45,347	83,931
Linters (running bales)—			
Stocks Sept. 30	94,982	51,557	72,009
Produced	175,473	63,819	132,329
Shipped	132,048	50,467	111,885
Hull Fiber (1,000-lb. bales)—			
Stocks Sept. 30	818	†	969
Produced	1,606	†344	1,451
Shipped	†	†	639
Motes, Grabbots, etc. (1,000 pounds)—			
Stocks Sept. 30	4,144	3,634	2,645
Produced	2,463	961	2,264
Shipped	1,953	1,364	1,195
EMPLOYMENT AND PAYROLLS—U. S. DEPT. OF LABOR—REVISED SERIES—Month of August:			
All manufacturing (production workers)	13,080,000	*12,910,000	12,794,000
Durable goods	7,271,000	*7,243,000	6,891,000
Nondurable goods	5,809,000	*5,667,000	5,903,000
Employment indexes—			
All manufacturing	159.7	*157.6	156.3
Payroll indexes—			
All manufacturing	431.3	*424.1	391.4
Estimated number of employees in manufacturing industries—			
All manufacturing	16,010,000	*15,837,000	15,450,000
Durable goods	8,885,000	*8,859,000	8,294,000
Nondurable goods	7,125,000	*6,978,000	7,156,000
UNITED STATES GROSS DEBT DIRECT AND GUARANTEED—(000's omitted)			
As of October 31	$258,335,674	$257,386,206	$256,958,761
General fund balances	4,873,884	6,916,361	4,145,258
Net debt	$253,461,790	$250,469,845	$252,813,503
Computed annual rate	2.310%	2.283%	2.201%

*Revised figure. †Not shown to avoid disclosure of individual operations.

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Securities Now in Registration

★ REVISIONS THIS WEEK
● INDICATES ADDITIONS

New Registrations and Filings

Almadon-Santa Clara Vineyards, San Francisco, California
Nov. 9 (letter of notification) 3,000 shares of $6 cumulative convertible preferred stock. **Price**—At par ($100 per share). **Underwriter**—Wagenseller & Durst, Inc., Los Angeles, Calif., and Hooker & Fay, San Francisco, Calif. **Proceeds**—For working capital. **Office**—37 Drumm St., San Francisco, Calif.

American Bosch Corp., Springfield, Mass. (12/4)
Nov. 13 filed 65,450 shares of second preferred stock, 1951 series, to be offered to common stockholders of record Dec. 4, 1951, at rate of one share of preferred for each 20 common shares held. **Price**—To be supplied by amendment. **Underwriter**—Allen & Co., New York. **Proceeds**—For working capital.

Assured Investment Co. of Chickasaw (Ala.)
Nov. 9 (letter of notification) 950 shares of 6% cumulative preferred stock (par $100) and 950 shares of common stock (par $10) to be offered in units of one share of preferred and one share of common stock. **Price**—$120 per unit. **Underwriter**—None. **Proceeds**—To increase capital.

Badger Manufacturing Co., Cambridge, Mass.
Nov. 5 (letter of notification) 17,500 shares of common stock (par $10). **Price**—$15 per share. **Underwriter**—None, but sales will be handled by H. W. Cooms, E. I. Clapp, R. W. Carlson and C. L. Campbell, all of Cambridge, Mass. **Proceeds**—For working capital. **Office**—230 Bent St., Cambridge, Mass.

Central Hudson Gas & Electric Corp. (12/3-8)
Nov. 13 filed 40,000 shares of cumulative preferred stock, 1951 series (par $100). **Underwriter**—To be supplied by amendment. If competitive, bidders may include 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 and for new construction. **Offering**—Scheduled for early December.

Commercial Life Insurance Co. of Missouri
Nov. 6 (letter of notification) 20,000 shares of common stock (par $10). Each purchaser will be required to transfer back to the company one-third of the number of shares so purchased, such shares so returned to be used to obtain the guaranteed life funds certificates of Commercial Life Insurance Co. of Springfield, Ill., as set forth in the stock subscription agreement. **Price**—$15 per share. **Underwriter**—None. **Proceeds**—To be deposited as a reserve with the Division of Insurance of the State of Missouri, of which $100,000 will be available for use for corporate purposes. **Offering** — To be made wholly within the State of Missouri. **Office**—3908 Olive St., St. Louis, Mo.

Consolidated Engineering Corp., Pasadena, Calif. (12/3)
Nov. 13 filed 125,000 shares of common stock (par 50 cents) to be offered to public and 14,030 shares of common stock issuable upon exercise of warrants presently outstanding. **Price**—To be supplied by amendment. **Underwriter**—Blyth & Co., Inc. **Proceeds**—To retire notes and for working capital.

Ferro Corp., Cleveland, Ohio (12/3)
Nov. 13 filed 91,859 shares of common stock (par $1) to be offered for subscription by common stockholders on or about Dec. 3 at rate of one share for each five shares held; rights to expire Dec. 18. **Price**—To be supplied by amendment. **Underwriter**—Merrill Lynch, Pierce, Fenner & Bean, New York. **Proceeds**—For expansion program.

Gulf Screen & Wire Co., Inc., New Orleans, La.
Nov. 9 (letter of notification) 5,000 shares of common stock. **Price**—At par ($10 per share). **Underwriter**—None. **Proceeds**—For equipment. **Office**—2344 St. Charles St., New Orleans, La.

Hawkeye-Security Insurance Co.
Nov. 5 (letter of notification) 2,000 shares of 5% cumulative preferred stock (par $50). **Price**—At market (currently $50 per share). **Underwriter**—Probably Quail & Co., Davenport, Ia., and Becker & Cownie, Des Moines, Ia. **Proceeds**—To six selling stockholders. **Office**—1017 Walnut St., Des Moines 9, Ia.

Ideal Cement Co., Denver, Colo.
Nov. 9 filed 250,000 shares of capital stock (par $10) to be offered in exchange for shares of $10 par stock of Pacific Portland Cement Co. of San Francisco on basis of one share of Ideal for each two shares of Pacific stock. Offer is subject to condition that 80% or more of Pacific outstanding stock must be tendered in exchange for Ideal stock. If exchange offer is consummated, it is Ideal's intention to operate the Pacific company as a subsidiary.

International Cellucotton Products Co.
Nov. 7 (letter of notification) 8,060 shares of common stock (par $1), to be offered to a selected group of employees. **Price**—$25.07½ per share. **Underwriter**—None. **Proceeds**—For general corporate purposes. **Office**—919 North Michigan Ave., Chicago 11, Ill.

Lau Blower Co., Dayton, O.
Nov. 13 filed 160,000 shares of common stock (par $1), of which 147,250 shares will be offered publicly and 12,750 shares will be offered directly to employees and others identified with the company's business. **Price**—To be supplied by amendment. **Underwriters**—A. C. Allyn & Co., Inc., Chicago, Ill., and Bear, Stearns & Co., New York. **Proceeds**—To certain selling stockholders.

Norden Laboratories Corp., Hartford, Conn.
Nov. 9 filed 400,000 shares of common stock (par $1) to be offered to public, together with an additional 90,000 shares reserved for issuance upon the exercise of warrants. **Price**—To be supplied by amendment. **Underwriter**—Van Alstyne Noel Corp., New York. **Proceeds**—To purchase additional equipment and for working capital. **Offering**—Expected early in December.

Nu-Enamel Corp., Chicago, Ill.
Nov. 8 (letter of notification) $220,000 of 5% convertible notes, dated Dec. 1, 1951, and due Dec. 1, 1959. **Price**—At par (in denominations of $100 each). **Underwriter**—None. **Proceeds**—For working capital. **Office**—444 Lake Shore Drive, Chicago, Ill.

Nursmatic Corp., Chicago, Ill.
Nov. 7 (letter of notification) 9,200 shares of preferred stock (no par—stated value $20 per share) and 18,400 shares of common stock (no par—stated value 35 cents per share), to be offered in units of 20 shares of preferred and 40 shares of common stock. **Price**—$514 per unit. **Underwriter**—None. **Proceeds**—To retire bank loan and for working capital. **Office**—400 West Madison St., Chicago 6, Ill.

Palm Gardens, Inc., Indian Rocks, Fla.
Nov. 5 (letter of notification) 2,990 shares of common stock (par $20) and 11,960 shares of 5% preferred stock (par $20) to be issued in units of four shares of preferred and one share of common stock. **Price**—$100 per unit. **Underwriter**—None. **Proceeds**—To pay debt and for working capital. **Office**—Indian Rocks Road (P. O. Box 327), Indian Rocks, Fla.

Pennsylvania Salt Mfg. Co.
Nov. 7 filed 88,467 shares of common stock (par $10) to be offered in exchange for common stock of Sharples Chemicals Inc. on basis of 5.15 shares of Pennsylvania Salt stock for each Sharples share (conditioned upon deposit for exchange of at least 13,748 of the 17,184 outstanding shares of Sharples stock). **Underwriter**—None.

Pittsburgh Coke & Chemical Co. (12/3)
Nov. 13 filed 60,000 shares of convertible preferred stock (no par—convertible up to and including Dec. 31, 1961). **Price**—To be supplied by amendment. **Underwriter**—Hemphill, Noyes, Graham, Parsons & Co., New York. **Proceeds**—For expansion program.

Public Service Co. of New Hampshire
Nov. 9 filed 235,809 shares of common stock (par $10). **Underwriter**—To be determined by competitive bidding. Probable bidders: Kidder, Peabody & Co. and Blyth & Co., Inc. (jointly); The First Boston Corp.; Harriman Ripley & Co., Inc. **Proceeds**—To reduce short-term borrowings and for construction program. **Offering**—Expected late this month or early December.

Queen City Fire Insurance Co.
Nov. 5 (letter of notification) 500 shares of common stock (par $100) to be offered to stockholders of record about Nov. 12. **Price**—$400 per share. **Underwriter**—None. **Proceeds**—For working capital. **Office**—Sioux Falls, S. D.

Soil-Aid Corp., Salt Lake City, Utah
Nov. 5 (letter of notification) 90,000 shares of common stock. **Price**—At par ($1 per share). **Underwriter**—None. **Proceeds**—To finance construction of plant and for equipment. **Office**—426 Felt Bldg., Salt Lake City, Utah, and Box 246, Preston, Idaho.

State Street Investment Corp., Boston, Mass.
Nov. 8 filed 182,196 shares of common stock (no par). **Price**—At market. **Underwriter**—None. **Proceeds**—For investment.

Technical Operations, Inc., Boston, Mass.
Nov. 9 (letter of notification) 78,750 shares of common stock (par 10 cents). **Price**—$2.75 per share. **Underwriter**—Walter J. Connolly & Co., Inc., Boston, Mass. **Proceeds**—For laboratory equipment and working capital. **Office**—16 Court St., Boston, Mass.

Thermoid Co., Trenton, N. J.
Nov. 7 filed memberships in the Employees' Thrift Bonus Plan and shares of capital stock (preferred or common) to be offered to 1,500 Thermoid employees. The maximum number of shares of preferred and common stock which may be purchased by the Trust will not exceed 16,500 and 60,000, respectively. **Underwriter**—None.

United Farms, Inc., Tempe, Ariz.
Nov. 5 (letter of notification) 12,500 shares of common stock (par $10). **Price**—$20 per share. **Underwriter**—Willard Fisher. **Proceeds**—To level and clear land and for farm equipment. **Address**—Box 765, Tempe, Ariz.

Virginia Electric & Power Co. (12/11)
Nov. 9 filed $20,000,000 first and refunding mortgage bonds, series I, due Dec. 1, 1981. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Stone & Webster Securities Corp.; White, Weld & Co.; Union Securities Corp.; Salomon Bros. & Hutzler. **Proceeds**—For construction expenditures. **Bids**—Expected to be opened on Dec. 11.

Wisconsin Central Airlines, Inc.
Nov. 5 (letter of notification) 61,667 shares of common stock (par $1), of which 51,667 shares are to be offered to stockholders on a one-for-three basis, with an over-subscription privilege; the remaining 10,000 shares are to be offered to employees. **Price**—To stockholders and employees 25 cents per share below closing price on date of offering. **Underwriters**—Loewi & Co., Milwaukee, Wis.; Blunt, Ellis & Simmons, Chicago, Ill.; Bell and Farrell, Inc., Madison, Wis.; Dayton & Gernon, Chicago, Ill.; Straus & Blosser, Chicago; and Braun, Monroe & Co., Milwaukee. **Proceeds**—For working capital and for purchase of additional radio equipment.

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 on Nov. 13 approved the proposed new issue.

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.

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.

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 Bosch Corp., Springfield, Mass.
Oct. 18 (letter of notification) 6,200 shares of common stock (par $2). **Price**—At market (about $16 per share). **Underwriter**—None. **Proceeds**—To F. William Harder of New York. **Office**—Main Street, Springfield, Mass.

American Brake Shoe Co.
June 29 filed 50,000 shares of common stock (no par) to be offered to certain officers and key employees through a stock purchase plan. **Price**—To be not greater than the market price on the date of the offering, or no less than 85% of such price. **Underwriter**—None. **Proceeds**—To be added to general funds.

American Investment Co. of Illinois
Aug. 16 filed 167,105 shares of $1.25 cumulative convertible preference stock, series A (par $25), being offered in exchange for common stock of Domestic Finance Corp., Chicago, Ill. on basis of one American share for each five Domestic common shares; the offer to expire on Sept. 30, 1952. **Dealer-Managers**—Kidder, Peabody & Co., New York, and Alex. Brown & Sons, Baltimore, Md. Statement effective Sept. 5.

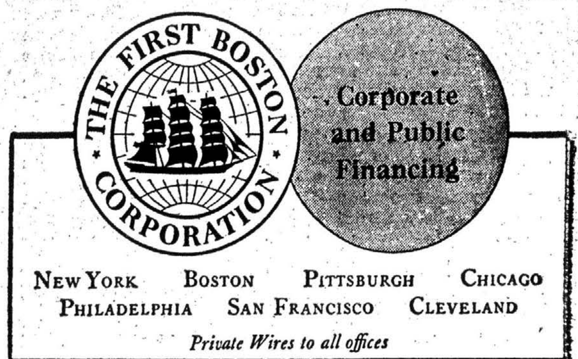
★ American-Marietta Co., Chicago, Ill. (11/26-28)
Nov. 6 filed 48,634 shares of common stock (par $2) and 7,779 shares of 5% cumulative preferred stock (par $100). **Price**—To be supplied by amendment. **Underwriters**—H. M. Byllesby & Co., Inc., and A. C. Allyn & Co., Inc., Chicago, Ill. **Proceeds**—To 18 selling stockholders. **Offering**—Expected week of Nov. 26.

Birmingham Fire Insurance Co.
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.

★ 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. Statement effective Nov. 1.

Blair (Neb.) Telephone Co.
July 18 (letter of notification) $175,000 of first mortgage 4% bonds, series A, due 1971. **Price**—101 and ac-

Continued on page 46



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Continued from page 45

crued interest. **Underwriter** — Wachob-Bender Corp., Omaha, Neb. **Proceeds**—To retire first mortgage (closed) 3½% bonds and to convert to dial operation.

Burlington Mills Corp.
March 5 filed 300,000 shares of convertible 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.

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. (EST) 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. (12/5)**
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); The First Boston Corp. and Coffin & Burr, Inc. (jointly); 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). These are part of 1,175,000 shares offered in June, 1951. **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.

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.

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.

★ **Eureka Corp., Ltd., Toronto, Canada**
Oct. 9 filed 4,312,404 shares of common stock (par 25 cents—Canadian), of which 3,234,303 shares are being 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. 30. **Price**—55 cents per share—Canadian. **Underwriter**—None. **Proceeds** — For working capital. Statement effective Nov. 5.

★ **Fanner Manufacturing Co. (11/19)**
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.

★ **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) being offered for subscription by common stockholders of record Nov. 9 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 Telephone Corp., Ocala, Fla.**
Oct. 29 (letter of notification) 26,000 shares of common stock (par $10) to be offered initially to stockholders about Nov. 15. **Price**—$11.50 per share. **Underwriters**—Florida Securities Co. and Shaver and Cook, both of St. Petersburg, Fla. **Proceeds**—For expansion program.

Fosgate Citrus Concentrate Cooperative (Fla.)
June 29 filed 453 shares of class A common stock (par $100); 5,706 shares of 5% class B preferred stock (par $100), cumulative beginning three years from July 10, 1950; 8,000 shares of 4% revolving fund class C stock (par $100); 2,000 shares of 4% revolving fund class C stock (par $50); and 4,000 shares of 4% revolving fund class C stock (par $25). **Price**—At par. **Underwriters**—None. **Proceeds**—To construct and equip frozen concentrate plant at Forest City, Fla.

★ **General Acceptance Corp.**
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. Statement withdrawn Nov. 14.

General Electronic & Television Corp.
Oct. 23 (letter of notification) 200,000 shares of common stock. **Price**—At par ($1 per share). **Underwriter**—None. **Proceeds**—To establish and equip stores in Reno and Las Vegas, Nev. **Office**—139 No. Virginia St., Reno, Nev.

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.

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.

★ **Granite City Steel Co., Granite City, Ill. (11/26)**
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 of record Nov. 26 at rate of one preferred share for each 12½ shares of common stock; Rights to expire about Dec. 10. **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.

★ **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**—To be received at The Hanover Bank, 70 Broadway, New York 15, N. Y., up to noon (EST) on Nov. 19. Statement effective Nov. 7.

Helio Aircraft Corp., Norwood, Mass.
July 31 (letter of notification) 7,750 shares of noncumulative preferred stock (par $1) and 7,750 shares of common stock (par $1) to be offered in units of one share of preferred and one share of common stock. **Price**—$25 per unit ($20 for preferred and $5 for common). **Underwriter**—None. **Proceeds**—For development and promotion expenses. **Office**—Boston Metropolitan Airport, Norwood, Mass.

Hex Foods, Inc., Kansas City, Mo.
Aug. 1 (letter of notification) 89 shares of 6% cumulative preferred stock (par $100) and 424 shares of common stock (no par). **Price**—For preferred, at par; and for common, at $20 per share. **Underwriter** — Prugh, Combest & Land, Inc., Kansas City, Mo., will act as dealer. **Proceeds**—For plant improvements and general corporate purposes. **Office**—412 W. 39th St., Kansas City, Mo.

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.

★ **Imperial Oil Ltd., Toronto, Canada (11/20)**
Oct. 31 filed 2,713,384 shares of capital stock (no par) to be offered to stockholders of record Nov. 20 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.**
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. **Offering**—Now being made.

★ **Johnston Testers, Inc., Houston, Tex. (11/23)**
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.

★ **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**—H. M. Payson & Co., Portland Me. **Proceeds**—For additions and improvements. **Office**—95 Exchange Street, Portland 6, Me.

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.

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.

Knorr-Maynard, Inc., Detroit, Mich.
Oct. 31 (letter of notification) $250,000 of 6% 10-year debentures due 1961. **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.

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. Statement effective Nov. 6.

★ **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. Statement effective Nov. 6.

★ **Long Island Lighting Co. (11/27-28)**
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

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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 at 11 a.m. (EST) on Nov. 27 or Nov. 28.

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.

Mercantile Acceptance Corp. of California
Oct. 24 (letter of notification) $100,000 of 10-year 5% junior subordinated debentures (in various denominations) and 306 shares of 5% first preferred stock (par $20). Of latter, 271 shares will be offered to public and 35 shares to employees only on an instalment basis. **Price**—At par. **Underwriter**—Guardian Securities Corp., San Francisco, Calif. **Proceeds**—For general corporate purposes.

Mineral Products Co., Pittsburg, Kansas
Oct. 4 (letter of notification) $225,000 of second mortgage 5% bonds to be offered to stockholders in ratio of $300 of bonds for each share of stock held as of record June 30, 1951, with an oversubscription privilege. **Price**—At principal amount. **Underwriter**—None. **Proceeds**—For equipment. **Office**—314 National Bank Bldg., Pittsburg, Kansas.

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.

Mohawk Business Machines Corp.
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.

Montana Hardwood Co., Inc., Missoula, Mont.
Sept. 26 (letter of notification) 2,970 shares of 6% redeemable preferred stock (par $100) and 2,970 shares of common stock (par $1) to be offered in units of one preferred and one common share. **Price**—$101 per unit. **Underwriter**—None. **Proceeds** — To purchase land and erect plant. **Office**—123 West Main St., Missoula, Mont.

National Marine Terminal, Inc., San Diego, Calif.
Oct. 24 (letter of notification) 26,650 shares of 6% cumulative preferred stock (par $10) and 26,650 shares of common stock (par $1) to be offered in units of one share of each class of stock. **Price**—$11 per unit. **Underwriter**—None. **Proceeds** — For working capital and to purchase an additional interest in tuna clippers. **Office**—1592 So. 28th St., San Diego 13, Calif.

National Motor Bearing Co., Inc.
Sept. 26 (letter of notification) 3,200 shares of common stock (par $1). **Price**—$31.25 per share. **Underwriter**—Blyth & Co., Inc., Los Angeles, Calif. **Proceeds**—To Lloyd A. Johnson, President, who is the selling stockholder.

National Plumbing Stores Corp.
Oct. 15 (letter of notification) $123,500 of 20-year 3½% income notes due Oct. 1, 1971. **Price**—100%. **Underwriters**—None. **Proceeds**—For general corporate purposes. **Office**—79 Cliff Street, New York, N. Y.

National Rubber Machinery Co., Akron, O.
Oct. 30 (letter of notification) 22,000 shares of common stock (par $10) being 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 redeem $27,000 4½% bonds otustanding, to repay bank loans and for other corporate purposes.

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.

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.

NEW ISSUE CALENDAR

November 15, 1951

Pittsburgh & Lake Erie RR. noon (EST) — **Equip. Trust Ctfs.**
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**

November 20, 1951

Acushnet Process Co., Inc. — **Common**
Erie RR. noon (EST) — **Equip. Trust Ctfs.**
Hycon Corp. — **Common**
Imperial Oil Ltd — **Capital**
Oxford Paper Co. — **Common**
Pacific Telephone & Telegraph Co. 11:30 a.m. (EST) — **Debentures**
Parker Pen Co. — **Common**
Sylvania Electric Products, Inc. — **Debentures**
Sylvania Electric Products, Inc. — **Preferred**
West Coast Telephone Co. — **Common**
Western Leaseholds, Ltd. — **Common**

November 21, 1951

New York Central RR. noon (EST) — **Eq. Tr. Ctfs.**

November 23, 1951

Carolina Telephone & Telegraph Co. — **Common**
Johnston Testers, Inc. — **Common**

November 26, 1951

American-Marietta Co. — **Pfd. & Common**
Columbia Gas System, Inc. 11:30 a.m. (EST) — **Com.**
Granite City Steel Co. — **Preferred**
St. Louis-San Francisco Ry. noon (EST) — **Equip. Trust Ctfs.**

November 27, 1951

Central Illinois Light Co. 11 a.m. (EST) — **Bonds**
Long Island Lighting Co. 11 a.m. (EST) — **Bonds**
Pacific Telephone & Telegraph Co. — **Common**

December 3, 1951

Central Hudson Gas & Electric Corp. — **Preferred**
Consolidated Engineering Corp. — **Common**
Ferro Corp. — **Common**
Pittsburgh Coke & Chemical Co. — **Preferred**

December 4, 1951

American Bosch Corp. — **Preferred**
Tennessee Gas Transmission Co. 11 a.m. (EST) — **Debentures**

December 5, 1951

Central Maine Power Co. 11 a.m. (EST) — **Bonds**
Central Maine Power Co. — **Common**
El Paso Natural Gas Co. — **Preferred**

December 6, 1951

Texas & Pacific Ry. — **Equip. Trust Ctfs.**

December 10, 1951

Penn Controls, Inc. — **Common**

December 11, 1951

Virginia Electric & Power Co. — **Bonds**

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. (11/20)**
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**—To be received at 195 Broadway, New York, N. Y., up to 11:30 a.m. (EST) on Nov. 20. Statement effective Nov. 7.

★ **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 as of Nov. 27; with rights to expire on Dec. 28. **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.

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. (12/10)**
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. **Offering**—Now being made. Statement effective Nov. 1.

★ **Phoenix Industries Corp., N. Y.**
Oct. 12 filed 1,465,167 shares of common stock (par 10¢) being 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 Dec. 5. **Price**—$2.50 per share. **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. Statement effective Nov. 8.

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.

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 4.70% cumulative preferred stock (par $100). **Price**—$102.17 per share and accrued dividends. **Underwriters** — Morgan Stanley & Co., Drexel & Co. and Glore, Forgan & Co. **Proceeds**—For plant additions and improvements and to reimburse

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treasury for expenditures made for such purposes and for retirement of long-term debt. **Offering**—Made publicly yesterday.

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.

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.**
Oct. 19 (letter of notification) 53,750 shares of common stock (no par) being 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.
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. **Offering**—Scheduled for today.

Snoose Mining Co., Hailey, Idaho
July 19 (letter of notification) 1,000,000 shares of common stock. **Price**—At par (25 cents per share). **Underwriter**—E. W. McRoberts & Co., Twin Falls, Ida. **Proceeds**—For development of mine.

Skyway Broadcasting Co., Inc., Ashville, N. C.
Sept. 10 (letter of notification) 6,000 shares of common stock. **Price**—$50 per share. **Underwriter**—None. **Proceeds**—For construction and operating capital for a proposed television station.

Sonic Research Corp., Boston, Mass.
Oct. 8 (letter of notification) 9,000 shares of common stock (no par). **Price**—$20 per share. **Underwriter**—None. **Proceeds**—For working capital. **Office**—15 Chardon St., Boston, Mass.

Southwestern Associated Telephone Co.
June 15, filed 17,500 shares of $5.50 cumulative preferred stock (no par). **Price**—To be supplied by amendment. **Underwriters**—Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp., both of New York, and Rauscher, Pierce & Co., Inc., Dallas, Texas. **Proceeds**—To retire $1,500,000 of bank loans and the balance added to general corporate funds. **Offering** — Postponed.

Specialized Products Corp., Birmingham, Ala.
Sept. 26 (letter of notification) 50,000 shares of common stock **Price**—$1 per share. **Underwriter**—Carlson & Co., Birmingham, Ala. **Proceeds**—For operating capital and advertising costs. **Office**—2807 Central Ave., Birmingham 9, Ala.

★ **Standard Oil Co. (Ohio)**
Oct. 18 filed 364,536 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**—$38.50 per share. **Underwriter**—F. S. Moseley & Co., Boston, Mass. **Proceeds** — For capital expenditures and working capital. Statement effective Nov. 7.

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.

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. (12/4)**
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 on or about 11 a.m. (EST) Dec. 4.

Texas Southeastern Gas Co., Bellville, Tex.
May 16 (letter of notification) 19,434 shares of common stock to be offered to common stockholders through transferable warrants. **Price** — At par ($5 per share). **Underwriter**—None. **Proceeds**—For working capital.

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 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.

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.

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 Ladenburg, Thalmann & Co., New York, will act as broker. **Proceeds**—To selling stockholder.

Video Corp. of America
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.

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.

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.

★ **West Coast Telephone Co. (11/20)**
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.

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 (11/20)**
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

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.

● **Baxter Laboratories, Inc.**
Nov. 9 it was reported that certain stockholders of the company may sell about 20% of presently outstanding stock. **Underwriter**—Probably Lehman Brothers, New York. **Offering**—Expected about middle of next month.

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 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 on Nov. 14 approved the 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 Grocers Corp.**
Oct. 8 it was stated company plans issuance and sale of $10,000,000 of preferred stock (par $50). **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.

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. **Registration**—Expected this week. **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. (12/5)**
Nov. 7 it was reported that early registration is expected of about 100,000 shares of sinking fund first preferred stock (par $100) is expected. **Underwriter**—White, Weld & Co., New York. **Proceeds**—For expansion program.

★ **Erie RR. (11/20)**
Bids will be received by the company up to noon (EST) on Nov. 20 for the purchase from it of $5,400,000 equipment trust certificates, equipment trust of 1952, to mature in 20 equal semi-annual instalments. 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.

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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.) (11/20)
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. 3 it was announced that the company contemplates issuance and sale over the next three years of about 60,000 shares of preferred stock (par $100) or $6,000,000 in debentures; also an issue of about $12,000,000 in first mortgage bonds. **Underwriters**—For bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Harriman Ripley & Co., Inc.; Union Securities Corp. and White, Weld & Co. (jointly); Equitable Securities Corp.; Glore, Forgan & Co.; Harris, Hall & Co. (Inc.); Lehman Brothers; Blyth & Co.; The First Boston Corp.; Smith, Barney & Co. The following may bid for preferred stock: Blyth & Co., Inc.; Merrill Lynch, Pierce, Fenner & Beane; Kidder, Peabody & Co., in addition to those mentioned as probable bidders for the bonds, with the exception of Halsey, Stuart & Co. Inc. Proceeds from the sale of the preferred stock or debentures (probably late this year) will be used to retire a $6,000,000 bank loan used to finance, in part, the company's construction program.

★ 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., Clark, Dodge & Co. and Glore, Forgan & 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.
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. **Offering**—Expected today.

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)
Bids will be received by the company until noon (EST) on Nov. 21 at its office at 466 Lexington Ave., New York, N. Y., for the purchase from it of $8,100,000 equipment trust certificates, second issue of 1951, dated Dec. 1, 1951, and due $540,000 each Dec. 1, from 1952 to 1966, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

★ 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 (1,000,000 shares) 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.

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 North Carolina, Inc.
July 12 it was announced company plans to issue and sell several million dollars of first mortgage bonds in the Fall. In July last year, $1,200,000 of bonds were placed privately with two institutional investors.

Purex Corp., Ltd.
Oct. 25 stockholders voted to increase the authorized common stock to 1,000,000 shares from 500,000 shares. Traditional underwriters: Blyth & Co., Inc., New York; William R. Staats & Co., Inc., Los Angeles, Calif.

Rochester Gas & Electric Corp.
Aug. 1 it was announced that company expects to issue $5,000,000 additional first mortgage bonds and additional debt securities or preferred or common stocks, bank borrowings, or some combination thereof, in connection with its construction program. The method of obtaining such additional cash requirement has not been determined. Previous bond financing was done privately. July 18, it was reported that the company expects to raise money through the sale of some preferred stock later this year. **Underwriter**—Probably The First Boston Corp., New York. **Proceeds**—To finance, in part, a $10,000,000 construction program the company has budgeted for the next two years.

Royal Typewriter Co., Inc.
Oct. 19 it was announced stockholders will vote Nov. 14 on increasing authorized common stock to 2,000,000 shares from 1,078,816 shares. No immediate financing is planned.

Ryan Aeronautical Co., San Diego, Calif.
Aug. 4 it was announced company plans to increase its authorized capital stock (par $1) from 500,000 to 2,000,000 shares in order to place it in a position to do appropriate financing of some form of its own securities if and when advantageous to the company. The new financing may take the form of a general offering for sale to the public or granting of rights to stockholders; or the reservation for conversion of long-term indebtedness which could be issued with provision for convertibility into common stock. The company presently has outstanding 439,193 shares of capital stock, of which 45,350 shares are held by the wholly owned subsidiary, Ryan School of Aeronautics.

● St. Louis-San Francisco Ry. (11/26)
Bids will be received by the company at 120 Broadway, New York 5, N. Y., up to noon (EST) on Nov. 26 for the purchase from it of $4,725,000 equipment trust certificates, series J, to mature in 15 equal annual instalments. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

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 & 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.

● Spear & Co.
Nov. 5 announced that the management, headed by A. M. Kahn, President, which now owns 100% of the 18,750 shares of no par second preferred stock (dividend rate to be changed from $5.50 to $5 per annum), will offer this stock to common stockholders for subscription at rate of one preferred share for each 12 common shares held. **Price**—$105 per share. **Meeting**—Stockholders will vote on Dec. 5, among other things, to make the second preferred stock convertible into common stock (initial conversion rate to be 12 shares of common for each share of preferred).

Texas-Ohio Gas Co., Houston, Tex.
Oct. 17 company applied to FPC for authority to construct a 1,350-mile natural gas transmission line extending from Texas into West Virginia. The project is estimated to cost $184,989,683.

★ Texas & Pacific Ry. (12/6)
Nov. 13, W. G. Vollmer, President, announced that company will invite bids on Nov. 20, returnable Dec. 6, for a $2,900,000 issue of equipment trust certificates, series N. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

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.

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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.

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 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.

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Our Strength Lies in Strong Economy and Alert Citizenship

more than 42 million employed in private industry at that time, and in most cases the amount of coverage is pitifully small. Even a smaller minority of workers have other so-called fringe benefits. Fringe benefits are well named—only a fringe of industry has them.

The latest device to make our economic system more democratic is the grant of stock options to employees. While in 1950 the Congress provided the means, this plan has misfired. Instead of the workers becoming partners in the enterprise, in the overwhelming majority of cases only top management has been granted these options. Most or all of the pie has gone to a privileged few.

Here is a tremendous opportunity for full-time citizens in industry to strengthen these areas of our economic system.

The business or professional man leads two lives. I don't mean to infer that he leads a double life. When he goes home at night he enters another world. His interests shift to community affairs and his family.

In community activities you will find few full-time citizens. How often have you heard that only a handful of people are willing to take the leadership in community activities—activities that are essential if American democracy is to function effectively? The participation of the average citizen is limited to a small cash contribution (although nowadays it's usually a check to make certain that Uncle Sam will have the privilege of sharing in the cost of the contribution).

Jean Rousseau in 1762 summed up the dangers of part-time citizenship very well. He said, "As soon as public service ceases to be the chief business of citizens and they would rather serve with money than with their persons, the state is not far from its fall."

Politics the Citizen's Business

Politics also are the business of citizens. Now every citizen is a politician. Does he not through his words and actions intentionally or unconsciously affect the thinking and votes of other citizens? This is democracy at work. The average citizen is a poor politician. If he were effective, he would make his wishes known where it counts the most — his own town fathers, his State Representatives and his Congressmen. If, for example, he realizes inflation threatens his way of life, or if he believes racketeers operate openly in defiance of the law, if he feels that the quality of education for his children is jeopardized by underpaid teachers, he will make known his convictions to every office-holder who represents him. He will also use his vote.

Yet, in 1948, out of over 88 million potential voters less than 49 million cast votes. The difference of 39 million represents part-time citizens. Again in 1950, out of nearly 97 million potential voters, only 42 million, less than half, voted. Mayor O'Dwyer not long ago said to me, "You and thousands of other businessmen like you are responsible for making an ex-cop like me Mayor. You won't take the time to do your duty as citizens." That was before Senator Kefauver helped us and him out.

In the home, our young people desperately need fathers and mothers who are full-time citizens. My generation had a taste of what was to come for succeeding generations. Since 1917, we have lived from one emergency to another. The youngsters of today face an even grimmer prospect. Yet in spite of their security being continuously threatened and their futures clouded, there never was a finer generation of Americans than our young people of today. Among them you will find may full-time citizens.

I'd like to read a few excerpts from a letter received a few days ago from one of these young Americans — a 22-year-old Lieutenant now stationed at Fort Benning. I quote, "You have probably seen in the newsreels or read in the newspapers how some 300 South Korean officers have been sent to the United States to study our methods of warfare. Well, 150 of these Koreans have come to Fort Benning.

"Most of these officers come from the finest families in Korea. They received their education in the Korean Military Academy, which is modeled after West Point. They are very intelligent people. Their families have been assassinated by the Reds, their homes burned. Although they are very young, 22 to 26, they are mostly captains or better."

The letter continues, "One of the weaknesses I noticed in the courses given these Korean officers was that there was absolutely no time devoted to the most important of all subjects—an explanation of American democracy. I decided to do something about this fault. After contacting innumerable officers—that sounds like the Army—to obtain clearance for my plans, I was able to set up a voluntary program of instruction for those interested.

"The course began with an attendance of 87 of these South Korean officers. As it continued the enthusiasm increased. I now have 102 of these student officers learning about the American way of life. These young men will assume great leadership positions in the government of Korea when hostilities cease. You can see the far-reaching value of a course in democracy for these young officers."

This letter was written by a young lieutenant who is a full-time citizen in the best sense of the word.

Challenges Facing Full-Time Citizens

The challenges that face full-time citizens, whether in civilian or military life, are stirring. If they are met, they will make life richer and more satisfying. The individual who coined the Rotary slogan hit upon a basic truth, "He profits most who serves best." In this life and death struggle in which the free world is engaged, these challenges will increase.

The building of our defenses may be only the forerunner of a still greater challenge. From my own limited knowledge of history —and I certainly don't claim to be an expert — I know of no case where two hostile nations, armed to the teeth, ever backed away from war and liquidated their inventories of manpower and war materials. If this time is to be the exception, it will take a high degree of full-time citizenship— the kind of citizenship that extends beyond the borders of any one land.

Even though our system may have the means to halt the present aggressor, its worth will be tested in other ways. Peace without a strong economy is an empty shell and only a temporary thing. It may be that we as a nation shall not die in battle, but that we shall just fade away. We may fade away into the darkness of a decadent state. The world may then enter an age so dark that the so-called dark ages following the collapse of the Roman Empire will shine brightly in comparison.

It is not improbable that the ages preceding the Renaissance were dark because the wise men of the time fled to the hills — because they did not remain to work out the problems that faced them. They stopped being full-time citizens. It is not improbable that the free world's civilization may slip away if we who are the trustees of the American democracy do not accept the primary responsibility of that trusteeship —the responsibility of being full-time citizens.

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The Investor and the News

dulges. We must avoid the continuing manifestations of manic-depressivism demonstrated in quick succeeding editorial changes between optimism and pessimism — following and rationalizing the course of prices. Avoid the rationalization of market action after the event, and thus recognize would-be explanatory comment and often even forecasting. This fallacy has been newly demonstrated in the editorial treatment of war and peace prospects. If Korean peace prospects happen to brighten at a period of falling prices, they are blamed. Contradictorily, Middle East trouble is also blamed for market reaction. The market roles of war and peace as bull and bear "reasons" are interchanged after scrutiny of the day's quotation ticker. Concentrate on value of individual issues, in lieu of either the press or the ticker.

(4) Handle the difficulty of judging the *yield* of individual common stocks today, by reading the dividend tables in two or more publications, and get the answer through a process of osmosis. The trouble is, of course, partly due to the non-uniform policy of company directorates, both from company to company and intra-company, it even being commented that extra dividends are more regular than the "regular" disbursements.

(5) Read the financial pages (as well as the non-financial) from the index, which are usually very efficient. Pay particular attention to the index applying to factual corporate news.

How Not to Read

(1) Avoid rumors and rumor-mongering, whether it be direct or by implication. From bitter experience, even a Lord Keyes came to learn that "the laws of arithmetic are more reliable than the winds of rumor."

(2)—(1) As my very first *caveat*, I would strongly urge against confusing values with market prices. Don't follow market quotations any more closely than is absolutely necessary. Quotation-consciousness should be relegated to a role strictly secondary to value-appraising.

(3) Avoid the temptation to fall in with the commentators' proclivity to concentrate exclusive emphasis on only one of the twin sets of bullish or bearish elements, to support either an interpretation or a forecast. The practice of Alexander Dana Noyes, late financial editor of the New York "Times," seems to have been ideal. Each New Year's day he listed the ten foremost bullish and the ten foremost bearish elements in the situation of the time, and simply left it to the reader to take his pick and make the net decision.

(4) Don't look at the market action of an issue soon after your transaction in it. Otherwise, you will get into a lot of trouble because of your emotional reactions to having been "proved right" or "wrong" temporarily. Of course, if a stock you don't own goes up without you in it, the emotional anguish may be even greater than from an actual loss, but looking at un-bought stocks prices has to be done, at least before a broker's order is entered.

(5) Beware of over-dramatization and over-glamorization of stock market movements. You probably have heard of the wife or sweetheart grudgingly attending a prizefight, who brings along a portable radio set so that the broadcaster's picturesque description of what she is witnessing will relieve her boredom. At first she can scarcely believe that the proceedings before both her eyes and her ears are one and the same. And so it often is with the morning-after description of the day's stock market action.

During the past month of market reaction, I have culled the following captions applying even to mere 1-2% declines:

"Stocks Routed"
"Market Falls from Own Weight."
"Stocks Reel From New Blows."
"Savage Selling."

Dramatization and glamorization have extremely serious import in undermining investment principles; in making a game of market movements; in over-emphasizing the importance of liquidity; in adding to the mistaking of price changes for value changes; and in accentuating the tendency to concentrate on the forecasting of quotation-changes of "the chips," in lieu of appraising the real worth of the businesses in which they represent shares—**all undermining genuine investment practice.**

(6) This investment *caveat* also applies to pictorialization in the news columns and services, whether through verbiage or charts concocted in the stratosphere of calculus. Automatic "signaling" as the means to market profit, tempting as it is, constitutes a major disservice to the genuine investor in distracting him from concentration on constructive *value* considerations.

With American Securities

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Foster S. Randle, Jr., has become associated with American Securities Corporation, 11 West Monroe Street. He was formerly with Bacon, Whipple & Co. and prior thereto with Stern Brothers and First Boston Corp.

Mayer & Hart to Admit

Mayer & Hart, 1 Wall Street, New York City, members of the New York Stock Exchange, will admit Joseph Piddian to limited partnership on Jan. 1, 1952.

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Our Reporter's Report

The secondary bond market still appears unable to adjust itself definitely to a new yield basis much to the discomfort of investment bankers and people with financing to be done.

Conditions have not been helped any by the ragged behavior of the Treasury list which has been blowing "hot" one day and "cold" the next for a considerable period.

Meanwhile bankers are moving toward a rather busy week what with several large corporate issues and at least two sizable tax-exempt undertakings on schedule.

Attempts to out-wait the market do not appear to have been "paying off" for the issuer in recent months. Public Service Electric & Gas Co., has found this out on more than one occasion.

Currently the company has been engaged in seeking to market 249,942 shares of new cumulative $100 par value preferred stock. It was originally on schedule to be offered a fortnight or so back.

But the company was not entirely satisfied with terms proposed by bankers negotiating the business. At that time, it is understood, the company sought a basis which would have meant a price to yield about 4.35%.

Bankers then argued that a 4.50% basis was necessary to assure successful conclusion of the deal. Well the issue came out this week carrying a 4.70% dividend and priced at 102.17 to yield 4.60%.

Corporates Ahead

Next week will bring out three sizable pieces of new debt financing, two for utility companies and the third for an industrial firm.

Pacific Telephone & Telegraph Co.'s $30,000,000 of new 30-year debentures, due up for bids next Tuesday, tops the list and it is now indicated that at least three banking groups plan to bid for the issue. Proceeds, along with funds to be raised by the sale of 633,274 shares of common stock, on "rights" will be used to finance construction.

Gulf States Utilities Co., on Monday will be opening bids for $10,000,000 of its 30-year first mortgage bonds and since this falls in the category of a "Street"-sized operation, competition will be keen with at least seven groups set to bid.

Sylvania Electric

Tuesday likewise will bring one of those negotiated industrial corporation offerings which have been more frequent in recent months.

Sylvania Electric Products Co., is negotiating with bankers to underwrite the sale of $25,000,000 of sinking fund debentures having a 20-year maturity, as a means of raising funds to finance expansion and to retire outstanding preferred.

This operation also involves the sale of 200,000 shares of $4.25 convertible preferred stock, $100 par.

Two large municipals on schedule next week include $80,000,000 of Michigan Limited Access Highway revenue bonds, due serially 1955 to 1976 and $60,000,000 of State of Pennsylvania tax anticipation notes, due May 29, 1952.

Detroit Edison

Detroit Edison Co.'s $40,000,000 of general and refunding mortgage bonds, due in 25 years, drew a total of four bids with the successful group paying the company 101.28 for a 3⅜% coupon.

The runners-up bidding for the same interest rate, set a price to the company of 101.15, which indicate they were thinking much along the same lines.

Upon formal award and clearance by the Securities and Exchange Commission, the winning group plans to re-offer the issue at 101.783 to yield 3.27%.

Consensus among competent market observers was that the deal could be a quick one if big institutional buyers are interested at the start, but naturally would lag if this type of investor showed hesitation.

T. J. Pringle Adds

(Special to THE FINANCIAL CHRONICLE)

SHREVEPORT, La. — John S. Kyser is now connected with T. J. Pringle Investment Co., 515 Market Street.

With F. I. du Pont

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—John J. Cimino has become affiliated with Francis I. du Pont & Co., 317 Montgomery Street. He was formerly with J. Barth & Co.

Walston, Hoffman Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Terrence M. Dempsey has joined the staff of Walston, Hoffman & Goodwin, 265 Montgomery Street, members of the New York and San Francisco Stock Exchanges. He was previously with Merrill Lynch, Pierce, Fenner & Beane.

COMING EVENTS

In Investment Field

Nov. 19, 1951 (Philadelphia, Pa.)

Investment Women's Club of Philadelphia meeting at Kugler's.

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

Investment Bankers Association Annual Convention at the Hollywood Beach Hotel.

May 1-2, 1952 (Galveston, Tex.)

Texas Group of Investment Bankers Association Spring Meeting at the Hotel Galvez.

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.

Two With Wilson, Johnson

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Myron E. Hamm and James T. Love have become affiliated with Wilson, Johnson & Higgins, 300 Montgomery Street.

With Hamilton Managem't

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Sterner A. Remple has joined the staff of Hamilton Management Corporation, 445 Grant Street.

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Dealer-Broker Investment Recommendations and Literature

issue are comments on **Jacob Ruppert, Beryllium Corp.** and **Safety Car Heating & Lighting.**

General American Transportation—Analysis—Stanley Heller & Co., 30 Pine Street, New York 5, N. Y.

Harrisburg Steel Corporation—Analysis—Amott, Baker & Co., Inc., 150 Broadway, New York 38, N. Y.

International Harvester Company—Review—Sills, Fairman & Harris, Inc., 209 South La Salle Street, Chicago 4, Ill. Also available is data on **Oakes Manufacturing Co.**

International Nickel Company of Canada, Ltd.—Analysis—James Richardson & Sons, 367 Main Street, Winnipeg, Man., Canada and Royal Bank Building, Toronto, Ont., Canada.

Kerr-McGee Oil Industries, Inc.—Card memorandum—G. A. Saxton & Co., Inc., 70 Pine Street, New York 5, N. Y. Also available is a bulletin on **Public Utility Common Stocks.**

Lehigh Valley Railroad Company—Analysis—Van Alstyne, Noel & Co., 52 Wall Street, New York 5, N. Y.

McGraw Electric Co.—Memorandum—Shearson, Hammill & Co., 14 Wall Street, New York 5, N. Y.

Montana Power Co.—Memorandum—Smith, Barney & Co., 14 Wall Street, New York 5, N. Y.—Also available are memoranda on **Northern States Power Co., Pacific Gas & Electric Co., Southern California Edison,** and **Washington Water Power Co.**

Mountain Fuel Supply—Analysis—Edward L. Burton & Co., 160 South Main Street, Salt Lake City 1, Utah. Also available are analysis of **Equity Oil** and **Utah Southern Oil.**

Pfeiffer Brewing Company—Bulletin—Gartley & Associates, 68 William Street, New York 5, N. Y.

Placer Development Limited—Analysis—John R. Lewis, Inc., 1006 Second Avenue, Seattle 4, Wash.

Northern New England Co.—Analysis—Ira Haupt & Co., 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.**

Sears Roebuck—Brief data—Bache & Co., 36 Wall Street, New York 5, N. Y. Also available are data on **Anaconda Copper** and **Socony Vacuum Oil.**

Seneca Oil Company—Analysis—Genesee Valley Securities Co., Powers Building, Rochester 14, N. Y.

South Jersey Gas Company—Analysis—Dempsey & Company, 135 South La Salle Street, Chicago 3, Ill.

U. S. Thermo Control—Data—Raymond & Co., 148 State Street, Boston 9, Mass. Also available is information on **Thermo King Railway.**

Western Pacific Railroad Company—Review—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

FINANCIAL NOTICE

Notice to Security Holders of
The Cleveland Electric Illuminating Company

Earnings Statement for the Twelve Months Ended September 30, 1951

The Cleveland Electric Illuminating Company has made generally available to its security holders, in accordance with the provisions of Section 11(a) of the Securities Act of 1933, as amended, an earnings statement for the twelve months ended September 30, 1951, such period beginning after the effective date of the Company's registration statement for $25,000,000 First Mortgage Bonds, 2¾% Series due 1985, filed with the Securities and Exchange Commission under said Act.

Copies will be mailed upon request to any of the Company's security holders or other interested parties.

THE CLEVELAND ELECTRIC ILLUMINATING COMPANY
By Sydney L. Hall
Vice President and Secretary
75 Public Square • Cleveland 1, Ohio

DIVIDEND NOTICES

The Singer Manufacturing Company

The Board of Directors has declared a quarterly dividend of sixty cents per share payable on December 14, 1951 to stockholders of record at the close of business on November 23, 1951.
D. H. ALEXANDER, Secretary
November 9, 1951

B.T. Babbitt INC.

92nd CONSECUTIVE QUARTERLY DIVIDEND

The Board of Directors of B. T. Babbitt, Inc. has declared a regular quarterly dividend of 15c per share on the Common Stock of the Company, payable on January 2, 1952 to stockholders of record at the close of business on December 12, 1951.
LEO W. GEISMAR, Treasurer
November 13, 1951

Manufacturers of AE WALL & FLOOR TILE
AMERICAN ENCAUSTIC TILING COMPANY, INC.
Common Stock Dividend

The Board of Directors has today declared a quarterly dividend of 12½ cents plus an extra dividend of 5 cents a share on the Common Stock, payable November 30, 1951, to stockholders of record on November 23, 1951.
G. W. THORP, JR.
Treasurer
November 9, 1951.

DIVIDEND NOTICES

A regular quarterly dividend of 50¢ per share has been declared on the Capital Stock of this Company, payable December 18, 1951, to stockholders of record November 30, 1951. The stock transfer books will remain open.
E. W. ATKINSON, Treasurer
November 13, 1951.

O'okiep Copper Company Limited

Dividend No. 20

The Board of Directors today declared a dividend of twelve shillings per share on the Ordinary Shares of the Company payable November 30, 1951.

The Directors authorized the distribution of the said dividend on December 11, 1951 to the holders of record at the close of business on December 4, 1951 of American shares issued under the terms of the Deposit Agreement dated June 24, 1946. The dividend will amount to $1.67 per share, subject, however, to any change which may occur in the official rate of exchange for South Africa funds prior to November 30, 1951. Union of South Africa non-resident shareholders tax at the rate of 7½% will be deducted.

By Order of the Board of Directors,
H. E. DODGE, Secretary.
New York, N. Y., November 8, 1951.

The UNITED Corporation

The Board of Directors has declared a semi-annual dividend of 10 cents per share on the COMMON STOCK, payable December 17, 1951 to stockholders of record at the close of business November 26, 1951.
WM. M. HICKEY, President
November 8, 1951

THE TEXAS COMPANY
197th
Consecutive Dividend and Extra Dividend

A regular quarterly dividend of sixty-five cents (65¢) per share and an *Extra* dividend of seventy-five cents (75¢) per share on the Capital Stock of the Company have been declared this day, payable on December 10, 1951, to stockholders of record at the close of business on November 9, 1951.

The stock transfer books will remain open.
ROBERT FISHER
October 26, 1951 Treasurer

CITIES SERVICE COMPANY

Dividend Notice

The Board of Directors of Cities Service Company on November 9, 1951 declared a regular quarterly dividend of one dollar ($1.00) per share on its $10 par value Common stock. The board also declared a special dividend of one dollar ($1.00) per share on such stock. Both dividends are payable December 17, 1951 to stockholders of record as of the close of business November 23, 1951.
W. ALTON JONES, President

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Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — Contrary to the general impression, Mike DiSalle's revised manufacturers' price regulation did not lean over backwards to allow industry to count all reasonable costs into figuring price ceilings. Instead, to a very considerable extent, he followed the Truman line that Papa Government, rather than Congress, knows best.

The revised order specifically disallowed some 22 items of overhead cost. Some of these were routine, and some would perhaps arouse no great antagonism, such as disallowing costs involved in paying over-ceiling prices, or over-ceiling wages, or excessive and unreasonable expense accounts.

On the other hand, DiSalle disallowed as an item of overhead cost, interest on borrowed money. Depreciation in excess of normal may not count, even if it arises, as is happening under the defense program, from a substantial increase in the usage of machinery.

Depletion is disallowed as a cost item, except as it is based on the cost of a wasting asset. Any bonus or profit sharing is also ruled out. So are losses based on the sale or disposition of capital assets. Any unusual costs such as those based on floods, hurricanes, or civil disturbances also are disallowed. Any amortization of pension or welfare costs based on past services to a company are ruled out. DiSalle says that accelerated amortization does not count, even if based upon a government-granted certificate of necessity.

Finally, overhead costs may not include inventory losses, including those incurred from inventory write-downs.

* * *

Treasury Secretary Snyder's estimate of a deficit of $7.5 billion for the current fiscal year is not supported elsewhere in Congressional or Administration quarters. The current concensus is that the gap between actual expenditures and revenues will run to something around $6 billion, with expenditures totaling $70 billion, as now officially estimated by the Budget Bureau, and revenues in the neighborhood of $64 billion. The latter is not an official estimate.

* * *

Canada has reputedly decided to build the Great Lakes-St. Lawrence seaway on her own, her government announced, because of the belief that there is no chance in the near future that Congress will approve of this project as a joint Dominion-U. S. project.

This estimate, it is believed, is sound. If there is a vacancy on the House Public Works committee, which handles the project, and if Speaker Rayburn should appoint to this vacancy a Representative favorable to the seaway, then there would be a slim chance that the committee might give the project a favorable report in 1952 by a 1-vote margin, say 14 to 13. This is the most the project could hope for next year.

Then, after the Public Works committee had reported out the project, it would have to get clearance from the Rules Committee before it could get floor consideration in the House. Observers would give the seaway slightly more favorable prospects than a resolution to give Joe Stalin the Congressional Medal of Honor—but not much more.

Afterwards, even if these impossible obstacles could be hurdled, the project would have to clear the Senate Foreign Relations committee, of which Senator Tom Connally of Texas is Chairman. Connally is in a tight spot facing a stiff primary fight as an Administration front man, in a state which is seething with revolt against Truman not only for his left-wing policies generally, but because Truman is backing the move to swipe control of Texas oil tidelands from the state.

The Canadian Parliament is expected to legislate a Crown company to undertake the seaway, at its present fall session. Nevertheless, tangible construction operations are unlikely to get underway until well into 1953.

This is because two obstacles have to be jumped, before Ottawa can go ahead. First, Canada must get an agreement regarding the division of power with the United States, and costs related thereto. This will take some doing, for the ambitious Public Power Tycoon, Oscar Chapman, Secretary of the Interior, wants to have control over the distribution of the power, whereas the New York Power Authority wants it. If Congress can be kept from taking a hand in this fight, it may be referred to the Federal Power Commission, which already is locked in deadly battle with the Interior department over the latter's attempt to preempt power rights on relatively small streams.

Another obstacle is the approval of the International Joint Commission, a treaty body which has jurisdiction over the use of international waters. This Commission, with Truman's advance blessing, is expected after following due procedure to approve Canada's construction of a seaway.

These two questions, however, hardly can be settled before the end of 1952, and it will be the spring of 1953 before the Dominion can get going.

There is less thought than a few months ago that Canada will need to borrow money from the U. S. to finance the project. It may get well into the construction of the project before either the Dominion or Ontario Hydro has to raise money on a bond issue, and some time after that before such a bond issue will have to be floated in the U. S. market.

* * *

As against President Truman's proposal last summer that flood sufferers in Kansas and Missouri would need $400 million for relief, the experience of the RFC has been significant.

RFC set up offices throughout the entire region to make loans for disaster relief. The RFC provided that it would almost automatically approve any loan for $5,000 or less recommended by any bank in the flood-damaged region. The bank's recommendation would be based upon its knowledge that the borrower was willing and able to repay the loan.

On this liberal basis RFC found it had made only some 1,800 loans for an aggregate of $17.5 million before applications began to fall off, near the end of October, and RFC began closing its emergency offices.

* * *

In spite of its unwillingness to do so, the House Banking committee probably will make a study of the design and construction standards used for VA and FHA loans.

When the committee sought to get approval of the Rules Committee for its world travel junket, the Rules group insisted upon wrapping up with approval of the junket, the clearing of the resolution by Rep. William B. Widnall (R., N. J.) for the investigation of the adequacy of construction and design standards on insured and guaranteed loans.

There is a little minor Congressional strategy in this thing. If the study had not been delegated to the Banking committee, it would have gone to the Veterans' committee. The Veterans' committee, being the official Congressional arm of the veterans' lobbies, would have given a less sober and scientific study to the problem than the Banking committee.

Another phase of the strategy is that because the Banking committee jurisdiction nominally excludes veterans' matters, it was thought to look prettier if FHA as well as VA policies were included. Actually there is comparatively little criticism of FHA's standards.

However, the committee will check into VA housing standards. After its subcommittees have returned from their travels, a field staff will make preliminary studies. These will be followed by public hearings later in the session.

These hearings, however, may turn into gripe sessions as veterans and their spokesmen from all over the country air complaints against builders.

* * *

It would not surprise informed observers here if the long discount bills which the Treasury is using as "tax anticipation certificates" might become a regular feature of Treasury financing for the next few years.

Under the Mills plan, corporations are gradually bringing their income tax payments to a current basis by 1954. The way the Mills amendment operates, corporation income tax payments tend to concentrate during the March and June dates.

Hence, it would seem to be propitious to offer bills like those sold with the March, 1952 maturity and due to be sold for the June maturity, so as to provide an instrument in which business tax reserves can be invested, market conditions not being unfavorable in the future years.

These bills, while called "tax anticipation certificates," may also be paid off in cash, the same as other Federal maturities.

* * *

It may be doubted that there will be new faces on the Federal Reserve Board until about the time the Patman Monetary inquiry reaches the hearings stage. At present there is only one vacancy, that caused by the resignation of Marriner S. Eccles. Even if Gov. M. S. Szymczak resigns, as he eventually expects to do to take a job with a bank, before the new session, it is thought that there would be no point in making appointments until Congress is here to receive and act upon them.

(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

"—Then we are to understand you think our Board meetings are a bit on the uninteresting side, B. O.?"

Business Man's Bookshelf

Compensating the Corporate Executive: Business, Tax and Legal Aspects of Salary and Profit-sharing contracts, stock bonus and stock purchase plans, stock options, deferred compensation, Pensions, Governmental and Judicial Controls over Executive Compensation—George Thomas Washington and V. Henry Rothschild, 2nd — Revised edition — The Ronald Press Company, 15 East 26th Street, New York 10, N. Y.—Fabricoid—$12.00.

"Expanding Your Income"—Ira U. Cobleigh — $2.00 — Dept. 6-A, Box C 1, Commercial & Financial Chronicle, 25 Park Place, New York 7, N. Y.

Food and Feed Reserves—Murray R. Benedict—National Planning Association, 800 Twenty-first Street, N. W., Washington 6, D. C. —Paper—50c.

Freedom to Move, The—Oscar W. Cooley and Paul Poirot—The Foundation for Economic Education, Inc., Irvington-on-Hudson, N. Y.—Paper—No charge for single copies, quantity prices on request.

Investment Company and the Investor, The—Rudolph L. Weissman—Harper & Brothers, 49 East 33rd Street, New York 13, N. Y. —$3.50.

Report Service—Special introductory offer for five weeks of complete weekly report service (via airmail) plus three special research studies and booklet "Planning for Profits in the Stock Market"—$1.00—Dept. C-95, Investors Research Co., Santa Barbara, Calif.

Shareholder Relations: Corporation Annual Report Requirements—Henry F. Reuter—Reuter & Bragdon, Inc., Pittsburgh, Pa.—Fabrikoid.

The Forrestal Diaries — Edited by Walter Millis — The Viking Press, Inc., 18 East 48th Street, New York 17, N. Y.—cloth—$5.00.

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