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EDITORIAL

As We See It

For some time past members of both of the major political parties have been jockeying for position in the race for the Presidency next year. Party stalwarts have also been hard at work laying their plans for 1952. The "availability" of this and that individual believed to be a good "vote getter" is now a subject of continuous interest, apparently, among political commentators. A number of the latter have even permitted their fancy to run to the possibility of having one individual endorsed and adopted by both of the major political parties "in order to have the Presidency eliminated from partisan politics"—although the idea does not appear to have gained much headway among the professional politicians.

Much the larger part of all this is just about what always goes on in advance of a Presidential election. There are a few unusual twists to current maneuvering, but these probably will come to nothing in the end. But unusual or not, there is a certain aspect of this situation which now, as in other years, we find unfortunate and disheartening. The thought that it might be possible to find some popular hero such as General Eisenhower (whose party affiliation, if any, appears to be something of a mystery) who could be nominated by both the Democrats and the Republicans and who would without further ado accept such nominations seems in a sense almost to epitomize these unfortunate elements in the situation.

Aim to Win

Of course, the chief concern of each of the parties, and, so far as we can discern, of potential candidates, is to win. Once upon a time there was

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Valuable Tax Pointers on Security Transactions

By J. S. SEIDMAN, C.P.A.

Certified public accountant, stressing "big push" for capital gains because of 25% limit on tax, explains how this rule works on security profits. Explains how short sales can be used for tax advantage and how to convert dividend and interest income into capital gains; also the treatment of "wash sales" in tax calculations. Points out special provisions applying to corporate investors, and calls attention to importance of proper timing of year-end sales for tax purposes.

Death and taxes are supposed to be the same in one respect—their certainty. They are not alike at all. Death does not get worse every time Congress meets!

Here we are going to concentrate on taxes. More particularly, Federal income taxes. And we are going to give a special whirl to the way they operate on security transactions.

J. S. Seidman

We will try to keep our eye on "capital gain." That is the by-word in income taxes. The reason is simple. Individual tax rates can go 90% in 1951. But with certain capital gains, Uncle Sam's maximum take in 1951 is 25%. Hence, the big push is for these capital gains.

What is a capital gain? By and large, it is the profit on the sale of anything other than the merchandise inventory of a business. The most common example of a capital gain is the profit on the sale of stocks and bonds of an investor. Everything here will, therefore, be described in terms of securities. However, what is said will also apply to commodities, foreign exchange, real estate, etc.

The rules for security "investors" are different from the rules for those who do enough buying and selling

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Sound Government Action Can Check Inflation

By WINTHROP W. ALDRICH*
Chairman, Board of Directors
Chase National Bank of New York

Prominent New York banker, holding inflation presents no difficulties as economic problem, but runs aground on shoals of self-deception as political problem, says basic difficulty is to reduce consumer and non-military expenditures. Holds consumer demand can be held in check by appropriate tax, credit and interest rate policies. Urges reinforcement of Voluntary Credit Restraint Program by restrictive credit policies, and pleads for independent Federal Reserve. Advocates Federal sales tax and substantial increase of yield on savings bonds.

Inflation is one of the oldest of economic diseases. Its causes are known, its symptoms clear and its cures well understood. It results from an increase in money volume, that is to say, in currency and bank deposits, greater than the flow of goods and services to consumers. This excess in purchasing power not only brings about rising prices but also price and income disparities of such magnitude that economic stability is undermined and grave social injustices created. The basic cure for the disease is to check the increase in the money supply. This can be done by time-tested fiscal, monetary and credit measures.

W. W. Aldrich

The Politics of Inflation

As an economic problem, inflation presents no difficulties. As a political problem, inflation runs aground on the shoals of self-deception. The reason is that inflation creates an illusion of well-being and prosperity. Employment is high, business seems

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*An address by Mr. Aldrich at the Luncheon Meeting of the Austin Chamber of Commerce, Austin, Tex., Nov. 15, 1951.

SECURITIES NOW IN REGISTRATION—Underwriters, dealers and investors in corporate securities are afforded a complete picture of issues now registered with the SEC and potential undertakings in our "Securities in Registration" Section, starting on page 37.

The Security I Like Best

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

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

This Week's Forum Participants and Their Selections

LUKE L. BENZ

Partner, Bradley, Gammons & Co. Inc. New York City

Westinghouse Building Certificates of Participation

For individual investors who want a good rate of income, a high degree of safety of principal, and some opportunity for moderate appreciation of capital (to keep pace with changing costs of living), I recommend a careful study of well situated office building bonds and underlying securities.

Luke L. Benz

The capital structures of many of these office building companies were scaled down realistically through reorganizations during the years following the depression of the 1930s. However, as office building rentals have recently been increasing along with other advancing prices, the underlying bonds and securities have been, and still are, in a position to benefit substantially. One of the more attractive situations of this character, in my opinion, is known as the Westinghouse Building (New York) Certificates of Participation, with Certificates of Beneficial Interest attached.

These Certificates of Participation, presently outstanding in the amount of $2,405,000, were issued in the reorganization of 1945 in exchange for a like amount of the former first mortgage and leasehold bonds (originally issued in 1923 in the amount of $4,500,000). These certificates are now in the nature of participating preferred stock (in a bondholders' trust), with a par value of $1,000, and with Certificates of Beneficial Interest attached. The latter (together with the one-third junior interest of the Springsley Realty Corporation) represent the remaining equity in the property (23-story office building at 150 Broadway, New York), and are in the nature of common stock.

These two classes of certificates are subject to a prior first mortgage in the amount of $542,950. This mortgage (in the original amount of $600,000) was placed with the Harlem Savings Bank at the time of reorganization. The purpose of this financing was to cover part of the cost of the remaining leasehold land, at a total purchase price of $800,000. This 3½% 10-year mortgage due Dec. 1, 1955, may be prepaid anytime after 1950. Carrying charges amount to $30,000 a year, and cover both interest and amortization of principal. As a result of this purchase, all of the property is now owned in fee.

The building (completed in 1923) contains 180,552 square feet of rentable area. Total gross revenues, and the amounts available (after expenditures, but before depreciation) for income payments and for sinking fund on the Certificates of Participation, are shown in the following table:

Fiscal Yrs. End. Nov. 30	Total Gross Revenues	Avail. for Ctfs. of Part. Bef. Depr.	Income Paid Per Ctf.
1951	------	------	*$47.00
1950	$625,364	$187,202	52.84
1949	676,813	266,347	66.56
1948	613,228	196,319	52.00
1947	522,008	103,732	34.43
1946	423,512	94,152	27.00

*Estimated.

Estimated income payments for 1951 are slightly under $50, due to non-recurring changeover expenditures for electrical equipment.

John Wanamaker & Co.'s downtown store occupies most of the space on the first and second floors, and in the first basement. The Wanamaker lease runs to 1958, at a rental of 4% of net sales, with a minimum of not less than $45,000 per annum. In recent years additional rental revenues above the minimum have been received each year on this basis.

Under the plan of reorganization the annual net revenues available for the Certificates of Participation are applied as follows:

(1) The first $30 (per $1,000 certificate) is distributed as income.

(2) The balance is divided equally between: (a) additional income for the certificates, and (b) sinking fund on the certificates.

No payments whatever may be made on the junior Certificates of Beneficial Interest (common stock equity) until all of the Certificates of Participation are entirely paid off and retired.

Supervision of the management and the property is still in the hands of the Colonial Trust Company of New York, and Samuel L. Scholer, trustees, under direction of the reorganization court. *The trustees are charged with the responsibility of operating the building, and at the earliest practicable opportunity, of liquidating the (trust estate) property primarily for the benefit of the former first mortgage and leasehold bonds.*

Any final plan for liquidation when and as approved by the court will thereupon become effective, unless written objection to the plan is filed by more than one-third of the outstanding Certificates of Participation.

Assessed valuation of the property is currently set at $3,900,000. Efforts are being made, however, through *certiorari* proceedings to lower this assessment. If successful, this might return to the company some $100,000 or so in real estate taxes previously paid, and result in further future savings in taxes which would accrue to the benefit of the Certificates of Participation through larger distributions of income and a larger sinking fund.

It is reported that the trustees have had an informal offer from a possible buyer who would be willing to pay up to $3,000,000 for the property. Such a buyer, however, would probably not be willing to subject his offer to the uncertainties of a court auction—especially as any upset price today would have to be approximately equal to some such amount in order to cover the first mortgage obligation and the Certificates of Participation in full, and also perhaps leave something after taxes and expenses for the Certificates of Beneficial Interest. Year-to-year amortization of the first mortgage debt and reduction of the Certificates of Participation through operation of the sinking fund, of course, tend to reduce the required upset price.

The market range, and improvement in market value of these Certificates of Participation over recent years has been as follows:

	1951	1950	1949	1948	1947	1946
Low	84	74	74½	70	54	46½
High	88	90	91	82½	75	69½

With an indicated average income payout between $50 and $60 a year, these Certificates of Participation show a current return ranging from 5½% to 7%. *When and as (but not if) the trust estate property is liquidated in the next few years, the yield to the date of liquidation will probably prove to be around 9% or so.*

ARTHUR J. MESSING

Herzfeld & Stern, New York City
Members New York Stock Exchange

National Supply Co.

In my opinion, we have been in a Bull Market in some stocks and groups, and in a Bear Market in others. This state of affairs makes selectivity of greater importance than ordinarily. When under these circumstances you can find a stock that has been in a consistently strong uptrend, that refused to go down during the October reaction in the general market, that is in an industry that is essential, growing, and has great romance, that is in a popular price range, that is the leader of the industry, that has expanding earnings, that returns a liberal yield on a dividend covered about three times over, that is in an exceptionally strong financial condition, with current assets ratio of about three to one, that is cheap on every chart and statistical basis, you have discovered an ideal stock under present market conditions.

Arthur J. Messing

The stock that I have just described is **National Supply.** There has been, during the past two years, a consistently growing demand for new oil discoveries, and many oil companies are constantly bringing in new wells. Yet with our boundless resources the surface has probably not even been scratched. **National Supply** manufactures oil drilling equipment and supplies. The business, under present conditions, appears a "natural," and there is plenty of romance and glamor to the industry and, in my opinion, will be for a long time to come.

National Supply earned $4.29 for the first nine months of this year, based upon the new tax bill, against $2.86 during the same period last year. Earnings for the full year are estimated to be close to $6 per share, and next year should prove at least as good, if not better. The dividend is $2, consisting of 40 cents quarterly, and a year-end of 40 cents. I can easily envision a higher rate for next year. As this is being written, the stock is selling at $29 per share. Since it sold at $25 in 1946, it has earned $22 per share, not counting this year's earnings.

I firmly believe that the stock is greatly undervalued, has tremendous growth possibilities, and that

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Management's Challenge Against Erosive Forces

By LOUIS RUTHENBERG*
Chairman, Servel, Inc.

Listing erosive forces to free enterprise as: (1) excessive diversion of income through taxation; and (2) short-sighted practices of monopolistic labor unions, Mr. Ruthenberg advocates management assume responsibility of combating these forces by promoting education in the plant, in the community and in the colleges, and by encouraging incentives through lower taxation. Holds taxes now take 40% of national income, and destroy both individual incentives and savings. Urges labor forego "feather-bedding" and excessive fringe benefits.

Our free economy has such great vitality that it has continued to increase our national wealth and to advance our material well-being at an amazingly rapid rate, notwithstanding the development and increasing pressures of many potent opposing forces.

Louis Ruthenburg

It is conceivable, however, that despite its amazing vitality, freedom and progress may be nullified through the cumulative effects of such erosive influences.

We must face the facts. This is no time for illusion. The modern world is no place for Pollyannas. Industrial operations always have been and always must be conditioned by environment. In a republic, that environment is established by the collective will of the people—by public opinion.

During recent years the conditions and influences that affect industrial operations have changed so rapidly and radically that many managements understand exactly what the Red Queen of "Alice in Wonderland" implied when she told Alice, in effect, that her people must run like hell to stay where they were.

An old story is told of a chameleon. A boy who had been told about the chameleon's ability to change its color to correspond with environmental colors placed one of the lizard on a piece of blue cloth. Soon its color changed to blue. Placed upon red cloth the chameleon turned red. But when the versatile lizard was placed upon a piece of Scotch plaid, it died in an effort to make good.

Industrial management finds its present environment confusing and has every reason to believe that surrounding conditions will become increasingly complex. We now witness the transformation of the United States from a Federal Republic to a Welfare State on the road to totalitarianism.

Changes in environment have come about gradually and insidiously. So gradually have surrounding conditions changed that few are aware of the magnitude and implications of such changes.

It is said that students of biology, conducting experiments in nervous responses to various stimuli, placed a frog in a skillet filled with water. When the temperature of the water was rapidly raised, the frog responded by jumping to safety. However, when the temperature was raised very gradually, the frog relaxed and tolerated the gradually changing environment until it was boiled to death.

It is not my purpose here to discuss the many controversial questions that now cause so much confusion in the minds of the people of the United States.

Many thoughtful people are disturbed because it seems to them that forces inimical to freedom are transforming our republic into a socialistic state—that we may be moving toward bureaucratic dictatorship through forces very much like those that caused England's decline.

It is not my purpose to discuss such subjects as social security measures, Federal subsidies for education, socialized medicine, public housing and rent controls, government lending and credit endorsement, public power, farm subsidies, persecution of business by governmental agencies. However, two major forces that contributed to England's sorry plight now threaten our progress and, therefore, seem to merit present examination.

Erosive Forces

These two forces are diversion of income through taxation and shortsighted practices of monopolistic labor unions.

Our Federal income tax became effective in 1914 following legislation based upon a constitutional amendment and enacted in the preceding year.

In 1914, another significant chain of events was set in motion when our national legislators departed from a time-honored precept for the government of free men. This principle was enunciated by Aristotle more than 300 years before the birth of Christ when he said, "The only stable state is that where everyone possesses an equality in the eye of the law. . . ."

The Clayton Act, adopted in 1914, held labor unions to be immune from the provisions of the anti-monopoly laws. Years later, further special privilege for labor unions was provided by the Nor-

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*An address by Mr. Ruthenberg before the National Metal Trades Association, Chicago, Ill., Nov. 14, 1951.

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United Fruit Company— Top Banana Producer

By IRA U. COBLEIGH

Author of "Expanding Your Income"

A thumb-nail sketch of this impressive agricultural and transportation enterprise; and some topical comment on the blight on banana production caused by Commie Rot and Pink spots.

Some 25 years ago, Prof. J. Russell Smith conducted a course in Economic Geography at Columbia. One of his facinating observations was that the banana was a complete food, providing every element essential to a balanced diet. Well, a quarter of a century before the good professor announced this tawny fact to eager collegians, some perceptive Boston capitalists had reached the same conclusion, or a reasonable facsimile. They were developing a little company called United Fruit; and they were busily at work starting banana plantations in Central America. The next step was to build a wharf or two, and build or charter boats to carry these cigar shaped food pellets, wrapped by nature in their own kind of ankle-spraining cellophane, to the fantastically growing markets of Europe and North America.

Ira U. Cobleigh

Long before we became vitamin, protein or carbohydrate conscious, or had received leering and hippy advice against refrigeration by Chiquita, Americans, in every station of life, enjoyed bananas. The company has, I believe, discontinued publication of figures for bananas shipped, but some idea of the growth factor here can be gleaned by comparing 1899 shipments of 11 million stems with 1938—56 million stems. The banana is big business, and United Fruit is biggest in the business, producing over 65% of the world's bananas and a much larger percentage of the best quality total.

To present a more complete picture, consider United Fruit as a half-billion dollar enterprise, owning 52 steamships, which it operates without subsidy; about a 46% interest in International Railways of Central America, serving Guatemala and El Salvador; roughly, half a million acres of land, over 20% of it in bananas, a little less in sugar, 10% in cacao, and about 5% in abaca (Manila hemp).

About the boats, 22 are new within the last five years, are functionally designed with highly efficient refrigerating equipment (bananas cannot be stored, like wheat, but must be kept carefully, and sold promptly). Most of the vessels have accommodation for a small number of passengers. This passenger trade is not designed for profit, but rather as a service to citizens in the countries served. This whole shipping deal, large as it is, is to be considered basically a delivery facility for the banana production rather than as a big earner in its own right.

About the bananas, that's, you'll pardon the expression, the meat of United Fruit. Vast plantations in Guatemala, Honduras, Costa Rica, Panama and the Dominican Republic are operated along the most scientific methods known to agriculture. The groves are sprayed repeatedly each year, to combat leaf diseases—an expensive process giving United Fruit the edge on most of its competitors in respect to both quantity and quality output. Thus United is able to average above 300 bunches of bananas per acre each year, against around 150 for independent producers generally.

Naturally, with the lion's share of earnings depending on just one product, market prices are highly important. While the banana prices have advanced importantly in the last decade, the company has achieved greater price stability by discontinuing price auctioning at the pier, a common prewar practice.

In respect to financial history, United Fruit is indeed an elegant corporate creature. Since 1899, United has paid dividends without missing a year, many of them (the dividends, not the years) of plushy proportions—like the 3-for-1 split in 1946. The current balance sheet is loaded with fluid assets, like cash and government securities, to the tune of over $100 million; and the financial structure is not cluttered up with a welter of loans, debentures or preferreds, consisting merely of 8,775,000 shares of common which, I should guess, might earn around $6.40 apiece in 1951, and continue to pay $4.50 per annum. That's a yield on the current quotation (62) of about 7.25%.

That brings us up to Guatemala, a bedevilling current factor in our consideration of United Fruit. Here the company has about 28,000 acres of bananas, and the pinkos at the political helm won't go along with the same tax deal United has given other Central American governments—namely, 15% of profits. What they, and local labor unions, really want is hard to figure, since right now United is paying four times as much for common labor as Guatemala itself. Moreover, United pays in cash, while Guatemala pays many employees in a sort of IOU or due bill, requiring its citizens to stand in line for hours to get the cash. Moreover, United has done a lot for the country, giving steady employment to 13,000 plantation workers and buying and shipping large quantities of bananas produced by independent land owners.

As it stands now, United Fruit has been so harassed by the Commies here, that she has threatened to quit Guatemala entirely, leaving an investment, through the years, of nearly $50 million. If this is the best result that a company so progressive and farsighted as United Fruit can achieve, then we might just as well take Point IV, wrap it in Red ribbons, and mail it to Stalin for Christmas.

However, operating on the principle that the soup is never eaten as hot as it's cooked, United Fruit will probably, in due course, work out some sort of compromise with the rampant Reds of Guatemala. All need not be lost; economic sense and even an aroused citizenry may yet restore tranquility and profitability. Meanwhile, United is not mortally hurt. By stepping up banana production in other areas, some offset to this loss can be achieved; and even writing off any Guatemalan contribution to earnings for the next two years, continued net figures of above $6 a share are well within the bounds of reason.

Through the years United Fruit has steadily enjoyed top-flight management. It still does; and anyone who lets a political do-si-do, in one little republic, be the cause of dumping overboard a durable and rewarding equity like United Fruit common is just not exercising enough faith in the company's half-century tradition for management sagacity.

Of course, bad news about a company's affairs has a depressing influence on the market for its shares, but let's face it; United Fruit has had just about all the market pounding that the situation should evoke. Commies have been beaten down in other countries, and they can be in Guatemala. They've never had a constructive program there, or anywhere else. So let's have a little faith in democracy—and in United Fruit.

United Fruit is the top banana producer on this planet, and as you slice one of its products over your corn flakes, nibble it at a picnic, sniff it in banana oil, skid on it, or observe it in Carmen Miranda's hat, remember all these tastes and perceptions are due in large measure to the prior existence of United Fruit. While you've been repeatedly cautioned against putting bananas in your refrigerator, there is no similar injunction against putting a few shares of United Fruit in your safe-deposit box. They appear unlikely to spoil.

F. S. Moseley Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Cyril Wyche, Jr. has joined the staff of F. S. Moseley & Co., 50 Congress St., members of the New York and Boston Stock Exchanges. Mr. Wyche was previously with Keizer & Co.

Waddell & Reed Add

(Special to THE FINANCIAL CHRONICLE)

LINCOLN, Neb. — Victor D. Bremer, Fred W. Duerr, Herbert J. Duis, G. Bruce Hergenrader, and G. James Wright have joined the staff of Waddell & Reed, Inc., Barkley Building.

The State of Trade and Industry

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

Little change of significance occurred in over-all industrial production the past week and it continued to hold at virtually the same high level as in the previous week. Compared with the like 1950 period, it was moderately higher. With respect to accumulated claims for unemployment insurance for the latest recorded week, they continued to remain slightly below the level of a year ago.

In the current monthly letter of the National City Bank on General Business Conditions under date of November, 1951, the letter states that the business news still indicates an approximate state of balance between inflationary and deflationary forces, with little to suggest that either will take full charge of the situation in the early future. On the one hand, record-breaking expenditures for plant and equipment and growing outlays for defense sustain employment and keep up the flow of purchasing power. The slow rise of personal incomes, augmented by wage increases, has continued. In the aggregate, demand for goods has been strong enough to hold prices firm; the official wholesale price index rose in four weeks out of the five ended Oct. 23, for a net advance of 0.4%. Looking farther ahead, the inflationary dangers that lie in growing Treasury expenditures and prospective deficits, together with new increases in wage rates and industrial costs, are emphasized in almost every analysis of the economic situation.

On the other hand, it continues, sensitive commodities show irregularity and there is a good deal of bearish sentiment, which argues against the development of a broad upward price movement at this time. With the obvious exception of the metals and other defense materials, which are scarce but are under allotments and price ceilings, buyers are indisposed to scramble for goods either for every day use or for business purposes. Distributors and processors of consumers' goods are trying to work inventories down. This means reduced commitments all along the line. Retail sales still hold to the pattern of the past six months, during which, after allowing for seasonal variations, they have fluctuated narrowly around a level some 10% below the January-February figures. As compared with a year ago, sales were lower in the third quarter, when last year's figures were lifted by the post-Korean scramble, and have been higher in October, which in 1950 was a dull month.

Regarding the steel situation, it is revealed that important steel users who used to call on steel company heads for help are now seeking their steel in Washington, according to "The Iron Age," national metalworking weekly.

Requests for steel are running far ahead of availability and steel users, big and small, the armed forces, politicians, lobbyists and other government agency officials are making things hot for the National Production Authority and Defense Production Administration. These officials have become the pivotal control of the steel market.

The relationship of supply to demand has little influence in today's steel market, this trade authority asserts. What items steel producers want to make and sell, and what consumers want to buy make little difference. Washington officials decide what will be made and how much. This is true of civilian goods, as well as military, and that's why the recent easing of some steel products has caused hardly a stir in the industry.

Many steel executives believe the easing of cold-rolled sheets, for example, is due solely to government regulation of auto makers' production. Under present strict controls any steel product can be made tight or easy merely by raising or lowering manufacturers' production schedules in Washington. Such action in no way reflects real steel demand, "The Iron Age" states.

In view of their unprecedented production pace, steel industry leaders believe there is no real need for complete government control over steel distribution. They expect to turn out about 105.1 million net tons of steel this year. Except for last year, that's over 15,000,000 tons more than was made in any previous year, including peak production during World War II.

Some believe that controls have made the steel shortage seem worse than it is. This claim is not easily shrugged away. In many instances steel companies know almost exactly how much steel their customers can use; they know because they have been serving them for years. Yet, some of these cutsomers have asked for more than twice as much steel as they have ever used before. Field interviews by "Iron Age" editors have revealed the paradox of some manufacturers operating at or near capacity, yet admitting that their steel requests had been drastically slashed.

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Observations . . .

By A. WILFRED MAY

On Main Street's Investing Tool

Despite the investment company's recent phenomenal growth to the Mr. Big of Wall Street and the Mr. Popular of Main Street's little saver, objective literature on this dynamic financial phenomenon is all too sparse.

Going far to fill the need for concisely and simply stated information, and for disinterested yet knowledgeable appraisal of this sparker of the financial scene, is a new book, *The Investment Company and the Investor*, by Rudolph L. Weissman (Harper & Brothers, New York, 217 pages, $3.50). Mr. Weissman, author of two previous works on finance, is a former staff member of the Securities and Exchange Commission, a veteran lecturer, and in the practical sphere, a vice-president of the investment counsel firm of Franklin Cole and Company.

A. Wilfred May

While this relatively short book is based largely on the reports and other material published by the investment companies and distributors, and on the monumental examination and findings made available by the Securities and Exchange Commission, the author's own wise observations, experience and discussion run through the content as an integral part.

Mr. Weissman manages to cover a great deal of ground. He traces historically the "investor collective" movement abroad and in the United States; depicts our legislative remedies particularly the Investment Companies Act of 1940 following the 1929 collapse; describes the growth of the companies; analyzes their portfolios, management expenses, and price status; evaluates their policies, performance, and objectives; and specifies their tax elements.

On the premise that the best way to study the industry is to analyze actual operations and results of specific companies, Mr. Weissman includes brief studies of a number of representative funds.

Three Broad Questions Answered

The author holds that the average investor's interest simmers down to three broad questions: (1) "What do I get in buying an investment company share?"; (2) "What do I pay for what I get?"; and (3) "Is it worthwhile to put my money into investment company shares?". His conclusions—founded on the assumption that the investor will be buying into an actually existing fund in lieu of a mythical one which sells at the top and repurchases at the bottom and has only the best-performing issues—affirm that the participant gets excellent diversification (if not "scatteration"); supervision; a fair and regular return after costs that are generally fair; adequate performance; and a stake in the nation's economic progress, and that the investment company share, with certain caveats, is a worthwhile investing medium.

Timing Versus Selection

Bearing on the broad question of proper investing technique, Mr. Weissman finds that fund managements tend to overestimate the possibilities of timing market movements, and holds they ought to concentrate more on evaluating individual issues.

This columnist feels that the author could have gone further in exploring this question (at least one private extensive study has been made), as well as other investing-principle implications from the experts' "trust" operation. Also, the present and prospective sales promotion techniques, on which the industry's future so crucially depends, might well have been more fully discussed.

But these are minor ancillary aspects. As it stands, the book is indeed valuable as a guide to the trade as well as to the consumer. Thus Mr. Weissman and his publishers have rendered a signal public service.

* * *

On the "Fundamental" vs. "Technical" Market Approach

This column is glad to publish the following comment from Mr. Roger Bridwell, author and investment counsel, admitting him as *amicus curiae*, to our controversy with Mr. Edmund W. Tabell. Thereunder we will append a few notes to clarify our position on some of the important and typical points he raises.

Dear Mr. May:

I have followed the "Fundamental" vs. "Technical" market analysis controversy between you and Mr. Edmund W. Tabell with great interest. Happily, your various arguments lead me to believe there is less difference of opinion involved than meets the eye. At any rate, I would like to add a few comments which may help clarify the issue.

First of all, I am impressed by the fact that Mr. Tabell endorses *both* sides of the question and maintains that each approach can contribute to successful market analysis. On the other hand, you rather dogmatically assert (please correct me if I misunderstand your position) that no possible good can come from technical market analysis and that investors would do well to stick 100% to the value concept. To the casual bystander, Mr. Tabell's conclusions seem more objective. He does not minimize the importance of statistical analysis but merely says that he has found it helpful to consider the market action of a stock before making purchases or sales.

In this connection, analysis of literally thousands of letters addressed to this office has led me to conclude that the most successful investors are those who do combine the two approaches to security analysis. We employ both types of information in managing portfolios and are convinced that results

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Voluntary Credit Restraint In Real Estate Field

By OLIVER S. POWELL*

Member, Board of Governors, Federal Reserve System

Federal Reserve Governor, after reciting inflationary pressures in present defense economy, outlines purposes and operating methods of Voluntary Credit Restraint Program. Outlines credit standards set up in real estate financing, and recommendations of National Committee regarding loans on residential real estate. Warns inflation threat has not yet been removed

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

Oliver S. Powell

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

You will recall the panicky buying that followed the Korean invasion. Remembering the shortages that developed during World War II, we rushed to the stores and bought abnormal quantities of merchandise—everything from sheets and coffee to television sets and autos. As you well know, there was also an unprecedented increase in residential building. This buying rush caused retailers and manufacturers to step up their inventory purchases and production rates, and there was a sharp increase in employment. The inevitable result of all this was a sharp rise in prices and another round of wage increases.

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

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

Second, the use of savings by drawing down savings accounts, cashing savings bonds and spending funds which had remained idle in checking accounts awaiting a suitable time for use.

Third, borrowing against future income: Consumers' borrowings to buy automobiles, household appliances and houses; business firms' borrowings to increase inventories or to pay higher prices for inventories or to extend credit to consumers, or to expand plants.

The combination of these three sources of buying power, when used to purchase a quantity of goods and services that could not expand with equal rapidity, caused a sharp price rise.

Moves to Counteract Inflationary Forces

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

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

(2) The consumer credit regulation was reestablished. The reestablishment of this regulation has not brought about any drastic reduction in the total of consumer credit outstanding. Although the total has declined by $800 million since last December, the amount of consumer credit outstanding on Sept. 30, 1951 was still $19 billion. It rose $171 million in August and $94 million in September after Congress eased the restraints.

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

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

One of the most important tools of inflation restraint was practically out of use for this purpose for several years. This was the employment of open market operations, which were devoted almost solely for several years to maintaining a pegged price for long-term Government securities. However, the recent reduction in prices of long-term Government bonds has had far-reaching effects in the control of inflation. Holders of those securities have been reluctant to dump them on the market and as a result supplies of funds for mortgage loans and for many other types of credit have been reduced.

The credit policies of the Federal Reserve System have been reinforced by a Program of Voluntary Credit Restraint among private lenders. The general credit policy of the System is intended to reduce the availability of credit in the aggregate and to make it unnecessary for the System to add to bank reserves by the continued purchase of Government securities; the selective credit controls are designed to retain the extension of credit in a few lines where standard lending practices prevail. Reliance has been placed upon the voluntary credit restraint effort to foster a spirit of caution and restraint in lending policies in general, but especially in credit fields not suited to selective credit controls, and equally to assist in channeling the reduced supply of credit into the defense program and essential civilian activities, while at the same time restraining the use of credit for nonessential purposes.

This Program was inaugurated under the provisions of Section 708 of the Defense Production Act. The authority to set up the Program was delegated to the Federal Reserve Board, which requested a group of financial leaders to draw up a statement of principles and procedures for the voluntary program.

Credit Standards for Inflationary Period

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

"It shall be the purpose of financing institutions to extend credit in such a way as to help maintain and increase the strength of the domestic economy through the restraint of inflationary ten-

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*An address by Gov. Powell before the Annual Convention of the United States Savings and Loan League, Miami Beach, Fla., Nov. 13, 1951.

Investments and Patience

By ROGER W. BABSON

Mr. Babson gives illustrations of how patience is required in order to profit from investments. Points out every worthwhile act requires patience, and urges graduates of colleges and high schools to cultivate patience.

A friend of the Babson Institute recently presented it a beautiful indoor heated swimming pool costing $235,000. When he was thanked he replied: "Don't thank me. Thank those who taught me *Patience*. This gift of $235,000 cost me nothing."


Roger W. Babson

The explanation of the above is that many years ago he bought stock around $2.50 a share in the American Investment Securities Company which controlled the Columbian National Life Insurance Company of Boston. For years, the stock didn't act well, and no profit was in sight, but all at once the American Investment Securities Company was liquidated.

For each 100 shares of this A.I.S. stock costing $2.50 a share, he received Columbian Life Insurance stock which today is worth $3,600. In addition, he received other securities which more than repaid his original investment. Hence, his insurance company stock, used to pay for the swimming pool, cost him absolutely nothing. But this took 24 years and required great *Patience*.

Texas and Pacific Land

When I was ill many years ago with tuberculosis, I was sent to New Mexico. With time holding heavily, I became interested in the stocks of two companies. These were the New Mexico & Arizona Land Company, and the Texas & Pacific Land Trust. I bought the former in 1916 at $1.75 a share and finally became a director of the company. This stock recently sold for 35 times what I paid for it.

I bought Texas & Pacific Land Trust another time when I was sick at $5.25 a share and urged others to buy it likewise, telling them that some day it would sell for $1,000 a share. They laughed at me, but it recently sold at $150 a share, or at 30 times cost. Holding these stocks many years required tremendous *Patience*. Few persons have such patience. I believe that there are now similar opportunities for those who have the patience to hold them for 20 years.

Bargains Near Home

Thirty years ago, I bought land in Wellesley for $300 an acre, which is now selling for $10,000 an acre. When I bought this, I urged my readers to buy suburban acreage adjacent to their communities. These opportunities likewise exist today. In fact, last week I bought for less than $300 an acre, over 300 acres of high land within two minutes of the Wellesley Hills post office. Some day my children will get $5,000 an acre for this land, but this will require *Patience*. We live in a marvelous country; it is growing at a rapid rate; its people are becoming the healthiest, the most intelligent, and are making the greatest scientific discoveries. If we will grow spirtually as we are growing materially, and have *Patience*, nothing can stop us.

I am especially anxious that the banks holding Trust Funds insist upon flexible Trust Agreements so as to take advantage of this great growth ahead. This should enable banks handling the Pension Funds— at the request of the Employees' Committees—to purchase stocks in American Industry —not mere Government Bonds— which stocks will pay both a fair rate of interest and with patience some day become very valuable. I know no method to help readers to get rich quickly. One must take time to create a fortune as to mature a baby into a 21 year old boy. Everything worth while takes time and *Patience*, especially investing money successfully. Incidentally, let me add that when people ask my grandchildren about my business and what I sell, they reply: "Grandpa sells *Patience*."

What About Jobs?

Finally let me say a closing word to graduates of colleges and high schools. I beg of you to be patient for promotions. Don't let anyone beat you in waiting. Forget salary, but take the job for which you are best fitted and in which you can render the most service for Mankind, and have patience.

Financial Independence comes from having a praying life-partner and good children, who will help you save a little money each month for insurance, for a home, and certain growth stocks. But you must have *Patience*. Being in too much of a hurry will prevent you from making large profits; yes, being in a hurry will be responsible for most of your losses.

Edward Watkins With Charles A. Parcells Co.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Edward B. Watkins has become associated with Charles A. Parcells & Co., Penobscot Building, members of the Detroit and Midwest Stock Exchanges. Mr. Watkins was previously with Titus-Miller & Co. In the past he was an officer of Watkins & Fordon, Inc.

Desirable Changes In Regulation W

By ELMER E. SCHMUS*

Vice-President and Cashier, The First Nat'l Bank of Chicago

Though admitting credit restraints are desirable at present time, prominent Chicago banker calls for some moderation and relaxation of Regulation W to correct inequalities that exist under current rules. Holds consumer credit controls as permanent policy are neither necessary nor desirable. Contends business activity, which rose since Korean outbreak, is leveling off.

In the early postwar years when the country was making considerable progress in converting from war to peacetime production, we heard some predictions that consumer credit outstandings might reach as high as $30 billion. Well, we never reached these exaggerated estimates since the all-time peak in consumer credit occurred in December, 1950, when outstandings aggregated $20.97 billion. Since the end of last year total consumer credit outstanding declined steadily and at midyear reflected a decline of better than $847 million, almost entirely in installment sales credits.


Elmer E. Schmus

We are all well aware of the sizable increase in total consumer credit in the period from the close of 1947 to the end of 1950. This increase amounted to nearly 170% and, obviously, was due in a large measure to the greater production of consumer durable goods and to the return to the prewar pattern of buying these goods on an installment basis. There were other very important factors as well, such as the steadily increasing cost of living, which made it necessary for many families to depend more heavily than heretofore on consumer credit, and in the prices of durable goods, which increased substantially in the period.

An examination of the breakdown of the peak in consumer credit outstandings as of December, 1950 discloses that 33% represented non-installment credits while 20½% represented automobile installment sales credits, 19% other installment sales credits and 27½% installment loan credits. In other words, 39½% of the peak in consumer credit outstandings represented installment sales credits, the type of credit some authorities viewed with grave concern, while non-installment credits such as single payment loans, charge accounts and service credits moved merrily along, unregulated, although they represented nearly one-third of the peak consumer credit outstandings as of December, 1950. The remaining division of regulated consumer credit is the installment loan field, which as previously reported represented 27½% of the peak consumer credit outstandings at the close of last year. Although these credits are treated as an increase in consumer credit, available statistics indicate that anywhere from 50 to 65% of loans made by small loan licensees are for the purpose of taking care of existing obligations. Therefore, of the loans outstanding at any given date a very high percent represent not an increase in consumer debt but merely a consolidation of debt previously contracted for.

*An address by Mr. Schmus at the 18th Annual Convention of the American Finance Conference, Chicago, Illinois, November 14, 1951.

The amount of the peak consumer debt of better than two and one-quarter times the 1941 total is more apparent than real as, of course, comparison with prewar figures is distorted by the reduction in the purchasing power of the dollar. The all-time peak of total consumer debt outstanding at the end of last year is still not disproportionate on the basis of its relationship to personal disposable income. At the close of 1941 total consumer debt amounted to $8,800,000,000, or slightly over 9½% of personal disposable income, while the all-time peak at Dec. 31, 1950 amounted to only slightly over 9¾% of personal disposable income. If we relate only installment sales and loan credits to personal disposable income, we find that at the end of 1941 these credits amounted to only 6 4/10% while the all-time peak outstandings referred to amounted to 6 6/10% of personal disposable income. These figures indicate consumer credit increased to a safe level with the expanding economy of the country and not at a pace to cause grave concern.

Undoubtedly the expanding volume of consumer credit each year since 1946 caused the reimposition of Regulation W in September, 1950. Since we were also at that time in a period of partial mobilization for war, some authorities believed it necessary to restrain the flow of funds into the consumer market, thus lessening inflationary pressure as well as helping to divert critical material and manpower into the channel of defense production. Some other authorities, however, felt strongly that major inflationary pressure came from fields far removed from the field of consumer credit, but regardless of these beliefs the Regulation is now on the books and must be fully observed by all consumer credit agencies.

In recent months we have heard reports that industrial production at the middle of this year exceeded the production expected by the end of this year and that civilian and defense demands were about in balance with this production. There are, of course, reports of increased defense requirements which would come out of non-defense production. If the required diversion from non-defense production turns out to be no more than $10 to $15 billion and if it is met largely out of inventory figures and some curtailment of non-defense construction and nonessential business investments, the amount of consumer goods and services left for everyday consumption in the aggregate will be as large as was consumed in the first half of this year. In view of these reports, which come from the mid-year review of the Council of Economic Advisers, consideration might well be given now to some relaxation in the terms of Regulation W in order to correct some inequalities which presently exist. It is well known that the large masses in the lower income group dependent upon consumer sales and loan credits are now, by the terms of the Regulation, definitely priced out of the new car and late model used car markets as well as the markets of some other durable goods. With the prospect of further increases in prices, an even broader section of the market would be forced into monthly payments of a figure considered prohibitively high for many buyers.

Regulation W in this period of partial mobilization is probably desirable, but I would like to present again my thoughts on the Regulation as expressed in my address before you last year:

"The reimposition of Regulation W on Sept. 18, 1950 and the subsequent tightening of terms less than a month later may suggest a forewarning of the uncertainty of operations if Regulation W should ever become a permanent part of our economy. Some Federal authorities may believe the regulation of consumer credit should be placed on a permanent basis, which suggests the possibility of broad relaxations in terms during periods of adverse business conditions. This might be most undesirable, for economic adjustments required during a period of adverse conditions might give no such assurance on credits you make as you had during a period of good business conditions with high employment and greater income in both industry and agriculture. Before World War II you operated with almost no regulated pressure other than the very simple but effective one of competition, and the excellent record of your industry during different phases of business cycles is conclusive evidence that the regulation of the credits you make in a peacetime economy is not desirable and is unnecessary. Regulation W has no place in a free enterprise system as a permanent part of the economy of this country."

Danger of Regulation W Becoming Permanent

Recently the legislative branch of the Federal government altered the terms of Regulation W, a matter which heretofore had been delegated to an administrative branch of the government. The relaxation in terms was undoubtedly desirable, but this resumption of powers previously granted to others indicates that we may now be faced with a much greater possibility of Regulation W becoming a permanent part of our economy. This would not be desirable.

When I read in the headlines of such things as predictions of squeezes on metals, substantially increased defense expenditures, on one hand the steadily increasing debt of individuals and on the other that the public has been disinclined to purchase in any startling quantity since last winter, it leaves me in a rather uncertain state of mind. However, I am consoled when I take up my composite ratio sheets, which reflect the splendid record of the sales finance industry throughout various phases of our economy. We have been maintaining these composite ratio analyses since the end of 1935 and from that date to this time the sales finance industry has shown extraordinarily fine results in the maintenance of a sound financial position.

Our last composite analysis, as of June 30, 1951, shows that on the average the companies maintained a ratio of debt to working capital of 3.94 to 1 and a theoretical liquidity according to our computation of seven and one-half months. The credit experience on the paper purchased and loans made has been excellent, as balances delinquent over 60 days were the equivalent of only ⅜ of 1%, while the loss to retail sales liquidated was slightly less than ½ of 1%. Repossessions likewise bear the nominal ratio of ⅞ of 1% to net worth. During the period the companies continued to maintain excellent loss and deferred income reserves which combined amounted to slightly over 10%. Volume for the six months period amounted to $5,787 million or approximately $640 million more than for the same period in 1950, and exceeded by several hundred thousand dollars the volume for the entire year 1947.

The companies increased net

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Dealer-Broker Investment Recommendations and Literature

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

Carolina Companies—Brochure of pertinent data—R. S. Dickson & Co., Inc., Wilder Building, Charlotte 1, N. C.

Convertible Preferred Stocks—Bulletin—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y. Also available is an analysis of **Central Telephone Company.**

Dividend Payers—Bulletin on long-term dividend payers—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Expanding Your Income—Ira U. Cobleigh—$2.00 per copy—Dept. 6A, David McKay Co., Inc., 225 Park Avenue, New York 17, N. Y.

Increased Mail Pay for Railroads—Bulletin—Vilas & Hickel, 49 Wall St., New York 5, N. Y.

Kentucky Notes—Data on Kentucky securities—The Bankers Bond Co., Inc., Kentucky Home Life Building, Louisville 2, Ky.

Major Stocks on Tokyo Exchange—Spot quotations—Nomura Securities Co., 1-1, Kabuto-cho, Nihonbashi, Chuo-ku, Tokyo, Japan.

Municipal Bonds for the Individual Investor—Booklet—Lebenthal & Co., 135 Broadway, New York 6, N. Y.

Outlook for Business Profits and Stock Prices—A. M. Kidder & Co., 1 Wall Street, New York 5, N. Y.

Over-the-Counter Index—Booklet showing an up-to-date comparison between the listed industrial stocks used in the Dow-Jones Averages and the 35 over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over a 12½-year period. Of the 35 companies represented in the National Quotation Bureau's Over-the-Counter Industrial Stock Index, 12 trace their ancestry to years before the Civil War and another nine had their beginnings in 1900 or earlier. Twenty-three of the companies have been paying dividends continuously from seven to seventy-nine years. Of the other twelve, one started paying dividends 119 years ago, and its stockholders have received annual dividends regularly with the exception of the years 1833, 1840 and 1858—**National Quotation Bureau,** Inc., 46 Front Street, New York 4, New York.

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.

Security Transactions—When to sell securities for Income Tax Saving—Sartorius & Co., 39 Broadway, New York 6, N. Y.

Special Situations—Leaflet of special and neglected situations—Greene and Co., 37 Wall St., New York 5, N. Y.

Stocks for Appreciation—Bulletin—Peter P. McDermott & Co., 44 Wall Street, New York 5, N. Y. Also in the same bulletin are data on **Spencer Kellogg & Sons; Northern Pacific Railway Company; Island Creek Coal Company; Combustion Engineering-Superheater, Inc.; American Metal Products Co.,** and **Eaton Manufacturing Company.**

Sugar Act of 948 and 1951 Amendments—Lamborn & Co., Inc., 99 Wall Street, New York 5, N. Y.

Understanding the Over-the-Counter Securities Market—Pamphlet on fundamenetal of trading in stocks and bonds on the over-the-counter market—Commodity Research Bureau, Inc., 82 Beaver Street, New York 5, N. Y.—25c per copy (quantities over 100 at lower prices).

Utilities—Bulletin—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. Also available are suggested lists of **Common Stocks** and **High Yield Preferred Stocks.** Also available is a bulletin of **Tax Pointers** to save money, and discussions of the **Railroads** and **Electric and Oil Equipment Industries.**

* * *

Albuquerque Associated Oil Co.—Memorandm—Quinn & Co., 203 North Second Street, Albuquerque, N. Mex.

American Car & Foundry Co.—Memorandum—Paul H. Davis & Co., 10 South La Salle Street, Chicago 3, Ill. Also available is a memorandum on **Bucyrus-Erie Co.** and **Elliott Co.**

American Phenolic Corp.—Report—J. Arthur Warner & Co., Inc., 120 Broadway, New York 5, N. Y. Also available are reports on **Cedar Point Field Trust, Collins Radio Co., Walt Disney Production, Liberty Products Corp., Seaboard & Western Airlines, Inc.,** and **Zonolite Co.**

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IBA 40th Annual Convention Opening Nov. 25th at Hollywood, Fla.


Laurence M. Marks


Joseph T. Johnson


Ewing Thomas Boles


Walter W. Craigie


George W. Davis


Walter A. Schmidt


Norman P. Smith

The 40th Annual Convention of the Investment Bankers Association will open on Nov. 25 at the Hollywood Beach Hotel, Hollywood, Fla. The Convention will run through Nov. 30, when new officers for 1951-1952 will be elected at the closing session.

The slate to be voted on is as follows:

President: Joseph T. Johnson, The Milwaukee Company, Milwaukee, Wis.

Vice-Presidents: Ewing T. Boles, the Ohio Company, Columbus; Walter W. Craigie, F. W. Craigie & Co., Richmond; George W. Davis, Davis, Skaggs & Co., San Francisco; Walter A. Schmidt, Schmidt, Poole & Co., Philadelphia, and Norman Smith, Merrill Lynch, Pierce, Fenner & Beane, New York City.

Mr. Johnson will succeed Laurence M. Marks, Laurence M. Marks & Co., New York City, as President of the Association.

Principal speakers at the convention will be Mr. Marks, the President; Geoffrey Crowther, Editor of the "Economist," London, and Harry A. McDonald, Chairman of the Securities and Exchange Commission.

On the lighter side, there will be golf and tennis tournaments for those attending.

Members of the Golf Committee are Charles McK. Lynch, Jr., Moore, Leonard & Lynch, Pittsburgh, Chairman; William Atwill, Jr., Atwill and Co., Miami Beach; Salim L. Lewis, Bear, Stearns & Co., New York City; Wallace M. McCurdy, Thayer, Baker & Co., Philadelphia, and Sidney J. Mohr, Jr., Thornton, Mohr & Co., Montgomery, Ala.

Members of the Tennis Committee are James W. Moss, Preston, Moss & Co., Boston, Chairman; Charles S. Garland, Alex. Brown & Sons, Baltimore; Earle Gatchell, Hayden, Stone & Co., New York; Wilbur E. Hess, Fridley & Hess, Houston, and A. C. Potter, Bacon, Whipple & Co., New York City.

COMING EVENTS

In Investment Field

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

Dec. 13, 1951 (Cincinnati, Ohio)
Cincinnati Stock & Bond Club election of directors.

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.

Joins Remer, Mitchell

(Special to THE FINANCIAL CHRONICLE)

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

With Rogers & Tracy

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Elsie M. Paddock has been added to the staff of Rogers & Tracy, Inc., 120 South La Salle Street.

With Uhlmann & Benjamin

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Taylor H. Agnew and Harold R. Ringler are now associated with Uhlmann & Benjamin, Board of Trade Building, members of the Midwest Stock Exchange.

With Renyx, Field

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Frank B. Page has become affiliated with Renyx, Field & Co., Inc., 2239 East Colfax.

Business Man's Bookshelf

About the Electric Industry: Answers to 27 questions frequently asked the Edison Electric Institute—Edison Electric Institute, 420 Lexington Avenue, New York 17, N. Y.—Paper.

Banking as a Profession—Samuel A. Hoffman—Samuel A. Hoffman, Vice-President, Exchange National Bank, Chicago, Ill.—Paper.

Expanding Your Income—Ira U. Cobleigh — Dept. 6-A, David McKay Co. Inc., 225 Park Avenue, New York 17, N. Y.—$2.00.

Fundamentals of Top Management, The—Ralph Currier Davis—Harper & Brothers, 49 East 33rd Street, New York 16, N. Y.—Cloth —$6.

Housing Research—Fall 1951—Housing and Home Finance Agency, Washington 25, D. C.—Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C.—Paper—30c.

Industrial Chemicals—Important technical data of manufacture and basic economic facts about 106 major commercial chemicals—W. L. Faith, Donald B. Keyes, and Ronald L. Clark—John Wiley & Sons, Inc., 440 Fourth Avenue, New York 16, N. Y.—Fabrikoid —$8.

Investment Principles & Practices, 4th Edition — Ralph Eastman Badger and Harry G. Guthmann—Prentice-Hall, Inc., 70 Fifth Avenue, New York 11, N. Y. —Cloth—$7.65.

Municipal Bonds for the Individual Investor—Lebenthal & Co., 135 Broadway, New York 6, N. Y. —Paper.

Joins Reynolds & Co.

(Special to THE FINANCIAL CHRONICLE)

RALEIGH, N. C.—Jack Cusson has become associated with the New York Stock Exchange firm of Reynolds & Co. He was formerly with Bache & Co.

Joseph T. Eschmann

Joseph E. Eschmann passed away at the age of 80. Prior to his retirement he had been with Hornblower & Weeks in Chicago for 40 years.

Coburn & Middlebrook

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—John R. Child is now affiliated with Coburn & Middlebrook, Inc., 75 State Street.

Joins E. E. Mathews

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Sheldon E. Pangburn is now with Edward E. Mathews Co., 53 State Street.

With Hamilton Manage'nt

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Morris E. Van Vliet has joined the staff of Hamilton Management Corporation, 445 Grant Street.

The Modern Approach To Stocks and Bonds

By GEORGE F. SHASKAN, JR.*

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

Market economist maintains modern approach to security selection implies checking carefully before buying. Urges information be secured regarding company's financial structure, earnings, dividend record, and the outlook for its industry. Warns against tips and speculative behavior.

When I was asked to discuss "The Modern Approach to Stocks and Bonds," the more I thought of the word "modern," the more I wondered whether that was a proper word to associate with securities. In international affairs modern I'm afraid, has come to mean chaos and confusion; in poetry obscurity; in painting—abstractness and non-objectiveness.

Geo. F. Shaskan, Jr.

None of these terms certainly should be applied to our investments. The stocks and bonds that we own, after all, represent the savings of many years or a lifetime; we depend upon them for income, for protection against inflation, for Johnny's education, and for a host of other important ends. Our investments are too important to be treated confusedly, obscurely or abstractly. Rather than speaking of the "modern" approach, perhaps we should concentrate this evening on the old-fashioned time tested recipes for sound investment programming.

Just what are these? I have here a chart with several pictures on it. This is a building—a rather handsome one at that although my draftsman must have been thinking about Spain when he drew it; this is a factory; here's a picture of Johnny's snow suit; and here are a group of securities. In selecting a security all we have to do is to apply the same rules we would apply if we were out to buy this building, this factory or a new snow suit for Johnny.

When Mr. Real Estate Man goes out to buy a building what does he want to know? First, is it well located . . . in a growing area where real estate values are on the up-grade, or is it in a declining neighborhood? Secondly, is it well constructed, or will constant repairs be necessary. Thirdly, how much income will it yield, particularly after adjusting for taxes, depreciation, maintenance and other expenses. And, finally, assuming that it is satisfactory on all these accounts, is the purchase price right—is it in line with comparable properties or is it too high.

Mr. Manufacturer asks roughly the same questions when he considers buying a new factory. He also must know the condition of any equipment in the building, the availability of labor in the area where it is located, and so forth.

Mrs. Housewife asks the same questions when she goes out to buy Johnny his new snow suit. First, she inspects the material and tailoring to see if it will take Johnny's tumbling and climbing. Then she wants to know whether it is what the other children are wearing, since Johnny is becoming quite conscious of what he wears. Then she shops around to make sure she is getting the lowest price.

Now all of these people are doing the perfectly natural thing. They are investing their money and they are trying to make sure that they are obtaining a sound investment. It is what all of us do . . . what you good people are doing every day . . . except when it comes to selecting a stock or bond.

The Simple Tests

When we come to select securities we somehow forget to ask the simple questions or make the simple tests that we are making all day long in our other activities. We forget that ours is a dynamic economy and that an industry favored by today's conditions may be upset by tomorrow's. We lazily cling to the belief that because the XYZ industry has always been profitable in the past that it will continue to be.

We don't bother to check whether a company's financial house is in order. We are too busy to determine whether funds may have been borrowed improvidently. We often are willing to own a security of a company whose financial structure would shock us if we saw it in our own books.

The record of earnings is easily found. But how many of us bother to check earnings, not just last year's or the year before but over many years, to see how a company has fared in depressed periods as well as in good times.

Since income is one of the two basic goals of investment it would be natural to expect the investor to study carefully a company's dividend record — like earnings, easily available. But we seldom take time to check back; it is much easier to rest in our hope that because this year's dividend payment is high, it has always been so and will continue.

The Right Price?

And, finally, even where we have made some of these tests we fail to ask perhaps the most important question of all—is the security priced right. Is it in line with other securities or have over-anxious buyers pushed its price to a point where it is unattractive. This is the one test which you good women in the audience would never fail to make when shopping for Johnny's snow suit. You may have found all the qualities you want in the first store you stop at, but you do a bit of comparative shopping to make sure that it's priced right. If you find a snow suit which meets all of your requirements for a dollar or two less, there's no question which one Johnny will be wearing.

Many securities meet the first four tests—(1) the right industry, (2) sound financial structure, (3) good earnings record and outlook, and (4) satisfactory dividends — but fail to stand up under comparative shopping.

And, of course, this is very natural since, having established that a security is a good one, many investors are anxious to own it and in the course of their acquiring it they often bid it up to a price where it is no longer attractive.

Well then, these are what I would call the old fashioned time tested recipes. There are only five simple rules to follow; the information is easily available, and almost any reputable security dealer is glad to help you make them. But. . . .

For some reason most investors never get around to making these five simple checks. Perhaps it is because they are too busy trying to accumulate the funds which they then invest. I suppose it is a truism that it is far easier to make money than to hold it. In any case the average investor simply does not make the same effort to hold on to his funds as he does to make them, although both are equally important.

I wonder whether many people who think of themselves as investors are not in fact speculators. The line between an investor and a speculator, of course, is not always easily identified. However, I should say that if you look at the stock market page everyday, chances are you are a speculator and not an investor. If you worry because a security you own and which meets the five basic tests goes down a point or two, or if you have the urge to sell such a security because it goes up a point or two, chances are you are a speculator. The true investor having purchased a security in the right industry, of a financially sound company with a good earnings and dividend outlook, and at the right price is content with a reasonable income and the gradual appreciation which our expanding economy and, I fear, long-term inflation will afford.

Put another way, the speculator is more interested in what "they" are saying about a security than about what the figures show. In this case the "they" may be a "big money group" or the "insiders," etc. In this connection I should like to implore you to beware of "tips." I don't know why it is that so many of us—all good, conservative people—who would never expect to get something for nothing along the usual paths of life, think that we ought to be able to make a killing in the market. This wish—father to the thought, no doubt—makes us ready prey for any bit of news some one tells us. So we rush out to buy a security that the maid's boyfriend heard is going to skyrocket from the chauffeur of the assistant to the President of the company. Or, we hear the elevator man discussing a Canadian gold mine stock in which he has just invested a hundred dollars and is going to make $10,000 —so what can we lose by taking a chance for a few hundred. Ladies and gentlemen, you can lose the few hundred dollars. The "inside" information is generally well spread outside. There are no easy paths to building up a sound security portfolio . . . and vault box after vault box of supposedly conservative investors filled with worthless Great Expectations Gold Mines and Wonder Oil Inc. attest to the fact that substantial sums can be lost by failing to follow the five simple rules of security selection.

I am afraid that we have devoted so much time to the selection of a security that there is almost no time for discussing an overall program for investment planning. However, I should like to leave with you several rules for investment programming:

Diversification

First, and by all odds the most important rule, is diversification. And by diversification I mean not only different kinds of securities but also representation in many industries and among many companies.

Almost equally important is the rule of patience. If you have selected a security in the right company, in the right industry, at the right price, sit back and relax. Don't worry because it goes down slightly; don't feel you must sell it because it is up, **provided** it still meets the basic five tests. Above all, don't switch it to something else that some one has told you will "make you a million."

Beware of tips. We've already covered this most unhappy of investment paths.

Beware of sacred cows. They can be costly. Just because your grandfather always held XYZ is no reason for you to do the same. Just because ABC is an excellent company there is no reason to refuse to have anything to do with any other security.

When it comes to taking a profit or a loss, do it for sound investment reasons and not to beat "Uncle Sam." Taxes must be considered, certainly, but the idea of holding a security for a long-term gain after you are convinced it is over-priced may cost you not only your gain but part of your initial investment as well.

Stick to securities of American corporations and companies whose business is largely inside the country. Foreign exchange problems, revolutions, expropriations, etc., are all additional risks which for most investors are not justified.

And finally, stick to securities of companies with proved records. Avoid the securities which have not yet been tested on the market.

*A talk by Mr. Shaskan at the Adult Educational Forum, Montclair, N. J., in cooperation with the Federation of Women Shareholders, Oct. 30, 1951.

Jos. Dixon Elected

Joseph W. Dixon

Joseph W. Dixon, Vice-President of American Securities Corp. has been elected to its board of directors, according to an announcement by Mr. William Rosenwald, Chairman.

Joins du Pont, Homsey

(Special to The Financial Chronicle)

PORTLAND, Maine.—Laurence H. Mann has become associated with du Pont, Homsey & Company, members of the New York and Boston Stock Exchanges. Mr. Mann was formerly connected with J. Arthur Warner & Co., Inc. and F. L. Putnam & Co.

The Next Six Months In the Stock Market

By S. B. LURIE*

Market Analyst, Paine, Webber, Jackson & Curtis

Market economist holds as unlikely a disastrous decline, although tax selling may cause some further weakness. On other hand, foresees a close ceiling to market as a whole, resulting in "locking-in" between 250 and 275 for Dow-Jones Industrial Average for balance of year. Hence concludes policy must rest on selectivity featuring secondary issues facing higher earnings.

Many of the stock market rules you've heard in recent years seemingly contradict themselves. At first blush, the sound advice to cut losses short appears inconsistent with the observation that more money usually is made with the seat of one's pants than with one's hat. Those of you who've held the oils, drugs or chemicals for the past two years would challenge the remark that the "long-term" investor is nothing more than an unsuccessful "short-term" speculator. But the contradictions disappear when it is realized that ours is not an exact science. Even the most painstaking analysis does not always provide a set of facts which leads to an unqualified opinion—or to an idea requiring immediate action.

S. B. Lurie

As a starting point for our discussion tonight, here are two common sense keys to market success: (1) In the course of a given year, there are only a few times when it's wise to be really active on either the buying or selling side of the market; (2) In every span of years, there are only a few times when it's wise to really "bet the bankroll" — mortgage the old homestead to buy common stocks.

Where do we stand today? In my book, Nov. 19, 1951, is not the time to "bet the bankroll" on the stock market. Yes, I realize that at their recent highs stocks were selling for only about 10 times earnings as compared with 16 times at the 1946 top and 18 times at the 1929 high. And I'm fully cognizant of the fact stock yields today are around 6% against less than 4% at the 1946 high and about 3% in 1929. Moreover, I'm well aware of—and thankful for—the fact that brokers' loans are only one-twelfth of what they were in 1929.

But so what? Aren't these comparisons fallacious? Isn't it a mistake to attempt to justify an aggressive interest in common stocks in 1951 merely because they were over-valued in 1929 and 1946? Isn't this judging the market by hindsight—and overlooking the fact that the market's chief function is to discount the future? The market makes history—not history the market.

My interest in the stock market isn't excited by such statistical comparisons for they obscure the offsetting considerations. As a case in point, when adjustment is made for the lower purchasing power of the dollar and sharply increased taxes, I imagine dividend yields today are lower than they were in 1929. Moreover, bearing in mind the "inflation" in per share results, I wonder how much weight should be given to price-earnings ratios as such. Aren't today's corporate earnings overstated, in relation to 1929 standards, as a result of inadequate depreciation reserves?

*A talk by Mr. Lurie before The Boston Investment Club, Boston, Mass., November 19, 1951.

Brokers' Loans

To pose another question, does the low level of brokers' loans really mean that the public interest in the market is less than in the 1920s? Or do the figures merely indicate that a different speculative vehicle—a changed medium of expression — is in vogue today? In my book, there's no question but that the dominant force in the market place now is different than it was in the 1920s. Ours now is a commuter train, rather than carriage trade, business.

I emphasize that this line of reasoning is not meant to imply we have to batten down the hatches without delay. After all, you don't stay in bed merely because of the possibility of being hit by an auto while on the way to the office. Rather, I'm only attempting to put things in their proper perspective—decide where we're going before we pull up the anchor. In this connection, the probability we won't take off on an extended cruise does not preclude some interesting weekends, so to speak—nor cancel out the opportunity for fine day sailing. The question of how interesting they will be—the opportunities they will present—is the one I'd like to chart for you tonight.

Let's try to define this era—for once the nature of the beast is understood, half the speculative battle is won. To judge by the news, we're in a period of vast contradictions—of individual confusion midst general plenty. In itself, this isn't necessarily alarming. It's cause for concern only if the surface distortions mirror hidden weaknesses which later will assert themselves. Suppose, therefore, we examine the underlying conditions that have led to the symptoms with which you're all familiar.

Committed to Managed Economy

I'm sure you'll agree that we, as a nation, are committed to the theory of a managed economy; the only reservation you might make is the degree of application. Even if a Republican Administration is elected next year, the political realities and the public interest will prevent a return to the "do-nothing" government attitude of the 1920s. No matter what the political label, the Administration in power has a vested interest in national prosperity. Thus, market planning must accept the inevitability of comparatively high taxes — and/or deficit spending — as part of the national scheme of things. This is both a promise and a threat—for no group of men has the wisdom or judgment enabling them to always press the right button at the right time.

From our viewpoint, the weakness of a managed economy lies not only in the inevitable mistakes of the managers—but the possibility we will be lulled into indifference over the other fundamentals. Too much reliance can be placed on the government's power to keep the economy in gear. True, in the past five years the Administration has taken various steps which seemingly have been effective in the direction intended. I have a strong hunch, however, that the chief reason this was the case is that each move fell upon a fertile background. That it was the background, rather than the move itself, which turned the tide. Wall Street seems to have forgotten its freely voiced criticism of the New Deal—of Roosevelt's attempts to turn the economic clock in the '30s. Why be any less skeptical in the '50s?

Peace Out of the Picture

I'm sure there'll also be unanimous agreement with my thought that we can rule out the possibility of a golden era of peace. This means that we can't count on any important change in our accelerating defense program during the next 12 months. Even if Russia were to collapse tomorrow, it would take several years for political normalcy to return in that country—for the world threat of Communism to disappear. Similarly, no matter what happens vis a vis Russia's relations with the free world—or in Korea—we as a nation will be suspicious—and suspicion means armed strength.

Personally, I've ruled out the threat of war as a factor in market planning. As I view it, all the evidence in the present situation points to continued "cold war" or "hot peace." Russia's plan is an obvious one of keeping us off balance politically by nips at our flanks and spheres of influence—maneuvers which also threaten our economic solvency; look at the problems rearmament has brought to many European countries.

Chances are, mention of the word "armaments" immediately brings to mind the term "inflation"; to many people, the two are synonymous. In a monetary sense, however, our armament program as such has not been particularly inflationary. Our national debt today is no greater than it was at the time of Korea. And the government fiscal year ending next June probably will show either a small deficit or a small surplus. To put it in a nutshell, since Korea the inflationary anticipation has been greater than the realization. This year in particular, there's been far more deflation than inflation in the commodity price situation. And there's been more deflation than inflation in the manufactured goods situation. Shortages today are conspicuous by their absence.

Inflationary Urge Dulled

True, the full fiscal impact of the defense program is yet to come; a fairly large government deficit is anticipated in the fiscal year which starts next July. But this is a long way off in terms of November, 1951, market policy. It's likewise true that inflation is as much psychological as it is factual — in which connection I'll agree that there was a mild flight from money in the past six months. That the security buyer still believes common stocks are one of the best means of protecting his purchasing power. Yet, I think the inflationary urge has lost much of its force as an immediate market factor. What else can the record high savings of individuals—the record high sales of life insurance—mean? Doesn't this suggest the public is more concerned with the deflationary signs?

If the intangibles don't excite our interest, what about the tangibles of the business and earnings outlook? I'd like to sketch this for you via these observations:

The Tangibles

First, although the rate of government spending will increase sharply over the next 12 months, the increase may be more of a sustaining than stimulating influence. After all, there's a vast difference between our defense program today and our arms program during World War II—not only in dollars, in units, in industry impact, but in relation to the nation's capacity to produce.

Secondly, it seems to me that the demand for almost all forms of consumer durable goods has been, and still is, in a long-term downtrend. Our wants have been well satisfied—not only for vacuum cleaners and washing machines, but for homes and autos. The last two mentioned industries were the backbone of our post-war prosperity.

Thirdly, the capital goods boom seems to be nearing its end—if only because the need for new facilities will have been satisfied by next summer. In addition, however, the classic signs of a downturn are at hand: declining profits and lower profit margins, a tightened supply and higher cost of money.

As I view it, this outline suggests that considerable suspicion be attached to the theory of a permanent joyride; the weaknesses are on the horizon and the internal strength is ebbing. But the constructive overall balance has not yet been upset—which means that the Federal Reserve Board Industrial Production Index probably will reach a new post-war high sometime in coming months. I don't think the trend of general business will turn downward until the second half of 1952. Meanwhile, the next six months will be a period of many contradictions—of cross currents—within the framework of the composite indices. For example, improvement is in prospect for most soft goods lines and stabilization is likely in certain durable consumer goods lines—whereas the capital goods industries face a growing wave of readjustment.

Conclusions

Question of what all this means to the stock market is something else again—for there's a New Look to our business. The mechanics are the same but the rules are different. The inferences I would draw are threefold:

(1) While tax selling may cause further weakness and irregularity, a really disastrous decline from these levels is not likely. An all-inclusive liquidating movement probably requires more pronounced underlying deterioration than now is evident.

(2) Conversely, however, the background I've outlined spells a ceiling to the market as a whole —which means that the averages, as such, are "locked in" between roughly the 255 and 270 area for the remainder of the year.

(3) The contradictions which lie ahead spell a new phase of markets—one where the speculation will be centered in industries which can earn more next year. In turn, this suggests the coming market of stocks probably will feature the so-called secondary companies rather than the blue chips.

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Dealer-Broker Investment Recommendations and Literature

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

Armour & Company—Analysis—Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y. Alos available is an analysis of **Canadian Pacific Railway Ordinary Stock.**

Atlantic Refining Co.—Memorandum—Smith, Barney & Co., 14 Wall Street, New York 5, N. Y.

Babcock & Wilcox—Memorandum—Shearson, Hammill & Co., 14 Wall Street, New York 5, N. Y.

Buda Company—Analysis—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

A. M. Byers Co.—Memorandum—Georgeson & Co., 52 Wall Street, New York 5, N. Y.

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

County Gas Co.—Memorandum—Woodcock, Hess & Co., 123 South Broad Street, Philadelphia 9, Pa.

Crane Co.—Memorandum—Emanuel, Deetjen & Co., 120 Broadway, New York 5, N. Y.

Erie Forge—Comment on in "Highlights"—Troster, Singer & Co., 74 Trinity Place, New York 4, N. Y. Also in the same issue are comments on **Jacob Ruppert, Beryllium Corp.** and **Safety Car Heating & Lighting.**

Gisholt-Machine Co.—Analysis—Dayton & Gernon, 105 South La Salle Street, Chicago 3, Ill.

Leland Electric Co.—Circular—Amott, Baker & Co., Inc., 150 Broadway, New York 38, N. Y.

Lionel Corp.—Analysis—Zuckerman, Smith & Co., 61 Broadway, New York 6, N. Y.

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.**

Northern New England Company—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Penn-Dixie Cement Corp.—Memorandum—Faroll & Co., 209 South La Salle Street, Chicago 4, Ill. Also available is a memorandum on **Phillips Petroleum Co.**

Pfeiffer Brewing Company—Bulletin—Gartley & Associates, 68 William Street, New York 5, N. Y.

Piedmont Natural Gas Co.—Memorandum—A. M. Law & Co., Old Kennedy Place, Spartanburg, S. C.

Riverside Cement Company—Card memorandum—Lerner & Co., 10 Post Office Square, Boston 9, Mass. Also available is a memorandum on **Gear Grinding Machine Co.** and on **Seneca Falls Machine Co.**

Seneca Oil Company—Analysis—Genesee Valley Securities Co., Powers Building, Rochester 14, N. Y.

Standard Gas-Philadelphia Company—Analysis—Newburger & Co., 1342 Walnut Street, Philadelphia 7, Pa.

Titanum—Progress report—Dean Witter & Co., 14 Wall Street, New York 5, N. Y.

Trane Company—Analysis—Cruttenden & Co., 209 South La Salle Street, Chicago 4, Ill.

U. S. Thermo Control—Data—Raymond & Co., 148 State Street, Boston 9, Mass. Also available is information on **Thermo King Railway.**

A Complicated Worldwide Economic Situation

By WILLARD F. ROCKWELL*
Chairman of the Board, Rockwell Manufacturing Co.

Deploring venal and vacillating political leadership in democratic countries as complicating economic trends, Mr. Rockwell asserts political blunders and political opportunism has placed us in desperate position. Lays down as questions vitally affecting economic trends (1) Russia's intentions regarding war; (2) the extent of our defense of Western Europe; and (3) fear that end of war threat will result in economic disaster and political funerals. Attacks confiscatory taxation, and urges businessmen form movement to bring about spiritual and moral uplift in political control of nation.

Of all the subjects discussed, I know of none which is more important or more controversial than the one assigned to me. I sincerely sought to escape exposure of my bewildered condition, resulting from my opinion that economic trends have never been so completely complicated by unforeseeable and incomprehensible political developments arising from the venal and vacillating leadership in the so-called democratic countries. There can be no strong leadership when as many as 48% of the voters in the most recent election are opposed to the current leaders—as in England and the United States—or where their leaders are merely a temporary compromise between many minor parties—as in France.

Col. W. F. Rockwell

War No Longer Profitable

Now, "Economics" is defined as the science which investigates the conditions and laws affecting the production, distribution, and consumption of wealth—or the material means of satisfying human desires. Most nations of the world are preparing for war, either as aggressor or in defense against aggression—which means that production of wealth must be partly discontinued while men, money, and machinery are directed into the production of death-dealing devices and machines of war which may become obsolescent in a short time unless they are used to destroy the lives and property of enemy nations. Successful wars against neighbors were once made profitable by capture of slaves, by seizure of property, by reparations payments, and by trade concessions; but modern mechanized and motorized warfare is so destructive as to offer no return of wealth to the victor commensurate with his losses. If the world again becomes involved in a war, economic changes will obviously depend on the outcome, and trends will change as rapidly and as violently as the day-to-day fortunes of the participants.

The Not Too-Remote Past

Prior to 1914 there had never been global warfare, simply because the means of transportation of large military forces and essential worldwide communication services were limited or nonexistent. In our country, prior to that year, we were avowed isolationists—and the businessman's foremost fear of federal interference came from the possibilities of tariff changes, which might raise or lower his costs or bring competition from cheap foreign labor in the production of items where labor represented the major part of his costs. The businessman of that day not only had very limited interest in federal affairs, but was seldom affected too seriously by the perpetual or perennial struggles for power in foreign countries.

England had risen to world power following the Napoleonic wars, and Britannia ruled the waves. England served as the great police power—especially of the world areas of unrest—and not only managed to make many countries pay for that policing power, but received additional compensation from the great industrial expansion and resultant economic rewards derived from commerce and trade with the countries which it policed. England then demonstrated that industrial growth is the modern requirement for national strength, and that the opening of new markets assures continued expansion. In complete contrast today, our country has been paying for the doubtful privilege of playing policeman for the world. We are in the strange position of leading a desperate police action to secure world peace, but we are confronted with claims for damages from the country which we are defending at such great cost in lives and health.

During England's period of foreign control the scale of living in England rose rapidly until the first challenge came from Germany, where expanding industrialism, combined with the rapid growth of its maritime strength, enabled Germany to threaten British supremacy. When these two nations went to war, the industrial strength of our country was rapidly overtaking—if it had not surpassed—both; but, at that time, our nation not only remained isolationist to the extent of the Monroe Doctrine, but no one—and least of all our own leaders—considered our nation as a possible interventionist.

Inextricably Entangled

In World War I it was only after England and her allies had sent enormous orders here for military equipment and munitions that the Germans ruefully realized that American production could turn the tide of battle against them. When the Germans started their depredations against neutral ships carrying war goods made in America, the Germans joyfully accepted President Wilson's word that we were "too proud to fight." Although Wilson's election in 1916 was attributed to that slogan, it was only a few days later that our pride was so badly wounded through German attacks on our citizens and property that Congress declared war. From that day to this we have become inextricably entangled in foreign affairs; and, as time goes by, the entanglement becomes greater, while the possibility of extricating ourselves appears less. It really is remarkable that isolationism is held to be an almost treasonable viewpoint in our country at this time.

Having fought World War I "to end all wars," we had tried subsequently to escape further foreign entanglements, only to be drawn or pushed or enticed into a second world war "to end all dictatorships." Our enormous contributions in lives and wealth seemed to have been justified when World War II was successfully concluded with the surrender of the aggressors; but, as the result of political and diplomatic ineptitude and inexperience, the hastily-drawn and ill-considered peace terms again set up and strengthened a new aggressor; so that, just six years later, we are threatened with a third world war.

The Korean Incident

We now have the Korean incident on our hands—which, in its first 15 months, has run up to a greater cost in men and money than the first 15 months after our entry into the second world war. Keen military observers in France, England, and Western Germany attribute the Korean affair to secret and subtle internal political moves in our country which prevented prompt and proper action when Russia set up the Berlin blockade. They believe, and insist, that if we had told the Red Russian Rulers in 1948 that we were going to maintain free entry to Berlin—even if we had to use force—the Russian leaders would have backed down. But, because of the coming Presidential election, our politicians resorted to the air lift as a way to prevent a war scare which might cost a few votes. That moral retreat at that crucial moment not only cost many lives and involved a billion-dollar waste, but completely convinced the Red Rulers that we would not fight any minor invasion of our rights— and so they moved into Korea! Economic trends for the past two years have changed with the political drift—and "drift" is the only word to describe our political course in world affairs, so far as having any definite course is concerned.

The Single Aggressor

There is only one world power which obviously wants war, but that power has gained its greatest number of adherents simply through its propaganda, which so falsely claims that it is the only nation in favor of world peace. Intelligent analysis brings the inevitable conclusion that it is certainly not the Russian people—it is only the dictator in Russia and his small group in the Kremlin who press the threat of war whenever they believe such threats will gain concessions. Reliable reports indicate that 20 million Russians are held in slave-labor camps, while 150 million more are regimented and forced to work long hours to build the industrial might of their Red Rulers.

Dictator Stalin treats our political leaders with the utmost contempt. Our leaders' postwar comment that "Old Joe isn't such a bad fellow" hardly coincides with more recently expressed opinions that Joe is a conscienceless scoundrel who keeps agreements only when he fears the consequences. Too bad they did not know that before Joe had swindled our leaders through secret aid of fools and traitors, who were exposed only after their red-herring camouflage was stripped by confessions of thefts of atom-bomb secrets. Joe derived great concessions before this reversal of political opinion—both by false promises and by veiled threats. Our politicians in the war councils—when they were trying to induce the wily Russian to join in the war against Japan, and at the subsequent peace meetings—contributed more to Stalin's power than he could have gained in many years of iron rule over the Russian people. We shall probably never know how much our country lost when we were so badly taken in by the Russians, with the treacherous aid of the red fringe of State Department advisers.

Joseph Stalin, writing in the "Foundations of Leninism," expressed his admiration for American industry in these glowing words:

"American efficiency is that indomitable force which neither knows nor recognizes obstacles; which, with its businesslike perseverance, brushes aside all obstacles; which continues at a task once started until it is finished, even if it is a minor task; and, without which, serious constructive work is inconceivable."

Stalin knows that industrial might is the absolutely essential element in any plan to gain world power. Our fear of Stalin should be based primarily on the fact that he recognizes this truth; and that our own political leaders are constantly seeking to shackle and hamstring American industry for the purpose of controlling it physically and financially for political power. Our leaders have failed to establish the truth about our better way of life, whereas Stalin has used his propaganda to confuse the issues and to confound the people of the world. Sooner or later, the falsity of his propaganda will be exposed but our present danger comes from the potentials involved if he successfully accomplishes his objectives in increasing Russia's industrial strength.

To return his compliment to American industrial efficiency, we might say that a dictatorship as firmly established as his, with its ruthless rule over a vast number of people, has proved to be the greatest and most efficient method of rapidly rising to world power—although history has failed to record a single instance when any human being has long managed to retain such power over his own nation—even when avoiding the risk of simultaneous efforts to hold other nations as submissive satellites.

Bankruptcy Threatens

Looking to our economic situation, there is no doubt that political blunders and political opportunism have placed us in a desperate position; but, on the other hand, we are still the greatest industrial power ever known on this earth, which produced our high scale of living in peace and provided the means to establish and sustain the forces on land, sea, and air which dominated the world in 1945. Our industrial strength can only be cut by the advance of socialistic measures, from which

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*An address by Mr. Rockwell at the 31st Annual Meeting of the American Petroleum Institute, Chicago, Ill., November 6, 1951.

A Digest of Market Averages

By RODGER W. BRIDWELL

Partner, Investors Research Company
Santa Barbara, Calif.

Mr. Bridwell, commenting on confusions and diversions of leading stock market averages, describes variety of methods of constructing these indexes and the differences in their unit compositions. Although stating market averages are indispensable tools for understanding price movements, warns against dependence on only one type of average in measuring stock market trends.

Comparing the level of stock market today and at the peak of the great 1929 bull market is a currently popular pastime among financial writers and analysts. Unfortunately, the conclusions drawn from such comparsions are seldom in agreement. More often than not, they merely add to the confusion about the comparative level of stock prices.

R. W. Bridwell

For example, comparison of three leading market averages that were also being computed 22 years ago reveals a widely divergent picture. A well-known 365 stock average has already exceeded its 1929 high by a few per cent. In sharp contrast, the Dow-Jones Industrial average would require a further advance of more than 40% before equaling its best 1929 level, while the New York "Times" 50 stock average would require a further advance of more than 70%.

Happily there is a growing realization on the part of investors that the historical level of the stock market is a will-o-the-wisp which depends largely on what type of market average is consulted. Today's investor also realizes that when one market index moves up or down twice as fast as another, it may well afford clues that can lead to a better understanding of market movements. But, if we are to avoid having these clues confuse rather than clarify the situation, it is essential to first have a complete understanding of the composition and method of computing each average.

Constructing Market Averages

Three methods of constructing market averages are commonly employed and most of the obvious discrepancies in performance can be traced to these fundamentally different approaches to the same problem.

By far the most common is the straight arithmetic average. The prices of the stocks included in the average are simply added and the total price is divided by the number of stocks in the average. Whenever necessary the divisor is adjusted to make allowance for stock splits and dividends. The Dow-Jones Industrial average is computed in this manner. Its current level, well above the highest price of any single issue in the average, is due to numerous stock splits through the years.

An average which gives equal weight to high- and low-priced stocks—sometimes referred to as a "geometric" average—is also frequently employed. In an arithmetic average, a stock priced at 200 will influence the average 20 times as much as a stock priced in the 10 range. A geometric average assigns the same weight to both. Accordingly, a one point move in the low-priced stock will affect the average as much as a 20 point move in the high-priced stock.

Not so common is a third type of average which weighs each stock in proportion to its relative market importance. Proponents argue that it is only reasonable to assume the market movements of General Motors, for instance, with its wide following, are more important market-wise than the fluctuations of a stock having a capitalization and market following only a fraction that of the motor giant. Such an adjustment is accomplished before the average is computed by multiplying the market price of each stock by the number of shares outstanding.

Composition of the Averages

In addition to these three methods of computing market averages, a wide variety of averages are available which differ in composition, i.e. in the type and number of stocks included in the average. A few of the more common divisions are made between high-priced and low-priced stocks, industry groups, war vs. peace stocks and other categories. Only those averages designed to represent the entire market are considered in this discussion.

The average mentioned above that has out-stripped all others in this bull market is a broad 365 stock index of the third variety. The reason for its stellar performance is obvious; the favorites in this market have been the investment-grade shares of our largest corporations. Since the "blue-chips" usually either sell at a higher price or have a larger capitalization than the shares of the smaller, more speculative companies, they exert a much greater influence on this 365 stock average.

When demand is greater for high-priced investment-grade securities than for low-priced speculative "cats and dogs" it will also be reflected in the relative action of geometric and arithmetic market averages. Such a divergence has been especially noticeable throughout the postwar period. Representative geometric averages that give equal weight to high and low-priced stocks are now hovering around their 1946 highs. In contrast arithmetic averages are far above their best 1946 levels. The Dow-Jones Industrial average, to mention only one, is 30% above its 1946 bull market peak.

The postwar preference for investment-grade stocks was strikingly demonstrated by the action of the three types of averages at the 1947 and 1949 intermediate bottoms. Averages adjusted to give proportionately greater weight to those stocks having the largest capitalization bottomed in 1947 and held above this low in June, 1949. Straight arithmetic averages just about equaled their 1947 lows and 1949. On the other hand, geometric averages established a new bear market low in June, 1949 that was well below the 1947 bottom.

Number of Stocks Included

The variations illustrated are based on averages which differ both in the number of stocks included (all the way from 30 to 450) and the manner in which the stocks are proportioned among the various industry groups. For example, in one average no Railroad issues are included while in another Rails represent 50% of the total. Nevertheless, it is probable the very same variations would have occurred during the postwar period if the makeup of each average had been identical. In other words, the action of a market average is affected at least as much by the method of calculation as by the stocks included.

Bearing out such a conclusion is the recent action of a privately compiled 450 stock average which carefully proportions component stocks between the chief industry groups. This average was calculated at each of the intermediate market turning points so far in 1951, first as an arithmetic average and then as a geometric average. In each case, the list of stocks was identical but the price of the average was appreciably affected.

To start with, both methods of calculation produced a new bull market high in February, 1951. Subsequently, the arithmetically computed average established a new high in May, 1951, but when the same average was adjusted at the May top to give equal weight to high and low-priced stocks, it failed by a considerable margin to equal its February high. When arithmetically calculated, the average then exceeded its May high on Aug. 3, but it was not until Sept. 6, that the same average when calculated geometrically, surpassed its February high. In this particular example, the arithmetic average provided the desired picture since the market subsequently moved much higher.

What Average?

The purpose of studying any market average is to recognize the underlying trend of stock prices and especially to recognize changes in that trend as soon as possible. Some times one type of average will best accomplish this objective, some times another.

It is a common observation that investment-grade, high-priced issues resist the final stages of a bear market relatively well and also hold up relatively well in the final stages of a bull market. If such an assumption is warranted, then an arithmetic average should be the first to turn up near the end of a bear market while a geometric average should be the first to turn down towards the end of a bull market.

It should not be concluded from the foregoing discussion that the market averages are not valuable, in fact, indispensible tools for understanding market movements. However, it does suggest that more than one type of average should be considered and that differences in the action of each average should be a valuable aid toward a better understanding of the market rather than a source of added confusion.

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The Next Six Months In the Stock Market

If this seems too narrow a view, I'd like to add the thought that there is no rule which says the market must go straight up—or straight down. If this seems too short-term a view, I'll add the thought that we could be facing an "inside year" in 1952—a broad trading range resting on top of the 1946-49 area. I'll even add the thought that we may see an important upward move later develop within this pattern—if the public takes heart from the fact that general business activity remains high. In the meantime, selectivity is at a premium; the nimble —the alert—can enjoy a private bull market.

After all, the stock market is no different from life itself; it doesn't offer security, but it does offer a wealth of opportunity. And the opportunities for profit still exist.

From Washington Ahead of the News

By CARLISLE BARGERON

Following the recent election of Rudolph Halley as President of City Council of New York, some admirers of Senator Estes Kefauver who are pushing him for the Democratic Vice-Presidential nomination, got the brilliant idea that Halley might give their man a boost, a statement on the order of "I owe everything to Senator Kefauver" or something of the sort. So they put a young newspaperman on the train to go up to New York and talk with Halley who had sprung into prominence, of course, as the prosecutor of the Kefauver Crime Committee.

Carlisle Bargeron

Well sir, in the first place the young man had trouble getting to see Halley but Kefauver interceded and Halley agreed to meet him. They met at Halley's home one morning and were to talk in the cab on the way downtown, Halley understandably being a very busy man. The young man falteringly proceeded with his mission. As soon as Halley got what he was driving at, that he should say something by way of a boost for Kefauver, he ordered the cab to the side of the curb, and as the story goes in Washington, said, in effect:

"If that's what you want there is no need of your taking up my time or wasting yours."

Thus we see a further breaking up of the beautiful friendship of men selflessly engaged in a great crusade against evil-doers. When the work of the committee reached its apex in a fanfare of television publicity, and Kefauver decided it was time for him to quit at this high point, the mutual admiration of the committee members and the staff workers knew no bounds. Kefauver owed everything to his fellow members, particularly Senators Tobey and Wiley, and to the brilliant work of the staff and they in turn owed everything to Kefauver, his courage, fearlessness and direction. But their ardor for one another has been cooling for sometime.

Kefauver jumped the gun and wrote a book before Tobey could get one to the press and he is reputed to have made half a million dollars out of it. Furthermore, Tobey and the others have had to play second fiddle to him on the lecture circuit. He commands, I understand, $1,500 an appearance while Tobey, for example, whom I think is the better performer, can get not more than half of this. Senator O'Conor of Maryland, who kept the committee going as a vehicle for his reelection next year, feels let-down because the work of the committee after Kefauver has been anti-climax. Only Halley, besides Kefauver, seems to have cashed in and he feels no debt or obligation to his former employer. Such is gratitude in the great game of seeking the headlines.

Yet he is justified in feeling that his noble fight against corruption was not the sole or necessarily the main reason for his election to the Council Presidency. This made his name a household word, of course, and thus emboldened him to make the race. But from then on he had another and a very potent political appeal in such a city as New York.

I bring this out because I hope the Republicans don't come to rely too much on the crime and corruption issue. In the recent local elections there were two or three overturns, instances of "kicking the rascals out" which might be attributed to public indignation toward crime and corruption, but I wouldn't put too much stock in it. The Republican defeat in Philadelphia is generally charged to such an arousal on the part of the voters. But what had a lot to do with it was that the Republicans, admittedly in a hole, tried to bail out by running a clergyman for mayor. This was supposed to be smart and slick stuff but a clergyman in politics probably caused as much resentment as any indignation against the Republicans which the voters had held.

These indignations against crime and corruption have a way of blowing over, and in an era of cynicism such as we are now in I doubt they are very deep in the first instance. In my more unsophisticated days back in 1924, I would have bet my last penny that an angry public would kick out the Republicans on the basis of the scandals of the Harding Administration. Instead, that year the Republicans broke into the South.

It is not my thought that the Republicans should let up in their exploitation of the mink coat and internal revenue scandals but they will be pretty old stuff by November of next year and there will have been a lot of so-called cleaning up. But it is my concern that the Republicans may become so absorbed in these lesser matters as to neglect the graver ones. Bear in mind that these scandals are the result of the times we are living in; they are not responsible for the times.

Frankly, I am not shocked by the disclosure that our internal revenue collectors are political appointees and not supposed to do any work. They have always been that in my time, and there has always been politics at the higher level in income taxes.

I recall very well studying some income tax cases against Republican politicos shortly after Roosevelt had been elected the second time. The cases had been filed in his first term but these Republican politicos had stalled and stalled in the conviction he would be defeated in 1936. It was funny to see them rushing in to settle up after the strains of "O Susanna" had died out in every state save, perhaps, Vermont and Maine. What is really wrong now is that the "political ins" are revelling in billions as compared with the relative peanuts which the Republicans had. The main job is to correct that situation.

In Defense of Installment Buying

By BYRON S. COON*

President, American Finance Conference

Citing rapid growth of instalment credit, along with mass production, as pillars of American prosperity, Mr. Coon holds government interferences under Regulation W may cause breakdown of current distribution system. Contends mass production and mass financing "have put nation on wheels."

Forty years ago the first automobile was sold on an instalment plan. There has been no fanfare to mark it, but 1951 is the 40th anniversary of a major economic event. In 1911, there began the greatest orderly revolution of industrial and social development in American history. A method was discovered to make it possible for every family to ultimately own an automobile. This new method, time sales financing of automobiles, was the beginning of our industry.

Byron S. Coon

Government interferences in 1951, however, presented a problem which threatened the opportunity for all families to own cars. Interference with instalment buying by the Federal Government reached such an extent that the very existence of your company was threatened, to say nothing of the future of the automobile manufacturing industry.

Just how serious this problem was can only be judged by examining the prominence of the automobile industry in our economy. Before instalment financing was created in 1911, a total of only 521,000 cars had been sold in this country. Producing for such a small market meant the price had to be high. It cost three years' pay of a skilled factory worker to buy an automobile. Many people at that time recognized that the industry was at its peak, if it had to depend upon cash sales. There were not many more families that could afford to buy a car for cash.

The situation has changed. As late as 1949, it took the average worker only seven months' average factory pay (at $2,746 per year) to buy a medium-priced automobile (selling at about $1,600). Mass production required methods of mass merchandising, including financing. Our industry has accompanied the mass manufacturing of automobiles to where it is now possible for a worker to buy a car out of 2⅓ months' earnings, this amount being the down payment. The rest he may pay for on a "pay-as-you-ride" basis.

Without adequate instalment financing, the market for used cars could never have developed. It is the monthly payment that sells cars. To establish the size of this auto market, listen to these figures. Since instalment financing began in 1911, 93,000,000 cars have been produced in this country. Statistics tell us that over 40,000,000 of them are in use today by the nation's 42,000,000 families. Forty years of instalment selling made mass production possible. Forty years of instalment selling has made it possible to have every person in these United States ride in an automobile at the same time! Think of it—everyone of the people in the United States can go some place sitting down and all go there at the same time—and pay while they earn.

Mass production and mass financing have enabled the nation to be on wheels, making a car a necessity for everyday existence. Many surveys are available which show that at least 52% of all the trips taken in the automobile are for business; 13% are for shopping for the family; 19% are for miscellaneous family chores, such as visiting the doctor or dentist, and getting the kids off to school. These same reports show that only 15% or 16% of the mileage of automobiles is in trips in the social and recreational class. Some surveys in factory areas on the West Coast show that 75% of the automobiles are essential to getting defense workers back and forth.

Bringing the automobile into every family has had a tremendous impact on all kinds of activities. The six million plus new cars produced in 1950 used up agricultural products from some three million acres. Breaking it down into details, almost 410,000,000 pounds of cotton, over 3,000,000 bushels of corn, 14,250,000 gallons of molasses, 12,000,000 pounds of turpentine, 190,000,000 pounds of wool and many other farm products—things which we normally would not think of as going into automobiles—end up in your automobile. 80% of all rubber consumed in the United States goes into automobiles; 75% of the plate glass goes into the making of automobiles, as well as 68% of the leather upholstery, and about 55% of the alloy steel and malleable iron. The best way to get a summary is to look at the number of people who are employed in automobile manufacturing, servicing and related fields. Statistics report that one out of seven people working in the United States owe their jobs to the automobile.

Those of us who know the importance time sales play in the selling of cars should realize that we, too, have an important part in making all this economic activity possible. We must remember again and again and impress upon all who will listen that without instalment selling these activities will grind to a halt. It isn't so much the price; it's the monthly payment that sells them.

A noted economist in our country, Dr. A. Anton Friedrich, recently called the mass instalment credit system along with the mass production methods it stimulated "the two pillars of American prosperity." Isaac F. Marcosson, a noted authority on American industry, said: "Instalment buying now emerges as the builder of America's standard of living. It is a revolution which has lifted the average man to the level of living once reserved for the few. It is one of the greatest economic forward steps that has been devised in modern times."

The industrial plant that won World War II and is now our greatest check on Russian aggression, was developed to meet the public's demand for goods it bought on time payments. And the factories that are producing our defense goods depend on workers' cars to get them to and from their jobs. Thus financing and mass production tied together form an important mainspring in the American economy. Therefore, it should be clear that if any government body tampers with this mainspring it threatens not only the instalment economy, but its action threatens to bring the wheels of American economy and society to a halt.

Such a serious problem faced the American public, the American manufacturers and the instalment lenders when maturities on Regulation "W" were reduced to 15 months. But, more than that, such a catastrophe threatened to come sooner because a certain small group of administrators could arbitrarily reduce maturities to any point. Our business was being pushed around and threatened with extinction! The problem became a fight for our life.

Almost immediately following the convention last year, your administration was confronted with Regulation "W," then Federal Trade Commission problems, and various other legislative problems. We were brought face to face with public relations problems and legislative relations problems in Washington. A real problem of existence confronted us. And, I hope none of you are naive enough to think that things from that point on just happened by themselves.

Your officers had to either accept the responsibility and redouble their efforts to be heard, or all of us would have had to reconcile ourselves to a position of impotence following the results of treatment we were receiving from the bureaucratic leaders of our government.

Your leaders decided to go forward and fight! Objectives were set up that included basically the decision to fight for our rights in Washington, both on Regulation "W" and on so-called "Federal Trade Commission fair practice rules." Many hours of executive leadership were spent to make the decision important to you and to the automobile industry and thus to the economy of the country as a whole.

To approach the problem, a team of specialists was organized and some outside assistance was employed through the direction of your Executive Committee.

The officers of your Association felt it had to have assistance — they needed men who know how to accomplish these things in Washington. Hiring the right person at the right time is an executive function in the Association, as well as within our companies. After careful consideration, this led us to hiring the man we were told could do the job—a man who could carry our case before Congress and the government bureaus. After careful consideration, the former Senate Majority Leader, Scott Lucas, was hired to do the job. Other things had to be done besides just hiring Mr. Lucas. An organization had to be created on the firing line in Washington. We had to get action from the automobile dealers, from the automobile buyers, and from the public themselves, to write their Congressmen expressing their honest opinions. We had to find a way to focus the scattered influence of our own industry group and its close friends on the people in Washington who were making these decisions. We retained Phil Lesly and his public relations organization to help do this job in Washington and with the public.

The services of economist Fred Schuster were secured, to advise the board of directors and Executive Committee on basic facts that could be used by others to correct the thinking of the government officials. You will hear more of this work later in the meeting.

Here, then was a plan of action —a plan of attack, if you will. It was set up at the winter meeting of the Executive Committee to get the program rolling. You remember the hectic months of June and July when the Regulation "W" fight was carried to a successful conclusion. At least the first step —the first battle—was won, when the Regulation was passed by Congress putting a "floor" under the maturities.

Only through a combined action of all the leaders of the Trade Association were we able to accomplish this. Legislative representation was being expedited by Senator Lucas; public relations information was being disseminated through the leadership of Phil Lesly; and economic and philosophic information was being made available through our friend Dr. Schuster.

Every industry that has had a public relations problem has had to depend on this type of combined action sponsored by its Trade Association to get its rights heard and pointed up at Washington. These actions must continue. These activities cannot be allowed to be dropped now. The war is not won. We have just won a single battle. We cannot rest on our laurels now that we have won a "floor" under credit terms with a minimum of 18 months. That is a small victory compared to what we must win over the years.

We have a fine industry. It is a business that contributes to sound and necessary things. We can be proud of it. It is a business that is essential to the country's needs in peace and in war. It is a liquid business and has proved itself over many years. Believe me, it's worth fighting for! Don't leave it to George to do it. Don't leave it to some other association to protect it. Let's be the leaders in protecting mass financing, and through it, mass production of automobiles.

Now for the future, what should our program be? First of all, we must take preventive action to make sure we are never placed in such a precarious position again and take preventive action to make sure we won't be kicked around on other issues.

This is a responsibility not only to ourselves, but it is a responsibility which we must accept to help protect the transportation of the country, which is essential to the every day economy of life and essential to the defense of our country. I urge you not to give up for one moment the aggressive fighting position in which we have placed ourselves. We must be led on to more and more victories. We must see that the economics of mass financing are apparent to all manufacturers, and to all legislators and to John Q. Public, himself. That is a real problem for us to continue to solve.

"Follow through in '52"—that's an action slogan.

*Opening remarks of Mr. Coon at 18th Annual Convention of the American Finance Conference, Chicago, Illinois, November 13, 1951.

Norman Free Manager For St. George Hotel

Norman H. Free has been appointed general manager of the St. George Hotel, Brooklyn, it has been announced by Martin Samuels, vice president of Bing & Bing, Inc., which operates the hotel. Mr. Free has been associated with the St. George since 1933.

A. M. Kidder Phone Wires to New England

A. M. Kidder & Co., One Wall Street, New York City, members of the New York Stock Exchange have installed private telephone wires to Mixter & Co., Boston, Mass., Hanrahan & Co., Worcester, Mass., and Brown, Lisle & Marshall, Providence, R. I.

Status and Outlook of Pharmaceutical Industry

By ERNEST H. VOLWILER*
President and General Manager, Abbott Laboratories

Though stating pharmaceutical industry comparatively is not large and, aside from outlays by hospitals and physicians, gets less than 1% of consumers' income, Dr. Volwiler calls attention to recent continuing developments in drug therapy, resulting in expansion of drug producing plants. Notes highly speculative character in developing new products, and reveals rapid self-sufficiency of U. S. in production of drugs.

All of our prized assets stem from the condition of our health. Broadly speaking, our status as a nation depends on it; and many of the political, social, and economic problems of the world, and the maintenance of peace between nations are related to their degrees of health and the control of disease.

Ernest H. Volwiler

So it is that we who are engaged in the pharmaceutical business feel that we are most fortunate. We have the fun of doing business in its various phases, including the making of a profit; and at the same time we have the encouragement and the lift that come when a drug saves a life or removes some of its pain and discomfort.

During the early 1930's, some men in high government places held the philosophy that business had reached its horizon and that we should all consolidate what we had and adapt ourselves to a gradually declining economy over which government would wield an ascending degree of control. The falsity of this defeatist philosophy was evident then, and it has since been disproved time and again. True, our geographic frontiers were largely gone, but invention in science and in engineering has more than made up for them. Since the virility of the pharmaceutical industry is based on a continuing flow of new ideas put to practical application, it can be used as an example of what has been accomplished and what may be expected of our economy.

During his lifetime, even the youngest person in this room has seen a revolution in medical practice. Some of this has been due to better understanding of disease, some to better surgery, and some to better medicinals. As recently as 1920, the number of highly potent and really effective drugs was quite small. For many diseases, the belief had continued that medicinal agents might alleviate symptoms but only the body could cure the malady. A series of electrifying discoveries then ensued, and they were of such deep interest to nearly every one that at times the layman came to speak of disease and drugs almost as glibly as the doctor and the chemist. The story is told of the lady who came to see her physician. After an examination he said, "You are somewhat run down. I had better prescribe some vitamin B1." She asked, "You mean thiamine hydrochloride, Doctor?" He inquired, "Is that what they call it now?" Although the layman today has a much more accurate knowledge of how to guard his health, and even though he often jumps to unwarranted conclusions and is sometimes misled by articles in high-geared magazines, he relies more regularly on his family doctor who, in turn, is better equipped by training, tools, and drugs to take care of the patient's needs.

The pharmaceutical industry is not large, as some industries go. In the United States, expenditures for drugs in 1950 were approximately $1.5 billion, or less than 1% of the consumers' disposable net income. This amounts to about $10 per capita. Hospitals took $1.8 billion, doctors $2.3 billion. By way of contrast, tobacco took more than doctors and drugs combined, and alcohol took twice as much.

As I have indicated, medical treatment prior to the present century was directed principally to the relief of symptoms. Morphine and digitalis are two examples of such drugs which remain in prominent use today. Alongside them were many other products of natural origin, such as extracts of many plants, seeds, and roots which had little or no therapeutic effects. But quinine was an effective drug against malaria. Its first recorded use was for the cure, in the seventeenth century, of the malaria-afflicted wife of the Viceroy of Peru, the Countess of Cinchon. Quinine, like many other natural drugs, has largely given way to the more effective and better tolerated drugs discovered by the chemist and manufactured in large amounts in modern pharmaceutical factories. Many of our modern drugs have the power to cure, as well as alleviate disease.

Advances in Drug Therapy

The spectacular advances in drug therapy of the last quarter-century can best be indicated by references to several fields in which this progress has taken place. The use of the various known vitamins for the cure, as well as the prevention, of nutritional diseases has become so firmly established that no well informed person should remain a skeptic. The incidence of nutritional deficiencies, due to lack of these potent products, is far greater than was believed even 10 years ago. Such deficiencies can and do occur even with our bountiful diets, due to deterioration of foods, poor preparation, and lack of absorption of all the essential nutrients from our gastrointestinal track. The poorer and more unbalanced the diet, the greater is the likelihood of deficiencies, Foods, particularly the most needed ones, are expensive; and large masses of people, as in our South and in the Orient, suffer from disease and die from the lack of the essential vitamins which the foods should supply. When vitamins were synthesized and became available at much lower cost, the control of many of these nutritional diseases became possible. Even in poverty-stricken India and China, beri-beri and pellagra can be prevented and cured by fortifying rice and other foods with small amounts of thiamine and nicotinic acid at low cost.

Most of the vitamins are now made synthetically, one of the most recent being the valuable vitamin A. We need no longer depend on the fish to manufacture it for us. The still newer accomplishment has been the production, by fermentation, of vitamin B 12, which is so valuable for the treatment of pernicious anemia. The chemists and the microbiologists together have taken care of most of our vitamin needs.

It is estimated that up to 5 to 10% of our people suffer in varying degree from allergic conditions — hay fever, urticaria or hives, and others. The discovery within the last 10 years of the antihistamines has given us extremely useful agents for the control of these conditions. Today there are several dozen good products available, all somewhat similar in action but having some differences in effect and in duration of action. Some persons respond better to one than to another of these synthetic compounds.

The use of the antihistamines for the relief of colds was based on a mistaken premise, and they have proved disappointing. The demand for such use mushroomed in one year to tens of thousands of pounds of various antihistimines, but it dropped very precipitately. However, the value of the antihistimines for allergic conditions is more firmly established than ever.

Drugs affecting the mood have also become firmly established. One class, represented by such compounds as Amphetamine, Desoxyn, and Dexedrine, are very useful for treating depressive states of psychogenic origin; they are also useful in causing a reduction in appetite.

To produce another kind of effect—namely, sedation and sleep — the pharmaceutical manufacturers have developed a number of barbiturates. These have a very important place in medical practice. While they are not habit forming in the sense that morphine is, long continued unsupervised use may lead to dependence on them. This points to the necessity of medical supervision when they are employed. Compounds of similar structure are also of the utmost value in the control of the several types of epilepsy. These conditions, which interfere so markedly with normal life, are sometimes due to brain injury; and sometimes they are of more obscure origin. The administration of the anti-epileptic drugs permits many of these unfortunate individuals to live practically normal lives.

Some of the most exciting and important developments have resulted from the discovery in animal products of a class of complex compounds called steroids. The female and male sex hormones, the bile acids, vitamin D, and cortisone all belong to this family. More mention of them brings to mind a wide variety of human malfunctioning and disease which they relieve.

No constituent of the body has received more study than blood. There are still many things which we don't know about it, but much has been learned. We now have good agents to use in surgery, and in some diseases to prevent blood from clotting, such as heparin, Dicumarol, and Cumopyran. We have vitamin K, which produces the opposite effect—namely, clotting. The present active campaign by the Red Cross for vast quantities of blood, for use in Korea and for civil defense and other potential disasters, points to the fact that human blood is still the par excellence product.

But blood as such is unstable. It can be kept only for short periods, even if refrigerated. Furthermore, transportation without damage is extremely difficult. For these reasons blood is either separated into plasma, which is then dried under high vacuum and low temperature, or the blood is fractionated into albumin, globulins, and other constituents. In any case, the processing of blood requires the chemical engineering techniques and the specialized equipment which the pharmaceutical manufacturing industry provides.

The so-called blood substitutes should really be called blood extenders. The most promising are dextran and the synthetic product known as PVP. Although neither compound is a complete substitute for human blood, both give promise for the treatment of shock. The military services and civil defense both are deeply interested in adequate quantities of blood itself, as well as in the blood extenders for more limited applications.

Hope that the conquest of bacterial disease could be accomplished by chemical means received its great impetus when the sulfa drugs were discovered in the 1930's. The first of these, sulfanilamide, had been known as a chemical compound for about 50 years—yet, until its antibacterial power became evident, it appeared to be only one of the relatively useless synthetic compounds which some curious chemist had once made and put on the shelf because no one had suggested a use for it.

The fast developing series of sulfonamides had a deep impact on the practice of medicine. Just before their discovery, many diseases due to bacteria were among our leading causes of serious illness and death—pneumonia, septicemia, venereal diseases, and many others. There were no less than 32 known types of pneumonia alone, each requiring its own specific type of antitoxin for treatment. The sulfonamides have changed all that. Pneumonia, as well as septicemia or blood poisoning, have ceased to be highly lethal diseases.

Antibiotics

Hardly had the medical world ceased to marvel at the potency of the sulfa drugs when penicillin burst on the scene. Before discussing the antibiotics, let me say that their use has been superimposed on the use of the sulfonamides; the latter continue to be used very widely, and for many purposes the antibiotics have not replaced them.

The production of penicillin, and of the antibiotics which have come along later, has necessitated the development and use of equipment much larger than the pharmaceutical industry had ever needed before. Fermentation tanks in sizes up to 20,000 gallons and larger, complex fractionating equipment making use of the very latest engineering principles and sterile manufacturing operations on a previously undreamed of scale — all of these have grown along with the mass growth of the tiny mold, Penicillium notatum. The improvements of the strain of the organism by the microbiologist, plus chemical and engineering advances, have caused the unprecedently steep reduction in the the cost penicillin. In 1943, 21 billion units were produced; and the market price was $20 for 100,000 units. In 1950, almost 300 trillion units were produced, and the bulk market price was 4.5 cents for 100,000 units. In fact, the cost has been reduced so far that in some packages the cost of the penicillin in a bottle is less than the combined cost of the bottle, stopper, label, and carton.

Still the production and demand have increased: the 13 American manufacturers are now producing almost 30 trillion units per month, which is equivalent to more than

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*An address by Dr. Volwiler before Fourth Session of 20th Mid-Continent Trust Conference of Trust Division of American Bankers Association, Chicago, Ill., Nov. 9, 1951.

Fair Wages and Economic Stability

By CHARLES E. WILSON*
President of General Motors

Asserting increase in wages is not permanent cause of inflation, unless there is a coincidental increase in volume of money and credit, General Motors executive holds government spending and easy credit policy responsible for present inflationary trends. Advocates sound monetary policies which will deflate excessive consumer demand and thus take pressure off prices. Wants direct controls, which interfere with individual initiative and curtail personal rights, removed, and upholds escalator clauses in wage contracts.

My subject this evening, "Fair Wages and Economic Stability," is a tremendously important one. There is currently a great deal of controversy over wages and how they can or should be determined. There is also a great deal of discussion at this time regarding taxes, inflation, prices, profits, material shortages and price, credit, wage and production controls. These matters are all a part of the problem of economic stability. Volumes could be written on the subject, and there is no general agreement even among economists in regard to many of the factors involved. I am not taking the position that my understanding of the subject is complete or even correct in all details, and I am approaching the subject more from the point of view of inviting all of you to look into the matters with me.

C. E. Wilson

Through force of circumstance I must deal with these problems every day, and I have been interested in them for a long time. While my formal schooling is that of an engineer, I began to appreciate the importance of economic stability some 35 years ago when I worked as a young engineer for the Westinghouse Company in East Pittsburgh. After all, engineering and economics both deal with figures and facts and are both concerned with the same ultimate end, namely, the most economical use of human and natural resources. While engineers deal with the physical laws of nature and how they can be applied to serve humanity by producing new and better and cheaper goods, economists deal with rules governing the production, exchange and distribution of these goods between people and the functions of money as a means for accounting for capital and wages.

As a young engineer, for the first time I saw men striking for increased wages due to the inflation and the decreased purchasing power of their wages. I felt the pinch of the increasing cost of living myself. While I had no responsibility whatsoever for any of the policies or actions of the Westinghouse executives at that time, I was in a position where I heard a great deal of discussion regarding the situation. The seriousness of the problems was recognized, but there seemed to be difficulty in developing the pertinent facts and arriving at the right course of action. There were no strong unions at the time to guide and organize a strike, but the men struck just the same because they did not think they were being treated fairly. Many employers then thought wages must be held down to curb inflation just as many do now. But these employers shortly had to raise the wages just the same, not only to satisfy the men, but to maintain their working forces in a competitive market. Later, when there seemed to be an unlimited demand for their products, these same employers actively bid up wages in competition with each other. This resulted in a greater increase in wages than the increase in the cost of living or the money supply with the result that when the war was over the wage level had to be importantly adjusted downward. My memory of what happened to wages in the World War I period has made me slow to blame unions for high wages at the present time.

Wages and Prices in Two World Wars

One of my charts, which I call "Inflation in Two Wars," shows what happened to wages, prices, money supply and physical volume of production during the two 10-year periods starting substantially at the time of the beginning of each of the two world wars. It will be noted by looking at this chart that during and shortly following World War I wages went up more rapidly than prices or the money supply; while in World War II wages went up during the war at a much slower rate than the money supply and only slightly faster than the consumers' price index due to wage and price controls. At the end of the second World War and with the release of controls, wages and prices rose rapidly to again balance the money supply and the physical production of goods. During World War II the people of our country, due to rationing and the patriotic realization of the condition the nation was in, saved an astonishing portion of their current incomes and invested them in government bonds. Much of this accumulated purchasing power was in the hands of individuals who had gone without during the war, and after the war was over they had both the ability and desire to buy which created pressure to increase production, wages and prices. It is interesting to note that, while there was a great difference in the relation between wages, prices, money supply and production during parts of each of these periods, at the end of the 10-year periods, if you divide the per cent increase in the money supply by the per cent increase in physical production, you obtain approximately the increase in the consumers' price index which was substantially the same for both periods.

I am sure we will all agree that a peaceful society with a stable economy and an ever-increasing standard of living for all the people is a desirable objective for any nation. The difference of opinion that seems to exist is over alternative ways and means for achieving this desirable end and whether reasonable progress is being made toward this objective. From my point of view, **how to determine fair wages, how to avoid both inflation and deflation, how to prevent the business cycles of boom and bust are problems that are all tied together.** An understanding of the facts regarding any one of the three will, I am sure, be helpful in understanding the other two. Furthermore, I do not believe that any one of them can be solved for any period of time without solving the others.

This became clear to me when I noticed that many of those who were most critical of the GM-UAW formula for determining fair wages were confused regarding the basic causes of inflation, how it can be controlled or who is responsible for controlling it. Many people believe that in a free capitalist economy there is no escaping alternate booms and depressions in business and employment. They recognize that the present high level of business activity resulting from the defense program is synthetic and does not constitute real prosperity for the nation as a whole. They consider another big depression inevitable. I do not think that it is. However, they may be correct in forecasting one unless we develop a clearer understanding of what is going on now in the economic area and have the courage to adopt sound policies.

Can Control Business Cycle

I am convinced that, if we understand the economic principles underlying our free competitive system and in the light of these principles develop sound policies with respect to the military program and other governmental expenditures and realize the interrelation of wages, employment, inflation and deflation, we can control the business cycle and avoid a drastic depression such as occurred in the early 30's. Between us all we must be smart enough to avoid such an eventuality, for the nation probably cannot have another such bust and still have our free society continue as we have known it. The mass of the people will be too likely to blame the system itself for the trouble and will fail to realize that the trouble, if it comes, will be due to the mismanagement of the system in violation of the fundamental principles on which it is based. The gravest danger lies in the abuse of credit permitted and abetted and even indulged in by the government itself.

It is unthinkable that the only way we can maintain a condition of relative prosperity, even a synthetic prosperity, is through unsound credit expansion or continuing a big military program. Unfortunately, some people mistakenly believe that our free system can maintain full employment only when engaged in a big military program or some other condition involving continuing inflation. To avoid this condition, they are willing to adopt some form of socialism or statism that would rob us not only of the liberties we have enjoyed for 175 years, but of our country's high standard of living as well.

I am sure that we can maintain reasonably full employment, efficient production, and further the objectives for which the nation was founded without resorting either to inflation or to any form of socialism as a national policy. This is clearer when we consider the unsatisfied needs and desires of our people in terms of the physical production and distribution of goods, how they are produced, who wants them, and their willingness to make an effort to acquire them. We become confused about this problem when we look at only the money transactions involved. After all, while money has other functions, its primary function is that of a medium of exchange. In this respect it can be looked upon as just another form of paper work that is necessary to guide the efficient production and distribution of goods to satisfy the needs of the people.

Several years ago I was one of a small group discussing labor-management problems. One of the labor leaders present was expressing what seemed to me excessively radical ideas. I chided him, saying that he sounded like a Communist. He said, "I'm not a Communist. I believe that communism is a marvelous system for equitably distributing nothing." Winston Churchill has said, "The principal accomplishment of socialism is its equal distribution of poverty."

Praises General Motors' Wage Agreements

We in General Motors hope that our recent five-year labor agreements amount not only to **fundamental progress in determining fair wages** and in collective bargaining, but also, and perhaps even more importantly, **represent progress in establishing economic stability through maintaining efficient production and through contributing to the understanding of the pertinent factors involved.**

Back of these agreements was the recognition and acceptance by management of three important developments:

(1) The establishment by Congress of collective bargaining as a national policy and the effect of this new legal development upon the relations between employers, employees and their unions. While collective bargaining as a process for resolving labor disputes was established by law, it became obvious in practice that sound principles and criteria would have to be developed to guide such bargaining if it was to be workable and not retard the industrial development of the nation. Collective bargaining cannot be based on the unsound theory of continuing class conflict imported from Europe nor should it be conceived of as an annual clash of economic power forgetting the interests of the rest of the country. General Motors felt obligated to make an effort to make progress in this area.

(2) The full recognition that an employer who expects to continue in business successfully in our modern industrial society must develop and maintain satisfactory cooperative relations with a stable group of responsible employees. At one time it was generally thought that fair wages resulted from individual bargaining, that labor should be bought and sold in the market on a day-to-day basis as any commodity the price of which was determined by supply and demand. But since workmen and their families cannot hibernate between jobs, this theory proved unworkable in practice. It has become necessary to develop a practicable way of determining fair wages by agreement. The long-run fundamental interests of the employees and employers cannot be in conflict.

Continued on page 16

*An address by Mr. Wilson at Michigan State College, East Lansing, Mich., Oct. 17, 1951.

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Fair Wages and Economic Stability

They are in the same economic boat.

(3) The realization that an employer is essentially a channel through which the hours of work of his employees are exchanged for the product of the work of other producers. Like any other middleman, the employer makes a profit only if he handles the exchange efficiently and well. The changing value of money, however, has the effect of changing rather rapidly the exchange value of the employee's time in terms of the goods and services for which he spends his wages. The fact that U. S. dollars are no longer redeemable in gold has accentuated this point. Therefore, the only way by which workmen's time can have a stable value for them is by adjusting the pay for their time with changes in the money value of the things they spend their money for.

The particular formula for determining fair wages resulted from the acceptance of five general principles by the parties:

(1) That it is logical, fair and reasonable to maintain the purchasing power of an hour's work in terms of goods and services the employee must purchase in his daily living.

(2) That all Americans look forward to improving their conditions, and that workmen along with other citizens are entitled to share in the advancing prosperity of the nation. We call this the annual improvement factor or the productivity incentive factor.

(3) That productivity is the only road to an economy of plenty. That machines are the friends of man, and that to produce more with the same amount of human effort is a sound economic and social objective.

(4) That insecurity worries people and that it is reasonable for employers to assist employees in acquiring life insurance, sickness and accident benefits, hospitalization and surgical coverage and pensions to protect them to the degree possible against the individual hazards of life.

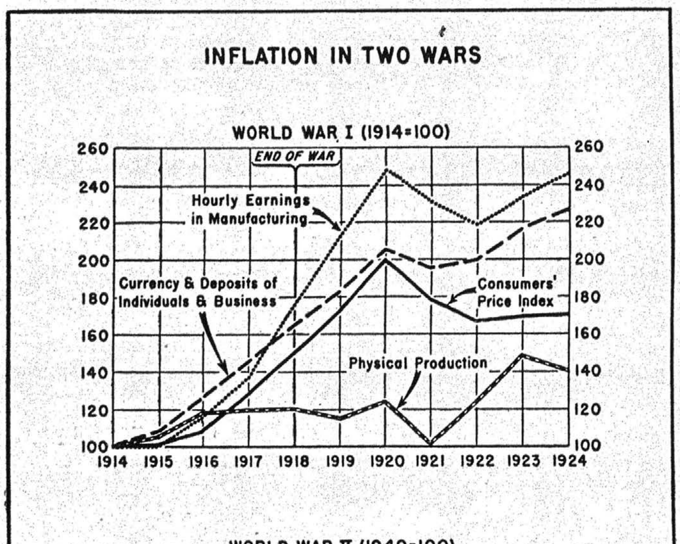
(5) That cooperation and peace rather than industrial strife and strikes will best promote the prosperity of the employees, the company and all of the people and strengthen the nation.

We believe these principles are important. We recognize that the details of applying them will be different under different circumstances, but are sure they merit careful consideration by all concerned with this problem of how to determine fair wages.

The General Motors-UAW wage formula consists of two parts. It breaks money wages down into two components. The major component recognizes money as a medium of exchange, and a fair wage as a fixed exchange ratio between an hour's work and a composite unit of goods and services valued in dollars. The other component is based on an annual increment in wages made possible by and based on improving technology. This is a vital point since it is the only practical way to increase real wages. It was recognized by both parties in the following paragraph of the agreement:

"The annual improvement factor provided herein recognizes that a continuing improvement in the standard of living of employees depends upon technological progress, better tools, methods, processes and equipment, and a cooperative attitude on the part of all parties in such progress. It further recognizes the principle that to produce more with the same amount of human effort is a sound economic and social objective."

This mutual understanding amounts to real progress in industry-labor relations. That "machines take the bread out of workmen's mouths" is an old and often repeated fallacy. Unfortunately, however, it has been the basis for a great deal of union policy and has often been confused with what the men call "speed up." It is most encouraging to have the unions with which we have agreements reject this fallacious and damaging point of view. The union leaders who have had the courage to do it deserve a great deal of credit. All students of the problem recognize that improving technology is essential in raising the standard of living of a country. They must also realize that all of the real and potential benefits of technology can be dissipated through strikes, work restrictions, featherbedding, absenteeism and an artificially short work week. Without a clear understanding regarding these matters we in General Motors would not have had the courage to promise in advance a yearly increase in real wages.



INFLATION IN TWO WARS

Hourly Earnings in Manufacturing **are estimated by the U. S. Bureau of Labor Statistics. The averages reflect overtime and night-shift premiums, but do not include the cost of paid vacations, employer-subsidized pensions, and similar payments other than for work performed.**

Currency and Deposits of Individuals and Businesses **is the net currency and deposits at the command of individuals and non-financial businesses in the U. S.**

It is the total U. S. currency in circulation outside of banks, plus time and demand deposits of all commercial and savings banks and Postal Savings, minus Federal Treasury and inter-bank deposits, float, estimated currency and deposits of State and local governments, government corporations, life insurance companies and other financial businesses, and of foreign governments, businesses, and individuals.

These estimates are computed from data compiled by the Federal Reserve Board and the Federal Treasury.

The *Consumers' Price Index* is the official BLS series, formerly known as the "Cost of Living Index."

Physical Production Index **includes farm, as well as manufacturing production. It excludes services. The index prepared by the Council of Economic Advisors is used for the World War II period. For World War I, the index published in Brookings' "America's Capacity to Produce" is used.**

The Essence of Economic Progress

The use of machines, mechanical power and better organization, better working conditions and better arrangement of the work in order to accomplish more with the same human effort is the essence of economic progress. So long as the people of our country believe in this principle and are willing to work for the things they would like to have just as they have been willing to do in the past, I have no worries about our country being able to continue the past progress in increasing real wages, including other economic benefits for employees.

By agreeing on a formula instead of a specific wage, a longer time agreement was possible—an agreement that would be fair and equitable over a period of years and would not turn out to be to the disadvantage of either the employer or the wage-earner. It assumes that other factors and pressures determine the purchasing value of money in terms of goods and services, and uses the consumers' price index of the Bureau of Labor Statistics as the measure of the changing value of a dollar. If there were no change in the index, money wages and the purchasing power of an hour's work would gradually be increased at the rate of approximately 2½% per year. Money wages may go up more rapidly than this with price inflation or may actually go down in total with some price deflation if in a given period the deflation more than offsets the component based on increasing productivity. Some people have objected to the cost-of-living principle for adjusting wages, claiming that it would work only on the upside. Actually, during the period of more than three years that it has been a part of the General Motors' wage agreements, the cost-of-living adjustment decreased as much as five cents per hour for a period, but has since risen until it now stands at 20 cents per hour. The principle has been well accepted by the employees since they understand money as a medium of exchange because most of them have to exchange it almost as fast as they get it for the things they need to live on.

The annual improvement in real wages of 2½% per year may seem small and slow to some people, but no country but ours ever made such rapid progress. Since it operates like compound interest, it means on the average a cumulative increase so great in one generation that each man will have twice as much as his father had. If such progress is continued, it will mean that the standard of living of the country will double every 25 or 30 years.

I have a chart showing actual average wages in all manufacturing from 1910 to date, also what these wages would have been if the GM-UAW formula had been adopted in all industry in 1910 when the average wage was 20 cents per hour. You will note that by the formula the average wage would now be $1.50 per hour instead of $1.60 per hour, which it actually is. You will note the conformity between the actual and calculated wage for more than 40 years. The chart also shows what the average wage would be today if the formula had been adopted in 1940, a little over 10 years ago. You will note that the calculated wages would be within one cent of today's actual wages. However, any employer and union which had agreed on such a formula in 1940 would certainly have saved a lot of friction and strikes during the last 10 years. The entire public—customers, employers, unions and workmen—are all better off as a result of industrial peace. We can all have more only if we produce more, and I for one believe in efficient continuous production. Industry-wide strikes, mass unemployment, inflation and deflation, by interfering with efficient continuous production, have caused a great deal of trouble in our country, especially during the last 40 years.

What Causes Inflation?

Our country is again in an inflationary period. Inflation for most people means an increase in average prices or a decreased purchasing power of the dollar. Webster's New Collegiate Dictionary defines inflation as **"disproportionate and relatively sharp and sudden increase in the quantity of money or credit, or both, relative to the amount of goods**

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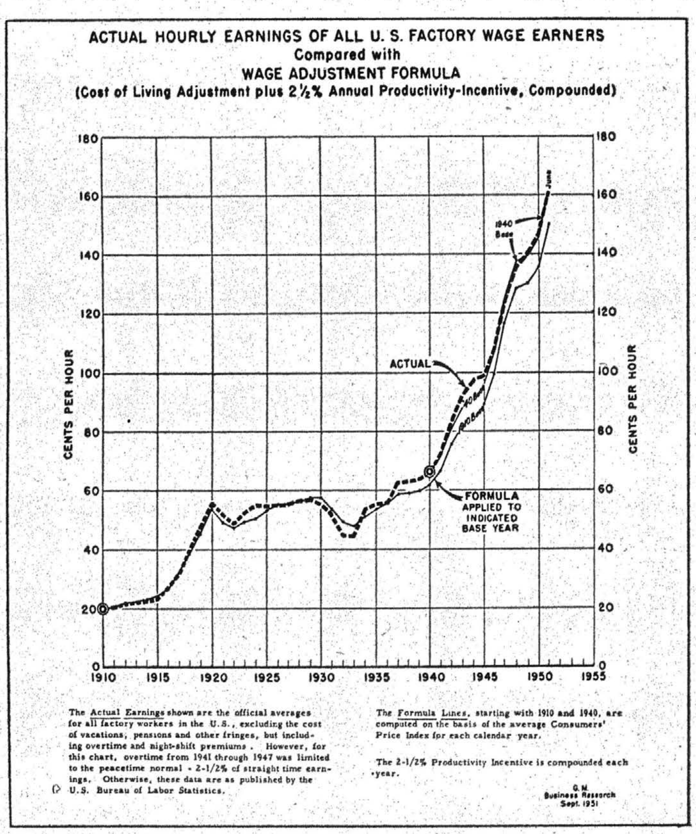
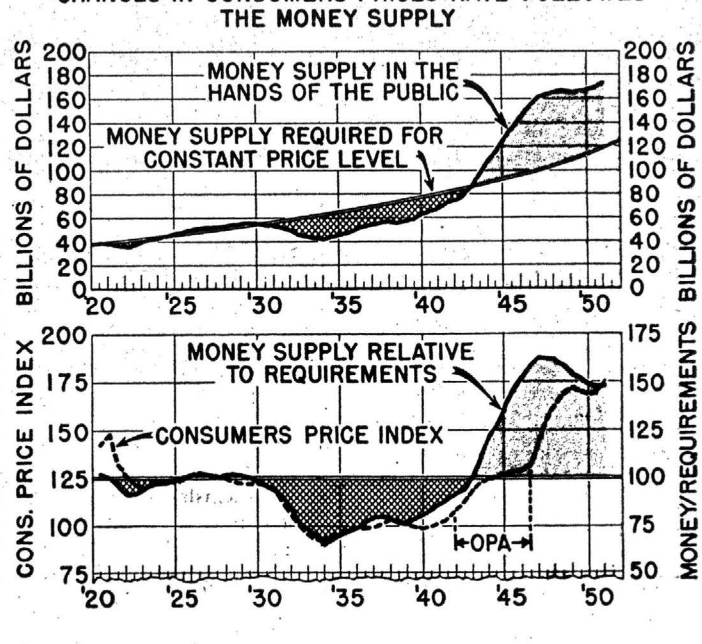


CHANGES IN CONSUMERS PRICES HAVE FOLLOWED THE MONEY SUPPLY



Forces Pushing Us Toward Gold Redeemable Currency

By B. BARRET GRIFFITH

B. Barret Griffith & Co., Inc., Colorado Springs, Colo.

Calling gold nemesis of tyrants, friends of the little man, and store of wealth, Mr. Griffith reviews history of gold and its debasement by monarchs and governments. Contends if people insist on a redeemable currency, progress, growth and real prosperity will return to nation.

"Good as Gold" and "Worth Its Weight in Gold" best describe the value which people have put on gold through the ages. Because of its world-wide acceptance as a standard of value, gold has always been sought after by men. Nations have always demanded settlement of trade balances between them in gold. Tyrants have struggled against their people for gold in order to buy more power. And men have endured all sorts of hardships in their search for the precious metal.

B. Barret Griffith

Most interesting of man's struggles for gold has been the story, repeated many times in history, of the tyrant's efforts permanently to take gold from the little man and the little man's efforts to retain gold as his store of wealth. Stealing gold from the public by a tyrant is referred to as currency inflation (in the old days it was clipping coins, then debasement, and recently the issuance of government stamped paper money). Although from time to time in the past the process has been dressed up in different high-sounding phrases and promises of bread and circuses, it resolves itself to the simple theme of government trading irredeemable paper currency for the gold of its citizens. To accomplish the trade it is obviously necessary for the government to successfully advertise the superior attractiveness, value, and convenience of its paper money over gold. As in many other trades, people do not realize the value of some asset which they have traded for another until the transaction has been completed. In the case of gold, it is not until people have given it to a government and subsequently seen the value of gold increase and the price of irredeemable paper currency decline in terms of the things that currency will buy that they wake up to their loss. It is at this point, at least from past history, that the fortune of a nation is determined.

If the people rise up and insist that their government restore gold to them and take up the irredeemable paper currency which have been issued, progress, growth, and real prosperity return to the nation. The most intimate example of this historic fact is our own Civil War period when irredeemable paper currency was issued by our government, but gold and a redeemable currency were restored to the people in 1879 and the United States again began to prosper.

Gold is the friend of the little man. Not only can he store and increase his wealth during times of adversity and stress by owning it, but also ability to own gold and currency redeemable in gold guarantees the little man that his government is subject to his direction. He is not subject to direction by his government. At times when he considers his government to be extravagant or wasteful of the country's assets he can halt the government's dangerous and irresponsible spending by exchanging his currency for gold and thereby pull the purse-strings on his government's extravagance. The little man is truly free and proudly independent in a nation with redeemable currency and the right of private gold ownership. Obviously, progress, growth, and real prosperity have a fertile field in such environment.

Gold as a store of value, particularly during periods of stress, is best illustrated by the chart herein which pictures the price of gold in pounds sterling from the year 1343 to England's devaluation in 1949. The accompanying list of dates of historic events emphasizes and explains increases in the value of gold during periods of violent political and economic struggles in England's history. The value of gold as a store of wealth during periods of stress is apparent from the chart and the historic events. One might justifiably conclude from the chart and the events of history that the very increase in the price and value of gold during times of trouble brings about crises and the correction and cure of the political and economic troubles of the time. After correction or adjustment of the reasons bringing on the troubles, the price of gold has declined in the past which indicates that the little man has been satisfied and has returned his gold to his government in exchange for redeemable currency which is obviously more convenient to own and invest and save as he wishes and believes to be most profitable.

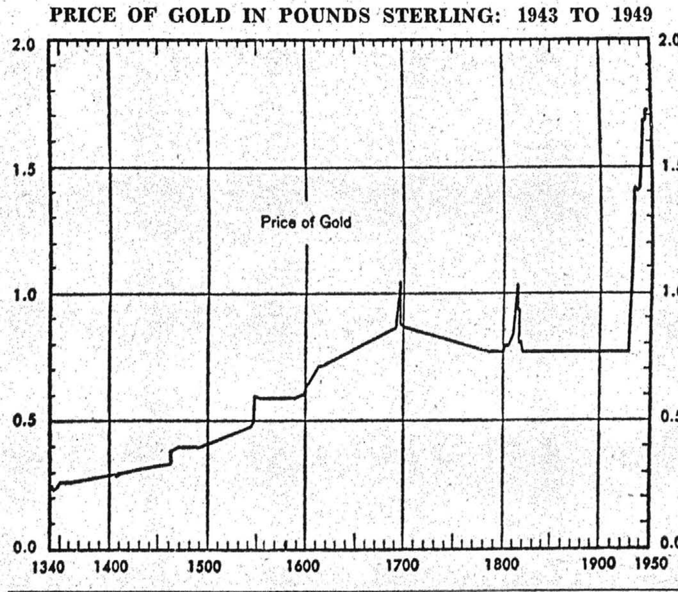
Coming down to the present time we find that most governments in the world have nationalized gold. Governments have taken gold from the people in exchange for irredeemable paper currency, although those same governments continue to settle international trade balances between them with gold. However, public pressure in some countries, including Italy, France, and India, has caused governments to mint and sell gold coins at high prices to the people. Also, recent events have encouraged one to believe that since the enforcement against free gold sales by government fiat is impossible, that before long currencies may again become redeemable in gold and private ownership of gold will be restored. The force of events and pressure from the little man throughout the world may be increasing to correct our ills by restoring free trade among people, nations, and in all commodities, including gold. Such possibility, or probability, is indeed fortunate when we realize that the world's monetary gold reserves in 1939 amounted to some 759 million ounces and the proportion of new gold production to existing reserves was 4.6%, and in 1949 monetary gold reserves amounted to approximately 978 million ounces with the ratio of new gold production to existing reserves 2.4%. In other words, the ratio of gold to money was about 46% in 1939 and 20% in 1949.

Insistence by the public that redeemable currency and the right to gold ownership be restored to them is vitally important when we note that much of the known gold production in 1950 went into the arts, industries, professions, and private hoards in the Western World, leaving too small a percentage of gold for monetary reserves against paper currency which threatens to engulf us. Fortunately, the force of events seems to be gradually pushing us toward the goal of redeemable currencies in the world from which prosperous free trade and peace can spring, which is surely the happy alternative to debauched currencies, petty tyrannies, wars and no trade, which has been the situation with us for too many years.

DATES OF HISTORIC EVENTS

1337—Hundred Years' War began.
1346—English defeated the French at Crecy.
1459-1485—Wars of the Roses.
1544—Henry VIII fought an indecisive but costly war with France and Scotland. The currency was ruined, coinage was debased and prices rose.
1601-1612—Irish Wars. England was becoming richer, but the Crown poorer. James I borrowed at rates of 8% and more to maintain his court.
1665—Great Plague in London killed 170,000, destroyed commerce and crippled finances. Lack of funds forced English to lay up their fleet.
1666—The Great Fire in London destroyed most of the city.
1667—The Dutch burned the fleet in the Thames. War inadequately financed by government borrowings at 8-10%.
1692—National Debt established.
1694—Bank of England chartered.
1696—Currency reforms carried out. Coins milled for the first time to eliminate clipping. Restored faith in the currency.
1793-1802—War between Britain and France. English won victories on the sea, but Napoleon's Italian campaign forced her allies out of the war. By 1797 there was suffering and disappointment in Great Britain. Commerce interrupted, prices high, taxation higher than ever before in history and $80,000,000 added to the public debt.
Threat of invasion caused a run on the banks. Bank of England was nearly exhausted, so paper money was issued for the first time. It stood at par for two years.
1803-1815—Second phase of the war. French successful until 1812. Financial strain in Great Britain. Paper money at a discount which rose to 25% in 1815. War financed by loans. Napoleon's Continental Blockade greatly injured English commerce.
1813—Napoleon abdicated.
1816—Great Britain went on the gold standard.
1934-1951—Many countries of the Western World off the gold standard and the rise of Hitler and Stalin accompanied by World Wars.

PRICE OF GOLD IN POUNDS STERLING: 1943 TO 1949



Bankers Offer Parker Pen Class B Common

Public offering was made on Nov. 20 of 88,277 shares of class B common stock of The Parker Pen Co. at $15.75 per share. No financing by the company is involved, the offering consisting of stock acquired from two large stockholders. A. G. Becker & Co. Inc. and Robert M. Baird & Co., Inc., head the underwriting group.

Parker is one of the oldest names in the fountain pen industry, the business having been established in 1888 by the late George S. Parker who developed the original Parker pen. The present net worth of more than $16,000,000 represents entirely earnings reinvested from the original capital of $1,000 which was paid in on incorporation of the business in 1892.

In the fiscal year ended Feb. 28, 1951, sales of more than $26,000,000 were reported, with net income of $3,263,000, equivalent to $3.50 per share on the combined class A and class B stocks. Dividends are at the quarterly rate of 30 cents per share, and an extra of 20 cents is payable with the next regular dividend on Dec. 22.

The class A and class B stocks are identical except for voting power, which is in the class A stock exclusively. The stockholders whose class B stock is the basis for the present public offering are retaining all their class A stock.

John Nuveen Co. Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Robert W. Impey has become affiliated with John Nuveen & Co., 135 South La Salle Street. He was previously with Paine, Webber, Jackson & Curtis.

With John J. O'Brien

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Melanie L. Weidenaar is now with John J. O'Brien & Co., 231 South La Salle Street, member of the New York and Midwest Stock Exchanges.

With Paine, Webber

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Emil G. Pindiak has become conected with Paine, Webber, Jackson & Curtis, 209 South La Salle Street. He was formerly with Dean Witter & Co. in Pheonix, Arizona.

Savings Bank Deposits Continue Upward at Intensified Rate

Carl G. Freese, President of National Association of Mutual Savings Banks, reports increase for October at $61 million, bringing total to all-time peak of more than $20 billion.

Deposits in the nation's 529 mutual savings banks increased $61,000,000 during October, 1951, bringing them to a new all-time high of $20,667,000 at close of the month, according to Carl G. Freese, President of the National Association of Mutual Savings Banks and President and Treasurer, Connecticut Savings Bank of New Haven, Conn. The gain contrasts with an increase of $11,000,000 during the same period in 1950 and marks the sixth consecutive month this year in which deposit increases have surpassed those of the corresponding month last year. The 12-month increase since Oct. 31, 1950 was $772,000,000, or 3.9%, of which $505,000,000 was gained during the last six months.

Carl G. Freese

In view of the recently enacted Federal income tax on mutual savings banks, which becomes effective on Jan. 1, 1952, further moves to preserve net earnings after payment of taxes may be anticipated. During October, funds received from depositors were supplemented by reducing holdings of U. S. Governments by $114,000,000 and cash by $10,000,000, and this total was placed in (1) mortgage loans and (2) corporate and municipal securities, which rose $138,000,000 and $36,000,000 respectively. As in September, the increase in mortgage holdings during October was below that of a year ago.

Since Oct. 31, 1950, the banks have used the funds received from their gain in assets during that period of $904,000,000 and from a reduction of $1,137,000,000 in U. S. Government obligations, to increase their holdings of mortgages by $1,761,000,000 and of other securities by $227,000,000. Over the 12-month period, the banks' mortgage holdings rose from 34.5% to 40.7% of their assets, while their holdings of U. S. Governments fell from 49.7% to 42.9%.

Halsey, Stuart Group Offers Equip. Tr. Ctfs.

Halsey, Stuart & Co. Inc. and associates on Nov. 20 offered $1,875,000 Lehigh & New England RR. series M 3⅛% equipment trust certificates, maturing annually Dec. 1, 1952-1966, inclusive, at prices to yield from 2.25% to 3.25%. The certificates are being issued under the Philadelphia Plan and were awarded to the bankers on Nov. 19 on their bid of 99.566.

The certificates will be secured by 500 new all-steel hopper cars which will cost approximately $2,365,505. Principal and dividends will be unconditionally guaranteed by endorsement by Lehigh & New England RR. Co., which will lease the equipment.

Other members of the offering group are F. W. Pressprich & Co.; Freeman & Co.; McMaster Hutchinson & Co., and Wm. E. Pollock & Co., Inc.

Foreign Aid—Military and Economic

By DR. MAX WINKLER*

Partner, Bernard, Winkler & Co.
Members, New York Stock Exchange

Economist asserts with isolationism gone, U. S. may be inclined to render economic aid to world more readily. Holds our corporate as well as personal income taxes are approaching their limit. Prefers Point Four to military assistance.

Isolationism in the United States is a thing of the past. Even those who are uncompromisingly America-Firsters are apologizing profusely and confessing their earlier transgressions. *Pater peccavi* is the order of the day, regardless of how costly America's entry into world affairs has been and continues to be, not alone in treasure which will never be returned, but in lives that can never be restored.

Dr. Max Winkler

A most gigantic conspiracy has been created and instead of attacking it at the source or with weapons similar to, or identical with those which the enemy uses, methods are being employed which, while formidable to the misinformed, are not likely to frighten or stop the foe. On the contrary, they are bound, eventually to react adversely upon their employer. There is little doubt that the enemy is aware of this situation and as a result, does everything to encourage it.

During the fiscal year ending June 30, 1953, the Federal Government is scheduled to spend between $85 and $90 billion, of which well over 70% will go for defense. After allowing for the rise in taxes as a result of recently enacted legislature, the government is expected to collect only about $70 billion, suggesting a deficit of $15 to $20 billion. Since there is a good deal of talk of additional air groups and more atomic and hydrogen bomb developments, to say nothing of increased demands from all and sundry, from Abyssinia to Zanzibar who are presumed to help in the fight on Communism, the Federal deficit may reach as much as $25 or $30 billion—a truly frightening situation to envisage.

How will all this be met? Can the tax structure be changed so as to collect an additional $25 to $30 billion, or even $15 or $20 billion, without seriously and, perhaps irretrievably impairing the economy of the nation and the American way of life? In other words, we are bound to destroy the very thing we are desirous of preserving and of giving to the rest of the so-called free world.

Tax Comparisons

The following is of interest: Income taxes in Great Britain and Canada account for about half of total revenue. In the United States, income taxes for the fiscal year 1951-52 are expected to produce 83% of the total. In 1939, they yielded only 42%. Personal income taxes have reached levels beyond which it may be impossible to go. According to one of the country's leading financial experts, additional revenues would be less than $1 billion, even if all income above $25,000 would be taxed 100%.

The situation in regard to corporate taxes is not greatly different: For the period 1942-50, corporate profits totalled about $264 billion; taxes including Federal, state and local, absorbed about $122 billion; retained as working capital, about $82 billion; and dividends $60 billion. This figure is somewhat misleading, because of the taxes paid by the recipient stockholders, which are conservatively estimated at about $18 billion, leaving the so-called owners of American corporations less than 16% of the total, and giving the government, the world's chief protagonist of the so-called free enterprise system, 3½ times as much as was received by the "owners."

"Prosperity" and Politics

It is possible that the "prosperity" which will result from the enormous increase in "money," is not unwelcome, because of the forthcoming Presidential campaign. It is abundantly clear that business activity which rests largely or wholly on an artificial and fundamentally unsound basis, cannot long endure.

The Peace "Threat"

Inasmuch as our economy is to such a large degree dependent upon a defense and foreign aid program (mostly of a military nature), the elimination of fear over a new conflict may, in the opinion of most observers, lead to a drastic reduction in military expenditure and a consequent decline in the economy. The latter need not occur, if an intelligent constructive policy is adopted and pursued by those who guide the nation's economic destinies. The United States is definitely committed, both in theory and practice, to what is known as the Point Four Program, i.e., the development of undeveloped and underdeveloped areas throughout the world. Could not legislators be convinced that it is far more desirable to spend American dollars for constructive and revenue-producing projects than to expend vast sums for destruction and war? In the latter case, the investment may perhaps afford a certain sense of security or protection with no likelihood of any material return, while in the former case, the recipients of American funds will be enabled to create sound and flourishing economies which in turn will make it possible for them to continue to use and pay from their own resources for American goods and services.

Although it cannot be denied that American assistance has been of immeasurable aid to the free nations, the effects would have been much more favorable if aid could have been rendered in an atmosphere devoid of fear over a new holocaust. A comparison of certain salient financial data pertaining to Great Britain and the United States is illuminating.

	—United Kingdom— 1950	1938	—United States— 1950	1938
National income (per capita)	$521	$496	$1,550	$518
Corporate profits (millions)	4,733.7	2,688.1	34,868.8	4,313.6
Wages and salaries (per capita)	397	305	1,001	344
Net income from abroad (millions)	219.4	801.7	949.0	315.0
Population (millions)	50.5	47.5	152.0	130.0

These figures disclose most eloquently what two major wars and tragic postwar developments have done to the once mighty British Empire. The per capita income, compared with prewar figures was up 25% which is more than neutralized by the drastic decline in the purchasing power of money. The corresponding increase for the average American is close to 200%.

The picture is not much different in respect of other European countries which have been receiving U. S. aid. Whatever benefits may be derived from the latter is neutralized by the vast outlay for defense. If a method could be devised whereby non-productive spending could be directed into constructive channels, the problem confronting free men everywhere would be greatly simplified. It is hoped more than expected that the United Nations affords such a possibility. Sixty nations are at present assembled at the Palais de Chaillot to resolve the problem. Inscribed in letters of gold over a door of the palace are the lines of the French poet Paul Valery—

"It lies with you who
hither come,
To make me treasure house
or tomb."

Let us hope that the assembly will succeed at least in making a beginning toward disposing of the many problems which confront mankind and thereby save civilization from chaos and destruction with which it is threatened.

*Excerpts from talk by Dr. Winkler at Luncheon sponsored by National Securities and Research Corporation, New York City, November 20, 1951.

Bankers Offer Western Leaseholds Ltd. Stock

Morgan Stanley & Co. and Carl M. Loeb, Rhoades & Co. headed an investment group which offered publicly on Nov. 20 a total of 625,000 shares of Western Leaseholds Ltd. common stock at $9.60 per share. An additional 625,000 shares are being offered simultaneously for sale elsewhere than in the United States by Canadian underwriters.

All of the shares being offered, constituting approximately 17.86% of the 7,000,000 shares outstanding, were purchased by the underwriters from certain shareholders and none of the proceeds of this offering will be received by the company.

Western Leaseholds Ltd., located in Calgary, Alberta, is engaged principally in acquiring, exploring and developing prospective oil and natural gas interests in Alberta, Saskatchewan and Manitoba, where it currently holds varying interests in approximately 2,163,000 acres. The company also produces and sells crude oil as a result of its interest in 125 producing wells. The income from these producing properties has enabled the company to carry on an active program of exploration (including exploratory drilling) and development since the discovery of the Redwater Field in 1948 where the company now has an interest in 89 producing wells.

Net production of crude by the company has risen steadily from 1,000 barrels in 1947 to approximately 1,159,000 barrels in the first nine months of 1951. Consolidated operating revenue for 1950 was $2,950,624 and net profit was $1,393,683. The company's total capitalization is 7,000,000 shares of common stock.

Continued from page 7

Desirable Changes In Regulation W

worth and debentures in adequate proportion to the increase in volume and outstandings. Net profit, computed on an annual basis, to average net worth was considerably lower than last year. Our figures show that the net profit to total purchases was just slightly over 9/10 of 1%, a figure lower than at any time since we have maintained these ratios, except for the years 1947 and 1948 when volume of business, as you know, was below that of subsequent years. The lower margin reported was due to increasing costs of operation and the necessity of higher tax reserves, and also in part to a failure to maintain rates charged the consumer commensurate with the increased cost of operation.

Competition in rates in the finance industry in the past has been desirable to a certain point, but current reports of extremely low rates quoted by some consumer credit agencies give cause for considerable concern. These extremely low rates apparently are the result of a belief that reduced rates acquire business. There is a great hazard in attempting to acquire volume through reduced rates. The finance industry has always been highly competitive and is a high-cost, small profit margin operation. The threat of greater competition in the period ahead, as a result of reduced production of consumer durable goods, may result in rates being broken below their present level, the lowest in the history of the industry. This certainly will be true unless all the members of the industry employ self-restraint and adhere to sound financing policies. Obviously, an excessively low rate may not permit the maintenance of adequate reserves as well as a reasonable margin of profit.

Because of the complex nature of modern economic life, the results of our operations to a greater or lesser degree often are determined by forces beyond our control that operate and exert an influence in our society. It logically follows, therefore, that our best decisions are those which are based on the most complete knowledge and thorough analysis, not only of the circumstances surrounding the particular problem on our desk, but also of the trend of general economic and political forces. It is for this reason that I usually include a few remarks on the behavior of some of the more significant economic indices.

Business Activity

The pattern of business activity today is in marked contrast to what it was a year ago. Last November, you recall, the general trend was upward at an accelerated rate, following the outbreak of hostilities in Korea a few months earlier. One postwar peak after another was being exceeded. This trend continued into 1951, though at a reduced rate, and finally, a few months ago, the trend tended to level off, and in the third quarter of this year we have been moving sideways on a kind of a plateau but at a very high level. We are sort of catching our breath.

And now to be more specific. . . .

Gross national production, which as you know is the total value at market prices of all goods and services produced by the nation's economy, rose rapidly from an annual rate of about $282 billion at the outbreak of Korea to about $325 billion as of June of this year. While Department of Commerce figures are not yet available for the third quarter of this year, it is estimated that there has been a levelling-off at about this level.

Perhaps more significant is an index which measures production in terms of physical units, rather than in terms of market value. Here too, it is apparent that we are operating at a very high level. For the first half of 1950 the index of industrial production was 189 (1935-1939 equal 100). Production rose briskly in the months following the Korean incident, and in January of this year the index stood at 221. Since then it has risen to 223, but August was down a bit to 218, but as you can see it is still well above the 189 of a year ago.

Prices have traced a somewhat similar pattern. The Bureau of Labor Statistics index of wholesale prices rose rapidly from about 163 in mid-1950 to a high of 184 in March of this year, an increase of about 12%. Since then, it too has moved sideways, sagging a bit to about 177 in mid-October. In like manner, retail prices moved from 190 in July last year to about 205 in the first quarter of 1951, a rise of about 8%. In October, it was estimated that the index stood at 206. This stability of the economy in recent months has been accompanied by a marked moderation in the rise of personal incomes also, although here again the level is substantially above a year ago. In July, 1950, personal income was at an annual rate of about $223 billion. In the last few months it has hovered around an annual rate of $250 billion.

Without boring you further with an endless drone of statistics, it can be said that stability has characterized the over-all volume of economic activity during the past months. This, incidentally, is a curious result to have during a period when the rate of government expenditures for defense and other purposes has been increasing. Specifically, government expenditures for the second quarter of this year were at an annual rate of about $60 billion or about 50% above a year ago. In contrast to this, however, private expenditures are slightly below a year ago. Thus, with government expenditures increasing, private demand has softened, especially for consumer durables, with a net effect as noted above, a general leveling-off. In other words, the rise in government outlays has been responsible for maintaining total output at the present very high levels.

It is appropriate to mention here the consumer's decided preference in recent months for saving an unusually high proportion of his current income. Undoubtedly, purchases of consumer durables have been restrained somewhat by Federal regulations, and perhaps indirectly through the decline in the sale of homes, but most students feel that this is only a partial explanation. Despite an increase in income taxes, the rate of personal savings has increased from an annual rate of $10,700 million a year ago to an annual rate of over $21 billion as of the end of the second quarter of this year. This channeling of personal income into savings and the consequent reduction in consumer demand is fortunate, for limited cutbacks in civilian production would have been required because of the restrictions on the use of materials. To date, however, the reduced consumer buying has been the motivating influence in the curtailed output of consumer durable goods.

Finally, a word about the credit picture. Bank loans to business jumped nearly $5 billion during the last half of 1950, following the outbreak of hostilities in Korea. This was an increase of nearly 30%. In the first half of 1951, commercial and industrial loans increased $2 billion more, or about 8% over the year end total. Normally, there is a seasonal decline in loans in the first quarter, but this year the pattern did not prevail because increased borrowing, especially by defense industries, more than offset the seasonal repayments.

As regards bank interest rates, as you already know the base rate was recently increased by one-quarter of 1%. This recent increase, unlike other increases in the last few years, came without influence of a change in reserve requirements or an increase in the Federal Reserve rediscount rate. The increase came rather because of steadily increasing demand for money, with prospects of further substantial increases. This might indicate the prospect of further rate increases, but I for one at least am unwilling to attempt to make a guess as to when this might occur.

Mortgage loans of all lenders increased during the first half of 1951 but at a rate substantially under that of the second half of 1950. Credit restrictions have probably exerted an influence here, and if the trend evident during the first half prevails throughout the year, the total in 1951 should be well below the 20% expansion of $7.8 billion during 1950.

In marked contrast to both bank credit and mortgage credit, consumer credit outstanding, as previously reported, showed a net decline of $840 million, or slightly over 4%, in the first half of 1951. You recall the total consumer credit had increased nearly $2.5 billion, or nearly 14%, during the last six months of 1950. More significant to the subject of consumer credit is the consideration of the consumer's ability to pay. There is little doubt that consumers in the aggregate are well able to carry this current obligation. The present level of consumer credit outstanding is less than one-tenth disposable personal income and about one-eigth personal holdings of liquid assets.

In summary, government expenditures have been increasing. Corporate outlays for plant and equipment in the defense industry also have been running at a very high rate. Consumer demand, on the other hand, has not followed this pattern, especially in housing and many durables. The net effect has been a rather leveling-off of the economy at a high plane after the brisk rise following the outbreak of hostilities in Korea last year which ushered in the wave of scare buying.

As for the future, presumably government expenditures will continue at their present levels or higher. This is probably the most dominating force in the economy. Furthermore, surveys indicate that the level of capital expenditures by industry may be maintained into 1952. All of this, however, may well be contingent upon a continuation of the present world tension. And here I interject the same word of caution I did last year. World events of great consequence can happen so quickly, and with no warning as we have seen so recently in the Korean incident, and bring in their wake a whole series of conditions that no one can anticipate. Therefore, to forecast economic or political conditions is a most dubious occupation. Thus, the word of caution. "Should hostilities end in Korea, and the world situation generally become less tense, there might be a reduced willingness on the part of the American people to maintain large forces and to undergo the sacrifices of an expanded defense program." Such a reduction in the pace and volume of government expenditures would probably affect employment, wage levels, prices, consumer demand, to mention but a few. But perhaps most important, it would probably alter the whole psychological attitude of business and consumers.

Abbott Laboratories Offer Underwritten

Abbott Laboratories on Nov. 16 mailed to its common stockholders rights to subscribe for 106,851 shares of 4% cumulative preferred stock ($100 par value) at the rate of one share of preferred for 35 shares of common. Subscription price to warrant holders is $100 per share and accrued dividends, and rights will expire Dec. 3.

The preferred shares are convertible into common stock prior to Jan. 1, 1962, at the rate of 1.7 common shares for each share of preferred.

The offering is being underwritten by a group managed by A. G. Becker & Co. Inc.

Proceeds of the offering will be added to the company's general funds and made available for capital expenditures and increased working capital. Capital additions completed or authorized this year involve an estimated cost exceeding $5,000,000, and projected outlays in the next two years total approximately the same amount.

Sales of Abbott Laboratories last year exceeded $73,000,000, compared with approximately $38,000,000 in 1945. Net income in 1950 amounted to $10,880,000. Abbott is a leading manufacturer of pharmaceutical and related products and has been especially active in antibiotics, vitamins and certain other special fields.

With Townsend Dabney

(Special to The Financial Chronicle)

BOSTON, Mass. — Frederic E. Abbe has joined the staff of 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.

Jos. McCluskey Joins Schafer, Long & Meaney

Schafer, Long & Meaney, 15 Broad Street, New York City, members of the New York Stock Exchange, announce the association with their firm of Joseph P. McCluskey, as a Registered Representative. For nearly two decades one of the nations best steeplechase runners, McCluskey has twice represented the United States in the Olympic games in 1932 and 1936. The former Fordham University star captured 24 national championships, more than any other man in the history of track, and 13 times was named on the All American Track Team. McCluskey was a Lieutenant Commander in World War II.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week—Insurance Stocks

Life Insurance common stocks is one field of investment that has received relatively little attention from most professional investors.

The reasons for this condition are logical and, in part, are made up of the following:

(1) Although life insurance is a large business in the country (over 600 companies), the opportunity to invest in life insurance stocks is quite limited. The major portion of the industry is composed of mutual companies.

(2) While there are a considerable number of relatively small insurance companies, the market for the shares is usually restricted being local in character. This, plus the fact that most of the life insurance stocks are closely held, means there are only a handful of stocks which have any kind of a market.

(3) Another important consideration in this connection is the fact that the nature of the life insurance business makes it very difficult to analyze the operations of the companies or the relative values behind the shares. Whereas, there are certain standards applicable to operations of the usual fire or casualty insurance company which can be generally understood, it is frequently necessary to use the services of an actuary to determine the sufficiency of reserves and in turn the actual earnings and asset values of the common stock of a particular company. Thus, even though the stocks of life insurance companies are highly regarded, the relative values of individual issues cannot be easily determined.

In spite of these considerations the stocks of life insurance companies have been attracting considerable attention among investors in the last several years.

One recent incident that was particularly significant in this respect was the purchase on Oct. 16 of Reliance Life Insurance Co. by the Lincoln National Life Insurance Co. The price of the shares purchased was $916.67 each. This price compared with approximately $250 at which price the stock was selling at around July 1. Thus, the discount from possible values at which many of the companies sell aroused interest.

This development came after a period during which most of the larger stock companies had split their shares or declared stock dividends. Such action usually attracts attention to a company.

Another factor in this same connection and one of possibly greater long-term significance for the companies has been the rise in interest rates.

The adjustment which has taken place this year has been substantial with interest costs on some new money issues at the highest point in 20 years. Yields on preferred stocks are rising and prices of government bonds are at levels that a few years ago would have been considered unlikely if not impossible.

These changes should enable the life companies to improve their rate of earnings with benefit to the common shareholders. While portfolio values may show a decline because of the adjustments in yields, this should be compensated for in the higher earnings rate.

While the foregoing factors which at present discourage investors from considering life insurance stocks as investments will continue to exist, it is possible that a wider market may develop for the shares. The opportunity for large gains, as in the case of Reliance Life Insurance, exists among some of the smaller companies. Because of the difficulties of bringing about a merger or a sale, however, it is difficult if not impossible to determine the timing or the companies involved.

Thus the opportunities for investment are confined to a few companies. The market record, current price, dividend and yield of four of the more popular ones are shown below.

	Current Price	Indicated Dividend	Yield	1951 Price Range High	1951 Price Range Low
Aetna Life Insurance	80¼	$2.50	3.12%	89½	65¾
Connecticut General Life	127	1.70	1.34	134½	102½
Lincoln National	110	1.00	0.91	125	72
Travelers Insurance	590	14.00	2.37	655	517

George P. Inman With Kenower, MacArthur

(Special to The Financial Chronicle)

DETROIT, Mich. — George P. Inman has become associated with Kenower, MacArthur & Co., Ford Building, members of the Detroit and Midwest Stock Exchanges. Mr. Inman was formerly cashier for the Boston office of A.C. Allyn & Co., Inc. and Bond & Goodwin Incorporated.

Edward Lawrence Joins Hemphill, Noyes Firm

(Special to The Financial Chronicle)

BOSTON, Mass. — Edward W. Lawrence has become associated with Hemphill, Noyes, Graham, Parsons & Co., 10 Post Office Square. Mrs. Lawrence was formerly Vice-President of Minot Kendall & Co. Inc. with which he had been associated for many years.

Ralph B. Hurlbutt

Ralph B. Hurlbutt, partner in Laurence M. Marks & Co., New York City, passed away at his home at the age of 62.

Joins Richard J. Buck

(Special to The Financial Chronicle)

BOSTON, Mass.—Boleslaw J. Tobiasz is now affiliated with Richard J. Buck & Co., 8 Newbury Street. He was formerly with Joseph F. Jordan & Co. and R. H. Johnson & Co.

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Status and Outlook of Pharmaceutical Industry

200 tons of pure crystalline penicillin salts per year.

To these large quantities must be added the production of other antibiotics, which supplement but do not replace penicillin. Streptomycin is quite specific for tuberculosis; Chloromycetin, Aureomycin, and Terramycin are all used in large volume because they successfully ttack certain bacterial and other diseases in which penicillin is not effective enough. Bacitracin is another valuable antibiotic for external application.

Future Prospects

What of the future? There are many firms carrying on an active program of research to develop new antibiotics. There is no question that valuable new ones will be discovered. I believe that important new ones will be discovered which are specific against certain diseases not now satisfactorily managed by what we already have.

There may also be definite fields for new antibiotics which are comparable to those which we already have. The reason for this is that bacteria are remarkably versatile organisms. Some of them change, or "mutate," quite rapidly; and in their new state they may no longer be susceptible to the bactericides to which their ancestors easily fall prey. Also, sometimes one predominant strain of bacteria may be eradicated, leaving the field open for an obscure resistant strain which previously had not been widely distributed. The battle against pathogenic bacteria thus is an eternal one. Like in warfare between armies of men, our warfare against bacteria will require the continual development of new weapons to take the place of outdated ones.

An antibiotic for tuberculosis which will be better tolerated than streptomycin, and an antibiotic effective against some of the virus diseases are goals which justify the efforts of hundreds of scientists and the expenditure of millions of dollars. The opportunities and the chances for success in these directions are quite promising, though one can not tell when nor where this may occur. To discover a new antibiotic in the laboratory is now quite easy; but to produce one which will have all the qualities of high efficiency with relative freedom from undesirable side action is not easy. It represents continuing unremitting research; but if such research is continued long enough, the chances of success are good.

The United States has become increasingly prominent for its work in the tropical disease field. By the use of available prophylactic and curative drugs, diseases such as malaria, typhus, filariasis, and the dysenteries are no longer the scourges which in the Mexican and Spanish American Wars caused many times as many deaths as did battle wounds. The good medical record attained in World War II has again been much improved upon in the Korean War. Quicker evacuation has enabled earlier medical treatment to be undertaken. Improvements in anesthesia, including especially the use of the intravenous anesthetic Pentothal, have contributed materially. The civilian at home, just like the fighting man, receives anesthesia which is a far cry from that of 25 years ago. Those who have undergone anesthesia then and now can give eloquent testimony to that.

Effects of Atomic Bombs

Even the development of the atom bomb has left a marked impress on the pharmaceutical industry. Radiation effects require blood, blood extenders, penicillin and other antibiotics, and a score of other drugs. While we are studying these potential needs, let us hope that none will occur, but there is another and more encouraging and interesting aspect to the by-products of the atom bomb.

The radioisotopes have become important tools, both for the diagnosis and for treatment of disease. Radioactive isotopes can be detected by new and quite accurate equipment of which the Geiger counter is a well known example. Now we can introduce one of these products of the atomic pile into various types of compounds, including drugs. We call this "tagging" the compounds. When administered to an animal, the course through the body may then be accurately followed and its mode of action determined. Often these isotopes concentrate in one organ of the body much more than in other organs.

For diagnostic procedures, radioactive iodine in the form of diiodofluorescein becomes localized in brain tumors. The surgeon can thus accurately know where the tumor is and where to operate. The physician sometimes needs to know the total volume of blood plasma in the body. He can now obtain this information simply by the injection of an iodine-tagged "human serum albumin." Radioactive sodium can be used to determine the causes of the edema in congestive heart failure. Penicillin can now be tagged, and when a trace of this is added to the contents of a large penicillin fermenter, we have an excellent economical and quick way of determining how much penicillin we have in the batch. Radioisotopes are even being used to tag bacteria, so that they can be located in various tissues of the body.

Radioactive iodine is of direct use in the treatment of cancer of the thyroid; radioactive phosphorus against leukemia; and radioactive gold for the treatment of ovarian tumors. The gold colloid can be made in curie lots. A curie is the radiation equivalent of one gram of radium. As you know, radium is scarce and very expensive; the total supply in United States hospitals is about 100 to 150 grams. But now, with radioactive gold, the suitably-equipped hospitals are no longer limited as to their supply of radioactive material. Furthermore, this radioactive gold gives emanations which penetrate tissue for only short distances, permitting the effect to be more nearly localized to the cells in the tumor which one wishes to destroy.

Since the pharmaceutical industry has been indebted to research for the spectacular advances of which I have mentioned some examples, it is appropriate to consider the yield from research. One of the characteristics of this industry is the large sums spent for investigation. The rate of expenditures per dollar of sales amounts to about 3 to 5% and is probably larger than that of any other industry. The fact explains the rapid advances in medical treatment, and it also explains the rapid obsolescence of products. A survey made in 1947 indicated that 54% of drugs then in use were unknown ten years earlier. In the case of my own company, Abbott Laboratories, less than 25% of today's volume of products is made up of items which were known ten years ago. In an industry which moves so fast, research must receive great emphasis in order for a firm to stay in the race.

In our own company, we do not capitalize research, because what our own research people or the research workers of some other firm do could quickly make obsolete our work on a given problem. Research is set up as an item of operating expense, and it is immediately written off.

Speculative Nature of Producing New Products

Research is a gamble, but if it is well conducted, it is a gamble that has very good possibilities of paying off in one way or another. In our industry, doing without research would involve no gamble at all because the company would soon be out of business.

If we set out to produce a new drug, our chances of coming up with a successful one are perhaps one in three hundred. It is obvious that a great deal of testing or screening must be done on many compounds in order to find one whose efficacy, toxicity, and tolerability are all sufficiently good.

Where do these new ideas for drugs come from? Seldom do they come about by pure chance. Often they are the result of the logical development of a train of reasoning. Sometimes they come by serendipity. This word means the happy faculty, or luck, of finding new objects or relations while we are looking for something else. Quite a good many medical advances and new drugs have been discovered in this way. The principle of immunization and the principle of the drugs used against epilepsy, and the principle of induced sensitization on which the treatment of allergies is based are a few examples. Even Fleming's discovery of penicillin is in this category. He was looking for some new properties of bacteria when the stray mold spore blew onto the plate and thus started a revolution in the treatment of infectious diseases.

In a speech in 1856, Pasteur expressed the situation very well by saying, "In the fields of observation, chance favors only the mind that is prepared." Even earlier than Pasteur, the American physicist, Joseph Henry, stated it in this way: "The seeds of great discoveries are constantly floating around us, but they take root only in minds well prepared to receive them."

It is evident that today's drugs are much more effective than were those of years ago. By reason of their greater potency, many of these products must also be used with greater care, skill, and circumspection, lest they do serious harm to the patent. The physician is aware of this, and he is better trained and experienced than before in the use of such active products. In years gone by, many crude extracts of plants did little good for the patient, but they also had little potentiality for harm. But now, the life-saving sulfa drugs, or insulin, or cortisone, or even the antibiotics must be used wisely and with a realization of their potential harmful effects when misused. The trend is largely in the direction of highly effective drugs which, by their very nature, are capable of causing harm.

U. S. Becoming Self-Sufficient in Drug Products

Prior to World War II, 75% of the world's drug products were produced outside the United States. Now the world not only relies mainly on our medicinals, but it looks to the United States as the fountainhead from which a large proportion of the new developments will come. It is my conviction that this supremacy will not be wrested from us, because the pharmaceutical industry is willing and anxious to spend large sums of money for research, development, engineering, and equipment; and also because the chemical and biologic sciences appeal strongly to the bright young men and women who come out of our colleges and universities. They infuse new blood, new imagination, and new energy continuously into our industry.

As diseases are conquered, new horizons appear before us. When we have diphtheria, tuberculosis, and other bacterial diseases well under control, our fire will be directed even more against the diseases we now call degenerative, including cancer, diseases of the heart and of the circulatory system, and nyphritis. There is no reason why they too should not yield to medical advances, including therapy with new drugs, so that our children and grandchildren may live for a longer time in a state of buoyant good health. The pharmaceutical industry is at work to help bring this about.

Szold, Wasson Head Legal Aid Campaign

Harold J. Szold, partner of Lehman Brothers, has been named Co-Chairman of The Legal Aid Society's 1952 Campaign, according to an announcement by R. Gordon Wasson, Vice-President of J. P. Morgan & Co., Inc. who is General Chairman of the Society's Fund Raising Committee.

Mr. Szold will direct the activities of all Commerce and Industry sections of the Campaign.

He is a member of the Board of Directors of the following: Allied Stores Corporation, Bing & Bing, Inc., Climax Molybdenum Company, Consolidated Coal Company, Firth Sterling Steel & Carbide Corporation, Gimbel Brothers, Inc., Interstate Department Stores, and The Legal Aid Society.

In accepting the Co-Chairmanship of the Campaign, Mr. Szold stressed the importance of The Legal Aid Society's work. "If respect for the law is to be maintained, competent legal services must be made available to those who cannot afford to pay for them," said Mr. Szold.

It is estimated that before the close of 1951, the Society will have provided legal advice and representation to almost 50,000 applicants. There is every indication that 1952 will bring a further increase.

The Legal Air Society is seeking $325,000 to carry forward its work in 1952.

Bennett, Fenton Are Barrington Partners

Frank S. Bennett and F. Reed Fenton have become partners in Barrington & Co., 29 Broadway, New York City. Mr. Bennett formerly conducted his own investment business in New York City under the firm name of F. S. Bennett & Co. Mr. Fenton in the past was head of F. R. Fenton & Company, Incorporated.

Jay Kaufmann Co. to Be NYSE Member Firm

On November 20th Jay W. Kaufmann will become a member of the New York Stock Exchange, and Jay W. Kaufmann & Co., 111 Broadway, New York City, members of the New York Curb, will become a Stock Exchange member firm. Partners are Mr. Kaufmann, Robert E. Rich, Edward Canning, general partners, and Estelle L. Kaufmann, Cecelia MacLean, Alexander MacLean, Estelle Bauer, and Jacob M. Frankel, limited partners.

Bravo! Senator!

"This has been an economical Congress on domestic expenditures, but I suppose we might save two or three billions more. The only way to prevent excessive spending now is to cut down the military program.

Robert A. Taft

"The program proposes to take about 65 billions out of total expenditures of 85 billions for the fiscal year of 1953. Those who really fear Federal spending ought to be courageous enough to attack the military program itself. Conceivably the present sums are necessary, but I believe the program has been put together in a haphazard way, adding one project to another.

"It should be thoroughly restudied by a military-civilian board with full consideration of the economic limitations of a country like the United States."—Senator Robert A. Taft.

Here is a courageous suggestion from a public figure who does not permit political ambition to close his eyes or silence him.

Who will follow in his train?

Michigan Highway Revenue Bonds Marketed

Proceeds of $80,000,000 issue to be used in construction of John C. Lodge Expressway and Edsel Ford Expressway. Toll-free projects to be secured by pledged revenues accruing to State of Michigan, City of Detroit and Wayne County.

Public offering of $80,000,000 State of Michigan Highway Revenue bonds, series 1 was made Nov. 20 by a nationwide underwriting group managed by Blyth & Co., Inc.; Smith, Barney & Co.; Lehman Brothers; Halsey, Stuart & Co. Inc.; Drexel & Co.; The First Boston Corporation; Harriman Ripley & Co., Incorporated and First of Michigan Corporation. The group was awarded the issue on a bid which named an interest rate of 2½% for bonds maturing 1955 through 1965 and 2% 1966 through 1976 and offering a premium of $40,000, representing an effective interest cost of 2.1246%.

The bonds were priced to yield from 1.40% for those maturing 1955 to 2.15% for those due 1976.

Bonds maturing 1966 to 1976, inclusive, may be redeemed prior to maturity on any interest payment date on or after Oct. 1, 1956, in inverse order of maturity at 103% if redeemed on Oct. 1, 1956, decreasing the redemption price by ¼ of 1% for each year thereafter to and including Oct. 1, 1967 and thereafter without premium.

The bonds are exempt from Federal income taxes and from all taxation in the State of Michigan. The State Highway Commissioner, the City of Detroit and the County of Wayne have pledged specific amounts from their allocations of motor vehicle fuel and weight taxes to meet the annual payments of principal and interest on the bonds.

Proceeds of the sale will be used to pay a part of the cost of completion of two toll-free limited access highways being constructed in Detroit, known as the John C. Lodge Expressway and the Edsel Ford Expressway. As of Dec. 31, 1950 some $42,000,000 had been expended on these expressways, largely for right of way and bridge construction. The cost of their completion is estimated to be $134,000,000. It is estimated that the present financing will be sufficient to complete the John C. Lodge Expressway and partially finance the completion of the Edsel Ford Expressway. Additional money required for completion of the latter will come from Federal aid and other funds.

Baby Stock Exchange At Ziegfeld Ball

Guests at this year's Ziegfeld Club Ball on November 24th at the Waldorf Astoria will be able to buy some of the stocks listed on the New York Stock Exchange and the New York Curb Exchange through the club's "Baby Stock Exchange," according to Barbara Joiner Parsons, partner of Jacquin, Stanley & Co., members of the New York Stock Exchange.

Proceeds from the sale of the stock will be used for the charitable activities of the club, which is a non-profit organization composed of former Ziegfeld girls. The shares to be sold have all been donated to the club by specialists in the securities, broker-dealer firms and individual investors.

The Baby Stock Exchange will operate in much the same manner as a regular exchange. A trading post will be set up at the ball and guests will be allowed to bid on the donated stocks which will be sold to the highest bidders.

A former Ziegfeld dancer, Mrs. Parsons became a partner in the stock exchange firm earlier this year. She is the author of the Joiner Theory of timing securities transactions. The Baby Stock Exchange was originated by Mrs. Parsons and she made the arrangements for its operation.

Richard G. McDermott of Peter P. McDermott & Co. and Max Jacquin, Jr. of Jacquin, Stanley & Company will act as brokers and specialists on the floor.

Among those who have already donated stocks to be offered at the ball are Larry Doyle, Hardy & Company; Charles Hassel, Correau & Co.; Jacquin, Stanley & Company; Peter P. McDermott & Co., and Edmond W. Tabell, Walston, Hoffman & Goodwin.

Securities Salesman's Corner

By JOHN DUTTON

Sometimes you will run up against the sort of person who will withhold information which you need in order to assist him in doing an intelligent investment job. But unless you can establish a confidential relationship which precludes any reserve on the part of your client, the business you will do with such an account will not be lasting, or very satisfactory. Usually, such people are not only of a naturally suspicious and secretive nature, but despite this they often become the very best of clients once you have opened the door to their confidence.

One way to make certain that you will never establish a confidential relationship is to rush this type of person. I recently had the privilege of talking with a woman investor who had not bought securities before in her life. At the age of 54 she decided to take the plunge. She had been in business for many years in a small town and she had never married. Possibly a combination of her business experience and the fact that she was a spinster had something to do with her distrust of all those who might wish to sell her anything. When it came to securities, you can understand that she could have been even a bit more reticent to expose her lifetime savings to any sort of an inquiry, by any securities salesman who might try **too hard** to do business with her.

She told me that she had no experience, and that she had not wished to discuss her affairs with the local bank. Possibly she felt that her business affairs might become public property if local people knew that she was buying and selling in the securities markets. At any rate, she said that she was completely at a loss to understand how some "stock salesman," as she put it, called upon her. She explained that he tried to find out how much she had in the bank, and that he wanted to sell her something about which she never heard. In fact, the main point that disturbed her was that this salesman kept bothering her almost every week, and finally she said, "I got so fed up with it that I told him not to come around any more."

It is entirely possible that this salesman may have offered the lady a very good investment. But she seemed to have been at a loss to know how he got her name. There was no groundwork preparation before the call. When the attempt to sell was made too quickly, and a continuous pressure of several follow-up calls were made, this prospect slammed the door. It is difficult to believe that, in these enlightened days, any salesman would use such tactics, but occasionally it could happen, just as it did in this instance.

Once again I come back to the basic proposition that good sales technique is primarily a question of the "right attitude." A salesman who is at all conscious of other people's reactions, would sense immediately that when a woman 54 years of age starts buying securities for the first time in her life that **there must be a reason.** Why did she decide to do this? Why was it that she did not buy stocks and bonds until now, and then make up her mind to do so? If this salesman had tried a bit of understanding and plain ordinary human interest in this lady's problems, I am sure that his attitude would have reflected it and her confidence would have been forthcoming eventually.

Why not find out what this prospect desired from her investments? It was simple enough, of course. What really was behind it all was that she had sold a business and she felt that she had enough real estate. She was beginning to worry a bit about having a steady income in her old age. Her mother was 91 and still living, although blind. Possibly such an example constantly before her, added pressure to her desire for financial security. What a difference a few well-placed questions would have meant in this instance.

Instead of trying to find out how much was in the bank and how soon it could be withdrawn, the salesman who lost out could have asked a few questions like these: "Do you have any dependents Miss X?" (The blind mother would have been brought forward as exhibit No. 1.) "Are you in business?" The sale of the business would have come to light. "What are your objectives, Miss X? I mean, why are you thinking of investing? Is it income or safety of principal, or is it a combination of both, so that you will have more money later on in life when you may need it more than you possibly need it now?" This is the way to build confidence. How can you sell anyone anything if you don't know what they need? Those who have little experience in investments should be guided patiently and without talking in a patronizing manner to them. They can be your best customers.

Pearson, Erhard Join Chace, Whitside Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — William T. Pearson, Henry A. Erhard and B. Earle Appleton have become associated with Chace, Whiteside, West & Winslow, Inc., 24 Federal Street, members of the Boston Stock Exchange. All were formerly officers of Pearson, Erhard & Co., Inc.

Also associated with Chace, Whiteside, West & Winslow are Darwin E. Gardner, Willard E. Glazier, Leroy M. Hall, Frederick W. MacDonald and Archibald McMillan who were previously with Pearson, Erhard & Co.

The MUTUAL FUND RETAILER

By BENTON G. CARR

The practice of selling is, essentially, to give people information. That's what they want most.

The art of selling, and this is what your success usually depends on, is to arouse your prospect's interest so that he'll listen to your story, to properly present your information, and finally, to incite the prospect to action.

If you're selling a good product—as mutual funds are generally regarded to be—then the brunt of your sales-work is to give your prospect information, beginning your story at the beginning and ending at the end. If there is a real need for your product, as there is for mutual funds, information will do most of the work for you.

Now, of course, your prospect may already have a great deal of information about your product, if it is widely advertised, publicized and in general use. How good is the public's information about the stock market?

Well, let's look back at the Survey of Consumer Finances, conducted early in 1951, under the heading, "Reasons for Attitudes Toward Various Investments."

Of the people interviewed with an income of over \$5,000 a year, 33% said they didn't hold common stocks (the term was used to cover all forms of corporate issues) because they were unfamiliar with them. An additional 31% gave as a reason, lack of safety, and 4% more said common stock ownership required large resources.

So, 68% of the people with incomes of over \$5,000 didn't own common stocks, essentially because of lack of proper information.

33% admitted they were unfamiliar with stocks, 31% said lack of safety (by contrast the inroads of inflation were ignored when 44% said they held savings bonds because of safety of capital!) and 4% thought they needed a lot of money.

So, with mutual funds, there's a lot of pioneering work to do—giving people information.

And, oddly enough, we haven't seen a simple "information folder" on mutual funds for some time—a folder that defines stock market terms as Ira Cobleigh once defined "reorganization" (I owe you two, will you settle for one).

If you know of a good "information folder" on mutual funds, we would appreciate your sending us a copy.

Mutual Funds

By CARTER GRENVILLE BURKE

THE ABILITY OF the American economy to produce has been greatly increased in the past decade by additions to the capacity of its basic industries, it is pointed out in a special study issued by Calvin Bullock.

"Although a considerable amount of the expansion has been financed by debt," the firm says, "a large and perhaps major part of the increased average values represents an increase in equity. This would appear to explain to a considerable degree the advance in equity prices on the public markets in the past decade."

With industry tending to plow back a substantial amount of earnings into productive capacity, it would appear that an advance in the intrinsic value of equities can be expected over the long-term, the company continues. Furthermore, the study points out, the growth in investments in manufacturing has not only been in the basic American industries but has been centered on the basic American companies.

"An increase from 267 thousand firms in 1945 to 333 thousand firms in 1947 reflected a rash of new business ventures after the war of which a large proportion did not survive. Presumably such firms were generally small in size and accounted for only a minor portion of the increase in manufacturing investment between 1945 and 1947.

"Although the statistics are not complete the inference seems justified that investment in manufacturing may have tripled since 1939 while the number of firms engaged therein probably has not increased by more than half. A further inference therefore seems justified that the increase in manufacturing investment has been due principally to the increased investment by firms already in existence in 1939.

"The intrinsic value of such firms today would therefore be considerably higher than in 1939. If we assume an increase in manufacturing firm investment for 1948, 1949 and 1950 equal to the 1946 and 1947 rate we get a 1950 investment of \$136.5 billion. Hence, in 1950 average investment per firm would be \$450,000 compared to \$220,500 in 1939."

Mutual Fund Notes

DIVERSIFICATION of management, as well as diversification of portfolio and risk, is the keynote of Pioneer Fund's current sales approach.

Stating that "three-way management" costs no more, Pioneer believes that a prospective mutual fund investor with limited capital might well consider splitting his purchase three ways, with one-third in a well-established balanced fund, one-third in a "blue chip" common stock fund, and one-third in Pioneer, for the speculative or growth section of investors' holdings.

Pioneer Fund, whose stated policy is to seek out special situations, particularly among the over-the-counter securities, points out that its asset value has increased more than 400% since 1928, when the general level of stock prices was about where it is today.

There have been, of course, sizable fluctuations in its asset value in the intervening years.

DEALER CONCESSIONS were increased on Wellington Fund shares and Wellington Investment Plans, W. L. Morgan & Co. announced.

The schedule of sales charges and new dealer concessions are:

	Total Sales Charge %	Schedule of New Dealer Concessions %
Separate sales under \$25,000	8	6
Separate sales, \$25,000 to \$49,999.99	6	4½
Separate sales, \$50,000 to \$99,999.99	5	3¾
Separate sales over \$100,000:		
On first \$100,000	5	3¾
On next \$150,000	2	1½
All over \$250,000	1	¾

DELAWARE FUND Distributors announced Nov. 13 that the acquisition cost on Delaware Fund shares has been scaled downward on single orders of \$25,000 or more.

Under the new scale the acquisition charge is reduced to 6½% of the offering price on purchases of from \$25,000 to \$49,999; to 5% on purchases of from \$50,000 to \$99,999; to 4% on \$100,000 to \$249,999, and to 2½% on \$250,000 and up.

The Fund recently announced the inauguration of an investment plan for the systematic purchase of its shares on a monthly schedule.

PERSONAL

George B. McCallum, Jr., has been appointed a registered sales representative by First New Jersey Securities Corp., 603 Mattison Avenue, Asbury Park, N. J. Mr. McCallum is a resident of Rumson, N. J., and is a graduate of Dartmouth University. He will specialize in the distribution of mutual funds.

Bowling Green Fund has announced that Gerald LeVino is now a member of the board of directors.

REGISTRATIONS

State Street Investment Corporation on Nov. 8 filed a registration statement with the Securities & Exchange Commission covering 182,196 shares of common stock (no par) to be offered at the market, without underwriting.

Massachusetts Life Fund, Boston, on Nov. 15, filed a registration statement with the Securities & Exchange Commission covering 200,000 units of beneficial interest.

Wall Street Invaded

Women's Magazine Reveals Extent Of Welcome Feminine Infiltration

385 ARE NOW CUSTOMERS' BROKERS; STOCK EXCHANGE FLOOR MAY BE NEXT

"Three hundred and eighty-five women working as customers' brokers, have changed the face of the Stock Market," reports the December issue of the woman's magazine, "Charm." "The crash of the Twenties has started a new and saner era, and this era includes women."

Women play an important part in two phases of Stock Market operation—they are investors, as well as workers in the Market itself. Women have not yet, however, invaded the floor of the Stock Exchange, says "Charm," explaining the differences in operation between the Market and the Exchange.

One of the women helping to give Wall Street its new look is Barbara Gilder, of Dreyfus & Co. At 23, Barbara is the youngest customers' broker in the Market and the only woman customers' broker of her firm. Of the 385 scattered from here to San Francisco, however, Bache and Company, one of the oldest and largest of the brokerage firms, has trained over a dozen, while Paine, Webber, Jackson and Curtis have at least six women brokers to their credit.

In the article "To Market . . . To Market," "Charm" gives much of the credit for women's knowledge of the Wall Street operation to Merrill Lynch, Pierce, Fenner and Beane, saying, "It took a bright young man in the San Francisco office of MLPFB to realize that it was not enough for men to have investment know-how. In 1949, that firm sent invitations to a series of lectures to 200 women in and around San Francisco. The success of the lectures spurred a coast to coast program of such symposiums, and now the firm finds that nearly a third of its investors are women."

After a thumbnail sketch of the Market's history, a typical Wall Street day, and the average training and requirements of a broker, "Charm" says, "There is no longer any reason for a woman **not** to understand the Stock Market. . . . And the day may soon come, when in the midst of a sea of blue serge, a woman will be seen buying and selling on the floor of the Exchange."

Investing In Securities And Mutual Funds

By HARRY L. SEBEL*
Vice-President, Hugh W. Long and Company, Inc., Chicago, Ill.

Mr. Sebel, after classifying various kinds of investments as (1) fixed interest obligations, which he calls "dollar constant investments," and (2) "dollar variable investments" such as real estate and other equities, explains the character and functions and types of mutual funds. Defines a mutual fund as device whereby people may pool their money and hire specialists to do their investing. Stresses diversification and professional management as essential qualifications of mutual funds investment.

I should like to start by pointing out to you that there are but two fundamental investment considerations. One has to deal with Dollars Constant Investments and the other has to to with Dollars Variable Investments.

Harry L. Sebel

Now I know what you are thinking—this fellow has just said he was going to talk in understandable terms and at the very outset he introduces such mysterious things as Dollars Constant and Dollars Variable. But I am going to try to explain just what is meant by those terms and I do hope that I succeed because, unless these two things are perfectly clear to you, I am afraid you will miss much of the point of this discussion.

Dollars Constant Investments have to do with those investments which offer a definite repayment date of a fixed sum of money at a specified rate of return. They are often called fixed investments and, in general, they are the things with which you are most familiar because they include such things as savings bank deposits, which are perhaps the very best type of Dollars Constant Investment that you can make. A savings account, as you know, especially in a bank which is a member of the Federal Deposit Insurance Corporation, provides a government guarantee up to $10,000 and is repayable on demand, with a small but certain interest rate.

Next, we come to a consideration of insurance annuities. These provide for the deposit by you with an insurance company of a certain sum of money; in turn, the insurance company will repay you a stipulated amount at regular intervals with a small compounded interest accumulation. An annuity usually promises merely to return your money to you together with about 2% compounded interest.

Then there are mortgages which are a lien upon real estate, either city property or farm land. These are in the amount of the sum invested and run a period of years and carry a specific interest rate, which nowadays is generally from 3½% to 4½%, depending upon the duration of the mortgage, the percentage of the loan and the type of property itself.

Finally, we come to the matter of bonds. This term includes various kinds of fixed obligations—the one best known, and I am sure familiar to all of you in this room, is government bonds. As the name implies, these are obligations of the government of the United States and secured by the full faith and credit of the country, and payable from the Federal taxes collected by the government. A certain proportion of your money quite properly should be in government securities. The percentage, however, is a matter for your most careful consideration and is something which you should discuss with your banker or financial advisor. There are several different kinds of government bonds—the coupon bonds with different maturities ranging from one to about 30 years, and the current return which they provide is determined largely by the length of maturity. The longer the bond runs, the higher the yield; the shorter the bond runs, the lower the yield.

Then there are the Series E and F bonds on which no current income is paid, but which provide for accumulated interest so that at the end of the 10- or 12-year period the bond which you purchase for $750 or $740 matures at $1,000. This increase is not the result of capital growth, but rather is the accumulation of interest on the principal sum paid in for the life of the bond.

Next, we have municipal bonds which are the obligations of various governmental or political subdivisions such as cities, states, counties, school districts, road districts, etc. These are of all different grades and qualities but, generally speaking, represent good investment media. They are secured by the full faith and credit of the political entity creating them and are payable from taxes levied thereon. These taxes may be either general or limited in character. One of the outstanding features of municipal bonds is that the interest paid on them is non-taxable by the Federal Government. Consequently, good municipal bonds represent a desirable form of holding, particularly by those investors in the higher income tax brackets.

Next we will consider corporate bonds. These are the obligations of industrial enterprises, railroads, and public utilities companies, and are of all shades and complexions ranging from first mortgage bonds secured by a prior lien on the property of the company, through general mortgages, collateral debentures and, finally, down to unsecured notes. Obviously, the mere fact that a security bears the name of a bond does not mean that it is a safe and secure investment. Some bonds are gilt-edge, or as we, in the business, say, triple A in quality. Others are highly speculative and uncertain. Their soundness is determined, not by their name, but by the financial strength of the company against which they are issued and the particular nature of the lien or collateral behind them. Most assuredly, should you seek the advice of your banker or your investment dealer with regard to the safety and security of any corporation bonds which you may buy.

In a general way this covers the field of fixed or Dollars Constant Investments. I am sure you will appreciate that, with a topic so broad and a subject so diverse, we have hardly scratched the surface with the preceding remarks.

Dollars Variable Investments

Now I would like to go further with you and talk about Dollars Variable Investments which, as the name implies, and in contrast to Dollars Constant Investments, offer neither the promise nor guarantee of repayment of a definite sum at any specific time or with any stipulated rate of return.

At this point I think I might make clear to you the essential difference between the two forms of investment. When you make a Dollars Constant Investment, you become in effect a creditor of the maker of the security. You are owed a set sum of money and you have various means of enforcing collection on the due date, and meanwhile, you are entitled to receive a fixed rate of return. When you make a Dollars Variable Investment you in effect become a part owner or participate in the business itself. You profit as the business profits, likewise, you lose as the business loses.

The leading examples of the latter form of investment are such things as real estate, either city property or farm land—improved or unimproved. When you buy a building you become the owner of that property and if the property makes money it is yours; if the property loses money that loss, too, is yours. As you no doubt know, after you have bought a piece of real estate there is no assurance that when and if you decide to sell it you will get back the amount of money you paid for it in the first instance, or any other specified sum. That will depend on the conditions prevailing at the time of sale. Likewise, there is no rate of return assured from such investment. It may be more or less depending upon rental conditions, operating expenses, taxes, etc.

As a further illustration I should like to pause here to show you how both type of investments can be involved in a single piece of property—not, of course, by the same investor. Let us say, for example, that I go out here and buy a section of land, a 640 acre farm, and I pay $100 an acre for that farm. I have made a Dollars Variable Investment. I have gone into the farming business and if soil and weather conditions are favorable, the seed is good, and the price at harvest time is high, I will make a nice profit from my investment this year. On the other hand let us say that when I buy this farm at $100 an acre I only have $50 an acre in cash and you are the seller and you take back a mortgage for 50% of my purchase price. That mortgage will be in a stipulated amount—namely $50 an acre for the 640 acres, or $32,000. That mortgage will have a maturity or repayment date, probably 10 years after the date, and it will carry a stipulated rate of interest, possibly 4% or 4½%, and I must fulfill all those terms or risk foreclosure and the loss of my farm. You have made a Dollars Constant Investment in the mortgage on that farm. I have made a Dollars Variable Investment in the equity of that farm. Is that clear?

Another form of Dollars Variable Investment is precious jewelry. You know what they say, "Diamonds Are a Girl's Best Friend," and very frequently that has proven to be the case, not necessarily, however, as the lyrics of the popular song of that same title would have you believe! I am sure I need not dwell on the variability of this type of investment.

Next, you may make a Dollars Variable Investment by the purchase of an interest in a local business enterprise. You will, of course, become a part owner and your investment may be profitable or unprofitable. You may derive a good return or no return, depending upon the conditions within that particular business itself. I am sure that it is clear and understandable to all of you ladies that you participate in such business ventures by buying an interest in a beauty shop, a bakery, or a grocery store, and, while it may not be equally clear to you, you do exactly the same thing when you make a Dollars Variable Investment in the most widely used form of such investment—namely, common stocks. When you buy stocks in any corporation, whether it be a big national company or a small local company, whether those shares are listed on any exchange or unlisted and dealt in over the counter or traded locally, you are participating in the direct ownership of that company to the extent of your investment and your profit or loss is according to your investment.

There is another form of stock—a somewhat hybrid type of security called preferred stock which embodies some of the features of both the Constant and Variable type of investment. Such shares do not have any lien upon assets and the holder, therefore, is not a creditor of the corporation. However, the shares ordinarily have preference, in the event of liquidation or dissolution of the company, to the extent of their par or stated value. Likewise, in the matter of dividends—preferred share dividends ordinarily must be paid in a specified amount or at a stipulated rate before any distribution can be made on the common stock. Dividends may be cumulative or non-cumulative—if the former, any arrearages which might exist would have to be cleared up before the common could receive any payments. Also, preferred stock may carry participating privileges—may have conversion rights and almost always possess a restricted voting power. As I think you will see, preferred stock lies in something of an investment "No man's land"—somewhere between bonds and common stock—yet belong to neither group.

The following observation applies on any investment which you may make in corporate securities, whether bonds, preferred stocks or common stocks. Each company, each security, represents a separate problem and should have careful consideration by you in conjunction with your banker or your investment dealer.

That about covers the two basic investment considerations which I outlined for you at the very beginning.

Growth and Development of Mutual Funds

I would now like to bring to your attention one of the most important developments taking place in American investment and finance. I refer to the growth and development of mutual funds or investment company shares or, as they are sometimes named, investment trusts. As Shakespeare said, "A Rose by Any Other Name." The mutual fund of the present day is the outgrowth of earlier developments, some of which were not too good. But we learn only from experience and out of the experience of previous years has come the present day open end mutual investment fund. Now the term "open end" merely means one in which shares are constantly and continuously being offered for sale. A mutual fund is simply a plan whereby a lot of people pool their money and hire a group of specialists to do their investing. It is a company whose sole business is investing the money which it receives from the sale of shares in other securities, under provisions, regulations, and safeguards as set forth in the Investment Company Act of 1940 as passed by the Congress of the United States. Investment companies are Federally regulated and are kept constantly under the watchful eye of the Securities and Exchange Commission. However, such Federal supervision does not apply to the management policies or security selections of the mutual funds. Thus, it is apparent that the managers of these investment companies are permitted full latitude in the selection and administration of investments. This is in marked contrast to the investment operations of banks and life insurance companies, the holdings of which are strictly supervised and rigidly regulated.

As of Sept. 30, 1951, total net assets of 103 mutual funds stood at $3,045,707,000. There were almost one million shareholders owning these assets. Among these holders are individuals in every State in the Union, as well as institutions of all kinds, fiduciaries and corporations. When you buy shares of an investment company you are pooling your money with that of the other investors in the fund whose assets are managed by investment specialists. You do not buy stock in any particular company, but, instead, your money is spread over all the securities which the fund owns. That is what is called "diversification" and that great big word merely means spreading the risk. It is the practical adaptation of the old adage "Don't Put All Your Eggs in One Basket."

When you buy shares in an investment fund you receive only a single certificate but your money is invested in a large number of securities and it is being carefully tended by the experienced, professional managers of the fund.

As I mentioned to you, all present day open and mutual funds function under the watchful eye of the Securities and Exchange Commission and are regulated by the Investment Company Act of 1940. Among many other provisions this act stipulates that no investment company may buy on margin nor sell short. The company may not lend money on securities and, with a very few exceptions, may never borrow money on securities. And, most important to you as an investor is the provision of the act which stipulates that the trust must always redeem your shares at the prevailing liquidating price. The value and importance of this latter provision cannot be over-emphasized because it assures you as a purchaser of investment funds of always being able to get your money, represented by your ownership of shares. Now it is true that at the time you liquidate your shares, they may be worth more, or less, than the price you paid, but whatever the value when you want to liquidate, that must be paid to you.

An independent custodian or trustee holds all the assets of the fund for the benefit of the stockholders. This must be a bank or trust company which is a member of the Federal Reserve System and has a capital and surplus of not less than $2,500,000. By and large these are the general provisions of all investment funds of the open-end variety.

Kinds and Types of Mutual Funds

We should now consider the different kinds and types of mutual funds that are offered to the investor today. These are almost as numerous as the different kinds of bonds and stocks that are available. There are mutual funds for almost every investment purpose and it is exceedingly important that, when you buy shares of an investment company, you select one which meets your needs and suits your purpose.

These, too, are matters which should be discussed with your banker or your investment dealer.

There are investment companies which invest only in common stocks and these are of two kinds. One places greater emphasis on capital growth and appreciation—the other on income. The rate of return on good common stock funds today varies from 3½ to 5 or possibly 5½%. At

Continued on page 33

*An address by Mr. Sebel before the Finance Forum for Women, sponsored by American National Bank, St. Paul, Minn., Nov. 5, 1951.

Canadian Securities

By WILLIAM J. McKAY

The emergence of Canada as a world power is now universally recognized but the Dominion itself is hesitant to take the requisite initiative to give appropriate effect to its new powers. The relatively petty problems of the past are still inclined to weigh more heavily than the tremendous possibilities of the future. During the difficult years of the past few decades the conservatism of Canadian financial and economic policies has been amply justified but at the present stage of development Canada can afford to lead from strength.

In matters of basic policy the Dominion hitherto has had perforce to steer a course which would not diverge too widely either from that followed by its great neighbor to the south or that of Great Britain. During the postwar period however as a consequence of the recurring difficulties of the British economic situation Canada has tended to align herself more closely with this country. Thus the British Commonwealth has been deprived of the invaluable support that might otherwise have been given to the sterling bloc had the senior Dominion's tremendous resources been added to the common pool.

Although the loss of British markets has been amply compensated by greatly expanded exports to this country, the greater economic dependence on the United States has created problems that have been largely met by restrictions and controls. Canadian economic and financial policies have been increasingly influenced by the pressure of varying trends south of the border. This has resulted in many instances in a defensive rather than an independent approach to the solution of Canadian economic problems. For example the Canadian Government has spared no effort in combating inflation by the classical methods of higher interest rates, restriction of credit, and higher taxation, but despite the intense anti-inflationary campaign the Canadian cost of living maintains a persistently upward course.

The inflation of Canadian prices is most apparent in the case of durable goods and luxury and semi-luxury items. When comparison is made with U. S. prices for similar articles, and consideration is given to the lower level of Canadian wages, it would appear that the anti-inflationary measures now in force have served only to cramp the economy without achieving their primary objective. Under present conditions moreover it is impossible to insulate the Canadian economy from U. S. inflationary forces. Conversely, in view of Canada's increasing dependence on U. S. markets, an economic setback south of the border would have a disastrous effect on Canadian foreign trade.

In view of Canada's recent dynamic economic expansion and prospects of still greater progress the Dominion is now in a position to adopt a bolder and more independent economic course. The present policy which leans heavily toward centralized control of the economy by restrictions and monetary manipulation would be quite appropriate in the case of the older and more mature economies of Europe. But Canada's youthful and expanding economy calls for the vigorous and imaginative New World methods that were so successfully adopted by this country in its pioneer era.

A change of policy in this direction would not only be best adapted to Canadian needs but it could also go a long way to solve Britain's economic troubles. In this connection it is interesting to note the initiation of a campaign in London for large-scale emigration of both people and industries to British Commonwealth areas. Headed by Sir Frank Whittle, the inventor of the jet engine, a new organization, the Migration Council, has just published a pamphlet entitled "Operation British Commonwealth" which is to be sent to all Commonwealth countries. The council's pamphlet claims that emigration is the best strategy to prepare the Commonwealth against attack. It also states that "the bulk of the British Commonwealth's population and industrial strength is huddled into one small corner—the British Isles—while the vast rich domains of the other parts lie comparatively underdeveloped for lack of people." This striking suggestion surely offers Canada a golden opportunity for appropriate response.

During the week both the external and internal sections of the bond market were lower with weakness especially apparent in the latter category following the lowering of the Canadian market support levels. The Canadian dollar following an abrupt relapse to 4⅝% finally rallied to 4⅛%. The stock markets were also affected by the unexpected action of the Bank of Canada in again withdrawing its support of the bond market; it is believed that this step was motivated more by the official desire to forestall U. S. liquidation of internal bonds and to a lesser extent by anti-inflationary intentions. The industrials and golds were the principal sufferers but the Western oils and base-metals showed marked resistance to the decline.

Morgan Stanley Group Offers Railroad Bonds

Morgan Stanley & Co. and associates on Nov. 16 offered for public sale, subject to approval of the Interstate Commerce Commission, a new issue of $14,950,000 Western Maryland general mortgage 4½% bonds, series B, due Nov. 1, 1976. The bonds are priced at 100% plus accrued interest to yield 4.50% to maturity. The issue was awarded at competitive sale on Nov. 15 on a bid of 98.5231.

Proceeds of the sale will be applied to the payment on or before maturity on Oct. 1, 1952, of $14,950,000 first mortgage 4% bonds of Western Maryland RR. Co. (a predecessor corporation), thus completing a refinancing program undertaken in 1949 when $44,176,866 of the predecessor corporation's first mortgage bonds were outstanding. After provision for payment of these bonds, and discharge of said first mortgage, the general mortgage under which the new series B bonds are issued will become a direct first lien on substantially all of the presently existing properties of the railway, including equipment, subject only with respect to certain equipment to liens of equipment obligations.

The new bonds will have a fixed sinking fund of 1% annually, plus an additional 1% contingent upon earnings during the preceding calendar year. In addition, so long as the series B bonds are outstanding and until indebtedness secured by the general mortgage has been reduced 25% below $44,690,000, the company will provide a general sinking fund equal to 20% of its net income in excess of $1,250,000 during the preceding calendar year which shall be applied to the retirement of general mortgage bonds. (A credit for other sinking fund payments for general mortgage bonds may be applied against the general sinking fund.) The sinking fund redemption prices for the series B bonds range from 102% if redeemed to and including Nov. 1, 1952, to par after Nov. 1, 1975. Optional redemption prices scale from 104% if redeemed to and including Nov. 1, 1952, to par if redeemed after Nov. 1, 1975.

The company operates lines in Maryland, West Virginia and Pennsylvania aggregating about 875 miles of road of which 720 miles are owned by the company and a wholly owned subsidiary. The main line extends westward from Baltimore through Cumberland, Md., to Connellsville, Pa. on the west, and Webster Springs, West Va. on the south. It is an important originator of bituminous coal traffic, and through its connections at Connellsville, provides the shortest route between the eastern seaboard and Pittsburgh and many large industrial centers in the Midwest. The company also owns and operates an extensive tidewater terminal in Baltimore.

For the nine months ended Sept. 30, 1951, the company reported railway operating revenues of $35,354,000 and income available for fixed charges of $6,001,000.

Sigmund Stern

Sigmund Stern passed away at his home at the age of 82 after a long illness. Prior to his retirement in 1941 he was a partner in Herzfeld & Stern. He organized Stern & Company in 1945 of which he was a partner until 1950.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

It is the same old story in the government market, with the largest volume and greatest activity in the nearer-term maturities. The longer-term obligations are on the uncertain side and because of the price erosion on very light volume most of these securities have declined to new lows for the year. Buyers of the higher income Treasury issues are decidedly on the cautious side, and have taken mainly to the sidelines awaiting developments. Tax selling is becoming more of a factor every day in the longer-term obligations and most of the funds that have been coming out of these sales have been going mainly into either the shorts or a few of the June 1959/62s and the 1962/67s.

Whether Federal has been in the market lending minor support to the longer-term Treasuries appears to be a controversial item. Irrespective of what has been going on, when the news got around in the past that the powers that be were giving a longer look at the longs, a firmer tone usually developed. Open mouth operations may still be of some value to the authorities.

The government market again seems to be divided into two rather distinct parts. Such a happening is not unusual because it has taken place on several occasions in the past. The short-term issues and the intermediate-term maturities appear to form one segment of the market. That is, Treasury bills, certificates, notes and as a matter of fact, all maturities out through 1956, are included in this classification. The other group appears to take in all maturities, from beyond the 1956 level to the longest of Treasury obligations.

Long Bonds Not In Demand

The market action and activity of these two segments of the government market are quite different mainly because of the preference of investors for riskless assets and liquidity. As a result, and despite not too easy money conditions, there is a very great demand for the short- and intermediate-term maturities of Treasury obligations. Volume is also very heavy among these issues and there is no evidence on the horizon yet that this demand and volume are likely to subside in the near future.

On the other hand, the longer end of the list appears to have only a very limited number of friends at the present time. In other words there are no speculative or important positions in these obligations, and there is not likely to be much of a change in this course of events in the future. Likewise investors are about as cautious now as they have ever been as far as the higher-income obligations are concerned. Scale buying seems to have given way, in favor of a sideline, look see, attitude. As a result of this, and some minor selling, many of the longer-term Treasury issues are at new lows for the year.

Tax Selling Market Factor

One of the important forces operating in the longer-term Treasury market, at the present time, and which probably is responsible in some measure for the uncertain tone among these obligations is tax selling. This is going on in both the restricted obligations and the bank eligible issues. There appear to be, however, somewhat larger operations taking place in the bank eligibles, than in the tap issues. Nineteen fifty-one appears to be a good year in which to take tax losses, and indications are this will continue right on through the end of the year. Therefore, investors are not putting bids into the market to be left there but if they believe prices are right they are inclined to do spot buying in not too sizable amounts. There is no pressure to put funds to work at the moment, as far as income is concerned, since most of the money that could be put into the higher coupon governments is going into the more liquid short-term issues.

Redemption by the Treasury of the 2½% bonds due March 15, 1954, on March 15, 1952, was not unexpected. The passing of the opportunity to pay off the 2s due Sept. 15, 1953, on March 15 next, likewise was not a surprise to the market. It is evident the Treasury is not in a position to pick its spots in the debt retirement program, and unless money market conditions ease, the 2% obligations are quite likely to go on until maturity.

Treasury Bills Attractive

The Treasury offering of 201-day tax anticipation bills was what the market had been looking for. They will be dated Nov. 27 and will mature June 15, 1952. The demand for these bills is very large and the smaller banks are in this time up to the $200,000 limit at the average rate. Many of these institutions did not take advantage of this provision when the 144-day obligations were put out by the Treasury. The $1,250,000,000 of tax anticipation bills should just about wrap up the government new money financing for the current fiscal year.

Canada Pulls Pegs

The action of the Canadian monetary authorities in pulling the price pegs on its longer-term internal government obligations is another step in fighting the inflationary forces. This is not dissimilar to what has been going on in the United States. Making credit more costly and not so easy to get is being carried out by many nations as an anti-inflationary force.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

Jackson D. Breaks has been promoted to the office of Vice-President of the **Chase National Bank of New York** and will be associated with the district staff handling the bank's business in Iowa, Nebraska, Missouri, Kansas, and Colorado. Francis G. Ross, heretofore Vice-President in charge of that district for the bank, will take over the supervision of Chase business in Illinois, Wisconsin, Minnesota and the Dakotas, succeeding Edwin A. Locke, Jr., Chase Vice-President, who resigned last week to accept appointment by President Truman as coordinator of United States Econmic Aid in the Near East with the rank of Ambassador.

* * *

Walter M. Steppacher and Myles J. McLaughlin have been elected Assistant Vice-Presidents of **Colonial Trust Company of New York**, according to an announcement by Arthur S. Kleeman, President of the banking house. A graduate of the University of Virginia, Mr. Steppacher served during World War II as a meteorologist with the U. S. Air Force. Before joining Colonial Trust he had been with the New York "World Telegram." Mr. McLaughlin, a Flight Officer with Naval Air Transport Service during World War II, attended New York University and previously had been associated with the textile firm of A. D. Juilliard & Co. Inc. and with Pan American World Airways.

* * *

Appointment of four Assistant Cashiers to the **Bank of America** (International) Home Office, New York, has been announced by Russell G. Smith, Executive Vice-President. The four are: Chedomir Ristich, Basil P. Larthe, Henry C. E. Grahn and Lawrence N. Albertson. All joined the international financial organization in 1950. The opening of a new branch of the Bank of America (International) was noted in our issue of Nov. 15, page 1855.

* * *

The Board of Trustees of the **Bowery Savings Bank of New York** on Nov. 13 appointed Fred K. Cordes Assistant Vice-President. Mr. Cordes was promoted from Deputy Controller.

* * *

Announcement was made on Nov. 10 by Bernard F. Hogan, President of the **Greater New York Savings Bank of Brooklyn, N. Y.**, that Frank Mullen and Ernest D. Renard, each with the bank more than 30 years, have been elected members of the Board of Trustees. The Brooklyn "Eagle" of Nov. 10 reporting this, said:

"Mr. Mullen started as a typist clerk in 1914. During succeeding years he served as Secretary to the bank's first President, Mortgage Department Clerk and Teller. He was promoted to Assistant Secretary in 1932, to Assistant Controller in 1935, Controller in 1936 and to Vice-President-Controller in 1949.

"Mr. Renard started at the bank as a bookkeeper in 1920. He then served as Teller and Chief Clerk. He was promoted to Assistant Controller in 1936, to Assistant Vice-President in 1944 and to Vice-President and Mortgage Officer in 1949."

* * *

The voluntary liquidation of the **Rhode Island National Bank of Providence, R. I.** (capital $5,000,000) became effective on Oct. 31, following its absorption on Oct. 31 by the **Rhode Island Hospital Trust Company of Providence**, noted in these columns Nov. 8, page 1768. According to the weekly Bulletin, Nov. 13, of the Office of the U. S. Comptroller of the Currency, the liquidating bank was operating 11 branches at date of liquidation, five of which were local branches, two were located at Newport and one each at Pawtucket, Woonsocket, Cranston and East Providence, R. I.

* * *

The Newark "Evening News" of Nov. 7 reported that successful subscription of **Franklin Washington Trust Co.'s (Newark)** $576,000 new stock issue, and retirement of the bank's $500,000 debt to the RFC was announced that day. Franklin Washington put its stock plan before the stockholders Oct. 11, said the "News," and the shares were fully subscribed before the end of the month, at $8 a share, on basis of 1½ shares for each share held. In part, the "News" account added:

"Clifford F. MacEvoy, Chairman of the Board, gave the details today in revealing the RFC payment. Mr. MacEvoy and the President of the bank, Stanley J. Marek, went to Washington yesterday to hand over the check in formal disposal of the long-standing obligation."

* * *

The opening of the **County Bank & Trust Co. of Paterson, N. J.**, formed through the merger of the **Paterson Savings & Trust Co. of Paterson** and the **Peoples Bank & Trust Co. of Passaic** was reported in the Newark "Evening News" of Nov. 13. Details of the merger were indicated in our issue of Oct. 25, page 1563.

* * *

E. Allen Smith, retired Executive Vice-President of the **Merchants & Newark Trust Co.**, now the **National State Bank of Newark, N. J.**, died on Nov. 8, according to the Newark "Evening News," from which we also quote:

"Mr. Smith was Cashier of the Internal Revenue Bureau here when he was 21 years old. He later became associated with the Federal Trust Co., where he was a Trust Officer. He had been 27 years with the Merchant & Newark Trust Co. when he retired five years ago."

* * *

The recent announcement of the appointment of Lawrence P. Maude as Assistant Cashier of the **National State Bank of Newark, N. J.**, has been made known by the Newark "Evening News" which said:

"Mr. Maude began his banking career with the Mt. Prospect National Bank in 1939. That bank was acquired by the U. S. Trust Co. in 1941 and in 1948 Mr. Maude was appointed Auditor of the U. S. Trust Co. The U. S. Trust Co. was acquired by National State Bank in November, 1950."

* * *

George C. Brainard, President of the Addressograph - Multigraph Corp., Cleveland, has been redesignated Chairman of the Board of Directors of the **Federal Reserve Bank of Cleveland** and Federal Reserve Agent for the Fourth (Cleveland) District for the year 1952 by the Board of Governors of the Federal Reserve System at Washington. John C. Virden, Chairman of the Board of the John C. Virden Company, Cleveland, has been redesignated Deputy Chairman of the bank's board of directors for the year 1952. The Board of Governors reappointed Leo L. Rummell, Dean of the College of Agriculture of Ohio State University, as a Class C director of the bank for a three-year term ending Dec. 31, 1954. Clifford F. Hood, Executive Vice-President of the United States Steel Company, Pittsburgh, Pa., was appointed a member of the board of directors of the Pittsburgh branch of the Federal Reserve Bank of Cleveland. He succeeds Albert H. Burchfield Jr. and was appointed for a three-year term ending Dec. 31, 1954. Ernest H. Hahne, President of Miami University, Oxford, Ohio, was reappointed to the board of directors of the bank's branch at Cincinnati for a three-year term commencing Jan. 1, 1952.

* * *

Through the sale of $300,000 of new stock the **Liberty National Bank & Trust Company of Louisville, Ky.**, increased its capital, effective Oct. 26, from $1,800,000 to $2,100,000.

* * *

John N. Marshall, Chairman of the Board and President of Granite City Steel Company, Granite City, Ill., was elected a director of the **First National Bank in St. Louis** on Nov. 13. Mr. Marshall, a native of Pennsylvania, was an executive of the Bethlehem Steel Company, Bethlehem, Pa., before going to Granite City Steel as Chairman of the Board in August, 1949. He was elected President of the company in May, 1950. He is a director of the St. Louis Union Trust Company, St. Louis Shipbuilding & Steel Co., Illinois Terminal RR. Co., the American Iron and Steel Institute, etc.

* * *

As of Oct. 17, the **First National Bank of St. Charles, Mo.**, increased its capital from $100,000 to $250,000 as a result of a stock dividend of $100,000, and the sale of $50,000 of new stock.

* * *

The formal opening of the new banking quarters of the **Empire Trust Company of St. Joseph, Mo.**, occurred on Nov. 17.

* * *

The Board of Governors of the Federal Reserve System report that **The Peachtree Bank & Trust Company of Atlanta, Ga.**, a State member, changed its title to **The Citizens and Southern Buckhead Bank**, on Nov. 1.

* * *

The First National Bank in Houston, Texas, offered to its shareholders of record on Oct. 31 rights to subscribe, at $40 per share, to 100,000 shares of common stock (par $20 per share) at the rate of one share for each 2¾ shares then held. Subscription rights were mailed to shareholders on Nov. 9 and were exercisable during the period ending at 12 noon, Central Standard Time, on Nov. 20, when the warrants evidencing such rights expired. Incident to the offering, several underwriters headed by Merrill Lynch, Pierce, Fenner & Beane participated in the offering and sale of the additional shares.

* * *

James D. Berry and Gene Bridges of **Republic National Bank of Dallas, Texas**, have been advanced from Assistant Vice-President to Vice-President. Announcement of these two promotions was made on Nov. 14 by Fred F. Florence, Republic President. A native of Sapulpa, Okla., Mr. Berry was formerly connected with the American National Bank in Sapulpa as Assistant Vice-President. He joined Republic June 15, 1950, as an Assistant Vice-President in Correspondent Bank Department. Mr. Bridges, a native Texan, began his career at the Highland Park State Bank as Bookkeeper and Teller. He joined Republic in 1947, after serving with the Federal Reserve Bank of Dallas as Assistant Examiner. He was advanced from Assistant Cashier to Assistant Vice-President in the Correspondent Bank Department in January, 1951.

* * *

The Central Valley Bank of California, at Richmond, Cal., a State member of the Federal Reserve System, and the Bank of Manteca, at Manteca, Calif., an insured nonmember, merged on Nov. 5 under the charter and title of Central Valley Bank of California. Incident to the merger, a branch of the Central Valley Bank was established in the former location of Bank of Manteca.

* * *

Money and Democracy

By W. RANDOLPH BURGESS*

Chairman, Executive Committee, Nat'l City Bank of New York

Prominent New York banker finds democracy still battling for survival, despite withstanding of severe tests. Advocates, among other things, for its protection, better control of money supply and of public spending. Warns government spending is inflating the currency, and this threatens to overturn existing basis of society.

In the middle of the 19th century a number of political philosophers stated the thesis that a pure democracy would destroy itself. The majority, the poorest and most ignorant part of society, swayed by demagogues, "would plunder the rich, and civilization would perish; or order and prosperity would be saved by a strong military government, and liberty would perish." (Lord Macaulay.)

W. R. Burgess

Democracy has stood the test better than Lord Macaulay predicted, but the case is not yet closed. Every thoughtful person is today alarmed by dangerous trends in our national life. The Western European democracies barely escaped defeat in two world wars, due to popular reluctance to arm. Shocking corruption has been revealed in many American cities, and in the national government itself.

The U. S. Congress votes vast sums for bonuses and subsidies which our Congressmen individually do not approve, but dare not vote against. Here and in Western Europe depreciating money and heavy taxes are grinding down the upper and middle income groups, from which leadership comes. Many economists predict a continued inflation with its injustices, disorders, and breaking of faith. They are usually silent as to the deflation and depression which in history have followed inflations.

As the scope of government grows more vast and complicated the party in power gains a stranglehold on votes, and change in government, the essence of democracy, is harder.

By what means shall our democracy protect itself from itself?

Certain general protections need reemphasis: the independent judiciary, the separation of Executive and Legislature, the Constitutional limitations of powers, education of all the people, particularly their education in sound traditions and moral standards. I suggest especially that we in the United States reappraise national policies for the control of the money supply and of public spending. For these are today's worst trouble spots, where the present faults of our democracy come to focus.

In 1914, the Federal Reserve System was set up as a mechanism for influencing the money supply in the public interest and independent of partisan political pressure. That machinery has proved its worth over a long period of years. Just this spring the action by the Reserve System, in agreement with the Treasury, showed its value in lessening inflationary pressures. Today, a Congressional group is conducting an inquiry with the evident objective of curtailing the independence of the Reserve System.

Government spending itself is out of control and is inflating the currency. The activities of the Executive branch of the Government have mushroomed so that the old means of the Legislature for reviewing the budget have been outmoded. New methods are needed to restore to the Congress the power of the purse which it has almost lost. New and more powerful public support is needed for economy, to offset the influence of pressure groups.

In the face of past defeats by the legions of spending, discouragement is easy. But we must not give in for this is a key salient in the battle to preserve our democratic way of life.

"There is no subtler, no surer, means of overturning the existing basis of society than to debauch the currency. The process engages all the hidden forces of economic law on the side of destruction, and does it in a manner which not one man in a million is able to diagnose." This statement was made not by some conservative banker, but by Maynard Keynes who was more friendly to inflation than almost any modern economist.

*Summary of an address by Mr. Burgess before the Bond Club of Chicago, Chicago, Ill., Nov. 15, 1951.

Merritt Named V.-P. of Albert Frank Agency

Stanley F. Merritt, copy director and a member of the Plans Board of Albert Frank-Guenther Law, Inc., 131 Cedar Street, New York City, has been elected a Vice-President of the firm, it was announced by Howard W. Calkins, Chairman. Mr. Merritt has been associated with the agency for three years. Prior thereto he was with Newell, Emmett Co., and previously, with Calkins & Holden.

Stanley F. Merritt

Now Rutledge Irvine Co.

The firm name of Storb-Irvine and Co., Inc., 115 Broadway, New York City, has been changed to Rutledge Irvine and Company, Inc.

G. H. Hogue Opens

GROVE CITY, Pa. — G. H. Hogue is engaging in a securities business from offices at 215½ South Broad Street.

Railroad Securities

Impact of Higher Mail Rates on Carrier Earnings

Railroad securities late last week initiated another attempt to pull themselves out of the rut they have been in most of the summer and fall. The immediate cause for the latest increase in speculative interest in this group was the announcement, released early Friday morning, that the ICC had granted an increase of 32% in mail rates. The increase is retroactive to the beginning of the current year. It was estimated by the Commission, based on the 1948 volume of mail, that this increase would yield the railroads approximately $75 million in additional revenue.

The Commission stated that this most recent increase along with those previously granted would give the railroads just about all that they had asked for. This is considerably different than most of the freight rate decisions where the carriers practically never got the full amount requested. Aside from the increase itself, the Commission authorized a change in the method of figuring the rates to be charged, as had also been requested by the carriers. In the past the railroads received a set rate for transporting the mail. Under the new system they will continue to get a set rate for the actual transportation service but, in addition, will get an extra fee for handling the mail at terminal points.

The railroads had stressed the point that under the old system no consideration was given to the cost for the terminal handling. It is probable that in recent years the cost of such terminal operations has gone up at a more rapid rate than has the straight transportation cost. In particular, the new method will afford relief to those roads that operate in and out of the large metropolitan areas and have correspondingly large terminal expenses. There are many railroad analysts who have contended for a considerable time, and particularly since the end of World War II, that some method should also be devised for compensating terminal railroads for these heavy costs in the freight rate structure.

Any increment to railroad earnings is certainly welcome at this time. It is believed that very few of the carriers have been accruing anything in their accounts this year for the anticipated mail pay increase. Thus, earnings in the final months of the year should be considerably bolstered and some upward revision of earlier estimates of 1951 earnings will be called for. It is difficult to judge just how the individual roads will be affected, particularly with the change in the method for compensating for terminal operations. In the tabulation below we show rough estimates of what it may mean to those roads most affected. The estimate of the gross additional revenue is given as well as the net balance after Federal income taxes at the present 52% rate. The per share results after the full current tax rate are also shown.

	Estimated Gross Increment	After Taxes	Per Share
Pennsylvania	$19,573,000	$9,750,000	$0.36
New York Central	17,827,000	8,850,000	0.66
Atchison, Topeka & Santa Fe	12,597,000	6,225,000	0.62
Union Pacific	9,200,000	4,575,000	0.49
Southern Pacific	8,218,000	4,050,000	0.45
Chicago, Burlington & Quincy	5,842,000	2,925,000	0.82
Southern Railway	5,358,000	2,625,000	0.97
Great Northern	4,651,000	2,325,000	0.36
Chicago, Milwaukee, St. Paul & Pacific	4,259,000	2,100,000	0.47
Baltimore & Ohio	4,000,000	1,950,000	0.37
Illinois Central	3,700,000	1,875,000	0.65
Chicago & North Western	3,350,000	1,650,000	0.97
Chicago, Rock Island & Pacific	3,214,000	1,575,000	0.54
Louisville & Nashville	2,975,000	1,500,000	0.31
Northern Pacific	2,263,000	1,125,000	0.22
Atlantic Coast Line	2,171,000	1,050,000	0.61
Norfolk & Western	2,139,000	1,050,000	0.09
New York, New Haven & Hartford	2,040,000	1,050,000	0.47
Seaboard Air Line	2,000,000	975,000	0.55

De Coppet Doremus Admit

De Coppet & Doremus, 63 Wall Street, New York City, members of the New York Stock Exchange, will admit Ruth Hofmann to limited partnership on November 26th.

Newhard Cook Admit

ST. LOUIS, Mo.—D. D. Walker will be admitted to limited partnership in Newhard, Cook & Co., Fourth & Olive Streets, members of the New York and Midwest Stock Exchanges, on Nov. 29.

NSTA Notes

SECURITY TRADERS ASSOCIATION OF NEW YORK

The Security Traders Association of New York (STANY) Bowling League standing as of Nov. 15, 1951 are as follows:

TEAM	Points
Kumm (Capt.), Ghegan, R. Montanye, Krassowich, Manson	37
Serlen (Capt.), Gold, Krumholz, Young, Gersten	33
Leone (Capt.), Tisch, O'Mara, Nieman, Bradley	32½
Goodman (Capt.), Weissman, Farrell, Valentine, Smith	32
Mewing (Capt.), G. Montanye, M. Meyer, Lopato, Klein	28
Krisam (Capt.), Gavin, Gannon, Jacobs, Murphy	28
Burian (Capt.), Siepser, Gronick, Growney, Kaiser	27½
Donadio (Capt.), Rappa, O'Connor, Whiting, Demaye	27
Bean (Capt.), Lax, H. Frankel, Werkmeister, Ried	25
Hunter (Capt.), Craig, Fredericks, Weseman, Lytle	24
Greenberg (Capt.), Siegel, Cohen, Sullivan, Voccoli	19
H. Meyer (Capt.), Swenson, A. Frankel, Wechsler, King	17

200 Club—Wilber Krisam, 208.

Five Point Club—Hank Serlen, Julie Bean and Wilber Krisam.

Thanksgiving prizes went to—H. Lax, J. Bean, C. Swenson and W. Krisam.

CINCINNATI STOCK & BOND CLUB

The Cincinnati Stock & Bond Club will hold a meeting Dec. 13 for the election of directors.

Continued from page 5

Voluntary Credit Restraint In Real Estate Field

dencies and at the same time to help finance the defense program and the essential needs of agriculture, industry and commerce."

The Program

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

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

The next step was the appointment of a national Committee by the Federal Reserve Board. This Committee is composed of men chosen from the principal kinds of lending institutions, with a Federal Reserve Board Member as Chairman. The national Committee has set up regional committees to deal with problems in five major lending fields: commercial banking, life insurance, investment banking, savings banking, and the savings and loan system.

The savings and loan industry has two stalwart representatives on the national Committee: Mike Murphy of Rutherford, New Jersey, and Dr. Walker of Miami, Florida. There are also twelve regional committees, one in each Federal Reserve District, composed of leading savings and loan executives from institutions of varying sizes. Their headquarters are in Federal Reserve cities rather than in home loan bank cities in order to take advantage of the clerical and other assistance which can be provided by the Federal Reserve Banks. These regional committees are set up to answer your questions if loans are presented to you about whose propriety under today's inflationary pressures you are in doubt. There are inquiry forms which you may obtain and which will enable you to submit full information about the problem case so that a prompt and informed opinion can be rendered by the committee.

Right from the start the national Committee recognized the need for direct contact with lenders to explain the Program, to answer the most pressing questions wiithout delay, and to insure uniform interpretation throughout the nation. The national Committee has issued a series of bulletins to all lenders on credit problems in relation to the Voluntary Credit Restraint Program.

Recommendations Regarding Real Estate Loans

You are especially interested in the recommendations of the national Committee regarding loans on residential real estate, particularly one- to four-family units. larly one to four family units. Very careful study preceded the issuance of these recommendations. In the early weeks of the Program it was not thought necessary to provide any guidance to lenders in the real estate credit fields not already covered by Regulation X. However, reports were received from all over the United States of a sharp increase in prices of existing residential property. This seemed an inflationary development in the residential field which should be called to the attention of lenders. At the same time, as stated in the national bulletin:

"The Committee conceives that it is not the function of the Voluntary Credit Restraint Program to make the transfer of real estate impossible or impracticable, but rather to reduce inflationary pressures by limiting the amount of additional credit created in the process of real estate transfer."

Accordingly, the national Committee has recommended maximum credit limits on residential loans on existing property sufficiently below the maximum limits of many types of lending institutions to discourage shoestring purchases. On the other hand, the loan limits are intended to be sufficiently high to permit the the home buyer who has a reasonable nest egg of savings to make a purchase. As presently stated, the total amount of credit outstanding with respect to the property or with respect to the transaction should not exceed 66⅔% of the fair value of the property, or the limits which Regulation X would impose in the case of loans on new construction, whichever of such limits is the greater. You will note that the recommendation refers to the total amount of credit outstanding, including both the amount loaned by your association and any junior credit which may be involved. The real estate loan bulletin also gives recommendations for limits on other kinds of real estate loans and certain other information which is too detailed for this address. Copies of this bulletin, called "Bulletin No. 4," can be obtained from any Federal Reserve Bank or from the Regional Savings and Loan Committee in your District.

Perhaps the most significant and abiding contribution of the Voluntary Credit Restraint Program is that it has given lending officers new bench marks for use in their appraisal of loan applications. It has broadened their horizon beyond the fairly limited objective of appraising the creditworthiness of a prospective borrower. The Program has made them increasingly aware of the importance of credit policy in an economic stabilization program, and it has contributed to prudence in lending. Equally important, these have been achieved without shutting off the supply of credit to borrowers with needs in accord with today's part-defense, partpeacetime economy, and without imposing upon lending operations a burdensome harness of detailed and specific rules and regulations. This has helped keep to a minimum the injustices and inequities which are inescapable under a set of detailed rules and regulations, no matter how carefully drawn, and has preserved the flexibility of movement required by financial institutions if they are to serve the needs of the economy.

Inflation Threat Not Removed

Returning now to the over-all national picture, the threat of inflation has not been removed, although it is not possible to predict when the next upsurge in inflationary pressures will occur or what proportions it may assume. Business inventories are at peak levels and the pressure to reduce them still continues. When these inventories stop rising the effect will be to reduce the spending stream. In other words that development would wipe out one of the most important inflationary factors which has been in the picture since the Korean incident in June 1950. The productive capacity of the country is tremendous and the record levels of plant and equipment spending are augmenting that capacity month by month bringing us closer to an ability to satisfy all demands.

Nevertheless, it is not clear that production can be increased sufficiently fast to cover the increased takings for military equipment that are in prospect, without some reduction in supplies available for the civilian market. It is significant that steel output is already 2% above rated capacity and unemployment is the lowest since World War II. Defense spending is rising rapidly and a growing percentage of our defense outlays is going into "hard" goods for which basic materials are short. This rise in defense spending, with unemployment at very low levels, poses the prospect of continuing upward pressures on wage rates and increases in personal income. Business spending for plant and equipment, at record levels, may remain high for some time to come.

The consumer also remains a big unknown in the outlook. Following the two "scare" buying waves of mid-1950, and early 1951, consumers reduced their spending and increased their savings substantially in the second and third quarters of this year. Currently, consumers are spending a significantly smaller portion of their incomes than was customary in the post-war years. But it is not certain how long it will be before money will again start to burn holes in the pockets of consumers. The new tax law will be a restraining influence but only to a limited extent. The large inventories of goods in consumers' hands, resulting from the overbuying during the past year, will gradually disappear. With personal income at record levels, and likely to increase further, and with large holdings of liquid assets widely distributed, the basic ingredients for an upturn in consumer spending are present in the economy. Even without adverse developments on the international front, consumer spending is likely to increase; given deterioration in the foreign situation, the rise in consumer spending might assume large proportions.

Israel & Co. Offers Nucleonics Stock

An issue of 1,998,000 shares of Electronics & Nucleonics, Inc. common stock (par one cent) was offered on Nov. 19 by Israel & Co., New York, "as a speculation" at 15 cents per share.

The primary purpose of the financing is to provide the corporation with working capital and for the expansion of the corporation's operations. The corporation has entered into an agreement carrying the right exercisable within 90 days from Sept. 10, 1951 to construct and assemble a color television projection receiver of improved design for color projection.

The corporation has acquired the entire plant and equipment of Kinetic Electronics Corp. and Kinetic Radio Corp., including lease of premises. This factory is located at 503 West 33rd St., New York, N. Y., and includes manufacturing, laboratory and office space.

Oakes & Co. Opens Philadelphia Office

PHILADELPHIA, Pa.—Oakes & Company, investment bankers, members of the Philadelphia-Baltimore Stock Exchange, has opened a Philadelphia office in the Lincoln Liberty Building, with A. L. P. Smith as Manager, according to announcement by J. Lowell Oakes, Jr., proprietor.

Mr. Smith was formerly associated with J. A. Rayvis & Co. and A. M. Kidder & Co., in Florida. In the past he was a partner of R. H. Johnson & Co.

The firm which has its home office in Miami Beach, also announced the opening of a Williamsport, Pa. office at 334 Jerome Avenue under the management of Joseph I. Ulmer.

Ridgewood Associates Inc.

Ridgewood Associates, Inc., have been formed with offices at 331 Madison Avenue, New York City, to engage in a securities business.

Arthur J. McKenna

Arthur J. McKenna, partner in Carlisle & Jacquelin and a member of the New York Stock Exchange passed away at the age of 62 after a brief illness.

The Defense of Sterling

By PAUL EINZIG

Commenting on drastic action of new British Chancellor of the Exchequer to curb the drain on Britain's foreign exchange reserves, Dr. Einzig holds there is now a good chance that the Conservative Administration will be able to introduce an entirely new spirit in government offices, which will result in greater economies and efficiency. Sees advance from 2% to 2½% in Bank rate an important factor in stability of sterling.

LONDON, England—The new Chancellor of the Exchequer lost no time in tackling the problem of the deficit of the British balance of payments. Within 11 days from his appointment he made himself acquainted with the facts of the situation, elaborated the measures he considered necessary for dealing with the crisis, and persuaded his colleagues of the Cabinet to accept these measures. On Nov. 7 he announced the decisions to the House of Commons, and everybody agreed that it was a remarkable example of expeditious work. Indeed, the government could not afford to delay the drastic measures called for by the rapidly deteriorating situation. During October the pace of the gold drain, which was already fairly alarming during the third quarter of the year, became accentuated beyond all expectations. On the basis of the present flow of gold the government expects next year's sterling area deficit to be in the neighborhood of between £700 and £800 million, with between £500 and £600 million representing the deficit of the United Kingdom's balance of payments. This would mean that by the end of 1952 the gold reserve would dwindle down to negligible proportions.

Dr. Paul Einzig

It was high time for the government to take drastic action to moderate the flow, even if it is beyond the most optimistic hopes to check it altogether in the near future. Indeed, action has been delayed far too long. Some steps ought to have been taken during the summer. But the Labor Government did not wish to jeopardise its electoral chances by the adoption of necessary but unpopular measures. So everything was allowed to proceed as if no crisis existed. Luxury imports were pouring in and travellers on the Continent were allowed to spend £100 a head. The number of those who took advantage of the liberality of this exchange allowance run into seven figures. It is not surprising, therefore, that this invisible import item, together with the visible imports of luxuries, should have resulted in a strongly adverse trade balance in relation to the European Payments Union, leading to a heavy outflow of gold in addition to the heavy outflow to the dollar area.

In face of such a situation, Mr. Butler was forced to begin his term of Chancellorship by adopting the long-overdue unpopular measures. Luxury imports from the European Payments Union are to be reduced considerably, even though this must mean a sharp reduction of Britain's food supplies. This step was taken with the utmost reluctance, since it is bound to aggravate the position of many Western European countries which have grave difficulties of their own. Indeed, the Chancellor was criticized from some quarters why he did not spread the import cuts more evenly by restricting also the import of petrol and tobacco. He also decided to slow down stockpiling purchases. It is true, the conversion of the gold reserve into basic raw material reserves is no loss from the point of view of the foreign exchange position. After all, the possession of gold is no longer regarded as the end, but merely as the means to the end, of being able to buy basic raw materials. Nevertheless, Mr. Butler felt impelled to slow down the purchases, because of the psychological effect of the heavy gold outflow, effect which is not counteracted by any increase of the stockpiles, since no figures can be published concerning their size. Moreover, the problem of storage and transport of stockpiled materials is by no means easy at a time when the government is trying to cut down its building operations and when shipping tonnage and railroad capacity is short.

All these and other proposed measures are expected to result in a saving of some £350 million of external expenditure. Although most of it is not saved on expenditure in the dollar area, Mr. Butler rightly pointed out that, because Britain has an all-round trade deficit in almost every direction, almost every currency has become a hard currency in relation to sterling.

Mr. Butler was criticized by his predecessor and by others on the ground that he concentrated on import cuts instead of trying to increase exports. As a matter of fact, he has decided on a number of measures, the indirect effect of which will be an increase of Britain's exporting capacity, both because it will tend to check the rise in British costs and prices and because it will curtail British domestic demand for consumption and production alike.

The projected campaign aiming at a reduction of government expenditure, the scaling down of capital investment by government and private interests, and the tightening of credit supplies are moves in that direction.

Ex-Chancellor Gaitskell, while wishing luck to his successor's economy drive, expressed doubts about the possibility of cutting down of public expenditure to any substantial extent, without touching food subsidies and social services which both political parties have declared to be sacrosanct. In reality, there is a good chance that the new administration will be able to introduce an entirely new spirit in government offices. Hitherto the officials have made no real effort to cut down their estimates, because Chancellors of the Exchequer and other Ministers of the Labor Government kept repeating over a period of years that such cuts were impossible. These public utterances were inconsistent with the Treasury circulars and other forms of exhortations made in private in favor of economies, and officials could hardly be blamed if they preferred to be guided by the public statements of their Ministers ridiculing the idea that such economies were practicable. Now they know that the new government believes that cuts in expenditures could and should be made, and they will try to adapt their attitude to the new policy.

The announcement of the increase of the Bank Rate from 2% to 2½% was by far the most controversial part of Mr. Butler's statement. It was criticized from both sides. The orthodox school believes that it is "too late and too little," while the cheap money school strongly resents even such a fractional increase of interest rates. Judging from the experiment of the United States and other countries with such fractional increases, the material effect of the 2½% Bank Rate is not likely to amount to much. On the other hand, quite possibly it will prove to be a factor of some importance in the restoration of confidence in the stability of sterling. After all, it is only the first step that is difficult, and the possibility of further increases of interest rates in case of need may now be envisaged.

What is much more important than the slight rise in short-term interest rates is the decision that credit shall no longer be available for banks in unlimited supplies. The feeling that they may run short of funds if they overlend is liable to induce banks to resist demands for increased credit facilities. It is expected to reinforce to no slight degree official pressure in favor of abstaining from lending for non-essential purposes.

All these measures would be unable to solve the problem, unless the United States agreed to assist in the financing of British rearmament under the North Atlantic Treaty Organization scheme. There is reason to believe that one of the main reasons why Mr. Butler abstained from cutting oil and tobacco imports from the United States was that he hoped to receive assistance from that quarter. In the absence of such assistance on an adequate scale and at an early date it would become inevitable to make drastic cuts in the dollar imports of Britain and the Sterling Area.

Test of Conversion to Limited Wartime Economy Still to Be Met

A. Willis Robertson, Member of Senate Banking and Currency and Appropriations Committees, warns when defense production reaches peak, supply of civilian goods will be reduced. Says Truman will not be Presidential candidate.

Addressing the 59th Annual Convention of the United States Savings and Loan League at Miami Beach, Fla. on Nov. 13, Senator A. Willis Robertson (D., Va.), a member of both the Senate Banking and Currency Committee and the Appropriations Committee, warned that recent "encouraging" indications of price stability "should not lull us into a sense of false security." Sen. Robertson, in the course of his remarks, also predicted President Truman will not run for reelection.

A. W. Robertson

Although critical of the Truman Administration for "dragging its feet" in using control powers over wages and prices early in the Korean war, the Virginia Senator warned, "The real test of our conversion from a normal, peacetime to a limited wartime economy is still to be met."

"Deliveries of military goods are still on a rather limited scale but within the next six months they are expected to reach the rate of $1 billion a week, and there will be a large business demand for plant and equipment expansion, a great part of which will be essential to the defense effort."

Even the near-maximum production performance expected of the nation's economy in 1952 cannot supply full civilian demands and still meet all requirements of the defense program, Robertson said.

As a result, the Senator explained, "the shortage of available goods will be inflationary because there will be an increase of dollars chasing a decreasing supply of consumer goods."

All means at the country's disposal must be thrown into the fight against inflation and he meant, he said, not only economic controls and taxes "but also substantial reduction of nondefense spending through the exercise of rigid economy in government."

"There should not be and there must not be any party partisanship over the issue of what in 1951 is necessary economy in public spending," Robertson insisted.

Another major problem that "should not" become a political issue in 1952 is, he said, that of "international cooperation as an integral part of our preparedness program."

"If we become involved in another world war, we shall not only urgently need foreign bases for our strategic bombing, but we shall likewise need manpower on the ground which can only be furnished in an adequate amount by freedom-loving Allies in Europe," Robertson declared.

Military and economic support of the Nation's Atlantic Pact Allies next year will cost $8.1 billion, and more in the following two years, he pointed out, but added:

"I shall support for the next two years a mutual security aid program, provided, of course, the recipient nations live up to the promises of cooperation which they have made and do not attempt to unload on us the entire financial burden of our mutual defense against communism."

Cook Municipal For Wm. J. Mericka & Co.

CLEVELAND, Ohio—Richard Jack Cook has been named manager of the Municipal Bond Department of William J. Mericka & Co., Union Commerce Building, members of the Midwest Stock Exchange.

A member since 1946 of Field, Richards & Co., where he has held a similar post, Cook attended Duke University and is a graduate of Western Reserve University. He is a veteran of three years service with the Air Force during World War II, including duty in England with the Eighth Air Force.

Vallely Trading Mgr. For John Nuveen

CHICAGO, Ill. — John Nuveen & Co., 135 South La Salle Street announce that Edward V. Vallely has been appointed manager of the trading department in its Chicago office. Mr. Vallely has been in the municipal bond field for the past 27 years, first with A. C. Allyn and Company and since 1944 with John Nuveen & Co.

Continued from first page

As We See It

an American statesman who shouted—and with apparent sincerity—that he "would rather be right than President." We have not heard of any such sentiment in the world of practical politics for a long while past, and we are afraid that we should be quite disappointed if we expected to hear of any in the early future. At the same time, we must confess to a certain gloom upon hearing endless discussion of the popularity of candidates, of their capacity as vote getters, of their party regularity, and of the "smart thing" for them or their backers or their parties to do to improve their position.

This kind of thing, although usual, discourages us for the reason that it appears to replace almost completely all serious thought about the real issues which are, or at least certainly should be, before the country. The very idea that it might be possible so to emasculate party platforms that one and the same man could subscribe to both of them and thus become one and the only candidate of consequence to face the public a year from now is based only upon the idea that programs, policies, and philosophies of the parties are of little or no consequence in any event, or else that there is no real division of opinion between them. Now this may or may not be true as a matter of fact, but if it is true it is high time something was done about it. It would, of course, be merely silly to suppose that the proper course of this or any other nation today is so clear that a wayfaring man need not err therein, and that both parties understand the true inwardness of the current state of affairs and both have essentially the right answers.

Blunderings

The simple truth of the matter is that the present Administration has blundered and blundered and blundered—as had the Administration which preceded it under the same party aegis. If despite it all it can be elected and elected and elected, or if the opposing party has nothing better to offer or is more interested in getting into office (either in partnership with the party now in power or alone) than in replacing unsound policies with good ones and substituting efficient administration for existing sloppiness, then the situation has many of the elements of hopelessness. If there ever was a time when real issues should decide an election, that time has arrived, yet here we are approaching another national election apparently chiefly concerned with personalities, party politics and almost anything and everything but the basic verities which are being ignored, and have been for many years studiously ignored.

One excuse for this sort of behavior runs to the effect that in times such as these foreign policy should be bi-partisan, and so it should be if both parties agree on a logical basis about fundamentals and if realism characterizes the conduct of foreign affairs. No such foundation appears to us to exist now for really constructive unity, but let us turn for the moment to the conduct of our internal affairs, where claims of the necessity of "unity" as commonly defined hardly hold water. In the first place, what of the stumbling management of the rearmament program which has left us far behind in the production of the equipment needed and planned for a long while ago? "Security" regulations make it possible for the Administration to hide much of the bickering and other defects which are responsible for these shortcomings, and at the same time quite impossible for the public to put its finger on details of failures. The time to act is now rather than in the future when extremely awkward consequences of sheer inefficiency in this area may face us. Is the public not interested in this situation, and is it not ready to relate it to the election campaigns for which the professionals are now so busily planning?

What of Inflation?

Again, what about the so-called inflation issue? Much was heard of this matter some months ago, but the relative stability of prices during the past few months has apparently taken the edge off that interest. Meanwhile time has made it clear enough that the "full accord" between the Treasury and the Federal Reserve is far less controlling than many easy reasoners were at first led to suppose. Interest rates have risen moderately, the Federal Reserve is not pegging the very long-term issues at or above par, but it is still acting as a good man Friday for the Treasury and apparently intends to continue to do so. If rearmament expenditures mount as is now promised for the next year or so, and if the Federal deficit assumes predicted proportions in that period of time, such an attitude by the Reserve authorities can scarcely fail to build up a situation similar to that created during World War II.

The Administration itself continues to show not the slightest interest in getting its own financial house in order. True, of course, the President recurrently demands higher taxes — which his own party has certainly not shown a great disposition to grant in full—but the real solution, namely drastic reduction in outlays, appears to interest very few anywhere. Punitive types of taxation, crippling controls, sordid and costly favoritism to such elements in the population as the farmer and organized labor, and various socialistic schemes which are costly and destructive of efficient production—are not such things as these due for very careful reappraisal next year, and, of course, the socialistic notions which underlie them? And is it not time to begin?

Continued from page 3

Management's Challenge Against Erosive Forces

ris-La Guardia Act which limited the injunctive power of the courts where labor unions are concerned. Again, in 1935, the Wagner Act provided severe penalties for certain "unfair labor practices" on the part of employers. This law, however, is completely silent as to labor practices on the part of labor unions and labor leaders.

A Minority Dictates

The cumulative effect of such measures is reflected by the following statement by a well-known economist.[1]

"On May 10, at the Steelworkers Convention at Atlantic City, Philip Murray, President of the Steel Workers, and Walter P. Reuther, President of the Auto Workers, announced that the two unions would wage a joint fight for a guaranteed annual wage, union shop, higher pensions and other gains. Mr. Reuther stated:

"'If our two powerful unions stand together in the front line trenches in the struggle for a fuller measure of economic and social justice for our membership, I am confident that there is no power in America that can stop us in our forward march to a better life for our people.'

"On other labor fronts, we have had repeated practical demonstrations of the power of organized labor. Mr. John L. Lewis time and again has shown his power to paralyze industry by turning off its fuel supply. At this writing one of the railroad unions, demanding a larger wage increase than was recommended by a Presidential fact-finding board, has tied up transportation on five major railroads. James Caesar Petrillo continues to dictate the terms on which musicians can perform for radio or television audiences or make recordings."

Too many labor organizations use monopolistic power to exact wage increases, pensions and "fringe benefits" that are disproportionate to increased productivity and consequently, by adding to the cost of production, reduce the buying power of the dollar, thus accelerating inflation.

Too many labor union leaders encourage feather-bedding or restriction of output with similar end results.

Here, as in England, too many labor union leaders are advocates of socialism and, through group pressures, influence our legislators to limit our freedoms.

The burden of inflation must be borne by all of us. Such a burden, induced through monopolistic powers granted to a minority, falls upon us because we have departed from the moral teachings upon which our culture was founded. Like Frankenstein, we have created a destructive monster.

Prof. Sumner Slichter, of Harvard, states in his latest book that society is confronted with the alternative of either controlling severely the labor unions or accepting complete deterioration of the dollar.

Tax Burden

The tax burden borne by the people of the United States reminds us that "The power to tax is the power to destroy," and it may here be noted that Karl Marx, in his "Communist Manifesto," described a sharply graduated income tax as a potent means for bringing about the communistic state.

We may soon require 40 cents out of every dollar of national income to cover government expenditures, which is about the same as the present tax-take in England.

Students of economic history have said that when a nation spends more than 25% of its national income for government it is in the beginning of national deterioration. When a government takes these great percentages of income, there is little left for saving and investment. When saving and investment are sufficiently restricted, the free economy must disappear. Without the investment of private risk capital, business cannot grow, and government must assume ownership and direction of the economy. That, of course, is socialism, and socialism has been accurately described as "a way station on the road to communism."

Loss of Incentive

The steeply graduated Federal income tax not only destroys savings and investments, but removes incentive for enterprise. Only a few years ago an ambitious American could develop a business, knowing that the success of that business would reward him with a large personal income and perhaps with a substantial estate subject to his own disposal to his heirs or to institutions of his choice.

Today the American who develops and directs a business is deprived by taxes of a large part of his personal income. Taxes take more than half of his company's profit. Dividends paid to stockholders are taxed again as part of the recipients' personal income. Knowing that he cannot increase his capital by selling his company's securities, he must refrain from paying generous dividends in order to retain profits for business expansion.

High estate taxes deprive him of the incentive of accumulating a fortune for the benefit of his heirs.

Young Americans, no matter how able and courageous, cannot be imbued with the spirit of enterprise that animated their fathers, not only because incentives have been destroyed, but because they have been indoctrinated with the specious philosophy of "social security." Like the dog in Aesop's fable, they lose the substance by striving for the shadow.

The elimination of incentive may be just as destructive to our free economy as the shrinkage of investment funds.

Incidentally, Russia, since 1935, has established and promoted most effective incentives for her citizens—be they industrial workers, managers, scientists, artists, soldiers or others. History may note the fact that in the same period when incentives were being destroyed in the United States of America their value was recognized in Russia.

Such are the environmental conditions that now confront industrial management. They are the result of evolutionary changes that have taken place since the turn of the century. By and large they represent the will of the people, generally ignorant of or indifferent to the principles upon which the nation was founded.

Material, Price and Wage Controls

The record clearly shows that American industrial management will patriotically accept reconversion, dislocations, reduced profits in the process of making its vitally important contribution to the nation's defense. A great industrial leader, Mr. C. E. Wilson, patriotically and at great personal sacrifice, now directs the mobilization of industry for defense.

During recent months, the problems of management have been greatly complicated by the imposition of material, price and wage controls. Perhaps such controls are inescapable penalties of imposing a defense program upon an expanded civilian economy. Management must be constantly alert to guard against undue influence of political expediency in the formulation and execution of control policies. Badly conceived and ineffective controls can be self-defeating.

* * *

Who can deal comprehensively with management's responsibilities under conditions that now surround us?

A few generations ago businessmen quite properly believed that they had discharged their obligations to society by serving their customers, the owners of the business and its employees fairly and in a manner that would insure permanence and profitability. That responsibility still is paramount, but in order to discharge such basic responsibilities, management must assume all manner of supplementary duties.

Education

Management must assume responsibility for education. Twenty-nine years ago Clarence W. Barron wrote:

"Ignorant millions fleeing oppression have spread social poison into the free industrial system of America. Radicalism does not spring from viciousness; it is created by ignorance.

"The antidote is education—economic education. The responsibility for this is with the businessmen of America. More quickly and practically than professor, pulpit or press they can spread the truth and show that human progress rests upon man individually—his individual initiative and enterprise and his individual possessions."

Several years before Barron penned those paragraphs, H. G. Wells had characterized civiliza-

1 July, 1950, Letter of The National City Bank of New York.

tion as "a race between education and catastrophe."

As I have said, the status quo (at one time defined by a colored minister as "the hell of a fix we is now in") represents the will of the people, ignorant of or indifferent to the principles upon which the nation was founded. That fact indicates that education in the United States has failed in its basic job of developing and perpetuating an informed electorate.

Management can and should make important contributions to education in the plant, in the plant community and at State and college levels.

In your own plant you compete for the minds of your employees, subject to all manner of propaganda from many sources. But your employees want to know your views—particularly about company affairs and about conditions which may affect their jobs and pay and their working conditions. Write carefully considered letters to your employees. Print such letters regularly in your factory paper if you have one. Or mail your letters to the homes of your employees. Or do both. Don't hesitate to tell them simply and sincerely what you think about preserving our free institutions, about economic principles and about social problems.

Formidable forces of counter-education and propaganda oppose sound philosophies of management. There are approximately 15 million dues-paying union members in the United States. Disregarding assessments for political and other purposes and assuming that the average union member contributes $35 in annual dues, the unions have an annual income of more than half a billion dollars. Much of this enormous sum is used to grease the skids upon which we slide to socialism. Check your own organization. How much money do the unions collect from your employees year after year? How does your own appropriation for counterattack compare with that amount?

Your foreman development program is a most important educational function. Keep your foremen in leadership as the general managers of their departments. When the union steward wrests leadership from your foreman your ship is sinking.

Traditional incentives for apprenticeship training have been relatively high wages and steady employment. For some years, wages of unskilled and semi-skilled workers have advanced more rapidly than wages paid to highly trained, skilled workers. For some years, the labor force of the United States has been fully employed. Therefore, the value of traditional incentives for apprentice training have greatly deteriorated.

If serious trouble is to be avoided, management must devise ways and means for expanding the apprentice force in training.

This responsibility of management is clearly defined in the following letter recently received from Mr. Edward E. Goshen, Deputy Director, Bureau of Apprenticeship, Department of Labor:

"We estimate that, if all craftsmen in the skilled trades were trained through apprenticeship (as in our opinion they should be), there should be approximately one million apprentices in training at all times to replace the approximately eight million skilled workers currently employed.

"This estimate is based on the assumptions, among others, that 3% of the skilled labor force die or retire each year, and that approximately 25% of the apprentices in training cancel during an average four-year term. As contrasted with the one million apprentices who should be in training, we estimate that there are currently employed some 250,000 apprentices in the United States, whether or not in registered programs. It should be noted that the desirable ratio of 1 to 8 is adequately maintained in some trades; the situation which we describe covers the situation in general."

Know what happens in the public schools of your community. Help your school authorities to accomplish sound instruction about American history, American philosophy, business principles and practices, sound economics. Here is a crying need. Management can do a great deal to help. Here are practical suggestions as to approach. Consult that fine educator, Dr. George S. Benson, President, Harding College, Searcy, Ark. He devotes half his time to lecturing and teaching the principles of free enterprise to high school students and other groups. Then you might familiarize yourself with essay contests that have been conducted among high school students of Evansville, Ind., by the Public Relations Department of the Evansville Manufacturers' and Employers' Association.

The Better Business Bureau effectively aids the National Association of Secondary School Principals in the preparation of text material reflecting sound economic thought. The Better Business Bureau will welcome your interest and aid in this worthwhile project.

Economic workshops, organized and tested by the Committee for Economic Development, afford high school teachers the much-needed opportunity for acquiring teaching techniques and material in modern economics. Are such workshops conducted in your state? Are they adequately supported by management?

At the level of private colleges, threatened with destruction as the result of shrinking endowments, low investment return, increasing costs, management faces a distinct opportunity and responsibility. Beardsley Ruml advocates that corporations shall appropriate 5% of income, tax deductible, to this cause. Mr. Alfred P. Sloan, Jr. enthusiastically endorses support of private colleges by business.

Such activities as I have described in the field of education represent merely a slow start in the right direction. Management, aroused to its responsibility in the educational field, can move such worth-while developments out of their pilot plants into full production. Unless education in the United States is quickly given speed and direction, catastrophe may win the race.

Politics

Management has long neglected its political responsibilities. No longer can we wait until professional politicians have rigged their slates and confronted the voters with a choice of evils. Good citizens must work on the ground floor, influence what happens in the precincts and wards. They must attend delegate-appointing meetings to the end that our political conventions will select good candidates. We must inspire our fellow citizens to work and to vote. Failure of half the electorate to cast their votes is one of the distressing symptoms of these days. The people of the United States must learn again the great value of the franchise.

The national elections in 1952 may be the most important in the nation's history. Management should work hard from this hour to insure reversal of our slide to socialism.

Legislation

To the extent to which political organization is improved by citizenship participation in politics we shall insure better legislation. Management must be ever alert in matters of legislation—to bring about sound legislation and to defeat destructive laws. Particularly important areas, of course, are those of tax, labor and social security legislation. Know your legislators — state and national. You may be agreeably surprised at their interest in your views. Support your local, state and national chambers of commerce. Participate in their activities. Contribute to the work of their committees. Make such voices of business more articulate and more influential.

Labor Negotiations

Labor negotiations represent a responsibility of management in which intensive training has been acquired during recent years. Those of us who have had the sound guidance of the National Metal Trades Association in this important area are fortunate indeed. Once more I underscore the vital importance of so conducting labor negotiations as to preserve the foreman's position of departmental leadership.

As we face '52, we must be prepared to deal with stiff demands for wage increases and "fringe benefits."

Business, threatened with abrasion between the upper millstone of price control and the lower millstone of rising costs, may resist such demands. Serious strikes may, therefore, affect our economy in 1952.

It is likely that government will intervene because interruption of the defense program cannot be tolerated and because national elections are in the offing. The pattern may be established in the steel industry with concession of benefits to the unions and of price increases to the steel industry.

Continuing inflation appears to be inevitable, supported, as it is, by one round of wage increases after another, disproportionately high in ratio to productivity; by parity prices for farm products, by increase in the national debt, and by a cheap money policy.

* * *

Such, it seems to me, are a few of the inescapable responsibilities of management if we are to continue to operate in a free economy. Many other responsibilities must be met and discharged. Each of the paragraphs of this brief discussion could be greatly expanded without exhausting its subject.

It is an interesting **fact** that, although Stone Age cultures have perpetuated themselves since time immemorial, more complex cultures invariably have developed the forces of their own destruction. It is an interesting **question** whether the United States can be the first surplus-producing culture to perpetuate itself.

Notwithstanding the increasingly unfavorable environment, this is no time for defeatism. It is a time of challenge that should inspire courage and audacity. A new Declaration of Independence is in order.

For generations our country has been blessed with educational facilities without precedent. We have at hand means of communication, universal and all-pervasive. Such facilities distinguish our culture from those that preceded it. Badly as we have used them in the past, our great educational fabric and our marvelous facilities for communication may be the means of our salvation.

We may be about to witness a return to the faith of our fathers. Results of recent elections support Mr. Hoover's declaration that "Moral indignation is on the march again in America."

In an inspiring commencement address at Stevens Institute of Technology last June, that grand old fighter for freedom, E. B. Gallaher, said: "But today there is a great moral awakening in the country; the present unstable condition will not always be with us. . . . Sooner or later the country will cast off socialism and return to a free incentive economy as guaranteed by our Constitution and Bill of Rights—let's hope this will be in 1952."

Public Utility Securities

By OWEN ELY

United Gas Corporation

United Gas Corporation recently issued its September earnings report showing consolidated earnings of $1.62 on the average number of shares outstanding, an increase of 8 cents over the previous 12 months. Earnings for the September quarter were 23 cents compared with 18 cents last year, both based on present outstanding shares.

President McGowan stated recently that satisfactory progress is being made on the system's major expansion program, since the company was fortunate enough to obtain a substantial amount of pipe before government "certification" began. The program includes enlargement and reinforcement of the pipeline system by construction of over 1,000 miles of large-diameter pipe as a grid over the present system, to increase its flexibility, make available increased reserves, and provide for more balanced distribution and increased business. Based on present promised deliveries of materials, the company is hopeful of completing its major construction program by the middle of next year and it is estimated that 1953 should therefore be a "normal" year, reflecting the operations of the enlarged system.

Mr. McGowan, in a recent talk before the New York Society of Security Analysts at the Downtown Athletic Club, estimated that 1953 earnings might approximate $2.15-$2.20 a share on the common stock then outstanding, assuming that there is no further increase in Federal income tax rates. This estimate is based on assumed continuance of present sales trends, and appears conservative if no major adverse changes in the general economic picture occur over the next two years. It was also estimated that, allowing for additional plant to be added to the tax base, there would be a leeway of about $7-$10 million in 1953 earnings before the company would be liable for excess profits taxes. It seems rather unlikely that the $1 dividend rate will be raised until the construction program is finished.

United Gas Corp. and its subsidiaries (Union Producing Co., United Gas Pipe Line Co., and Duval Sulphur & Potash Corp.) operate in the Gulf South, and constitutes a system engaged principally in the production, purchase, gathering, transportation, distribution and sale of natural gas. The system serves parts of Texas, Louisiana and Mississippi; it extends to Mobile in southern Alabama, to Pensacola in northwestern Florida, and to the international boundary at Laredo, Texas. Subsidiaries are also engaged in the production and sale of crude oil; the recovery of natural gasoline and other liquid hydrocarbons through natural gasoline plants, cycling plants, and by condensation, and sale at wholesale; and the production and sale of sulphur.

Union Producing owns 642 gas wells, with an interest in another 405; it also owns 422 oil wells with an interest in 164 others. These wells are located in 71 fields in Texas, Mississippi, Louisiana, Oklahoma and Arkansas. The Pipe Line Co. owns and operates 1,144 miles of field lines and 7,088 miles of main transmission lines; it also operates plants for extracting natural gasoline and other liquid hydrocarbons.

An interesting and dramatic project is the construction of the first large-diameter pipe line ever laid out into the Gulf of Mexico. After over three years of planning and months of intensive preparation, United Gas' unprecedented plans recently got under way. The new line will include over 25 miles of concrete-coated submarine line which will draw gas from wells in the Gulf and make a substantial contribution to the 1 billion cubic feet of additional gas which the system hopes to deliver when its overall program is completed. 200-foot sections of the pipe are handled at a time, the pipe and concrete weighing over 260 lbs. per foot. The line is first put together on a shore ramp—200 feet at a time—and then the whole line (under water) is hauled further into the sea by a winch barge, making room for another 200-foot section to be added and welded on shore.

The distribution divisions purchase practically all their gas requirements from the Pipe Line Co., and distribute it at retail to some 400,000 customers in 287 communities and rural areas in Texas, Louisiana and Mississippi. They operate 9,381 miles of distribution and service lines. Sales at wholesale are made by the Pipe Line Co. to other distribution and pipe line companies and also to power plants, oil refineries, paper mills, etc.

Duval Sulphur & Potash Co. operates at Orchard Dome in Fort Bend County, Texas, and is also constructing new potash mining facilities in Eddy County, New Mexico.

System revenues and operations have approximately doubled in the past decade, and in September showed a gain of 20% over last year. Revenues in the 12 months ended Sept. 30, 1951, approximated $121 million, of which 70% was natural gas, 12% gasoline and processing of natural gas, 14% crude oil and 4% sulphur. A break-down of natural gas sales shows that 23% were residential and commercial, while 32% were to other distribution and pipe line companies; 15% reflected sales to power plants for use as fuel, 24% was industrial business, 4% government and municipal (including synthetic rubber plants), and 2% miscellaneous.

The revenue dollar was spent about as follows in 1950:

Operating expenses	49%
Maintenance	4
Depreciation, depletion and dry holes	13
Taxes	14
Fixed charges	5
Net income	15
	100%

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A Complicated Worldwide Economic Situation

there can be no change until there is a change in leadership or recognition of the danger. Our principal allies are weak and suffering from the anemia of socialism. Their political leaders also hold precarious powers which can be lost in the next election by any move which loses just a few more votes than it gains. Although England has been weakened more by socialism than we have, the British Labourites claimed in their recent election campaign that our country has advanced more toward socialism than they have.

Can we deny it when our leaders complain that we have not appropriated enough money for the defense program, although we have made the greatest appropriation ever made in peacetime? They say that we must advance five billion more dollars for the new and fantastic weapons which they say will make obsolete many of the weapons now being produced. They demand billions more to rearm Europe, in the face of knowledge that several of our Western European allies have had a defeatist complex, exposing us to the danger that all arms given to them may quickly fall into the hands of our enemies. We have spent billions in the Korean War and we are advised that we are being held responsible for large payments to the Koreans for damages. France claims financial inability to build airfields, as formerly agreed; so we sent the materials. And, although our citizens are being heavily taxed to buy these materials to aid France, our government pays import taxes to the French Government. We appear to be in danger of buying so much insurance to prevent war that payment of the insurance premiums will only assure bankruptcy.

Three "Musts"

There are several questions vitally affecting economic trends which we must examine. (1) Does Russia intend to go to war in the near future? (2) How far should we go in defending Western Europe if Western Europe is unwilling to defend itself? (3) If we have new and fantastic weapons, are we afraid to use them for fear of total war ensuing, or are our leaders afraid that the removal of the total war threat will result in economic disaster and their own political funerals?

There is confirmed suspicion outside of political circles in this country that the Red Rulers of Russia are carrying out a big bold bluff. There is another suspicion that our political leaders are using that bluff in the hope of perpetuating themselves in power and imposing more control over all industry—with socialism and nationalization as the ultimate objectives. They know that if prices are frozen and wage increases are not, industry can be stripped of profits and forced to submit to Federal control. Surely no one is so stupid as to believe that fringe increases to workers do not increase wage costs.

The most aggressive leader of British left-wing labor is Aneurin Bevan, who says that Russia does not want war and that Britain's national income should not be diverted from social welfare schemes to build more war goods. Paul-Henri Spaak, Belgian Minister of State, reasons that, inasmuch as the Red Rulers hesitated in 1946 when their peak of power had been heightened by the weakness of wobbling Western European governments and the now clearly demonstrated folly of our hasty disarming, the Red Rulers will not strike against us **unless and until** we are weakened by dissension or have dissipated our strength by financial mismanagement under an increasingly corrupt and bankrupt leadership. Lenin claimed that every capitalistic country can be ruined financially and can finally be subdued after inflationary forces, set up by outside communist enemies, have wreaked their havoc. Lenin's idea cannot be laughed off when Red Russia's plots have disrupted stable government in all capitalistic countries.

Western European Potential

To assure Western European support and to increase its strength, our politicians insist we must supply all the men, money, and munitions necessary to defend Western Europe against Russia's threat. The facts show that a union of Western European countries needs no such aid to match Russia's war potential. Britain, Belgium, Italy, France, Holland, West Germany, and Norway have a population of 205 million people, which exceeds the Russian population. These seven countries produce 424 million tons of coal, which is twice the Russian output. Their steel production is almost equal to the Russian output and, being more widely scattered is far less vulnerable. With only one-fourth the area of Russia, they have 20,000 miles more rail lines, and an equal 650,000 miles of far superior highways. Their shipping tonnage of 32 million is more than 15 times greater than Russia's; and they produce far more food. With far higher standards of living, education, and technical knowledge, they outmatch Russia in every way—except in strong leadership and determination. This estimate of Western Europe's strength does not include Czechoslovakia, Spain, Sweden, Finland, and other nations which would be more likely to join the allies than to aid Russia. Furthermore, most European military experts believe that the Iron Curtain countries are seething with unrest, and will turn against their Russian puppet governments at the first encouragement from any strong Russian foe. Communist sympathizers in Western Europe represent less than 6% of the voters, in contrast to Russia's internal situation, where it is probable that a majority of Russians are opposed to the communist regime. Why should we sacrifice our sons to save Europe if a defeatist Western Europe intends to offer no resistance to Russia?

Beware of Delusion!

It has been hinted that Western Europe is using our fear of its wavering attitude to acquire more gifts from our politicians. Such doubts may never be cleared up, but our leaders should certainly be sure of Western Europe's attitude or discontinue any help which weakens our nation or drains our dwindling resources. It would require a really optimistic mind to imagine that Western Europe would voluntarily come to our aid if Russia declared war against us exclusively and did not attack us through neutral European countries.

Examination of the present leaders in European power politics does not bring to mind any who are noted for their idealism. There may be a few simple-minded socialistic leaders who really accept socialism as a religion—who believe that its adoption will lead to universal peace and prosperity in spite of its utter failure in literally thousands of experiments, the results of which are recorded throughout 4,000 years of history. Both realists and idealists in Europe—with the exception of Russia—believe that peace for the present will be more profitable than war. Our country's contributions toward the rehabilitation of both friend and foe have been welcomed, but some foreign political leaders have selfishly used these funds primarily to strengthen their own positions. They have spent our billions for current welfare programs, while refusing to advocate the "blood, sweat, and tears" policy they know is required to build strength against the Russian threat. The realists cannot understand why we are spending such vast sums for rearmament — and they will never believe that these expenditures are solely to promote peace. In their long history no European country has willingly submitted to high taxes, military draft of its citizens, and diversification of its wealth- and luxury-producing facilities merely to attain such a formidable front that no other nation would dare attack.

It has always been true over there that when any country built up great military strength, it deliberately planned to use that strength to collect from one or more other countries; and, when threats have failed, war has followed. When we disbanded our armies, discarded our weapons without even proper precaution against handing them over to potential enemies, Western Europe believed that we were seeking peace. Then they became alarmed by Russia's aggressive actions, and feared that Russia could, and would, overrun Europe—at least to the English Channel—without meeting any real resistance. They urged us to recognize the danger and to aid them; but they now think we have enough power to halt Russian aggression. They believe now, therefore, that our continued expansion — which, according to the present administration's announced plans, will extend over several years—can be for no other purpose than to attack Russia. Knowing that we and the Russians have atom bombs, they fear that Western Europe will be the battleground, and that they and their wealth will be obliterated — regardless of whether they happen to be on the side of the victor.

Disillusioned Europe

It is sad, but true, that our professed American idealism, under which we are going to save Western Europe from Russia, is not accepted in Western Europe. With every increase in our armament production, the opinion grows that we are "hell bent" for war, from which these countries see nothing for themselves but death and destruction. We must recognize that Western Europe is not too deeply impressed by our idealism, because of our past performance records. We entered World War I "to end all wars," and our leader promised a world government which would give even the smallest nations rights to self-government and security against aggression. They remember that little Finland was the outstanding nation in paying off its debts to us, but we offered no help to Finland when Russia made its crushing attack. They saw no idealism in the peace terms of World War II, which they remember was started to prevent the partition of Poland. They know that neither our leaders nor the British leaders insisted on (or even suggested) the postwar reestablishment of Poland as an independent nation. They know that, although we had accepted China as an ally, we abandoned the leaders who remained loyal to us. They know we bribed Russia with land and property which was not ours to give. They have no confidence that, if we subdue Russia, we shall take steps to insure peace, because they remember the immoral compromises of World War I, and even more immoral compromises of World War II. These are some of the Western European doubts of our morality and idealism which are difficult to dissolve without a decided change in our leadership.

Political vs. Business Methods

In a recent address to businessmen, one of the top bureaucrats said that the only change in Washington compared to the period of World War I and World War II was that the confusion was better organized! A businessman said that first, and he wasn't trying to be funny. Once again the demands for materials for military requirements far exceed the supply. If a well managed industrial organization planned a production program which required a definite amount of iron, steel, aluminum, rubber, and rare metals; and if it found that it could only obtain 50% of any one of these essential materials, it would cut its entire production program by 50%. That is not the military or political way. They proceed to divert all the materials to fill the impossible program, because they are not limited by the extent of their capital or even by the extent of their warehousing facilities. After World War I it was discovered that enough military harness and saddle equipment had been ordered and produced to provide two sets for every horse, mule, and jackass in the country—although it was obvious that a few four-footed animals had to be left in civilian hands. In World War II the production of military trucks was permitted to exceed the quantity for which rubber tires could be provided, even though it was recognized that a military truck is worse than useless without tires.

Industrialists who have been engaged in, or who have carried on, business with the 20 industrial corporations in this country which have assets in excess of a billion dollars know that it becomes more and more difficult to maintain efficient operation when the size of the institution and its operations extend beyond the physical and mental capacity of its top management. In such institutions, however, the long experience of top management makes it possible to train or attract capable younger men on whom they can load some share of present and future responsibilities. A survey of the problems of such giant corporations will convince anyone that it is impossible to avoid confusion and conflict when our government attempts, in a relatively short time, to gather enough experts to handle the combined problems of more than a million American industrial enterprises. Even if the government were in a position to offer rewards which would attract such men, who would have the universal civilian and military experience required to select the most capable, or to reconcile their views so that they would work harmoniously for maximum results?

Businessman's Dilemma

How can any businessman forecast economic trends when the government is receiving the highest and severest taxes on profits ever known in peacetime, and is demanding still more? How can a businessman forecast results in his own business when he is not sure what allocations he will receive of essential materials for the next three-month period? Even if he could be sure of his own material requirements, he is not sure how much of his production will later be held up by customers who will not accept his material unless other materials from other suppliers needed to match up the customer's production are simultaneously available. If the manufacturer knew how much he could produce and was sure how much his customers would take, he still could not tell when a strike in a source of supply or in a transportation system may cut off either incoming or outgoing material—or both. Once he could hope to have a cushion of surplus material to meet such exigencies; now he is forbidden to accumulate a safety supply.

Over and above all this confusion, the businessman must consider the possibility of any event which would reduce the Red Russian Rulers' ability to make war. News of the frequent purges, both in Russia and in the Iron Curtain countries, indicates that Russia's internal problems may not only be a deterrent to war now, but might suddenly bring about a complete collapse of Red Rule.

There were signs in 1950 that many of the shortages accumulated during World War II had been overcome, and that the gray markets which succeeded the black markets had almost disappeared. If there is an American businessman who would not welcome permanent peace prospects, I have not met him. Nevertheless, it is quite possible that reduction of the war fear would expose over-expansion, which would result in keen competition—if not deep depression—followed by psychological effects as disastrous as in the period 1929 to 1933. Businessmen in general know that illusionary war profits and inflation not only increase present risks, but may leave some enterprises utterly unable to carry over-expanded facilities in the face of a shrinking demand for their products.

Return to First Principles Imminent

It is impossible to find any guide for the garrison State which guarantees favorable economic trends for the period ahead. Until the people of the world seek peace and set up certain ideals, including suitable rewards for production, business hopes and principles are going to suffer from the sins of socialism, on one side, and the sins of selfish power-seeking politicians on the other. As long as our country is governed by men who disregard every moral principle in order to perpetuate themselves in office and to extend their present mismanagement over American business, we cannot expect a favorable economic trend.

Some time ago Senator Fulbright said that, if all he knew about this country was what he had learned from his two years' investigation of the Reconstruction Finance Corporation operations, he would doubt if the country were worth saving. It remains to be seen whether such exposures as made by investigators of the Internal Revenue Department, the Reconstruction Finance Corporation, and the political-criminal conspiracies have stunned our citizens, or are accepted as common practice inherent in our type of government. If businessmen do not join in a movement to bring about a moral and spiritual uplift in the political control of this country and a return to the now ignored or discarded ideals of Washington and Jefferson, which have been so frequently violated, there is more dread than hope ahead.

It would be sad, indeed, to admit bluntly that there is no hope; and certainly some hope did spring from the recent English election. In the British Empire, New Zealand, Australia, and England adopted socialism in that order; and they have rejected socialism in the same order. After the first victory against socialism in New Zealand, a following election has brought a greater victory, and greater hope.

The fact that more than 80% of eligible English voters went to the polls, and that less than 52% of our voters exercised their rights in 1948, should shame us into action; and the possibility of arousing so many nonvoters should revive the belief that we suffer from no economic ills which cannot be ameliorated or eradicated at our next national election. Whether we are worthy or not, we are regarded as world leaders; and the penalty of leadership is that we must lead! Our moral and spiritual revival could be—and would be—an inspiration to every honest and intelligent leader in the civilized world. If and when that day comes, economic trends will move again toward a better life, more liberty, and a safer pursuit of happiness!

With Townsend Dabney

(Special to The Financial Chronicle)

BOSTON, Mass. — C. Edwin Darnell has joined the staff of Townsend, Dabney & Tyson, 30 State Street, members of the New York and Boston Stock Exchanges. He was formerly with Waddell & Reed, Inc.

Two With MacNaughton-Greenawalt

(Special to The Financial Chronicle)

GRAND RAPIDS, Mich.—Henry S. Greenawalt, Jd. and William H. Russel are now associated with MacNaughton-Greenawalt & Co., Michigan Trust Building, members of the Detroit and Midwest Stock Exchanges.

Joins Henry, Franc Co.

(Special to The Financial Chronicle)

ST. LOUIS, Mo.—Donald Cornblett has been added to the staff of Henry, Franc & Co., 308 North Eighth Street, members of the New York and Midwest Stock Exchanges.

Elect Directors

International Refineries, Inc. of Minneapolis has elected the following new members to its board of directors:

Walter G. Baskerville, Treasurer, Western Oil & Fuel Co., Minneapolis; Cedric H. Smith of Eastman, Dillon & Co., Chicago; William P. Smallwood of the First Southwest Co., Dallas; George C. Wright, President of Minneapolis, Northfield & Southern Railway Co., Minneapolis.

The company is in process of constructing an oil refinery in the Duluth-Superior district.

Carroll E. Gray, Jr.

Carroll E. Gray, Jr., President of Burr & Co., Inc., Beverly Hills, Calif., passed away at the age of 60 following a heart attack. Prior to settling on the Coast Mr. Gray was in the investment business in New York City.

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The State of Trade and Industry

This is the cause of the most bitter complaint against controls. No one, except harried controls officials, blames manufacturers too much for trying to get all the steel they can. But the case against controls in a half-mobilized economy is gaining momentum because they invite highly inflated, unrealistic expressions of demand.

Summing up, "The Iron Age" declares that this much is certain: Full allocation of basic materials by Washington has given the U. S. economy another violent twist. Historic market factors won't mean much as long as these controls are in force. And the end isn't in sight.

Steel Output Scheduled to Rise 2.6 Points Above Week Ago

Balance between steel supply and demand is months distant, says "Steel," the weekly magazine of metalworking, this week. Soft spots appearing in some areas of the market are deceptive of the real situation. They largely reflect the changing pattern of consumption under stress of expanding defense needs. Restrictions on use of metals in consumer durable goods, in the main, account for the current contraction in requirements of steel in many consumer goods lines. Meanwhile, the resulting slack is being taken up by diversion of steel to defense and related activities. Demand still outruns supply by a wide margin in all the major products, over-all pressure on the mills continuing just as strong as ever.

No early relief in tight structural supply is seen, it notes, adding that restrictions on construction are reflected in spotty inquiry and relatively few current awards. Numerous projects are pending for which no steel now is in sight. Structural steel allotments for the first quarter of next year will approximate 900,000 tons out of estimated supply of 1,425,000 tons. This is just about the same as authorized allotments in the current quarter, "Steel" states.

Because of the necessity for increasing production of heavy plates by approximately 200,000 tons a quarter, light, flat-rolled product output is expected to be cut by that amount as more time on continuous mills is diverted to production of light plates, this trade paper declares. The diversion will release space on the conventional mills for production of heavy plates. Substantial fourth-quarter plate orders still remain unplaced with the mills and to care for these NPA reportedly is incorporating additional plate tonnage in December mill schedules, thus pushing into January tonnage already scheduled for December delivery.

Price stability continues to characterize all iron and steel product markets, this trade journal points out. Uncertainty prevails as to the trend of prices, however, with steel wage negotiations scheduled to start about Dec. 1. Action on wages, in large measure, will determine the course of steel prices.

While the short-term view is one of tight supply, outlook for the longer term, beyond mid-1952, is something else again. Increasingly, the view is spreading in steel circles, that barring heavy losses in production as result of labor trouble and scrap shortage later this winter, some products may be in excess supply before the end of 1952. This, of course, presupposes all-out war will be avoided and that the defense program will not be greatly enlarged, the magazine 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 103.7% of capacity for the week beginning Nov. 19, 1951, or an increase of 2.6 points from a week ago.

This week's operating rate is equivalent to 2,073,000 tons of steel ingots and castings for the entire industry, compared to 101.1%, or 2,021,000 tons a week ago, and 102.9%, or 2,057,000 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 Tapers Off From Previous Week's All-Time High Level

The amount of electric energy distributed by the electric light and power industry for the week ended Nov. 17, 1951, was estimated at 7,333,134,000 kwh., according to the Edison Electric Institute.

The current total was 32,981,000 kwh. below that of the preceding week; 604,800,000 kwh., or 9.0% above the total output for the week ended Nov. 18, 1950, and 1,688,699,000 kwh. in excess of the output reported for the corresponding period two years ago.

Carloadings Continue to Decline in Latest Week

Loadings of revenue freight for the week ended Nov. 10, 1951, totaled 791,403 cars, according to the Association of American Railroads, representing a decrease of 46,340 cars, or 5.5% below the preceding week.

The week's total represented a decrease of 48,477 cars, or 5.8% below the corresponding week in 1950, but an increase of 155,580 cars, or 24.5% above the comparable period of 1949.

Auto Output Rises Higher in Latest Week

Combined motor vehicle production in the United States and Canada the past week, according to "Ward's Automotive Reports," advanced to 120,026 units, compared with the previous week's total of 117,342 (revised) units, and 126,010 units in the like week of 1950.

Passenger car production last week in the United States was about 3% higher than the previous week, but almost 8% below the like week of last year.

For the United States, total output rose to an estimated 112,176 units from last week's revised total of 109,697 units. In the like week of last year output totaled 118,395 units.

Total output for the current week was made up of 88,328 cars and 23,848 trucks built in the United States, against 85,706 cars and 23,991 trucks last week and 95,865 cars and 22,530 trucks in the comparable 1950 week.

Canadian production last week was placed at 4,925 cars and 2,925 trucks, against 4,866 cars and 2,779 trucks the week before and 5,977 cars and 1,638 trucks in the like week of 1950.

Business Failures Decline the Past Week

Commercial and industrial failures declined to 109 in the holiday-shortened week ended Nov. 15 from 150 in the preceding week, according to Dun & Bradstreet, Inc. At the lowest level since December, 1949, casualties fell considerably below the levels in the comparable weeks of 1949 and 1950 when 170 and 183 occurred. They were only one-third the prewar 1939 total of 308 for the similar week.

Failures involving liabilities of $5,000 or more accounted for most of the week's decline.

Wholesale Food Price Index Makes First Advance in Six Weeks

Reflecting a general siffening in prices, the wholesale food price index, compiled by Dun & Bradstreet, Inc., turned upward last week for its first advance in six weeks. The index figure for Nov. 13 rose three cents to **$6.67**, from the year's low of **$6.64** recorded a week earlier, and compared with $6.58 on the like date a year ago, or a gain of **1.4%**.

The index represents the sum total of the price per pound of 31 foods in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Level Soars on Higher Cotton and Grain Prices

The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., continued to advance last week, largely due to higher cotton and grain prices. The index rose to a four-month high of 310.91 last Friday, and closed at 310.41 on Nov. 13. This compared with 305.02 a week earlier and with 304.15 on the corresponding date last year.

Activity in leading grain markets increased last week as prices generally moved sharply higher despite some reaction at the close.

Buying of all grain futures was stimulated to a large extent by the sharp drop shown in the latest government estimate on the cotton crop and by the unsettled international political situation.

Domestic demand for wheat was active, but export sales were only moderate. Buying of corn was well sustained; all future deliveries reached new seasonal highs, although the rise failed to bring out any marked expansion of country offerings. The Nov. 1 government estimate of the corn crop placed the yield at 3,088,000,000 bushels, or a drop of only 17,000,000 from the previous forecast. The latest estimate of the total wheat crop at 993,598,000 bushels was about unchanged from a month ago. Trading in all grain futures on the Chicago Board of Trade last week averaged about 53,000,000 bushels per day, as compared with 51,000,000 the previous week and 50,000,000 in the like week a year ago.

Despite a technical reaction at the close, cotton prices scored sharp gains during the week as the result of heavy buying induced by the unexpectedly large reduction in the prospective crop as shown by the Nov. 1 government crop forecast.

A yield of 15,771,000 bales is indicated and represents a drop of 1,160,000 bales below the Oct. 1 estimate, compared with the 1950 crop of 10,012,000 bales, and the 10-year average of 12,030,000 bales. Confusion reigned in cotton textile markets at the week-end as both mills and buyers hesitated to make commitments due to the uncertainties in the raw staple market.

Trade Volume Lifted by Seasonal Weather and Price Promotions

Seasonally cool weather and the appeal of many reduced-price promotions combined to lift the total dollar volume of retail trade in the period ended on Wednesday of last week to the highest level so far this year; it was moderately above the record level of a year ago, accordnig to Dun & Bradstret, Inc., in its current trade summary. Many merchants reported that some Christmas shopping had already begun.

Total retail volume for the period ended on Wednesday was estimated to be from 2% to 6% above a year ago. Regional estimates varied from the levels of a year ago by the following percentages:

New England +1 to +5; East and Southwest +3 to +7; Midwest and Northwest 0 to +4; South and Pacific Coast +2 to +6.

Ordering at the nation's wholesale markets was virtually unchanged during the week, reflecting a hesitancy on the part of some buyers to increase Spring commitments. The total dollar volume of orders was very slightly above that for the comparable week in 1950. The attendance of buyers at various wholesale centers, while mildly above the prior week, was moderately below that for a year ago.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended Nov. 10, 1951, increased 3% from the like period of last year. In the preceding week an increase of 11% was registered above the like 1950 week and an increase of 8% for the four weeks ended Nov. 1, 1951. For the year to date, department store sales registered an advance of 3%.

High temperatures and rain retarded the upward trend in retail sales here in New York last week. However, Armistice Day buying registered a greater rise than in the like period of 1950. For the week as a whole, sales were estimated at 3% under the 1950 period.

According to Federal Reserve Board's index, department store sales in New York City for the weekly period ended Nov. 10, 1951, advanced 6% above the like period of last year. In the preceding week an increase of 9% (revised) was recorded from the similar week of 1950, but for the four weeks ended Nov. 10, 1951, an increase of 5% was registered above the level of a year ago. For the year to date volume advanced 5% from the like period of last year.

Continued from first page

Sound Government Action Can Check Inflation

prosperous, the debtor finds the burden of his obligations falling, organized wage earners are frequently able to increase real income, farmers sell their products at advantageous prices. The fact that this prosperity is at the expense of various groups in the community and rests on the shifting sands of political intrigue and pressure-group politics receives scant consideration.

Rationalization of Inflation

In this fool's paradise, considerations of logic, equity and social justice give way to a rationalization of inflation. Effective action is opposed on the ground that it will hurt business, lessen employment, disturb the security markets, increase the interest cost on the debt, etc. Always it is alleged that the current situation represents a unique experience in the annals of mankind and that the past offers no guidance.

You will all recall the rationalizations of past inflations. In 1928-1929, the sharp rise then occurring in brokers' loans was excused on the ground that, in a new era, it represented a new method of capital financing and that after all, the rise was not large relative to the increase in stock prices. Again in 1933-1934, the hasty and ill-considered devaluation of the dollar was defended on the score that this action was necessary to "reflate" prices to a "normal" level. In the war years, heavy borrowings by the government from commercial banks were excused on the ground that the resulting purchasing power could be sterilized by price and rationing controls. In the postwar period, when suppressed inflation gave way to open inflation, the Treasury opposed effective credit control on the ground that higher interest rates would cause an encashment of savings bonds, would jeopardize financial institutions and would plunge the economy into depression.

Costs of Inflation

In the midst of rationalizations and self-deception, little attention is given to the heavy costs of inflation — costs, which are well-known from the record of the past. The economic basis of society is weakened, incentive is impaired, management and labor productivity falls, thrift is discouraged, the profits of business enterprise are distorted. Political morality suffers, corruption comes to the fore, one class is pitted against another, the vitality of educational institutions is sapped. The middle classes, the bulwark of democratic institutions, sink into poverty, making them a prey to the political demagogues of the extreme right and left. Little wonder that in Faust when the Devil wished to corrupt a kingdom he suggested the issuance of fiat money!

Although our economy at the moment is not subject to strong inflationary pressures, the present lull should give no cause for complacency. Liquid assets in the hands of individuals and corporations are still high. Large Federal deficits loom ahead through the years of the rearmament program, state and municipal budgets are still unbalanced, debt continues to increase. Inflation is still a long-run danger. The basic problem remains unsolved.

The Basic Problem of Inflation

The basic problem of inflation is to reduce consumer expenditures, the non-military expenditures of business units on plant, equipment and inventories, and the non-military expenditures of governmental units. These expenditures must fall as rearmament expenditures rise. Otherwise everyone will compete for scarce goods and services, and costs and prices will spiral upwards.

In reducing expenditures by these various groups we should rely less upon overall direct controls (price controls, rationing, etc.), which are disruptive of a free market economy, and should rely more upon fiscal, monetary and credit controls. Reliance upon fiscal, monetary and credit controls will not only reduce spending but will also prevent an increase in the money supply. The free market economy will be preserved, suppressed inflation avoided and the possibility of post-rearmament inflationary excesses largely eliminated.

Personal consumption expenditures for durable and non-durable goods constitute the largest single item in the total gross expenditures of the nation. These expenditures have increased each year since the close of World War II and have been responsible in considerable measure for the inflation taking place. Consumers were able to spend as freely as they did because they made use of their war-accumulated liquid assets, they spent freely of current income and they went into debt.

The outbreak of the Korean War was followed by two waves of consumer buying. The first came immediately after hostilities and was directed mainly at durable goods. The second came in January of this year, following upon the entrance of China into the war, and caused department store sales to soar to high levels. For the past several months there has been a lull in consumer buying, reflecting a quiet but not a receding market. Consumers are spending less and saving more of their incomes. But again I want to emphasize that this lull must not lead us to indulge in self-complacency, for at any time consumer buying may again sweep the country.

Tax Policy and Consumer Spending

Our first anti-inflationary measures must necessarily be directed at consumer spending. It will not be easy to check such spending, since rising employment and wage totals mean rising personal income. Consumer demand can, however, be held in check by appropriate tax, credit and interest rate policies. Tax policy must of necessity rely heavily on the personal income tax. The increases which have occurred since the outbreak of the Korean War have brought personal income tax rates close to wartime peak levels and should prove a powerful weapon in the anti-inflationary arsenal. However, during the emergency I believe that personal income taxation needs to be supplemented by greater reliance on indirect taxation and, in consequence, I would favor the imposition of a Federal sales tax.

Credit Policy and Consumer Spending

In the reduction of consumer expenditures, tax policy, both direct and indirect, should be supplemented by credit and interest rate policies. Credit policy should be directed towards preventing further increases in consumer credit and in bringing about a decline. The increase in consumer credit has been a very rapid one in the postwar period, rising fourfold, from about five to twenty billion dollars. This great increase in consumer indebtedness must, of necessity, be viewed as a significant inflationary factor.

The aim of Regulation W, imposed by the Board of Governors of the Federal Reserve System under authority granted in the Defense Production Act, was to check the increase in consumer debt. So effective was this regulation in accomplishing this objective that, in extending the Defense Production Act, Congress yielded to pressure groups and liberalized its provisions. I am confident that we will all agree that intrusion by Congress into the details of credit regulation is contrary to good public policy and is wholly indefensible. The determination of consumer credit terms should be left entirely to the discretion of the Board of Governors of the Federal Reserve System. Delegation of power must be accompanied by complete delegation of authority.

Interest Rate Policy and Consumer Spending

Interest rate policy can also be an important weapon in checking consumer spending and should be directed towards encouraging consumers to save more and towards persuading consumers to spend less. To accomplish this goal, I would suggest an immediate substantial increase in the rate of interest on new issues of the Series E Savings Bond. Many other nations have raised rates of interest paid on such bonds. Action is long overdue here and the action taken must be dramatic if the sales of such bonds to consumers are to be stimulated.

Action also should be taken to remove impediments to the free inflow of commodities to the American market. The inflow of agricultural and other products is restricted in some instances by the application of quotas, illustrated by the cheese and sugar quotas, by tariff rates, and by other devices. Such action not only runs counter to our professed support of multilateralism in international trade but restricts the volume of commodities available for domestic consumption and thus aggravates inflationary trends.

Consumer spending can be curbed by tax, credit and interest rate policies, designed to absorb purchasing power or to dissuade consumers from drawing upon their liquid assets. These policies should be accompanied by action intended to assure the largest possible supply of goods by removing impediments to imports and by endeavoring to stimulate increases in domestic productive efficiency and production.

If long-run inflationary pressures are to be brought under control, not only will it be necessary to curtail consumer expenditures, but it is equally important to curtail non-military expenditures on construction, plant, equipment and inventories — the expenditures that in the main comprise what is termed "gross private domestic investment." In realizing this goal, material allocations, tax and credit policy can all contribute significantly. In my remarks, however, I wish to give particular emphasis to the role of credit policy.

Construction Expenditures

The rapid rise in real estate loans, following the end of World War II, must bear a large share of responsibility for inflationary developments. Mortage debt on one- to four-family houses rose from about twenty to more than fifty billion dollars. An important factor in this huge increase in debt was the trend towards liberal mortgage lending policies, made possible by Government guarantees and insurance. Appraisals and valuations were high, rates of interest low, and maturities long. The easy credit terms were capitalized into rising prices. As prices increased, the demand arose for further liberalization of credit terms, which were capitalized into still higher prices.

The continued rapid increase in mortgage credit was an important factor in the sharp inflationary price rise of 1950. Realization of this fact led to the adoption of credit control measures which later were broadened under the authority of the Defense Production Act. Regulation X, issued under the terms of the Act, was based upon the assumption that real estate credit, like consumer credit and security loans, constitutes a fairly homogeneous body of credit and a fit subject for selective credit control. By reason of the large volume of commitments outstanding at the time of its adoption, it was not immediately effective. As these commitments were worked off, the Regulation has had a restraining effect upon the growth of mortgage credit, and again it is to be deplored that Congress ordered an easing in its terms.[1] As a restraining influence, Regulation X was aided materially by the decline in Government bond prices, by the rise in interest rates and by the Voluntary Credit Restraint Program. Lenders began requiring larger down payments, shorter amortization periods and higher interest rates.

In recent months the growth in real estate credit has slowed up considerably and the slackened pressures have contributed to the present lull in inflationary trends. Advantage should be taken of this lull to study carefully the relationship of the Government to this field of credit. It is a field in which political influences and pressures have been particularly important in extending the scope of Government intervention irrespective of the merits or of the inflationary consequences of that intervention. The proper housing of our people is such a vitally important task that it seems to me that Congress might wisely appoint a competent and non-partisan commission to study the role of Government in the field of real estate credit in order that all existing legislation may be objectively reviewed and that future extensions of such credit may be put upon a sound basis.

Plant Equipment and Inventory Expenditures

Besides expenditures on residential construction, gross private domestic investment also includes expenditures on industrial plant, equipment and inventories which have reached high aggregate totals since the outbreak of the war in Korea. An important step toward curbing this type of investment was the adoption of the Voluntary Credit Restraint Program, authorized by Section 708 of the Defense Production Act. The program was aimed primarily at a careful screening of business loans and capital issues. Other types of loans—security loans, consumer credit and real estate loans—were subject to selective credit control.

The program is a prodigious undertaking covering about 90,000 financing institutions. It is entirely voluntary. No financing institution is under obligation to consult with any of the many committees appointed under the program or to abide with their point of view. In consequence, the program represents a novel and courageous experiment in the democratic rationing of credit. Although it may still be too early to pass final judgment on the program, nevertheless, lending institutions have turned down a large number of loans looked upon as speculative and inflationary and evidence gives support to the belief that the program is working.

General Credit Control

The Voluntary Credit Restraint Program has been reinforced and must continue to be reinforced by restrictive credit policies on the part of the Federal Reserve System. The object of such policies must be that of preventing further increases in the money supply. In the effort to prevent such increases, the Federal Reserve Banks should not, in my opinion, make further additions to their security holdings except for those very temporary increases that might be necessitated around tax payment periods. Indeed, if a large gold inflow occurs they should effect a reduction in such holdings. Security purchases by the Federal Reserve Banks may have a pronounced inflationary effect, adding to member bank reserves and permitting a multiple expansion in member bank loans and investment. In the control of credit the Federal Reserve System stands in need of no new powers—it needs only to use those powers it now possesses. Accompanying the cessation of security purchases, the Reserve Banks might well raise their discount rates, an action recently taken by the Bank of England and the Bank of France.

The unpegging of the Government bond market last March represented a very constructive step in the anti-inflationary program. It is a step which I long advocated, for I was convinced that the Federal Reserve Banks could never exercise effective credit control as long as they felt compelled to support the prices of government obligations at pegged levels.[2] In a pegged market, commercial banks, insurance companies and other lenders could meet any and all loan demands through the simple expedient of selling, without loss, Government obligations to the Reserve Banks.

Need for an Independent Reserve System

All of us, I am sure, believe in a Federal Reserve System free from political control and domination. Only an independent Federal Reserve System can formulate effective policies of credit control. A Federal Reserve System under domination of the Federal Government would doubtless find itself influenced by the wishes of the largest borrower in the market. It is to give independence to the Federal Reserve System that the stock of the Federal Reserve Banks is privately owned, that the directors of the Reserve Banks are, in part, chosen by the member banks, and that the expenses of the Federal Reserve Board are not met by Congressional appropriations but by assessments upon the individual Reserve Banks. I mention these facts because, in my opinion, the Federal Reserve System should retain its independent character, responsible only to the Congress and the American people for curbing inflation and maintaining sound money.

The Douglas Resolution

To further enhance the independence of the Federal Reserve System, I would urge the passage by the Congress of the following resolution proposed some time ago by Senator Douglas of Illinois:

"It is the will of Congress that the primary power and responsibility for regulating the supply, availability, and cost of credit in general shall be vested in the duly constituted authorities of the Federal Reserve System, and that Treasury actions relative to money, credit, and transactions in the Federal debt shall be made

1 Defense Housing and Community Facilities and Service Act of 1951.

2 Cf. "The Control of Inflation," May 2, 1946, and "The Management of the Public Debt," Dec. 28, 1948.

consistent with the policies of the the Federal Reserve."

From the legal point of view, the passage of this resolution is not required. The Federal Reserve Banks already have complete discretionary legal control over their own portfolio and credit policies. From the point of view of centering responsibility, the passage of this resolution is highly desirable.

Problem of Debt Management

Over the past several months, the Treasury has refunded various maturing issues and has, in addition, raised new money. The securities floated for these purposes have been short-term in character. Although a large part has been purchased by non-commercial bank buyers, this circumstance does not alter the fact that the floating debt has risen. A constructive policy of public debt management demands greater reliance upon long-term obligations and a better spacing of maturities through time. This type of debt management will help reinforce the restrictive credit policies adopted by the Reserve System. Continued dependence upon short-term obligations imposes serious obstacles in the way of the adoption of effective measures of credit control. The Reserve Banks must be released from the narrow confines of the present debt structure.

Government Spending

A final important task in the anti-inflationary program is the reduction of non-essential governmental spending—Federal, state and municipal. The elimination of waste and extravagance in government and the reduction of non-essential expenditures is a task which challenges the united efforts of all of us. We must favor economy not only generally but also specifically. We must be willing to forego local improvements and to sacrifice local advantages for the public weal. In particular, we must work for balanced budgets—Federal, state and local.

Summary

In my remarks today I have tried to give emphasis to the essential need of reducing various types of expenditures if inflation is to be avoided. In bringing about reductions in expenditures by consumers, in expenditures on construction, in expenditures by business firms on plant and equipment and inventories, and in the non-essential expenditures of government, we should rely upon fiscal, monetary and credit measures. Recourse to overall direct controls undermines the free market economy, leads to suppressed inflation and increases the difficulties of postwar adjustments.

My observations and recommendations can be summarized as follows:

(1) In checking inflation the basic problem is to induce the American people to spend less and to save more. This objective can be achieved through appropriate use of fiscal, monetary and credit measures.

(2) The use of fiscal, monetary and credit measures to achieve this goal will also prevent further increases in the money supply.

(3) To check consumer demand, the personal income tax should be supplemented by a Federal sales tax.

(4) To encourage consumer savings, the Federal Government should make a substantial increase in the interest yield on the Series E Savings Bonds.

(5) Regulation W should be freed of Congressional restrictions, administered solely by the Board of Governors of the Federal Reserve System and directed towards preventing any further increase in consumer debt.

(6) The present slackened rate of growth in real estate loans affords opportunity for a careful study of the appropiate relationship of the Federal Government to this field of lending and of the standards to be established for future lending practices.

(7) The Voluntary Credit Restraint Program should continue to be directed toward preventing increases in the total business loans of the commercial banking system. An effort should be made to meet defense lending requirements from declines in non-defense loans.

(8) Of great importance in an anti-inflationary program is continued emphasis by the Federal Reserve System on the imperative need to reduce the availability of credit. To this end, the Federal Reserve Banks should not make further additions to their security portfolios. This action might well be accompanied by increases in discount rates.

(9) To remove any ambiguity concerning the relationship of the Federal Reserve System to the Treasury, I believe that Congress should pass the resolution proposed by Senator Douglas.

(10) The United States Treasury can reinforce restrictive credit measures on the part of the Federal Reserve System by the adoption of appropriate public debt management policies.

Again I want to emphasize that the present lull in inflationary pressures affords no basis for self-complacency. The threat of continued price increases remains very real and is a clear and present danger. The measures which we adopt to ward off this menace must give promise not only of checking inflation but also of preserving our free market economy and of easing the transition from an economy of defense to one of peace.

Inflation is Everyman's Responsibility. We must all assume our full share of the effort which is necessary to ward off this menacing danger to our economy. We must all be willing to undergo sacrifices for the public good and stand ready to submerge our own individual interests. A strong America, at home and abroad, is an America ready and able to exercise leadership in the field of monetary and economic stability.

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Investing In Securities And Mutual Funds

this point I should like to make clear to you that there is no guaranteed rate of return on any mutual fund. Distributions made to shareholders are derived from dividends and interest received by the fund from securities held in the portfolio, and since these are subject to more or less constant variation, so will the dividends of the funds themselves vary.

Before going any further on the subject of income from open-end investment companies, I should like to explain that investment companies which qualify under certain Treasury Department regulations—among them the payment to stockholders of not less than 90% of all net income whether from interest earned, dividends received, or market profits realized—are favored with special tax treatment. If such mutual funds pay out all earnings, they are exempted from all Federal corporate income taxes. Consequently, most of the open-end companies do pay out all earnings.

It is very important to distinguish between true net investment income and capital gains distributions—that is, distributions of net profits realized by the fund on its security transactions. The latter are non-recurring, uncertain in amount, and are not income. In some years, there are no such profits to pay. Therefore, when I speak of a rate of return of from 3½ to 5½% on common stock funds today, I am talking only about true earned income. I wish to caution you that whenever considering the purchase of shares of any investment fund, you make it a point to ascertain the true income which the fund pays without any consideration of capital gains payments.

The second major classification in the mutual fund field is that of the so-called balanced or combination fund. As the name implies, an attempt is made by the fund managers to balance the portfolio of the fund by placing some part of assets in "dollars constant" securities like bonds, some in preferred stocks and some in common stocks. Balanced funds range from those of very high quality which afford a fairly good degree of stability of principal and low to moderate income, down through those balanced funds holding medium and lower quality "dollars constant" securities which are not nearly so stable but which pay much higher yields. The true return on these combination funds is about the same as that on common stock funds today—from 3½ to 5½%.

The third broad classification is that of the specialty funds—and these are of various and sundry kinds. Chief among them are the All Bond Funds—All Preferred Stock Funds—Industry type Funds and Funds which invest by class of securities.

There are several bond funds on the market and, as the name implies, investment of those trusts is made only in bonds. These, too, show a rather wide range in quality, from very good to somewhat speculative, and the yields today range from 2¾ to 4½%.

The preferred stock funds, like the bond funds, range from rather conservative to somewhat speculative, and generally speaking are not as stable as bond funds, but usually provide higher income, with true net yields of from 4 to 5% today.

Industry type funds are those which invest only in the securities of a single industry—such as oil, steel, railroads, etc. The other funds in this specialty category are those that invest by classes of securities, that is, there will be bond funds owning bonds within a certain price or quality range—stock funds, likewise.

Diversification and Professional Management

As you can see, there is a wide choice to be had among investment companies. Investment company securities should not be considered as a cure-all for the investment problems which beset us today. However, they do offer to the average investor for some part of his funds, a means of obtaining diversification, professional management, convenience, and ready marketability that can hardly be secured in any other fashion. These services are offered at a reasonable cost and at a moderate annual operations charge. The acquisition cost of the funds varies from about 6 to 9% and is payable only at the time the shares are acquired, as part of the sale price. There is generally no charge for liquidation.

The annual operating expenses of the good funds range from a total of ½ to ¾ of 1% of average asset value, per year. When one considers the service rendered and the peace of mind obtainable through investing in the proper mutual fund, it would seem as if the cost and charges are thoroughly justified. I think it very important to point out to you again the necessity for a well rounded, carefully planned, investment program—that such program should include a certain proportion of Dollars Constant Investments, namely, a savings bank deposit, some government bonds, perhaps some municipal bonds, and also some Dollars Variable type of investment. Except where you are experienced in a business or have a knowledge of farming or real estate, the average woman would be well advised to place some portion of her Dollars Variable Investments in the shares of carefully selected mutual funds of the kind and type best suited to her needs.

Continued from page 2

The Security I Like Best

within the next year or so it will experience a major advance in price. It has everything in its favor statistically and chartwise, plus the glamor and romance which I believe is about to unfold. I unqualifiedly suggest it as a high-yield investment for large capital gain.

B. WINTHROP PIZZINI

President, B. W. Pizzini & Co., Inc.
New York City

Harris-Seybold Company

B. W. Pizzini

Since the end of World War II the printing and publishing industry has experienced improvements in techniques through research and development which can compare favorably with any in American industry. The growth of one phase of this industry in particular, printing by offset lithography, has been rapid in recent years, although it has been less publicized than some of the more popular industries such as chemicals and drugs.

The printing industry is one of the mainstays of our national economy. In virtually every business good printing is essential to distribution. It sells merchandise by attracting attention and impelling action. The universal importance of the business has made the graphic arts a $7 billion industry comprising about 40,000 companies.

Before the turn of the century, and ever since, Harris-Seybold has been among the leading makers of printing machinery and associated equipment, its two principal lines being Harris lithographic presses and Seybold paper cutters; other products are rotary letter presses, continuous book trimmers, paper drilling equipment, sheet collating machines, litho-chemicals and other graphic arts equipment.

The company's principal consumer outlets are lithographers, printers, paper mills, paper dealers, publishers, book binders, box makers, stationers and loose-leaf manufacturers. The design and manufacture of improved machines to cut and print paper, and the excellent "know how" of management and employee has earned for Harris-Seybold a dominant position in the vital field of printed communication. Furthermore, the company's long-range research, engineering and development programs for graphic arts equipment and supplies are continuing unabated. The evolution and growth of the industry provides a continuous need for improved equipment for greater production of quality printing on an economical basis.

Attesting to the results of the management's forward planning through research and development, some 90% of Harris-Seybold's shipments in 1951 will be postwar developments. For the immediate future, the company's forward operating plans and policies have been keyed to the promise that the semi-war economy may continue for some time. Their objective under these conditions is to maintain as nearly as possible a balance between the production of civilian products and defense work that will provide effective operations.

The ability of the company to keep a step ahead of the growing use of lithographic printing has enabled it to record better than average earnings in its field, and profits for the common stock have been reported in each year since the early 1930s. Net shipments of the company, which amounted to only $4,377,000 for the fiscal year ended June 30, 1940, rose to $11,891,000 in 1947 and reached a new peak of $21,775,000 for the fiscal year ended June 30, 1951.

The company's equity capitalization has been changing in recent years, as stock dividends have been paid along with cash on the common and the preferred stock was being converted into common from time to time. As of Oct. 31, 1951, all the preferred had been called or converted, and total capitalization now consists of a $2,625,000 long-term bank loan; $1,698,000 15-year 3¾% sinking fund debentures due Oct. 1, 1960, and 267,065 shares of common stock. On the basis of present capitalization, earnings per common share would have been $7.54 for the fiscal year ended June 30, 1951, $3.60 in 1947 and $0.94 in 1940. Average annual earnings for the past five years, based on present capitalization, were $7.08 per share.

Company's balance sheet position at the 1951 fiscal year-end was excellent, with current assets totaling $14,878,000 as against only $3,732,000 current liabilities. Equity per common share amounted to $45.50

During the past fiscal year, Harris-Seybold paid $2 a share on the common stock in cash and a 20% stock dividend. Considering the possibility of the continuation of this policy of paying stock dividends, and in view of the outstanding management of the company and its firmly entrenched position in the industry plus the favorable longer term possibilities, particularly in the lithographic process, I believe the common stock of Harris-Seybold possesses interesting long-term profit potentials and at the same time offers a good income return.

Cherry, de Bary To Be Smithers Partners

F. S. Smithers & Co., 1 Wall Street, New York City, members of the New York Stock Exchange, on January 2nd will admit Thomas C. Cherry and Marquette de Bary to partnership in the firm. Mr. de Bary is manager of the firm's municipal department. Mr. Cherry has been with them for some time.

Now Chiles, Huey, Schutz

OMAHA, Neb.—The firm name of Chiles, Huey Co., Omaha National Bank Building, has been changed to Chiles, Huey, Schutz Co.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

According to all conventional Dow Theory interpreters, no bull market worth the name can be technically called that until the industrials cross 276.37 and the rails get above 90.08.

* * *

Even a cursory glance at those figures and a look at the current ones will carry the conclusion that the market will have to go quite a distance to confirm any continuation of a bull market.

* * *

The buyer of today, or the holder of stocks bought some time ago, will therefore have to resign himself to a long period during which anything can happen, before he sees the classical confirmation of the Dow Theory.

* * *

Were this practice followed, then many of the commission houses could close up. Fortunately the Dow Theory, although it has many interpreters, also has many who merely give it lip service. It is one of the reasons why, though the two averages may go up or down, there are individual stocks which trace their own patterns. It can be seen almost daily. Various stocks make new highs (or new lows —though these are rare) while the averages either do nothing or are declining.

* * *

According to various authorities the market is merely in a resting state out of which it will reawaken with new vitality. The great majority of pundits subscribe to this belief. Then there are a few authorities on the other side of the fence who believe the market shot its bolt and from now on all one can expect are minor rallies.

* * *

Whoever is right will be interesting to see. Unfortunately, one cannot be completely divorced from either of these theories. But if one waits until either of these occurs it will mean that for the time being one will have to sit back and do nothing of a positive nature.

* * *

Last week I wrote that I felt the low priced issues would step out into a move of their own. In the past few days a few of these stocks have started to awaken. I believe there will be more of them before Christmas comes around. Though I don't mean by that that they're to be considered Christmas presents.

* * *

Among the groups that show this up tendency are the television issues, motion picture stocks, airlines, building equipments and non-ferrous metals.

* * *

So far as the averages are concerned, I don't think watching them will make you any money. If you wait until they make new highs before getting in you'll miss most of the move. If you wait for new lows before getting out, you'll lose a bundle.

[*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.*]

With Detmer & Co.

(Special to The Financial Chronicle)

CHICAGO, Ill.—John M. Sherly has become associated with Detmer & Co., 105 South La Salle Street, members of the Midwest Stock Exchange. Mr. Sherly was formerly with McMahon & Hoban, Inc. and C. J. Case & Co.

Merrill Lynch Adds

(Special to The Financial Chronicle)

ST. LOUIS, Mo.—Clarence J. Krings is with Merrill Lynch, Pierce, Fenner & Beane, 511 Locust Street.

Thomas Frank Opens

Thomas W. Frank is engaging in a securities business from offices at 60 Beaver Street, New York City.

With R. S. Dickson

(Special to The Financial Chronicle)

ATLANTA, Ga. — Elise A. Davis has joined the staff of R. S. Dickson & Company, Inc. Miss Davis was previously with Courts & Co.

Joins Chesley Staff

(Special to The Financial Chronicle)

CHICAGO, Ill.—Ruth C. Mason has become connected with Chesley & Co., 105 South La Salle Street.

Continued from first page

Valuable Tax Pointers on Security Transactions

to be "traders" or "dealers." Only the investor will be considered here—first the individual investor, and then the corporation investor.

The Individual Investor

How the 25% Rule Works on Security Profits—Security profits go in one of two baskets, based on the length of time the securities are owned. Six months is the dividing line. Profits on securities held for more than six months (here called over-six-month profits) go in one basket. Profits on securities held six months or less (here called under-six-month profits) go into the second basket.

The amounts in the under-six-month basket, if standing alone, are taxable in full in the regular way, like income from interest or dividends. In the case of the amounts in the over-six-month basket, only half the profit is taxed, and in no event can the 1951 tax be more than 25% of the entire profit.

The 25% limit on the tax becomes meaningful to individuals with more than $16,000 income in 1951. That figure becomes $32,000 if husband and wife are involved and they file a combined return. People with lower incomes pay less than a 25% over-all tax. In fact, they may pay as low as 10.2% on their over-six-month profits.

How Security Losses Are Treated—For 1951, losses are treated in the same way as profits. There are the same two baskets. On over-six-month securities, one-half the losses are figured, and on under-six-month securities the full losses are figured. The losses in each basket are then netted against the profits in the same basket. If there is a net loss in one basket and a net profit in the other, the two are likewise netted.

There is an important limitation on losses. If the net figure on all trades for 1951 is a loss of, say $10,000, only $1,000 of this loss can be deducted in the 1951 return. The other $9,000 can be used as an offset to the first $9,000 of net security profits in the five years 1952 to 1956. If there are no net security profits in those years, $1,000 can be taken as a regular deduction from other income in each of the five years. That absorbs $5,000. Nothing can be done about the other $4,000. Security losses of any year can only be applied forwards, not backwards.

As this rule about carrying forward losses for five years has been in effect for some time, it means that losses as far back as 1946 can be used in 1951 returns, if not previously absorbed by profits.

How Watching the Six-Month Line Saves Taxes—Under the rules just outlined, there is an obvious advantage in taking profits after a six-month holding, and in taking losses before then. After six months, only one-half the profits are taxable, whereas before six months the full profits are taxable. After six months the tax rate can range from as little as 10.2% to a maximum of 25% in 1951. Before six months, the tax rate is a minimum of 20.4% and can run to over 90%.

On losses, it works the other way. Before six months, the losses are figured in full. After six months, only one-half the losses are figured. Keeping one's eye on the six-month line can therefore pay off at least two-to-one. That means alertness throughout the year. To wait until the end of the year, as is so frequently done, may let the six-month mark slip by.

The two-to-one arrangement holds good only for 1951. In 1952 it will be put on a dollar-for-dollar basis. That is to say, in 1952 only $1 of over-six-month profit, and not $2 as in 1951, will be wiped out by $1 of under-six-month loss. Conversely, in 1952 it will take only $1 of over-six-month loss, and not $2 as in 1951, to wipe out $1 of under-six-month profit. There is therefore an advantage in taking in 1951 over-six-month profits if there are offsetting under-six-month losses.

There is also an advantage in holding off until 1952 the taking of over-six-month losses. Suppose, for example, Jones is in the 90% class, and that in 1952 he takes a profit of $1,000 on securities held under six months. His tax on that $1,000 profit would be $900. If he then takes a $1,000 loss on over six-month securities, that will just offset the $1,000 profit and wipe out the $900 tax. In other words, the $1,000 loss saves Jones $900, or 90%, in tax. In 1951, under the same circumstances, the saving would be only half of that.

How Short Sales Can Be Used for Tax Advantage—Through a short sale it is possible to shift profits or losses from 1951 to 1952, or for that matter, indefinitely. This is because of the rule that no gain or loss need be reported on a short sale until the short position is actually closed out.

Here is how the shift would be accomplished: Jones has in his box 100 shares of stock that he bought in August, 1951, at 60. In December, 1951, or four months later, and when the market is 85, he goes short the stock with his broker. He can take the stock out of his box in December, 1951, and deliver it to the broker to close out the short sale. That would result in a $2,500 under-six-month profit for 1951. If he figures he is better off from a tax standpoint in pushing the $2,500 profit into 1952, all he need do is hold off covering the short sale by delaying delivery until January, 1952, or any other time in 1952. That would take it out of the 1951 return and put it in 1952.

No matter when Jones covers, it will still be an under-six-month profit. The rule is that if the short position is established after Sept. 23, 1950, and at a time when the long stock was owned less than six months, then no matter how long a time the short position is maintained, the profit on closing out the short position will be an under-six-month profit. If the short position is established at a time when the long stock was owned more than six months, the profit on the close-out of the short position will be an over-six-month profit.

How to Convert Dividends and Interest Income Into Capital Gains—Because of the 25% tax limit in 1951 on over-six-month securities, it is natural to try to get that sort of profit as against getting regular income, like dividends, on which the tax can go over 90%. Alertness can accomplish this. For example, suppose Jones, in the 91% bracket, has 100 shares of over-six-month preferred stock that cost him $100 a share. The stock is now worth $160 a share because of an accumulation of $60 of dividends which are about to be cleaned up. If he receives the $6,000 of dividends, he will have to part with 91%, or $5,460, in tax.

However, by selling the stock at 160, prior to the ex-dividend date (that is, at least three full business days before the dividend record date), he gets the same $6,000, but it is now in the form of profit from the sale of over-six-month stock. His tax on the $6,000 is therefore only 25% in 1951, or $1,500, instead of $5,460—a saving of $3,960. If he still wants to maintain his position in the preferred stock, he can step right back into the market after the dividend date and buy 100 shares. That puts him back to where he started stock-wise, but ahead of the game by $3,960 tax-wise.

The same is true of bonds that are about to pay off back interest. In fact, there is a special tax attraction to bonds that have defaulted in interest at the time the bonds are bought. The defaulted interest, if later collected, is not regarded as interest, but as a tax-free return of the investment in the bond.

How Wash Sales Are Treated—If an investor sells stock at a profit, and then buys the stock right back, the profit is taxed. Not so, however, with losses. There is a rule that says that no loss will be allowed on a sale, if within 30 days before or after the sale the same security is bought. This is known as a wash sale. The tax effect is as if the sale never took place.

The disallowance of 30-day in-and-out losses applies to a purchase not only of the same security, but also of substantially identical securities. Accordingly, the sale of a stock and the purchase of a voting trust certificate of the same stock, or vice-versa, is under the ban. However, the loss will stand if the sale is of stock of one company, and the purchase is of stock of another, although the two companies are in the same line of business, and their stock sells at the same price, and moves market-wise in the same way.

The law confines the disallowance to "securities," but some decisions have extended the rule to commodities on the theory that for this purpose commodities are securities.

How Sales to the Family Are Treated—Another type of loss that is unallowable is one from the sale of securities to a member of the family. The family, for this purpose, has a broader meaning than usual. Besides covering husband, wife, parent, child, brother, and sister, it also includes a business partner or a corporation 50% of whose stock is controlled by the family. It is still a family sale even though the trade is made through the medium of the stock exchange, and the two members of the family involved on the buy-and-sell side use different brokers.

Profits on family sales are taxable. Only the losses are "out." Furthermore, family losses cannot be offset against family profits. If there are two sales to the family, one at a loss and the other at a profit, the loss is not allowed but the profit is taxed. But a husband's security losses on his sales to outsiders can be offset against his wife's profits on her own security transactions, and vice-versa, if the husband and wife file a combined return.

How to Identify Securities Sold—Suppose Jones buys 100 shares of stock in 1949 at 70, and another 100 in 1950 at 80. In 1951 he sells 100 at 75. Does he have a five-point profit or a five-point loss? It all depends. If he delivers the 1950 certificates, costing 80, he has a five-point loss. If he delivers the 1949 certificates, costing 70, he has a five-point profit. As he can make his own selection of certificates, he can control whether to have a profit or a loss.

The same result holds good if he instructs his broker at the time of the sale that he wants to sell the 1950 block or the 1949 block, as the case may be. His instructions will control.

If he says nothing and the certificates cannot be identified, the rule is that the 1949 block is sold first, because it was bought first. Hence, there would be a five-point profit to report.

How Commissions and Other Expenses Are Treated—Purchase commissions are additions to the cost of the securities, and sales commissions are deductions from the sales price. Commissions therefore effect only the profit or loss on a trade. The same is true of Federal stamp taxes. State transfer taxes, however, can be taken as an expense deduction. It is an advantage to have an expense deduction because it can mean over 90% in tax. As a reduction of profit or an increase in loss on a trade, the tax effect is limited to the tax rate that applies to the profit or loss.

Is interest on a deficit balance in a brokerage account deductible? The answer is yes—with a "but." The mere interest charge by a broker is not enough to give the deduction to anyone who makes his return on the basis of cash coming in and going out. The interest must be actually paid to the broker. However, the payment need not be a direct cash payment to the broker. Collections by the broker for the customer's account of interest and dividends on the customer's securities are the same as so much cash paid by the customer. So also are proceeds of securities sold.

Dividends on short sales are deductible. Other deductions include cost of investment counsel or advisory services, subscriptions to statistical services and investment literature, rent of safe deposit boxes, custodian fees for securities, office expenses, cost of professional services for preparing or defending income tax returns.

Suppose a $1,000 bond of an industrial company, due in ten years, is bought for $1,100. An investor can, if he desires, write off the $100 premium over the ten-year period, and take as a deduction $10 in each year. If he does, he must mark down the cost of the bond by $10 each year. If it were a fully tax-exempt bond, the $10 annual mark-down would be compulsory and there would be no tax deduction for it.

The Corporate Investor

There are special provisions that apply only to corporate investors. For example, while in the case of over-six-month securities of individual investors, only one-half the profit and one-half the loss are figured in 1951, in the case of corporate investors, the entire profit and full loss are figured.

Also, while in the case of individuals, up to $1,000 of net security losses can be immediately deducted from any other income, no such deduction can be taken by corporations. All that a corporation can do with the net losses is to carry them forward for five years until absorbed by profits. If there are no security profits in the five-year period, no tax benefit is derived from the security losses.

In the case of an individual, mention was made of the desirability of converting dividend income into security profits, because an individual may have to pay over 90% tax on dividends. Corporations, however, generally pay less than 8% tax on dividends. A corporation is therefore better off with dividend income than any other type of taxable income, even including over-six-month security profits on which the tax limit is 25% tax for 1951.

Accordingly, while in the case of individuals, it was mentioned that there is an advantage in selling stock before the dividend date and buying it back afterwards, in the case of a corporation, it is just the opposite — there is an advantage in buying stock before the dividend date and sellng it afterwards.

Thus, suppose that in 1951 a preferred stock is about to get a $60 dividend to clean up an arrearage. It is selling at 160. A corporation buys it the day before it sells ex-dividend and collects the $60 dividend. The tax on the dividend is $4.56. The corporation then sells the stock at 100. It has an under-six-month loss of $60 which it can offset against $60 of under-six-month gains on which the tax would otherwise be $30.45. The corporation therefore stands to be ahead $25.89 on the deal.

Timing of Year-end Sales

Year-end tax selling, whether to take profits or establish losses, is a familiar occurrence. Timing is important, or else a transaction intended to affect 1951 taxes may turn out to be a 1952 item, and vice-versa. The reason for this is the interesting rule that profits are not considered realized for tax purposes until the securities sold are delivered to the buyer. Losses, on the other hand, are deemed to be sustained when the sale is made on the floor of the exchange, regardless of the time of certificate delivery.

As the various exchanges in New York have a three business-day delivery rule, this means that the latest day to make profits for inclusion in 1951 returns is Dec. 26. Securities sold on Dec. 27 will not be delivered until Jan. 2, 1952, and the profit will therefore be a 1952 item. After Dec. 26, securities can be sold for "cash" instead of the regular three-day delivery, and in that way profits can still be established for 1951. In the case of losses, they can be taken by sales made right up to the end of the year.

The rules just described apply to taxpayers who make their returns on the basis of cash coming in as distinguished from amounts owing to them. The technical name for the distinction is the cash basis as against the accrual basis. Taxpayers on the accrual basis can take profits or establish losses for 1951 by sales through Dec. 31, without reference to certificate delivery dates.

* * *

In attempting to explain briefly and simply the federal income tax provisions affecting securities, general, non-technical language has been used. There are many refinements and exceptions applicable to situations not here covered. The precise wording of the law is of course what controls.

Harris, Upham Adds

(Special to The Financial Chronicle)

BOSTON, Mass.—Parker K. Ellis has been nadded to the staff of Harris, Upham & Co., 30 State Street. He was formerly with W. E. Hutton & Co. and Burr & Co., Incorporated.

With Gillespie Wouters

(Special to The Financial Chronicle)

GREEN BAY, Wis.—Norbert S. Derringer and Joseph W. Ferris have become affiliated with Gillespie & Wouters, 210 Northern Building. Mr. Ferris for many years was with the Kellogg-Citizen National Bank of Green Bay.

Continued from page 16

Fair Wages and Economic Stability

available for purchase. Inflation always produces a rise in the price level."

Mr. Henry Hazlitt is currently writing a series in "Newsweek" magazine on the subject of inflation. They are well worth reading by any of you who are interested in the subject. In the Sept. 17 issue of "Newsweek," he stated, "The same chain of causation applies to all the so-called 'inflationary pressures' — particularly the so-called 'wage-price spiral.' If it were not preceded, accompanied, or quickly followed by an increase in the supply of money, an increase in wages above the 'equilibrium level' would not cause inflation; it would merely cause unemployment. And an increase in prices without an increase of cash in people's pockets would merely cause a falling off in sales. Wage and price rises, in brief, are usually a consequence of inflation. They can cause it only to the extent that they force an increase in the money supply."

I have a somewhat different way of stating the causes and results of inflation. It is clear to me that either to reduce wages or reduce profits and dividends generally tends to be deflationary at the time. I feel this way about it since wages and dividends are purchasing power in a form that can be readily spent, and a rather rapid reduction in such purchasing power both reduces the ability to buy and the confidence to buy on the part of those affected. Therefore, it must also tend to be inflationary, at least temporarily, to increase wages or profits generally if all other factors remain the same, since for the groups affected it would temporarily increase both their ability and confidence to buy. Whether an increase in wages or profits and dividends turns out finally to be inflationary for the economy as a whole depends on what actually happens in other segments of the total economy and especially on what happens to the total volume of money and credit. Only to the extent that higher wages, dividends and prices of particular products force an increase in the money supply will they finally be inflationary. Unless there is an increase in the quantity of money or credit or both relative to the amount of goods available for purchase, higher prices on the average cannot be sustained.

In evidence of the fact that the primary forces raising living costs and the price level are monetary, we have prepared the next chart. This chart is the result of the work which we have been doing in our business research staff which began over 20 years ago, on the question of what causes business cycles. In the first panel of this chart we show two lines: one, the actual money supply in the hands of the public since 1920, and the other our calculation of the money supply required to have maintained a constant price level based on growth of population and productivity. The shaded areas indicate when the money supply was below or above the amount required at a constant price level. You will note that throughout the entire period of the 30's, up to 1942, the money supply was less than the amount required to maintain the price level at the level of the 20's. That corresponds to the period of depression and unemployment in the United States. In the lower panel we have magnified the difference between the two lines in the upper panel to bring out this difference more sharply and have compared it to the consumers' price index of the Bureau of Labor Statistics. You will note that the variations in the two are surprisingly close, except that the changes in the money supply preceded all sustained changes in the consumers' price index. There is not a single instance in which the cost of living has risen appreciably and the rise been sustained except after a prior substantial increase in the money supply in excess of the trend-line of need for the country. This chart also shows the effect of price control and savings in the World War II period to which I called attention previously in connection with my other chart.

Some people believe that an increase in wages causes inflation because it increases the cost of goods and because it puts increased purchasing power in the hands of wage earners who will spend it quickly, thereby putting more pressure on prices. However, evidence shows this tendency is temporary unless there is a coincidental increase in the volume of money and credit. If there is no such increase in the money supply, wage increases only cause a shift of purchasing power between various segments of the economy. This is probably the basic reason why there is so much controversy in regard to the matter. The retail price or sales dollar is finally divided up among many different claimants as their compensation for services rendered. The shares of each claimant are never absolutely fixed for any length of time, and in a period such as this tend to shift rapidly because of the change in the opportunities and responsibilities involved. These shifts must be recognized in financial terms. So, whether total wage increases result in more inflation and further increase in prices, depends on the tax and budget-balancing policies of the Federal Government, what it may permit banks and other credit institutions to do, on the current savings habits of individuals and corporations and on the confidence and desire to buy as well as the ability to buy.

Now that the expenditures for a big military program have been added to an already big government spending program and to ordinary civilian requirements, the result is an enormous demand for goods and services of all kinds that appears to be insatiable. Consequently, prices tend to rise. This increase in prices could be checked and inflation avoided if the appropriate monetary and fiscal policies were adopted promptly. However, under these circumstances it is usually not considered politically feasible to tax the people enough to cover all government expenditures. Thus the failure to adopt adequate monetary and fiscal policies in time is the basic cause of continuing inflation. Under such conditions politicians try to shift the load on to businessmen for holding down prices. This places businessmen in an ambiguous position in collective bargaining. It makes them seem to be quarreling with their own employees over wages in the face of rising living costs. When this results in industrial unrest and strikes, the politicians and legislators make political capital with unions and workmen by seemingly taking their part in forcing added concessions from employers to correct inequities they themselves were fundamentally responsible for. It is time businessmen put the responsibility for inflation where it belongs, which, after all, is one of the virtues of our wage formula.

Inflation intensifies the problem of how to divide equitably new wealth currently being created and how to distribute the apparent shortage of goods and services. When the supply of money is inflated shortages in the supply of goods are created. If money were no object, all of us can think of something we would like to have or do that we cannot now afford.

The problems of our American industrial system are not solved even in time of war by the simple expedient of government taking direct control of wages, prices and production. As a matter of fact, such action creates a centralized problem of such magnitude that it is impossible for any man or small group of men to deal with it effectively. The problems are further magnified and made much more difficult by dealing with them from the top in an ivory tower instead of on a local case-by-case basis in the factories, mines, cities and communities where the people live and work.

The Government's Responsibility

Our government should fulfill its basic responsibility for establishing sound monetary policies which will deflate excessive demand and thus take the pressure off of prices. When it attempts to control wages and prices directly it finds itself in much the same position as an umpire who also insists on being a player. The government should establish the rules of the game and thereafter leave the individuals to work out their own problems in a free economy.

If too much reliance for controlling inflation is placed on a multitude of direct controls over materials, prices and wages instead of on a few indirect controls affecting the money supply, the financial history of World War II will be duplicated, and we will have additional inflation and future trouble.

We must have the economic vision and the political courage to adopt indirect controls that will avoid further inflating the money supply, thereby making possible the establishment of fair wages and a standardized economy for the nation. Businessmen and financial institutions must cooperate with government in this effort We must as quickly as possible get rid of direct controls which are economically inefficient, interfere with individual initiative and curtail personal rights. Only in this way can we realize the full possibilities of our scientific age in raising the standard of living of all the people and, by maintaining our free institutions, fulfill the objectives for which our nation was founded.

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. 25	103.7	101.1	102.9	102.7
Equivalent to—					
Steel ingots and castings (net tons)	Nov. 25	2,073,000	2,021,000	2,057,000	1,980,800
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output — daily average (bbls. of 42 gallons each)	Nov. 10	6,203,550	6,287,800	6,329,350	5,910,700
Crude runs to stills—daily average (bbls.)	Nov. 10	‡6,573,000	6,543,000	6,426,000	6,018,000
Gasoline output (bbls.)	Nov. 10	21,489,000	22,057,000	21,330,000	19,466,000
Kerosene output (bbls.)	Nov. 10	2,873,000	2,737,000	2,437,000	2,220,000
Distillate fuel oil output (bbls.)	Nov. 10	9,380,000	9,226,000	8,799,000	8,466,000
Residual fuel oil output (bbls.)	Nov. 10	9,076,000	8,792,000	8,396,000	8,682,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Nov. 10	109,455,000	109,513,000	111,845,000	105,465,000
Kerosene (bbls.) at	Nov. 10	32,907,000	33,522,000	33,632,000	29,003,000
Distillate fuel oil (bbls.) at	Nov. 10	102,687,000	*103,177,000	100,190,000	86,721,000
Residual fuel oil (bbls.) at	Nov. 10	48,100,000	48,570,000	49,139,000	45,408,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Nov. 10	791,403	837,743	868,683	839,880
Revenue freight received from connections (number of cars)	Nov. 10	671,443	690,496	694,738	704,185
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Nov. 15	$312,983,000	$159,525,000	$195,220,000	$214,949,000
Private construction	Nov. 15	202,323,000	85,693,000	124,169,000	118,639,000
Public construction	Nov. 15	110,660,000	73,832,000	71,051,000	96,310,000
State and municipal	Nov. 15	76,765,000	54,267,000	52,682,000	72,965,000
Federal	Nov. 15	33,895,000	19,565,000	18,369,000	23,345,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Nov. 10	11,400,000	*11,260,000	10,965,000	11,145,000
Pennsylvania anthracite (tons)	Nov. 10	919,000	673,000	1,020,000	781,000
Beehive coke (tons)	Nov. 10	145,400	143,500	137,600	159,800
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE = 100	Nov. 10	364	*349	338	342
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Nov. 17	7,333,134	7,396,115	7,149,458	6,723,334
FAILURES (COMMERCIAL AND INDUSTRIAL)—DUN & BRADSTREET, INC.	Nov. 15	109	150	157	170
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Nov. 13	4.131c	4.131c	4.131c	3.837c
Pig iron (per gross ton)	Nov. 13	$52.72	$52.72	$52.72	$49.69
Scrap steel (per gross ton)	Nov. 13	$42.00	$42.00	$43.00	$40.75
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Nov. 14	24.200c	24.200c	24.200c	24.200c
Export refinery at	Nov. 14	27.425c	27.425c	27.425c	24.425c
Straits tin (New York) at	Nov. 14	103.000c	103.000c	103.000c	137.500c
Lead (New York) at	Nov. 14	19.000c	19.000c	19.000c	17.000c
Lead (St. Louis) at	Nov. 14	18.800c	18.800c	18.800c	16.800c
Zinc (East St. Louis) at	Nov. 14	19.500c	19.500c	19.500c	17.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Nov. 20	96.80	97.59	97.69	101.74
Average corporate	Nov. 20	109.42	109.60	110.70	115.43
Aaa	Nov. 20	113.70	114.08	115.24	119.61
Aa	Nov. 20	112.75	112.93	114.46	118.80
A	Nov. 20	108.34	108.88	109.79	114.66
Baa	Nov. 20	103.13	103.30	103.80	109.24
Railroad Group	Nov. 20	105.34	105.86	107.62	111.81
Public Utilities Group	Nov. 20	109.24	109.42	110.15	115.82
Industrials Group	Nov. 20	113.70	113.89	114.27	119.00
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Nov. 20	2.72	2.66	2.65	2.37
Average corporate	Nov. 20	3.20	3.19	3.13	2.88
Aaa	Nov. 20	2.97	2.95	2.89	2.67
Aa	Nov. 20	3.02	3.01	2.93	2.71
A	Nov. 20	3.26	3.23	3.18	2.92
Baa	Nov. 20	3.56	3.55	3.52	3.21
Railroad Group	Nov. 20	3.43	3.40	3.30	3.07
Public Utilities Group	Nov. 20	3.21	3.20	3.16	2.86
Industrials Group	Nov. 20	2.97	2.96	2.94	2.70
MOODY'S COMMODITY INDEX	Nov. 20	458.6	461.4	462.5	485.2
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Nov. 10	175,281	297,394	171,817	199,278
Production (tons)	Nov. 10	209,154	207,910	211,413	233,487
Percentage of activity	Nov. 10	86	85	90	101
Unfilled orders (tons) at end of period	Nov. 10	450,811	487,788	436,887	739,323
OIL, PAINT AND DRUG REPORTER PRICE INDEX — 1926-36 AVERAGE = 100	Nov. 16	148.9	149.1	148.9	139.2
STOCK TRANSACTIONS FOR THE ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON THE N. Y. STOCK EXCHANGE—SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—					
Number of orders	Nov. 3	34,018	42,697	35,600	32,430
Number of shares	Nov. 3	971,801	1,224,448	1,054,653	956,170
Dollar value	Nov. 3	$39,950,913	$53,842,025	$45,273,573	$41,629,903
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Nov. 3	25,708	32,865	31,437	28,175
Customers' short sales	Nov. 3	461	532	181	382
Customers' other sales	Nov. 3	25,247	32,333	31,256	27,793
Number of shares—Total sales	Nov. 3	750,833	971,059	907,734	808,505
Customers' short sales	Nov. 3	15,171	17,049	6,453	14,012
Customers' other sales	Nov. 3	735,662	954,010	901,281	794,493
Dollar value	Nov. 3	$32,543,908	$41,923,238	$35,613,509	$32,513,266
Round-lot sales by dealers—					
Number of shares—Total sales	Nov. 3	196,670	265,550	237,170	286,510
Short sales	Nov. 3				
Other sales	Nov. 3	196,670	265,550	237,170	286,510
Round-lot purchases by dealers—					
Number of shares	Nov. 3	422,880	487,220	399,260	358,880
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR—1926 = 100:					
All commodities	Nov. 13	177.2	177.2	177.7	171.8
Farm products	Nov. 13	194.5	193.3	195.2	183.1
Grains	Nov. 13	194.1	191.3	189.0	171.6
Livestock	Nov. 13	235.7	246.7	257.4	223.0
Foods	Nov. 13	189.9	190.1	191.6	175.2
Meats	Nov. 13	273.9	279.2	283.0	240.7
All commodities other than farm and foods	Nov. 13	165.3	*165.2	165.1	163.9
Textile products	Nov. 13	159.3	158.1	157.1	166.2
Fuel and lighting materials	Nov. 13	138.7	138.7	138.8	135.6
Metals and metal products	Nov. 13	190.9	190.9	190.9	180.0
Building materials	Nov. 13	223.9	223.9	223.2	217.6
Lumber	Nov. 13	345.6	345.6	344.5	‡
Chemicals and allied products	Nov. 13	140.2	*140.9	141.2	135.0

*Revised. ‡Not available. ‡Includes 466,000 barrels of foreign crude runs.

	Latest Month	Previous Month	Year Ago
BANK DEBITS—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM —			
Month of October (in thousands)	$139,209,000	______	$125,784,000
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD — Month of October (000's omitted):			
Total U. S. construction	$1,026,973	$917,158	$1,012,046
Private construction	653,378	455,652	518,944
Public construction	373,595	461,506	493,102
State and municipal	205,262	304,805	392,592
Federal	168,333	156,701	100,510
CROP PRODUCTION — CROP REPORTING BOARD U. S. DEPARTMENT OF AGRICULTURE—As of Nov. 1 (in thousands):			
Corn, all (bushels)	3,088,092	3,104,988	3,131,009
Wheat, all (bushels)	993,598	993,598	1,026,755
Winter (bushels)	650,738	650,738	750,666
All spring (bushels)	342,860	342,860	276,089
Durum (bushels)	36,369	36,369	36,064
Other spring (bushels)	306,491	306,491	240,025
Oats (bushel)	1,372,248	1,372,248	1,465,134
Barley (bushels)	254,409	254,409	301,009
Rye (bushels)	25,138	25,138	22,977
Buckwheat (bushels)	3,834	4,060	4,749
Flaxseed (bushels)	32,284	32,284	39,263
Rice, (100 pound bags)	44,564	45,070	37,971
Sorghum grain (bushels)	165,895	163,996	237,456
Cotton (bales)	15,771	16,931	10,012
Hay, all (tons)	112,859	113,859	106,819
Hay, wild (tons)	13,496	13,496	12,509
Hay, alfalfa (tons)	45,975	45,975	41,029
Hay, clover and timothy (tons)	31,864	31,864	29,636
Hay, lespedeza (tons)	7,002	7,002	7,593
Beans, dry edible (100 pound bags)	16,607	16,814	16,343
Peas, dry field (bags)	3,717	3,717	2,979
Soybeans for beans (bushels)	277,590	271,203	287,010
Peanuts (pounds)	1,637,985	1,684,780	2,019,295
Potatoes (bushels)	335,651	337,122	439,500
Sweetpotatoes (bushels)	34,796	34,601	58,729
Tobacco (pounds)	2,271,670	2,249,844	2,032,450
Sorgo sirup (gallons)	5,441	______	6,383
Sugarcane for sugar and seed (tons)	6,538	6,538	6,932
Sugarcane sirup (gallons)	7,056	______	10,830
Sugar beets (tons)	10,741	10,682	13,497
Broomcorn, (tons)	33	36	26
Hops, (pounds)	61,755	61,755	58,336
Apples, commercial crop (bushels)	113,268	117,524	123,126
Peaches (bushels)	69,932	69,932	53,485
Pears (bushels)	32,228	32,293	31,140
Grapes (tons)	3,199	3,196	2,707
Cherries (12 states) (tons)	232	232	242
Apricots (3 states) (tons)	177	177	219
Cranberries (5 states) (barrels)	914	916	984
Pecans (pounds)	147,905	146,895	125,622
FAIRCHILD PUBLICATIONS RETAIL PRICE INDEX — 1935-39 = 100 (COPYRIGHTED AS OF NOVEMBER 1):			
Composite index	148.1	148.0	142.6
Piece goods	137.4	137.7	133.2
Men's apparel	148.0	147.8	140.8
Women's apparel	136.6	136.8	133.0
Infant and children's wear	137.2	137.2	132.7
Home furnishings	161.0	160.8	155.4
Piece goods—			
Rayon and silks	115.4	115.7	114.4
Woolens	156.7	157.0	147.0
Cotton wash goods	153.7	154.4	152.5
Domestics—			
Sheets	186.5	188.1	185.2
Blankets and comfortables	176.6	175.9	152.8
Women's apparel—			
Hosiery	103.7	104.1	105.4
Aprons and housedresses	143.4	143.9	143.0
Corsets and brassieres	142.8	142.8	135.0
Furs	149.1	149.9	141.3
Underwear	137.0	137.2	134.7
Shoes	151.3	151.5	143.4
Men's apparel—			
Hosiery	148.9	148.6	142.3
Underwear	168.2	167.1	156.3
Shirts and neckwear	134.3	134.3	130.2
Hats and caps	128.0	128.0	127.2
Clothing including overalls	137.7	137.6	131.9
Shoes	184.0	185.5	175.4
Infant's and children's wear—			
Socks	133.1	133.1	130.4
Underwear	123.3	122.9	122.2
Shoes	162.0	162.2	149.6
Furniture	160.9	157.9	151.6
Floor coverings	184.5	187.6	180.7
Radios	125.8	125.8	121.2
Luggage	135.2	135.2	132.6
Electrical household appliances	148.4	148.4	144.6
China	135.6	135.9	133.4
NEW YORK STOCK EXCHANGE —			
As of Oct. 31 (000's omitted):			
Member firms carrying margin accounts—			
Total of customers' net debt balances	$1,290,774	$1,290,056	$1,351,480
Credit extended to customers	40,316	40,553	123,341
Cash on hand and in banks in U. S.	413,947	387,670	361,264
Total of customers' free credit balances	853,001	843,090	771,484
Market value of listed shares	106,439,230	108,911,371	88,524,810
Market value of listed bonds	97,511,473	97,924,892	118,416,550
Member borrowings on U. S. Govt. issues	61,634	59,558	195,965
Member borrowings on other collateral	675,235	667,237	687,679
SELECTED INCOME ITEMS OF U. S. CLASS I RYS. (Interstate Commerce Commission)			
—Month of August:			
Net railway operating income	$80,881,473	$41,934,985	$122,343,183
Other income	17,340,841	15,735,019	17,949,272
Total income	98,222,314	57,670,004	140,292,455
Miscellaneous deductions from income	4,606,686	4,085,901	4,151,019
Income available for fixed charges	93,615,628	53,584,103	136,141,436
Income after fixed charges	58,606,561	19,689,368	99,454,058
Other deductions	3,109,639	3,323,225	3,287,844
Net income	55,496,922	16,366,143	96,166,214
Depreciation (way & structures & equip.)	38,064,525	37,236,553	36,188,341
Amortization of defense projects	4,236,294	6,309,720	1,375,853
Federal income taxes	55,911,400	19,331,846	73,936,424
Dividend appropriations:			
On common stock	24,558,491	5,024,106	21,812,179
On preferred stock	5,708,086	4,401,193	7,076,227
Ratio of income to fixed charges	2.67	1.58	3.71
TREASURY MARKET TRANSACTIONS IN DIRECT AND GUARANTEED SECURITIES OF U. S. A.—Month of October:			
Net sales	______	______	______
Net purchases	$8,444,450	$2,807,800	$5,848,750
UNITED STATES EXPORTS AND IMPORTS—BUREAU OF CENSUS—Month of Sept. (000's omitted):			
Exports	$1,231,000	*$1,267,000	$911,000
Imports	735,000	*880,000	861,733

Securities Now in Registration

★ REVISIONS THIS WEEK
• INDICATES ADDITIONS

New Registrations and Filings

American Motor Racing Corp.
Nov. 14 (letter of notification) 60,000 shares of preferred stock (par $5) and 1,200 shares of common stock (no par) in units of 50 shares of preferred and one share of common stock. **Price**—$250 per unit. **Underwriter**—None. **Proceeds**—For acquisition of property, construction of race track, etc. **Office**—c/o Morris Orenstein, 31 Mamaroneck Ave., White Plains, N. Y.

Ancient River Channels Gold Mining Co.
Nov. 15 (letter of notification) 400,000 shares of common stock. **Price**—At par (10 cents per share). **Underwriter**—None, but Thomas H. Berry and William T. Berry will handle sales. **Proceeds**—For production and development of minerals from uranium mine. **Office**—Suite 1, Cornet Bldg., Las Vegas, Nev.

Arwood Precision Casting Corp.
Nov. 13 (letter of notification) $100,000 of unsecured 4% debentures due Oct. 1, 1961. **Price**—At par (in denominations of $100 each). **Underwriter**—None. **Proceeds**—For working capital. **Office**—70 Washington St., Brooklyn 1, N. Y.

Baxter Laboratories, Inc.
Nov. 21 filed 125,000 shares of common stock (par $1), of which 100,000 shares will be for the account of selling stockholders and 25,000 shares for the account of the company (latter amount to be offered to company's employees). **Price**—To be supplied by amendment. **Underwriter**—Lehman Brothers, New York. **Proceeds**—To company, to be used for working capital.

Broderick & Bascom Rope Co., St. Louis, Mo.
Nov. 19 filed 75,000 shares of class A common stock (par $1). **Price**—To be supplied by amendment. **Underwriter**—McCormick & Co., Chicago, Ill. **Proceeds**—To repay bank loans and commercial paper.

Carolina Natural Gas Corp., Charlotte, N. C.
Nov. 15 (letter of notification) 4,740 shares of common stock (par $2.50) to be offered to certain creditors at rate of $6.66⅔ per share to pay debt aggregating $31,600. **Underwriter**—None.

Carolina Natural Gas Corp., Charlotte, N. C.
Nov. 21 filed $1,000,000 of 6% debentures due Dec. 1, 1976, and 100,000 shares of common stock (par $2.50) to be offered in units of $100 of debentures and 10 shares of common stock. **Price**—$150 per unit. **Underwriter**—R. S. Dickson & Co., Charlotte, N. C. **Proceeds**—For construction program.

Catalin Corp. of America
Nov. 16 filed 281,243 shares of common stock (par $1) to be offered for subscription by common stockholders at rate of one share for each two shares held. **Price**—To be supplied by amendment. **Underwriter**—None. **Proceeds**—For capital expenditures and working capital.

Central Telephone Co., Lincoln, Neb.
Nov. 20 filed 20,000 shares of cumulative convertible preferred stock (par $50). **Price**—To be supplied by amendment. **Underwriters**—To be named later, probably Paine, Webber, Jackson & Curtis and Loewi & Co. **Proceeds**—From sale of stock, together with $500,000 from private placement of first mortgage and collateral lien sinking fund bonds, to be used to retire bank loans, to repay advances from Central Electric & Gas Co., parent, and for new construction.

Colorado Fuel & Iron Corp. (12/5)
Nov. 15 filed $10,000,000 of convertible sinking fund debentures due Dec. 1, 1966. **Price**—To be supplied by amendment. **Underwriter**—Allen & Co., New York. **Proceeds**—From sale of debentures, together with funds from private sale of $30,000,000 of 4¼% first mortgage bonds due 1972, to be used to redeem $14,437,500 of outstanding first mortgage 4% bonds, to repay bank loans and for construction of a new mill at Pueblo, Colo.

Community Consumers Discount Co. of Sunbury, Pennsylvania
Nov. 14 (letter of notification) $50,000 10-year 6% debenture bonds, series A, due July 1, 1961. **Price**—At par (in units of $500 each). **Underwriter**—J. H. Drass & Co., Inc., Sunbury, Pa. **Proceeds**—To reduce bank borrowing and for loans. **Office**—214 Market St., Sunbury, Pa.

Diamond Alkali Co., Cleveland, O. (12/6)
Nov. 15 filed 120,000 shares of cumulative preferred stock (par $100) to be convertible for a period of 10 years. **Price**—To be supplied by amendment. **Underwriter**—The First Boston Corp., New York. **Proceeds**—For expansion program.

Distributors Candy Co., Chicago, Ill.
Nov. 19 filed 200,000 shares of class A common stock (par $10) and 50,000 shares of class B common stock (no par), of which the class A stock and 25,000 shares of class B stock are to be offered in units of eight shares of class A and one share of class B; the remaining 25,000 class B shares are to be issued for an option to acquire the Schutter Candy Division of Universal Match Corp. **Price**—$82 per unit. **Underwriter**—None. **Proceeds**—To be applied toward purchase price of Schutter properties.

Dow Chemical Co., Midland, Mich. (1/3)
Nov. 16 filed 200,000 shares of common stock (par $15) of which 133,202 shares are to be offered to common stockholders of record Dec. 14 at rate of one share for each 50 shares held. Subscriptions must be filed between Jan. 3 and Jan. 25, 1952. The remaining 66,798 shares are to be offered to employees of the company and its subsidiaries. **Price**—To be supplied by amendment. **Underwriter**—None. **Proceeds**—For capital additions to plants and facilities and for other corporate purposes.

El Paso Natural Gas Co. (12/5)
Nov. 15 filed 100,000 shares of sinking fund first preferred stock (par $100). **Price**—To be supplied by amendment. **Underwriter**—White, Weld & Co., New York. **Proceeds**—To repay about $7,000,000 bank loans and for new construction.

Electronics & Nucleonics, Inc., N. Y.
Nov. 8 (letter of notification) 1,998,000 shares of common stock (par 1 cent). **Price**—15 cents per share. **Underwriter**—Israel & Co., New York. **Proceeds**—For additional equipment and working capital. **Offering**—Now being made.

General American Oil Co. of Texas
Nov. 14 (letter of notification) 250 shares of common stock (par $5). **Price**—At market (about $53 per share). **Underwriters**—Sanders & Newsom; Merrill Lynch, Pierce, Fenner & Beane; Beer & Co.; and E. H. Hutton & Co.; all of Dallas, Tex. **Proceeds**—To stockholders of record Nov. 16, 1951 entitled to fractional shares as a result of the 5% stock dividend declared by the directors.

General Telephone Corp. (12/10)
Nov. 19 filed 240,000 shares of convertible preferred stock (par $50). **Price**—Expected to be not less than $50 per share. **Underwriters**—Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp., of New York; and Mitchum, Tully & Co., San Francisco, Calif. **Proceeds**—To make additional investments in common stock equities of subsidiaries and temporary advances to subsidiaries for reduction of their bank loans and for use in connection with their 1951 and 1952 construction program, and for other general corporate purposes. **Meeting**—Stockholders will vote Dec. 10 on approving the new financing.

Giant Portland Cement Co.
Nov. 7 (letter of notification) 16,650 shares of common stock (par $1). **Price**—At market (about $6 per share). **Underwriter**—Craigmyle, Pinney & Co., New York. **Proceeds**—To Louise Craigmyle, the selling stockholder.

Gulf Sulphur Corp., Washington, D. C. (11/26-30)
Nov. 16 filed 400,000 shares of common stock (par 10c). **Price**—$1 per share. **Underwriter**—Peter Morgan & Co., New York. **Proceeds**—To purchase additional equipment and for advances to Compania de Azufre Veracruz, S. A., for drilling expenses. **Offering**—Expected next week.

Hamilton Manufacturing Co. (12/17-22)
Nov. 15 filed 200,000 shares of common stock (par $5). **Price**—To be supplied by amendment. **Underwriters**—Loewi & Co., Milwaukee, Wis., and A. C. Allyn & Co., Inc., Chicago, Ill. **Proceeds**—For expansion program.

Hubbell (Harvey), Inc., Bridgeport, Conn. (12/6)
Nov. 15 filed 25,000 shares of common stock (par $5). **Price**—To be supplied by amendment. **Underwriters**—Paul H. Davis & Co., Chicago, Ill., and Estabrook & Co., Boston, Mass. **Proceeds**—To Mrs. Louis E. Roche, a director.

Hycon Manufacturing Co., Washington, D. C.
Nov. 13 (letter of notification) 290,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Underwriters**—Gearhart, Kinnard & Otis, Inc., New York, and White & Co., St. Louis, Mo. **Proceeds**—For working capital. **Offering**—Expected any day.

Indiana Gas & Water Co., Inc. (11/28)
Nov. 15 filed 66,000 shares of common stock (par $10) to be offered to common stockholders of record Nov. 28 at rate of one new share for each 10 shares held, with rights to expire on or about Dec. 12; employees entitled to purchase unsubscribed shares. **Price**—To be supplied by amendment. **Underwriter**—Blyth & Co., Inc., New York. **Proceeds**—From sale of stock, together with funds from sale of $2,000,000 first mortgage bonds, series B, due 1980, to be used for construction program.

Indiana Telephone Corp., Indianapolis, Ind.
Nov. 13 (letter of notification) 3,000 shares of 4.80% cumulative preferred stock, 1951 series. **Price**—At par ($100 per share). **Underwriter**—City Securities Corp., Indianapolis, Ind. **Proceeds**—For working capital.

Lock-On Brake Lining Corp.
Nov. 15 (letter of notification) 12,290 shares of capital stock, of which 6,145 shares are to be issued to Bee Dragani for license agreement without cash consideration and 6,145 shares will be offered to public. **Price**—At par ($10 per share). **Underwriter**—None. **Proceeds**—For equipment. **Office**—620 North Almont Drive, Los Angeles, Calif.

Massachusetts Life Fund, Boston, Mass.
Nov. 15 filed 200,000 units of beneficial interest in the Fund. **Price**—At market. **Underwriter**—None. **Proceeds**—For investment.

Matchieson Chemical Corp., Baltimore, Md. (12/11)
Nov. 20 filed 180,000 shares of convertible preferred stock, 1951 series (par $100). **Price**—To be supplied by amendment. **Underwriters**—Dillon, Read & Co. Inc. and Stone & Webster Securities Corp., New York. **Proceeds**—To repay bank loans and to rehabilitate Morgantown Ordnance Works.

McCormick & Co., Inc., Baltimore, Md.
Nov. 14 filed 500 shares of 5% cumulative preferred stock (par $100), 4,000 shares of common voting stock (no par) and 6,000 shares of common non-voting stock (no par). **Price**—For preferred, $100 per share, and for both classes of common stock, $25 per share. **Underwriter**—None. **Proceeds**—For working caiptal. **Office**—414 Light St., Baltimore 2, Md.

Midvale Co.
Nov. 15 (letter of notification) up to, but not exceeding, 5,405 shares of capital stock (no par). **Price**—At market (about $18.50 per share). **Underwriter**—None. Shares will be sold on the New York Curb Exchange and on the over-the-counter market. **Proceeds**—To Baldwin Securities Corp., Philadelphia, Pa.

New Brunswick (Province of)
Nov. 15 filed $10,000,000 of 19-year sinking fund debentures, due Dec. 1, 1970. **Price**—To be supplied by amendment. **Underwriter**—Halsey, Stuart & Co. Inc. **Proceeds**—To repay bank loans and for new construction.

Oliver Corp., Chicago, Ill.
Nov. 16 filed 54,325 shares of common stock (par $1), of which 51,250 shares are to be offered in exchange for $5 par common stock of A. B. Farquhar Co. (Pa.) at rate of one Oliver share for each four Farquhar shares, subject to acceptance of such offer by holders of at least 99% of outstanding Farquhar stock (or such lesser amount, not less than 80%, as may be approved by Oliver). **Underwriter**—None.

Overseas Merchants Corp.
Nov. 16 (letter of notification) 10 shares of common stock (no par). **Price**—$1,000 per unit. **Underwriter**—E. M. Warburg & Co. Inc., New York. **Proceeds**—To Eric M. Warburg, the selling stockholder. **Office**—52 William St., New York.

Pacific Finance Corp. of California
Nov. 15 filed 147,687 shares of common stock (par $10) to be offered in exchange for common stock of Contract Purchase Corp. in the ratio of 1¼ shares of Pacific common for each Contract Purchase Corp. share. The offer is subject to acceptance of at least 80% of the outstanding shares of Contract. **Underwriter**—None.

Pacific Mining Co., Inc., Seattle Wash.
Nov. 14 (letter of notification) 100,000 shares of common stock (par 25 cents). **Price**—$1 per share. **Underwriter**—None. **Proceeds**—To retire obligations. **Office**—418 Lloyd Bldg., Seattle, Wash.

Procter & Gamble Co., Cincinnati, O.
Nov. 14 filed 300,000 shares of common stock for sale to certain employees under the terms of the Procter & Gamble Stock Option Plan.

Security Title & Guaranty Co., N. Y.
Nov. 13 (letter of notification) 150,000 shares of common stock (par $1). **Price**—$2 per share. **Underwriter**—Dansker Brothers & Co., Inc.; Hunter & Co.; and Greenfield & Co., Inc., all of New York. **Proceeds**—For working capital. **Office**—342 Madison Ave., New York 17, N. Y.

Smith Investment Co., Milwaukee, Wis.
Nov. 16 (letter of notification) 14 shares of common stock (par $10). **Price**—$7,000 per share. **Underwriter**—Gardner F. Dalton & Co., Milwaukee, Wis. **Proceeds**—To Estate of Lloyd R. Smith, deceased. **Co.'s Address**—P. O. Box 584, Milwaukee, Wis.

Southeastern Public Service Co.
Nov. 14 (letter of notification) 8,626 shares of common stock (par 10 cents) to be issuable at $3.50 per share upon exercise of stock purchase warrants prior to June 30, 1953, at $3.50 per share. **Price**—At the market (about $5.87½ per share). **Underwriter**—Troster, Singer & Co., New York. **Proceeds**—For working capital.

Soya Corp. of America
Nov. 13 (letter of notification) 9,600 shares of common stock (par 1 cent). **Price**—At market (approximately 40 cents per share). **Underwriter**—Jacquin, Stanley & Co., New York. **Proceeds**—To underwriter for services rendered.

Stasy Chemical Inc., Stoneham, Mass.
Nov. 15 (letter of notification) 5,000 shares of capital stock, of which 3,000 shares are to be offered to officers of corporation and 2,000 shares to public. **Price**—$10 per share. **Underwriter**—None. **Proceeds**—To establish plant. **Office**—64 Central St., Stoneham, Mass.

Suburban Gas Service, Inc., Upland, Calif.
Nov. 16 (letter of notification) $200,000 of 12-year 6% sinking fund debentures, series B, with common stock purchase warrants attached (warrants attached to each $1,000 debenture will entitled holder to purchase 50 shares of $1 par common stock). **Price**—At par. **Underwriters**—Wagenseller & Durst, Inc. and Lester, Ryons & Co., Los Angeles, Calif. **Proceeds**—To purchase equipment.

Thatcher Glass Mfg. Co.
Nov. 14 (letter of notification) 3,000 shares of common stock (par $5). **Price**—At market (about $15 per share).

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Underwriter—Coleman, Fagan & Co. (as brokers) clearing through L. F. Rothschild & Co., New York. **Proceeds**—To Mrs. Helene Le Berthon Pollock, the selling stockholder.

United Fire & Casualty Co., Cedar Rapids, Iowa
Nov. 16 (letter of notification) 2,161 shares of capital stock (par $10) to be offered for subscription by stockholders. **Price**—$26 per share. **Underwriter**—None. **Proceeds**—To restore capital. **Office**—810 First Ave., N. E., Cedar Rapids, Ia.

Uranium Exploration Co., Salt Lake City, Utah
Nov. 13 (letter of notification) 50,000 shares of common stock (par 25 cents). **Price**—50 cents per share. **Underwriter**—None. **Proceeds**—For machinery and equipment.

Van Norman Co., Springfield, Mass. (12/11)
Nov. 21 filed $2,500,000 of convertible sinking fund debentures due Dec. 1, 1971. **Price**—To be supplied by amendment. **Underwriter**—Paine, Webber, Jackson & Curtis, Boston, Mass. **Proceeds**—For machinery and working capital.

Vanadium-Alloys Steel Co., Latrobe, Pa.
Nov. 8 (letter of notification) 2,814 shares of capital stock (no par) to be issued by the company to employees under its annual profit-sharing plan.

Victorean Instrument Co., Cleveland, Ohio
Nov. 16 (letter of notification) 7,266 shares of common stock (par $1). **Price**—At market (approximately $4.37½ per share. **Underwriter**—Saunders, Stiver & Co., Cleveland, O. **Proceeds** — To Ernest A. Benson, the selling stockholder. **Office**—3800 Perkins Ave., Cleveland, O.

Vitro Manufacturing Co., Pittsburgh, Pa. (11/29)
Nov. 8 filed 100,000 shares of common stock (par 50 cents). **Price**—To be supplied by amendment. **Underwriter**—Blyth & Co., Inc., New York. **Proceeds**—To purchase equipment and for working capital.

Previous Registrations and Filings

★ **Abbott Laboratories, Chicago, Ill.**
Oct. 25 filed 106,851 shares of 4% cumulative preferred stock (par $100), convertible into common stock prior to Jan. 1, 1962, being 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**—$100 per share. **Underwriter**—A. G. Becker & Co. Inc., Chicago, Ill. **Proceeds**—For capital expenditures and working capital.

Acme Industries, Inc., Jackson, Mich.
Sept. 12 (letter of notification) 14,840 shares of common stock (par $1), of which 4,840 shares are to be offered to officers and employees of company and 10,000 shares to the public. **Price**—To employees, $3.08 per share and to public $3.50 per share. **Underwriters**—Stoetzer, Faulkner & Co. and Wm. C. Roney & Co., both of Detroit, Mich. **Proceeds**—To Estate of Roy C. Weatherwax, the selling stockholder.

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.

Almadon-Santa Clara Vineyards, San Francisco
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 cumulative convertible 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 (with over-subscription privileges); rights to expire on Dec. 19. **Price**—To be supplied by amendment. **Underwriter**—Allen & Co., New York. **Proceeds**—For capital expenditures and working capital and other corporate purposes.

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.

Arcturus Electronics, Inc., Newark, N. J.
Oct. 26 (letter of notification) 100,000 shares of class A stock to be issued upon exercise of option warrants by Dec. 1, 1951, at 10 cents per share. **Price**—56¼ cents per share. **Underwriter**—None. **Proceeds**—For general corporate purposes, to be used mainly to increase manufacturing facilities. **Office**—54 Clark Street, Newark, New Jersey.

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.

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.

Blair (Neb.) Telephone Co.
July 18 (letter of notification) $175,000 of first mortgage 4% bonds, series A, due 1971. **Price**—101 and accrued interest. **Underwriter** — Wachob-Bender Corp., Omaha, Neb. **Proceeds**—To retire first mortgage (closed) 3½% bonds and to convert to dial operation.

Burlington Mills Corp.
March 5 filed 300,000 shares of convertible 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 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.

★ **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**—To be received up to 11 a.m. (EST) on Nov. 27 at office of Commonwealth Services, Inc., 20 Pine St., New York 5, N. Y. Statement effective Nov. 14.

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 opened at 11 a.m. (EST) on Dec. 5 at 443 Congress St., 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. **Bids**—Expected to be opened at 11:30 a.m. (EST) on Dec. 5 at 443 Congress St., Portland, Me.

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**—To be received up to 11:30 a.m. (EST) on Nov. 26, at 120 East 41st St., New York, N. Y.

★ **Consolidated Engineering Corp. (12/4)**
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 at $2.17391 per share. **Price**—To be supplied by amendment. **Underwriter**—Blyth & Co., Inc. **Proceeds**—To retire notes and for working capital.

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.

★ **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. Statement effective Nov. 9.

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.

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.)**
Nov. 13 (amendment) filed 452 shares of class A common stock (par $100); 5,706 shares of 5% preferred stock (par $100), cumulative beginning three years from July 10, 1950); 7,597 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). Of the 5,706 shares of 5% class B stock, 706 shares are for the account of Fosgate Growers Cooperative. **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 to be withdrawn.

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.

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.

Helio Aircraft Corp., Norwood, Mass.
July 31 (letter of notification) 7,750 shares of non-cumulative preferred stock (par $1) and 7,750 shares of common stock (par $1) to be offered in units of one share of preferred and one share of common stock. **Price**—$25 per unit ($20 for preferred and $5 for common). **Underwriter**—None. **Proceeds**—For development and promotion expenses. **Office**—Boston Metropolitan Airport, Norwood, Mass.

Hex Foods, Inc., Kansas City, Mo.
Aug. 1 (letter of notification) 89 shares of 6% cumulative preferred stock (par $100) and 424 shares of common stock (no par). **Price**—For preferred, at par; and for common, at $20 per share. **Underwriter** — Prugh, Combest & Land, Inc., Kansas City, Mo., will act as dealer. **Proceeds**—For plant improvements and general corporate purposes. **Office**—412 W. 39th St., Kansas City, Mo.

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.

★ 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. **Dealer-Managers**—Boettcher & Co., Denver, Colo.; J. Barth & Co., San Francisco, Calif.

★ Imperial Oil Ltd., Toronto, Canada
Oct. 31 filed 2,713,384 shares of capital stock (no par) being 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; rights to expire Dec. 19. **Price**—$29.50 (Canadian) per share. **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.

★ Johnston Testers, Inc., Houston, Tex. (11/23)
Oct. 29 filed 540,000 shares of common stock (par $1). **Price**—$8 per share. **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-Heenan & 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.

★ Lau Blower Co., Dayton, Ohio (12/3-8)
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.

★ Lawyers Title Insurance Corp., Richmond, Va.
Oct. 16 filed 60,000 shares of capital stock (par $5), being offered to stockholders of record Nov. 8 at rate of one share for each nine shares held; rights to expire Dec. 20. Unsubscribed shares will be offered for sale in one lot at auction on Dec. 21. **Price**—At par ($5 per share). **Underwriter**—None. **Proceeds**—To enlarge capital and for investment. Statement effective Nov. 6.

NEW ISSUE CALENDAR

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
Gulf Sulphur Corp.____Common
St. Louis-San Francisco Ry. noon (EST)____Equip. Trust Ctfs.

November 27, 1951
Central Illinois Light Co. 11 a.m. (EST)____Bonds
West Coast Telephone Co.____Common

November 28, 1951
Indiana Gas & Water Co., Inc.____Common
Missouri Pacific RR.____Equip. Trust Ctfs.
Pacific Telephone & Telegraph Co.____Common

November 29, 1951
Vitro Manufacturing Co.____Common

December 3, 1951
Central Hudson Gas & Electric Corp.____Preferred
Ferro Corp.____Common
Lau Blower Co.____Common
Norden Laboratories Corp.____Common
Pittsburgh Coke & Chemical Co.____Preferred

December 4, 1951
American Bosch Corp.____Preferred
Consolidated Engineering Corp.____Common
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. 11:30 a.m. (EST)___Com.
Colorado Fuel & Iron Corp.____Debentures
El Paso Natural Gas Co.____Preferred
New York, Chicago & St. Louis RR.___Eq. Tr. Ctfs.

December 6, 1951
Diamond Alkali Co.____Preferred
Hubbell (Harvey), Inc.____Common
Texas & Pacific Ry.____Equip. Trust Ctfs.

December 10, 1951
General Telephone Corp.____Preferred
Penn Controls, Inc.____Common

December 11, 1951
Carolina Natural Gas Corp.____Debs. & Stock
Mathieson Chemical Corp.____Preferred
Van Norman Co.____Debentures
Virginia Electric & Power Co. 11 a.m. (EST)_Bonds

December 12, 1951
Long Island Lighting Co. 11 a.m. (EST)____Bonds

December 17, 1951
Hamilton Manufacturing Co.____Common
Penn Fruit Co.____Preferred

January 3, 1952
Dow Chemical Co.____Common

January 22, 1952
Indiana & Michigan Electric Co.____Bonds & Notes

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. (12/12)
Oct. 31 filed $25,000,000 of first mortgage bonds, series D, due 1976. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc. and The First Boston Corp. (jointly); Lehman Brothers; Kidder, Peabody & Co.; Smith, Barney & Co.; W. C. Langley & Co.; Union Securities Corp.; Equitable Securities Corp.; White, Weld & Co. **Proceeds**—From sale of bonds, together with proceeds from sale of 100,000 shares of preferred stock (par $100), will be used to retire $14,493,400 of bonds of former subsidiaries, to repay bank loans and for construction program. **Bids**—To be opened at 11 a.m. (EST) on Dec. 12 at City Bank Farmers Trust Co., 20 Exchange Place, New York.

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.

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.

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 notificaion) 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 Phoenix Industries, Inc., 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 National Phoenix Industries, Inc., stock 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. **Dealer-Manager**—Reynolds & Co., New York. **Proceeds**—To pay expenses of existing business and for acquisition of other businesses (final payment for purchase of Nedick's Inc. was made on Nov. 15). Statement effective Nov. 8.

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 otstanding, 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) being offered for subscription by stockholders at rate of one share for each five shares held as of Nov. 22; rights to expire at close of business on Dec. 5. **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.

★ Norden Laboratories Corp. (Conn.) (12/3-8)
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**—Expected at $3 per share. **Underwriter**—Van Alstyne Noel Corp., New York. **Proceeds**—To purchase additional equipment and for working capital. **Offering**—Expected week of Dec. 3.

★ Northern Indiana Public Service Co.
Oct. 30 (letter of notification) 240,000 shares of 4.56% cumulative preference stock (par $25) being offered to common stockholders of record Nov. 9 at rate of one shares for each 12½ common shares held; rights to expire Dec. 3. **Price**—$24 per share. **Underwriters**—Central Republic Co., Inc.; Blyth & Co., Inc.; and Merrill Lynch, Pierce, Fenner & Beane. **Proceeds**—For construction program. Statement effective on Nov. 19.

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.

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. (11/28)
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

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$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.

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.

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.

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 Coke & Chemical Co. (12/3-4)
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.

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 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 in early December.

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.

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.

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, but unsubscribed shares will be purchased by two individuals. **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.

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.

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.

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.

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.

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.

★ 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 at 11 a.m. (EST) on Dec. 11.

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. (11/27)
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.

★ Wisconsin Central Airlines, Inc.
Nov. 5 (letter of notification) 61,667 shares of common stock (par $1), of which 51,667 shares are being offered to stockholders of record Nov. 20 on a one-for-three basis, with an over-subscription privilege, with rights expiring on Nov. 29, the remaining 10,000 shares are being offered to employees. **Price**—To stockholders and employees at $2.75 per share. **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.

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.

● Atlas Plywood Corp.
Nov. 15 it was announced stockholders will vote Dec. 4 on creating a new issue of 120,000 shares of $2.50 cumulative convertible preferred stock (par $50). **Traditional Underwriter**—Van Alstyne Noel Corp., New York. **Proceeds**—To repay $2,500,000 bank loans and for plant expansion and working capital.

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.

● Black, Sivalls & Bryson, Inc.
Nov. 15 it was announced stockholders will vote Nov. 30 on authorizing a new issue of 25,000 shares of 4¾% cumulative preferred stock (with common stock purchase warrants attached). May be placed privately.

Central Louisiana Electric Co., Inc.
Oct. 10 it was reported company plans in this year 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).

● Chesapeake & Ohio Ry.
Nov. 9 it was reported company plans issuance and sale of $8,850,000 equipment trust certificates early in December. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

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.

Cincinnati Gas & Electric Co.
April 7 it was reported company expects to market late this year or early in 1952 between $25,000,000 and $30,000,000 of new bonds. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Kuhn, Loeb & Co. and Salomon Bros. & Hutzler (jointly); Blyth & Co., Inc., and The First Boston Corp. (jointly); Union Securities Corp.; Glore, Forgan & Co. and White, Weld & Co. (jointly); Lehman Brothers; Harriman Ripley & Co., Inc.; Merrill Lynch, Pierce, Fenner & Beane. Proceeds will be used for construction program.

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.

● County Gas Co., Atlantic Highlands, N. J.
Nov. 15 it was announced company will pay about $15,000,000 for the gas properties of Jersey Central Power & Light Co. Method and type of securities to be sold to finance this purchase not yet determined.

● Dayton Power & Light Co.
Nov. 13 it was reported that company may soon do some additional financing in connection with its construction program. **Underwriters**—For any bonds to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Blyth & Co., Inc. and The First Boston Corp. (jointly); Lehman Brothers; Union Securities Corp.; Merrill Lynch, Pierce, Fenner

& Beane; Harriman Ripley & Co., Inc. If common stock, underwriters may include Morgan Stanley & Co. and W. E. Hutton & 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.

● Florida Power Corp.
Nov. 19 the company sought FPC permission to issue up to $10,000,000 of unsecured promissory notes to mature not later than Dec. 31, 1952. The notes for the initial borrowing would bear interest at rate of 3%.

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.

Hahn Aviation Products, Inc.
Aug. 24 it was announced company proposes to offer 12,500 additional common stock (par $1), in addition to 17,500 shares recently offered. **Underwriter** — None. **Proceeds** — For engineering, acquisition of machinery and other corporate purposes. **Office**—2636 No. Hutchinson St., Philadelphia 33, Pa.

Illinois Bell Telephone Co.
June 27 W. V. Kahler, President, announced that this company (approximately 99.31% owned by American Telephone & Telegraph Co.) plans issuance and sale, sometime before the end of the year, of 682,454 additional shares of capital stock to its stockholders. **Underwriter**—None. **Proceeds**—To repay short-term loans and for new construction.

● Illinois Central RR.
Nov. 16, the directors authorized, pending a favorable market, the issue and sale of up to $25,000,000 of consolidated mortgage bonds. **Underwriter**—Kuhn, Loeb & Co., New York. **Proceeds**—To retire debt maturing in next four years and to replace depleted working capital.

● Indiana & Michigan Electric Co. (1/22)
Nov. 20 it was announced company plans to issue and sell $17,000,000 of first mortgage bonds due 1982 and $6,000,000 of serial notes due 1956 to 1967, inclusive. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Union Securities Corp.; Harriman Ripley & Co., Inc. **Proceeds**—To repay bank loans and for new construction. **Registration**—Expected Dec. 19. **Bids**—Expected to be received on Jan. 22.

Iowa-Illinois Gas & Electric Co.
Oct. 8 it was announced that the company contemplates issuance and sale over the next three years of about 60,000 shares of preferred stock (par $100) or $6,000,000 in debentures; also an issue of about $12,000,000 in first mortgage bonds. **Underwriters**—For bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Harriman Ripley & Co., Inc., Union Securities Corp. and White, Weld & Co. (jointly); Equitable Securities Corp.; Glore, Forgan & Co.; Harris, Hall & Co. (Inc.); Lehman Brothers; Blyth & Co.; The First Boston Corp.; Smith, Barney & Co. The following may bid for preferred stock: Blyth & Co., Inc.; Merrill Lynch, Pierce, Fenner & Beane; Kidder, Peabody & Co., in addition to those mentioned as probable bidders for the bonds, with the exception of Halsey, Stuart & Co. Inc. Proceeds from the sale of the preferred stock or debentures (probably late this year) will be used to retire a $6,000,000 bank loan used to finance, in part, the company's construction program.

● Iowa Southern Utilities Co.
Nov. 14 it was announced company contemplates the sale of approximately $3,000,000 of $30 par cumulative preferred stock (convertible series), the proceeds to be used, together with $7,000,000 from bank loans, toward cost of construction program. Probable underwriter: The First Boston Corp., New York. The bank loans will later be repaid through sale of additional first mortgage bonds. Company also contemplates sale of approximately $5,000,000 of additional securities in 1953.

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.

● Kings County Lighting Co.
Nov. 13 company applied to New York P. S. Commission for authority to issue $1,100,000 of first mortgage 25-year bonds, $2,300,000 of 10-year serial notes; $800,000 of 20-year convertible debentures. To be placed privately through Smith, Barney & Co., New York.

● Laclede Gas Co.
Nov. 10 it was announced company has requested Mississippi River Fuel Corp. to dispose of its Laclede Gas Co. (248,400 shares, or 8.2% of total 3,039,860 shares outstanding). Latter has appealed to Missouri P. S. Commission and the SEC.

● Marshall Field & Co., Chicago, Ill.
Nov. 8 it was reported company may be planning additional financing in the future. **Underwriter**—Probably Glore, Forgan & Co. and Lee Higginson Corp.

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.

● Middle East Industries Corp., N. Y.
Oct. 31 it was announced company plans to expand its capitalization in the near future and to register its securities with the SEC preliminary to a large public offering, the funds to be used to build new industrial projects in Israel.

● Missouri Pacific RR. (11/28)
Nov. 13 it was announced company has applied to ICC for authority to issue and sell $6,525,000 of equipment trust certificates, series QQ, to mature annually Dec. 15, 1952 to 1966, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler. **Bids**—Expected to be received on Nov. 28.

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, Chicago & St. Louis RR. (12/5-6)
Nov. 9 it was reported company plans to issue and sell $1,950,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harris, Hall & Co. (Inc.).

★ Niagara Mohawk Power Corp.
Nov. 19 company sought permission of New York P. S. Commission to issue and sell 1,000,000 additional shares of common stock and $15,000,000 of general mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: For bonds—Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Kuhn, Loeb & Co.; The First Boston Corp. For stock: Merrill Lynch, Pierce, Fenner & Beane. **Proceeds**—To repay bank loans and for construction expenditures.

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.

● Penn Fruit Co., Philadelphia, Pa. (12/17-19)
Nov. 9 it was reported that early registration is expected of 25,000 shares of convertible preferred stock (par $50) and 50,000 shares of common stock. **Underwriter**—Probably Hemphill, Noyes, Graham, Parsons & Co.

● Pennsylvania RR.
Nov. 16 it was reported that the company may soon sell an issue of equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

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.
Nov. 19 it was reported that company may issue additional securities sufficient to raise about $1,150,000. **Underwriter**—Cruttenden & Co., Chicago, Ill.

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.

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.
Nov. 14 stockholders voted to increase authorized common stock to 2,000,000 shares from 1,078,816 shares. No immediate financing is planned.

Ryan Aeronautical Co., San Diego, Calif.
Aug. 4 it was announced company plans to increase its authorized capital stock (par $1) from 500,000 to 1,000,000 shares in order to place it in a position to do appropriate financing of some form of its own securities if and when advantageous to the company. The new financing may take the form of a general offering for sale to the public or granting of rights to stockholders; or the reservation for conversion of long-term indebtedness which could be issued with provision for convertibility into common stock. The company presently has outstanding 439,193 shares of capital stock, of which 45,350 shares are held by the wholly owned subsidiary, Ryan School of Aeronautics.

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 4½% first mortgage bonds and repay outstanding short-term bank notes which are due before the end of the year.

Southern California Edison Co.
Aug. 29 it was announced company may have to raise approximately $49,900,000 more through additional financing to take care of its 1951-1952 construction program. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Blyth & Co., Inc.; The First Boston Corp. and Harris, Hall & Co., Inc. (jointly). These bankers bid for the $30,000,000 issue of 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).

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• Suburban Propane Gas Corp.
Nov. 14 Mark Anton, President, announced that company plans to issue and sell preferred stock and long-term debentures to finance the purchase of Rulane Gas Co. and the redemption of the outstanding 5% preferred stock Traditional underwriter: Eastman, Dillon & Co., New York.

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).

• Thiokol Corp., Trenton, N. J.
Nov. 16 directors authorized an offering to stockholders of about 23,539 shares of capital stock (par $1) on basis of one new share for each 13 shares held (with an oversubscription privilege). **Price**—$9 per share. **Underwriter**—Probably J. G. White & Co., Inc., New York. **Proceeds**—For expansion and working capital.

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.
Nov. 19 it was reported company may be considering issuance and sale of additional common stock (par $10) which will involve about $200,000. **Underwriter**—Cruttenden & Co., Chicago, Ill.

• Uarco, Inc.
Nov. 9 it was announced that company is negotiating for a public offering of part of 200,000 unissued shares of proposed new common stock (par $10). **Traditional Underwriter**—Kidder, Peabody & Co., New York. **Meeting**—Stockholders on Dec. 4 will vote on increasing the authorized common stock from 300,000 no par shares to 600,000 shares of $10 par value, 1½ shares of the new stock to be issued in exchange for each no par share held.

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.

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.

Westinghouse Electric Corp.
Sept. 26, it was announced stockholders will vote Dec. 14 on increasing authorized indebtedness to $500,000,000 from $150,000,000 in connection with a $296,000,000 expansion program. Company plans sale of debt securities the type and amount of which are undetermined (may be private). Traditional underwriter: Kuhn, Loeb & Co., New York.

Wisconsin Public Service Corp.
Sept. 4 C. E. Kohlepp, President, announced company plans to build a $12,000,000 steam turbine power plant in Marathon County, Wis. Method of permanent financing has not yet been determined. If bonds, probable bidders may include: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Harris, Hall & Co. (Inc.); Kidder, Peabody & Co.; Carl M. Loeb, Rhoades & Co.; Salomon Bros. & Hutzler; Union Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane; Shields & Co.

Continued from page 5

Observations . . .

obtained are far superior to what we would have realized had we blindly followed a policy of ignoring the action of the market entirely.

You state in your rebuttal to Mr. Tabell that you recognize the importance of "*Psychological* elements which cause the detected divergence between a stock's market price and its appraised value," but under no conditions would you ever consider using technical market analysis. May I suggest that you are strengthening the case for the technical approach; may I suggest that once you take psychological influences into consideration, you automatically and by definition are employing the internal approach to market analysis.

Assuredly, the only way the psychological aspects, i.e., wider price fluctuations than appear reasonable, can even be identified is through the market's internal action—which in turn implies the use of technical market analysis methods.

I would go so far as to say, you and Mr. Tabell are actually in the same camp. The foundation of *both* technical and value analysis *must* rest on price fluctuations. In the final analysis both approaches base their premises on the past price fluctuations. (In one case charts are used, in the other, "multipliers.") How can "value" be determined without reference to price? It's like two fishermen fishing with identical rods and reels in the same stream, one using a dry fly and the other a wet fly. Their methods are pretty much alike even though they will argue the relative merits of the two flies far into the night.

If the psychological elements were not extremely important, stocks would tend to sell at a fixed price-earnings ratio. In turn, if this were true, security analysis indeed would be very easy and value analysis would be sufficient. We all know that in practice price-earnings ratios fluctuate constantly and violently, which suggests the need for something in addition to value analysis. Mr. Tabell is supplying that "something."

Incidentally, you very often refer to a stock's "appraised value." What is that? If I remember correctly, one of the country's authorities in the field of fundamental security analysis announced in his book that during a recent year the "intrinsic value" of J. I. Case varied from 30 to 120. Really, isn't that a little far-fetched?

Sincerely yours,

RODGER W. BRIDWELL

Partner, Investors Research Company,
Santa Barbara, Cal.

Comment on Mr. Bridwell

We submit the following comments on Mr. Bridwell's points as indicated, selecting those seemingly embodying the maximum of agreement among that great majority in the investment community which opposes our purist value approach.

(1) My correspondent accuses me of dogmatically asserting that no possible good can come from technical market analysis.

To this I wholeheartedly plead guilty. Appealing as it may seem to solve our investing difficulties and to escape from our quandaries over which of the alternate paths to follow, simply by using them all together; nevertheless that easy compromise just is not practicable. Conference of prophetic qualities on "evidence" deduced from foregoing market performance is not validated merely by combining it with other approaches; with which they are indeed mutually exclusive. Affirmatively, such concurrent multiple policies, if really practiced, must inevitably entail confusion.

Really "Playing-by-Ear"

(2) Mr. Bridwell contends that simultaneous use of various methods, in contrast to my one-track value approach, is objective. Directly to the contrary, it seems to me, the flexible compromisers are the subjectively-impelled ones (no doubt unwittingly). Continued observation convinces me that the successful individuals, including the thousands who have written to Mr. Bridwell, who ascribe their achievements to simultaneous use of several policies, have really played the market "by ear." They have actually just been smart speculators (in a decade of a price-trebling bull market), whose explanation of their policies is mere *ex post facto* rationalization. Some Dow theory practitioner friends have been quite candid in acknowledging their heresy from the gospel at certain market periods when their signals got crossed—or hazy.

(3) Mr. Bridwell maintains that my recognition of the importance of psychological elements actually strengthens the case for the technical approach.

I do not see any inconsistency through my having stated that "I am not too much of a purist to see advantage in confirmation of value-analysis by occasional other elements." In practice I am reassured regarding the correctness of a conclusion derived through value-analysis, if it is subsequently confirmed by a recognized psychological fallacy or other foible of the crowd. The psychological factor is distinctly secondary, and not a concurrent tool. As I stated in bold type in the article referred to: **"But such quantitative investment-value criteria must always take precedence."** There is never a conflict; because the psychological elements are always secondary, and never at all determining.

Charts, Value and Prices

(4) Mr. Bridwell states that **both** technical and value analysis **must** rest on price fluctuations; with charts used in the former case and "multipliers" in the latter.

No! Appraised value or intrinsic value, in my concept, has nothing to do with past price or with estimating the size of the multiplier as such. On the contrary my basic thesis is that market price and value are distinct and separate, and that prices continually deviate from value. My valuation approach is not concerned with chasing prices; but, conversely, I do find that prices in time do tend to catch up—or down—with value (I am not contending for permanently conducting investing operations in a vacuum).

Of course, Mr. Bridwell's cited statement that "during a recent year the 'intrinsic value' of J. I. Case varied from 30 to 120" is absurd in its use of the term "intrinsic value." My particular method of estimating value is based on capitalizing the expected long-term dividend receipts at an annual rate which will yield an amount covering the rental value of the capital invested plus an amortization installment sufficient to pay back the capital over a term. The length of this term is adjusted to balance sheet strength, outlook for the industry, etc.; and with the result adjusted for the investor's particular personal income tax inroad.

The Real Estate Pattern

Life insurance companies who have entered into real estate development projects, amortize their capital over a period ranging from 25 to 50 years, with the balance of the annual gross rental credited to income.

One of the chief advantages in this approach is that it gives some meaning and realism to the multiplier; in lieu of making an end in itself of trying to estimate it on bases of past performance, convention, or other ephemeral standards.

Coincidentally, Mr. Bridwell's article, "Mature Companies—Study of Market Action Reveals Characteristic Pattern," in the current issue of "*BARRON'S Weekly*," in tying the definition of growth company, and judgment about a company's continuance in that elite category, to **price performance**, seems most forcefully to demonstrate one of the basic errors embraced by Messrs. Bridwell, Tabell, et al.

A. W. M.

Estimates Slight Reduction in 1952 Construction

Construction's dollar volume in the 37 eastern states is likely to run 10% less in 1952 than in 1951, in the opinion of F. W. Dodge Corp., construction news and marketing specialists.

The estimate was prepared by Thomas S. Holden, the F. W. Dodge President, jointly with Clyde Shute, Assistant Vice-President and manager of the statistical and research division, and is published in "Architectural Record."

"Construction projects which were refused allotments of critical metals in the fourth quarter of 1951 were deferred, not abandoned," it is pointed out. "Their requirements can be reconsidered and granted in later quarters. Consequently, these projects represent a certain amount of construction demand that will carry over into 1952." The study cites population growth and the other expansion factors which cause potential construction demand to accumulate during the current period of metal shortage.

"It seems obvious that the fourth-quarter dip in contract volume will carry over into 1952; it might even continue through the middle of the year," in the opinion of the F. W. Dodge officials. "If the anticipated improvement in the metals situation and consequent easing of controls take place, there should be a definite uptrend of contract volume in the second half of 1952."

Residential building will decline more than any other classification, according to the Dodge outlook, while public works and utilities will decline least. Expected dollar-volume declines percentage-wise are: Nonresidential, 6; residential, 16; and public and private works and utilities, 4; to make an over-all decrease of 10%. All classifications show expected declines, except privately owned utilities, marked for a 31% gain.

While the number of new dwelling unit starts is anticipated to decline 19% from 1951, based on the figures of the Bureau of Labor Statistics of the Department of Commerce, it is the opinion of the Dodge estimators that next year's total will be 850,000, which until recently was rated as very high volume.

Messrs. Holden and Shute anticipate smaller average sizes for 1952 houses, accompanied by a moderate rise in building costs.

Our Reporter's Report

There is no longer any doubt of the definite change which has come about in the field of new corporate offerings. Borrowers are paying the highest rates in years for their new money requirements and there is nothing yet to indicate that the peak in that direction has been reached.

The Treasury's long-term bonds, key to the general investment market, have been subject to inexorable pressure in recent weeks. It has been pronounced the last few days.

Conditions have been such as to make observers wonder why the Federal Reserve has not come to the market's aid. But so far there has been no evidence of any such move.

Weakness here, moreover, has found quick reaction in the tax-exempt market with the result that some potential new issues are being held in abeyance.

One of the largest such projects in recent years, Triborough Bridge Authority's huge consolidation loan, is now reported on a decidedly indefinite schedule.

Originally slated for market a week ago, it was held off presumably in hope of a turn for the better in seasoned issues. But the secondary market has moved persistently to a higher yield basis thus complicating the task of bankers and the issuer of this prospective $215,000,000 undertaking.

Levelling Off

With long-term governments now selling to yield an average return of 2.7% feeling is that the corporate high-grades probably will undergo further levelling off.

Ordinarily there is a spread of about ½ to ⅝ of a point between governments and top-grade corporates. That relationship exists in many instances but there are still spots where the gap remains wider.

Under the prevailing circumstances underwriters and dealers alike probably welcome the letdown which appears ahead in new issues for next week with only one medium-sized utility offering in prospect, the $8,000,000 issue on which Central Illinois Light is due to open bids on Tuesday.

Indicative of Trend

Reports now are current that a large-sized deal is in process of negotiation via the direct placement route. Although the identity of parties involved appears to be a well-guarded secret at the moment, it is understood that a coupon rate of 3¾% is being talked about.

This would compare with a rate of 3½% which was obtained by Westinghouse Electric Corp., on its recent private placement of $350,000,000 of securities with an average maturity of about eight years.

The change in institutional investor thinking appears to be pretty-well mirrored in this case.

Pacific Tel. & Tel.

Even though the yield basis of 3.35% was the highest for any American Telephone & Telegraph Co. subsidiary financing since the early 30s, Pacific Telephone & Telegraph Co.'s new issue appeared destined for slow reception this week.

Bankers paid the company 102.31999 for the $30,000,000 of 30-year debentures with a 3½% coupon and fixed a reoffering price of 102.8249.

Preliminary inquiry was slow, however, according to those in a position to check and it appeared that only a small part of the issue had been spoken for.

Western Maryland's Move

Meanwhile Western Maryland Railway's $14,950,000 of new general mortgage 4½s "caught fire" after a slow start, and looked to be pretty well cleaned up.

And in spite of the rather drab performance of the stock market, Sylvania Electric Products Inc.'s 200,000 shares of $4.40 convertible preferred stock, found ready buyers.

At the same time it was disclosed that of the $25,000,000 of new sinking fund debentures offered by the same company some 80% had been sold.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—When the opening bell is rung for the second session of the 82nd Congress, you can look for Oscar Chapman to be right in there pitching. Oscar will be pitching strategy to get himself authorized to build some fuel-fired electric generating capacity, for Oscar is known at the Capital as the Great Public Power Baron. He is also known, especially to high school children and the less informed, as the Secretary of the Interior.

Oscar is a boy who is not easily discouraged. The Interior Department tried some six different times during the last 10 years to get Congress to put it in the business of producing electricity from fuel as well as from hydro, and six times Interior was refused. Chapman has been a high Interior Department official since May 4, 1933, first as Assistant Secretary, then as Under Secretary, and finally as Secretary, the latter appointment coming Dec. 1, 1949.

In 1951, Oscar got his latest rebuff, and the incident sheds a great deal of light on the methods of operation of the man who, having conquered a good part of the world of power generation, seeks ever restlessly to build up his empire.

* * *

The story of how government is trying to annex the thermal as well as the hydro power business, however, goes back a long time. Under Roosevelt the drive was made ostensibly only for public hydro power. Here were vast streams which could be dammed, floods prevented, soil erosion diminished, and at the same time vast quantities of "cheap" power generated to bring economic heaven to earth.

Critics, including the privately-owned power industry, found a lot of flaws in this sweet dream of plenty for nothing. Among the principal shortcomings, said the industry, was that with a great part of the proposed Administration hydro projects, streamfall was not sufficiently steady and and reliable as to promise an adequate supply of firm power without the construction of standby steam electric generating capacity.

Even if one were to accept the doubtful "cost" figures for public hydro on most of these projects, said the industry, the necessity for constructing standby thermal power generating facilities utterly destroyed any claim that the resulting package was "cheap".

Naturally in having to deny that these projects would require steam standby facilities of considerable cost, and in further having to deny any intention of ever proposing to go into the steam power business, the public power boys had their style cramped. They had to wait a long time before asking for the steam plants and they had to proceed most cautiously.

But public recollection of promises is short-lived, and TVA finally made the grade three years ago by demanding the Johnsonville, Ky., steam plant because of a supposed grave shortage of power in the area for national defense power needs. The Watts Barr, Ky., plant followed.

* * *

Chapman, however, has yet to make the grade and get into the fuel-generated power business. The latest attempt was made near the close of the recent session of Congress, when there was a hue and cry over a fall in electric generating output in the Bonneville-Chapman power empire, occasioned by a shortage of water.

In almost nothing flat there emerged from a majority of the House Public Works Committee, a bill to allow Interior to spend $60 millions to build eight fuel generating plants in the Bonneville area, under Chapman's control, with an aggregate generating capacity of 400,000 kilowatts.

Since Truman usually supports the grab of his chief bureaucrats for power, whether it be over electric power literally, or over the daily activities of farmers, or over the practice of medicine, the Budget Bureau approved. The Defense Department warily interposed "no objection." Charles E. Wilson responded with a peculiar letter in which he seemed to support it and oppose it at the same time.

The Rules Committee by a vote of 6 to 4, shot the proposal back to the Public Works Committee "for further study," and that committee can finish the further "study" in five minutes time if the ducks are lined up for its passage in 1952, or "study" the project further for such length of time as it might take Chapman to mobilize his public power team for a successful push.

* * *

If the bi-partisan minority of nine members of the Public Works Committee headed by Rep. John T. Wood of Idaho has its facts straight, the attempt to get 400,000 KW additional generating capacity for public power looks strange, indeed.

The minority reported that the Department of the Interior blocked the request of the Tacoma municipal power company, which wanted to generate 460,000 KW on the Cowlitz River. The Interior Department blocked this request before the Federal Power Commission. This proceeding had been pending before the FPC for three years. It might have been built by now but for the jealousy of the public power barons. Furthermore, according to the minority, it would have generated 60,000 KW more of energy than is now, according to Chapman, so vitally needed for defense purposes.

Furthermore, according to the minority of the committee, a private company applied to the FPC for permission to build a hydro plant at Pelton, Ore., on the Deschutes River, to generate 120,000 KW, and this has not been approved by the FPC which, however, favored the Bonneville thermal power project in a report to the committee.

"As recently as September 6, 1951, the Munitions Board of the Department of Defense has directed a letter to the Federal Power Commission formally and officially requesting, in the name of defense, that these licenses be granted expeditiously," the minority opposed to Chapman formally asserted.

It is contended by these Congressmen that the availability of hydro generating equipment is so less short than thermal generating machinery, that these two projects could be constructed 18 months sooner than the Bonneville thermal generating plants. The latter would not be completed until 1954.

"Evidence shows that the rainfall and stream flow characteristics of these two non-Federal hydroelectric projects, being dissimilar from the upstream Columbia Basin projects, would serve to supply huge blocks of additional firming power required by the Northwest power pool," the minority said.

* * *

If these alleged facts embarrass Mr. Chapman, there is no sign of it. Only a few days ago, the Interior Department issued a "Reconnaissance Survey," which named 45 different thermal electric generating plants which the department said should be constructed in the Missouri basin.

The boys on the Hill expect Chapman to drive vigorously not only for his perhaps temporarily delayed fuel generating plants for Bonneville, but for similar plants elsewhere.

"Within the last few days has come the news of an impending power shortage in the Southeast," Senator Allen J. Ellender (D., La.) said recently. "This new calamity is expected to manifest itself early in 1952. I fully expect the Congress to be presented with another bill, this time to permit the construction by the government of additional steam generating plants in the Southeastern United States.

"The pattern is readily discernible. I have been in Congress for nearly 15 years, and the course of empire building is obvious to me. The advocates of more and yet more bureaucracy have tried for years to build with taxpayers' money new and bigger power plants. They are now using the guise of national emergency to urge that this socialistic type of legislation be approved," the Senator declared.

* * *

Oscar Chapman's fellow former Denver lawyer, Charles F. Brannan, Secretary of Agriculture, gave notice that he has recovered from the fright he had two or three weeks ago after the Senate Expenditures committee called him into account for setting more than a hundred thousand paid government agents to work to promote Brannan's enormous package of legislative proposals, called the "Family Farm Policy Review."

As reported in this column two weeks ago, Brannan denied he was promoting a program, in his appearance before committee, and was only asking the farmers for their opinions as how the Department of Agriculture was getting along.

Brannan also told friends that he was giving up the Family Farm business and wasn't going to promote any program. However, in a speech last week before the National Grange, he announced he was going to hold some more famers' meetings and hinted he would submit a program—only if asked to, of course, by Congress.

Brannan is a typical product of a class which rose from obscurity on the vehicle of bureaucracy. He left the practice of law in Denver to become "assistant regional attorney" for the Resettlement Administration. Later he became regional attorney in Denver for the Office of Solicitor, Department of Agriclture. In November 1941 he became regional director for the Farm Security Administration, the old Resettlement Administration reorganized into a brand new name.

In August 1944 Charley Brannan moved to Washington as the assistant administrator of Farm Security. From there he moved up until in June 1948 he became Secretary of Agriculture when the former Secretary Clint Anderson, decided he would rather try to become, as he did, Senator from New Mexico.

Resettlement Administration easily carried the honors with Congress in the '30s as the most radical of New Deal agencies. Its first boss was Rexford Guy Tugwell. Later Farm Security (ex-RA) was headed by C. B. "Beany" Baldwin, associated with the "Progressive Party" candidacy of Henry A. Wallace.

(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

"Clark Gable! — Clark Gable! — Who rushes to the office day after day to support this household — Clark Gable or Homer T. Beetleploop?"