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EDITORIAL

As We See It

"I sincerely hope that the foreign policy of the United States will not become a partisan political issue in the campaign (next year). I believe in a bipartisan approach to foreign policy. I don't want to give foreign interests, of any kind, the opportunity to enter into our domestic politics, and try to set Americans against one another. Partisan politics ought to stop at the water's edge. . . .

"I am happy to say that there are many patriotic Republicans who have the same view of this question. They have gladly given of their wisdom and their help because they put the country first, too. . . .

"But I am sorry to say that there is another group of Republicans—a group who want to put foreign policy into domestic politics. They want to play with dynamite, and they may have their way."

The above statements are taken from the speech of the President at the middle of last week to the National Women's Democratic Club, and they deserve a kind of analysis that they are all too unlikely to get. Of course, the President is in [illegible] but repeating some of the popular slogans about keeping foreign policy out of politics, and thanks to the frequency with which such ideas have been preached and the so-called high authority that has sponsored them, it is more than likely that relatively few citizens of the country will pause really to study the President's words or to recognize their implications.

Precisely what does the President mean—and what do all the others mean—when they use such

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Worldwide Consequences of American Labor Unionism

By PHILIP CORTNEY*
President of Coty International Corporation

Prominent industrial economist, terming employer-employee relations "simply detestable," maintains the real conflict is not between these two groups, but between minority of organized labor on one hand and majority of all unorganized labor on the other, and between labor unions themselves. Concludes if we do not limit the monopolistic power of unions and restore the employer's bargaining power, either the dollar will deteriorate into uselessness as medium of exchange, or else we will drift into regimented society.

Arthur Krock of the New York "Times" recently reported that General Eisenhower had declined an offer made to him by President Truman to be the 1952 Democratic candidate for President. According to this same report General Eisenhower is said have declined the offer because of fundamental disagreement with the President's labor and other policies. As we know Mr. Truman's labor policies it is rather easy to guess General Eisenhower's reasons for disagreement. My own view is that our country is plagued with the problem of labor unions and collective bargaining, the consequences of which may be disastrous nationally and internationally.

Philip Cortney

The questions of free convertibility of currencies and stability of exchange have been stressed as extremely important for a normal nonsubsidized expansion of world trade. However, professions of faith and wishes will not accomplish the purposes for which you are gathered in this conference. If we maintain labor

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*An address by Mr. Cortney before the Third Virginia World Trade Conference, Old Point Comfort, Va., Nov. 16, 1951.

No Steel Shortage!

By A. B. HOMER*
President, Bethlehem Steel Company

Calling steel shortage cry a myth, chief executive of second largest steel producer lays blame for insufficient steel in certain quarters on faulty distribution by Controlled Materials Plan. Says government assumes "life or death" powers over industry, and denounces neglect to increase ship production. Calls Merchant Marine "Fourth Arm of National Defense" and pleads for return of normal channels of steel distribution.

Many years ago an emperor named Nero fiddled on his violin while Rome burned. Many years ago a man named Aesop wrote a fable about a boy who called "wolf" too often. History has a habit of repeating itself.

A. B. Homer

Today Washington fiddles while the shipbuilding industry burns, and the cry is no longer "wolf" but "no steel."

We read about production cutbacks and program curtailments, attributed to lack of steel. But to those who know, that theme song is beginning to have a hollow sound.

Shipbuilding Program a Victim

The latest victim of this "no-steel" myth is our current shipbuilding program. That is something to think about, for if a big war comes, we'll need a great fleet of fast, modern cargo ships. Would they be ready? Could our shipyards build them quickly? How much time would we have? These are not idle, academic questions. They have a bearing on the security and the very existence of the United States of America. And in trying to measure our shipbuilding task in the event of general war, we must remember that foreign shipyards would be highly vulnerable to enemy attack. That would throw the main shipbuilding burden for the entire free world on our own industry, as in the last war.

That responsibility would be in extremely capable

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*An address by Mr. Homer before the Society of Naval Architects and Marine Engineers, New York City, Nov. 16, 1951.

IBA CONVENTION ISSUE SHORTLY—The "Chronicle" of Dec. 13 will be devoted to Annual Convention of the Investment Bankers Association of America currently in progress at Hollywood, Fla. Besides addresses and committee reports delivered at the Convention, the issue will include a 16-page pictorial section.

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.)

STUART M. BERINGER,
Analyst, P. W. Brooks & Co., Inc., New York City

W. R. Grace & Co.

It is something of a rarity to find in today's generally high market a top quality stock with a fine record of steady growth selling near its low for the past seven years, particularly when its dividend record is outstanding and its earnings highly satisfactory. However, W. R. Grace & Co. common stock is just such an issue. W. R. Grace & Co. is the outgrowth of a business which was founded roughly a century ago in Callao, Peru, and functions today as both a holding and an operating company. As a holding company it controls an undisclosed number of subsidiaries, reported to total over 50, engaged in steamship operations, manufacturing, agriculture, mining, banking and insurance. As an operating company it is engaged in extensive import and export activities in raw materials and manufactured goods.


Stuart M. Beringer

The Grace Line, Inc., probably the best known and most important of the company's subsidiaries, operates regularly scheduled passenger and freight services with a fast, modern fleet of 23 vessels between U. S. Atlantic and Pacific ports and Caribbean, Central and South American ports. Allied port operations carried on in these countries include stevedoring, lighterage, pier and warehousing operations, and freight forwarding.

Other domestic interests include: (1) an 88.9% interest in the Grace National Bank of New York (total assets about $124,000,000); (2) a 50% interest in Pan-American Grace Airways Inc., carrying passengers, freight and mail to South America; (3) Griswold & Co., which conducts a general insurance brokerage business in New York City; (4) two chemical fertilizer companies; (5) an oil refinery in California with a daily capacity of 24,000 barrels; (6) and most recently a 16% interest in the Davison Chemical Co. (valued in the market 11-20-51 at about $4,400,000), a leading manufacturer of industrial chemicals, fertilizers, and synthetic catalysts for the production of high octane gasoline.

The Grace organization, moreover, has long been recognized as one of the leading factors in Central and South American industry. Principal foreign interests are in Chile, Peru, Bolivia and Colombia and include sugar, coffee and rice plantations, a large sugar refinery and five coffee cleaning plants, six cotton mills and one woolen mill, three flour mills, a vegetable oil and lard plant, two paint plants, a cement plant, a paper mill and a bag and box plant, and a candy and biscuit factory. Activities are conducted through 30 U. S. and 82 foreign offices, a major function of which is handling the distribution of the output of these numerous enterprises.

As shown in the tabulation below, profits rose steadily through World War II, during which years U. S. and foreign taxes averaged but 34% of net profits before taxes, and reached new highs in the postwar period. Sales figures were published for the first time last year and revealed total operating revenues and sales of $203,601,731. Last year's setback in earnings was due largely to competition from the national flag services of several South American countries. To rectify this situation, a strong and continuing effort is being made to convince the national lines of the necessity for adjustment of the present depressed freight rates. Furthermore, applications for operating subsidies have been filed with the Federal Maritime Administration.

With some relief likely in the shipping operations and with the defense program increasing the demand for many South American raw materials and thereby improving the foreign exchange situation, larger earnings seem in prospect, as management did in fact clearly indicate at the annual meeting in May. Moreover, the favorable prospects for further industrialization and economic development in the Latin American countries served augur well for the continuance of Grace's long-term record of growth.

As to dividends, Grace's record is an enviable one, with payments every year since incorporation in 1899, with the exception of just 1909 and 1933. Dividends, which averaged but roughly a third of available earnings in recent years, are likely to be somewhat liberalized in the near future in view of the company's strong cash position. The current quarterly rate is 25c, with extras usually paid in September and December.

W. R. Grace & Co. enjoys an extremely strong financial position, with cash and U. S. Government bonds of $51,499,024 slightly in excess of all liabilities, current and long-term. Not included in this figure are special funds of $21,889,231 held under joint control with the Federal Maritime Administration, which may be used at any time for the purchase of ships or for payment of mortgages on ships now owned, or may at some future date be withdrawn upon payment of taxes on a portion of such funds. Consequently, though restricted somewhat as to their use, the bulk of these special funds may properly be considered as equivalent to other cash items on the balance sheet.

	—Net Profits—		—Per Share*—	
	Before Taxes	After Taxes	Earnings	Dividends
1950	$17,146,000	$11,525,000	$4.05	$1.60
1949	26,929,000	16,636,000	6.01	1.92
1948	27,782,000	17,386,000	6.29	1.92
1947	30,220,000	17,608,000	6.38	1.92
1946	20,884,000	13,147,000	4.67	1.50
1945	17,960,000	12,167,000	4.29	1.11
1944	15,002,000	10,222,000	3.55	1.11
1943	13,690,000	9,213,000	3.16	0.89
1942	14,361,000	7,839,000	2.64	0.89
1941	12,827,000	9,401,000	3.23	0.89
1940	8,223,000	5,508,000	1.74	0.89
1939	5,984,000	4,016,000	1.17	0.89

*Based on 2,610,000 shares of common stock and preferred dividends of $960,000.

This Week's Forum Participants and Their Selections

W. R. Grace & Co.—Stuart M. Beringer, Analyst, P. W. Brooks & Co., Inc., New York City. (Page 2)

General Public Service Corp.—Sidney D. Cohn, Spiegelberg, Feuer & Co., New York City. (Page 2)

American Maize Products Co.—Arthur Marx, President, Wilson and Marx, Inc., New York City. (Page 25)

Book value of W. R. Grace & Co. common stock is now roughly $50, based on common stock and surplus and reserves of $129,491,000 at Dec. 31, 1950. This is almost certainly a very conservative figure inasmuch as it is impossible to estimate the value of its investments in numerous unconsolidated subsidiaries or the true value of its steamships, manufacturing plants, etc., which are carried on the balance sheet at a figure $46,167,121 less than the original cost.

It should be noted, however, that the common stock has only 5.6% of the total voting power, control lying in the hands of three classes of preferred stock, with a total par value of $13,000,000. But since the common stock has the exclusive right to subscribe *pro rata* to any additional common stock, and since the preferred issues are neither participating nor convertible, the situation is not one to cause alarm. The excellent dividend record and the three stock splits during the past decade bear ample proof that the common stockholders' interests are being well taken care of.

W. R. Grace & Co. common stock has certain of the attributes of an investment trust with its numerous and widely diversified activities throughout the United States and Central and South America. The Grace organization holds a leading position in both domestic and foreign trade and is an important factor in the economic and industrial development of the Latin-American countries in which it operates. The common stock sold as high as 43⅜ in 1946, and, except for a few days in July 1950, has never been available below 26½ in the past seven years (1945-51). Although the recent dock strike may have delayed the anticipated recovery in earnings until next year, this excellent quality issue, which has not participated as yet in the 2½-year old bull market, is presented as a worthy candidate for a long-term growth and appreciation from its present low market level around twenty-nine.

SIDNEY D. COHN
Spiegelberg, Feuer & Co., N. Y. City
Member, New York Stock Exchange

General Public Service Corp.

The title of this forum "The Security I Like Best," provides a challenge to the analyst, even in more orderly markets than exist today. At this time it presents an extremely interesting challenge, for market confidence has been severely shaken, and even if stocks are headed for higher prices, they probably are not on the bargain counter.


Sidney D. Cohn

For a stock to be particularly attractive at this time, it should have strong attributes of stability, plus good growth prospects, and yield a safe, liberal return; such an equity

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Outlook for Fixed Income Securities

By EDWARD L. HOLSTEN*
Partner, Salomon Brothers & Hutzler
Members, New York Stock Exchange

Mr. Holsten analyzes recent money market events, including flattening of the interest curve. For 1952, expects: (1) present buyer's market will continue for several months, but that stabilizing powers of money managers will prevent yields from declining below last June's lows; (2) the investor should buy warily; that corporates are more attractive than governments; and (3) the second half of 1952 will change from a buyer's to a seller's market. For trust investing he advocates splitting 60-15-25% between bonds, preferreds, and commons.

From some of the comments I have heard around La Salle Street in the past day or so, I might, perhaps, metathesize the first word of my topic and call it *"Look Out* for Fixed Income Securities." Let me say at the start that I am not an economist, but that lowest grade of banker, to wit, an investment banker, and I have tried to compensate for this lack by bringing to you as nearly as I can a sample of investment opinion from various types of portfolio managers and institutional investors throughout the country, so that, in effect, I have been an opinion gatherer and reporter of what your joint group is thinking on the present, and the outlook for the future of the security market.


Edward L. Holsten

When we consider the outlook for investment securities, let us remember this is a managed market and the money managers are more powerful than any of us or all of us combined. I think that we should repeat that from time to time, as it is the single and most important influence in the market and is, in itself, a stabilizing influence which will minimize fluctuations as the money managers gauge the situation correctly.

Review of 1951

Now before looking ahead, let's review briefly what has taken place in 1951, which was a hard year in many respects, as we all know. In the course of the year we have seen the confict between Federal Reserve and the Treasury brought into the open, culminating in a kind of agreement in March of this year when the pegs were removed and governments allowed seek a level. This was not an isolated move, but came at a time when the life insurance companies and the savings banks were carrying toward its conclusion a very large program of adjusting their portfolios by selling government securities which they had acquired in abnormally large percentages during the war years and replacing them with higher-yielding mortgages and corporate securities. This changing of portfolios had been going on for some two years before the March climax, and the insurance companies and savings banks trimmed their percentages of investment from approximately 25% of portfolios to the present 10%-15% holdings.

The situation was further complicated by the aggressive competition for mortgages among large lenders who sent out their field agents to all parts of the country to solicit business at a time when the postwar building program was making up as rapidly as possible for the inactivity of the war years. This meant that field agents were making simultaneous commitments in many parts of the country which were sent in to the home office for final closings, and culminated when the insurance companies reached a point in forward commitments, representing the investment of their liquid funds for a period of months in the future. As this figure had not been accurately reported for the industry as a whole, it was, I think, overestimated in importance by individual companies who were somewhat relieved when actual figures were compiled. The aggregate was under six billion on the figures finally assembled, but the combination of the removal of the pegs, the continuing pressure of liquidation on the government market and the timidity of the lender who believed that his commitments were already overly large, climaxed on June 28 when an issue of AAA Cleveland Elecs sold on a 3.26 basis, AA's reached roughly a 3.35, and good quality single A's 3⅝%, representing a drop of about 50 basis points from the yields prevailing at the start of the year.

1951's Flattening of Yield Curve

Nineteen-fifty-one has brought a continuation in the flattening of the yield curve, a process which had been going on continuously since the end of the war. It is worth remarking here that, as the yield curve flattens, and the apparent reward for an extension of maturity is at a minimum, historically this becomes the most profitable point for making such extension of maturity. Most of us remember the reverse curve,

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*An address by Mr. Holsten before the Mid-Winter Trust Conference of the American Bankers' Association, Chicago, Ill., November 9, 1951.

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Investment Merits of Electric and Gas Companies

By RICHARD W. BENJAMIN*
Vice-President, Stone & Webster Service Corporation

Among leading investment merits of Electric and Gas Companies, Mr. Benjamin discusses: (1) steady growth and improvement in credit position; (2) more favorable attitude of rate regulatory bodies; (3) vital role played by utilities in nation's economy; and (4) improved methods used in financing capital requirements. Also stresses better tax position of utilities under new revenue laws, and more favorable investors' attitude toward utility company shares.

The utility industry, and today my discussion will be confined to the electric and gas utilities, is one of the strongest industries in the country and I think one of the ones best suited for investment. There are several reasons for this opinion. The principal ones are steady growth, improvement in the credit position of the industry, the attitude of rate regulatory bodies and the vital part the utilities play in the country's economy. I would like to discuss the following:

(1) The effect of excess profits taxes and the relief given to the electric utility industry through the repeal of the 3⅓% electric energy tax.

(2) The growth in the electric and gas industries during the past few years and the expected future growth.

(3) The improvement in capitalization ratios and credit rating of the utilities.

(4) The attitude of the rate regulatory bodies.

(5) The method used by utilities in financing their requirements.

(6) Some points which you should have in mind in analyzing utility securities.

The Tax Picture

First, with respect to the tax picture. The utilities have borne a heavy share of the increasing tax burden of the country, as you well know from looking at the current reports, but they are in a far better position than they were during World War II with respect to the excess profits tax. As many of you know, during the last war excess profits were figured for utilities as well as other companies prior to the calculation of normal and surtaxes. Under the present Revenue Act the utilities are permitted to follow a special method applicable only to them whereby the Federal corporate and surtaxes are first deducted and the utilities are allowed to earn 6% on their capitalization after the deduction of such taxes. This makes quite a difference and, of course, is a logical way of taxing a utility which presumably is allowed to earn a 6% return. For example, a rate increase now must provide about $2.00 for each $1.00 net, whereas under the old law about $7.00 would be needed. Another evidence of the Federal Government in recognizing the needs of utilities was to eliminate the 3⅓% tax on electric energy sold to domestic and commercial customers, effective Nov. 1, 1951. This will largely offset the effect of the 5% increase in corporate taxes in cases where the industrial business forms a relatively small part of the business of the electric utility. Bear in mind that this applies only to electric utilities and not gas utilities.

*An address by Mr. Benjamin before the Association of Customers' Brokers, New York City, Nov. 20, 1951.

Construction and Financing Program

Turning now to the size of the utility construction and financing program, while you are probably familiar with the importance of this industry in comparison with other major industries in the United States, I think you may be surprised to know that the dollar volume of construction expenditures for the electric and gas industries was about two and one-half billion to three billion dollars per year from 1948 through 1950 with 1951 construction estimated at three and one-half billion dollars. These plans for large additions to plant of course carry with them the need for raising money. During 1950, the electric, water and gas companies raised approximately two billion dollars, accounting for almost one-half of all corporate financing that year. This relationship was not unusual because they did about that proportion in several previous years. The natural gas industry has made spectacular gains due to heavy pipe line company development. Natural gas has been introduced into most major areas with the New England area being slated for that product by the end of next year. To keep pace with continuously growing customer demands pipe line expansion is expected to continue at a rapid rate. I will go into a little more detail later about this. Looking at the gas industry alone you may be interested to know that during the five-year period 1946 to 1950 the gas industry spent about four billion dollars on construction or at the rate of about eight hundred million dollars a year. During 1951, that industry spent one and one-half billion dollars and is expected to spend something in the neighborhood of three billion dollars total for the next three or four years.

Credit Rating

I think you will find that the credit ratings of utility companies have been improving steadily. The distribution companies, both electric and gas, have been gradually increasing the percent of common equity and reducing the percent of debt over the last several years. Pipeline companies, which are a relatively new industry, have tended toward higher debt, but this has been offset to a great extent by heavy sinking funds which retire not only the debt, but the preferred stocks over a relatively short period of time. There is always a lot of pressure brought to increase the amount of debt issued by a company since the interest on debt is deductible for tax purposes and the dividends on preferred stock and common stock are not deductible. Most managements realize that the excessive use of debt is a false saving since a high amount of debt brings lower credit ratings from the analytical services and in time not only increases the interest rates that companies would have to pay on debt, but also lowers the quality of the common stock, which is reflected in higher yields being required on common stock.

The gas distributing companies have made very important strides in the last few years, due to the availability of natural gas, whereas manufactured gas companies were considered in many cases to be poor credit risks because of increasing costs of manufacturing. The securities of natural gas distributing companies are now considered to be comparable to a good electric utility distributing company. The best indication of this is that the yield basis on which these companies' commons are now selling is approximately the same as those of comparable electric distributing companies. The use of natural gas not only reduces the cost of the product, but it makes possible an increase in the distribution capacity of the company without heavy construction expenditures, since more heating value can be sent through a pipe of a given size. There has been increasing investor confidence and interest in the bonds, debentures and preferred stocks as well as in the common stocks. Investors know by demonstrated results that these companies can earn as high a return as Commissions will permit in cases of companies that have converted from manufactured gas to natural gas. This has aided companies about to convert to raise the necessary money to do conversion work and to build whatever facilities are needed to connect with the pipeline companies. Many commercial banks have loaned funds to such companies with the payments on loans paralleling the charge-off of the conversion expenses. The regulatory commissions have, so far as I know, allowed in every case the inclusion of the charge-off of the conversion expense to operating expenses, with the result that if the company earns a 6% to 6½% return after including this charge-off of amortization expense it is not likely to be vulnerable for rate reductions.

The trend of money rates is upward. Interest costs of first mortgage bond money has increased about ½ of 1% in the last six months. The cost of debentures has increased about ½ to ¾ of 1% in recent months and the prime rate on short-term bank loans has increased gradually from 2% to 2¾% from September, 1950, to October, 1951. Preferred money now costs in the 4¾% to 5% range with comparatively little preferred stock being sold recently.

The preferred market has been the most volatile of all utilities securities in the last few months with the result that financing by utility companies has largely been in debt and common equity securities. The preferred market has been through several definite phases from that of extremely low dividend rates with no sinking funds, together with an excellent demand for such preferreds by large institutions, to higher rates with sinking funds and with very little interest on the part of institutional buyers. As of today, the market appears to be very thin so far as the acceptability of new preferred issues is concerned. For example, Public Service Electric and Gas Company recently sold a $30,000,000 preferred issue on a 4.70% basis to the company. Their last $100 par preferred was sold in October of 1949 on a 4.07% basis to the company. Pacific Gas and Electric recently sold a 5% preferred on a 5.10% basis to the company compared with a 4.80% preferred sold in January, 1950, on a 4.55% basis to the company.

While the reasons of the insurance companies in demanding sinking funds for most preferreds placed privately are understandable, a sinking fund is distasteful to the utility company and is usually agreed to reluctantly. Since the normal utility these days is constantly required to raise money in addition to the money provided through depreciation accruals and retained earnings, each additional sinking fund requirement adds to the burden of raising new capital. This is even more important in a gas distributing company than in an electric, for it is almost universal in the gas business that the debt carries a cash sinking fund whereas it is equally a widespread practice in the electric business that credits for sinking funds on first mortgage bonds can be satisfied with money spent for property rather than cash to retire bonds.

The common market has been good with stocks readily taken up by the public and by stockholders.

Capitalization Ratios

The ideal capitalization ratios, suggested by the Securities and Exchange Commission some years ago are: 50% debt, 25% preferred stock, 25% common equity. The trend of regulatory bodies is toward more common equity. The effect of the poor preferred market has been to increase debt and common. Some Commissions seem to be shifting to allowing debt to constitute a somewhat higher percentage of total capitalization.

The proportions of these capitalization ratios affect the rating given securities by the financial services.

Under corporate mortgages companies can only issue specified amounts of debt. In the case of bonds, issuance of additional bonds is limited to 60% of additions to property. It is wise as a financial matter to keep a backlog of additions to property against which bonds can be issued. Of course, debentures can be issued if debt doesn't become too high a percentage of total capitalization. Bonds can be used to secure bank loans if times are bad.

There are other important things to look for when examining a public utility company. For instance, the caliber of the management. The rating by the financial services of senior securities should be taken into account regardless of whether the interest is in common stock only. The proportion of revenues derived from industrial, residential and commercial customers should be inspected. Industrial revenues are quick to decrease in periods of lessened economic activity. Amount of revenue from sales of appliances also may be subject to wide fluctuation. The cash position of the company should be examined as well as the availability of credit that may be necessary for the making or renewal of bank loans and the timing and form of new securities which may be required to be issued in substitution. Existence of or likelihood of government competition may of course affect the well-being of a utility company. The rate of return and its trend should be studied.

Commission Regulatory Attitude

In earlier periods the industry passed along to the public in the form of rate reductions the benefits from increased efficiencies in electric generation and more recently from the substitution of natural for manufactured gas. Moreover, they have supplied the only commodities which have shown a lower price trend over a long period of years. For instance, while the cost of living increased 71% from 1940 to 1950 the cost of residential electricity decreased about 7%. Now, when the trend of cost in every business has shot up so sharply, the utilities definitely merit consideration from regulatory authorities looking towards an increase in rates for in many cases to seek such relief is the only recourse a utility has if its rate of return drops below certain basic minimums. That is why in my judgment the most important single factor in evaluating the future prospects of any company is the regulatory atmosphere. Since the market for money is highly competitive it would seem foolish for an investor to put money in a company which was penalized by a commission demanding a bare minimum rate of return in the face of ever-increasing costs. Certainly, in making an investment the attitude

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The State of Trade and Industry

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

Mild progress occurred in total industrial effort the past week as output edged slightly higher in most parts of the nation. Compared with a year ago it continued to show a mildly higher level with production for defense becoming increasingly important as many essential industries expanded their facilities. The number of people collecting unemployment insurance benefits declined substantially from the prevailing level of a year ago.

Late reports indicate that employment cutbacks in consumer goods industries over the past year have slightly outweighed gains in defense-connected industries. Production workers in the nation's factories numbered 12,983,000 in mid-October, the Bureau of Labor Statistics reported. This was 150,000 below the total a year earlier. The biggest declines took place in the textile, apparel and leather industries. Employment there has been dropping since early last spring because of high inventories and reduced sales.

Despite the falling off in factory employment, however, 46,800,000 persons held non-farm jobs in October, a record high for the month. The total included those working in industry, commerce and the government. An increase in employment in retail trade, the bureau said, offset the decline in production lines.

The output of steel ingots last week rose more sharply than in any week this year. Placed at 103.7% of capacity, it was only fractionally below the all-time high reached last April. The current level is scheduled by the American Iron and Steel Institute to rise to 104% or 0.3 of a point above the previous week. The current rate is expected to yield a total of 2,079,000 tons of ingots and steel castings. But the possibility of a strike and the dangerously low level of scrap stocks pose a double-barreled threat to continued high operations, states "The Iron Age," national metalworking weekly in its current steel summary. Steelmakers are not smug about the production outlook.

The collapse of the gray market and the flat-rolled conversion business has not affected domestic steel demand at the mill level. All mills contacted by "Iron Age" editors reported pressure is still strong—even for sheets and strip.

The plate situation is so tight that National Production Authority is canvassing all mills to find out what tonnage of plate conversion they can handle.

This week the supply of scrap iron and steel in the Pittsburgh area has taken a turn for the worse after being touch-and-go for several months. National Production Authority is rushing priority allocations to a large steel mill that had melted its scrap stockpile almost to the ground and found itself down to a dangerous one-day inventory, this trade paper notes.

Scrap men in the Pittsburgh area describe the situation as critical. Some in the trade fear a temporary breakdown in National Production Authority's allocations system if harsher weather provokes simultaneous SOS calls from other steelmaking centers.

Furnace shutdowns are reported imminent at an Ohio Valley mill. A blast furnace down for repairs accentuates the scrap shortage for U. S. Steel Co.'s Monongahela Valley operations. This loss of pig iron means that 700 extra tons of purchased scrap iron per day must somehow be thrown into the breach. U. S. Steel plants in the Chicago area are also having "extreme difficulty" with less than 10 days' supply early this week.

Steel rolling mill equipment may be used in a trade for the freedom of American newspaperman Bill Oatis now imprisoned in Czechoslovakia, according to "The Iron Age." Reports from Washington indicate thinking along those lines within the State Department.

The rolling mill equipment was built originally for use in Czechoslovakia. But, between placing of the orders in 1947 and completion of the equipment in 1950, Czechoslovakia had become an Iron Curtain country, and an export license was refused.

Meanwhile, the $17 million mills are still the property of Mining & Iron Works Company, a major Czechoslovakian steel producer. It is in custody of Dr. George Riegel, representative of the Czech mill, who placed the orders. Dr. Riegel maintains an office in Pittsburgh, Pa.

Automotive production in the United States last week dropped more than 35% below the previous period and was about 37% below the like week a year ago.

"Ward's Automotive Reports" said that only Chevrolet factories, G.M.'s Southgate, Calif., and Wilmington (Del.) plants, Kaiser-Frazer and a segment of Chrysler Corp. returned to final assembly on Friday. This is in sharp contrast with Thanksgiving, 1950, when the bulk of industry output was resumed on Friday, with Saturday work ordered in some cases. The 1950 holiday observance caused a decline of only 25%.

"Ward's" estimated that November production will be about 7,000 units below the scheduled 363,000 for passenger cars and about 6,000 less than the planned 102,000 for trucks. It blamed this decline on effects of the recent Borg-Warner strike, snowstorm losses and inventory-model changeover shutdowns which find Studebaker and Lincoln assemblies still idled.

Steel Output Scheduled to Exceed Last Week's Level by 0.3 of a Point

Short scrap supply presents an increasingly serious threat to sustained capacity steel production through the winter, says "Steel," the weekly magazine of metalworking. Progress attending the government-sponsored drive to build stocks is being offset in some degree by the drying up of some normal supply sources.

Industrial scrap generation continues to decline with manufacture of consumer durable goods still contracting. And the slack is not being made up by the defense industries as quickly as had been hoped, this trade journal asserts. On top of this,

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Savings Bonds "On Trial"

From transcription of Nov. 20th session of ABC-TV program "On Trial." The question before the "Court" was "DO SAVINGS BONDS GIVE A FAIR RETURN?" The affirmative witness was A. Wilfred May, Executive Editor of the Commercial and Financial Chronicle, and faculty member of the New School for Social Research. His counsel was John Kadel, New York lawyer and former Bronx County Chairman, War Finance Committee, U. S. Treasury. Mark F. Hughes, New York trial lawyer, was the opposing counsel. Hon. William B. Groat, Judge of the Queens County Court, presided. (Program director: David M. Levitan, New York attorney.)

The Nov. 27th session, with Leslie Gould as negative witness and Robert W. Coyne cross-examining, will be published in next week's issue.

Opening Statement by Judge Groat

"Ladies and Gentlemen: For over a decade now the government has been conducting savings bond drives. During World War II the bond drives were a great success. During the war the government succeeded in holding down inflation and aside from the all important patriotic consideration many bond buyers felt that their bond savings represented a wise economic investment and protection for the future. More recently bond purchases have fallen off and some contend that under the present inflationary conditions savings bonds are no longer a choice investment—that government savings bonds with their fixed and restricted rate of return are not as good an inflation hedge as common stocks and other forms of investment. Others contend that because of the certainty of the investment and the interest, government bonds are still a choice buy for the average citizen. All this boils down to the question—is the government's bond policy sound? Does it protect or penalize the citizen who buys bonds?"

Direct Examination of Mr. May by Mr. Kadel

Q. Is the government's policy with respect to its Savings Bond program sound?

A. By all means. The Treasury gets money which it needs from the savings of the people, instead of loading its debt into the banking system, which latter alternative, in simple language, leads to creating money via the printing press, a process which has caused ruinous inflation in so many other countries, as Germany and France. By mopping up excess purchasing power, which might otherwise compete for scarce goods, bond sales create a brake on inflation forces and on the threat of price spirals. Conversely, if and when we get into a depression period, the storing-up of such savings in the hands of consumers also provides insurance of the existence of needed consumer purchasing power. In other words, Savings Bond distribution is a stabilizing force.

The Savings Bond program is democratic, particularly in its aspect of being voluntary rather than compulsory.

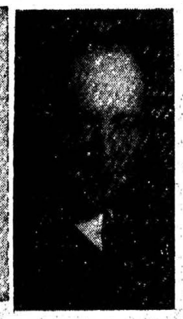
Over $50 billion of bonds spread among one-third or so of the population create an important "pressure group" interested in preserving sound government financing, checking on the government's spending—one of the few large groups remaining off the inflation escalator, and without a vested interest in price rises.

Q. Now Mr. May, does the Savings Bond offer a good medium of investment; and if so, why?

A. By all means, yes it does; and I'll summarize some of the chief reasons as briefly as I can. First, the Savings Bond technique provides disciplined savings for the citizen; with the mechanics for automatic installment payments—as by monthly deductions via the Payroll Savings Plan—provided by the Treasury Department.

Second, the Savings Bond gives him a good interest return


A. Wilfred May


John Kadel

—2.93%— which is compounded for him semi-annually and automatically by the U. S. Government.

Another very important attribute of these bonds, and one not adequately realized by the public, is the continuing cash-in privilege given to the holder. In other words, in the case of these bonds, uniquely the lender (the Bond buyer), in lieu of the borrower, has the option of terminating the loan at any time. Thus, in addition to having the privilege of getting back his full capital-plus at any time he needs it, he can take advantage of both upward and downward changes in the general interest rate situation. In effect, this gives him the equivalent of interest-bearing currency.

I would emphasize that this option privilege is unprecedented, both abroad and here. During World War I our War Bonds, contrastingly, were callable by the government, instead of being cashable by the holder. Corporate bonds are customarily callable by the borrower, giving the holder an unsatisfactory heads-you-win-tails-I-lose status.

Last, but far from least—and incidentally, I guess this is too cynical ever to be used by the Treasury as an argument—I, as a Savings Bondholder, frankly feel that I enjoy an important additional element of protection through being in the company of 50 million other Bondholders.

Judge Groat interposing: In other words, Mr. May, you mean that instead of Frenchmen, "50 million Americans can't be wrong"?

Mr. May: No your Honor, I mean that 50 million *voters* can't be wrong. These buyer-votes compose an important pressure group guaranteeing politically-motivated security; and hence, if future conditions should make changes in the bonds' terms fair, we 50 million holders will be taken care of at the appropriate time.

Q. (By Mr. Kadel continuing): For the *average* citizen, are the bonds a good investment?

A. Yes, for him particularly. And I would like to emphasize the "*a*" in your question, in lieu of asking whether they are "the only" investment. Of course, they are only one of several investing vehicles. Although they are very important, Mr. Average Citizen should split his funds also to have cash in the savings bank for a possible emergency, the protection afforded by insurance, and also diversify by some holding of common stock. His stocks will provide a hedge against possible in-flation; and his bonds against possible de-flation such as we've often had in the past, besides the savings features which I've mentioned.

Q. As his Honor stated, many people feel that Savings Bonds are inferior to common stocks because they do not provide an inflation hedge. Has your experience demonstrated that, entirely separate and distinct from patriotic reasons, the average man would be justified in disposing of his bonds and investing in the stock market or real estate?

A. This feeling about inflation and stocks, which currently exists, arises from gross public misconception about both the stock market and about inflation. First, about the stock market [showing a slate]:—these lines tracing the market's action over the past 20 years, demonstrate how easy it is to be tempted by hindsight. It is so beguiling to feel how nice it would have been to buy at this low point, and soon after take a profit by selling at that high point, and so on! Actually, however, we know that without hindsight just the opposite is likely to happen, that is, buying up here and selling down there.

The other twin misconception is about inflation. Now everyone, the taxi-driver and automobile worker as well as the expert economist, knows about the rise in the Consumers Price Index to the last decimal point; and their ears have been dinned full of the inflation threat. What they do not realize is that inflation is not a one-way street; that here as well as in all other countries we have had long periods of de-flation as well as in-flation, particularly after wars. For instance, after the First World War it took 25 years for our cost of living to get back up as high as it was in 1920; and in 1937, for example it dropped 10%.

After the First World War, the 10-year bondholder buying in 1920 would have gained 17% in purchasing power, and all buyers similarly getting in until 1931 would have received more, not less, valuable dollars at their bonds' maturities. In those periods of an appreciating dollar, the bondholder is called "the bloated" not "the cheated" bondholder.

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What You Should Look for In a Financial Report

By PERCIVAL F. BRUNDAGE*

Price Waterhouse & Co.

While holding financial reports have improved considerably over past decade, Mr. Brundage warns against over-condensation. Suggests proper company procedure and stockholder attitudes regarding tax incidence, depreciation, inventory valuation, and management's story of significant developments. Refers to three following postulates underlying all financial statements: (1) ignoring of fluctuations in dollar's value, which attitude he contends should now be modified; (2) prospective life of an enterprise is deemed indefinite; and (3) entire income from a sale is considered to arise at moment when realization takes place.

Financial reports are of different kinds but those that most frequently reach the investor are annual reports and prospectuses.

Percival F. Brundage

While many companies advise their stockholders about important developments during the year, either through quarterly reports or by special letters, the annual report is much more comprehensive. A year is short enough in the life span of a company and a natural period in which to take stock. I shall therefore give my principal attention to the annual report.

There has been a considerable improvement in annual reports over the past decade. The pictorial report has become generally adopted during this period. They are interesting reading as well as containing the essential financial facts.

The managements of many companies, usually after consultation with the independent accountants, insert at the beginning of the report in table form a few of the figures which they think are the most significant. Before discussing them I should like to explain that I am not in favor of too much condensation of financial information, or of the news either for that matter, for reasons that I shall try to explain later. Business conditions today make it impossible to present an accurate summarization of what is happening to our important industrial companies during a period of a year in figures alone, and certainly not on a single page. However, there is definite value in carefully considered and well-prepared summaries of some of the significant figures particularly when you can turn to greater detail later on in the report.

*Based on an address by Mr. Brundage before the Adult Education Group, Montclair, N. J., under the auspices of the Federation of Women Shareholders in American Business, Inc., Nov. 13, 1951.

Condensed Information

The information given in condensed form at the front of a report often includes the amount of income, its percentage to sales, and the income per share of common stock; the dividends in amount and per common share, the total taxes per common share, some statistics about production and shipments, the number of stockholders, and the number of employees. All of this information is important and is usually shown in comparative form for the current and the previous year.

Most company managements are very stockholder-conscious today and are trying hard to improve their reports each year by giving more useful information in the best possible form. Comparative figures are recognized to be essential for determining trends. I have been recommending their use to clients for 25 years. Some companies are giving comparisons for many years. In the 1950 U. S. Steel report, for instance, there is a summarization of operating and financial figures for 49 years since the formation of the company, just after the turn of the century.

The income statement is by far the most important statement in the annual report. In many income statements today there is a summarization of costs by primary types of expenditures, i.e. employment costs, products and services bought, etc. For many years as cost accounting developed, the primary costs were distributed and reclassified by departments and by products, so that you had resulting cost figures that could not be broken down into their component parts. We are now returning to the practice years ago in trying to set forth the principal elements of costs of sales, which means absorbing the differences between inventories at the beginning and end of the year.

In studying comparative income statements in annual reports today the trend of the business is not always reflected in the dollar volume of sales. As a result of the inflation since the war (we are all too well aware of the increases in prices), production statistics in quantities are particularly valuable. For large companies with many subsidiaries and multifold operations, over-all figures are the most significant ones.

Breakdown of Products Shown

In the case of some other companies a breakdown by products is possible and interesting. This is well illustrated in the 1950 report of Eastman Kodak Company. In this report there are two charts in the form of pies. One shows the breakdown of sales between amateur photography, professional photography and other products. The other gives the distribution of the average dollar of income between wages, salaries and other employee benefits, materials and services, taxes, depreciation, and net income divided between cash dividends and amounts retained in the business.

One of the most important and least understood elements of cost in the income statement is depreciation. It is impractical to measure the actual deterioration of a plant during a 12-month period. It has been the accepted accounting practice to determine the depreciation charge by spreading the cost of all plant facilities over the estimated total production during their useful lives. It is recognized that during the postwar period this charge has been inadequate to cover the consumption of plant at its present value or to provide for its replacement during this inflationary period. During the war "accelerated depreciation" was allowed by the tax authorities and was taken by industry generally on its newly constructed war facilities. This means that these facilities were written off over a five-year period or the duration of the war, whichever was less, which in most cases was substantially shorter than their ordinary useful life. Various proposals have been considered for computing depreciation in the first instance on original cost and then converting it to current dollars by the use of index numbers. I personally have favored such a procedure but it has not been generally accepted by the accounting profession or by industry.

Under the defense program since Korea, accelerated amortization has been revived and the statistics from Washington indicate that over $10,000,000,000 of new construction either for war facilities or for expansion of regular products in dispersal areas have been approved for special amortization. This is usually based on spreading between 60% and 80% of the total cost over a five-year period and the balance over the remaining useful life of the property. This, in my opinion, is a sound business incentive and results in the deferment of taxes in the amount by which the accelerated amortization exceeds the normal depreciation charge.

Proper Treatment of Taxes

No so-called "profit" figure should be reported today until all charges including Federal income taxes have been deducted. Some financial writers delight in calling the government a partner in business and consider that profits are allocated in part to the government and in part to the stockholder. I look on it differently. We must all bear a share of the cost of government. It is part of the cost of doing business. However computed the government reaches in and grabs its share first, whether it is through sales taxes, excise taxes or income taxes. The government also gets another whack later when the profit reaches the shareholders or bondholders in the form of dividends or interest. It is up to us to try and keep the cost of government down.

It is sometimes asked, "how is it possible to find (1) if earnings are truly reported, and (2) if all the dividends are being paid that can be paid." In answer to the first question I think you can rely on published accounts, particularly of listed companies. There is a pretty full disclosure including the accounting procedures followed with respect to depreciation and inventories. I shall refer to inventories more fully a little later but it is important to recognize that in times like the present there are so many uncertainties that financial statements can only portray an informed opinion as to what the results have been. Various optional procedures can be selected. Congress is considering new tax legislation whenever it is in session and the President is continually asking for more mon-

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From Washington Ahead of the News

By CARLISLE BARGERON

A matter of considerable concern in connection with the Eisenhower Presidential boom is whether he will have accomplished his present mission in behalf of a worthy and free people in time to accept the call to a still higher duty. As I understand his professional admirers, it has got to be a call to this higher duty, being the soldier he has always been, and certainly he would accept no such call, and neither would one suppose it would come, unless his present mission had been fulfilled.

Carlisle Bargeron

Having been a close observer of politics and politicians for 25 years, I have never, in the first place, seen one of these "calls" come, and secondly, I can't imagine one coming to a man who is suspended in mid-air on the assignment which is supposed to have generated the "call." It just doesn't make sense.

Several months ago, Senator Brewster of Maine, a Republican and supporter of Senator Taft, came back from Europe and announced that Eisenhower was doing a wonderful job, so wonderful that he was indispensable to this job. The General's political supporters felt a sharp touch of pain around the center of the chest at this and were momentarily at a loss to come up with an answer. They felt and rightfully so, that the Senator was no well-wisher of the General's and when they finally found articulation, feebly, it was to the effect that the General would have his job so well in hand by early next year that he could answer the call of his people to unify them on the home front. You would think that a people who wanted to be unified wouldn't have to command a man to unify them, particularly a reluctant and modest man; that they would just go ahead, being a people capable of self-government, and unify themselves.

Be that all as it may, the question arises as to just what job it is that the General will have accomplished in time for him to run for the Presidency, to accept the higher call of duty. What is it that will be said in his behalf when and should he leave his European post to seek the Presidency? Of course, it will be said that he has gotten things to the point in Europe where a lesser man can carry on, and the fact that he has done this will be another example of his greatness and the reason why he should be President, to get our domestic things to a point where maybe a lesser man can some day succeed him here; or maybe even more, the people themselves will get back to a grasp of their government. But what will be the point to which things have been gotten?

The purpose of this article is not to criticize the General's higher aspirations but to try to ascertain what is the accomplishment in Europe that we are not only sending American boys over there to seek but spending billions of dollars on.

To hear the propagandists tell it, Western Europe was in despair and didn't care whether Stalin got them or not, when our government hit upon the idea of despatching Eisenhower. From then on, Commie ridden France and Italy and Socialist Britain, took on a new life, a will to live. From the day of his arrival, it has been different over there. The man in the street adopted a livelier stride. Instead of cringing toward the East, he threw out his breast as a free man should. It doesn't seem, neither is it claimed, that he has decided to do any more work, but he has regained that strut which is so essential if the Free World is to survive.

Now, this is the picture we have been given. But when you get around here and talk to the more practical men who have had to do with this dollars and cents "rejuvenation" of Europe, talk to them in their hair-down moments, it is not the picture you get at all.

Rather, it is a picture of Western Europe not being worried about Stalin but wondering when and how they could eat. They have alternated between amusement and alarm over our political shenanigans around Stalin and his alleged physical strength. They have welcomed our sending troops over there to protect the Western World because this helps its economy. And certainly they have welcomed our material assistance and war orders to their industries, the spending of money over there generally, in the guise of stopping Stalin.

But then when we have gotten down to the business of these Western European countries raising and supporting their own armies and war machines commensurate with what we are doing, they have demurred, then promised, and finally come up with the argument which is undoubtedly true, that their war torn economies can't stand this without further financial aid from us. Their attitude seems to be that they don't mind going along with us in our madness if we pay for it.

Another thing, it is becoming increasingly clear that underlying the scheming of our global minders is a determination to accomplish their "One World" idea at least among these Western European countries. Through NATO they hope to accomplish a political and economic union of the member countries, a version of their plan of World Government. But they don't seem to be getting anywhere.

All of this being the case, just when will we have arrived at the point where General Eisenhower can be said to have accomplished his mission? Why, by the time of the next Presidential election he will not have gotten over there all the American troops he wants, and surely that is not the whole mission.

"We Cannot Save Others by Tearing Ourselves Down"

By WM. C. MULLENDORE*
President, Southern California Edison Company

Charging a small but powerfully placed minority has put nation in danger of over-commitment in assuming burdens of world, West Coast utility executive calls Administration's foreign policy "imperialism of do-gooders." Warns we are sliding down road to socialism and militarism, and government has become a "gigantic dope peddler," dispensing from "a Socialist bottle." Holds we are placing too much reliance on technical skill, and our real strength lies in individual self-reliance, initiative, independence, and self-respect.

Over far too long a period now, we, the people of the United States of America, have been squandering our heritage and blindly following the old, treacherous, but often beguiling, ways which lead backward and downward from the unfrequented heights of liberty to the lowlands of tyranny and despair where the great bulk of mankind has lived for practically the whole of human history. Despite frequent repetition of the warning that "eternal vigilance is the price of liberty," we, the people, have followed false and incompetent leaders as they have increasingly succumbed to the ancient temptations to seek power and fleeting glory by bribing the people, with the people's own wealth, to acquiesce in the expansion and misuse of the powers of government at home and abroad.

Wm. C. Mullendore

Thus beguiled and misled, during the first half of the Twentieth Century, we have traveled far into the soul-destroying land of Socialism, and made strange alliances through which we have become involved in almost continuous hot and cold wars over the whole of the earth. In this retreat from freedom, the voices of protesting citizens have been drowned by raucous shouts of intolerance and abuse from those who led the retreat and their millions of gullible dupes, who are marching merrily to their doom, carrying banners on which are emblazoned such intriguing and misapplied labels as "social justice," "equality," "reform," "patriotism" and "social welfare."

Opposition Ridiculed

Many of those who have tried to sound the alarm and have warned that this road of retreat from freedom leads to disaster, have become discouraged in the face of the ridicule and abuse with which their warnings have been met. They have been labeled as reactionary pessimists, prophets of doom, "mossbacks," and with many other derogatory names and phrases, all intended to brand them as blind and stupid and selfish enemies of progress. The American traditions of optimism and pioneering courage have been called upon by the leaders of the retreat, to justify their assurances that this is "only a period of dynamic change for the better"; that "it is only the timid and near-sighted who are afraid of such changes"; that "in such periods there are always a few who falsely cry 'crisis,' and prophesy disaster, but that always they have been proved wrong." From the vantage point of the highest governmental offices in the nation, and even from many prominent business, educational and religious leaders, we hear that, for the U. S. A. at least, this is indeed a time of progress and of greatest prosperity; that our country was never so strong; and that the fears of excessive commitments abroad, of inflation, of big spending, of unprecedented debt and unbearable taxes, are but bugaboos brought forward by those lacking in understanding, vision and foresight.

Why speak about it here? Because most of us must admit that we are of the great group of responsible citizens who have either kept silent, or have joined in some measure of endorsement of this period of inflation and liquidation of the nation's wealth—this period in which the moral and spiritual foundations of our strength are disintegrating. Some of us must admit to being among those who have helped to create the impression that the present is a period of sound growth and prosperity. Some of us, at least, continue to applaud the meaningless phrase "We have nothing to fear but fear," while we fear the blustering Russians; fear to face the truth about the source of our false prosperity; and fear to question the fateful conclusion that it is the duty and responsibility of our country to play the impossibly exaggerated role which we are attempting to play in the affairs of other peoples throughout the world.

Business Leadership at Fault

Responsibility of free men in a republic is measured by and proportionate to opportunity and position of influence and leadership. For the most part, we of the business and professional world, whether lawyers, engineers, teachers, ministers, doctors, or business managers and owners, have failed to live up to the required level of responsibility of citizenship in our onetime republic. We have failed both actively and passively. By our attitude that all is well, and by an apparent unconcern and lack of awareness, we have misled others, who had a right to rely upon our judgment and leadership. We were the sentries on duty and the attack came in force on our sector of the front, but we have failed to sound the alarm. We have fought a little here and there, but for the most part we have fallen back in confusion, fraternized with the enemy, and busied ourselves with other matters than the great issue of the day—*collectivism and slavery versus individualism and liberty.*

Engineers have a special responsibility because their training and experience teaches them the importance of fixed principles and immutable laws, and the dangers flowing from ignoring and disobeying them. Engineers and scientists are fully aware that in the physical world there is an eternal conflict between forces which integrate and forces which disintegrate. Man's discoveries and achievements in the physical world, of which we boast and in which we take justified pride—the continued implementation of newly discovered truths about the nature of matter and the laws which control it—these great achievements, were dependent upon complying with the laws which integrate the constructive forces, and successfully combat and hold in check the forces which destroy and disintegrate.

The engineer, therefore, should be specially qualified to understand and to help others to understand the great fundamental which is being ignored in human affairs today, viz., that there are similar fixed and unchanging principles governing human nature and human relations in life on this planet. The forces of human nature, like those of the physical world, may be divided into those which are integrating and those which are disintegrating. Human intelligence, instinct, emotion, and action may be either constructive and creative, may be so directed and controlled that they will help to integrate and to build a better life; or they can be destructive and disintegrating, even to the extent of destroying the spiritual and intangible as well as the physical foundations of a great civilization.

Jose Ortega y Gasset, the great modern Spanish philosopher, has forcefully pointed out the peril of over-confidence and of ignoring these great fundamental moral and spiritual laws, saying:

"I wish it would dawn upon engineers that, in order to be an engineer, it is not enough to be an engineer. While they are minding their own business, history may be pulling the ground from under their feet.

"People believe modern technology more firmly established in history than all previous technologies because of its scientific foundations. But this alleged security is illusory.

"Indeed, it is just this feeling of security which is endangering Western civilization. The belief in progress, the conviction that on this level of history a major setback can no longer happen and the world will go the full length of prosperity, has loosened the rivets of human caution and flung open the gates for a new invasion of barbarism."

Dangerous Complacency

Ortega has thus dramatically stated the point. We are too sure of ourselves, too complacent in a time of great danger. We are placing too much reliance upon our technical skill, our command over natural physical forces and energy, and our matchless ability to produce. Intoxicated with pride in our achievement, immersed in the interesting problems still unsolved, we have left unguarded the gates through which are pouring the destructive hordes and forces of a "new invasion of barbarism."

The laws, the fixed and basic principles governing the development and growth of the human individual and his society, are as old as civilization. Indeed at least some of these principles had to be discovered and practiced before man could start on his long march away from his status as a predatory animal and toward that still distant goal of human perfection. These unchanging moral and spiritual laws, designed by The Creator, discovered by inspired and devout leaders of mankind, and stated and restated for man's guidance, include, of course, the fixed moral laws of the Ten Commandments, the Golden Rule, and the Sermon on the Mount. They also include the great social and political principles stated and restated through the ages by political philosophers from Hammurabi in ancient Babylonia, Polybius, Socrates, and Aristotle in ancient Greece, down to the present day.

In our distinctively American principles, we lay great stress upon definite limitations of the powers of government. "All men are endowed by their Creator," says the Declaration of Independence, "with certain unalienable rights, that among these are *Life, Liberty,* and *the Pursuit of Happiness.*" And, says, the Declaration, "That to *secure* these rights, Governments are instituted among men, deriving their just powers from the consent of the governed." To make it quite certain that the world would not misunderstand their position with respect to a government which attempted to infringe upon these rights, the authors of the Declaration further said: "Whenever any form of Government becomes destructive of these ends, it is the right of the people to alter or abolish it, and to institute new Government . . ."

Those who fail to resist the acts of a Government which are destructive of the unalienable rights set forth in our Declaration of Independence and in the Bill of Rights of the Constitution are failing in their duty as citizens and as men. By such failure they are contributing to the loosing of the disintegrating forces which will destroy our spiritual and political heritage, and deprive our children of their rights, and failing just as surely as would the engineer if he ignored the disintegrating and destructive forces which he is required to combat in the course of his professional duties.

The American Way

The fundamental of fundamentals of the plan for living in these United States, which has become known as the American Way of life, was an *economically independent* citizenry supporting and controlling a government so limited and confined by a written Constitution that the age-old revolutionary trick of reversing this situation and enslaving the people by having Government support the people, thus making them dependent upon Government, could never be pulled in America. But in thus reckoning and planning, there was a failure to take into account some of the loopholes in that Constitution, as well as the power of the demagogue, assisted by the resourcefulness of the frustrated intellectuals in a period of depression and war.

We are now alerted against Communism, but we are not

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*An address by Mr. Mullendore before the Annual Meeting of American Society of Mechanical Engineers, Atlantic City, N. J., Nov. 27, 1951.

Sweet Soo

By IRA U. COBLEIGH

Author of "Expanding Your Income"

Giving a brief progress report on Minneapolis, St. Paul and Sault Ste. Marie since it was reorganized seven years ago; and containing some comment on the important growth in the territory it serves, and its improved operating efficiency.

Back in the 'thirties when a third of our railroad mileage flitted into the financial flop house—bankruptcy, that is—due either to over-capitalization or over-optimism, reorganization was the dominant word in railroad finance. I define this word as "I owe you ten; want to try for five," and it seems to me an adequate description. Well, these reclassifications of capital were of all kinds. Some attempted to go over the old financial structure once lightly, giving secured holders a new piece of paper with almost as much face amount as the old one; and employing surgery mainly by converting fixed charges to contingent ones. Other plans really went to work and acted out the phrase "going through the wringer."

Ira U. Cobleigh

Surely a classic example of the drastically reorganized road is the Soo. $130 million of assorted issues of old bonds were cut down to $10 million of first 4½s due 1971, and $20 million of general income 4s due 1991. Since reorganization was completed Sept. 1, 1944, powerful sinking funds, built into the plan, have reduced the outstanding figure to $6,309,000 and $14,801,000, respectively, at the 1950 year-end.

Reduction of the interest bite was equally impressive. Monthly interest on the Alpine fixed debt of the old company ran at $575,000 against around $70,000 today—mostly contingent. True, the old equity holders took a whale of a beating here, but today we must admit that here's a property whose balance sheet today, including well over $8 million in cash and government bonds, is a banker's dream.

All this is very well, you say. If this property could be so heavily shrunk, it must have been horribly over-capitalized before, and earnings thin as Sinatra's shadow. Well, you're partially correct. There was no torrent of earning power here, but territorial growth and operating efficiency appear to be building up profitably for the Soo today.

Frankly, in the earlier post-reorganization years, analysts were crestfallen that Soo didn't kick in more per share on the 719,004 shares of new common. This meager showing might have been accounted for by the fact that the road was still rebuilding its property. It purchased quite a few Diesels for cash, and built in its own shops several hundred box and ore cars. The point here is that such equipment building is usually at lower cost than purchased rolling stock and, more importantly, labor and material cost items for construction, within the company, are chargeable to Operating Expense. This building program which has been quite extensive, has thus tended to cut down the yearly net earnings reported. Now, with the exception of, I believe, 20 Diesels for delivery next year, the program for equipment renewal is virtually complete, and it is not beyond the bounds of reason to predict a substantial bulge in net earnings in 1952 as a result.

About power on the road, Soo has followed the sound policy of other reorganized properties like Gulf, Mobile & Ohio, Denver & Rio Grande, and Chicago Great Western, in adoption of Diesel engines. By the end of this year probably some 75% of freight-ton miles on the Soo will be Diesel hauled, with the attendant economies of operation.

Of course, Soo, like any other road, can't expect to improve profits significantly without an expanding gross. Well, there are a lot of reasons why such expansion may now be reasonably expected. If you get a chance, look at a Soo timetable. In the center of it you'll see a map that is most revealing. Soo sprawls all over North Dakota and is only a hoot and a holler from the spots in this state where Amerada, Shell Union Oil and Socony Vacuum are probing the earth's surface to develop what they hope may prove to be a major oil field. Whereas, Soo is not reported to be a large landholder, like Northern Pacific, it is bound to benefit traffic-wise from the industrial growth in this whole section which the finding of oil is creating. Soo operates 1,332 miles of right-of-way in North Dakota, and has junctions at many points with Great Northern and Northern Pacific.

Then let's talk about Papa. The Soo is controlled by Canadian Pacific through the latter's ownership of 360,000 common shares. This is surely no debit against the property. There is a highly important interchange of freight between these roads through Soo's three gateways to Canada at Noyes, Minn.; Portal, N. D., and Sault Ste Marie, Mich. One of the most powerful factors in Soo's present and prospective traffic upswing is its tie-in to Western Canada, particularly Manitoba and Saskatchewan, an area growing just about as rapidly in industry, in development of resources, and in population, as any section of North America.

About character of present traffic—it's well diversified, including lumber, livestock, ore, coal and newsprint. Roughly, one-third of Soo's revenue is from agricultural products. The 1951 wheat crop in Soo territory is supposed to be the best for 35 years, and will undoubtedly be favorably reflected in the year-end statement for the road. In addition, there are several billions of tons of lignite in North Dakota. Truax-Traer Coal Co. have extensive mines there, and presently supply important tonnage for Soo.

At Garrison, N. D., a government engineering project is a-building to harness the Missouri River. Most of the material for this giant operation is Soo-hauled, and completion is at least three years away.

It has been traditional for Northwest carriers to lose money in the early part of the year and latch on to the important pay-dirt in the last four months. That has been the pattern for Soo in the past; but a more favorable transportation ratio, and better balanced traffic, now suggest that, for next year, Soo may be able to break even as early as June.

Everybody likes to estimate earnings and a lot of these guesses pan out rather poorly when the annual reports are mailed. Well, it's my turn. Soo earned $2.15 on common in 1950. My guess for this year is $4.10 and for 1952, roughly, say $5.87. How accurate can you be?

So, in review, we perceive Soo distilled by the cauldron of reorganization into a solid financial unit. Improvements from culvert to caboose have streamlined efficiency; and new vistas of sizable traffic growth have emerged. It may well be that my title is subject to a wisp of criticism, but Soo is, financially speaking, getting sweeter every day. The common to which I have alluded sells around 17⅞ and paid $1 last year. The income 4% bonds sell around 61.

NSTA Notes

SECURITY TRADERS ASSOCIATION OF NEW YORK

The annual election of the Security Traders Association of New York will be held on Friday, Dec. 7, at the Antlers Restaurant, 67 Wall Street, New York City. Voting will get under way about 4:30 p.m. and will be followed by the usual dinner for members.

BOND TRADERS CLUB OF CHICAGO

The Bond Traders Club of Chicago will hold its annual dinner for members and guests on Jan. 28, 1951, at the Furniture Club.

Notes Diminishing Industrial Activity

A composite opinion of purchasing agents who comprise the National Association of Purchasing Agents Business Survey Committee, whose Chairman is Robert C. Swanton, Director of Purchases, Winchester Repeating Arms Company Division of Olin Industries, Inc., New Haven, Conn., reported that November conditions do not support the trend of increasing industrial activity they found developing in September and October. Industrial activity is reported a shade under last month, with back orders taking a further drop and production lagging a little behind the order position. Defense production, it is pointed out, is increasing, but is still concentrated, though more subcontracting is apparent. Prices are strong and expected to continue so, under OPS authorization to apply the Capehart Amendment. Whether or not such authorized prices will hold depends largely upon supply and demand. Currently, industrial demand is slowing and may con-

Robert C. Swanton

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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:

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

Modern Security Sales—Service to assist in selling mutual funds—Write for details to MSS-Fund Services of Washington, Inc., 219-A Woodward Building, Washington 5, D. C.

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

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

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.

Uranium Stocks—Booklet—Tellier & Co., 42 Broadway, New York 4, N. Y.

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Airline Foods Corp.—Memorandum—I. George Weston & Sons, 210 Broadway, Long Branch, N. J.

American Broadcasting Co.—Memorandum—Shearson, Hammill & Co., 14 Wall Street, New York 5, N. Y. Also available are memoranda on **Chicago, Rock Island & Pacific Railroad, Combustion Engineering Superheater, Federated Department Stores,** and **Square D Co.**

American Cyanamid Co.—Memorandum—Smith, Barney & Co., 14 Wall Street, New York 5, N. Y. Also available is a memorandum on **El Paso Electric Co.** and **Texas Utilities Co.**

American Phenolic Corporation—Analyst—Dayton & Gernon, 105 South La Salle Street, Chicago 3, Ill.

American Steel Foundries—Bulletin—Paul H. Davis & Co., 10 South La Salle Street, Chicago 3, Ill. Also in the same bulletin are data on **Briggs & Stratton, Eastern Gas & Fuel Associates,** and **Sunray Oil Corp.**

Cedar Point—Circular—J. F. Reilly & Co., Inc., 61 Broadway, New York 6, N. Y.

Central Vermont Public Service—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

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

Curtiss-Wright Corporation—Special review—John H. Lewis & Co., 63 Wall Street, New York 5, N. Y.

Electric Bond & Share Co.—Memorandum—Hirsch & Co., 25 Broad Street, New York 4, 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.**

General Time Corporation—Analysis—Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y.

International Minerals & Chemical Corporation—Special study—Bendix Luitweiler & Co., 52 Wall Street, New York 5, N. Y.

International Nickel—Analytical brochure—Crabtree & McLaughlin, 231 St. James Street, West, Montreal 1, Que., Canada.

Iowa Public Service—Memorandum—Josephthal & Co., 120 Broadway, New York 5, N. Y.

Kuhlman Electric Co.—Memorandum—White, Noble & Co., Michigan Trust Building, Grand Rapids 2, Mich.

Langendorf United Bakeries—Memorandum—Fewel & Co., 453 South Spring Street, Los Angeles 13, Calif. Also available is a memorandum on **Time, Inc.**

Liggett & Myers—Data—A. M. Kidder & Co., 17 Wall Street, New York 5, N. Y. Also available are data on **R. H. Macy,**

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Mixed Blessings and Evils Of New Capital Gains Tax

By AARON M. DIAMOND

Member of New York Bar

Mr. Diamond explains workings of the new rules regarding capital gains tax and states the most advisable action for the year is to take as much of a short-term loss as necessary to wipe out double the amount of long-term gains. Otherwise to postpone loss sales until next year.

The advent of the year 1952 will bring mixed blessings to securities traders and investors. For, beginning Jan. 1, calendar year taxpayers will become subject to the new rules devised for taxing capital gains.

Aaron M. Diamond

Under the present law, effective until the end of this year, only 50% of long-term capital gains or losses (held for more than six months) are taken into account in computing net capital gain or loss. Consequently, a $1 short-term loss can wipe out a $2 long-term gain and conversely a $1 short-term gain offsets a $2 long-term capital loss.

Under the new law, long-term gains are included in gross income at 100%; but a deduction is allowed equal to 50% of the amount by which the taxpayer's net long-term gain (excess of long-term gains over short-term losses) exceeds his net short-term loss.

If the taxpayer has a net loss, the deduction is limited to $1,000 of his net or adjusted gross income, whichever is less, and the balance is carried forward to future years as a short-term loss regardless of whether it arises out of short-term or long-term transactions.

The following examples illustrate the operation of the old and new law in the case of an individual who has ordinary income (dividends, salary, etc.) of $6,500:

(1) The taxpayer has a long-term gain of $4,000 and short-term loss of $2,000:

Law Up To 12/31/51

Ordinary income	$6,500
Long-term gain $4,000 (50% recognized)	2,000
	$8,500
Less short-term loss	2,000
Net income	$6,500

Law Beginning 1/1/52

Ordinary income	$6,500
Long-term gain	4,000
	$10,500
Less short-term loss	2,000
	$8,500
Less 50% of excess of gain over loss	1,000
Net income	$7,500

(2) The taxpayer has a long-term loss of $4,000 and a short-term gain of $1,000:

Law Up To 12/31/51

Ordinary income	$6,500
Short-term gain (100% recognized)	1,000
	$7,500
Less long-term loss $4,000 (50% recogn'd)	2,000
Net income	$5,500

Law Beginning 1/1/52

Ordinary income	$6,500
Short-term gain	1,000
	$7,500
Less long-term loss	4,000
Net income	$3,500

(3) The taxpayer has a long-term loss of $5,000 and a short-term loss of $3,000:

Law Up To 12/31/51

Ordinary income	$6,500
Less capital losses limited to	1,000
Net income	$5,500

Capital Loss Carry-Forward

Short-term loss (100% recognized)	$3,000
Long-term loss (50% recognized)	2,500
Total capital loss	$5,500
Less loss allowed in current year	1,000
Carry forward	$4,500

Law Beginning 1/1/52

Ordinary income	$6,500
Less capital losses limited to	1,000
Net income	$5,500

Capital Loss Carry-Forward

Short-term loss	$3,000
Long-term loss	5,000
Total capital loss	$8,000
Less loss allowed in current year	1,000
Carry forward	$7,000

An equally significant change in the law for higher bracket taxpayers is the increase in the alternative maximum tax from 25% to 26%. The new rate will likewise go into effect Jan. 1, 1952 for calendar year taxpayers. The point at which the alternative tax is less than the regular tax is $16,000 (less exemptions) for 1951 and $14,000 (less exemptions) for 1952 in the case of single persons other than heads of households. For the head of a household the figure for 1952 is $22,000. And, on joint returns the net income less exemptions must be $32,000 in 1951 and $28,000 in 1952.

The change in the law radically changes the approach to "tax-wise" trading. Whereas at present it is good tax policy to sell at a gain stock held for more than six months and sell at a loss stock held for six months or less, next year the rule will be different. No longer will it be necessary to watch the calendar where losses are concerned. A long-term loss is just as good for tax purposes as a short-term loss. As for gains, the more than six month period will still benefit the taxpayer except if there are losses which offset the gains. This is because the 50% recognition only applies to the excess of long-term gains over short-term losses.

The aim of taxpayers under the new law will be to get the most benefit out of losses by realizing on all long- and short-term losses together with short-term gains in one year and taking only long-term gains in another year.

For example, if you take an $8,000 long-term gain, and $8,000 short-term gain, and an $8,000 long-term loss all in 1952, you would have a net income of $8,000. The loss would offset the long-term gains without giving you the benefit of the 50% deduction. If instead you were to take your short-term gain and long-term capital loss in 1952 and your long-term gain in 1953, your net income in 1952 would be $4,000 and no net income in 1953.

Considering the fact that the new law for most taxpayers does not go into effect until Jan. 1, 1952 it may be wise to postpone your loss sales until next year. Thus, if you have securities which you have already held for six months, selling them at a loss now would only give you half of the benefit you would receive for tax purposes if you waited until next year before realizing the loss. On the other hand, if you wish to get out of your position this year, you may still be able to take the loss next year by selling short this year and closing out the transaction next year. However, in view of the prohibition in the law regarding the use of short sales in converting short-term gains to long-term gains, it is likely that the Treasury Department would attempt to deny the benefits of this maneuver.

For this year-end the most advisable tax approach is to take as much of a short-term loss as necessary to wipe out double the amount of long-term gains.

New Natural Resources

By ROGER W. BABSON

Pointing out "growth stocks" are usually based on natural resources, Mr. Babson, though admitting physical natural resources of U. S. have mostly been discovered and limits of our land frontiers have been reached, says great spiritual natural resources, such as use of marvelous machinery of the human brain, remain untapped.

Wise investors like "growth stocks." They are constantly watching for new opportunities and the big rewards which will come to those who are patient.

Roger W. Babson

Growth stocks are usually based on natural resources. The buying of growth stocks today requires the same courage and patience as our ancestors needed when they went West and homesteaded land 100 years ago. Wealthy families of the Central West today are descendants of those pioneers who were then inspired to make the necessary sacrifices. Later they found coal, oil, sulphur, gypsum, or other valuable products.

The physical natural resources of this country have been mostly discovered; but great spiritual natural resources remain untapped for those who have the same courage, patience and self-control as their ancestors. Undiscovered riches today, therefore, will follow the awakening of the souls of youth to create and make new discoveries. These will enable people to live much longer, learn much faster, rearrange the atoms to make new products, and enjoy free power and free heat from gravity and the sun.

These new developments must come through spiritually inspired brains. Hence, instead of homesteading land, we today should "homestead" brains! This means to invest more in labor and give more time to the minds of human beings, especially to the minds of our children. They are neglected today.

We think that television machines, airplanes and electrical appliances are wonderful; but these are mere peanuts compared with the intricate and marvelous machinery of the human brain. Yet the Asiatics and Africans, whom I have hired for ten cents a day, have these human brains. To spiritually awaken these billions of brains is the next great "frontier." I wish I were younger, to have a part in it.

This most wonderful machine is in your own children's heads. Your boy can develop his brain to become an Edison, a Firestone or a Ford; but the first step towards success is to inspire him to think, work, love and save. These men were inspired by their parents; they never went to college. Keep in mind that the masses are using their brains only a small fraction of 1% while your children are using theirs only about 5%.

Most jobs—including white-collar positions—require very little brain work. Clerks, salesmen and so-called executives are really in the "manual labor" group, depending upon habit, memory, speed or friendship for earning their pay checks. They perform little or no creative work. Yes, the brains of our children are great undeveloped resources and offer you unlimited possibilities. These brains are worth to parents far more than any pensions which parents may ever receive.

Schools are doing their best to help your children. Furthermore, they do not expect you to teach them reading, writing, arithmetic or any of the higher subjects. Schools, however, depend upon parents to set their children an example in good habits, good reading and thrift. As a child's religion is determined before he is 12 years old, so is his success or failure. In almost every case a boy's future is determined by the training which he receives at home during his early teens. If he has been inspired to think, to work, to save and to pray, he becomes a successful man—college or no college. Systematic reading and creative thinking will then be his education.

Therefore, great undeveloped frontiers are now available; but they are spiritual frontiers. To conquer them requires the same courage, determination and sacrifice that our ancestors had when conquering the West. Instead of forsaking comfortable homes, cutting away forests and living in log cabins, our children, perhaps, must win their independence by forsaking amusing radios, televisions and useless reading, by refusing to "keep up with Lizzy," and by cultivating their minds, as their ancestral pioneers cultivated the land. Inspired brains are the "gold mines" of the future.

Continued from page 8

Notes Diminishing Industrial Activity

tinue to decline, as civilian product manufacturers adjust schedules to lower controlled material allotments.

Industrial material inventories are leveling off at the low point of the year in the estimate of the Business Survey Committee. Employment is tapering off. More short time is reported. Buying policy is being restricted; 87%, the highest number since June, 1950, are holding purchases to maximum 90-day commitments, with a more pronounced trend toward 30 and 60 days. Uncertainty of future CMP allotments is one cause of the short-range purchasing policy.

Many industrial buyers, it is stated, volunteer the opinion this month that inventory, price and material controls as now set up are not necessary to support present defense plans. Those holding that view feel that current problems could be handled better, with less disruption of the civilian economy, if all had free access to domestic and world supplies at competitive prices and depended on practical market management by businessmen, with only necessary defense requirements given priority through regulations.

Commodity Prices

Industrial material prices, according to the survey, continue to show strength and stability. OPS-authorized increases are trickling in—in some instances offset by increased competition. Few rollbacks of prices have been ordered and buyers doubt there will be many. The immediate future trend of prices is expected to be up, under the impetus of the Capehart Amendment and tax and freight increases, with the possibility of a higher wage pattern resulting from negotiations in the steel industry. The effectiveness of any rising trend will depend more on the supply-demand position than on the regulations permitting higher prices.

Inventories

The composite of inventory reports to the Committee indicates a leveling off at the low point reached in the last few months. Important comment is that they are about as low as they can go and support the present volume of business. However, drastic cutbacks in first-quarter CMP allotments will require further reduction of inventories and retard the receipt of, or cancel commitments for, the companion materials. The recent and anticipated price strength is, therefore, not creating much desire to accumulate industrial inventories.

Employment

The total number on industrial pay rolls is reported slightly off. Many more report short time and temporary layoffs. Lower order backlogs and lack of critical materials are the principal causes.

Buying Policy

Purchasing Agents are taking a shorter view on future coverage. 87%, the highest number since June of 1950, are holding their commitment range within 90 days, with a significant increase of those in the 30- and 60-day columns. Drastically lower CMP allotments for the first quarter, coupled with severe cutbacks of the advance first-quarter allotments, require extensive adjustments of outstanding orders for CMP materials, and cancellation or deferment of some of the forward scheduling of deliveries on less critical materials. Supplies of many of these materials are more plentiful. Distributors' stocks are large and under increasing pressure to move them.

Arming for Peace

By HERMAN W. STEINKRAUS*
President, Bridgeport Brass Co.
Former President, U. S. Chamber of Commerce

Prominent manufacturer declares we should buy from friendly nations raw materials now going to further war preparations of Russia and China. Deplores vast shipments from UN countries to Soviet since Korean outbreak, of strategic materials, including rubber, oil, and steel. Exhorts U. S. to attain superiority in ideals and in spiritual as well as material strength.

I

My qualifications for discussing this subject cannot be that I am a manufacturer whose business went 100% to war last time, and is now again active in the defense program. As a manufacturer I regret the necessity for a defense program because it is so costly to many American manufacturers.

H. W. Steinkraus

(1) It builds big business bigger, and ruins many small businesses. The size of the program is so large that only big corporations can handle it.

(2) In spite of all conversation, small- and middle-sized companies have great difficulty getting war orders or subcontracts. Their equipment does not lend itself to such business in many cases. They are prevented from continuing their peacetime business by allocations and restrictions on raw materials, such as steel, aluminum, and a hundred and one other products.

(3) A defense program disrupts all peacetime programs and sets them back. Postwar or post-defense readjustment is a big headache.

(4) A defense program greatly increases the risks of business, and decreases the profits. The risk of overexpansion of plants and equipment as well as organization, with increased taxes, bring about a boom-and-bust effect.

II

My qualifications as a citizen are better on which to discuss this subject than as a manufacturer.

(1) I was in World War I, from buck private to captain, in the infantry in France and Germany—saw half of my buddies killed, lost or wounded—was in the Army of Occupation for six months. I know something about war.

(2) I have an only son who served in China, Burma and India for three years, from his enlistment on his 18th birthday. He was wounded, and decorated, and came back confused about it all.

No Victor in War

As a citizen I know that war does not solve problems—it intensifies them. There is no victor today. Peace must be the objective of all intelligent and freedom-loving people. We can get almost universal agreement on that.

I traveled in England and Europe for two months this summer. Everywhere there was evidence of the desire for peace. The slogan of the Communists on their banners, and painted on walls and fences, was the same everywhere. It was: "Join the Communist Party for Higher Wages and Lasting Peace." They know that those two objectives are in the hearts of all working people. The youth of the nations, the mothers everywhere, want peace—not war. So do we all.

*An address by Mr. Steinkraus at a dinner of the New School for Social Research, Hotel Plaza, New York City, November 13, 1951.

Is Peace Possible?

(1) But how can we have peace? How can we arm for peace instead of for war? One of the first things we must find out is why we found ourselves in World War I and II. Was it mainly because aggressive leaders in other countries wish to conquer? That might be given as the explanation, but it is not the real one. We found ourselves in World War I and II because these aggressors thought they could pick off what they wanted before we would be prepared to defend ourselves. Our unpreparedness was the cause of our being in two wars.

Had we been militarily prepared, no aggressor would have dared to attack us or our friends, and war would have been avoided.

So we can rightly say, had we been armed sufficiently to prevent anyone from attacking us or our allies, we could truly say we would have been "Armed for Peace," for our being armed would have maintained peace.

(2) We are now on the threshold of another great military program. We all hope this time we are arming for peace, and not for war, but we are learning that just military arming is not enough. The potential possibility of a third World War lies deeper than just a military conflict.

It is a conflict of ideas and ideologies. It is the massing of the forces whose leaders believe that the State is all important, against those forces of nations and people who believe in the freedom of the individual, and all that that implies.

It is a battle for men's minds and souls. This kind of arming we have done very little of and, indeed, few people in our land know how to arm our country with ideas that are so powerful and true and persuasive that they win other peoples for peace.

Our Voice of America is as feeble an instrument in the battle for ideas as an air rifle at the front against an enemy tank.

We must find a better way to arm ourselves for peace than we are now using or the very presence of our military weapons and men will play into the hands of enemy leaders as visual evidence to the peoples throughout the world that our true intents and purposes are to make aggressive war. Only if we win the battle of ideas can we prevent suspicions of many neutral countries bordering on danger zones, misunderstanding as to our military programs, our establishing of air bases and sea bases throughout the world.

So our program of arming for peace must include a strong and sound program for winning the battle of ideas against a very clever and insidious enemy who has won much ground in this idea battle with untaught millions throughout the world.

(3) Another instrument which we must develop if we are to arm for peace is our economic power. We must organize the economic forces in our possession and bring economic pressure on those who would start a military war. There is much we can do to prevent war by the use of our economic power. For example, we can prevent strategic materials from being shipped from our land, and from other countries friendly to us, to those countries who have warlike plans.

Our Goods Have Helped Russia

How tragic it is that since June 25, 1950, the day of the Korean attack, there have been thousands of tons of strategic materials—rubber, oil, steel and many other items—shipped from our country, from England and other UN member countries, to help Russia get ready for war! Would it not be better to have bought up such materials ourselves and put them in a stockpile rather than permit them to flow to Russia on the excuse that foreign trade is so essential to countries friendly to us that they must sell these goods to Russia? Such a program would cost only a minor part of the armament program we are now engaged in. It has been estimated that this entire program could have been carried out for less than two billions of dollars.

Army and Navy Can Help

We could even use our Army and Navy to help us in such an economic program by having them help to prevent the smuggling of strategic materials across borders or across oceans. Would this help us arm for peace? Just as effectively as keeping small children from starting a fire in the house by not having matches too conveniently around, so unfriendly nations can be hampered—at least in their war preparations—through economic pressure at home and abroad in the field of raw materials. I am sure this effort would aid people by preventing the sinews of war from being produced in large quantities by nations who are short of such basic materials.

We must also keep our economic system very strong at home. What sense is there if in our efforts to arm for peace and to prevent war we weaken ourselves, and also change our own system so much that we either collapse under the load or lose the very freedoms we are trying to help other peoples to win by our efforts?

All the economic wisdom we have must be objectively applied to prevent the collapse which inevitably saddles a people with permanent government controls, with reduced standards of living, with taxation so high that it destroys incentive, and with controls so rigid that life becomes intolerable. There are evidences in this country today that we are approaching this point, because there are too many intelligent people who refuse to give ear to the counsels of straight thinkers that there must be reasonable balance in what we do with our economic system.

Moral and Spiritual Armament

(4) Last, and most important of all if we are to arm for peace, is the moral and spiritual armament of all of our people. How can we give exhortation to the other nations for peace and peaceful efforts when we ourselves are quarreling with each other in government, in industry, in labor, and in our very homes?

How can we expect to set a good example for international morality when our own national morality is so low that we will tolerate dishonesty in high places, graft and corruption in private and public life?

How can we as a nation give moral leadership to the world, which it so desperately needs, unless we first see the beam in our own eye?

Material values are the false values. Moral and spiritual values are the real and lasting values of life. If we would arm ourselves for peace we must have more, much more than mere material superiority in planes and ships and tanks and guns. We must have superiority in ideas, superiority in ideals and superiority in spiritual power and strength.

Let me close by quoting several verses from the letter of St. Paul to the Ephesians:

"Finally, my brethren, be strong in the Lord, and in the power of His might.

"Put on the whole armour of God, that ye may be able to stand against the wiles of the devil.

"For we wrestle not against flesh and blood, but against principalities, against powers, against the rulers of the darkness of this world, against spiritual wickedness in high places.

"Wherefore take unto you the whole armour of God, that ye may be able to withstand in the evil day, and having done all, to stand.

"Stand, therefore, having your loins girt about with truth, and having on the breastplate of righteousness;

"And your feet shod with the preparation of the gospel of peace;

"Above all, taking the shield of faith, wherewith ye shall be able to quench all the fiery darts of the wicked.

"And take the helmet of salvation, and the sword of the Spirit, which is the word of God."

COMING EVENTS

In Investment Field

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

Dec. 7, 1951 (New York City)
Security Traders Association of New York annual election at the Antlers Restaurant.

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

Jan. 28, 1951 (Chicago, Ill.)
Bond Traders Club of Chicago annual dinner at the Furniture Club.

May 1-2, 1952 (Galveston, Tex.)
Texas Group of Investment Bankers Association Spring Meeting at the Hotel Galvez.

Tax Consequences of Registering Stock in Name of Married Man

By WILLIAM H. KINSEY
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West Coast attorney propounds and discusses questions of registration of stock purchased by a married man with a view to determining the impact of Federal and State taxes. Concludes, as general rule, a married man should have stock registered in own name, but if husband wants to give his wife an interest in stock purchased by him, he should have these shares registered in her own name. Advises against having stock registered in name of husband and wife jointly.

Mr. Smith, a married man residing in a non-community property state, purchases 100 shares of Unified Utilities common at $100 per share, paying $10,000 of his own funds for the shares. Having heard that some married men register stock in their own names while others register stock wholly or partially in the names of their wives Mr. Smith desires to know the advantages and disadvantages of registering stock in each of the following five principal ways

William H. Kinsey

I. In his own name under a certificate for 100 shares made out to *"John Smith."*

II. In his own name and his wife's name under a certificate for 100 shares made out to *"John Smith and Mary Smith."*

III. In his own name and his wife's name jointly under a certificate for 100 shares made out to *"John Smith and Mary Smith, as joint owners."*

IV. In his wife's name alone under a certificate for 100 shares made out to *"Mary Smith."*

V. The shares are divided equally between himself and his wife with one certificate for 50 shares made out to *"John Smith"* and a separate certificate for 50 shares made out to *"Mary Smith."*

Mr. Smith correctly surmises that in regard to the Federal income taxation of dividends received during his life time it makes no difference how the stock is registered since the Federal tax law permits him to file a joint return with his wife in which he can split his income between himself and wife regardless of who actually receives or is entitled to the income. He inquires, however, as to what differences there are between the five methods of registration in regard to:

(a) Federal Gift Taxes.
(b) Right of Mrs. Smith to Transfer Any of the Stock.
(c) Distribution of the Stock upon His Death.
(d) Federal Estate Tax.
(e) Federal Income Taxation of Any Gain Realized upon the Sale of the Stock after His Death.

Set forth below are brief answers to Mr. Smith's questions:

I. If All of the Shares Are Registered in His Own Name Under A Certificate for 100 Shares Made Out to "John Smith"

(a) *Federal Gift Tax.*

Mr. Smith is the only one who receives any interest in the shares registered in his name alone, so there is no gift and no gift tax.

(b) *Right of Mrs. Smith to Transfer any of the Stock.*

Since Mrs. Smith has no interest in the stock whatsoever, she cannot transfer any of the shares or any interest therein.

(c) *Distribution of the Stock upon His Death.*

In his will Mr. Smith may leave the stock to anyone he pleases. His wife has no interest in the stock. Mrs. Smith's total lack of interest in the stock is not altered by the fact that the Federal income tax law permits Mr. Smith in a joint return to split the dividends between himself and wife, or the fact that the Federal estate tax marital deduction allows Mr. Smith to leave approximately one-half of his estate to his wife free from estate tax.

If Mr. Smith willed all of his stock to his son, his wife would receive no interest in the stock, except that under the laws of many states Mr. Smith cannot cut his wife out of his will completely since such laws give her the right to take a specified portion of his personal property regardless of what is provided in his will. If Mr. Smith died without leaving a will, the stock, together with his other personal property, would pass under the intestate laws of his state.

In order to have the stock transferred from the name of Mr. Smith after his death it is necessary to have the certificate signed by the administrator or executor of his estate which means that his estate must be probated.

(d) *Federal Estate Tax.*

If Mr. Smith dies without disposing of the stock, it is subject to the Federal estate tax at the fair market value of the shares on the date of his death. Assuming that the shares appreciated in value to $150 per share between the time Mr. Smith purchased the shares and the time of his death, the shares would be taxed on a valuation of $150 per share, making a total taxable value of $15,000 for the 100 shares.

If Mr. Smith wills the stock to his wife, it qualifies for the Federal estate tax marital deduction. In general terms the marital deduction allows a deduction for all property passing outright from Mr. Smith to his wife, subject to a limitation that the total marital deduction cannot exceed approximately one-half of his estate. The marital deduction may be illustrated as follows: If Mr. Smith leaves an estate of $180,000, he can obtain a marital deduction for the value of all cash or property passing outright to his wife not in excess of approximately $90,000 (one-half of his estate). If Mr. Smith takes full advantage of the marital deduction, his estate after the deduction will be $90,000 ($180,000 less $90,000) leaving a taxable estate of $30,000 ($90,000 less the $60,000 Federal estate tax exemption).

The stock does not qualify for the marital deductions if Mr. Smith devises it in trust for the benefit of his wife during her lifetime and then for the benefit of his children after the death of his wife. A trust can be made to qualify for the marital deduction if certain technical requirements of the law are met, the main ones being that the wife must be entitled to receive all the trust income and she must have the power either before or at the time of her death to say who gets all the residue of the trust.

If Mr. Smith leaves other property to his wife equal in value to one-half of his estate, the passing of the stock to his wife does not give any additional marital deduction. To illustrate, if Mr. Smith had an estate of $180,000 and left other property to his wife worth $90,000 he would obtain no additional deduction by leaving the stock to his wife since his marital deduction is limited to approximately $90,000 (one-half of his estate). On the other hand if Mr. Smith left other property to his wife worth $70,000 out of his $180,000 estate, he would obtain an additional deduction of $15,000 by leaving the stock to his wife since the $15,000 added to the $70,000 is still within the limitation of the marital deduction. Obtaining the optimum marital deduction requires careful estate tax planning and careful drafting of the will by an attorney familiar with the estate tax laws.

There is a disadvantage in leaving property to a wife in excess of the amount which can be deducted under the marital deduction. This results from the fact that any property qualifying for the marital deduction (whether left in trust or outright) is subject to estate and inheritance taxes upon the death of the wife. Consequently, it may be advisable to leave property in excess of the maximum marital deduction directly to the children so that such property will not be taxed upon the death of the wife. If the wife has substantial property of her own, it may be unwise to use the marital deduction at all inasmuch as property received from the husband would be piled upon the property of the wife increasing the estate and inheritance taxes payable upon the death of the wife.

(e) *Federal Income Taxation of of Any Gain Realized Upon the Sale of the Stock After His Death.*

When stock is sold, the gain subject to the Federal capital gains tax is the excess of the sales price over the "tax basis" of the stock. As a general rule the tax basis of stock is the amount paid for it when purchased, but an important exception to the general rule applies to stock received by bequest or inheritance. The tax basis of stock received by bequest or inheritance is the value of the stock at the time of the owner's death and not the amount paid for the stock by the owner.

To illustrate, if Mr. Smith during his lifetime sells the stock for $150 per share, he has a taxable gain of $50 per share (the excess of the $150 sales price over the $100 per share paid by Mr. Smith for the stock). But if Mr. Smith dies without selling the stock and the fair market value of the stock at the time of his death is $150 there is no taxable gain when the stock is sold for $150 after his death since the sales price does not exceed the tax basis, the tax basis being the value of the stock on the date of Mr. Smith's death. The appreciation in value from $100 per share (the price paid by Mr Smith) to $150 per share (the value on the date of death) is never subjected to income taxation. This is true whether or **not** the value of the stock was **deductable** under the marital deduction or whether Mr. Smith's **net** estate was in excess of the $60,000 Federal estate tax exemption.

II. If All of the Shares Are Registered in His Own Name and His Wife's Name Under A Certificate for 100 Shares Made Out to "John Smith and Mary Smith":

(a) *Federal Gift Tax.*

Registration of the stock in the name of Mr. and Mrs. Smith gives

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Dollar Shortage Only Part Of Britain's Exchange Crisis

By PAUL EINZIG

Dr. Einzig, in pointing out Britain is confronted with graver balance-of-payments crisis than in last five years, finds greatest concern is the current deficit with the European Payments Union. Sees as unavoidable a drastic curtailment of Sterling Area imports from Western Europe, and says remedy lies in scaling down Britain's over-ambitious capital investment program.

LONDON, Eng.—Britain is confronted with a much graver balance-of-payments crisis than either in 1949 or in 1947. On previous occasions it was mainly a dollar-gap crisis. On the present occasion there is a deficit in relation to all main trading areas. In addition to the dollar gap the balance of payments is strongly adverse also in relation to the Sterling Area, and even in relation to the European Payments Union. In fact, it is the deficit in relation to the latter that is causing the most immediate concern.

Dr. Paul Einzig

It is now evident that, under American pressure, the British Government has gone much further towards the liberalization of Britain's trade with Western Europe than she could reasonably afford to go. Quantitative trade restrictions in relation to members of the European Payments Union had been drastically reduced during 1949-1950. As a result, Britain imported very large quantities of Continental luxuries, increasing her supplies of unrationed food. Indeed, it may be said that under the Socialist Government the much-denounced prewar system of "rationing by the purse" was reintroduced. While low-priced subsidized rations were available for the lower-income classes, the wealthier classes were in a position to supplement their rations of meat, cheese, etc., through buying high-priced foodstuffs imported from Western Europe. It was very pleasant for those who could afford it. But evidently the country as a whole could not afford it.

Nor were luxury imports by Britain the only cause of the deterioration of the British balance of payments in relation to the European Payments Union. Sterling Area countries, too, have been heavy buyers of Continental goods. They had much opportunity and inducement for doing so, because they had been unable to spend in Britain their increasing sterling balances. Since under the European Payments Union scheme they were able to use these balances in Western Europe they placed big orders there during 1951.

In the circumstances it is evident that the reduction of British imports from the European Payments Union will not in itself suffice for checking the increase of Britain's debit balance with that Union. During October alone that increase amounted to £89 million, and unless this figure is drastically reduced there will be a heavy drain on the Sterling Area dollar reserve. The Finance Ministers of the Commonwealth countries will meet in London in January, but it is essential that these countries should follow the British example immediately in order to avoid spending an undue part of the gold reserve. A drastic curtailment of Sterling Area imports from Western Europe has become unavoidable.

Admittedly, although this measure will relieve to some extent the pressure on Britain and the Sterling Area, the relief will be achieved at the expense of Western European countries many of which are equally hard pressed. France is also losing gold heavily, and her position will become aggravated through the curtailment of her exports to Britain and the Sterling Area. Other Continental countries, too, will feel the effects of the British import cuts. This is, however, inevitable. In her present position Britain can ill afford to stand the burden of supporting these countries, considering that she herself is in need of support. A further deterioration of Britain's balance of payments and a depletion of her gold reserve would undermine her economic and political stability, which would affect the position of the whole Western Europe.

Britain has taken no direct steps so far to cut down her imports from the Sterling Area or from the Dollar Area. It is felt in London that any further cuts in dollar imports might antagonize American opinion at a time when Britain is very much dependent on American goodwill for the solution of her various problems. Efforts should be made, however, to reduce the import surpluses from the Sterling Area. The Colonies alone increased during 1951 their sterling surplus by some £400 million to some £1,000 million. Clearly, this is an unsatisfactory state of affairs, for the underdeveloped Colonies are in need of capital import and can ill afford capital export. The situation could not be corrected by a curtailment of imports from the Colonies, for these imports consist of essential raw materials and food. The difficulty has arisen because Britain has been unable to export to the Colonies all the capital goods needed by them, and because many lines of British consumer goods are too expensive for the Colonial consumer. Both causes are due to the inflation prevailing in Britain.

The remedy lies in the scaling down of Britain's over-ambitious capital investment program which absorbs an excessive proportion of the capital goods produced in Britain, and in the reduction of the British consumers' excessive purchasing power. While the former could be done easily, the latter is most difficult. No matter what government is in office, the basic fact of the situation is the over-full employment prevailing in Britain. Owing to the nature of the balance of power between employers and employees in Britain, there is no possibility of maintaining real wages at a level at which consumption could be reduced sufficiently to enable the under-developed peoples to spend here the proceeds of their exports to Britain. What has been happening in recent years is that the standard of living of the British worker has been bolstered up artificially at the expense of the Colonial under-developed peoples.

Meeting Inflation in the Real Estate Field

By ARTHUR F. BASSETT*
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After recounting what took place between 1946 and 1950 in volume of construction, costs and prices, Mr. Bassett finds as basic causes of inflation, which lie outside real estate field: easy credit policies of Federal Government agencies, and inflationary factors and policies which have led to constantly increasing wage and price level. Says well-placed credit restrictions can put brakes on real estate boom. Warns, however, of pressure to relax recent restrictions and conventional mortgage relations, and urges avoidance of credit stimulants that increase tempo of real estate business.

The subject of this conference is "Meeting Inflation in the Real Estate Field." When you find that the cost of constructing a moderate home has increased approximately 70% since 1943 (Wenslick) and something over 100% since 1941, it doesn't look as if a very good job of curbing inflation in our field has been done. On the other hand, I think we must look outside of the real estate field to the general economic field to find the basic causes of inflation in that field—and probably to find the remedy.

For the purpose of this discussion, my studies have been confined largely to the postwar years subsequent to 1945. I am going to consider two basic questions:

(1) What have been the results of inflationary factors in the real estate and construction field?

(2) What has been done and is being done to control these inflationary factors?

Before getting into a discussion of these two questions, just what is inflation? It is quite adequately described as, "A disproportionate and relatively sharp and sudden increase in the quantity of money or credit, or both, relative to the amount of exchange business. Inflation always produces a rise in the price level." I think we can dismiss as elementary that war periods are inflationary. The supply of money and credit rise while the supply of products desired by the majority of our citizens generally decreases. During war periods, this condition generally gives rise to various types of governmental controls, such as rationing, commodity price controls, credit controls, etc. Along this line it is interesting to note that during the period of World War II, the supply of money in circulation rose from approximately $7,000,000,000 in 1940 to approximately $28,000,000,000 in 1946 with about the same figure at present, and during the same period the consumers' price index of the Department of Labor also rose from 101.1 in January, 1941 to 136.4 in June, 1946 to 186.7 in September, 1951. General commodity prices rose during the war because of the decreased supply of the goods available, in spite of price controls and rationing.

While war periods have generally been inflationary, postwar periods with a more stable supply of money and credit and with an increasing supply of civilian goods and securities have often proven deflationary, particularly a few years after the end of hostilities. Since 1946, however, with the supply of money in circulation relatively stable and the supply of consumer goods increasing, prices have kept right on going up in our particular field. Construction costs have increased steadily since 1946 as will be shown later. It is very evident that inflationary factors have been steadily at work since the end of hostilities in 1945. Credit has been easy and expanding.

*An address by Mr. Bassett at the Educational Conference of the University of Michigan, Ann Arbor, Mich., Nov. 9, 1951.

I

Now let's turn to the first question, namely *"What have been the results of inflationary factors in the real estate and construction field?"* Let us take a look at:

(1) Volume of construction.
(2) Costs.
(3) Prices.
(4) Interest rates since 1946.

I will use certain illustrations from the residential field in this discussion, although the general pattern follows in much the same form in the commercial real estate field.

(1) **Volume of Construction:** Shortly after the war, some of the students and economists in the Federal Government housing field figured out that the economy of the country could absorb approximately one million new housing units per year over a ten-year period. With approximately forty million residential units in the United States, these figures, I believe, were largely based on a depreciation or mortality of something less than 2% per annum plus housing accommodations required for new families. The actual record of construction of new housing units is about as follows:

Year	Units
1946	670,000
1947	840,000
1948	925,000
1949	1,020,000
1950	1,400,000
1951	*900,000

*Estimated.

(2) **Construction Costs:** In this study I will use figures prepared by Roy Wenzlick & Company, which are fairly standard for most of the large cities in the country. I will use the index of 100 for the cost of constructing a standard residence in 1946 and show the increases which have taken place each year based on 1946 at 100.

1946	100
1947	129
1948	145
1949	147.5
1950	154
1951	169

(3) **Prices:** Sales prices of new houses have, of course, substantially followed the above index of residential construction costs. It must be remembered, however, that there was very little new residential construction during the war years. The sales price of older houses followed a somewhat different pattern particularly right after the war. In the year or two immediately following the war, when many of the servicemen were returning, housing was at a premium and many buyers were paying replacement cost less depreciation plus a rather substantial scarcity premium. As the volume of new housing increased, this scarcity premium gradually disappeared. The elimination of this scarcity premium, however, has been more than offset by increasing construction costs. In this discussion of prices, it should be pointed out that in recent months some resistance is appearing to new house prices, probably due to several factors, among which can be mentioned stiffer credit terms, the greater supply of housing, some feeling that builders' profits are too high and some unemployment in the industrial areas due to the change-over to defense work.

(4) **Interest Rates:** As a group of brokers and educators, you will probably get a little better picture of this question if I talk about yield rates. You know that interest is what the borrower pays for the use or rental of money, and yield is generally defined as that amount the lender receives, before Federal taxes. In 1946 there was a large supply of money and credit and not too much demand for it. Just look at the residential construction figures in 1946—only about 47% of 1950. During the immediate postwar period expansion in industrial, municipal and school construction programs were also largely in the planning state. In 1946, depending on the interest rate, etc., investors were paying a premium of from 1 to 4 points above par or face value in the purchase of mortgage loans. This premium even applied to FHA and VA loans. You brokers were being paid 1 point or more as a finders' fee, just to steer mortgage business to the various banks, savings and loan associations, insurance companies, etc.

Your attention is called to the fact, however, that during those years the demand for money in the other fields mentioned was steadily increasing, and while mortgage interest rates held relatively stable, fees, premiums and commissions paid to brokers and other emoluments were gradually decreasing. In other words, higher yields were gradually being required by the lenders of money. Having in mind this gradual change in the demand for money, let us next briefly consider the several various classes of residential mortgages—FHA and VA mortgages where the interest rate is controlled, and conventional mortgages where the interest rate is subject to the supply of and demand for money.

(a) **FHA Section 2 Loans:** FHA mortgages of this section started out at 5% interest. In 1939 when the government found a wide acceptance for the FHA insured mortgage with a premium being offered by financial institutions for such mortgages, the interest rate was changed to 4½%. Early in 1950 the interest rate was reduced to 4¼%. Shortly after this interest reduction was made, financial institutions lowered or stopped premiums paid for FHA loans and the finders' fee to brokers was generally eliminated. With the increasing demand for money plus the withdrawal of the floor by the Federal Reserve Board under long-term government bonds last March, catching many financial institutions with large portfolios of outstanding commitments, the demand for FHA 4¼% loans greatly diminished.

(b) **VA Loans:** Interest rates for loans partially guaranteed by the government through the Veterans Administration started at 4% when the act was passed in 1944 and still remain at 4%. Immediately after the war many financial institutions were accepting VA 4% loans, sometimes even paying a small premium. As the demand for money increased, it became increasingly difficult to place these 4% loans and more and more of them were sold to the Federal National Mortgage Association (FNMA). As the general demand for money increased, many mortgage brokers and financial institutions were charging a fee to the builder for processing these GI loans, which fee was, of course, passed on to the veteran in a higher sales price. While the veteran was paying 4% interest on the mortgage, he was actually paying more than 4% as reflected in increased prices. Water has a way of seeking its own level. When a restriction was placed on the amount which could be charged the veteran or builder on the front end of a loan and FNMA stopped giving prior commitments, the outlets for VA 4% mortgages became very scarce. Investors generally are not now interested in small 4% residential mortgages even with the benefits offered under the VA guaranty.

(c) **Conventional Loans:** Interest rates of so-called conventional loans where the lender does not have the benefit of any government guaranty or mutual insurance fund have pretty generally followed the curve of the increased demand for money which has gradually been bidding up interest and yield rates. In 1946 many conventional mortgages in the residential field were being made at 4% interest and in the commercial field at less than 4%. Suffice it to say that interest rates for residential conventional mortgages have gradually been increasing until today, at least in the Great Lakes region, the average interest rate for good conventional residential loans is 5%. A number of conventional mortgages have recently been made at more than 5% (5½ or 6%) and some choice ones at less than 5%.

To illustrate why low interest rate mortgages have lost popularity, I show a little table to indicate comparative yields with several other securities.

II

Now let's turn to the second question, namely "What has been done and is being done to control these inflationary factors?". The figures above quoted indicate that volume of construction, costs and

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Public Utility Bonds With Ratings of "A"

		March 31, 1947 Price	Yield	Oct. 30, 1951 Price	Yield
Michigan Consolidated Gas	1st 3½'s 1969	110⅝	2.86	102¾	3.29
Montana Power Company	1st 2⅞'s 1975	103¾	2.69	96	3.11
New Jersey Power & Light	1st 3's 1974	109	2.53	98¼	3.12
New York State Elec. & Gas	1st 2¾'s 1977	102¾	2,63	88	3.47
Ohio Edison Company	1st 2¾'s 1975	102½	2.62	95	3.04
West Texas Utilities	1st 3⅛'s 1973	107¾	2.74	99½	3.16
	Average	106	2.68	96⅝	3.20

First Mortgages

	Interest Rate	Servicing Fee	Home Office Overhead	Yield
Veterans Administration	4%	½%	½ to ¾%	2.87
FHA—Section 203	4¼%	½%	½ to ¾%	3.12
Conventional	5%	½%	½ to ¾%	3.87

NOTE—5% conventional loans command some premium.

Stabilizing Potentialities of Monetary-Fiscal Policy

By EDWARD C. SIMMONS*
Professor of Economics, Duke University

Southern economist, defining monetary-fiscal policy as comprising: (1) regulation of stock of money; (2) changes in national debt; and (3) fluctuations in Government spending and revenue, says what is needed to effect economic stability is a rule for coordination of these elements. Discusses briefly how this objective may be accomplished, but admits methods not suitable to mobilization or to wartime conditions. Advocates discretionary use by Government of "vast complex of control techniques under a firm rule of policy," but concludes current knowledge of causes of economic instability and skills in Government financial management do not justify "exploiting to full potentialities of monetary-fiscal policy."

Only limited progress has been made toward utilizing the stabilizing potentialities of monetary-fiscal policies despite widespread agreement that such measures are consistent with a free market economy and sufficiently powerful to contribute materially to economic stability. Little has been accomplished because conditions have not been created which make certain that government actions form an integrated consistent program. Specifically, two essential requirements have not been met. There is no generally agreed upon rule of policy to guide public officials. Means have not been provided for the coordinated use of the government's powers to regulate the size of the monetary-fiscal aggregates — the stock of money, the national debt, public revenues, and public expenditures.

Only within the last 20 years has the opportunity presented itself to bring to bear the stabilizing force of monetary-fiscal policy. Collapse of the international gold standard provided the required latitude on the monetary side. Similarly, abandonment of the principle of the annually balanced budget opened the way to management of government revenues and expenditures for the purpose of regulating aggregate money expenditure. In addition to increasing the relative share of the government in total money outlay, measures to overcome depression and to prosecute World War II demonstrated the power of monetary-fiscal leverages to control the level of economic activity.

Under the old rules of adhering to the gold standard and balancing the budget year-by-year, economic stabilization was not an explicit objective, although the belief was generally held that welfare would be at a maximum if government financial operations were conducted in accordance with these rules of thumb. Today, few accept this view. The massive social forces of the great depression and the war have brought general agreement that a new set of principles is required. Dozens of books and scores of articles have explored the possibilities. Ideas are still in ferment as to the relative roles of monetary and fiscal weapons, the relative effectiveness of tax and expenditure changes, and the extent to which automatic and discretionary controls are to be relied upon.

Even if economists were to reach agreement on these matters, government actions would not necessarily conform to economists' views any more than they did in the days when almost universally economists held to free trade. The old rules for management of government financial operations were more than economic doctrines. They were generally accepted beliefs in the public mind. Essentially they were negative. They restricted government to doing a limited range of things, but they did have the virtue of calling for positive action. So long as the old rules were in force, administrators and legislators could see their duty plainly.

If the latent possibility of utilizing monetary-fiscal management as a stabilizer is to be realized, conditions similar to those which used to exist must be restored. When the old rules were abandoned by sheer pressure of events, a void was created. Economists can assist in filling it, but they must realize that what is needed is not merely a creed to which economists can subscribe but a universally agreed-on rule of action encompassing both ends and means. A complex formula by which welfare is to be maximized through discretionary action will not suffice.

The "Welfare" Formula

Welfare economics is not far enough advanced to provide such a formula, but even if it were, the need would not have been met. The practical solution must be sought in a rule capable of being applied by public servants possessing only a rudimentary understanding of economics. The rule must be consistent with the ultimate values of freedom, equality, and progress which presumably would appear in an economist's welfare formula, but no attempt should be made to incorporate measures of these highly complex elements in the rule itself.

Maintaining full employment is not a satisfactory rule. Literally that would mean maximizing aggregate labor input by counting heads. Lacking any criterion of efficiency, such a rule could only lead to absurdities. Economists have meant something much more sophisticated than this when they have talked of maintaining full employment. There is danger, however, that their ideas may lead only to the loose and unsatisfactory sort of statement which appears in the Employment Act of 1946.

Wording such as providing "maximum employment, production, and purchasing power" leaves to someone the task of harmonizing the conflicts of interests inherent in this multiple set of objectives. With aggressive pressure groups taking an integral part in the short-run monetary and fiscal managing which is being attempted such a complex objective merely serves to open a veritable Pandora's box.

The rule must be simple, direct, and unambiguous, as was the gold standard-balanced budget rule. It must be a two part affair, because government has responsibilities in two closely related but distinct spheres. Government has the responsibility of determining the size of the stock of money. On the fiscal side, government determines expenditure and taxes, and depending how these are set, the rate of change in the national debt. There are other subsidiary powers, but the analysis should focus on the two stock concepts—the quantity of money and the amount of the national debt—and on the two flow concepts—government expenditures and tax revenues. The rule must encompass these four interrelated magnitudes. None of them is a measure of welfare in itself.

A "Rule" Needed

A rule for management of the size of these four elements in the interests of minimizing economic instability is what is sought. Possibly it may be found by adapting the old rules to the new circumstances. The old rule for monetary affairs had as its real foundation stability of the value of money. Could this not become the explicit objective of monetary policy? On the fiscal side, the central element of the old rule ought to be retained—the idea of balance in expenditure and revenue. There is now general agreement that balancing the budget over the cycle is the appropriate policy. Could not the old rule be modified to provide a firm rule for fiscal management? The task of obtaining public acceptance of the new principles, which is absolutely essential, would be facilitated if the substance of the old rules could be preserved.

The Stabilized Budget Principle

The stabilized budget proposal of the Committee for Economic Development provides a workable solution to a cyclically balanced budget. While it may be said that a rough attempt to operate according to the cyclically balanced budget principle is represented by the present practice of budgeting for deficits or surpluses according to the economic outlook, little has really been accomplished. Indeed, it may be argued that annual budget making has broken down under the effort to modify taxes and expenditures to meet short-run changes in economic conditions. Under the stabilized budget there would be no need to attempt the obviously impossible task of forecasting economic conditions. Revenues sufficient to balance the budget at full, but not overfull, employment levels would have to be provided. New expenditures would have to be matched by new tax measures sufficient to maintain this hypothetical balance.

Integration of the stabilized budget with monetary policy could be accomplished as proposed by Professor Milton Friedman.[1] The Committee for Economic Development's own program leaves open the whole question of monetary policy, but there is need for a firm rule at this point just as much as in the management of fiscal affairs. Unless budgetary surpluses are accompanied by monetary contraction and deficits by monetary expansion, the stabilized budget would not exert the required leverage toward stability. Professor Friedman has argued a direct mechanical linkage should be arranged for. He proposes drastic monetary reforms based on the 100% banking principle.

The Stock of Money Principle

Support for the idea of linking the stock of money to the budgetary position is provided by experience with budgetary surpluses since World War II. These surpluses developed fortuitously as a consequence of inflation.[2] While they served to moderate inflationary pressures, they were themselves caused by monetary expansion. The Friedman program would eliminate the paradox of a budget surplus brought about by

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*A paper presented at the 1951 meeting of the Southern Economic Association, Knoxville, Tenn., Nov. 16, 1951.

1 "A Monetary and Fiscal Framework for Economic Stability," "American Economic Review," XXXVIII, 3, (June 1948), pp. 245-264.

2 Cf. Council of Economic Advisers, "The Economic Situation at Midyear 1951," pp. 128-129.

Can We Preserve the American Way of Life?

By W. M. CURTISS*
The Foundation for Economic Education, Irvington, N. Y.

Mr. Curtiss lists as essential characteristics of American way of life: (1) belief in private property; (2) the free market; (3) competition; (4) provision of tools and machinery for production; (5) dignity of the individual without discrimination as to race, creed, color, or ancestry; and (6) a government of limited powers. Discusses how these are being undermined, and attacks a "planned economy." Says remedy lies in long laborious education.


W. M. Curtiss

Before we can intelligently discuss the preserving or regaining of the "American Way of Life," we must understand what it is we want to regain or preserve. It requires a definition of terms.

Freedom of choice is to me an essential ingredient of the American Way. You may feel that your ideal would be for each family to have a small acreage of land and derive as much of their living as possible from it. I would certainly defend your right to that belief. Another person may believe that the American Way for him should provide more leisure. And so, from person to person, I'm sure you would find a great many different expressions of what the American Way of Life means.

The point I would make is simply this — what constitutes the American Way of Life differs from person to person to an extent that one might say there is no American Way of Life. This fact —this variation in ideals—confirms my belief that freedom of choice is an essential part of the American Way.

Life in America

One approach to this question might be to "look at the record" —what has the American Way done for us? In other words, let's look at life in America today. From a material standpoint—and I would not minimize this angle —I could quote you the now familiar figures of what proportion of the world's telephones, bathtubs, radios, automobiles, tractors, combines, steel production, rubber production, etc., etc., we have right here in this country; how, with six or seven percent of the world's population and land area, we produce over half of the industrial products of the world. Truly we are a productive people. Where it once required 80% of our workers to provide food and fiber for the nation, it now requires about 15%. The rest of the workers have been released to produce other goods and services of all sorts.

But the American Way of Life is more than the production of material things. To me, this huge outpouring of material goods and services is merely an important by-product of what I call the American Way of Life.

The abundance of material things, of course, is not a guarantee of happiness. Happiness, after all, is a relative thing. I do not claim that our bathtubs, radios, television sets, and Cadillacs make us any happier than our great grandparents were with their oxcarts.

What I do believe is that man is constantly trying to improve his situation and that it is in the improvement that he achieves a measure of happiness. Our grandparents felt some degree of accomplishment in going from an oxcart to a horse and buggy. And we may feel something of the same satisfaction in going from a 1940 Chevy to a 1950 Buick.

Men want to get ahead. Not all have the same standards of measurement for getting ahead. And that's fortunate too. Some set great store by more leisure time to go fishing or to just sit. Some value more material things. Some want to accumulate things to give to others—their children for example.

If I were to try to express the American Way as simply as I can and state what it means to me, it is simply this: the freedom of individuals to live their own lives as they wish so long as they do not interfere with others who are doing likewise.

Now, all this is a bit abstract and unless we can pin the discussion down to something more specific, we may all seem to agree when there is really little agreement. So, let me give you my ideas of what I consider to be some of the fundamental building stones of which the American Way of Life is constructed.

Private Property—The right of a person to the product of his own labor is a part of the American Way as I view it. It is just fair play. To work for something and then have it taken away to become the property of others is slavery. The principle which Karl Marx expounded, "from each according to his ability," is a socialistic principle which denies the right of a person to the product of his own labor. It removes one of the greatest incentives to progress.

I would place belief in private ownership of property as the foundation and cornerstone of our American Way of Life. And, I believe only a few people in this country would openly disagree.

I interpret the Commandment "Thou shalt not steal" to be an outright endorsement of private property rights. It is generally accepted as a part of our moral code.

The right to own property carries with it the right to use it or dispose of it as one wishes, so long as he does not infringe on the same rights of others. There is probably no greater incentive to production than knowing that one may acquire property to keep and use as he wishes. There are, of course, other noble incentives such as protection of one's loved ones, or satisfaction in a job well done.

The Free Market—The right to the product of one's labor — the right to own property—must be carried one step further if men are to associate peacefully in society. There must be opportunity to exchange goods and services in a free market. Only because of exchange, have we been able to specialize. The person who is especially competent as a mechanic can concentrate on his skills and exchange his product with one who is especially skilled at, say, raising hogs. An economy without specialists cannot rise

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*An address by Mr. Curtiss at Third Annual Farm Forum, University of Missouri, Jefferson, Mo., Nov. 20, 1951.

We Can Restore Gold Standard!

By FREDERICK G. SHULL*
Connecticut State Chairman, Gold Standard League

Mr. Shull, in extolling Dr. Andrew D. White's fight against irredeemable money, explains nature of the Gold Standard, and the ill-effects of irredeemable currency. Scores New Deal devaluation of the dollar, and contends Treasury has enough gold to restore a redeemable currency. Urges pressure be put on Congress to enact required legislation which will put nation again on a traditional gold currency.

As a great admirer of Andrew D. White, and as one whose inspiration to fight for a return of this nation to sound money has been drawn very largely from Dr. White's authoritative book, "Fiat Money Inflation in France," I welcome this opportunity to join in commemorating the anniversary of that great educator, diplomat and statesman, born 119 years ago.

Frederick G. Shull

If he were alive today, I am sure that no one would be more active in the effort of getting the United States back on the firm foundation of the Gold Standard than Andrew D. White. In paying my respects to his memory on this occasion, therefore, I shall do what I am sure he would want me to do—I shall advance reasons why we should get back on an honest-money basis; and why Congress should enact the necessary legislation to bring about that desirable result.

As a background for my talk, I should like to quote a statement by each of three great monetary authorities of the past 200 years: Adam Smith; Andrew D. White—whom we are honoring here tonight; and the late Professor Edwin W. Kemmerer, of Princeton University.

Nearly two centuries ago, Adam Smith made this significant statement in his well-known book, "Wealth of Nations": "The raising of the denomination of the coin has been the most usual expedient by which a real public bankruptcy has been disguised under the appearance of a pretended payment."

Not far from one century later, Andrew D. White pretty well summed up his view on sound money in these words: "There are financial laws as real in their operation as those which hold the planets in their courses."

And several decades later, Professor Kemmerer—in his speeches, and in his last book, "Gold and the Gold Standard," published in 1944—calls attention to an old proverb, which says: "We have gold because we cannot trust governments."

In 1933, our political leaders violated every principle of sound money suggested by all three of the above statements: They "raised the denomination of the coin," by enacting that a $20 gold piece become a $35 gold piece, or approximately of that value. That, according to Adam Smith, was "disguising a real public bankruptcy under the appearance of a pretended payment." Again, when Andrew D. White spoke of financial laws as real in their operation as those which hold the planets in their courses," he undoubtedly included in his thoughts that one of the functions performed by the dollar is that of being a yardstick-of-value; and that, once set, you can no more change the "value" of that yardstick than you can change the length of the 36-inch yardstick. And, finally, while we all like to regard our country as thoroughly trustworthy—which it has been for the greater part of its history—the fact that our political leaders "devaluated" the dollar in 1933, and then refused to "redeem" it, on demand, even at its debauched value—gives considerable point to the "Old Proverb": "We have gold because we cannot trust governments."

The chief difficulty in getting the public to take an interest in this subject of sound money appears to be that the majority of people think of it as a very complicated subject—something that only the so-called "experts" are competent to deal with. That view is quite contrary to fact, as we shall attempt to demonstrate.

The Gold Standard

The Gold Standard involves just two important basic principles, easily understood by people of average intelligence, which are as follows:

(1) In order to operate on the gold standard, a nation must firmly fix the "value" of its monetary unit, such as our dollar, in terms of a definite "weight" of fine gold—which factor, or principle, is known as "fixity of value." And (2) having so fixed the value of its currency, it must be willing at all times to exchange gold for that currency, on demand, at the face value of the currency—which factor is known as "redeemability."

Now there is nothing strange or unusual about these two basic principles of honest money. They are well known to every one who has ever played poker—which I assume most of you have done at some time. In poker, before the game can start, the chips are given definite values; and throughout that particular game, no one may change those assigned values. That is nothing more than the gold standard principle of "fixity of value." And, again, at any time during the game, and at its conclusion, each player enjoys the privilege of exchanging his chips at their appropriate fixed value—which is nothing more than the gold standard principle of "redeemability." Now the paper money that we handle every day possesses no intrinsic value in itself—any more than do the cheapest pressed-paper chips used in the game of poker. And we all know what would happen to the "banker" of a poker game if he attempted to change the set values of the chips, or refused to redeem them, on demand. And yet, 140 million Americans sat idly by in 1933 and let our political leaders not only change the "value" of our everyday "chips" (our paper money) but also refuse to "redeem" that token money even at its debauched "value."

The lack of public interest in this important subject can be accounted for only by the fact that, throughout the greater part of our history as a nation, the American paper money has been so commendable as to have created the impression in the public mind that the nice crisp paper bank notes issued by the Treasury Department, and the Federal Reserve System, are real money in themselves. But if it were a fact that such bank notes are that good, and that they do not require specie backing, then the monetary experts would have been entirely wrong in their theories, for centuries, as to what constitutes honest money. Those experts, of course, have not been wrong.

As far back as the year 1776, Adam Smith's book, "Wealth of Nations," was first published. That book is the only one dealing with the subject of economics that is included in Dr. Eliot's 50-volume "five-foot shelf," known as the Harvard Classics; it is the basis of the modern science of economics as taught in the schools and colleges; and it is, therefore, authoritative. Quite a bit of space in that book is devoted to the subject of money; and it clearly shows that Adam Smith was a firm believer in the gold standard. For he cites the case of the Bank of England, long prior to 1776, as having at times issued a greater quantity of bank notes than were needed for the normal conduct of business; that as a result, the surplus of those bank notes was continually returning to the bank for redemption in gold; that this tended to decrease the bank's supply of gold, and it was frequently necessary to go into the open market and buy gold bullion—at times paying as high as 4 pounds sterling per troy ounce, and coin that gold into coins carrying a face value of only 3 pounds 17 shillings 10½ pence, which was the gold standard value of the pound sterling for many generations—thus losing from 2 to 3% on the money itself. And the Bank of England did that for just one reason: that when they had put out a paper money claimed to carry a given "value" in terms of gold, that bank had high enough respect for its honesty and for the integrity of its bank notes to see to it that at all times those notes be kept "as good as gold."

England, of course, has not been the only nation to maintain its currency on that high plane of integrity—for the United States, throughout the greater part of our history, has been equally honest in our monetary set-up; and it was Andrew D. White, along with John Sherman and others, who worked so hard to keep it on that basis during the last quarter of the 19th Century.

Dr. White's Fight Against "Greenbackism"

Having made a detailed study of the unfortunate experience of France with "irredeemable" paper money late in the 18th Century, and having become apprehensive that the United States might go too far with its irredeemable "greenbacks" of the 1870's—Dr. White developed the French Revolution experiences as a guide to us in seeing the dangers resulting from the use of that type of dishonest money. His study showed that France, being in financial difficulty, started out in the year 1789 with an initial issue of 400 million "irredeemable" paper francs; that they continued with a second and a third issue, and so on; and that by the year 1797—or within the short period of eight years—France had issued and put into circulation a total of 45,000 million of these printing-press paper francs. By that time, according to Dr. White, that paper money had so depreciated in value that it had become practically worthless; and the people threw it out, with other rubbish and trash, as of no value whatever.

Using the above facts, Dr. White addressed the New York State Senate—of which body he had once been a member—on this subject; he repeated the address before a large group of Congressmen, of both political parties, in Washington; and he, likewise, gave the same address here in New York, at the Union League Club. Those facts were later brought together in the form of a book, "Fiat Money Inflation in France," to which I have already referred. It was first published in 1876—and later somewhat expanded and reprinted in 1896, when it was used, effectively, as a campaign document in fighting off Mr. Bryan's "free silver" undertaking of that great political battle, thus maintaining the gold standard. And that history of 1896 could easily repeat itself in 1952—in an effort to restore, and maintain, the gold standard.

It is unfortunate that so few people realize how consistently the United States has been on the gold standard throughout the greater part of its history. As far back as 1837, Congress slightly reduced the gold content of the dollar, and gave it a "value" of 25.8 grains of gold, 0.9 fine—which is the degree of purity of our American gold coins. That meant that the dollar contained exactly 23.22 grains of pure gold; and that was the basis of the well-known "value" of the dollar which existed for so long—that value of $20.67 a fine ounce of gold. There are, of course, 480 grains in a troy ounce; 480 divided by 23.22 gives 20.67; and that is the reason for that odd value of the dollar which existed for generations—$20.67 an ounce.

Now that "value" of $20.67 an ounce was never changed one particle from 1837 until 1933—which is in keeping with the gold standard principle of "fixity-of-value"; and there were only two short eras throughout that entire 96 years when one couldn't exchange his paper money for gold, at the currency's face value—namely, during the Civil War and "greenback" era, and for a short time during World War I. Thus, with those somewhat minor exceptions, the principle of "redeemability" has been normally observed.

But when the New Dealers came along in 1933, they changed all of this. With no apparent conception as to what constituted sound money, Messrs. Roosevelt and Morgenthau were instrumental in getting the price of gold raised from $20.67 a fine ounce to $35 an ounce—which former level it had held without one iota of change for the preceding 96 years. In thus raising the price of gold, the result was to automatically reduce the "value" of the dollar from its former 1/20 to 1/35 of an ounce per dollar—a "devaluation" of 41%, and with the following results:

The "New Deal" Devaluation

At that time the Treasury owned about 200 million troy ounces of gold—or about 7,000 tons avoirdupois. That gold at $20.67 an ounce, amounted to about $4 billion; but at $35 an ounce, it came to $7 billion—and those who brought about this change appear to have felt that they had actually created $3 billion of new value. They had, of course, created no new value whatever. It merely meant that instead of the Treasury's owning $4 billion in gold, with each dollar carrying a "value" of 1/20 of an ounce—it had come to own $7 billion in gold, but with each dollar carrying a value of only 1/35 of an ounce of gold. And they could have raised the price of gold to any higher figure, and they still would have created no new value.

But what they did do was to subject this nation to the worst

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*An address by Mr. Shull at the meeting in commemoration of 119th Anniversary of the birth of Andrew D. White, at the University Club, New York City, November 27, 1951.

Halsey, Stuart Group Offers Utility Bonds

Halsey, Stuart & Co. Inc. and associates are offering $8,000,000 Central Illinois Light Co. first mortgage bonds, 3¼% series due 1981, at a price of 100.574% plus accrued interest. The group won award of the bonds at competitive sale on Tuesday on a bid of 100.15%.

Proceeds of the offering will be used to provide a portion of the funds needed for the construction or acquisition of improvements, extensions and additions to the company's utility plant, to reimburse its treasury in part for expenditures made for such purposes, and to provide for the payment of temporary bank loans incurred for such purposes, which on Oct. 24, 1951, amounted to $1,000,000.

The bonds may be redeemed at special redemption prices ranging from 103.58% to par and at regular redemption prices ranging from 100.58% to par.

Central Illinois Light Co. is engaged in Illinois in the generation, purchase, distribution and sale of electric energy in 80 cities and towns, as well as in rural areas, the purchase, distribution and sale of natural gas in 22 cities and towns and the production and sale of central station steam for heating purposes in three cities.

Gross revenue of the company for 1950 was $19,917,384, compared with $17,888,333 in 1949. Net income for the two periods was $2,881,685 and $2,911,118, respectively. For the 12 months ended Sept. 30, 1951, gross revenues were $21,507,208 and net income was $3,064,167.

Also associated in the offering are: William Blair & Co.; The Milwaukee Co.; Stern Brothers & Co.; Stroud & Co., and Mullaney, Wells & Co.

Joins E. E. Mathews

(Special to The Financial Chronicle)

BOSTON, Mass.—Frank S. Hlavacek is now affiliated with Edward E. Mathews Co., 53 State St.

Joins Waddell & Reed

(Special to The Financial Chronicle)

FAIRMONT, Minn.—Clifford F. Green is now with Waddell & Reed, Inc.

Public Utility Securities

By OWEN ELY

Citizens Utilities Company

Citizens Utilities Company has a rather unique set-up. Its properties are widely diversified both as to divisions of the utility business and the areas served. Yet the company is not a holding company in the ordinary sense, since most of its far-flung properties are owned outright (there are two subsidiaries, one in California and one in Alaska). The SEC in 1946 issued an order declaring that the company had ceased to be a holding company under its jurisdiction.

Citizens Utilities is under the aggressive management of Richard L. Rosenthal, who is also Chairman of Michigan Gas & Electric Company and President of New York Water Service Corp. Its administrative offices are located in Greenwich, Connecticut. The annual report for 1950, which is replete with maps, charts, tables and pictures, recently took a special prize in the "Financial World" contest.

The company and its subsidiaries serve electric, gas, telephone and water service to more than 50,000 consumers in over 200 communities from Maine to California. Strangely enough, the Alaskan subsidiary in Ketchikan conducts a cold storage plant, but this is mainly to service the fishing industry in that area. Revenues in 1950 were about 44% electric, 24% gas, 15% telephone, 10% water and 7% ice and cold storage. Revenues by states were as follows:

Arizona	23%
California	20
Vermont	17
Colorado	15
Idaho	9
Maine	7
Alaska	5
Washington	4
Total	100%

As Mr. Rosenthal stated in the 1950 report: "The importance of our double diversification—geographic and service-wise—will, we believe, be as evident and as important in a future period of business depression as it has been in the present and recent past period of inflation difficulties. Contributing to our unique double-diversification is the fact that the territories which we serve are multi-activity in an economic sense. No single industry, no single company and no single season dominate the economic livelihood of any geographical area which we serve, except fishing in Alaska. Agriculture, mining, lumbering, fruit and vegetable packing, stock ranching, dairying, manufacturing and resort activities provide the fundamentals of the economic lives of the communities in which our properties are located. In addition, most of these communities constitute retail trading centers for extended areas."

Due in part to the fact that some system properties are hydro, the average price of residential electricity in 1950 was only 2.7 cents, compared with the national average of about 2.9 cents in 1950; and the average residential usage of 2,332 kwh. was well above the national average. The same comparisons held good for the gas business.

The company has enjoyed a rapid growth, revenues increasing from $1,800,000 in 1941 to $4 million in 1950 (however, this included gas revenues in Bangor, Maine, since 1948). However, much of the company's growth and particularly the gain in share earnings and dividends, has been under the present management during the postwar period, as indicated by the following table:

Year—	Revenue	Net Income	‡Earned per Sh.	Dividends
1950	$4,000,000	$533,000	$1.93	*$294,000
1949	3,900,000	523,000	1.89	*221,000
1948	3,300,000	420,000	1.51	†202,000
1947	2,900,000	410,000	1.49	*196,000
1946	2,600,000	379,000	1.38	124,000
1945	2,400,000	179,000	0.65	62,000
1944	2,300,000	119,000	0.43	62,000
1943	2,200,000	131,000	0.48	50,000
1942	2,100,000	149,000	0.54	50,000
1941	2,000,000	158,000	0.58	37,000
1940	1,900,000	160,000	0.58	37,000
1939	1,800,000	116,000	0.42	25,000
1938	1,900,000	141,000	0.51	----
1937	1,900,000	173,000	0.63	----
1936	1,700,000	126,000	0.46	----

*Including 3% in common stock at its then market. †Including 3% in preferred stock at stated value of $10. ‡Based on shares outstanding Dec. 31, 1950.

The company has continued to forge ahead in 1951. Despite increasing tax rates, share earnings were $2.16 in the 12 months ended Sept. 30, compared with $1.89 in the previous period; and for the 9 months' period, $1.55 vs. $1.27. For the month of September the gain in net income approximated 10%. The company is seeking various rate increases which, if granted, should aid in maintaining an upward trend in earnings.

Citizens Utilities is quoted over-counter around 17½. The company pays cash dividends twice a year, in February and August, and the semi-annual disbursement was stepped up in August of each year (1950 and 1951), the last payment being 45 cents. In addition 3% in stock was paid in both years. Based on cash and stock the current yield exceeds 8%.

Steiner, Rouse Uses Merchandising Treatment

New Steiner, Rouse & Company Madison Avenue office between 56th and 57th Streets, New York City, shows modern merchandising treatment in line with the firm's established policy of selling securities to the average man in the street. Three of the firm's out-of-town offices in Birmingham, Mobile, and New Orleans have been similarly streamlined and have attracted a great deal of consumer interest.

The current window display in New York features a blow-up of the article, "Should YOU buy shares in America"? by George Keith Funston, President of the New York Stock Exchange, which appeared in "Exchange Magazine"—and a blow-up of an editorial that appeared in connection with this article in a recent issue of the "Daily News."

Stock Prices Usually Show Seasonal Rise Early in Year, Survey Reports

There is good historical precent for a rise in stock prices following the usual year-end tax selling, United Business Service reported on Nov. 19.

The service points out that this is the time of year when tax selling acts as a drag on the market. Later on, after the weight of this selling is lifted, rallying tendencies usually appear as a result of re-investment demands and the substantial amount of year-end dividend funds seeking investment. There is a marked seasonal pattern for a worthwhile rise to take place from the November-December lows into the opening months of the new year.

As shown in the following table, this rise has amounted to about 10% or more in 10 out of the past 18 years, the report stated. In all years except one it has equalled or exceeded 5%. And in 13 out of those 18 years, the lows for the period have been established before Dec. 1.

Seasonal Pattern of Dow-Jones Industrials

	Nov.-Dec. Low	Date	Following Jan.-Feb. High	Date	% Rise
1951	257.14	Nov. 7-8	-----	-------	---
1950	222.33	Dec. 4	255.71	Feb. 13	15.0%
1949	187.27	Nov. 14	205.03	Feb. 4	9.5
1948	171.20	Nov. 30	181.54	Jan. 22	6.0
1947	175.19	Dec. 8	181.69	Jan. 5	3.7
1946	162.29	Nov. 22	184.96	Feb. 10	14.0
1945	185.33	Nov. 24	207.49	Feb. 4	12.0
1944	145.17	Nov. 16	160.85	Feb. 28	10.8
1943	128.94	Nov. 30	138.89	Jan. 11	7.7
1942	114.08	Nov. 1	130.43	Feb. 25	14.3
1941	105.52	Dec. 24	114.96	Jan. 6	8.9
1940	127.83	Dec. 23	134.27	Jan. 10	5.0
1939	144.85	Nov. 30	153.29	Jan. 3	5.8
1938	145.21	Nov. 28	155.47	Jan. 5	7.1
1937	112.54	Nov. 23	134.95	Jan. 12	19.9
1936	175.35	Nov. 1	191.39	Feb. 11	9.1
1935	138.90	Dec. 17	155.69	Feb. 19	12.1
1934	92.79	Nov. 1	106.71	Jan. 7	15.0
1933	86.83	Nov. 1	111.93	Feb. 5	28.9

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Outlook for Fixed Income Securities

such as we had in 1928 and 1929, with a yield on short-term securities which was several times as great as that available in longer-terms. While it is difficult to do, it would, in fact, be appropriate to consider shortening maturities when the gradient is at its steepest, that is to say, that when shorter maturities run around ¼% and long-terms press 2½%, that would be the time to move from long to short, and reverse this roughly when the short-term corporate rate is 2½ to 2¾ and the long rate is 3¼ to 3.50. I know that very few of us could possibly afford so drastic a change in yield, but historically such action has proved profitable.

The legislative developments have been interesting. We have seen laws passed permitting legal investments in New York State in equities for the first time, and allowing life insurance companies in our State to buy common stocks in modest percentages. Pennsylvania has liberalized its laws for legal investment and permitted its savings banks to buy local bank stocks, while Massachusetts has broadened the field of bank stock investments for savings banks in that State, and New Hampshire has allowed its savings banks to purchase one or more open-end trusts, and the trend is continuing, allowing the portfolio manager more latitude in his choice of investment media. Our savings banks in New York State are confident that they will be permitted to purchase common stocks and preferred stocks at the January session of the Legislature, and expect this change to be effective around April 1. So much for 1951.

Now, let us see what we can forecast for 1952. We spoke before of the powers of the money managers as a stabilizing force. The supply of money available for investment tends to be relatively constant while the needs of the borrower, or the instruments for investment, fluctuate widely with the state of the economy, and it is obvious that this broad variant in the amount of bonds and mortgages of all kinds is the eccentric factor and the variable in our calculations. Now, having spoken of the uncertainties, let us see if we can find a few fixed points to help us in our navigation. We know that the Treasury has iterated and reiterated a 1⅞ 11-12-month rate, and in the next day or so we shall probably see the December 2¼s of 1953 called for payment with an 11-month 1⅞ C. I. a good guess as to what is to be offered in exchange. The Treasury cash deficit is being financed by March 15 and June 15 maturities, and we are expecting an announcement on the second step of the program of 201-day-June 15 notes momentarily.

We have seen the housing authorities reject bids above a 1.18 basis, so that our market gives us very definite signs of stability, and I would guess that the prime bank rate has gone as far as it will go. On the longer end, the ribbon seems to me to be 2½%-2¾% on the longest ineligibles with the variant not far from today's 2.67.

The supply of funds for 1952 that we can count easily are, first, the life insurance companies with a probable rate of growth of $5 billion new money available for investment. We may increase this figure somewhat from funds available from amortizations, maturities, etc., to about $7½ billion. I have gotten this figure from life insurance men and checked it as carefully as I could. Pension trusts expect an increment of about $2 billion. I think this figure is a good guess for 1951, but it breaks down into about $800 million for pension funds administered with life insurance companies and $1.2 billion for those self-administered or handled by trust companies, so that the $800 million has already been included in our life insurance total, and our actual increment is $1.2 billion. Add to this the savings banks' expectancy, which is much more difficult to gauge as it depends on probable spending, but I think $1 billion is a reasonable guess, and savings and loan associations may produce roughly another $1.3 billion. So much for the relative constants.

Mortgages, as we observed before, have been one of the more important factors in the balance or imbalance of our investment picture in the postwar years. Before I came here to speak, I checked as many sources as I could on the outlook for building starts in 1952. I started with a test figure of 1 million starts as against '51's approximate 1.1 million and 1949's 1.2 million. I found that the consensus of experts whom I questioned ran from 800,000 to 1 million, with the median figure closer to 800,000 starts. If we take this median figure for our purposes and put it on its inferences, we find that the net amount of new mortgages available for investors of all types, after deducting the amortization which grows each year from its larger base, can show a decrease as dramatic as $3-$5 billion from the amount available in 1951. While our corporate borrowings may, and probably will, continue at a good pace, it seems most unlikely that they can compensate for so drastic a decrease in net mortgages available.

Outlook for 1952

To sum up what this means for 1952, the outlook would be roughly as follows: that the present congestion of corporate financing makes today a buyer's market which will probably continue for two, three or four months, but the stabilizing powers of the money managers will probably prevent yields from going much beyond those available in quality corporates at the June 28 lows; that there is no particular hurry to buy, but the investor with funds should let himself be tempted to invest, especially where he is enticed, where new issues in large volume offer yield concessions from the seasoned market rate; he may expect these opportunities to recur from time to time, and there is no reason to hurry or to press. Using a rough rule-of-thumb of adding 15% to the maturity yield of the longest ineligible governments to find an attractive equivalent corporate yield, corporates seem relatively more attractive in their maturity pattern than the corresponding governments for the type of investor who does not require the special features of governments. This, by the way, I have found a useful rough guide, but does not imply that the spread cannot widen further, as it probably will, on supply and demand, but it is a useful index.

Later Change to Seller's Market

As the second half of 1952 changes from a buyer's to a seller's market, with higher prices and lower yields, obviously some of our high coupon securities which seem so satisfactory today would be vulnerable to refunding in succeeding years. I have found that, with some patience, one can make the exchange from, let's say, premium 3⅜s to discount 2¾s of the same issuer of an equivalent maturity at practically no sacrifice in yield. That is 0.1 or 0.2 in basis. I think that the portfolio manager would find it profitable to make this type exchange as and when the market permits. It requires patience, and I am afraid may add more work to men already overburdened, but I think it will be worth it.

In checking what the trust officers and pension trust men are doing and thinking, I find, as you can imagine, differences in opinion ranging from 50% commons and 50% government bonds, to the more classical pattern of 60% governments or equivalent, 15% preferreds and 25% commons, which was mentioned to me by a number of large trust portfolio managers.

Preferred Stocks

I will include a few comments on preferred stocks, which have been a hobby with me for many years. I know the general comment that they are a hybrid, neither fish nor fowl. Many investors have had unpleasant market experiences with them and say "never again." I can understand and sympathize with these approaches, but I think if you follow three rough rules-of-thumb that I have found useful, you may still have a pleasant and profitable experience in a vehicle that may bridge a gap and supply the answers to part of our problems. The rules-of-thumb are these: (1) Never buy preferred stock unless one is bullish on the long-term bond market, for obvious reasons, as this is the longest investment one can make. (2) Look for an increment of 1.25 to 1.50 basis points over the comparable yield of the corporation's own long-term debt, actual or estimated. I would use 1.25 basis points for the equivalent of a triple A and 1.50 for the good grade which is just below that. (3) Never buy unless the increment over the corporation's own long-term debt is 40%-50%. This percentage figure is a good check at times of high yield like the present. In general, restrict purchases to high quality preferreds and make the names good enough to fit in at the bottom of the bond list. Give some weight to sinking funds and prefer discounts to premiums where an exchange can be made at little or no differential in yield.

In handling preferreds, the best opportunities will be very analogous to those in bonds where large issues of top grade names provide attractive opportunities from time to time as yields are sweetened to compensate for bulk placements, and these opportunities, too, may recur over the next few months at not too far from the present level.

Convertible preferreds are today's most popular vehicle with many types of investors. They have, undoubtedly, a place in a general program, but like most things that are popular, they tend from time to time to exaggerate their price. I would suggest treating them with some reserve, and as a common sense rule, I would never buy a convertible preferred unless I would buy the conventional preferred of the same company at a yield not too far from that of the convertible. For a rough rule-of-thumb, I would suggest considering a premium of 5% for what looks like an interesting conversion privilege. This applies primarily to funds who are allowed to buy common equities outright.

Summary of Trust Investments

Let me sum up very briefly the various types of trust investments and some of the suggested treatments as they have been told me. For the individual accounts in the higher tax brackets, municipals and equities will continue to be the principal vehicle. Municipals will follow roughly the pattern indicated for the corporate bond market with a tendency for gross spreads to narrow somewhat in the second half of 1952. Equities are outside the scope of this talk. For the large trust which is not subject to taxes, the pattern must vary according to the requirements of its own nature, but the consensus is to continue liberalizing investment media with more stress on preferred and common stocks and a 60-15-25% split representing a good theoretical pattern. Buy on bulges where liberal yields are offered from time to time in high quality securities; expect recurring opportunities in the early months of 1952, and a higher market with lower yields toward the second half. Corporates seem more attractive relatively than government holdings.

NASD District 13 Receives Nominees

The following slate has been presented for officers of District 13 of the National Association of Securities Dealers, Inc., which comprises New York State, New Jersey and Connecticut.

George Geyer

Board of Governors: George Geyer, Geyer & Co., Inc., New York City, to succeed James J. Lee, Lee Higginson & Corp.

District Committee: Paul A. Gammons, Bradley, Gammons & Co., Inc., New York City, to succeed D. Frederick Barton, Eastman, Dillon & Co.; Earl K. Bassett, W. E. Hutton & Co., to succeed Allen C. DuBois, Wertheim & Co.; George Herbert Walker, Jr., G. H. Walker & Co., New York City, to succeed Raymond D. Stitzer, Equitable Securities Corporation, New York City; and Edward S. Hinckley, Adams & Hinckley, Newark, N. J., to succeed Stanton M. Weissenborn, Parker & Weissenborn, Inc., Newark.

Members of the Nominating Committee were Francis Kernan, White, Weld & Co., Chairman; Russell V. Adams, Adams & Hinckley, Newark, N. J.; Lee M. Limbert, Blyth & Co., Inc.; Wickliffe Shreve, Hayden, Stone & Co., and Clarence E. Unterberg, C. E. Unterberg & Co.

Additional nominations may be presented any time up to Dec. 3. If no additional candidates are proposed, the candidates nominated by the Nominating Committee will be considered elected.

Directors Elected

John M. Franklin, New York, Paul C. Cabot, Boston, and Stephen D. Bechtel, San Francisco, have been elected to the board of directors of Continental Can Company. Mr. Cabot is President of the State Street Investment Corp. of Boston, a partner in the State Street Research and Management Co. and a director of J. P. Morgan & Co.

Railroad Securities

Why Pessimism Toward Rail Equities?

This is one of those periods when it is extremely difficult, and discouraging, to try and write a weekly column on railroad securities. The market is almost entirely one of emotions, and the action of individual stocks bears little, if any, relationship to current developments and news. On the bright side, fundamentally, was the success of the recent offering of Western Maryland bonds, affording proof that at least the institutional buyers have not completely turned their backs on the railroad industry as an investment medium. When prices are right in the bond group, and outstanding value is offered, the funds to purchase can be found.

The picture is considerably less clear cut in the equity field where real bargains unquestionably exist today and, in fact, have existed for some time. This section of the market, however, is largely dependent on the individual rather than the institutional investor. It is, therefore, more vulnerable to fads and fancies. Psychology today is patently anti-railroad stocks. When it will change, and most railroad analysts are confident that it will change for the better, is anyone's guess. Presumably, a good part of the present attitude is based on hopes of an early peace in Korea, and the recently renewed efforts to work out some plan for world disarmament.

At present writing, the chances for a truce in Korea seem quite promising. Even if those hopes are realized, however, it appears unrealistic to look forward to any sharp curtailment of our preparedness program unless there can be some concrete commitment from Russia on the disarmament question. The chances here seem not nearly so bright. If no real agreement on disarmament can be reached there is little question but that our defense program will continue to gain momentum, with favorable implications for railroad traffic. What so few people seem to appreciate is that worldwide peace would in itself be highly bullish. It is true that armament production would be cut back severely, but this would be more than offset, in a relatively short period, by the overall benefits to the economy of the entire world and a consequent opening up of huge export markets for our goods.

The retroactive mail pay increase granted the railroads (discussed last week) had little influence on the market even though it means an upward revision of earnings estimates for 1951. Probably further upward revisions will be necessary when the ICC comes down with its decision as to how accelerated amortization of defense projects is to be treated in railroad accounts. It is expected that a reversal of charges made earlier this year will be necessary in December in line with the Commission's attitude that for accounting purposes only the regular depreciation rates should be charged.

Dividend news has also been pretty much disregarded—some announcements have been favorable and others disappointing. Even the favorable ones have not done the stocks much good marketwise. Favorable actions have been $0.75 for Chesapeake & Ohio against $0.50 in previous quarters, an increase to $1.00 quarterly in the Rock Island rate, and payment of the first extra in some years by Virginian. Failure of Illinois Central to raise its $0.75 quarterly rate was disappointing, as was the meager distribution authorized by the Nickel Plate directors last week. This payment, due Jan. 2, 1952, will be the first made on the stock since 1931. Considering the long drought it had generally been expected that a fairly liberal policy might be adopted. As it is, only $0.50 a share is to be paid, with earnings estimated for the current year at over $8.00 a share. As the general market has been, however, establishment of even a $0.75 quarterly would probably not have done the stock too much good.

Percy Stewart Director of Allen Du Mont Labs

Percy M. Stewart has been elected to the Board of Directors of Allen B. Du Mont Laboratories, Inc., it was announced by Dr. Allen B. Du Mont, President, following a meeting of the Board in New York City.

Percy M. Stewart

Mr. Stewart, a partner of Kuhn, Loeb & Co., has been associated with that firm since 1906, and has been a partner since 1941.

Mr. Stewart served as a member of the Board of Governors of the Investment Bankers Association of America, and as Chairman both of the Association's Industrial and Railroad Securities Committees. He is a former Governor of the New York Stock Exchange.

Mr. Stewart is a Director of the Beekman-Downtown Hospital, New York, and a Trustee of the American Optical Company, Southbridge, Mass. He is the Chairman of the Eastern Investment Banking Voluntary Credit Restraint Committee.

Stocks Bring Dollars For Charity

Listed stocks which had been donated for sale at the Ziegfeld Club Ball at the Waldorf-Astoria brought in more than $500, according to Barbara Joiner Parsons, partner of Jacquin, Stanley & Co.

Richard G. McDermott, partner of Peter P. McDermott & Co. and a member of the New York Stock Exchange, donned his "working jacket" and sold the stocks from the floor at the ball. Proceeds from the sale will be used by the club for charitable purposes.

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Stabilizing Potentialities of Monetary-Fiscal Policy

autonomous monetary expansion. Under existing conditions surpluses (and deficits) may be the result of inappropriate changes in the stock of money rather than a certain means of producing appropriate changes in the stock of money.

There is a rough tendency for the money stock to behave as contemplated by Professor Friedman, and possibly this could be increased without undertaking the drastic reforms which he suggests. At present, deficits tend to be associated with monetary expansion, but the relationship is a loose one. Changes in the monetary gold stock and in business borrowing as well as in other factors may reinforce or offset the monetary impact of deficits. Also when surpluses appear, monetary contraction may occur, but it need not. Again there may be offsets. Under the Friedman plan these loose linkages would be replaced by direct leverages. Deficits would be covered by issuing new money. Surpluses would produce monetary contraction. Government borrowing by the sale to the general public of interest-bearing obligations would become a thing of the past, except possibly to absorb excessive quantities of money after the emergency of a war or a severe depression. There would be no more of the contemporary delusion that inflation is prevented by covering deficits by issuing money-like securities.

The Friedman proposal contains no explicit rule for monetary policy. The stock of money would be fixed in the long run, but would vary in the short run in response to the budgetary position. Although the price level might show greater stability than under present conditions, a better solution might be to provide explicitly for maintaining stability in the value of money. Professor Lloyd W. Mints regards the stabilized budget and the stable price level as alternatives, but a case can be made for combining the two.[3]

In the fiscal sphere, the stabilized budget principle would apply, but in the monetary sphere, the stock of money would be managed to maintain stability of the price level as measured by a relatively sensitive price index number. In the short run the stock of money would change in response to the position of the budget. As under the Friedman plan, new money would be created to cover budget deficits, and surpluses would produce monetary contraction. The Treasury would borrow only from the central bank, which would be transformed into a direct instrumentality of the government. Commercial banking would persist; but with substantially increased reserve ratios, the monetary impact of commercial banking operations would be reduced. Open-market operations alone would be utilized to modify the budget's impact on the stock of money. The guiding principle would be the maintenance of a stable level of prices. If budget-induced changes in the money stock were not of the right size to keep the price index stable, as might well be the case, open market operations would be called for.

In the long run, the stock of money would be permited to grow roughly at the same rate as aggregate output to maintain a horizontal trend of the price level. This condition could be met without difficulty, initially through redemption of the national debt and later by deliberately budgeting for a moderate deficit.

Monetary and Banking Reforms Needed

Substantial monetary reforms would be required under this alternative to the Friedman proposal. Such reforms are needed in any case. As matters now stand, our haphazard monetary-banking arrangements all but make impossible control of the size of the stock of money. Even worse, the attempt simultaneously to peg the price of gold, to minimize the interest burden of the national debt, and to provide capital funds for what are judged to be essential purposes suggests that government has lost sight of its responsibility to control the size of the stock of money. To make matters almost absurd, the government has permitted and recently sponsored the creation of a mass of near monies. The existence of these liquid assets vitiates the effectiveness of increasing or decreasing the money stock. If monetary policy is to serve as a stabilizing force, the stock of money must have discrete dimensions and must be controllable. The gap between money and other things must be widened. The monetary authorities must be released from the obligation to stabilize and control things which are not important so that they can concentrate on the one thing which is fundamentally important—the size of the stock of money.

The stable money-stabilized budget principle offers a basis for conducting the government's financial undertakings in a way that contributes to economic stability. Such a rule of policy is capable of acceptance by the public. It provides a workable replacement for the gold standard-budget balanced rule. It would be largely automatic. Such discretionary action as is called for would be guided by a definite rule. Only two leverages would be utilized, but these would be powerful ones—changes in the size of the stock of money and changes in the amount of tax revenues. They would be coordinate changes—consistent with one another and self-reinforcing.

Credit control in the sense of allocating loanable funds among alternative uses, which now occupies much of the energies of the monetary authorities, would be abandoned or at least not be confused with their fundamental task of regulating the size of the stock of money. Open market operations would suffice to accomplish that purpose. On the fiscal side, the attempt to manage revenues and expenditures in accordance with unreliable business forecasts would be abandoned. Automatic variation in tax collections would be the only fiscal leverage, but this would be powerfully assisted by the monetary leverage.

Obviously this approach would not be adequate in time of war, but the basic problem of monetary-fiscal policy has not been understood to involve planning for wartime mobilization. The present discussion proceeds on the assumption that peace will one day be restored. Such a monetary-fiscal framework would be as adaptable to war finance as the present one. Indeed under it strong sentiment might be expected to develop against the temporizing which now prevails. Not even maximum effort has been exerted to attain "pay-as-we-go" financing. In the present framework so many ways of suppressing inflation have been discovered that few see the need for a money-contracting budget surplus. Under the proposed framework the choice would be limited to taking effective action or facing the consequences.

Objections to Discretionary Monetary-Fiscal Management

There is a large body of opinion opposed to giving up the possibility of using discretionary monetary-fiscal management.[4] Persuasive arguments can be made that the forces making for economic instability are so complex and so changing that the best course of action is to stand ready to use any or all of the powers of sovereign government over monetary-fiscal matters to fight depression and check excessive booms. No one can deny that powerful leverages are involved in changing the amount and type of government expenditure and taxes, in changing the terms on which firms and households may borrow, and in changing the size and composition of the national debt. The maximum degree of freedom exists when use of all these weapons is made discretionary. The pressing need is said to be to grant administrative authority to vary tax rates and expenditures. With existing freedom to operate in monetary and national debt matters, the mechanical arrangements would then have been completed to achieve economic stability by discretionary use of a vast complex of control techniques.

Unquestionably the possibility would exist. There is little in the record to date to suggest that discretionary action in the absence of a firm rule of policy is likely to improve the functioning of the economic system. One need only recall the use which has been made of discretionary action in the area of money and the national debt to realize how ineffectively broad grants of power may be used when public officials are left free to choose their own criteria of economic stability.

If monetary-fiscal policy is to exert a stabilizing influence the two conditions mentioned at the outset must be provided. Public officials must operate under a rule which specifies both ends and means. The monetary-fiscal framework must be modified to permit coordinated use of the government's powers.

If the stable money-stable budget rule were adopted and if the monetary-fiscal mechanism were made to function in conformance with the rule, economic instability would be reduced. It would not be eliminated. There is reason to doubt whether more should be attempted. Neither present knowledge of the causes of economic instability nor present skills in government financial management justify an effort to exploit to the full the potentialities of monetary-fiscal policy.

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3 Lloyd W. Mints, "Monetary Policy for a Competitive Society" (New York: McGraw-Hill, 1950), ch. 8-9.

4 See for example, A. H. Hansen, "Monetary Theory and Fiscal Policy" (New York: McGraw-Hill, 1949), pp. 175-183; and P. A. Samuelson, "Principles and Rules in Modern Fiscal Policy: A Neo-Classical Reformulation," in "Money, Trade, and Economic Growth" (New York: Macmillan, 1951), pp. 164-166.

Assoc. Estate Analysts

Isidor Hirschfeld, S. R. Sientz and B. L. Stern have formed Associated Estate Analysts with offices at 17 East 42nd Street, New York City to engage in the securities business.

J. H. Blackwell Opens

COLEMAN, Tex.—J. H. Blackwell is engaging in a securities business from offices at 105½ West Street.

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What You Should Look for In a Financial Report

ey. Retroactive tax laws are enacted which upset the best estimates that could be made at the time. Government contracts are being placed at prices below the regular commercial prices and are subject to renegotiation, price redetermination and possible cost disallowances. All of these factors have to be taken into consideration when our economy is being shifted to a defense basis.

A profit and loss statement for a period as short as one year is bound to be based in part on estimates and approximations. It is therefore customary to absorb normally overlapping items in later periods under the regular classifications to which they apply. Extraordinary charges or credits, however, which would distort the ordinary income statement are either shown below the profit from operations or in the surplus statement. These are usually explained by footnotes or in the President's report and may indicate business developments of importance to the shareholders.

Taxes and New Capital

One of the greatest objections to the present high individual and corporate tax rates is that very little new capital, particularly venture capital, is being saved by individuals. The greater part of new capital accumulated today is through retained earnings by corporations. When a corporation pays a stock dividend or splits its shares there seems to be a general feeling of satisfaction and the shares go up in the market place. Yet all that has happened is that you have received two pieces of paper instead of one, often accompanied by a transfer of surplus to capital. On the other hand if a corporation seeing the need for more working capital decides to sell additional common stock you find that there is a tendency for the stock to decline in market quotations. People are not anxious to put up more money to continue to hold the same interest in the company. Since therefore corporations need to retain a substantial part of their earnings for more working capital and for plant expansion to keep up with the growing demands of business, dividends of only between 30% and 50% of the profits earned in recent years have been paid.

Attempts have been made through special tax provisions to penalize corporations who retained more earnings than was necessary for business reasons. (See Section 102 of the Internal Revenue Code.) This applies principally to privately owned corporations, since public corporations have forceful reasons for the accumulation of earnings.

Turning now to the statements of financial position or balance sheets they also should be in comparative form for greater usefulness. Until a few years ago the balance sheet showed on the one side the assets and on the other side the liabilities, capital stock and surplus. More recently attempts have been made to make it more readable and the best form today usually starts out with working capital. This includes cash, marketable securities, accounts receivable and inventories of purchased materials, work in process and finished products. From these current assets are deducted amounts owing by the company for purchases, wages, taxes, etc., called current liabilities, and the net amount is the working capital.

All of these amounts are expressed in current dollars. There is no question today about the value of money claims. Questions of judgment arise in the reduction of marketable securities to market quotations when lower than cost, in providing reserves for doubtful accounts receivable which are usually deducted before extending these figures, and in the valuation of inventories.

When it comes to inventories there is considerable latitude as to the basis of valuation used. For many years it was customary to value inventories in the large majority of cases at "cost or market, whichever was lower." Cost was computed in accordance with the basis customarily used by the company and might be actual cost of identifiable lots, average cost, or cost computed on a first-in first-out basis. In other words, if a number of additions were made to stock in bins, shipments were costed out on the assumption that the first purchase came out first.

Inventory Valuation

A few years before the war an alternative basis of valuation became available through legislation and Treasury Department rules known as last-in first-out or "lifo." In any period of rising prices this results in absorbing against current sales the current replacement cost of such sales and leaving as a residual in the inventory on hand at the end of the period an earlier cost which may be, and frequently is, substantially below current replacement market.

This has been a very important development for companies adopting it and has resulted in the deferment of income taxes on the increases in current values of inventories. This increase has not been realized since the inventories are still on hand. You will usually find either in the balance sheet or its footnotes a statement as to the basis of valuation used and I recommend that you consider this point in appraising the assets underlying your investment. It is frequently not practical to determine the amount by which current replacement market would exceed the inventory value on a "lifo" basis because the figures are not available. It must also be borne in mind that taxes must be paid on the profit resulting therefrom.

You have doubtless read in the papers about the bad inventory situation during the past six months. It resulted from the sharp rise in prices last fall after war broke out in Korea. People bought not only for their immediate needs but also for future needs. Business in order to satisfy the demand increased its production of everything from soft goods to consumer durables. After the immediate demand had been met business continued to produce and build up stocks of merchandise on hand. Gradually it was recognized that these stocks were excessive in certain lines and production was cut drastically last spring. A sharp decline occurred in the prices of such diverse things as wool, cotton, rubber, leather goods, fats and other commodities. One company I am familiar with valued its total inventory at June 30 last at $10,000,000 at cost or market, whichever was lower, but was faced with a market decline in July of $1,000,000 and another $1,000,000 in August. While this break has been pretty sharp in some lines and may continue or spread to other lines, I personally feel that the inflationary forces today are more powerful than the deflationary ones. We have on one side labor which is demanding a larger part of the total production, and on the other government which is also demanding a larger share of the total national income. Business and we individuals who are not represented by one of the powerful national labor unions are being squeezed and are obtaining less and less in real goods for our efforts.

After arriving at the amount of working capital in the modern statement of financial position, investments which are not of a current nature are added, and then the cost of land, buildings and equipment. These fixed assets are reduced by the accumulated provisions for depreciation (wear and tear and exhaustion) in prior years. In accordance with sound accounting practice the cost of fixed assets is an historical figure and unless there have been some write-ups, which would be disclosed in the statements, they are stated at substantially less than current replacement cost today.

The depreciation reserves, as already mentioned, have been computed on cost, but were supplemented during the war by provisions for accelerated amortization so that some of the most modern facilities now in operation have been written off entirely.

The Net Worth Item

After the assets have been totaled and funded debt has been deducted, the total will be found to equal the values assigned to the capital stock, surplus reserves and accumulated earnings or surplus. This is sometimes called "net worth" which is somewhat misleading in that it does not represent the "present worth" of the company's net assets. As a have already pointed out, it is partly historical, partly arbitrary and partly current. It is really the book value of the net assets underlying the stockholders' equity.

I would like to come now to the auditor's report which I suggest that you read with some care and which in both of the reports before you is addressed to the stockholders. There is a standard form of report when everything is in order. It expresses the accountant's opinion with respect to the financial position and operations. It states that generally accepted auditing standards were followed in his examination, and that the statements were prepared in accordance with generally accepted accounting principles consistently maintained. If changes in these accounting principles have been made during the year, an explanation of such changes is made in the auditor's report.

In addition to the financial statements and statistics the annual report includes a statement from management of the significant developments during the year and a great deal of time is usually spent in preparing it and in the form of presentation. It deserves a careful reading on your part. Charts and diagrams are frequently inserted to make the developments more easily understood and pictures of products have enlivened the reports which were formerly rather heavy reading. It is important to watch for significant changes in business policy, in products produced and in the plant facilities. There have been rapid developments during the past few years in the business and operations of a number of companies.

I can only refer briefly to prospectuses which are furnished in connection with the sale of new securities. Under the Securities and Exchange Commission rules these have to include certain financial statements to which my comments about the statements furnished with annual reports also apply. Where consolidated statements are furnished parent company figures are also presented. An optional procedure is to include separate consolidations for foreign companies or companies involved in different lines of business.

Conclusions

In conclusion I should like to refer to three fundamental assumptions, sometimes called postulates, which underlie all financial statements. The first is that fluctuations in the value of the monetary unit, the dollar, can be ignored — a dollar is a dollar whether 1934 or 1951. The profits or losses resulting from such fluctuations are not segregated from the ordinary business operations. In times of sharply rising prices like the postwar period, a substantial part of reported profits have resulted from the decline in the exchange value of the dollar. This postulate is being re-examined today and I personally think it should be modified.

Second, the prospective life of an enterprise is deemed to be indefinitely long. In other words, no consideration is given to the possible effects of winding up a company until the time of dissolution is at hand. The values reflected in the financial statements are going-concern values.

Thirdly, the entire income from a sale is deemed to arise at the moment when realization takes place. Putting it differently, except in the case of long-term construction work, like building a large ship, no attempt is made to apportion profits during the manufacturing period. The profit on an automobile is not taken up until the automobile is sold although the value of the assembled parts is greater than the aggregate value of the component parts.

R. Emmet Byrne to Form Own Company

ST. LOUIS, Mo.—R. Emmet Byrne will form R. Emmet Byrne & Co. with offices in the Railway Exchange Building, to engage in the securities business. Mr. Byrne has recently been associated with Morfeld, Moss & Hartnett. Prior thereto he was with Dempsey-Tegeler & Co. and was a partner in Edward D. Jones & Co.

R. Emmet Byrne

"Fun on the 5:15"

"Fun on the 5:15," a novel by Osborn Fort, made its appearance Nov. 28. This is the first book dealing with humorous experiences in the lives of New York City commuters since Edward Streeter's "Daily Except Sunday," was published in 1938. Mr. Streeter has written the foreword and Kurt Stoessel has done the character illustrations for "Fun on the 5:15." Osborn Fort is the pen name of banker-commuter Osborn Fort Hevener, an executive in the Public Relations Department of The National City Bank of New York. (Hewlett Publishing Company, $1).

Carlson Director

Theodore D. Carlson, a partner in the investment firm of Cyrus J. Lawrence and Sons since 1940, was elected to the board of directors of Fairchild Camera and Instrument Corp., it has been announced by Sherman M. Fairchild, Chairman.

Reynolds Acquires Business of Heath Co.

ELGIN, Ill. — Reynolds & Co., members of the New York Stock Exchange, announce the acquisition of Heath & Co., investment firm of Elgin, Ill. The entire personnel of the Heath firm, headed by David L. Heath, will join the Reynolds organization, and the Heath office in the Tower Building in Elgin will be operated as a Reynolds branch office under the management of Mr. Heath.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week—Bank Stocks

Net operating earnings of the Bank of the Manhattan Company for 1951 are officially estimated at $2.36 a share. Such earnings would compare with $2.41 a share reported for the year 1950.

This information on operating results for the current year was published in the report of the Chairman of the Board, J. Stewart Baker, released in advance of the 153rd annual meeting of the bank to be held next Tuesday, Dec. 4.

Many analysts and followers of bank stocks look forward to the report of the Chairman of the Bank of Manhattan Company for a number of reasons.

In the first place it provides an official indication of the operating results of the year in advance of the year-end figures. Thus, there is a basis for estimating the operating results of other New York institutions as they are subject to the same general influences.

Secondly, the report usually makes some significant comments on current banking and/or financial problems.

In discussing operations for 1951, Mr. Baker points out that it has generally been a good year for the Bank of the Manhattan Company.

Gross earnings have shown a favorable increase primarily as a result of the gain in loans. For the first ten months of the year the average of total loans was the highest in the history of the bank and 17% above the average of 1950.

In addition the rate of return on loans has increased. Excluding returns on mortgages, the average rate for the first ten months of 1951 was 3.09% as compared with 2.78% for last year.

Interest and dividends on securities for 1951 is expected to be down moderately from 1950. Commissions and fees on the other hand should show a good gain over last year.

The net effect of these changes would be an increase in gross earnings of about 10.3%.

Expenses, of course, will be larger. Salaries and wages which are the principal expense item, are expected to be 10.3% higher. Federal Deposit Insurance assessments are to be reduced by approximately one-half as a result of the revision in the law last year. Total expenses, according to the estimate, would be 6.4% higher than a year ago.

Thus, net operating earnings before Federal taxes would show an increase of 16.1%.

The larger provision for Federal income taxes as a result of higher rates would absorb all of the gain in pre-tax earnings. The final result would be net operating income only slightly below a year ago.

The following statement shows the estimated earnings for 1951 compared with those for 1950. Also shown is the percentage change between the two years.

	1951 (estim.)	1950	% Change
Earnings:			
Interest on loans	$18,950,000	$15,843,000	+19.6%
Interest & divs. on securities	5,050,000	5,847,000	—13.6
Commissions and fees	4,100,000	3,690,000	+11.1
Other earnings	750,000	771,000	— 2.7
	$28,850,000	$26,151,000	+10.3%
Expenses:			
Interest paid	$650,000	$663,000	— 2.0%
Salaries and wages	9,950,000	9,017,000	+10.3
Cost of employee benefits	800,000	750,000	+ 6.7
Taxes (other than income)	600,000	553,000	+ 8.5
Federal Deposit insurance	400,000	801,000	—50.1
Other expenses	4,200,000	3,817,000	+10.0
	$16,600,000	$15,601,000	+ 6.4%
Net operating earnings:			
Before income taxes	$12,250,000	$10,550,000	+16.1%
Provision for income taxes	6,350,000	4,512,000	+40.7
Net operating earnings	$5,900,000	$6,038,000	— 2.3%
Shares outstanding	2,500,000	2,500,000	---
Earnings per share	$2.36	$2.41	— 2.1%

One of the interesting comments made by Mr. Baker in his remarks to stockholders had to do with the Federal income tax laws as they relate to banks. He pointed out that while banks are subjected to the same rates of taxation as business generally, there are "very special circumstances which apply to them."

Specifically, Mr. Baker had reference to the requirements of the Federal Reserve which forces member banks to deposit a certain percentage of their deposits with the Federal Reserve. For the Bank of the Manhattan Company this total has averaged $230 million so far this year. Inasmuch as these assets are impounded and there is a direct loss of earning power, Mr. Baker believes that some consideration of this condition should be recognized in the tax laws.

Joins Richard J. Buck

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Theodore Chaffin is now with Richard J. Buck & Co., 8 Newbury Street.

J. S. Kimball Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — William C. Cusack, Jr. is now with J. S. Kimball & Co., 24 Federal Street.

Robert A. Warren

Robert A. Warren, partner in Baker, Watts & Co., passed away on November 19th.

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We Can Restore Gold Standard!

piece of dishonesty to which it has ever been subjected throughout our entire history—for here is how it penalized the people: In 1934 the national debt stood at $27 billion—all in dollars that had been earned and saved by the people as dollars worth 1/20 of an ounce of gold, and loaned to their government as such; but the 41% devaluation of the dollar means that the dollars that the people get back will have shrunk in "value" by 41%, or by $11 billion. Again, the total bank deposits in 1934 aggregated about $51 billion—all in dollars that had been earned and saved by the people as dollars worth 1/20 of an ounce of gold per dollar, and deposited in the banks as such; but the dollars withdrawn from the banks after "devaluation" were worth 41% less—or a loss of about $20 billion in the real value of these deposits. Finally, in 1934 the total life insurance in force in this country amounted to about $98 billion — but this, of course, had not all been paid for in full. It is fair to say, however, that striking an average of policyholders of all ages—about one-half, or $50 billion of those benefits, had already been paid for with dollars earned and saved as dollars worth 1/20 of an ounce of gold per dollar. The 41% "devaluation," therefore, robbed the people of about $20 billion of the real value of these insurance benefits. Adding together the losses on bonds, bank deposits and insurance benefits, and it will be seen that while our government was building up for itself what looked like a profit of $3 billion, it was actually robbing the people of around $50 billion. This is something that should never be allowed to happen again; and it can be prevented only by a return of this nation to the gold standard.

We are being urged every day —and quite properly so—to buy Defense Bonds; and we must buy those bonds, in order that our government can maintain itself. We are being told that for each $3 we pay in, we will be paid back $4, ten years hence; but nothing, whatever, is being told us as to the quality of the dollar we are to get back. The dollar we pay in is claimed to carry a "value" of 1/35 of an ounce of gold. We are, therefore, entitled to the assurance that the dollar we get back shall also be a dollar of the same "value." That assurance can be given us only by a return of this nation to the gold standard.

We Have Enough Gold

Now there are skeptics who feel that we may not have enough gold to enable us to return to the gold standard. Let's see just how that argument shapes up: We have about $22 billion in gold, and there is about $27 billion of currency in circulation. And, obviously, if the entire $27 billion were to be presented for redemption, we should not have enough gold to meet that demand. But we have a good precedent to show that such a contingency would not be at all likely to ever occur—as we shall point out. Back in 1879 when this nation returned to "redeemability" of its currency in gold, there was in circulation a total of $347 million of the so-called "greenbacks"; and, at that time, the Treasury owned only some $130 million in gold. And there were skeptics, then, who were sure that as soon as the new law restoring our currency to "redeemability" in gold went into effect, the Treasury's gold would be quickly exhausted. But the law, passed in 1875, was put into effect, on schedule, as of Jan. 1, 1879; and of the total $347 million of greenbacks in circulation, only $28 million were presented for redemption during the following 12 years—or at an average rate of less than 1% per year of the total in circulation. There is sound economic opinion that if we were to return to "redeemability" today, the demand for redemption would be no greater, percentagewise, than it was in 1879. That means that we already have almost enough gold to meet that rate of redemption for nearly a full century, even if we add no gold to our present stockpile. But new gold is being mined all the time; and our Treasury is, quite properly, acquiring whatever is offered—at the official price of $35 a fine ounce. Also, the U. S. is an export nation; and there will be bound to be gold flowing to this country to adjust the balance of international trade, when and as the other nations get back on their economic feet. By no justification, therefore, can any one say that we lack the necessary gold to return to the honesty and integrity of the gold standard just as quickly as the necessary legislation can be enacted, or within a reasonable time thereafter.

A quick mental picture of what $22 billion in gold would look like might be of interest in this connection. At $35 a troy ounce, one-million dollars in gold weighs 48/49 of one ton, avoirdupois. In our $22 billion of gold we, therefore, have nearly 22,000 tons of gold—or, roughly, about 450 railway carloads, since 50 tons of any metal is a fair carload. That gold represents approximately one-half of all the gold the world has produced since Columbus discovered America; so no one can truthfully say that we lack the necessary gold to return to the honesty and integrity of the gold standard.

What Can We Do About It?

The question is, "What can we do about it?" Here are some suggestions: The getting of this nation back on a sound money basis requires Congressional action — and it, therefore, becomes a political issue. Over the years there have been good sound money supporters in both of the major political parties. While such an outstanding Democrat as Grover Cleveland was a sound money man, it happens to have been his party which threw the gold standard overboard in 1933. On the other hand, the Republican Party has consistently been the sound money party from the time of its founding back in 1854—the party which returned this nation to "redeemability" in 1879; and the party which fought off Mr. Bryan's "free silver" effort in 1896. And it seems appropriate to add here that Andrew D. White was a lifelong Republican. College men can therefore do honor to that great American by insisting that there shall be a sound money plank in the 1952 Republican platform —demanding that this important issue be fought out in the 1952 campaign, as it was in the historic campaign of 1896. Let us write letters to the Tafts, Stassens, Eisenhowers (or his spokesmen), and so on, and see that these leaders take a position, publicly, on this issue; and that it be accorded the prominence that it deserves in the 1952 Presidential campaign —thus giving the public a chance to know just where their leaders stand on this issue that so greatly affects the pocketbook of every one of our 150 million people.

Finally, we should not overlook the fact that the paper money of the United States portrays the faces of its greatest men: Washington, Jefferson, Lincoln, Hamilton, Jackson, Cleveland — and others. When that practice was initiated, it not only reflected great credit on this nation—it also bestowed high honor on those great Americans. But since the "devaluation" of the dollar in 1933, plus the refusal of our government to "redeem" that money even at its debauched value, it is not only a disgrace to this nation —it is an insult to those great men whose faces still appear on that printing-press money. Our government should do one of two things: it should either restore that money to the basis whereby it is again "as good as gold"; or it should recall every dollar of it and replace it with an entirely new issue bearing the likenesses of those men who gave us this form of dishonest currency.

Johnston Testers Stock Offered

Public offering was made on Nov. 23 of an issue of 540,000 shares of common stock of Johnston Testers, Inc., a corporation organized to acquire the outstanding stock of three companies engaged in rendering special services to the oil well drilling industry in the United States and Canada. The stock is priced at $8 per share and is being sold by a banking group headed by White, Weld & Co.; Rotan, Mosle and Moreland and Russ & Co., Inc. Following the sale the company will have outstanding 600,000 shares of capital stock, $1 par value.

Proceeds from the financing together with cash on hand and proceeds of a short-term bank loan will be used to purchase all of the outstanding stock of three corporations previously owned or controlled by M. O. Jonston, Sr. and members of his immediate family.

Johnston Testers, Inc. will continue to operate the business of the predecessor companies which are engaged primarily in performing drill stem tests to determine the contents and productivity of zones encountered in the drilling of oil wells through the use of special tools and patented devices. Principal customers include a number of the major oil companies as well as numerous smaller independent producers. Operations are conducted in 20 states as well as several Canadian provinces. The special tools and equipment used by the operating companies are sold in foreign countries.

On a combined and pro forma basis, income from sales and services of the three corporations in 1950 aggregated $5,574,342 and in the first seven months of 1951 was $4,106,277. Net income for the respective periods amounted to $787,182 and $445,810.

Philip C. Kullman, Jr.

Philip C. Kullman, Jr., a partner in the firm of John J. O'Kane, Jr. & Co., passed away Friday, Nov. 23, at New Rochelle, New York.

He was very well known in Wall Street trading circles and was one of the original members of the Security Traders Association of New York, of which he was a member at the time of his death.

Mr. Kullman was a partner in the firm of John J. O'Kane, Jr. & Co. from its inception in 1922, and prior to that he was connected with his father's firm of P. C. Kullman & Co., and Manager of the Trading Department of Harvey A. Willis & Co. for a number of years.

He leaves a wife, Mrs. Rosa Kullman, and a son, Robert N. Kullman, who is employed by Carl M. Loeb, Rhoades & Co.

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Investment Merits of Electric and Gas Companies

of the regulatory commission should be taken into account.

This is a problem where management is most important. They should not be reluctant to point out to Commissions the need for earnings sufficient to interest capital. A utility should be allowed to operate on the basis of a return that would make it possible to sell securities in the future before committing itself to a substantial and continuing construction program.

There has been recently some indication that Commissions are beginning to give more weight to the effect of inflated construction costs and the need to maintain the company's credit. The Pennsylvania Commission in the Duquesne Light case allowed as rate base a figure approximately one-half way between the cost of the property when originally built and a reproduction cost reflecting present-day prices. Prior to this case the Michigan Commission, over a dissenting opinion, gave some effect to present-day prices in the determination of fair value. In the Consumers Power Company case and the Michigan Bell Telephone Company case it tried to fix a medium point between original cost and a rate base in terms of present dollars. Although these were outstanding indications of the more realistic viewpoint there have, of course, been other cases where absolutely no deviation from original cost was allowed, but there is a possibility that variations in rate of return will be allowed. As an indication of a trend, the report of the Committee of Valuation for the National Association of Railroad and Utility Commissioners at their recent convention concluded that "no rigid yardstick is available which can be applied mechanically to valuation problems in an extended inflationary period such as is now being experienced." In addition, they added "that Commissions should welcome suggestions as to the use of new criteria, for valuation theories and policies cannot be static, but must mesh into the evolutionary processes of our time."

We were also very interested in the following excerpt from the Report of the Committee on Corporate Finance at that meeting in which they state: "a continued rise in the yield on senior securities would make equity securities less attractive to the investor unless, as we have several times said, public utilities are permitted by regulatory commissions to obtain without undue delay necessary additional revenues through justifiable rate increases, in amounts sufficient to pay reasonable dividends on common stock."

The recent earnings record appear to have established the ability of utilities to earn a reasonable return and keep up with development in their areas provided only that rate increases will be granted so that large amounts of future capital can be raised to provide for the tremendous increase in construction costs.

Planning Ahead

You may be interested in the method we have developed of planning for the future financing needs of our client companies. Through experience we have come to realize the importance of viewing company financing programs on a continuing basis and not just as a current program that will take care of immediate construction and corporate needs. Before any major financing occurs in one of the utilities we render service to, we project our best estimate of earnings for a five-year period although we realize the difficulty of predicting for a period of this length. It nevertheless indicates basic trends. We project the construction requirements to meet expected load, earnings and expenses resulting from expected operations and cash requirements. With this available to us we can see the effects of current financing on earnings and are able to protect the company from embarking upon a financing program which might endanger its credit in the future. This type of study also indicates the expected return on investment so that it is possible to foresee the necessity of obtaining regulatory relief if the trend continues to be downward for the forecast period. These forecasts are changed constantly to reflect, for instance, tax increases, increased construction costs, and changes in load development, but we feel that they serve the very important purpose of placing the company's plans for future development on a continuing basis and helping it plan more effectively for the future.

Summary

Electric and gas utilities constitute a stable and growing industry.

With aggressive management and understanding Commissions, the industry has the ability and right to earn a reasonable return and attract investors.

Halsey, Stuart Group Offers Frisco Ctfs

Halsey, Stuart & Co. Inc. and associates on Nov. 27 offered $4,725,000 St. Louis-San Francisco Ry. series J 3⅛% equipment trust certificates maturing annually Dec. 15, 1952 to 1966, inclusive, at prices to yield from 2.30% to 3.25%. Issued under the Philadelphia Plan, the certificates are being offered subject to approval of the Interstate Commerce Commission.

The certificates are secured by new standard - gauge railroad equipment estimated to cost $5,-920,843, as follows: 13 Diesel-electric road switching locomotives with steam generators; 14 Diesel-electric road switching locomotives without steam generators; nine Diesel-electric switching locomotives with multiple controls; one Diesel-electric switching locomotive, and 100 all-steel wood rack cars.

Other members of the offering group include: R. W. Pressprich & Co.; Bear, Stearns & Co.; L. F. Rothschild & Co.; Freeman & Co.; The Illinois Co.; Wm. E. Pollock & Co. Inc.; Weeden & Co., Inc.; First of Michigan Corp.; McMaster, Hutchinson & Co., and Mullaney, Wells & Co.

Jos. S. Nye Partner In Neergaard, Miller

Joseph S. Nye will be admitted to partnership in Neergaard, Miller & Co., 44 Wall Street, New York City, members of the New York Stock Exchange, on Jan. 2. Mr. Nye for many years was with Freeman & Co.

B. Brodick Now With Amott, Baker & Co.

B. Brodick, formerly with First Investors Corporation, is now associated with Amott, Baker & Co., Incorporated, 150 Broadway, New York City.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

Quotations in the long-term sector of the Government market improved after they had been helped through small but pivotal purchases by Federal. There is still some question whether this turn of events is going to pull prospective buyers off the sidelines. To be sure, yields are now at levels that make these obligations not unattractive, but there is as yet no real evidence that the income-minded investors are getting very much excited about them. There is still more tax selling to be done in these securities and as a result many investors believe they have time enough in which to make commitments.

The short-term obligations are in as large demand as ever, with the liquidity and the riskless factors the dominating forces in that market action. The purchases of near-term issues are being made in big volume, with banks and non-bank investors in keen competition for these obligations. The 11½ month 1⅞% offered in exchange for the December 2¼s was about in line with expectation.

Savings banks have been letting out very modest amounts of the taps. However, due to the narrowness of the market for these issues, or more concretely the lack of private buyers, this minor selling had tended to aggravate a not too healthy market situation.

Long-Term Market Quiet

A long-term Government market, which made new lows for the year on very light volume, may be approaching another level of stabilization. Again, and as has been the case in many instances in the past, the volume and activity on the decline has been very small. There were no large blocks of long Treasuries in the market awaiting liquidation. This meant the pressure of sizable selling orders was not the reason for the price erosion that has been going on in the higher-income Government obligations. On the other hand, there has been a very definite lack of buyers in these securities. The government trust accounts, it is reported, have been in the market now and then, doing some selective but not too substantial buying. Short covering, along with Federal's minor buying, no doubt helped to give the longer-term issues the trace of strength, which has appeared. Last week's Federal Reserve statement showed purchase of $8,550,000 by the Central Banks, the first since October 3.

Private buyers of the higher-income issues of Government securities, nonetheless, are still inclined, it seems, to be pretty much on the observation side. They know that a buying opportunity is being presented to them, but they are not rushing in to get these obligations because there is still some more time in which tax-loss selling can be done in these securities. It is believed that tax-loss selling has been one of the principal market depressants for quite some time now. However, it should be borne in mind, this is only a temporary force that should pass out of the picture with the ending of the year.

Federal, beyond any question, could do a very moderate amount of buying here and there, as they have done, and this could be supplemented with a bit of talk, commonly known as "open mouth" operations. These forces could bring about an entirely changed picture in the Government bond market, especially in the long-term sector. Evidently the monetary authorities were not too concerned about the new lows the higher-income issues had been making, even though they did step in to stem the trend. An orderly and protected market will be maintained by Federal. They have all the facts and figures at their disposal, and as long as there is no great anxiety displayed over the price action of the higher-income issues by the powers that be, it is believed by many money market followers that the forces operating in the market are not of a lasting nature and will be largely eliminated in the near future. Accordingly, it is the opinion of not a few that buyers will be doing somewhat more than just looking as the year comes to a close. Yields are getting more attractive as quotations move down, and, because of the thinness of the market, it should be realized that it is not going to be so easy to pick up the long-term issues when the trend does turn, as it always does.

Tax Anticipation Bills Attractive

The desire for deposits, coupled with the belief that liquidity is of paramount importance, resulted in the 201-day tax-anticipation bills going at an average rate of 1.497%, which, to say the least, was a mild kind of surprise to many, but not particularly so to the financial district as a whole. It was rather evident that the average yield would be somewhere in the 1.50% area. The small banks took full advantage this time of the $200,000 or less subscriptions, at the average yield. This new money offering, it is believed, just about wraps up Treasury financing for the current fiscal year.

The short-term market continues to dominate the Government securities market, with no let-up in demand for these securities because of the great liquidity preference. The demand for near-term issues and the liquidity that goes with them have almost reached the obsession point. However, this will not last too long, and as the desire for riskless assets declines the whole market will have a more constructive tone.

The near-eligible restricted 2¼s of June 1959/62 and the 2½s of 1962/67 have been going into strong hands, despite the declining price-trend of these two issues.

Jacobs Nominated to Head Inv. Association

Harry A. Jacobs, Jr., of Bache & Co., has been nominated for President of The Investment Association of New York for the coming year, to succeed Edward F. Swenson, Jr., of Clark, Dodge & Co. The election will take place at the Association's annual meeting on Dec. 18, 1951.

Julian K. Roosevelt, of Dick & Merle-Smith, has been nominated for Vice-President; Richard W. Baldwin, of Reynolds & Co., has been nominated for Secretary, and Lorrin C. Mawdsley, of D'Assern & Co., for Treasurer.

Other nominations include: Chairman, Publications and Publicity: Edmund C. Lynch, Jr., Merrill Lynch, Pierce, Fenner & Beane; Chairman, Membership Committee: Paul L. Sipp, Jr., First of Michigan Corp.; Chairman, Entertainment Committee; John A. Van Raalte, Goldman, Sachs & Co., Chairman. Program Committee: Nelson R. Jessup, Lee Higginson Corp., and Chairman, Education Committee: Clifford E. Grey, Spencer Trask & Co.

Members of the Nominating Committee were: Blancke Noyes, Hemphill, Noyes, Graham, Parsons & Co., Chairman; Joe Wise; Edwar De Selding; Sidney Duffy; and W. Gordon Lyle, Clark, Dodge & Co.

A. John Bright With J. G. White & Co.

J. G. White & Company, Incorporated, 37 Wall Street, New York City, announces that A. John Bright is now associated with the firm. Mr. Bright, well known in government and municipal bond circles, and a trustee of the Flatbush Savings Bank of Brooklyn, N. Y., had been associated for the past 12 years with Blair, Rollins & Company, Incorporated.

F. L. Garnes Co. Opens

HUNTINGTON, W. Va.—F. L. Garnes is engaging in the securities business under the firm name of F. L. Garnes & Co., with offices in the Twentieth Street Bank Building. Mr. Barnes was formerly with Myles & Co., Pioneer Enterprises, Inc., and Johnston E. Bell & Co.

Mutual Funds

By ROBERT R. RICH

LESS THAN HALF the nation's men and women who are 65 or over have enough personal money income to meet "a modest annual cost-of-living budget," Grady Clark, Vice-President of Investors Diversified Services, declared.

"Failure to practice long-range money accumulation and investment habits on a self-obligated basis in this generation can raise future cost of public and private support of the aged to record levels," Clark said in making public an analysis of aged persons' income and living costs.

"Nearly 3,500,000 persons of 65 or over in the United States had no money income last year either from earnings or from capital accumulation or investments of their own," he said. "Of the 7,800,000 aged men and women having some personal income last year, one-third received less than $500, according to government figures.

"The median personal income of all persons over 65 is currently about $500 per year for women and $1,000 for men, he said. In contrast with these incomes, even modest living costs for an elderly couple over 65 are far from modest when compared with incomes. The Department of Labor recently estimated that it cost an aged couple from $1,600 to $1,900 a year in late 1950 to enjoy a minimum scale of living. These costs have undoubtedly passed the $2,000 per year rate since then."

In summary, Clark pointed out that about 6,000,000 of the nation's 12,000,000 or more persons over 65 are now attempting to meet current minimum annual living costs of about $1,000 per person with $500 or less of annual personal income.

In the past 50 years, he emphasized, the number of older persons in our population has increased fourfold, while the nation's total population has only doubled.

This means, he said, that each employed American today is supporting more aged persons out of his income than ever before, both as public and as private obligations.

WEEKLY BUSINESS index of Axe-Houghton declined during the last three weeks because of decreases in every component of the index except power production. All other factors, steel production, miscellaneous loadings, automobile production and lumber loadings declined.

The Axe report stated that—"The depression in textiles and consumers' goods industries generally has had surprisingly little effect on the general business index. Neither the Axe-Houghton monthly index nor the Federal Reserve index of industrial production has shown more than a moderate decline despite the widespread nature of the recession, including as it does the synthetic fiber, leather, paper, and other semi-durable goods industries, as well as many types of consumers' durable goods, including such things as automobiles, television and radio sets, electric refrigerators, etc.

"The explanation of this phenomenon is of course the continued high demand for steel, aluminum, copper, and other metals, owing to actual or future needs of national defense.

"It is impossible to say what percentage of these basic materials is being used directly in the manufacture of tanks, planes, and other munitions, and what percentage is being used to create additional capacity for producing them in the future. It is known of course that total expenditures for plant and equipment in 1951 are establishing a new high record, and it is unofficially estimated that these expenditures may be almost if not quite as high in 1952 as in 1951.

"But nobody has ever been able to come up with a reliable estimate of the division between plant and equipment. It is generally assumed that the normal division is 65% for equipment and 35% for plant. Some well informed observers believe, however, that the 1951 division is perhaps about 35% for equipment and 65% for plant.

"If this is so, the continuation of the high level of plant and equipment expenditures will undoubtedly involve a return to the normal division, i.e., the supplying of the equipment to put into operation the tremendous amount of additional factory structures that is being built this year.

"This perhaps explains rumors of a slackening in the demand for some kinds of steel, notably structural, despite the fact that backlogs are far higher than normal. It looks as if a point will be reached where additional plant will be useless unless machinery can be obtained to operate it. The machinery industry seems therefore to be one branch of the economy that can be definitely counted upon to be very active during 1952.

"Agriculture is another favorably situated branch. Cash receipts from crops are expected to be only 6% higher this year than last, but receipts from the sale of livestock are expected to be 20% higher, so that total cash farm income will establish a new high record by a comfortable margin over the previous 1948 peak.

"This is a good omen for the agricultural machinery manufacturers, since there is ordinarily a high correlation between cash farm income and sales of farm implements."

AFFILIATED FUND'S eighteenth annual report reveals total net assets of $158,818,398 on Oct. 31, 1951, compared with $147,971,212 on Sept. 30, $123,463,491 on April 30 and $107,593,348 a year ago.

Number of shareholders increased to 79,381 from 57,197 a year ago.

The ratio of the Fund's operating expenses to net assets was this year the lowest in the Fund's history.

Total operating expenses, including franchise and excise taxes, amounted to 65/100 of 1% of average net assets, compared with 79/100 of 1% the previous fiscal year.

Operating expenses of the Fund, exclusive of taxes, amounted to 60/100 of 1% of average assets, including no borrowed money. This compares with 61/100 of 1% for the preceding fiscal year, including borrowed money.

During the year the net asset value per share increased from $4.30 to $4.65, after a 44-cent distribution of net realized security profits paid on Oct. 29. The total increase in net asset value per share, including the 44 cents paid out, amounted to 79 cents a share.

About 26% of the shareholders elected to receive their distributions in cash and 74% received the distribution in additional shares of stock.

In commenting on the business outlook, Harry I. Prankard, 2d, President, expressed the belief that employment will remain at a high level for the foreseeable future, but that people will spend a greater portion of their income for consumer nondurable goods and services than they did in the last two years.

TOTAL NET assets of Bullock Fund were $12,639,287 on Oct. 31, 1951, equal to $24.54 a share, compared with $11,655,165, equal to $23.72 a share on July 31, 1951. Included in total net assets at Oct. 31, 1951, was unrealized appreciation of $2,475,072, compared with $2,128,980 three months earlier.

Dividends from net investment income for 1951 are the highest for any fiscal year in the company's history. The record of 1951 per share distributions compares with 1950 as follows: Dividends from investment income in 1951, $1.20; in 1950, $1.075; distributions from securities profits in 1951, $1.15; in 1950, $0.675.

Assets in common stocks on Oct. 31, 1951, accounted for 80.91% of total net assets; cash, etc., was 12.27%; U. S. Government and high-grade bonds were 5.62%, and preferred stocks 0.20%.

Largest group holdings of common stocks in approximate percentage of total net assets were oil shares at 12.79%; steel, 7.61%; utilities, 6.30%; retail trade, 5.42%, and railroads, 5.22%.

WELLINGTON FUND was a substantial buyer of common stocks during the recent market decline.

A special report revealed that during the decline the mutual fund bought an additional $4,400,000 of common stocks. These purchases restored the common stock ratio of the Fund to 62% of total net assets, or to about the same ratio as at the end of June before the three-month market advance.

The report pointed out that during the latter part of the last market advance, common stocks had been reduced.

The Fund's principal common stock purchases were in American

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The MUTUAL FUND RETAILER

By BENTON G. CARR

By now, you have probably discovered, as a mutual fund retailer, that many investors assume the cost of acquiring mutual fund shares to be considerably higher than the cost of owning and trading in individual listed issues.

Many salesmen have found they must spend much of their sales presentation overcoming the so-called problem of the "sales load" when they are talking to prospects who are already investors with individual holdings.

If you have been confronted with this problem too, you will be glad to know that this prevalent misconception can easily be cleared up, and Dudley Cates, in an excellent pamphlet entitled, "How Much Do Mutual Funds Cost?" points the way.

Mr. Cates, who has sparked Kidder, Peabody's mutual fund department into one of the most progressive organizations in the country, used the simple approach of working out the arithmetic.

Mr. Cates says: "It is a common mistake to assume that the acquisition cost of a mutual fund is always several times greater than the cost of owning individual stocks.

"On the contrary, the actual cost of buying and selling **once** only 100 shares of a stock trading at 12½ on the Curb Exchange amounts to over 3%, including commissions and tax. The cost is 4½% if the stock sells around 5. More than half of the common stocks currently traded on the Curb Exchange sell at 12½ or less."

Mr. Cates then discusses the same problem for the Stock Exchange and odd lots and includes a comprehensive list of examples which illustrate that the cost for buying and selling **once** can range from 2.7% to 8%.

Most important, however, is the conclusion of this pamphlet that, "The real problem is how to keep one's savings prudently invested without assuming needless expense and effort.

"From a cost stand-point, the intial advantage of owning individual issues may well be offset within a reasonable period by the economies resulting from mutual fund portfolio administration.

"Beyond that, the intangible savings made possible by continuous supervision and professional management provide real 'dollars and sense reasons for owning mutual funds.' "

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Mutual Funds

Can, American Cyanamid, Dow Chemical, Union Carbide & Carbon, General Electric, Parke, Davis and United Aircraft. New investments were made in Minneapolis Honeywell and American Airlines.

Holdings in a few stocks considered depressed or behind the market were increased. In this group were Chrysler, Colgate-Palmolive-Peet and C. I. T. Financial.

The common stocks of American Chicle, S. S. Kresge, Lone Star Cement, Pennsylvania Water & Power and Springfield Fire & Marine were eliminated from the portfolio.

Several preferreds were also eliminated including: Crown Zellerbach 4.20%; Ohio Edison 4.40% and Safeway Stores 4%. The proceeds were invested in Pacific Gas & Electric 5%, Commonwealth Edison \$1.32 and Long Island Lighting 5% preferreds on new offerings.

Northern States Power 4.10% preferred was eliminated and the proceeds invested in the 3.60% preferred of this company for better yield and appreciation possibilities.

On Nov. 21, the Fund's investments other than common stocks were diversified as follows: 0.11% in appreciation bonds and preferreds; 2.40% in convertible seniors; 20.78% in investment bonds and preferreds, and 14.19% in U. S. Government bonds and cash.

The report made this commentary on business conditions: "The cross-currents in business continue, but the recent recession in over-bought consumer goods seems to be flattening out. Employment and national income should continue to rise under the stimulus of defense spending. This should strengthen the demand for civilian goods and overcome some weak spots in business in a reasonable time."

GUARDIAN MUTUAL Fund reports as of Oct. 31, 1951, total net assets amounting to \$1,020,000 compared with \$337,000 on Oct. 31, 1950.

The net asset value per share on Oct. 31, 1951, amounted to \$11.54, compared with \$10.28 one year earlier.

During the year the Fund paid dividends amounting to 48 cents per share from net investment income plus an additional distribution of 22 cents per share from net realized capital gains.

At the end of the fiscal year, 72.8% of the Fund's assets were invested in common stocks.

STOCKHOLDERS of Scudder, Stevens & Clark Fund, now a \$37,000,000 fund, have voted to change the presently authorized 1,000,000 shares of capital stock of no par value to the same number of shares of capital stock of \$1 par value per share. No exchange of stock certificates is required.

A 38% INCREASE in total net assets in the first nine months of 1951 was reported today by Delaware Fund of this city.

The increase of \$2,854,904 boosted the Fund's net assets to a record high of \$10,367,223 on Sept. 30, last, as compared with \$7,512,319 at the close of 1950.

In the same period, net asset value per share increased 9.2% to \$17.44 at the close of the September quarter from \$15.99 at the start of the year.

Shares outstanding at the close of September quarter totaled 594,388 and represented a 26.8% increase over the 469,889 shares outstanding on Jan. 1, 1951.

A 57.4% INCREASE in total net assets over a year ago was reported for Wisconsin Investment Company by Harold W. Story, President.

In presenting the statement for the first nine months of 1951, he pointed out that, as of Sept. 30, total net assets were over \$4,000,000.

The report showed a growth of 25% in shares outstanding and a 40% increase in the number of shareholders compared with Sept. 30, 1950.

Mutual Fund Notes

SALE OF SHARES was begun recently by a new mutual fund, General Securities. The Fund, with offices in the Rand Tower in Minneapolis, Minn., was capitalized at \$100,000.

Its shares are sold at net asset value, without commission to the seller. A minimum initial investment of \$2,500 is required, with subsequent sales to shareholders in units of \$500.

John P. Robinson, its President, is also head of the Minnesota Fund. J. G. Carter is Vice-President and R. O. Hanson, Secretary and Treasurer.

Investment changes of Bullock Fund from July 31 to Oct. 31, 1951, included purchases of 1,200 shares of Allied Stores Corp.; 3,900 American Power & Light Co.; 1,000 shares each of Kobacker Stores, Inc., and Minnesota Power & Light Co.; 1,500 Tennessee Gas Transmission Co., and 1,100 Wayne Knitting Mills. Sales included 3,000 shares of General Instrument Corp.; 2,000 McDonnell Aircraft Corp., and 1,100 National Cash Register Co., eliminating the latter two holdings from the portfolio as of Oct. 31, 1951.

Delaware Fund reports that holders of 50 or more of its shares have the privilege of immediate and automatic reinvestment of dividends which otherwise would be paid in cash. The reinvested dividends are subject to the normal sales charge. Under the plan, stockholders must designate an investment dealer as agent to purchase as many full and fractional shares as can be bought with cash dividends and other cash distributions paid by Delaware Fund.

The plan may be ended at any time on written notice by a shareholder or by Delaware Fund and automatically terminates upon the transfer or redemption of shares.

How Much Are You Really Worth Today?

Not how much in terms of real estate, a business, or stocks and bonds. But rather, how valuable are you personally as a producer of income? Some people, of course, think you can't arrive at such a figure. But if you're realistic and use a sharp pencil, you can come up with a pretty interesting answer.

First, you assume that 5% represents a good return today on invested capital. That means that to duplicate your earning power, you have to have \$20,000 invested for each \$1,000 of income.

Now obviously, if you earn \$5,000 a year, it would take \$100,000 of invested capital to provide the same income. Any way you look at it—that's a lot of money!

The only other comment we'll make is this: If you're the family breadwinner, you'd better take special care of yourself—you're valuable "family capital."

—From Putnam Fund's "Prudent Investor."

Securities Salesman's Corner

By JOHN DUTTON

One morning last week I had the pleasure of talking with a retired sales manager for one of the nation's largest food processing firms. For over 30 years he had headed up a sales department that covered this nation from coast to coast. Over 3000 salesmen had worked under him, and for him, during this time. Now he is retired but I honestly believe that his heart was right back there in his job, even though he sat comfortably in his well appointed study in a lovely home, with no apparent reason to work another day again as long as he lived. But that is a strange thing about this business — I have often thought that no one can understand another salesman's viewpoint but one who also has been dealing with the public — and it makes no difference whether he has sold catsup or convertibles. The same principles hold true.

At any rate I think I got an idea for this week's column for you and here it is. As you might anticipate, this most successful salesman did not tell me about any of his great triumphs. On the contrary, he told me that during the depression, when the public's buying power was low, that he was faced with the problem of moving huge stocks of merchandise that could not be sold regardless of what he tried to do. He had his good days and his bad ones, too, just like everyone else. He admitted to me that during one of those trying years he developed a serious case of neuritis, all due to working under pressure and the great strain and worry caused by the responsibility he felt he was carrying. But he said to me, "I learned that patience and sound principles would always win out in the end. I learned not to overemphasize my failures and to take my successes in stride. When one plan would not work we would study the reasons for failure. Then we would try a new approach. Finally, times and conditions would change for the better. But one thing we never lowered and that was the quality of our merchandise."

Then he related a story to me about a sales meeting he conducted in St. Louis which was attended by many salesmen from the Middle West. One man got up and mentioned that he had no answer for the buyer who said, "Why should I buy your catsup and pay you \$1.75 a case when I can buy these other brands for \$1.35?" His answer was, "You have unconsciously allowed your prospect to place you on the defensive. The next time you say, 'Mr. Smith, here is the highest priced catsup on the market; it is also the largest selling and best known brand in the country. Do you know of any other brand that can say the same?' " That solved the price question for this salesman.

In the sale of mutual fund shares the question often comes up as to why the buyer should pay the loading charge of approximately 8%. "Why should I pay 8% more when I can go right out to any broker and buy a diversified list of good stocks and bonds and save this fee?" When that question comes up the securities salesman is placed in exactly the same spot as the food salesman was in the foregoing paragraph. But if the quality is there, if the benefits are compensatory then certainly you too can say, "Mr. Smith, I want to talk to you about an investment that has had such an appeal to investors throughout this country that although it will cost you more to buy it, over a million people have put more than three billion dollars into this modern plan of investing that is known as Mutual Fund Shares. Do you know of any other investment that has had such a wide acceptance as this?"

My friend the food sales manager, told me quite a few more helpful and interesting things, but out of them all I am quite sure that you would agree with me that he was certainly right when he said, "If you believe in what you are selling take the initiative. If your quality is high then it is worth more. Sell quality and price will take care of itself."

Three With Gibbs & Coe

(Special to THE FINANCIAL CHRONICLE)

WORCESTER, Mass.—Percy M. Blanchard, Oliver G. Chipman, and Stephen R. Moriarty are now with Gibbs & Coe, 507 Main St.

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Charles A. McComb is with Waddell & Reed, Inc. of Kansas City, Mo.

Bache & Co. Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Neil F. Petersen is now connected with Bache & Co., 135 South La Salle Street.

Canadian Securities

By WILLIAM J. McKAY

As previously predicted the development of Canada's enormous wealth of natural gas has temporarily at least assumed greater importance than the hitherto predominant search for oil. As a result new discoveries of gas have recently been greater than those of oil. Since the beginning of the year approximately 80 successful gas wells have been located in scattered areas of Alberta ranging from the southern border at Pakowki Lake to the northern Peace River district. In addition the scope of many older fields has been considerably extended. The recent intensification of interest in gas has been primarily due to the attitude of the Alberta Conservation Board which has insisted on the establishment of sufficient reserves for domestic use before permitting the export of gas to this country which is now sought by five U. S.-Canadian pipeline companies.

When the Conservation Board hearings entered their definitive stage at the beginning of the year the proven reserves were in the neighborhood of 4 trillion cubic feet but they are now estimated to be at least 11 trillion. At the last session of the Board the contending applicants were required to furnish precise evidence concerning not only available supplies, but also the details of the proposed markets for the gas and the intended route of the transmission lines. It is reasonably apparent that the Alberta government has decided in principle to give its authorization for export but is now faced with the embarrassing decision of making its choice from among the various powerful contenders. In any event it would appear that further delay might be prejudicial to the interests of the province. Although the Alberta gas is strategically situated to serve its natural outlets in British Columbia and the Pacific North West States there are already alternative plans under consideration for the utilization of gas from U. S. sources and other Canadian provinces.

Also as is invariably the case whenever a new large scale enterprise is projected there is immediate opposition from established competitive interests. In this instance pressure has been brought to bear on the Conservation Board by existing domestic gas companies and coal mine operators on both sides of the border. But national as well as provincial interests are involved and the insistent demand for this valuable new resource of the province compels early action. Although the volume of immediately available supply is far outstripped by the present pressing demands there is little doubt that following the construction of the first transmission lines further impetus will be given to the search for new sources of supply. On the basis of recent discoveries it would appear that Alberta promises eventually to become a serious rival of the great gas producing states of this country.

When consideration is given to the claims of the five major companies for the right to export gas it is believed that the Alberta Natural Gas Company, a subsidiary of the U. S. Northwest Natural Gas Co., has submitted a proposition that will be difficult to deny. This group is sponsored by Faison Dixon of New York and Houston, and Morgan Stanley & Co., in which the Canadian houses of A. E. Ames and James Richardson & Co. are also interested. This syndicate has gone far to meet the exacting requirements of the Conservation Board in producing provisional contracts not only with regard to established supplies of gas but also for its definite disposal. As far as its supplies are concerned arrangements have been concluded with the Canadian Gulf Oil Co. for the purchase over 22 years of 80 million cubic feet per annum from their Pincher Creek field at the rate of 10¾ cents per 1,000 cubic feet for the first three years and thereafter at an additional ¼ cent each year. The Northwest Natural Gas Co. proposes to build a 24-inch pipeline with 285 million cubic feet daily capacity at a cost of $71 million to supply the Pacific Northwest States, Vancouver, and other areas. Further contracts have been signed with the California Standard Co. for production from the Princess gas field, and with Britalta Petroleums Ltd., and Deep Rock Oil Corp. for supplies from their new promising field in the Many Island-Medicine Hat area.

The marketing of this production has also been effectively arranged following the signing of firm contracts with the B. C. Electric Co. at 35.9 cents per thousand cubic feet, with Consolidated Mining & Smelting Co. at 28.49 cents, with the Portland Gas Co. at 31.89 cents, with the Seattle Gas Co. at 32¼ cents, and with the Washington Gas and Electric Co. and the Wenatchee Gas Co. at slightly lower rates. Whatever claim is given favorable consideration there is no doubt that the development of the natural gas industry in Canada will mark another important milestone in the economic history of the Dominion.

During the week the external section of the bond market was dull and inactive but the internals were stronger in sympathy with the sharp rise of the Canadian dollar to 3¾%, a new recent high. As usual it is difficult in New York to follow with any degree of logic the movements in this currency which are dictated entirely by official policy in Ottawa. As far as can be ascertained the current strength stems from either Canadian sales of sterling or British purchases of Canadian dollars. As a result of unwillingness of the Canadian authorities to hold sterling, any sales of sterling in Canada causes a corresponding rise of the Canadian dollar in relation to the U. S. dollar. Stocks rallied after their recent persistent decline. The golds were the best performers following reports of free market sales at record prices. Western oils which suffered least on the downward trend also were in good demand but the industrial and base-metal groups made little headway.

E. G. Frederick Is With J. G. White

Edward G. Frederick

J. G. White & Company, Incorporated, 37 Wall Street, New York City, announces that Edward G. Frederick is now associated with the firm in its corporate trading department. He was formerly with the investment firm of W. E. Wetzel & Company, Trenton, New Jersey.

Robert Pollak to Be H. Hentz Partner

CHICAGO, Ill.—Robert Pollak, resident manager for the New York Stock Exchange firm of H. Hentz & Co. in their office at 120 South La Salle Street, will become a partner in the firm on Jan. 1.

Milton Ross Opens

BROOKLYN, N. Y. — Milton Ross is engaging in the securities business from offices at 75 Prospect Park West.

New Florida Branch

MIAMI BEACH, Fla.—Felder & Company, member of the New York Stock Exchange, have opened a branch office in the Saxony Hotel.

Arthur J. McKenna

Arthur J. McKenna, member of the New York Stock Exchange, passed away November 17th.

With Waddell & Reed

(Special to The Financial Chronicle)

DAYTON, Ohio — Donald J. Hickey is with Waddell & Reed, Inc.

Joins Pacific Northwest

(Special to The Financial Chronicle)

PORTLAND, Oreg.—Edmund E. Hass is now with Pacific Northwest Company, Wilcox Building.

With Francis I. du Pont

(Special to The Financial Chronicle)

WEST PALM BEACH, Fla. — Albert Kaidy and Charles J. Wray have joined the staff of Francis I. du Pont & Co., 212 Datura St.

Joins Schwanz Staff

(Special to The Financial Chronicle)

AURORA, Ill.—Louis G. Neuendorf is now affiliated with Schwanz & Company, Inc., Merchants National Bank Building.

Tifft Bros. Add

(Special to The Financial Chronicle)

SPRINGFIELD, Mass. — Malcolm L. Steinberg has joined the staff of Tifft Brothers, 1387 Main Street, members of the New York and Boston Stock Exchanges.

News About Banks and Bankers

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

Charles J. Stewart, President of **The New York Trust Company**, of 100 Broadway, **New York** announces the promotion of Charles C. Gifford from Assistant Treasurer to Vice-President, to be in charge of the Trust Company's mid-town office at Madison Avenue and 52nd Street. Mr. Gifford, a graduate of Yale University (1917), joined the Trust Company in 1929 as a member of the investment division. In 1941, he was appointed an Assistant Treasurer at the Fortieth Street office of the Company and he has been identified with branch office operations for many years.

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Benjamin F. Few, President of Liggett & Myers Tobacco Company, and J(ames) Albert Woods, President of Commercial Solvents Corp., have been elected to the board of directors of **Chemical**

Benjamin F. Few

J. Albert Woods

Bank & Trust Company of New York, it was announced on Nov. 26 by N. Baxter Jackson, Chairman. Mr. Few has been President of Liggett & Myers since Feb. 1, 1951. He is a director of Liggett & Myers and a trustee of the Duke Endowment. Mr. Woods has been President of Commercial Solvents since April 1, 1950. He is a director of Commercial Solvents; Wilson & Toomer Fertilizer Co.; Southern States Bag Co., and Barnett National Bank, Jacksonville, Fla.

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Earl B. Schwulst, President of the **Bowery Savings Bank of New York**, and Walter A. Giles, Vice-President of the New York Telephone Company, have been appointed members of Branch Advisory Committees of the **Chase National Bank of New York.** Mr. Schwulst joins the bank's Forty-second Street Branch Committee and Mr. Giles, who is General Manager of the Brooklyn and Long Island area of the New York Telephone Company, will serve on the Committee of the Hamilton Trust Branch in Brooklyn.

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At a special meeing of the stockholders of **The Marine Midland Trust Company of New York** held on Nov. 27, stockholders authorized an increase in the capital funds of $5,000,000 according to an announcement made by James G. Blaine, President. The stockholders also approved a change in the par value of the company's capital stock from $10 per share to $15 per share and the transfer of $2,500,000 from surplus account to capital account. The offering of 100,000 shares of new $15 par value capital stock to stockholders on the basis of one new share for each five shares owned at a subscription price of $50 per share was also authorized. Marine Midland Corporation (owner of 99.44% of the outstanding shares) will purchase at the subscription price any shares not taken by other stockholders. As a result, capital funds will total $29,248,662, represented by capital of $9,000,000, surplus of $16,000,000, and undivided profits, as of Sept. 30, 1951, of $4,248,662.

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DeCoursey Fales, President of **The Bank for Savings in the City of New York**, announces the following official appointments, effective Dec. 1: Alfred S. Mills, Vice-President; Felix S. Wassmann, Assistant Vice-President, and William J. Clark, Assistant Secretary. Mr. Mills has been in the employ of the bank since 1939. He is in charge of new mortgage loans and now in addition will be assistant head of the mortgage and real estate department under Harold D. Rutan, Executive Vice-President. During World War II Mr. Mills was a Lieutenant Commander in the Navy and operated an LST in the Normandy invasion. He is a trustee of the Morris County Savings Bank in New Jersey. Mr. Wassmann has been with the bank since 1932. He is in the bond investment department and in 1949 was appointed Assistant Secretary. Mr. Clark entered the service of the bank in 1941. He is a lawyer and is Assistant Secretary of the Board.

* * *

Francis S. Bancroft, President of **Excelsior Savings Bank of New York**, announces that the Board of Trustee have elected two new officers. Jacob DeRoze, who has been elected Auditor, started his business career at the bank 32 years ago as bookkeeper. Martin J. Rudolph has been elected Assistant Secretary.

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Fourteen panels, illustrating the facilities and operations of The Port of New York Authority, are now on display in the windows of **Colonial Trust Company**, Avenue of the Americas and 48th Street, **New York**, according to an announcement by Arthur S. Kleeman, President of the banking house. The panels illustrate the new Port Authority Bus Terminal in Manhattan, the metropolitan airports, bridges and tunnels, marine and inland terminals and other subjects.

* * *

Charles Wissman, First Vice-President of the **Peoples National Bank of Brooklyn, N. Y.**, and former President and Chairman of the Board of the **Prudential Savings Bank, of Brooklyn**, died on Nov. 19 at his home in Rockville Centre, L. I. In its issue of Nov. 20 the Brooklyn "Eagle" said in part:

"In the banking business since a young man, Mr. Wissman joined the Prudential Savings in 1911, advancing through various executive posts to Chairman of the Board in 1941. Although he retired as Chairman of the Board some time ago, he continued as a trustee of the bank until his death, and also as Vice-President of the Peoples National Bank, with which he also had long been associated. He also was Vice-President of John Auer & Son."

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Effective Nov. 9, the **Braintree National Bank of Braintree, Mass.**, was absorbed by the **Norfolk Country Trust Company of Brookline, Mass.**, the main office and branch of the Braintree National Bank (capital $100,000 common) are now operated as branches of the trust company.

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The death occurred on Oct. 31 of Lincoln E. Barber, Vice-President of the **Rhode Island Hospital Trust Company of Providence, R. I.** Mr. Barber, said the Providence "Journal," was appointed to his post as Vice-President of both the trust company and the **Rhode Island National Bank** in January of 1936 after years of steady advancement through their various departments. As noted in our Nov. 22 issue, page 1965, the bank was recently absorbed by the trust company.

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The Central National Bank of Wilmington, Del. (capital $350,000 common) was placed in voluntary liquidation on Nov. 13, having been absorbed by the **Security Trust Company of Wilmington.**

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The Central National Bank of Richmond, Va., was increased, effective Oct. 17, from $750,000 to $1,000,000, by the sale of new stock to the amount of $250,000.

* * *

Five officers of **The Bank of Virginia at Richmond, Va.,** are teaching a course on "Money and Finance" for a Small Business Clinic sponsored by the Richmond Junior Chamber of Commerce and the Division of Adult Education, Richmond Public Schools. Topics, lectures and dates of the classes include:

"Analysis of a Bank's Balance Sheet," Paul Wright, Jr., Vice-President, Nov. 13; "A General History of Banking," Richard F. Bates, Vice-President, Nov. 20; "The Federal Reserve System," Rowland A. Radford, Vice-President, Nov. 27; "Consumer Credit," Joseph E. Spruill, Assistant Vice-President, Dec. 4; "Commercial Credit," Louis F. Rahmer, Vice-President, Jan. 8.

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A charter was issued on Nov. 14 for the **Steel City National Bank of Chicago** with common capital stock of $200,000; the National Bank represents a conversion to the National banking system of the **Steel City Bank of South Chicago, at Chicago, Ill.** The President of the latter, William V. McKinzie, will continue as President of the institution under its new designation. F. A. Shupryt is Cashier.

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Charles W. Burges, of Edgeley, N. D., and Ray C. Lange, of Chippewa Falls, Wis., were elected to the Board of the **Federal Reserve Bank of Minneapolis** at the annual election of directors on Nov. 20, Roger B. Shepard, Board Chairman, announced. Both men will serve three-year terms beginning Jan. 1, next. Mr. Burges, who is Vice-President and Cashier of the **Security National Bank of Edgeley,** was elected a Class A, or banker, member of the nine-man Board, while Mr. Lange, President of the Chippewa Canning Co., was elected a Class B director, representing commerce, industry, and agriculture. Mr. Burges has been a director of the Reserve Bank since 1949. He has been active in North Dakota banking since 1910 and is past President of the North Dakota Bankers Association. Mr. Lange, who has served on the Board since 1943, has been in the canning business in Wisconsin since 1905 and organized the company which he now heads in 1927. Both directors were elected by member banks in the Ninth Federal Reserve District.

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In the election of directors of the **Federal Reserve Bank of St. Louis,** which ended Nov. 20, Phil E. Chappell, President of the **Planters Bank & Trust Co., Hopkinsville, Ky.,** was reelected by member banks in Group 2 as a Class A director, and M. Moss Alexander, President, Missouri-Portland Cement Co., St. Louis, Mo., was reelected by member banks in Group 1 as a Class B director, according to announcement of Russell L. Dearmont, Chairman of the Board. Each was chosen for a term of three years beginning Jan. 1, next.

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The Stock Yards National Bank of Kansas City, Mo., capital $400,000, was placed in voluntary liquidation effective Oct. 1, following its absorption on July 31 by the **Commerce Trust Co. of Kansas City, Mo.**

* * *

J. R. Parten, Chairman of the Board of the **Federal Reserve Bank of Dallas,** announced on Nov. 20 that, as a result of the election just closed, P. P. Butler, President of the **First National Bank in Houston,** at Houston, Tex., has been reelected a Class A director and George H. Zimmerman, Chairman of the Board and President, Wm. Cameron & Co., Waco, Tex., has been reelected a Class B director of the bank, each for a three-year term beginning Jan. 1, next. Mr. Butler has been active in the banking field during the past 23 years. From 1928 to 1944 he served successively as Executive Vice-President and President of the American National Bank of Beaumont, Tex. Since May 1, 1944, he has been active in the management of the institution of which he is now President. Mr. Zimmerman has been associated with Wm. Cameron & Co. since 1910, serving as General Sales Agent, Secretary, Vice-President, and Vice-President and General Manager. At present he is Chairman of the Board and President of the company, which is engaged in the business of manufacturing, jobbing, and retailing woodwork products, lumber, and building materials in Texas, Oklahoma, and New Mexico. He is also an attorney and is the author of the book entitled "Materialman's Lien Laws of Texas," published and distributed by the Lumbermen's Association of Texas.

* * *

The First National Bank of Amarillo, Texas, reports as of Oct. 16 a capital of $1,000,000, increased from $540,000; part of the addition to the capital was brought about by a stock dividend of $200,000, while the further addition resulted from the sale of $260,000 of new stock.

* * *

Increasing its capital by $250,000 through the sale of new stock, the **El Paso National Bank of El Paso, Texas,** reported on Oct. 17 a capital of $1,750,000, enlarged from $1,500,000.

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An increase in the capital of the **Merchants National Bank of Port Arthur, Texas,** from $300,000 to $400,000, has been brought about by a stock dividend of $100,000. The increased capital became effective Nov. 15.

* * *

Frederick M. Fisk, a San Francisco attorney, has been appointed a member of the board of directors of the **Anglo California National Bank, of San Francisco,** it was announced on Nov. 13 by Allard A. Calkins, Chairman of the Board. Born in Memphis, Tenn., Mr. Fisk moved to San Francisco in 1927 after receiving degrees from both the Yale School of Engineering and the Harvard Law School. He served with the American Expeditionary Forces in World War I, and was employed as an engineer with the Worthington Pump & Machinery Corp. and McIntosh & Seymour Corp. during the 1920s. He began practicing law in San Francisco in 1928 with Chickering & Gregory and is presently a member of that firm.

Continued from page 2

The Security I Like Best

would be even more attractive, if, in these days of high taxation, it had some tax-saving feature inherent in its productive income, and if it had not already had a significant appreciation in relation to its price history.

The stock which meets all these objectives is General Public Electric Corp. common. General Public Service, an investment trust, is registered under the Investment Act of 1940 as a diversified management corporation of the closed-end type. The company was incorporated in 1925 as successor to Public Service Investment Co., organized by Stone & Webster and associates, incorporated in 1909. It has carried on business as an investment company since inception.

Investment policy has been based on investing in readily marketable issues of basic American industries, and for the past several years, the company has maintained a substantially invested position, principally in common stocks with increased participation in the natural gas and utility industries.

In March of last year, Stone & Webster Securities Corp. headed a nation-wide underwriting syndicate which sold to the public 1,500,000 shares of General Public Service common stock at $4.05 per share, which was the then asset value for the common stock. This had the effect of more than doubling the size of the enterprise.

Long-term bank loans and the outstanding preferred stock total almost $4 million. This senior capital imparts considerable leverage to the common stock. By means of these senior securities the company can invest in common stocks well beyond the equity capital. This leverage factor comes about chiefly because of the fixed nature of the senior capital. The cost of paying for the use of senior capital is fixed at rates well below the yields on good grade common stocks. Thus, besides having the capital to invest for potential profit, at fixed redemption rates, the "interest arbitrage" also returns handsome profits.

The leverage factor can be illustrated in the following fashion as regards General Public Service: there are approximately 2,200,000 shares of common stock outstanding, selling at 3½, or a total market value of about $7,700,000. The gross value of assets amounts to approximately $12,700,000 so that for every $1 invested in General Public Service, there are $1.65 of earnings assets working. Because of this leverage factor, in periods of rising prices an improvement in the total market value of the portfolio has a dynamic effect on the asset value of the common stock. Thus, if the gross assets were to appreciate 10% in value, the asset value of the common stock would increase by 16.5%.

It is my opinion that this leverage factor imparts a good deal of attraction to the common stock of General Public Service. Assuming continued participation by the public utility group in the currently active market, General Public Service common could well out-perform the rest of the list because of its leverage factor. It has frequently sold at a premium over its asset value, which premium has at times been substantial.

General Public Service common stock is currently selling at a good discount from asset value. This, by itself, would not be especially significant, even when considering the high quality of the company's investments, were it not for two additional factors:

(1) The unusual fact that General Public Service common stock has, prior to the past 12 months, consistently sold at a premium above asset value; and

(2) The fact that General Public Service common sells in the low price range. This factor of literal low price, besides relative and historical low price, in my judgment, adds considerable attraction to the stock.

A study of the market price-asset value relationship shows during the past six quarterly periods (a time interval in which public utility securities were not fashionable in the securities markets), General Public Service common stock sold at a discount from its asset value. On the other hand, the same study for the quarterly periods Dec. 31, 1945 through Sept. 30, 1949 indicates that General Public Service common stock sold at a premium over its asset value in every quarterly period and that at two of these periods the market price reached a high of 175% of asset value.

With regard to the low-price factor, I feel that generally, when stocks which are low-priced reach a certain level, they tend to stabilize so that a continuing decline in the general level of prices does not greatly affect them. This is particularly true for a leveraged investment trust stock such as General Public Service because of the fact that leverage itself commands a premium when the asset value becomes negligible. This is due to the fact that the eventuation of a market reversal would make possible a rapid increase in per share asset value.

The table below gives the price range for the common stock from 1946 to date. This period witnessed sharp movements in the general level of prices. The "high" side of the price range table shows this quite clearly. Note the relative stability of the "low" side.

	High	Low
1951	4	3
1950	4¼	2⅝
1949	4	2½
1948	4⅞	2½
1947	4½	2⅝
1946	7⅜	2⅞

It is my opinion that owning the shares at around the $3 level contemplates relatively limited market risks.

Results for the first nine months produced approximately $272,000 of income, exclusive of capital gains or losses. Full 1951 results should aproximate 17c per share, most of which can be reasonably expected to be paid in the form of a net investment income dividend. This would compare with 8c paid out last year as investment income.

In recent years the company has paid in dividends a good portion of its capital gains as well. Last year a total of 25c per share was paid to stockholders, so that 17c was paid out of long-term capital gains on which stockholders paid a maximum tax of 25%.

At the end of the first nine months, unrealized appreciation, the difference between cost of company securities and their unrealized market value, equaled $1,570,482, an increase of $1,059,191 over the Dec. 31, 1950 year-end figure. This unrealized appreciation is equal to approximately 71c per share. From the above facts, and the sheltered nature of the major portion of the portfolio, it would appear to be conservative to assume that at least the same dividend, 25c, will be paid again this year, as has been paid for the past three years.

Yield Factor: General Public Service common, at the present price of 3½, produces a yield of 7.1% on the 25c dividend paid last year. Of this dividend 4.8% represented a long-term capital gain to stockholders.

Market Price-Asset Value Relationship: At the current market price of 3½, these shares sell at approximately 83% of their recent asset value of $4.19. A study of this relationship as at the end of the last 24 quarterly periods indicates that these shares are presently selling in the low zone; the range having been a low of 81% of asset value against a high of 177% of asset value.

Low-Price Factor: From a price range standpoint, these shares, during the period 1946 to date have sold at a low of 2½ and a high of 7⅜. The current market price of 3½ is just one point above the low for the period, while the high is over twice the present market price.

General Public Service common stock appears to me to represent an interesting medium for participating in the continued growth of the public utility, natural gas and oil industries.

ARTHUR MARX

President, Wilson and Marx, Inc., New York City

American Maize Products Co.

American Maize Products Co. selling at 20½ looks like a cheap investment stock to me. This company started business in 1906. It was formerly controlled by Royal Baking Powder Co., who in 1929 sold its holdings to its stockholders.

Arthur Marx

Company manufactures by wet milling process, corn syrups, corn syrup solids, dextrose, special starches, dextrines, various chemicals and a line of package goods, syrups and starches.

Plant located at Roby, Indiana, comprises 47 buildings containing approximately 800,000 square feet. Expansion program for period 1951-1954 would require expenditures of almost $5 million. C. M. Armstrong, Inc., wholly owned, acts as company's sales agent in chemical field.

Capitalization consists of $2,390,000 3¼% notes due serially to 1963, held by Prudential Insurance Co., and 300,000 shares of stock. There has been no change in common stock since July, 1929. There is also 72 shares of preferred stock outstanding.

Earnings are as follows:

Year Ending Dec. 31	Per Share
1950	$3.73
1949	2.51
1948	1.05
1947	3.23
1946	4.72
1945	1.91
1944	2.09

Earned surplus as of Dec. 31, 1950 was $6,857,871, which is almost $23 a share. Book value is about $33 per share. Dividends are being paid currently at 25 cents quarterly and a 25-cent extra in December.

I believe investors looking for a 6% return will make a profit in the future in this stock.

Beer To Admit

NEW ORLEANS, La.—Beer & Company, 817 Gravier Street, members of the New York and New Orleans Stock Exchanges, will admit Ernestine W. Harvey to limited partnership January 1st.

Continued from first page

Worldwide Consequences of American Labor Unionism

unions and collective bargaining as practiced in our country it is my view that we shall not have for a much longer time to come either free enterprise or whatever free international trade we have presently. It is important for you to realize that monopolistic labor unions and collective bargaining backed by sheer force, coercion and violence, is a typical American phenomenon of recent times. There is practically nothing in common between what the Europeans call labor unions and collective bargaining and what we call such. A mission that visited here on behalf of a European Central Bank returned home with the statement that labor unions in the United States are the most revolutionary force in the world. Even the so much dreaded communistic dominated labor unions of Europe are like innocent lambs compared with ours. In point of fact, this is why a mission of one hundred American labor organizers were sent to Europe about 18 months ago with the cooperation of the ECA to teach European labor how to attain their purposes and thereby fight communism—a queer way indeed to fight communism in Europe! When the news appeared in newspapers I couldn't help writing to the ECA and to all my business friends that we were "going nuts." Nothing has happened since to make me change my opinion on this strange initiative. Be it said in passing, nothing would have been so effective in fighting communism in France as to force the French Government to build 500,000 to 1,000,000 houses financed with the counterpart funds of the Marshall Plan.

I know from experience that nobody likes to speak about labor unions and collective bargaining, least of all the business men. Nay, even more, we businessmen, together with most of the politicians, are coddling and pampering the unions. This general conspiracy of silence will be of no avail. Facts are stubborn, and they will catch up with us. It is my purpose tonight to show you why monopolistic unionism and collective bargaining as we have them in the United States are destructive of free enterprise and of international trade.

Labor unions create strife between employers and workers, and also class-consciousness. Monopolistic labor unionsm and collective bargaining are hampering mass-consumption and preventing a maximization of national production. Labor unions and collective bargaining are fostering inflation. Labor unions and collective bargaining make the restoration of a sound dollar impossible. Our anti-trust policies do not make any sense as long as we maintain our present labor laws which protect the monopoly power of the unions. Labor unionism will prevent the restoration of a gold standard internationally, without which we shall not have free convertibility of currencies, exchange stability and free multilateral trade. Our labor unions, changing with opportunism, are either against immigration or for tariffs or for both. The policies of our labor unions are contributing toward inflation, monetary disorder and disruption of international trade all over the world.

World Needs Economically Stable America

More than our gifts the world needs a prosperous and relatively stable American economy and a sound dollar. Monopolistic labor unionism and collective bargaining as practiced in the United States make both impossible. It is not my job tonight to explain how the obvious remedy to this situation in the United States can be administered. I shall endeavor, however, to make clear that unless we destroy the monopolistic power of labor unions and do abolish collective bargaining as practiced in the United States, our country and the rest of the free world will drift into regimented controlled economies which will finally mean the loss of our liberty. Organization of workers along occupational industrial lines and our labor laws will push our country into some kind of corporative (guild system) totalitarian system.

Strange as it may seem to you, the truth about the evils of collective bargaining is being told lately mainly by professors who are outspoken New Dealers. Two of them have recently written books to prove that unions and capitalism are incompatible. Professor Slichter of Harvard calls our government a "laborite" government.

Unions and Employer-Employee Relations

I wish to first say a few words on the employer-employee relations created by the labor unions. They are simply detestable.

There are numerous businesses that have both unionized and non-unionized employees. Invariably relations with the non-unionized employees are excellent, while those with the workers who are unionized are extremely difficult. The main reason for this situation is to be sought in the very nature of labor unions. The basic principle of labor unions is antagonism between interests of the employer and those of the workers. Collective bargaining, says Mr. James Lincoln, President of the Lincoln Electric Company of Cleveland, is nothing but "civil war." The labor laws of our country order management and labor to fight until one or the other gives in and signs a contract dictated by the winner. There is no criterion but power to guide contending parties during the negotiations. Since the strike is the weapon that the government plan gives labor, it will be used. Together with the strike go threats, violence and picketing. If workers decide to strike or even if they violate a contract the employer is unable to hire other workers. The monopolistic power of the labor unions is complete and the employer is without defense at the mercy of the labor boss. If workers, for one reason or another, go on wildcat strikes or hamper production by slow-down, the new fashion is for the labor boss to declare that he has no control over the workers. The employer has no effective remedy in the law against coercion and sharp practices to protect his interests and rights.

Fundamentally, as I shall show later, the conflict is not between the employer and labor, but between the minority of organized labor on one hand and the majority of all unorganized labor on the other hand, and between the labor unions themselves. To a very large extent the interests of the employers and the workers are the same. The labor union is a third party, without any real interest in the welfare of either the employers or the workers. The main purpose of their actions is to justify the dues they receive, regardless of means or consequences. Their actions are undertaken at the risk of the workers and of the employers, and very often to the damage of both.

Besides, the unions have brought about the serious problem of the labor bosses. Of course, there are some labor bosses who are conscientious and have a sense of responsibility. Unfortunately, too many of them are void of scruples and are ruthless.

Unions and Inflation

The power of the unions has grown tremendously since 1941. Why? Simply because we had full employment and inflation. This is no coincidence. The labor unions are thriving on inflation and their bargaining power is increased out of reason and balance when we have full employment.

Mr. Truman keeps promising full employment and higher and higher wages, and then he blames the selfishness of businessmen for the inevitable result which is inflation. (During the election campaign he also promised higher wages to the workers, higher prices for the farmers' product and lower prices for the housewife. You know the result.)

The truth is that full employment is 90% inflation (as the "Economist" said the other day). We can't have full employment, higher and higher nominal wages and a sound dollar.

When unemployment gets under a certain percentage of the employable workers, the bargaining power of the labor unions becomes excessive. The bargaining power of the labor unions is the greater as when business is good the employers do not resist increases in wages. As wages rise, costs rise, and the prices of the products rise. In our country, the cost of living goes up the more as the prices for agricultural products are tied up to the prices of industrial goods by the so-called "parity" formula. When the cost of living goes up, the workers are asking again for higher wages, and the farmers get automatic increases for their products. This is the famous rising spiral of wages and prices, which destroys the purchasing power of the dollar. On top of that, recent labor contracts have so-called escalator provisions, which will soon become express elevators, thus aggravating and accelerating the destruction of the dollar.

In his last book, Professor Slichter states:

"Nothing less than the integrity of the dollar is at stake, because people cannot afford to hold, over a long period of time, assets payable in a fixed number of dollars if the value of the dollar steadily drops.

"The community may be forced to choose, therefore, between subjecting collective bargaining to fairly drastic control and accepting a dollar that does not command confidence because it is expected to fall in value. That will be a hard choice. Nevertheless it looks as if the country will eventually have to decide which alternative is the lesser evil — the regulation of collective bargaining or the acceptance of a steadily depreciating dollar."

If we should decide that we need permanent wage-controls we shall also have to control profits, and having thus blocked the price-mechanism we shall get a regimented controlled economy.

Our choice is clear: If we do not abolish collective bargaining we shall get either a worthless dollar or a regimented economy.

I have said before that full employment means, for all practical purposes, a condition of our economy when there are about a few million unemployed people. Lest my definition of full employment draw demagogic utterances I wish to make two comments. First, the less powerful the unions are and the less rigid the wages, the smaller will have to be the number of involuntary unemployed to preserve the functioning of the price-mechanism and the flexibility necessary for the operation of a free enterprise system. Second, Mr. Truman himself stated the 14th of February 1950: "A certain amount of unemployment, say from 3 to 5 millions, is supportable. It is a good thing that job-seeking should go on at all times; this is healthy for the economic body."

Labor Unionism Hampers the Mass-Market

Let me now explain how our thinking in economics has changed under the influence of the 1929 depression and of Keynes' theories, and why I contend that collective bargaining creates unemployment and hampers the mass-market.

We shall better understand the impact of the new ideas on our economy if we first get a bird's eye view of a few important economics facts since 1914.

It is commonly said that one of the secrets of a rising standard of living in the United States was higher and higher wages and lower and lower prices. What this means is that nominal wages were increasing slowly and that technological progress was translated mainly into lower and lower prices. Before 1914 it took about 30 years to increase nominal wages by 50%. Rufus Tucker computed that between 1860 and 1932 the average annual increase in money wages was 2.1%, and the annual increase of real wages slightly less than 1%. Prices of most mass-produced manufactured goods were decreasing. Between 1914 and 1920, wages, influenced by inflation and our immigration laws, went up by about 120%. Between 1941 and 1951 wages went up also by about 120%, due basically to monetized budgetary deficits and to credit-inflation by banks. But present wage costs per unit of production are more than double those of 1939. A Ford sedan automobile which cost $680 in 1939 costs now $1,480.

One of the crucial events of our economy history, which has weighed on our destiny ever since, was the rise of 120% in wages during World War I, without any rise in productivity, due to monetary inflation and to the immigration laws. This promoted a basic maladjustment between the industrial workers and farmers, as soon as agricultural prices began to slip after the end of World War I.

It is this fact which is responsible for our agricultural policies of restricting output, or for subsidizing farmers as a means of restoring "price parity" between agriculture and industry. It is the same fact which is responsible for the high tariffs instituted at the end of World War I. The high wages of our workers have come to be protected by the immigration laws and by high tariffs. The disparity created by the huge rise in wages was a factor in the credit expansion policy of the Federal Reserve Banks in the 1920s who thought that they would thereby prevent a collapse of the agricultural prices. This credit expansion, together with wrong monetary policies, is one of the great culprits of the depth and length of the 1929 depression.

During the 1920's and 1930's the high wage policy in the durable goods industries impoverished the agriculturist and the lower paid third of the population, who were unable to buy the production of the higher paid workers. Moreover, the high wages in the durable goods industries hampered investment and construction on account of the rise in costs. The economic stagnation and unemployment in the United States during the 1930's can be explained in a much more sensible way by our wage policies than by any other theory.

It is interesting and important to have present in our minds the changes in prices of a few products of great consumption:

The price of an Underwood Size Standard Typewriter by years was as follows:

1914	$102.50
1929	102.50
1939	115.50
1950	157.50

The price of a Ford Tudor Sedan by years was:

1914	$975.00
1929	500.00
1939	680.00
1951	1,480.00

Man's Shirt:

1914	$1.50
1939	1.99
1950	3.65

Man's Shoes:

1914	$3.95
1939	5.00
1950	9.50

Classic and New Economics

We shall now analyze the ideas which have controlled our thinking in economics during the period since 1914 and which brought about the results I have just described.

The classic economic theory was approaching the study of economics by the question of **production** of wealth for the satisfaction of human needs and wants.

The modern school of economics, also known as the "purchasing-power school," is approaching economics by the question of **demand** and **consumption** of wealth, but, paradoxically enough, neglects to consider the real interests of people as consumers.

To my mind the classical way of approaching the economic problem makes more sense if for no other reason than that we cannot consume before producing.

The classics believe in a few simple ideas which seem evident to them. Let me outline these ideas.

Wealth will be maximized by the division of labor, competition and technological progress, and economic progress will depend a great deal on the kind of governmental system we have.

The classic school holds that purchasing-power grows out of production and that production gives rise to the income necessary to buy the goods produced, or, in other words, supply creates its own demand, provided goods are produced in proper proportion. This is what is meant by the famous dictum: "Equilibrium creates purchasing-power." However, equilibrium is possible only if goods are produced in proper proportion which requires that individual prices and wages move freely up or down.

Under a system operated for private profit the businessmen seek to reduce costs by increasing the efficiency of production. Sales are expanded by offering better and better products at lower and lower prices made possible by the increase in production since maximum reduction of costs per unit of production is obtained when operating at full capacity. The drive of businessmen for profits, therefore, coincides with the welfare of the community.

As to wages the classic school maintains:

(a) That right wages are those permitting the employment of the greatest number of people.

(b) That wage-rates have a tendency to get equalized as between all occupations and places, allowing, of course, for danger or pleasantness of the work and for the skill and the efficiency of the individual worker.

(c) That the benefits of industrial progress are best transferred to the workers and the rest of the population where prices are reduced without reduction of wages or with a slowly rising trend of wages. In other words, the maximum expansion of purchasing power is obtained by emphasizing falling prices rather than increasing wages.

(d) That real wages can increase only by a steady growth in volume of capital as compared to the population, and by the selfish drive for as high an income as possible.

The classic school maintains that there cannot be such a thing as over-production unless and until all the wants of the people are supplied. What we call over-production is in reality a blockage in the exchange of goods. When goods and services are not in balance as to prices, they do not exchange readily one for another thus giving rise to what appears to be surpluses or over-production. The apparent over-production is only a reflection of the fact that wages and prices of the different groups are not in balance. The remedy is flexibility that will allow adjustment of wages and prices in accordance with the needs and requirements of the consumers.

Wage rates, like prices for goods and services, should be determined competitively and not monopolistically. If wage rates are not determined competitively one or both of the following consequences follow:

(a) We get unemployment, and

(b) The workers who cannot be employed because their demand for wages is too high, will depress the wages in the industries where the wages are established competitively or where the bargaining power of the union is not so great.

When wages are determined monopolistically, which is the case particularly in construction and capital goods industries, the result is the exploitation of other workers both as consumers and as workers because they are denied access to higher-wage jobs. The result of monopolistic unionism, barring entry into the most attractive employments, is that high wages get higher and low wages lower. Monopoly power works only if few have effective power, because it is operating at the expense of those subjected to competition and to the detriment of the economy as a whole.

* * *

I shall now analyze the thinking behind the "new economics" or the so-called "purchasing-power" school, which has influenced our legislation and policies for the last 20 years.

As I said before, their approach to economic problems is by the question of demand or consumption of wealth. Unfortunately this approach seems sensible to most people. The late Mayor of New York, La Guardia, used to say: "To buy you need money." This dictum seems unobjectionable and yet, if we approach our economic problems this way we are led to believe that "we can lift ourselves by our bootstraps" as is seriously maintained by some fashionable economists. They take production for granted and are concerned only with the question of demand for goods and services.

The modern school of economics maintains that if we only create a demand for goods by whatever means, usually inflationary, including constant rises of nominal wages, we shall get a steady rise of production and perpetual prosperity. The "New Economics" believes that our economy can and should be maintained in a state of full employment by the intervention of the government and by printing of paper money. It holds that money is a creation of the state and can and should be manufactured by it in whatever amounts necessary to have full employment. The modern economists are not concerned with the causes of economic structural maladjustments, created for instance by inflation of money or credit, neither do they wish to analyze critically the causes of unemployment. They contend that we can cure economic disturbances without knowing their causes, usually by monetary inflation. The labor unions lend their powerful support to these ideas with the result that we are using all kinds of expedients and seem to have become incapable of mustering the courage to stop the constant deterioration of the dollar or the drifting into a regimented controlled economy.

The modern school of economics, supported by ignorance and the labor unions, holds that technological progress should be translated in rises in wages, rather than in lower prices for the benefit of all the consumers. The benefits of industrial progress are best transferred to the workers and to the rest of the population when prices are reduced, if for no other reason than that the great majority of people are employed in jobs where there is no or hardly any technological progress. The request for higher wages as a means for sharing in technological advancement, comes from the strongly organized unions in the heavy and capital goods industries, which are highly mechanized. Such a policy can lead only to unemployment, inflation or a dictatorial economy.

The monopolistic unions conveniently forget that one of the necessities of a dynamic industrial system, compatible with the maintenance of a relatively stable currency, is to transmit the benefits of industrial progress to consumers at large by prompt price reductions commensurate with declines in real costs. Nowadays we leave it to the Russians to practice this policy. The result is that an automobile which cost $680 in 1939 costs now $1,480.

At this point I wish to raise the following question: *Of what use are our anti-monopoly laws if we tolerate rises in prices due to the monopolistic power of the unions?* Wages are a major element in determining costs, and it is therefore nonsensical to harass businessmen with the anti-monopoly laws, sometimes under rather fantastic legal constructions, while we tolerate labor monopoly. We must either change our labor laws or abandon our anti-monopoly policy.

The economics of mass production cannot be realized unless we have corresponding mass consumption. To obtain mass consumption two factors seem to me essential:

(1) To transfer technological progress into lower and lower prices, because lower prices make for larger consumption by the whole community.

(2) To attach greater importance as we have heretofore to the wage-structure and to the relation between industrial and agricultural prices.

As I said before, in the 1920s and the 1930s, the farmers and the lower paid third of the population were unable to buy the production of the higher paid workers. What we had was a blockage in the exchange of goods.

The maximization of production in a mass production mass consumption economy like ours depends a great deal on the wage-structure and on the relation between industrial and agricultural prices. I believe that the wage bills in the industries which make up the greatest part of the costs in the housing, automobile and other durable goods industries are too high relative to the total wages and other sources of income of our population. The wage-structure also affects adversely investment, and therefore the level of employment. These facts will become apparent as soon as we shall stop the present abnormal credit expansion. I am strongly convinced that our wage-structure is unbalanced to the detriment of both investment and mass consumption. The agricultural prices are also too high and should be left to find their own level instead of being supported artificially. Let me also mention in passing that the high wages and prices of houses, automobiles and durable goods make only more serious the evil consequences on our economy of installment selling.

What are the effects on our economy as a whole, for instance, of the high wages in the automobile industry? The automobile is an instrument of necessity and of pleasure. People have come to desire an automobile whether they can afford it or not. The high wages in the automobile industry, and in those supplying the component parts of an automobile, have the result that a great mass of the lower paid part of our population, mostly occupying jobs which do not enjoy technological progress, are either unable to buy a car or are heavily mortgaging their income to acquire and maintain one. The Federal Reserve Bank of New York recently made the following comments on the situation in the retail trade and in the soft goods industries:

"The rather spotty situation in retail trade and the decline in soft goods are generally explained on the grounds that many people have committed so large a portion of their income to monthly payments on mortgages and installment loans for the purchase of durable goods that they have little left over for new clothing."

Should we have a business recession the mortgaging of the current incomes of a large segment of the population will aggravate and prolong it, and besides make a normal recovery more difficult.

What Do the Unions Really Accomplish?

Many union bosses and economists contend that, thanks to the unions, the wage earners get a larger proportion of the national income. But statistics on the distribution of national income prove that this is not true and that the proportion of wages and salaries to the national income is practically a constant. Only in periods of acute depression like in 1932 and 1933, or in periods of abnormal monetary inflation and controls like during the war, are there any substantial changes in this percentage, and even then, surprisingly enough, not very much at that.

The percentage of wages to the total national income being a constant, it becomes obvious that the only thing a particular union can accomplish is to get higher wages for the workers of that union to the detriment of all the other workers. This should make clear to you why I have stated at the beginning of my speech that the real conflict in collective bargaining is not between employers and the workers but between the labor bosses. Each one of them tries to prove to his workers that he is smarter than the other one. In all this struggle between the labor bosses the interests of the consumers and the whole economy are completely forgotten. Most of the people seem to think that if through collective bargaining as understood and practiced in our country employers and labor in a particular industry can decide what the wages should be, the nation ought to be satisfied thereby. The truth is that some of these contracts result only in high prices of some particular goods and in an unbalanced economy. In Sweden a contract between a union and employers can be challenged by the other unions, thereby protecting the interest of the workers as consumers.

Many economists contend that the pressure of labor unions for higher and higher wages makes for technological progress, because it forces the employers to seek labor saving machinery. The truth is that competition, the thriving for profits, and above all savings and capital are responsible for industrial progress.

Unions and the Gold Standard

The dollar will be saved from complete deterioration and monetary order in the world will be restored only if we restore the gold standard internationally. Let me express once more my conviction that unless we restore the gold standard internationally, once we have decided to stop inflation, we shall be drifting into regimented and controlled economies. Now, I hold it to be a fact that collective bargaining as practiced in the United States and the recently adopted policy to translate industrial progress into higher wages instead of into lower prices will make impossible the restoration of the gold standard internationally. Let me explain this as simply as I possibly can.

When the population increases and the volume of business expands our economy needs more money. If wages and prices go up by an average of 5 to 10% per annum (assuming that they can be so neatly controlled) the gold production will never be sufficient to satisfy such huge demands of monetary means. This explains why economists like Hansen and Slichter, who hold that it is politically impossible to change our labor policies, advocate incurring deliberately annual budgetary deficits which will be monetized by our banking system and thus provide the huge expansion of money which the economy would need. We ought also to keep in mind that the more our economy is unbalanced and has to be kept going by expedients and artificial stimuli, the more monetary means it needs.

International Consequences

On another occasion I have explained that American inflation spells international disaster. It spurs inflation all over the world, for two main reasons, namely, (a) Countries like Great Britain, France, Belgium, Germany, Holland, etc. are much more dependent on imports of foods and raw materials than the United States. When the American economy is booming what is known as world commodity prices are for all practical purposes the dollar prices of American export prices. The result of the rise in prices in the United States is that the prices in foreign countries are pushed upwards. (b) Our people have only doubts about the soundness of the currency without having reached the stage where they clearly distrust it. Unfortunately for the other free countries their people have lost confidence in their currencies. Therefore if their governments decide to provide the monetary means made necessary by the rise in wages, prices, incomes, budgets, by the same devices we are using in the United States they are precipitating a runaway of prices and a debacle of their currencies. We are seeing this happening just now in France and England. Besides, not only are those countries forced to maintain exchange controls but they are also compelled to increase the use of import quotas and other impediments to international trade.

Another curious consequence of labor policies is that we force other countries to industrialize and practice economic nationalism because the prices of our industrial goods become too high relatively to agricultural prices and those of raw materials. The farm price policies which we have adopted as a consequence of the imbalance between the wages and agricultural prices in the 20's and 30's have now the following awkward results. They encourage constant demands for increases in wages and we have become extremely nationalistic-minded when it comes to agricultural products. It cannot be repeated too often that one of the basic answers to the famous dollar shortage is to encourage imports into the United States. Instead of that we discourage them, like we did recently for cheese and other products.

Conclusion

The national and international consequences of labor unions and collective bargaining as practiced in the United States are disastrous for our country and for the rest of the world. It does not make any sense to pursue anti-trust policies as long as we have our present labor laws protecting the monopolistic power of the unions.

We shall either limit severely the monopolistic power of the unions and restore the bargaining power of the employer with due consideration for the requirements of the mass-production, mass-consumption economy, or we shall see happen in our lifetime one of the two following things:

Either the dollar will deteriorate until it becomes unusable even as a medium of exchange, or we shall drift into regimented controlled societies all over the world.

Our strength and our prominence in the world are immense. Have no doubt that the future of freedom in the world is in our hands. There is no greater gift we can make to the world than to restore the soundness of the dollar. The restoration of the soundness of the dollar is, however, impossible as long as we do not abolish collective bargaining as practiced in the United States. But if we have not the courage to do whatever is necessary to restore the soundness of our dollar we shall all drift into slavery.

Irving D. Fish

Irving D. Fish, partner in Smith, Barney & Co., New York City, passed away at the age of 62 after a long illness. Mr. Fish in the past had served on the board of governors of the New York Stock Exchange and was a governor of the Investment Bankers Association, National Association of Securities Dealers, and the Bond Club of New York.

To Retire From Firm

Sylvester P. Larkin, member of the New York Stock Exchange, will retire from partnership in Pflugfelder & Rust on November 30th.

Lester J. Todd Opens

WASHINGTON, D. C.—Lester J. Todd is engaging in a securities business from offices at 2014 Nichols Avenue, Southeast.

King Merritt Adds

(Special to THE FINANCIAL CHRONICLE)

ST. CLOUD, Minn.—Charles W. Lynch has been added to the staff of King Merritt & Company, Inc., 1616 St. Germain.

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As We See It

terms as "partisan politics" or a "partisan political issue"? Upon the answer to this question turns the further question as to whether the President is on sound ground in what he has to say on the subject, whether he is uttering nothing more than an obvious truism (more often honored in the breach than in the observance, albeit), or whether, as a matter of fact, he himself is indulging in a little partisan politics in his remarks to the Democratic women of the country. Furthermore, if the President's conception of these terms is such that he is on strong ground in what he had to say last week, it is difficult to understand why the same doctrine would not apply with force, if not equal force, to many domestic issues of the day.

Why Only Foreign Policy?

If all the President is saying is that foreign policy should not be made a political football, as the saying goes, to be kicked hither and yon for the purpose of advancing the interest of any political party rather than with object of serving the country and humanity, then the question at once arises as to what justification can be found for making such use of any important question or policy. Surely public finance, monetary and credit policies, the welfare of the millions of men and women who toil on the farms or in our factories, and the conditions under which those who provide employment and goods for the millions must operate are far too important to be trifled with in the promotion of the political welfare of any man or group of men. And so, one might go down the line of all the revolutionary and often utterly foolish—and sometimes almost dishonest—programs with which the record of this country has been cluttered in recent decades.

If what the President is saying is that foreign policy should not be publicly discussed or argued about in a manner designed to catch the ear of the unthinking and hence to catch votes for this party or that, he is right, of course. If he means to say that our foreign policies should, on the other hand, be explained simply and dispassionately to the public at large in order that the great rank and file may have the greatest possible opportunity to arrive at intelligent and calm conclusions, he is, of course, on unassailable ground. But—and this seems to us to be of vital moment at this juncture—if this sort of thing is what the President has in mind, was he following his own prescription last week? We do not see how there can be but one answer, and that is in the negative.

If what the President, and the others, too, really have in mind is that they must be permitted to fix foreign policies, and that it is the bounden duty of the rest of us to shout "Amen," then we must take sharp issue. We can see no harm in having the election campaign next year air fully, dispassionately and intelligently all our foreign policies and to permit the voting at that time to be a test as what the rank and file think of them. What we should abhor, and what we have always regretted and often condemned, is the *ad captandum, ad hominem* type of argument ordinarily devoted to all public issues at election time and, for that matter, at almost any other time at least so far as the professional politician is concerned. It is for this reason that we find much of what the President had to say last week so unfortunate.

The Real Complaint

Now all this is as true of major domestic issues as it is of foreign issues. Our complaint is that in point of realistic fact they are regularly kept out of political campaigns and political discussions, in large part in any event, not that they are too much in them. They are kept out by partisan pretenses and partisan antics. It is a rare thing when any of the major parties really and frankly "gets down to brass tacks" on these questions or discusses them as many party adherents would discuss nonpolitical questions in their living room with their neighbors, or in a directors' meeting with their associates. What we have, instead, is a barrage of tricky statements appealing to the so-called pocket book nerve, or to the prejudices of the voter. When voting time comes the thoughtful man is more often than not utterly unable to say precisely what the differences are in the philosophies, the domestic programs or the plans of the two major parties. Partisan politics has done its work well—and it has no more warrant there than in the case of foreign policy.

What many of us do not realize is that this manner of playing fast and loose with domestic issues, this buying of votes indirectly at the expense of the vigor of our productive effort, this upsetting of the economic applecart over and over again in order to catch the votes of this, that or the other element in the population, may well in the end do us as much harm in the international scene as wrongheaded policies with respect to our neighbors. World politics is a hard and ruthless game. The weak are left to wither by the roadside. Today we are the most powerful industrial nation on the globe, and we rightly glory in it—but we should not suppose for a moment that we can consistently year after year waste our substance in riotous largesse and favoritism at home, pampering the unproductive while we penalize the producer, and keep our relative position among the nations.

Let the President not forget, and let the others not lose to sight the fact, that our opportunity for world leadership depends upon the maintenance of our economic strength.

Continued from first page

No Steel Shortage!

hands. You gentlemen have designed and engineered ships that can travel faster and stay at sea longer than those built anywhere else on earth. In two great wars the world has seen what America's naval architects and marine engineers, and its shipyards, can do when their skills are given full scope—and when the importance of shipbuilding as a vital defense asset is fully realized.

But after the job was done and peace came to the world, the long-range value of continuing to keep our Merchant Marine up to date and efficient was forgotten. A glimmer of hope came four years ago when the President's Advisory Committee on the Merchant Marine urged the building of a fleet of modern high-speed cargo vessels. For a long time the recommendation gathered dust, but last spring contracts were finally awarded for 35 ships of the Mariner type. That was heartening news to the shipbuilding industry, which had been reduced to bedrock.

But this elation died when, a month ago, Washington authorized suspension of work on 14 of the Mariner ships. The reason given was lack of steel. Everyone concerned with the program was shocked, and burned up. They had reason to be. For the cutback did not seem to be fair or necessary.

Government Hampers Industry

Let me try to tell you why. Right now the government has moved in on the steel industry and has imposed the Controlled Materials Plan, at a time when the industry considers it unnecessary. Everyone would agree that every pound of steel needed for defense must be supplied. But to secure the vital 10 to 15% now required the government has deemed it necessary to take over control of almost the entire steel output of about 80 million tons of finished products, which is the estimated 1951 production. The government is now attempting to distribute this tremendous tonnage to the multitude of steel consumers, so as to support a defense program and at the same time a full fledged domestic peacetime economy. Thus the government can say who gets steel and who doesn't. It can dictate whether there shall be made fewer or more automobiles, buildings, baby carriages, appliances and so forth, right down to hairpins. It can grant or deny steel to any manufacturer. That means that the government has the power of life or death over any industry and any company using steel.

In our opinion there is no way that the government can set up the tremendous organization of able men necessary to handle efficiently the distribution problems involved. Distribution of steel is a job which the steel industry can and should do, as part of its regular business, except of course under full mobilization for war.

Now let me give you a simple picture of how CMP operates. Under CMP anyone who would like to have some steel simply puts in what is called a "request" for whatever he states as his requirements. He doesn't have to substantiate his need for the amount he asks for, and that amount can be whatever he sees fit to make it. If the total amount of pie requested exceeds the size of the pie, the amount each claimant gets has to be cut to a smaller piece than he requested. That might be fair if everyone were really treated alike, but sometimes the claimant asks for more than he really needs, so that when his piece of pie is cut down in size he gets about what he actually wanted.

Requests for Steel Inflated

The steel industry, being well acquainted with the requirements of customers, is convinced that in many instances the requests are inflated, while in other cases requests are more realistic. Thus, when the pie is cut, the people who made the inflated requests get about what they want, while those who stated their needs accurately suffer a real cut in allotment of steel.

That's why the shipbuilding cutback was unfair. It was unnecessary, too. For these shouts of "No steel!" are a distortion of the picture. It isn't shortage of steel that's the trouble. It's bad distribution. There's all the steel the country needs, both for defense and to support a thriving civilian economy. Steel is pouring from the mills at rates beyond what the country's steel-consuming industries have ever been able to use. Steel production today is better than you've ever seen before.

We used to get excited about steel output back in the World War II years. But we hadn't seen anything yet. Our average wartime production was 84½ million ingot tons a year. This year we're making around 105 million tons. And completion of the industry's $5 billion postwar expansion program will bring annual capacity to around 120 million tons. Do these figures suggest a steel famine?

Yet we hear these complaints about shortages. What is the answer? We think we know. Take structural shapes, one of the forms of steel most needed in shipbuilding. "Requests" for structurals for the fourth quarter of this year came to 2¼ times as much as the industry ever turned out in any previous quarter in its history. That in itself seemed unrealistic. And the part of all this structural steel that was requested for use in fabricated steel construction came to just about twice the all-time production record of the structural fabricating industry.

Construction Projects Falling Off

Besides, we're in the fabricating business ourselves, and we had been watching inquiries for fabricated steel construction fall off since last April. Belief that the structurals called for were way beyond the actual need was further confirmed when we found that much of the steel requested for the fourth quarter was for projects that hadn't reached the point where they could possibly use it before the end of the year. In fact, some of the projects were still "only a gleam in the eye."

That led to something. At a meeting with defense mobilization officials the steel industry recommended that there be set up within DPA a competent staff charged with the responsibility of examining the status of the construction projects that are included in the stated requirements of each claimant agency. The purpose of this examination would be to determine whether these requirements are realistic as to quantity and timing. Construction projects should first secure the approval of this staff before the stated requirements of structural shapes are presented to the DPA Requirements Committee. The immediate job is to examine the projects now pending.

The suggestion was accepted. The members of this staff of experienced men have been selected, and are awaiting a call from Washington to get on the job. We in the industry have no doubt that their work will prove to DPA that the demands for structurals have been grossly overstated. This should lead to ways and means of getting the facts as to just what the need for structural steel really is.

But for structurals, and the entire range of steel products, the ultimate cure will come when steel distribution, other than that required for direct military needs, is handed back to the steel industry. The people in the industry are the ones who have the essential daily contacts with consumers, and the background knowledge of consuming fields. They are the logical people to do the job. Short of all-out war, the responsibility belongs with them.

Get Distribution Back on Sound Basis

No matter how much production might be increased, you would always be plagued by shortages until you get distribution back on a sound basis. It's a truism to say that it's just as important to see that the steel goes where it's most needed as to produce it in the first place.

And in this connection let us take a look at the production and distribution of steel plates — the most important tonnage of steel going into a ship. The production of steel plates in the United States has increased from 6½ million tons in 1949 to 9 million tons in 1951. During 1943, the peak consuming year of World War II, shipbuilding received 57% of all plates produced.

We estimate that today the shipbuilding industry is being allotted under CMP only about 7% of plate production, which is less than 1% of total steel production. And where are the rest of the plates going? Well, based on NPA figures recently released, and eliminating direct defense requirements, approximately 25% of all steel plate production is going to petroleum industry claimants, mostly for pipe; while machinery, electrical equipment and agriculture together are getting about 28%, with more in prospect; and that approximately 16% is going to railroads and 14% to construction. Now, I ask you, is that a fair distribution in view of the importance of shipbuilding as a national defense asset?

You may be wondering just how much steel it would take to complete all of these Mariner ships. It is estimated that all the steel plates and shapes needed to allow the entire Mariner program to continue would be about 10,000 tons more per month than has been allotted for the first quarter of 1952. And that is less than 1% of production.

Well, gentlemen, as I think this whole picture well illustrates, steel distribution as conducted today is turning into quite a proposition. Any resemblance to the normal way of doing business is purely coincidental. Instead of ordering steel, customers file "requests." Instead of consuming industries, we have "claimant agencies." Instead of distribution being shaped by natural economic factors, it is shaped by unrealistic demands, claimant agency pressures and overall cutbacks.

But don't imagine that Washington is satisfied to make merely the high-policy decisions of how to distribute steel among the country's great industries, and stop there. Washington goes all the way down the line. Washington, never hesitant to enter strange territory, has set itself nothing less than the task of deciding to the last ton exactly how much steel each of this country's thousands of steel-using activities shall have.

For example, someone in Washington had to wrestle with the problem of how much steel would be needed in the fourth quarter to keep America properly buttoned up. Believe it or not, he found the answer, too: exactly 718 tons for buttons. Some other interesting fourth-quarter allotments—all of them classified as "defense-supporting"—include 1,379 tons for mops and dusters, and 35,400 tons for games, toys, and dolls. The squeegee industry is receiving 18 tons. And—oh, yes! 334 tons for corsets and uplifting gadgets. But we would feel happier if, while steel is being set aside for corsets and uplifting gadgets, we could see evidence of concern about uplift for the shipbuilding industry.

Our Shipbuilding Industry Inadequate

For it is the solemn truth that our shipbuilding industry is today not nearly so well geared to meet emergency needs as just before World War II. Then we had no thought of a defense program; the country was at peace, and secure in the knowledge that we had a neutrality law to keep us at peace. Now we are in a very real shooting war in Korea while doing our utmost to stave off a still larger war. Yet in 1939, 19 American shipyards were building ocean-going ships, while today there are only eight. If we suddenly faced a full-scale emergency, these eight yards would be only a small nucleus whose working forces and know-how would somehow have to be expanded into a wartime shipbuilding industry.

We lead the world in steel and other industrial production, but in merchant shipbuilding we trail. We are not even in second place, but in fifth. Both France and Britain are far ahead of us in the number of merchant ships on their ways, and so are the two former enemy countries, Germany and Japan, which we are generously helping back onto their feet. It is estimated that the total world shipbuilding under construction or order now amounts to 1,362 vessels, of which only 70 ocean vessels, or 5%, are building in the United States.

When will those who shape our national policies learn the importance of merchant shipping to our country's existence and security? When will they finally recognize shipbuilding as an industry essential to both our peace-time economy and our defense — just as essential as petroleum, or railways, or mining—an industry that needs to be encouraged and sustained, not only in times of emergency, but on a continuing, year-in-year-out basis?

From the beginning, ships and shipbuilding have been closely interwoven with our history and commerce. It was an ocean voyage that led to America's discovery. Most of our early domestic trade, both coastal and inland, moved on water. The great cities along our coasts began as seaports, and have continued to draw much of their sustenance from ocean-borne commerce. Ships take the products of America's factories and farms to lands overseas; ships bring us goods from other countries and many of the raw materials for our industries.

So much of what is essential to our existence is found within our own borders that we are apt to forget that there are many things we need that can reach us only by sea. It was ocean transportation that made it possible for this country to sustain its expanding steel industry by developing new iron-ore sources in Labrador, South America and Africa, and to deliver the ore to our steel plants fast and cheaply. The disturbing effect of the New York dock strike on our economy is one more reminder of how closely our land transportation and industry and commerce are tied to shipping.

"Fourth Arm of National Defense"

Our Merchant shipping, together with our shipyards, constitutes the "Fourth Arm of our National Defense." Today we're mobilizing for defense, but our mobilization will be incomplete until shipping gets its due place. Right now we ought to have a sizable fleet of modern, fast Mariner ships, either in being or well advanced in construction . . . just in case. If we suddenly faced an expansion of the Korean War those ships would be almost priceless to us. The cost of not having them could be tragic.

I have had a good deal to say about steel this evening, for steel happens to be shipbuilding's immediate problem. But the problem, I hope, is only a passing one, clearly the result of a distorted picture of the true situation.

Shipbuilding never takes its troubles lying down. When someone asked Rastus what he did when he was worried he said, "Ah jes goes to sleep." That has never been the way of the American shipbuilding industry. When we have a setback we don't just stand there—we do something. What to do in the present setback is, I think, implicit in the facts I have tried to set before you—that the country's security demands the building of these Mariner ships, the whole program, just as the Maritime Administration planned—and that suspension of a portion of the program is the result of a misunderstanding of the steel situation. Once these facts are understood, I believe the ships will be restored. Each one of you can help to hasten that understanding by doing everything in your power to let the facts be known, as widely as possible.

But restoration of the entire Mariner program will be only a start toward the fulfillment of what should be the country's long-range goal. More ships, many more, will be needed. We must have a far larger merchant fleet, of swift, modern vessels, backed up by a busily-engaged shipbuilding industry. Then, and only then, will the Fourth Arm of Our Defense be strong and ready for whatever duties the national interest may require.

With First Cleveland Corp.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Kathryn Milroy has joined the staff of the First Cleveland Corporation, National City East Sixth Building, members of the Midwest Stock Exchange.

Joins M. P. Giessing

(Special to THE FINANCIAL CHRONICLE)

FARMINGTON, Mo. — Herbert McKelvey has become associated with M. P. Giessing & Co.

Waddell & Reed Add

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo. — Carmen M. Mennell has joined the staff of Waddell & Reed, Inc., 1012 Baltimore Avenue.

Even So!

"Some see in this investigation (the so-called Patman inquiry) a carefully planned strategy to put the Federal Reserve Board under control of the White House and the party in power. . . .

"The Congressional investigation will have far-reaching implications. The issues at stake go to the very first institution socialized of society. All over the world, central banks are being drawn more and more into the political arena. The Bank of England was the very first institution socialized when the Labor Government came into power in 1945. . . .

"Involved in the investigation is the question of continuation of the loose fiscal and monetary policy of recent years, as against greater financial discipline.

"Under this loose finance, which requires subordination of the Federal Reserve to the Treasury, deficit financing is facilitated. A free money market is an integral part of a free society. It is important for Congress to maintain a central banking system that will serve as a rein on Federal spending."—The Chamber of Commerce of the United States.

We are happy to see that this influential organization is alive and alert to this very real hazard.

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Meeting Inflation in the Real Estate Field

prices of new buildings rose sharply between 1946 and 1950 while money remained comparatively stable (but not credit). It is my belief that a major portion of these increases were the result of inflationary factors, some of the more important being the following:

(1) The continuation of rent control, which decreased occupancy per unit and froze tenancy for many people who could financially afford a new place of residence better than the many veterans who were either forced to buy with little equity money or rent new units at non-controlled rentals.

(2) Liberalization of credit terms and appraisals for both FHA and VA loans in the immediate postwar years.

(3) Support accorded by the Federal Reserve System for government bond prices, which enabled many financial institutions to sell bonds acquired during the war period without loss for the purpose of acquiring higher yield securities, including mortgages.

(4) The operations of the RFC Mortgage Company and FNMA which purchased many millions of FHA and VA mortgages at par, giving advance commitments of purchase, when other investors were distinctly beginning to cool off on these mortgages largely because of higher comparable yields offered by other securities.

Now what has been done to curb some of these factors? In 1950 the Korean War and the defense effort became serious issues in this country and in 1950 and 1951 steps were taken to place certain curbs on the construction and real estate business. These curbs have tended to depress real property activity, and while they were hastened by the defense effort, some control of the easy credit policies which prevailed before 1950 would have been necessary anyway, because indications of trouble in certain types of residential property were beginning to appear. A few of the most important things which have put the brakes on real estate activity in the past year are the following:

(1) Early in 1950 FNMA stopped giving prior commitments for the purchase of FHA or VA mortgages.

(2) At the middle of 1950 FHA and VA appraisals were ordered to be made on a more conservative basis by executive directive.

(3) Late in 1950 and early in 1951, various regulations and restrictions were adopted to further deflate real estate and construction activity. I would particularly refer to regulation X affecting conventional financing, the regulations adopted by FHA and VA requiring larger down payments, the controlled materials plan, etc.

(4) In March of 1951, the Federal Reserve Board withdrew its support of long-term government bonds and within a matter of a few weeks these prices dropped about four points.

(5) With the defense effort becoming more intensive, a greater demand for money appeared causing the adoption of certain forced and voluntary credit restrictions.

Summary

Figures used in this statement indicating the tremendous increases which took place between 1946 and 1950 in volume of construction, costs and prices are common knowledge to real estate brokers and builders. In passing, it must be noted that the residential building industry of this country accomplished a remarkable job in constructing approximately 4¾ million housing units in the five-year period from 1946 through 1950. At the beginning of this statement, I said that I thought we must look outside of the real estate field to find the basic causes of inflation in the field. Following the reasoning used previously herein, I think the basic causes of increases in volume of construction and costs lies in (1) The easy credit policies of agencies of the Federal Government between 1945 and 1950 and (2) inflationary factors and policies outside of our industry which have led to a constantly increasing wage and price level, not the least of which have been some of the policies of our government.

On the other hand, I think it has been reasonably well demonstrated in the past year and a half that the imposition of a few well placed credit restrictions previously enumerated can put the brakes on real property activity and certain inflationary factors rather effectively. Real Estate Research Corporation in its November issue shows real estate activity nationwide to be 17.8% under one year ago.

One other question—where do we go from here? We already have relaxed credit in the recent FHA, Va and conventional mortgage regulations. There seems to be a growing demand in certain quarters for a wide open FNMA again —prior commitments and all. Some mortgage brokers are suggesting that they be permitted by VA to charge the builder (a charge which is, of course, passed on to the purchaser) a fee equivalent to the discount they have to give to sell GI mortgages to investors—a subterfuge for increasing the GI 4% interest rate. These and other suggestions would of course stimulate the construction business. There are still a lot of people who will buy a new or good used home for a low or no down payment, with easy and long credit terms and low interest rates. But in the light of possible world events in the next year or two, I think some of the suggestions such as the above are not only inflationary but in my book would be definitely unwise.[1] The general mortgage picture is gradually improving—savings deposits are increasing ($27 million or 3% since the first of the year in Detroit), insurance companies are catching up on their backlog of commitments and will again seek new mortgage investments—but I think it is a time to proceed very carefully in further credit stimulants in order to increase the tempo of the real estate and construction business.

1 Thinking about the damage which could be done by just a nominal amount of overbuilding to present mortgage portfolios—with many low equity mortgagors.

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

LINCOLN, Neb.—Albert E. Burt and Fred R. Haggart are now with Waddell & Reed, Inc., Barkley Building.

Joins Cobbey, Shively

(Special to THE FINANCIAL CHRONICLE)

CANTON, Ohio — Binkley M. Grove is with Cobbey, Shively & Co., First National Bank Building, members of the Midwest Stock Exchange.

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"We Cannot Save Others by Tearing Ourselves Down"

alerted against, and as a people, or in our international role of leader, we are not condemning the heart of the Communist doctrine, which is Socialism. We are against Communist methods; we don't like Communist manners or Communist threats of violence. But for many years now we have been very hospitable to the economic program of Karl Marx, the father of Socialism and the founder of Communism. Politically the majority of our people have voted more than once, and in their attitude toward the expanding powers of Government they have repeatedly acted in such a manner as to indicate approval of large doses of Socialism, and of the doctrines of the Communist Manifesto of Karl Marx and Friedrich Engels.

That is a serious charge and we should be prepared to prove it specifically. Well, here are some facts:

Inroads of Communism

First Point: The Communist Manifesto advocated a heavy progressive or grauated income tax. That we have had and have used even to the extent that some citizens have to work 85-90 days out of each hundred for the Government. Many others work 50 to 60 days out of each hundred, while, of course, there are still larger numbers who *directly* pay but little tax or who actually receive more from the Government Treasury than they pay into it. Thus are the more productive and more competent penalized, in accord with the Marxian thesis.

Second Point: Marx said the right of inheritance should be abolished. We are getting around to that, but thus far, again, Government taking of from 50-90% of the deceased's estate happens only to the larger estates.

Third Point: Marx advocated centralization of credit in the hands of the state, with the state exercising a monopoly on capital and credit. Well, the Federal Government of the United States has gone a long way toward this goal. Through Government lending to great groups — to the veteran, the businessman, to the home-builder, the farmer — and through control over both the amount of and price for credit, our Government has taken the most important steps toward attainment of this goal.

Furthermore, in this category of expansion of the dangerous powers of Government, we have become the victim of the economic disease upon which Lenin and Marx relied most confidently for the destruction of capitalism. This disease is inflation, which, by eroding away the savings of the people and by encouraging extravagant public and private spending, creates a false and phony prosperity which inevitably leads to an economic reaction of great severity, and thence to the insecurity and fear which causes people to trade their remaining liberty for a promise of Government guardianship, i.e., dictatorship. This has happened repeatedly in European countries and in China in recent years and is now happening in England and in the U. S. A.

Fourth Point: Marx advocated extension of government ownership and operation of the instruments of production; the bringing into cultivation of wastelands, and improvement of soil generally, under government programs of control and direction. We have complete government ownership of power systems in the T.V.A., as well as in the State of Nebraska, and government ownership and development of power is spreading rapidly, not only in the Northwest, but in the Southwest and through the R.E.A. in many other sections. Government, likewise, is pushing forward in every field of business enterprise, from amusement and agriculture on through the alphabet—always as the unfair, tax-exempt competitor, utilizing the police powers and other forces of government to confiscate the property of its citizen-competitors, and to deprive them of their means of livelihood—always resorting to the specious and wholly false Socialist argument that government represents all the people and that the private citizen must give way before this "broader and more beneficent" interest.

Fifth Point: Marx specifically advocated the "abolition of property in land." We have not yet suffered the complete denial of that right, but, under rent control, and under the powers exercised over the use of agricultural and other land by the Departments of Agriculture and Interior, great inroads have been and are being made upon the rights of private ownership in real property.

Sixth Point: Marx advocated the centralization in government of the means of communication and transportation. Again, we find that government controls over radio, television, telephone, the postal system, the railroads, and other means of transport go far beyond mere necessary regulation and include many of the powers arbitrarily to manage and direct agencies by which the citizens carry on the exchange of goods, services, and information.

Seventh Point: Marx holds that the individual is unimportant and the State or "society" is all-important; that the end and aim of life is the development of the collective and not the individual. While we still pay lip service to our respect for the individual, and while our "liberals" profess an ever increased devotion to the so-called civil rights of the individual, yet, both the domestic and international policies which are presently followed and vociferously defended by the "liberals," in government and out, subordinate the individual to the group, and to "society." Our labor laws and the government-supported policies of labor unions, our tax laws, social security programs, housing and rent control and cooperative laws, and many others, clearly subordinate the life, liberty and property of the individual to that of the majority, or to those exercising power claimed to have been conferred by the majority.

In international affairs, the individual citizen's life, liberty and property have been subjected to a vastly enlarged and badly-defined treaty-making power, and to the power of individuals within the Executive branch of government who claim and exercise the authority to make commitments to foreign governments. These treaties, and sometimes secret commitments, lead to irresistible orders that millions of our young men shall, without the right to choose, or even to argue their case, leave their homes and families and offer their lives and their all, upon the altar of any cause which may be defined by these all-powerful international policy-makers.

Imperialism of "Do-Gooders"

Thus there has been fashioned for the American of today a new kind of imperialism — the imperialism of the international "do-gooders"—a small but vocal, and very powerfully-placed minority who have both discovered and defined a new role of world-leadership for all the citizens of the United States of America. No one has ever asked the American people, who must bear the burdens, whether they accept this role of "do-gooder imperialism." The foreign policy-makers have merely assured us that in their wisdom they have discovered that the mantle of leadership has fallen upon our shoulders, and that they, the policymakers, will make the decisions and will interpret for us the obligations which have resulted therefrom.

Within the memory of most of us, it was one of the proudest boasts of the American citizen that he was free from the terrible tyranny of a supreme military policy and force, such as existed under the flag of foreign imperial powers. We felt secure against powers under which the citizen could be drafted into military service and sent throughout the world to carry the flag of empire, and to do the bidding of the policy-makers of the foreign offices or chancelleries, which exercised this power of life and death over the helpless subjects in the name of king or emperor, and for the glory of the empire. But no longer can we boast. No longer can we tell our sons, as our fathers told us, that they are free from such arbitrary and sudden decisions of foreign offices. Indeed, we must now admit to them that under treaties recently entered into, decisions made in the foreign offices of any one of almost a score of other Nations may result in their being ordered to other Koreas around the world.

World Wars II and III

In violation of the most solemn promises made "again and again" by the President to the people in the political campaign of 1940, we were involved in World War II. The desperate course which led to our involvement without the consent of our people was taken despite the warning so frequently uttered beforehand, that such action would lead to the destruction of our civilization and the American way of life.

In that war, there was poured out the lifeblood of hundreds of thousands of American young men upon the altar of a war which they won, but which was lost at the conference tables by the weak, foolish and incompetent leaders who maneuvered us into it; and as we now know, there was thus prepared for us the terrible and impossible mess in which we are now involved.

Now, after those impoverishing years of war, we have had six years of the most dangerous and debilitating boom, by far, from which our country has ever suffered. It has been financed and fed by the worst inflation in our history — an inflation which has long since been out of control and which threatens to complete the job, already more than half done, of destroying the American dollar.

Thus we have prepared for the greatest test of strength which we have ever faced. Today, as a result of our own mistaken policies which made Russia a world power, we are facing, not necessarily the strongest, but certainly the most ruthless and brutal enemy of civilization of all time. We have undertaken not only to lead, but to build up and equip the armed forces of a score or more of nations, having a total population of several hundred millions of more or less impoverished people, and scattered on every continent of the globe.

And how have these 154 million citizens of the United States of America been prepared for this greatest burden ever carried and greatest struggle ever faced in human history? Have they carefully renewed their devotion to the basic truths, ideals and free institutions from which their strength was derived? Have they rigorously taught and practiced the strengthening virtues of self-reliance, self-discipline and self-denial? Have they husbanded their resources, denied themselves every extravagance, forced their Government to economize, reduced their public and private debts, learned to work harder and longer hours, and generally done everything possible to strengthen both their physical and their moral fibre? Have their leaders in government, in business, and in the spirtual and educational realms, helped to prepare them by explaining to them, clearly and forcefully, the terrible ordeal which lies ahead and which they must endure over an indefinite but very long period of years?

You know the answer. It can be summed up in the statement that in every important respect we, the American people, and our Government, have done just the opposite of that which we should have done to prepare ourselves for those unlimited world-wide commitments and immeasurable burdens to which our leaders have so recklessly, and with such wild abandon, committed us.

False Confidence

If we could escape the penalty for this foolish and ignorant course of conduct by ignoring the facts; if we could make ourselves strong and ready and prepared for this prolonged life and death struggle by wishful thinking and foolish boasting about our great productive capacity, our "wonderful" national income, and the number of automobiles and houses and gadgets which we buy, the money we spend, and the height of our standard of living as compared with the rest of the world, then we might forgive the constantly reiterated emphasis upon these misinterpreted facts. If all these soothing statistics in which we are immersed and with which we meet the expressions of concern from the so-called alarmists—if the inroads of Russian communism can be overcome, and our allies armed and fed with these statistics—then let us by all means continue to hold them before our eyes, and to talk about them in the marts of trade, to the exclusion of all else, as we have been doing. But if this is building a fatally false confidence in our strength, when we are in fact weakening the source of our real strength, then we should insist on the hard truth from our leadership, rather than dangerously soft fiction!

Yes, the adherents of Karl Marx can embarrass us by asking: Just how much is left of your boasted individual sovereignty? How much farther must you go before your citizen is transformed into a subject? And to those who, in reply to these criticisms of our foreign policy, hurl the epithet "Isolationism," let us reply that we are advocating a policy which places the freedom of the American citizen, and the conservation of the vital strength of our country, above the claims arising out of the age-old quarrels and decadent policies of foreign nations. Our first duty is not to those suffering from the results of centuries of misguidance and tyranny, for which we are not responsible and from which our forefathers fled, but rather our first duty is to preserve the hope and opportunity for the individual American citizen which are dependent upon the free institutions of our own country. We cannot save others by tearing ourselves down. We cannot advance the cause of human freedom and progress by recklessly over-committing ourselves to carry the burdens imposed upon foreign nations by the accumulated errors of centuries. And if this be Isolationism, then we should be proud indeed to bear the name!

Where Have We Arrived?

Where has this long and confused retreat from freedom taken us? Obviously, we have already become entangled in the toils of a Socialist State. We have gone too far, and we are very dangerously involved because as a people we have already taken so much "dope" from the Socialist bottle (both nationally and internationally) that we no longer can think straight. Indeed, in connection with the recent revelations of the undermining of integrity in America by the criminal element, I wonder that it does not occur to our people that government itself has become a "dope-peddler" on a gigantic scale.

The "dope" peddled by government agents and agencies has been and is depriving Americans by the millions of their most precious spiritual heritage, including self-reliance, self-discipline, initiative, independence and self-respect. We properly condemn and execrate those who peddle "dope" to the children and others, which cripple their mentalities, undermine their health, and enslave them to a drug. What shall we say of those who, under the guise of humanitarian reform, and with all the prestige and power of government back of them, rob the American citizen of his integrity, and encourage him to use not only false statements and misrepresentation but force, threats, and terroristic methods to obtain from his neighbors, employers, or the community generally that which he did not earn and to which he has no rightful claim, moral or otherwise. Good citizens are thus being debauched, corrupted, and demoralized, and the nation is thereby losing strength which is sorely needed in this testing-period of trouble and crisis.

The creative urge, implanted by God in all normal human beings, thrives under liberty. Liberty is possible only when individuals are self-reliant, self-disciplined, and so conduct themselves toward each other that there is a *mutual* respect for, and encouragement of, those qualities and forces in human nature which stimulate growth and development of the best of which man is capable. Felix Morley states the American fundamental concisely and accurately in "The Power in the People" (p. 14) when he says:

"When the American people have been self-reliant, mutually helpful and considerate, determined in their mistrust of political authority, this nation has been 'in form'; its tradition alive; its contribution to civilization outstanding."

Victims of Demagogue

Increasingly, over the first half of the 20th century, we have been getting "out of form" — lazily drifting with the erratic tides of popular unrest, stirred up and stimulated by the boll weevil of democracy — the demagogue. The vast numbers who have been imposing their burdens upon their fellow-citizens, without giving in exchange either consideration or gratitude, have included the strong and able-bodied as well as the weak. Under the banner of the weak and underprivileged, and in the name of social justice and reform, the political power of millions has been marshalled by and under bad leaders for the purpose of plundering their neighbors.

The appetite for living at the expense of one's fellow-citizen grows by what it feeds upon. When the moral sense is corrupted by bribes collected through unlimited income taxes, and distributed through the public treasury, it becomes increasingly easy to rationalize contributions forced from one's neighbors to support oneself in idleness as "social security benefits." It is also easy to convince onesself that one has earned the handout by merely living, and contriving to comply with the liberal qualifications, rules and regulations administered by bureaucrats who look upon the beneficiaries as "clients" whose growing numbers add to the importance and security of the job of the dispenser of "social security."

Thus, a dangerous disintegrating force of human nature—one which feeds upon and destroys the very basis of freedom, which is *self-reliance* — grows and devitalizes the initiative and creative urge of millions of individuals, even while production and consumption may appear to be flourishing because of the false stimulation of the inflation which is resorted to as a means of financing the earlier stages of the growth of a Socialized State.

What of the Future?

Where then are we now, and where do we go from here? We may summarize our present situation in this way: We have fought in two world wars in the past 35 years. We have sacrificed hundreds of thousands of lives and incurred obligations against our future earnings equal to the savings which we have accumulated throughout our history as an independent nation. Nor is that by any means all. We are now burdened with the protection and leadership of half the world in an undeclared war against the other half. The American people have no aptitude, genius, or desire for such responsibilities but we have stumbled and fumbled our confused way into this illogical, inconsistent and terrifying position of leadership of hundreds of millions of other peoples whom we do not understand and who do not understand us, and whose ideas and ideals are quite different from ours. Before, during, and since our involvement in World War II, the same destructive foreign ideologies of collectivism and totalitarianism which enslaved Russia, destroyed Europe, and have now engulfed Great Britain, have been flowing in upon us and making distinct headway in destroying and supplanting those distinctive American institutions of freedom which were and are the source and secret of our strength. Over the past 18 years in particular, we have been increasingly abandoning the new, modern, liberal American system of limited Federal, republican government, and substituting therefor the reactionary old-world plan of a centralized paternalistic government, with its creeping paralysis of individual initiative, self-reliance, and of other integrating forces indispensable to the strength and upholding of the individual human character.

Where Do We Go from Here?

What do we do about it? Obviously, now that we have wandered so far, and for such a long period, in this unfamiliar and uncongenial territory into which we have been led by false and incompetent leaders, we will find the return trip to the right—the American—road a very rough and trying one. We will find no magic carpet to take us there. We cannot get there by merely voting once each year or so and then going about our business as usual. We must each as individuals *wake up,* and *live up* to our responsibility as free citizens who are determined to regain their freedom. We cannot leave the job to politicians of any party. We must make it our job in our daily life, in the home, the office, or the school and college, the church, or wherever we have influence and can be heard. We must accept the fact that the return trip to a land of free men will be both dangerous and discouraging at times. But we must start on it—not only get going, but keep going. Otherwise all our great physical progress, our great works, our productive potential, our standard of living, our comfort and abundance, will go down, because, without the prompt restoration of the spiritual foundations of our material achievements, *all will be lost.*

I am not proposing that we should all take a leave of absence from our jobs and take to the hustings for the purpose of sounding the alarm about the imminent danger to our basic institutions. Of course, we have important work to do and we must keep at it. I am saying, however, that regardless of our devotion to the means by which we earn our livelihood, we also have a paramount responsibility to ourselves and our children to preserve the foundations and the framework of this house within which we live. Along with our responsibility for our daily work, we have an even higher or primary responsibility of doing what we reasonably can to ward off and defeat those forces which are now forging chains of governmental power and authority to further restrict and regiment the lives of our children.

Duty to Our Children

I am concerned lest it be said of us by our children that when their heritage was being destroyed, their fathers, notwithstanding their education and opportunity to know the facts, were so busy with their electrons and formulas, with their great engineering projects and perfection of television and other gadgets, that they had no time to help in the preservation of the fundamental liberties without which the whole of that heritage will be lost.

I am unwilling to believe that we of this generation of business leaders are so uninformed and so unaware, so recreant indeed to our first duty as free American citizens, that we will merely resign ourselves, and the destiny of our country, to this tragedy toward which we are now headed. We do not know that we can, in our day, regain the freedom and independence which America once knew, but there is an enormous latent and potential strength in our love of country, our aspiration for freedom of opportunity for our children, and our respect for the wisdom of the founding fathers.

Finally, and most important of all, the American people must revive and renew faith in a just and righteous God, and in the promise of Jesus Christ that "if you continue in my word, . . . ye shall know the truth, and the truth shall make you free." But, note carefully, my friends, that the promise of the Master was conditioned upon our continuing in His word—that is, upon following the truth, the right road. And thus far *we are continuing upon that wrong road which we took many long years ago!*

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Savings Bonds "On Trial"

How can we be so sure that the 1951 buyer is not indeed facing the benefit of a dollar that will be worth more, and that he is not actually paying for his bond with relatively and temporarily depreciated dollars?

In any event, for the lay citizen, as well as for the investment expert, the stock market is too difficult for him to give it all his money. Just let me mention that, in spite of a 50% rise in consumers' prices since 1929, the stock market average is down over 30%; that it fell by 50% between 1937 and 1938, and even since their highs of the past six months, at least 75 leading stocks are down 15-20%.

Regarding the alternative of real estate, in addition to stocks' drawbacks as just enumerated, there is the mechanical difficulty of investing small sums confronting the small in inexpert saver. At least in the case of stocks, he can conveniently place small sums through the mutual funds and other experts.

Neither regarding the value of the dollar nor equity investments is inflation a one-way street!

Mr. Hughes' Cross-Examination of Mr. May

Q. When did the Savings Bond Program First start?

A. In 1938.

Q. What types of issue have they been?

A. There were Series A, B, C, and D until 1941; and Series E, F, and G since.

Q. What has been the yield?

A. 2.93% compounded semi-annually on the A to E's, 2.53% on the F's, and 2½% on the G's.

Q. And they yield less if redeemed before maturity?

A. That is correct; with the holder having the continuing option as to whether he wishes to turn them into cash or some other investment, or hold the bonds.

Q. What were the interest rates on government bonds during and right after the First World War?

A. The government paid varying rates, ranging up to 4¾%, I believe. But that was on a bond that is not at all comparable to the present Savings Bonds we are discussing, which cannot lose 15% or more of their value as did those of the First War; since, as I have said, the present bonds are cashable at cost or more at any time.

Q. Since 1940 and 1941, has the dollar's purchasing power declined by 46%?

A. Yes, in that particular period, encompassing a war, the value of the dollar has declined.

Q. And during that period the government has not changed the interest rate on the E, F, and G bonds?

A. No, the contract of course has not been changed. A "sweetening" to holders of maturing Bonds was offered last March. Secretary of the Treasury Snyder then announced that holders of matured bonds would from May 1 be permitted to extend their bonds for an additional period up to another 10 years, getting their option of 2½% accrued if held for 7½ years, and the full rate of 2.93% thereafter. Thus the 1941 buyers have the option of holding them until 1961; and of not paying any income tax until then.

Q. But they are not tax free?

A. Of course not.

Q. I understood you to say on direct examination that it furthers sound policy for the government to borrow from the public, from individuals, rather than through the banks?

A. Right!

Q. Would a higher interest rate further this sound aim by tending to increase the sales spread of the bonds?

A. 50 million or so people now own the bonds. Of course, Mr. Hughes, if the government were to pay 10% instead of 3%, it would sell more bonds. But I don't think this is either necessary or fair.

Q. During 1951, did not the sale of the bonds slow down, and redemptions increase?

A. That is so. Among some segments of the public and the press, the bonds are "in the dog-house," largely due to misunderstanding of their true nature.

Q. Haven't you in your own writings stated that bond buyers are discouraged by the low interest rate?

A. They are being discouraged—but not by the interest rate. More to the point, they are **confused**; confused about their hard-boiled investment merits—wholly apart from the patriotic factors. This is largely the Treasury's past fault in its selling methods during the late Hot War. The promotion fanfare — premiums of kisses by movie actresses and the like — of that time obscured in the public mind the very real and very great investment advantages, which I as a self-interested investor have always strongly felt exist.

Q. Wouldn't a rise in the interest rate effect the sale of many more bonds, and hence promote sound financing?

A. Unless the rate were upped by a very large amount, it wouldn't make much difference in sales. Other features of the bonds, such as their savings opportunity, are equally, if not more, important, to the average citizen. This is substantiated by a recent study *"Study of Consumer Finances"* published by the Federal Reserve Board; which incidentally also found that as many holders think the interest rate is high as believe it is too low.

Moreover, from the viewpoint of the entire economy's good, the answer is not so simple as to be able to confine it to a raising of the interest rate on these securities. You can't isolate one little item like this. One thought that immediately comes to mind, for example, is the cost that would be entailed. An interest rise of 1% on $58 billions of bonds outstanding would amount to $580 million annually. If not paid for by inflationary borrowing, this would mean much more taxes to be paid by the citizens, many of whom double as bondholders.

Re-Direct Examination by Mr. Kadel

Q. I just want to ask one question, Mr. May, if the rate on the bonds, were to be raised, would that not disturb the country's entire financial and savings structure?

A. Yes, it would have repercussions in many fields; on savings banks, insurance policies, and on various phases of government finance. In any event, clearing up the public's misunderstandings about the bonds, such as I have mentioned, could do far more to incerase sales than a mere change in the interest rate — unless the amount of such rate rise were so high as to be wholly impracticable.

Summation for the Negative by Mr. Hughes

The issue, which is not concerned with patriotism, is whether Savings Bonds give a fair return. They do not give a fair return to the investor; merely 2.9% versus 4% on bonds sold during the First World War. And as we have established, the rate has remained unchanged during the past 10 years of inflation.

Summation for the Affirmative by Mr. Kadel

We have shown that for the average investor the Savings Bond provides a wonderful nest egg for savings, with unquestioned safety and a fair return when it is appraised with the bond's other features. It should be bought and held along with other investing media, as the savings bank cash deposit, the insurance policy, and the common stock—for the citizen's own self-interest as well as for the welfare of the nation.

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Dealer-Broker Investment Recommendations and Literature

Safeway Stores and **National Distillers,** and a circular on **Baker Raulang Co.**

R. H. Macy & Co. Inc.—Review—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y. Also available is a circular on **Gerity Michigan Corp.**

Masonite Corp.—Analysis—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y. Also available is an analysis of **Atlas Powder Co.**

Mountain Fuel Supply—Analysis—Edward L. Burton & Co., 160 South Main Street, Salt Lake City 1, Utah. Also available are analysis of **Equity Oil** and **Utah Southern Oil.**

Nopco Chemical Co.—Memorandum—Hemphill, Noyes, Graham, Parsons & Co., 15 Broad Street, New York 5, N. Y.

North Canadian Oils Ltd.—Memorandum—Aetna Securities Corp., 111 Broadway, New York 6, N. Y.

Oklahoma Gas & Electric Co.—Memorandum—Auchincloss, Parker & Redpath, 52 Wall Street, New York 5, N. Y. Also available is a memorandum on **Thompson Products, Inc.**

Palace Corp.—Card memorandum—J. L. Schiffman & Co., 60 Broad Street, New York 4, N. Y.

Portland Gas & Coke Co.—Analysis—Gerstley, Sunstein & Co., 121 South Broad Street, Philadelphia 7, Pa.

Puget Sound Power & Light—Review—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

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

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

Southern Natural Gas Co.—Memorandum—American Securities Corp., 25 Broad Street, New York 4, N. Y.

Struthers Wells Corp. common stock—Circular—Hayden, Stone & Co., 25 Broad Street, New York 4, N. Y.

Superior Portland Cement, Inc.—Summary—Frank G. LeCocq, Pacific Northwest Co., Exchange Building, Seattle 4, Wash.

Tele-Tone Radio Corp.—Circular—Heimerdinger & Straus, 50 Broad Street, New York 4, N. Y.

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

West Point Manufacturing Co.—Memorandum—Charles A. Taggart & Co., 1500 Walnut Street, Philadelphia 2, Pa.

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Can We Preserve the American Way of Life?

above the bare production of necessary food, clothing, and shelter of a rather meager sort.

If you accept the right of a person to own property, then you must surely concede that he has a right to trade it with another person for his property. There is no exchange in a free market until each party can see in it some advantage to himself. Unless a person thought he was getting something of more value to him than what he was giving up, he would, of course, not be interested in the trade.

Only in a free market, where specialists bring their wares to trade for those of other specialists, has the producer an opportunity to discover how much his product is wanted by others. He determines there whether he should try to expand his production or turn to something more profitable. The consumer has an opportunity in a free market to satisfy his wants if he can back them up with some form of purchasing power.

So, the free market is an intricate but essential mechanism which makes for high individual productivity and for a highly productive economy. Attempts to interfere with the free exchange of goods and services, whether by individuals or by government, always result in a slowing down of the productive processes. The market place must remain free if production is to be guided into those channels which allow the maximum of consumer satisfaction.

Competition—It is often said that competition is the life of trade. It is certainly very important but I am inclined to think of it as a result, rather than a cause. Given private property rights, the right to the product of one's own labor, a free market, and competition is just bound to exist. You can't avoid it. The person who says, "I can serve you better," is merely competing for your business with the hopes of doing better for himself as well. Such incentives are constantly improving the quantity and quality of goods and services at our disposal.

Monopoly is a term used to indicate some sort of a curbing of competition. This means, then, that there has been a restriction either on the right to own property or the right to exchange it in a free market. If these two rights are not tampered with, there can be no restriction on competition.

I can think of no single case of restricted competition—monopoly—that cannot be traced to governmental intervention. By direct intervention, the government grants specific monopolies and prohibits competition. An example is the Post Office. By indirect intervention, the government allows its powers of coercion to be exercised by and for the benefit of special interests, under the cloak of legality, giving rise to obvious injustices. Certain practices of labor leaders illustrate what I have in mind.

Competition is an important ingredient in our way of life. I believe, however, it is important to recognize that it is a result of persons with private property acting in a free market. It is not something that can be "planned" in the sense that we need laws to provide for it, or that can be turned on or off directly and at will. When individuals are left to their own choice, an optimum of competition will exist.

Tools—The workers in our country are so productive because they work with good tools. One man with a yoke of oxen could plow perhaps an acre of land in a day. But with a tractor, a man can plow ten times as much and with a great deal less effort. So it is throughout our economy — good tools make men productive. Compare the hauling of coal by railroads with methods once used or even used today in countries where human power is the only power tool available.

Ours is truly the power age. Mechanical power of one sort or another accounts for around 95% of all the power used in this country. Only a very small part is human energy. The important thing is not that man may work less physically than he formerly did (although I suspect he does) but that he has, through tools, been able to multiply the effectiveness of his own efforts many times.

Now tools are expensive. They don't just come into being automatically. The average worker in this country works with tools worth around $10,000. If you are a farmer, think of your own situation. Think of your farm as a tool to produce food. What is your investment in land, buildings, livestock and machinery? Divide this by the number of men who do the work on your farm and you will arrive at a pretty big figure representing the investment per worker. The same is true in industry, in railroads, in the oil business, and other types of endeavor.

Where do all these tools come from? There's just one simple answer. They come from savings—property—coupled with inventive genius. Primitive people lived from hand to mouth. It required practically all they could produce to live, day by day or year by year. There was scarcely anything left over to store away for later use. As man became more productive, the thrifty and provident were able to produce more than it required to live and a part was saved. With the savings they could acquire better homes, or make better tools.

In our money economy, the thrifty are able to lay aside some money—some of their production they don't immediately consume—for later use. These funds are available for investment in tools and it is through this investment in tools that workers have become so productive.

As in all other phases of our life, there must be an incentive before people will forego the immediate consumption of their production and save it for later use. There must be some hoped-for gain. Many people will save with only the expectation of preserving their principal fund. Other people need a little more incentive, sometimes provided by hoped-for interest or dividends. One of the important incentives to savings is the assurance that our savings will be reasonably safe—that when we want to use them later, they will be there. Regardless of what the incentives have been, it is a fact that over the years, in this country, we have built up a huge backlog of savings which has made possible the purchase of tools with which the American worker has become the most productive in the world.

While tools have played a most important part in developing our American Way of Life, I believe that they are really a result of our system, though not the object nor the cause of it. In an economy where the right to own property is recognized and the ability to exchange goods and services in a free market is protected, tools will be produced—and in abundance.

Importance of the Individual—America has truly been a great melting pot of humanity. I believe this was so because under our laws and customs, individuals were judged as individuals and not because of their race, creed, color, wealth, or ancestry. Men were left to work out their own destinies under comparative freedom. Our history abounds with examples of men who started at the bottom and rose to the top—of workers who became owners of their business. Farming is a good illustration. Men started as hired hands, became tenants, and eventually owners.

The idea of "classes" was not a part of the American tradition. Classes can exist only when one group has certain powers over others. Such powers, even though supported by long-standing customs, can be maintained only by government. The free market and private ownership of property are not conducive to the development of the powers which result in classes.

I believe it to be a basic trait of human nature for a man to want to feel important. Happiness is an intangible thing and is achieved in many different ways. Yet, I suspect that if it were possible to find out what makes people happy, in most cases it could be traced to a feeling of accomplishment—to a feeling that one really counts—to being important. I can think of no more important way of contributing to this feeling of importance than by placing each man's destiny directly in his own hands. The right of a man to the product of his own labor places it there. It encourages him to be a self-respecting individual, knowing that it is within his power, and his alone, to achieve some measure of success in life.

The alternative to individualism, to a system where the individual is all-important, is one which places the individual in subservience to the state, the collective, or some other organization. This system fosters the belief that man is slave and government is master. No doubt the few people who come to the stop under such a system achieve some measure of happiness for themselves through feeling important by virtue of the power they have over others. But the vast majority of citizens under such a system have little, if any, opportunity for self-realization. On such a system are built strife, hatreds, unhappiness — yes, and wars.

Government—No discussion of the American Way of Life would be complete without saying something about government.

In fact, this subject should probably receive foremost consideration. It is my belief that the differences between the American Way of Life, as I conceive it, and that of almost any other country, can be traced directly to omissions or commissions of government.

I believe it is a healthy situation when people consider their government as a servant rather than as an all-wise benevolent master. All government should be viewed with suspicion. The government of this country, as originally provided in the Constitution and Bill of Rights, was this kind of a government. It was under that type of government that the American Way of Life was made possible. But some significant changes have come about, of which I shall speak later.

It is not within the scope of this address to discuss in every detail what I consider to be the proper functions of government. For one thing, it is a subject which requires exhaustive research and study, and I am not that well prepared. This is not to minimize the importance of the subject. I think it is most important. Many of the controversial topics we meet every day can be traced directly to the question: "What is the proper function of government?"

I shall only give you very briefly what I believe to be some of the characteristics of our early government which contributed very greatly to the American Way of Life.

(1) It was a very limited government. Only a few cents of each dollar of production was required to operate the government.

(2) The function of government was limited chiefly to the protection of life and property of the citizens. Men were free, for the most part, to own property, to use or dispose of it as they wished, and to trade it in a free market. Men were free to live their lives as their consciences dictated, so long as they didn't interfere with similar rights of others.

To me these were the essential characteristics of our government. It was not perfect to be sure. We can point out instances where government failed to live up to some of the ideals of its founders. But government, by present standards, permitted a considerable degree of freedom of individuals.

What Is Happening to Our Way of Life?

Up to this point, I suspect there are few who would disagree with what I have said. We like America and what we call its way of life.

As farmers, you might well say, "We never had it so good." "Our incomes are high, our debts are manageable, good machinery has removed some of the toil from our work, our children are going to college." And so, on and on, we could list our many blessings.

It is only when I look into the future that I become alarmed at what is happening now. I'm wondering what the "American Way of Life" will be for our children when they grow up — and their children — and their children's children. *Let's take a look at what is happening.*

Freedom of Choice

You can still choose whether you will buy a Chevrolet or a Plymouth; whether you will go to this or that movie; whether you will have whole wheat or white bread for supper; whether you will send your son to the state college or a private school. In many areas, we still have freedom of choice.

But have you the choice of supporting or not supporting, with your own money, the many schemes that are dreamed up in high places as being "good" for somebody? Can you decide what you wish to have your children taught in public schools? Can you decide when to send them to school, or if at all? If you are a young man, can you decide whether or not you will volunteer your life in a war which certainly was not of your choosing, and the outcome of which may or may not seem important to you?

Private Property

You may say: "Yes, but we still have the right to own property—to the product of our own labor." But have you? Government is now budgeted to take about 40 cents of every dollar of income produced in this country. Have you the right to the product of your own labor when, on the average, 40% of it is taken away, forcibly, and spent in ways over which you have little or no control and with much of which you totally disagree?

Another limitation to the private ownership of property comes through inflation. Inflation is a device used by a bankrupt government to fool the people. After taxing all it thinks is politically expedient, it resorts to inflation, hoping the people won't recognize it as a tax.

Resorting to inflation is not a new device for deceiving people and making them think they are getting something for nothing.

It is as old as governments. It is in reality a tax and a vicious one, too. For one thing, it is a hidden tax. As the buying power of your dollar gradually becomes less and less, you may hardly realize what is going on until it is too late. Certainly you don't think of it as a tax. But all of a sudden you may realize that the dollars you laid away in 1940 are now only worth about half as much for buying things as they were then.

As a tax, inflation is not only hidden but it is also a tax on capital. When we saw England levy taxes on capital, some said it couldn't happen here. But it has happened here and has been going on for years. A government bond or life insurance policy is capital. The money you invested in this capital has become worth less and less. It has lost half its worth in ten years. You have paid a capital tax just as surely as though you had been required to pay a certain percentage of it to the government each year. It is capital confiscation.

Colin Clark, a noted economist in Australia has made an extensive study of governments and has concluded that any nation which taxes over 25% of its people's income is in for serious inflation trouble. The resistance to further taxes is usually so great that the government resorts to inflation to a point where taxes will not exceed the 25% level. We have clear examples of the havoc caused by inflation in France, Greece, China, Hungary and other nations. In France, before World War I, you could buy four francs with one American dollar. Now, even with the greatly depreciated American dollar, you can buy around 400 francs. Had you laid away enough francs then to live on comfortably for a year, you might now buy one good meal. This is what inflation can do. And that is not wild inflation such as experienced in Germany in 1920's or more recently in China. It is bound to happen anywhere a profligate government refuses to live within its income.

A Planned Economy

We may be thankful that the dictator state in this country has not progressed so far as some would like. That is not because the plans have not been drawn and bills introduced to implement it. We can see the plan in budget and State-of-the-Union messages and in other statements of high government officials. The blueprint for agriculture was very clear. It has been only because of resistance that we are not up to schedule.

Would you have believed that in peace time, controls of prices and manpower could become the law of this land? We have supported with billions of our dollars in England and elsewhere, the kinds of government I am sure many of our leaders approved at home. We have only to look at England to day to see how some of these schemes have worked out. Nationalization of the great coal industry has changed England from an exporter of coal to an importer. A farmer in England is told what to grow and how to grow it, or he is liable to be removed from his land. Austerity still is the way of life six years after the close of the war. Price controls and the necessary counterpart, rationing, still prevail. The government has the power to tell men where they shall work. The economy is largely one without incentives, and its production and unrest tell the story. The idea of equality by force can never be reconciled with the right to the product of one's own labor.

The Free Market

In the United States the right to own private property and exchange it in a free market has been and is being violated—and in peace time. One might think that a person who owns a piece of property might exchange it for something of his neighbor's on any basis agreeable with both parties. But not so. A third party, government, may step in and say that the exchange must be at certain prescribed rates—in other words, the minimum of maximum price may be fixed by law. Of course, we are told, this is an emergency. And by creating one emergency after another, the country has become enmeshed with a great many socialistic schemes leading us rapidly toward the completely socialized state.

The free market has disappeared so far as world trade is concerned. Can you think of any logical reason why an individual who owns property in one country should not be permitted to trade it for property held by an individual in any other country, on whatever terms that are agreeable to both parties? It isn't as though either country would lose by the deal. Certainly, each party to the trade thinks he is better off after the deal than before. Else, why would they trade?

But no, that is the old fashioned way of trading between nations. Now, there are government controls of the rates of exchange of different moneys; there are import quotas; there are bi-lateral or unilateral agreements between nations; there are most-favored nation agreements. And, what is still worse, government agents instead of the individuals who produce these things are doing the trading.

I can't think of a better way to arouse trouble between nations than to have their politicians making business deals. So long as John Jones of Baltimore is dealing with Alfred Hawkins of Liverpool, it is pretty difficult for the English people as a whole or the American people to get excited over the terms of their deal, so long as each enters it voluntarily and can take it or leave it as he wishes. But when governments become involved, all sorts of hard feelings and misunderstandings can arise which may grow into international complications.

Tools

We mentioned that it is the use of tools that makes American workers the most productive in the world. What is the outlook here? Well, to begin with, tools result from savings. Savings arise from spending less than one's total income.

At least two factors darken the picture here. One is our high and progressive income tax which makes saving difficult. Savings have ordinarily come from people with higher than average incomes. These are not a class of people, as such, but all people during their more productive years. The equalizing effect of the progressive income tax has cut sharply into the savings which would otherwise accumulate for investment.

Bad as it is, the progressive income tax is only about one-fourth to one-third of the total tax bill. The balance is attached to things we buy in all sorts of ways, directly and indirectly. It now appears that in 1951 the total cost of government in the United States will take more than 40 cents out of each income dollar. How much do you think there will be left to save and provide the tools of production?

Another deterrent to savings in their traditional form as money or government bonds, etc., is the prospect of further inflation. Why set aside savings in forms that will constantly lose their purchasing power? Some people will do it but the incentive is certainly a negative one.

You may say that if individuals don't save and invest in the tools of production, the government can do it. The government *can* do it after a fashion. It has happened in Russia. It is a system of forced savings, but I can hardly conceive of such a system resulting in a very high type of development.

Morality

The people of our country have become aroused at the exposure of graft, corruption and immorality in high places. Is it really so surprising? And is it surprising that it has infiltrated even our private as well as public lives? Give a centralized power 40% of the income of this great nation and the temptations for some people are just too great. This is not to condone their actions; but men are fallible. And when fallible men gain power over others with vast sums of money at their disposal which is not their own, the results should not be unexpected.

Our government has set an example of "something for nothing" for individuals to use in their private lives. The political machine in a government that exacts 40% of a nation's income is colossal. It can bribe and cheat and make promises which are attractive to persons who might otherwise be considered perfectly honest.

By its own acts the government has approved the taking of property from some to give to others. Is it any wonder that with this example, private individuals have lost the morality they once had? The solution, it seems to me, is not to expect and wait for the millennium when everyone will be honest, but rather to remove the cause—big government.

What Can Be Done About It?

The picture I have tried to present of what has been happening to those freedoms which were our American Way of Life in this country is not a pleasant one. Only an optimist could sit idly by and watch it go on without a protest. I believe that something can be done. But it is not a job to be accomplished over night. For half a century forces have been increasingly eroding our freedoms to a point where there is no simple solution.

Just being anti-communistic or anti-socialistic is not enough. It's easy to say one is opposed to communism. If the issue were put up to American voters on that basis alone, I dare say at least 90% would vote against communism or socialism. Under the political party label of socialism, only a very small minority of the voters of this country ever supported socialism. Yet Norman Thomas himself has said that we have gradually adopted most of the planks of his platform.

But the issues are not presented that way. We are, instead, offered socialism bit by bit, and under entirely different names which usually confuse us. Sometimes it is called the democratic way. A lot of harm can be and has been done in the name of democracy. Hitler came to power in Germany by a democratic process. The British have had their socialism by vote of the people. I, for one, am unwilling to concede that whatever 51% of the people say is right, is therefore right. By that process we could vote away every last freedom we possess. The founders of our government had in mind the protection of minorities as well as rule by the majority.

Some, who have finally recognized the dangers confronting our economy, are saying we must stop—we must go no further down the road toward complete socialism. It is my belief that trying to stop is not enough. We have gone too far. We must turn back. Somehow, we must find a way to unwind this maze of bureaucratic government which has engulfed us. Either we will turn back or we will plunge on over the falls. There is no stopping just at the brink—of remaining suspended over a whirlpool of chaos that is "the middle way."

How can it be done? Certainly, there is no easy way. As I see it it is a long, laborious job of education. More people must understand where our present policies are leading us. Just switching political office holders will not do the job. The basic questions are not political—they are questions of economics and of morals.

I will not deny that part of our problem lies in the area of faith. It has been said that man cannot live without faith in something. It may be that we must replace many of our false faiths with faiths in simple truth and morality, with faith in the ability of individuals to work out their own destinies under freedom. We must rehabilitate a faith in free men, and each of us must start with himself, practicing the dignity of self-reliance.

Almost every day we come face to face with one or more of these problems of government. What about the Brannan Farm Plan? What about control of beef prices? What about Federal aid for education? What about socialized health plans? How can we reach sound conclusions on all of these many questions without a set of basic principles that can be applied to every case? The danger lies in using a different set of principles to answer different problems. If the question, for example, relates to agriculture and affects our own business, we may come up with a different answer than when it is a question related to the control of wages of factory workers.

For myself, I find it useful to ask a few relatively simple questions about any proposal that comes along. I find this a sort of a yardstick or guide along which I can lay the proposal and size it up.

(1) What does this do to an individual's freedom of choice?

(2) How does it affect the right to private ownership of property? Does it violate the right of a person to the product of his own labor?

(3) Does it affect the operation of a free market? Does it prevent a person from exchanging anything he owns for something another persons owns on whatever terms that are agreeable to both parties?

(4) What affect will this proposal have on savings and investment in the tools of workers? This is most important if we want to remain productive or to expand in our capacity to produce. Some years back, we considered it normal to invest about 18% of our national income each year in the tools of business. This rate of savings and investment has declined to around 6% in recent years and that is serious.

(5) Does this proposal expand the activities of an already oversized government or does it restrict it toward a situation where government will merely be a servant for the protection of life and property?

Now, I will admit that it is easier to ask these questions than answer them. In many cases, careful and thorough study will be required. Once these problems are understood, we must have the moral courage to stand up and be counted in our communities, even at the risk of being different. I see no other way out.

Most of the world today is concerned about peace. We are in a position where people from other nations are looking toward us to show them the way to peace. It is a frightening responsibility which we cannot handle lightly. Thus far, we have not discharged that responsibility very well.

I submit that we could render no more useful service throughout the world today, in the name of peace and freedom, than to demonstrate to the world that we believe in freedom and can give it a chance to work here at home. The solution begins with each person working on himself and not on his neighbor; of each person understanding the ingredients of freedom and being able to explain them. It begins with our own nation allowing the principles of freedom to operate here at home, instead of trying to tell other nations what they should do.

I am convinced that only in this way can we regain the American way of life we have cherished.

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Tax Consequences of Registering Stock in Name of Married Man

Mrs. Smith an undivided one-half interest in the stock. Mr. Smith also receives an undivided one-half interest in the stock. Such ownership of undivided interests in property is sometimes referred to as a tenancy in common. The gift of the undivided one-half interest to Mrs. Smith is taxable under the Federal gift tax. The value of such gift to Mrs. Smith is $5,000, being one-half of the price paid for the shares. Under the Federal gift tax a husband may give $6,000 outright to his wife each year free of gift tax. Consequently, there is no gift tax payable on the $5,000 gift of the undivided one-half interest of the stock to Mrs. Smith.

If Mr. Smith paid $20,000 for the 100 shares rather than $10,000, the gift to Mrs. Smith is $10,000, so there is a taxable gift of $4,000 under the Federal law ($10,000 less the $6,000 annual exclusion). In addition to the annual exclusions, each person has a lifetime exemption of $30,000 under the Federal gift tax law. If Mr. Smith has not previously used such lifetime exemption, he could apply it against the taxable gifts and thereby eliminate any gift tax. If this was the first time he used any of his lifetime exemptions, he would have $26,000 of the exemption left ($30,000 less $4,000).

(b) *Right of Mrs. Smith to Transfer Any of the Stock.*

Although Mrs. Smith obtains an undivided one-half interest in the 100 shares she cannot transfer *separate* title to any of the shares unless her husband (or his administrator or executor after his death) joins in the transfer. She can, however, transfer her *undivided* one-half interest to a third person without having Mr. Smith join in the transfer, and if Mr. Smith refuses to transfer clear title to 50 shares to such third person, the third person can go into court and force a partition of the stock whereby the third person will obtain separate title to 50 shares, leaving Mr. Smith with separate title to the other 50 shares. Also Mrs. Smith probably can go into court and obtain a partition of the shares over the objection of Mr. Smith without transferring her interest to a third person.

(c) *Distribution of Stock Upon His Death.*

Since Mr. Smith owns only an undivided one-half interest in the 100 shares, that is all that can pass under his will, or pass under the intestate laws if he dies without a will. He has no control whatsoever over the undivided one-half interest given to his wife.

Mr. Smith's one-half interest in the stock is subject to disposition under his will and passes under the intestate laws in the same manner as if he owned 50 shares outright. The only difference is that his estate takes an undivided one-half interest in 100 shares rather than an outright title to 50 shares. The estate of Mr. Smith probably would obtain a partition of the stock so as to receive outright ownership of 50 shares rather than an undivided interest in 100 shares, unless the shares pass to Mrs. Smith, in which case the undivided one-half interest received from Mr. Smith plus her undivided one-half interest previously received as a gift gives her total ownership of the 100 shares. To obtain a partition of the shares, or to have the 100 shares registered in the name of Mrs. Smith alone after the death of Mr. Smith, it is necessary for the certificate to be signed by the administrator or executor of Mr. Smith's estate, which necessitates probate of the estate.

(d) *Federal Estate Tax.*

Mr. Smith owns only an undivided one-half interest in the stock, having made a gift of the other one-half to his wife, so an undivided one-half interest is all that is taxed under the Federal estate tax. If the fair market value of the 100 shares at the date of his death is $15,000 ($150 per share), the value of his undivided one-half interest subject to estate tax is $7,500. Such $7,500 undivided one-half interest qualifies for the marital deduction if Mr. Smith leaves such stock interest outright to his wife. The discussion of the marital deduction under I (d) above also applies here.

(e) *Federal Income Taxation of Gain Realized Upon Sale of Stock After His Death.*

After the death of Mr. Smith, the tax basis of his undivided one-half interest in the stock is the value thereof at the date of his death. (The tax basis of stock is discussed under I (e) above.) Mr. Smith's death only affects the tax basis of the undivided one-half interest owned by him and does not affect the tax basis of the undivided one-half interest owned by Mrs. Smith. The tax basis of Mrs. Smith's one-half interest is the original cost thereof which is $5,000 (one-half of the price paid by Mr. Smith).

Assuming that the stock is worth $150 per share at the time of Mr. Smith's death, the tax basis of the undivided one-half interest owned by him is $7,500 (one-half the value of 100 shares at $150 per share). If the estate obtains a partition of the shares so that it owns 50 shares outright, it realizes no taxable gain when it sells the 50 shares for $7,500 ($150 per share).

If Mrs. Smith obtains ownership of the 100 shares by virtue of receiving Mr. Smith's undivided one-half interest upon his death, her aggregate tax basis for the 100 shares is $12,500, computed as follows: (i) A $5,000 tax basis for the undivided one-half interest in the shares received as a gift from Mr. Smith, $5,000 being one-half of the purchase price paid by Mr. Smith for the 100 shares, plus (ii) a $7,500 tax basis for the undivided one-half interest received by inheritance from Mr. Smith, $7,500 being one-half the value of the 100 shares at the time of his death.

III. If All of the Shares Are Registered in His Own Name and His Wife's Name Jointly Under a Certificate for 100 Shares Made Out to "John

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Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

The major reason for the current decline and dullness is the approaching end to the Korean War. At least that is the most widely accepted theory. Whether or not it is the basic reason, I doubt very much. We are too deeply committed to a war or at best (or worst) a hot peace as against a cold war, to believe an end of Korean hostilities will wind up the international tensions.

If you're wondering why I mention the war at all, the reason is that all our planning, economic as well as diplomatic, is geared to a coming war. In fact, I'm convinced that if preparations for a war were to cease today, we'd be in for one of the worst depressions we've seen in a long time.

If you accept that belief, then an end to Korean hostilities should give you pause. But coincident with that one must take a longer view that nothing has been settled by such a cessation. So any reaction at this time must be considered as a minor occurrence.

The phrase "minor occurrence" can mean many things to many people. If you're long of stocks close to the year's highs, a "minor" reaction can give you nightmares. It therefore depends on what you have and where you bought it.

If you follow averages, then again you have to evaluate your position based on what averages you follow.

In the final analysis, however, it isn't averages, or wars that will determine your position. It is the stocks you hold; why you bought them and what they're doing in relation to the rest of the market and the rest of the group of which they're members.

Last week and the week before I suggested that the second grade issues, the so-called "cheap" stocks, would be the ones that would be in the forefront in the coming weeks. The word "cheap" is limited. It means stocks selling between 10 and 25. This doesn't mean that all stocks selling in that range are necessarily cheap. In fact there are stocks selling over 100 that may actually prove cheaper than some selling at five dollars a share.

Some of these low-priced stocks have been mentioned here from time to time. They were non-ferrous issues; amusement shares; building equipment securities, etc. Not all of them will do much in the weeks to come. But I think enough of them will poke up their heads to make them the coming subjects for boardroom conversation in the immediate future.

[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.]

Blyth Group Offers Vitro Mfg. Co. Stock

Blyth & Co., Inc., heads an investment group which is offering for public sale today (Nov. 29) 100,000 shares of common stock, par value 50 cents per share, of The Vitro Manufacturing Co., an active participant in the field of atomic energy. The stock is priced at $13.50 per share.

Proceeds from the sale of the stock will be used for additional laboratory equipment and other facilities, for working capital to assist the financing of contracts with the United States Armed Forces and the Atomic Energy Commission, and for general corporate purposes.

The Vitro Manufacturing Co. is primarily engaged in the development, design and engineering of chemical processes and plants for the U. S. armed services and the processing of uanium products for the Atomic Energy Commission.

For the eight months ended Aug. 31, 1951, net sales of the company totaled $1,234,734 and net profits amounted to $207,864 after taxes on income totaling $377,227. On Nov. 7, 1951, each authorized and issued share of common stock of $1 par value was changed into two shares of 50 cents par value each.

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Tax Consequences of Registering Stock in Name of Married Man

Smith and Mary Smith, as Joint Owners":

(a) *Federal Gift Tax.*

Such registration gives Mrs. Smith an undivided one-half interest in the stock just as if the stock were registered in the name of John Smith and Mary Smith, minus the additional phrase. The additional phrase creates a joint ownership, or what is known as a joint tenancy, in contrast to a tenancy in common. In some states the words "with right of survivorship" or "and not as tenants in common" are added for the purpose of creating a joint tenancy in stock. Such registration of the stock gives Mrs. Smith an undivided one-half interest in the 100 shares and constitutes a gift of such undivided one-half interest to Mrs. Smith. The value of the gift is one-half the purchase price paid for the stock, or $5,000. The discussion under II (a) above concerning the gift tax exclusions and exemptions also applies here.

(b) *Right of Mrs. Smith to Transfer Any of the Stock.*

Although Mrs. Smith obtains an undivided one-half interest in the 100 shares, she cannot transfer separate title to any of the shares unless her husband joins in the transfer. She can, however, transfer her undivided interest to a third person which transfer creates a tenancy in common between Mr. Smith and the third person who can obtain a partition of the stock as discussed in II (b). If Mrs. Smith predeceases Mr. Smith without having transferred her interest in the stock, her undivided one-half interest in the 100 shares automatically passes to Mr. Smith, giving him outright ownership of the 100 shares.

(c) *Disposition of Stock Upon His Death.*

During his lifetime Mr. Smith could convey his undivided one-half interest to a third person which would create a tenancy in common between Mrs. Smith and the third person, but upon his death Mr. Smith has no control over his undivided one-half interest in the stock. His interest passes automatically to Mrs. Smith irrespective of what may be provided in Mr. Smith's will. The automatic passing of Mr. Smith's interest to Mrs. Smith upon his death is what is referred to as the right of survivorship and is the distinguishing feature between such joint ownership and a tenancy in common.

For Mrs. Smith to have the stock registered in her name alone after the death of Mr. Smith it is not necessary for the administrator or the executor of the estate of Mr. Smith to sign the certificates, so probate of Mr. Smith's estate is not necessary to give Mrs. Smith sole and clear title to the 100 shares If Mr. Smith's estate is probated because of other property, the jointly owned shares of stock are not included in his estate.

(d) *Federal Estate Tax.*

The full value of the 100 shares at the time of Mr. Smith's death is taxed under the Federal estate tax. This results from specific provisions of the law which taxes the full value of jointly held property, except to the extent that it can be shown that the survivor contributed to the purchase price paid for the property. Since Mrs. Smith contributed nothing to the purchase price of the 100 shares, the full value of the 100 shares is subject to the Federal estate tax. Assuming that the shares appreciated in value to $150 a share between the time Mr. Smith purchased the shares and the time of his death, the shares would be taxed at a valuation of $150 per share, or a total of $15,000 for the 100 shares.

The automatic passing of title to Mrs Smith upon the death of Mr. Smith qualifies under the Federal estate tax marital deduction. Therefore the estate of Mr. Smith is entitled to a marital deduction of $15,000 because of the jointly held stock, unless such $15,000 is in excess of the upper limitation of the marital deduction which, as discussed above, is approximately one-half of the estate. It is to be noted that the stock is subject to tax in Mr. Smith's estate at the full value of the 100 shares at date of death in spite of the fact that the registration of the shares in the joint names of Mr. and Mrs. Smith constituted a gift to Mrs. Smith of one-half the value of the shares at the time of purchase.

(e) *Federal Income Taxation of Any Gain Realized Upon Sale of the Stock After His Death.*

Here is the real tax joker in jointly held property. While the full value of the stock at the date of Mr. Smith's death ($150 per share) is taxed under the Federal estate tax, the income tax basis of the stock is not its value at date of death, but is the amount paid for the stock. Therefore the tax basis of the stock after the death of Mr. Smith is $100 per share (the amount paid by Mr. Smith for the shares), and not $150 per share (the value of the stock at the date of Mr. Smith's death). Stock received by a surviving joint owner is not received by devise or inheritance, so the exception to the rule discussed in I (e) above does not apply. Consequently, if Mrs. Smith sells the stock for $150 per share after Mr. Smith's death, she realizes a capital gain of $50 per share.

In contrast, if Mr. Smith owned the stock individually and willed it to Mrs. Smith, she would have no capital gain upon a sale of the stock for $150 per share, because the tax basis of stock received by inheritance is the value at the date of Mr. Smith's death ($150 per share as discussed in I (e) above). There is no logical explanation for the above illustrated income taxation of jointly held property, but such nevertheless is the result dictated by certain technicalities of the tax laws.

IV. If All of the Shares Are Registered in His Wife's Name Alone Under a Certificate for 100 Shares Made Out to "Mary Smith":

(a) *Federal Gift Tax.*

Registering all the stock in the name of Mrs. Smith constituted a gift of the 100 shares to his wife. The amount of the gift is $10,000, the price paid for the stock. This $10,000 gift is $4,000 more than the $6,000 annual exemption allowed under the Federal gift tax. Against such taxable gifts may be applied the lifetime exemption allowed under the gift tax laws as discussed under the second paragraph of II (a) above.

(b) *Right of Mrs. Smith to Transfer Any of the Stock.*

Mrs. Smith has the absolute power of disposition over the 100 shares received as a gift from Mr. Smith.

(c) *Disposition of Stock Upon His Death.*

Since Mr. Smith has made a complete gift of all the stock to his wife, he has no power of distribution over the stock whatsoever.

(d) *Federal Estate Tax.*

Mr. Smith has no interest in the stock which he gave to his wife, so it is not subject to the federal estate tax, unless the gift to his wife is considered a gift in contemplation of death, in which event the full valuation of the stock at the date of death is subject to the estate tax.

(e) *Federal Income Taxation of Gain Realized Upon Sale of Stock After His Death.*

The death of Mr. Smith has nothing to do with the tax basis of the stock since the stock is owned by Mrs. Smith and not Mr. Smith. The tax basis of Mrs. Smith for the stock is the price paid for the stock by Mr. Smith, which is $100 per share, or an aggregate of $10,000 for the 100 shares.

V. If the Shares Are Divided Equally Between Himself and His Wife, With One Certificate for 50 Shares Made Out to "John Smith" and a Separate Certificate for 50 Shares Made Out to "Mary Smith":

(a) *Gift Tax.*

Registration of 50 shares in the name of Mrs. Smith constitutes a gift of the 50 shares to his wife. The amount of the gift is $5,000, the price paid by Mr. Smith for the 50 shares. The discussion of the gift tax exemption under II(a) above applies here.

(b) *Right of Mrs. Smith to Transfer Any of the Stock.*

Mrs. Smith has the absolute power of disposition over the 50 shares received as a gift from Mr. Smith, and Mr. Smith has the power of disposition over the 50 shares registered in his name.

(c) *Disposition of Stock Upon His Death.*

The 50 shares registered in Mr. Smith's name will pass under his will, or pass under the intestate laws if he dies without a will. He has no control whatsoever over the 50 shares given to his wife. In order to have the 50 shares transferred from the name of Mr. Smith after his death, it is necessary to have the certificate signed by the executor or administrator of his estate which means that the estate must be probated. The death of Mr. Smith has no effect upon the ability of Mrs. Smith to dispose of the 50 shares received by her as a gift from Mr. Smith.

(d) *Federal Estate Tax.*

The 50 shares registered in the name of Mr. Smith are taxed under the federal estate tax at the fair market value of the shares at the date of death. The discussion under I(d) above concerning the marital deduction applies here.

(e) *Federal Income Taxation of Gain Realized Upon Sale of Stock After His Death.*

The tax basis of the 50 shares registered in the name of Mr. Smith is the value thereof at the date of his death. Mr. Smith's death only affects the 50 shares owned by him and does not affect the 50 shares given to Mrs. Smith. Therefore the tax basis of the 50 shares passing upon the death of Mr. Smith is $150 per share (assuming that $150 is the value of the shares at the time of Mr. Smith's death), and the tax basis of the 50 shares given to Mrs. Smith is $100 per share, the price paid for the shares by Mr. Smith, making an aggregate tax basis for the 100 shares of $12,500.

General Conclusions Based On the Foregoing

(1) As a general rule, unless there is some personal reason irrespective of tax considerations why a married man desires to give his wife an interest in stock purchased by him, he should have the stock registered in his own name. The only tax advantage of having all or some of the stock registered in the name of the wife is that stock so registered is not subject to estate tax upon the death of the husband (unless considered a gift

contemplation of death). Such x advantage exists only if the lue of the husband's estate, in- uding the stock, would exceed 20,000, there being no federal x payable on an estate of $120,- 0 (or less) left to a wife, be- use the marital deduction re- ices the $120,000 estate to $60,- 0, the amount of the federal tate tax exemption. A tax dis- lvantage of having stock regis- red in the name of a wife is at such registration constitutes a ft by the husband subject to gift x, except to the extent covered the annual exclusion and life- ne exemption. Also, stock regis- red in the name of a wife does ot receive the advantage of a epped-up income tax basis here the stock has increased in lue between the date of pur- ase and the husband's death.

(2) If the husband wants to give s wife an interest in stock pur- hased by him, he should have the esired number of shares regis- red in her name alone, rather ian having the shares registered both of their names or in their int names.

(3) Registering stock in the ame of a husband and wife (un- er a certificate made out to John Smith and Mary Smith") roduces the same tax results as aving one-half of the shares reg- tered in the name of the wife lone. A disadvantage of such reg- tration is that after the death of er husband the wife cannot ansfer separate title to any of e shares. She must await the ppointment of an executor or dministrator whose signature on e stock certificate is necessary or transfer. Also, the husband uring his lifetime cannot transfer eparate title to any of the shares ithout obtaining the signature of is wife on the certificate.

(4) The worst tax results are btained by having stock regis- ered in the name of a husband nd wife jointly (under a certifi- ate made out to "John Smith and Mary Smith, as joint owners"). lthough such registration consti- utes a taxable gift of an amount qual to one-half the purchase rice paid by the husband or the stock (except to the xtent covered by the gift tax nnual exclusion and lifetime ex- mption), stock so registered is axed under the federal estate tax t the full value of all the shares n the date of the husband's eath. In spite of the fact that ll of the shares so registered are ubject to estate tax on the full alue of the stock at the date of he husband's death, the income ax basis of the stock is the price aid for same, and not the value f the stock at the date of the usband's death. The only advan- age of such registration is that pon the death of the husband itle to all the jointly held shares asses automatically to the wife ithout the necessity of probat- ng, but this advantage is to a arge extent nullified if probate s required because of other prop- rty owned by the deceased.

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The State of Trade and Industry

inclement weather has slowed collections, preparation and shipments over a wide area of the country the past couple weeks.

Current scrap inventory of the steel mills is best described as spotty with stocks at some plants dangerously low and still shrinking. Other mills are adding to their accumulations. Generally, however, supplies fall far short of 60 days, normally considered safe working margin, this trade paper adds. Inventories of a number of mills have been so depleted they have been working on virtually a day-to-day basis. High level production is being maintained at some distress points only through extensive government allocation of stocks from other producing districts. Consequently, increasing dependence is being placed on the government scrap drive with winter just beginning. Efforts are being intensified to maintain the drive under full steam since it is seen as providing the chief hope for averting sharp curtailment of production in the not distant future.

This trade magazine also notes divergent trends in demand. Defense requirements are rising at the same time pressure for tonnage from consumer durable goods manufacturers is easing with allotments for first quarter cut further. These cutbacks are being reflected in noticeable easing in supplies of light, flat-rolled products. Spot tonnages of sheets are reported being offered fairly freely with some mills actively soliciting orders. One midwest mill disposed of 1,800 tons in the East last week. Wiremakers also are reported looking for orders for some grades, including spring wire. Bar demand continues just as strong as ever with defense requirements expanding steadily. Structurals are sold out for first quarter and the same is true of plates. Additional light plate orders are being diverted to the continuous mills for rolling. Pig iron supply appears adequate for current foundry requirements.

Despite noticeable easing in some areas of the market demand-supply balance is not expected until after mid-1952 at earliest, "Steel" observes. Much of the slack in demand now being experienced, stemming from cutbacks in civilian goods, is expected to be taken up shortly on defense account. Although auto builders are getting out of the high-priced conversion steel market as quickly as possible, demands for conversion steel are reported coming in from other directions, notably farm implement manufacturers. Overall needs for steel, generally, will tax capacity production for months to come. Meanwhile, however, indications are the market will present a much more orderly appearance in the first quarter than it has in past months, this trade publication 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 104% of capacity for the week beginning Nov. 26, 1951, or an increase of 0.3 of a point from a week ago.

This week's operating rate is equivalent to 2,079,000 tons of steel ingots and castings for the entire industry, compared to 103.7%, or 2,073,000 tons a week ago, and 104.5%, or 2,089,000 tons a month ago. A year ago it stood at 81.7% of the old capacity and amounted to 1,575,800 tons, when production was curtailed by inclement weather.

Electric Output Declines Further in Holiday Week

The amount of electric energy distributed by the electric light and power industry for the week ended Nov. 24, 1951, was estimated at 7,157,038,000 kwh., according to the Edison Electric Institute.

The current total was 176,096,000 kwh. below that of the preceding week, due in large measure to the Thanksgiving Day holiday; 649,529,000 kwh., or 10.0% above the total output for the week ended Nov. 25, 1950, and 1,619,916,000 kwh. in excess of the output reported for the corresponding period two years ago.

Carloadings Turn 2.9% Above Previous Week's Level

Loadings of revenue freight for the week ended Nov. 17, 1951, totaled 814,435 cars, according to the Association of American Railroads, representing an increase of 23,032 cars, or 2.9% above the preceding week.

The week's total represented a decrease of 23,023 cars, or 2.7% below the corresponding week in 1950, but an increase of 55,463 cars, or 7.3% above the comparable period of 1949.

Auto Output Drops Sharply as a Result of Extended Thanksgiving Holiday

Combined motor vehicle production in the United States and Canada the past week, according to "Ward's Automotive Reports," declined to 80,489 units, compared with the previous week's total of 120,767 (revised) units, and 122,716 units in the like week of 1950.

Passenger car and truck production last week in the United States was about 35% lower than the previous week, and was almost 37% below the like week of last year.

For the United States, total output fell to an estimated 72,437 units from last week's revised total of 112,817 units. In the like week of last year output totaled 116,059 units.

Total output for the current week was made up of 57,359 cars and 15,078 trucks built in the United States, against 88,787 cars and 24,030 trucks last week and 99,198 cars and 16,861 trucks in the comparable 1950 week.

Canadian output is estimated at 5,102 cars and 2,950 trucks against 4,987 cars and 2,963 trucks last week and 4,983 cars and 1,674 trucks in the corresponding 1950 week.

Business Failures Rise Moderately

Commercial and industrial failures rebounded to 149 in the Thanksgiving week ended Nov. 22 from 109 in the preceding week, Dun & Bradstreet, Inc., reports. With this increase, casualties exceeded the 146 and 148 which occurred in the similar weeks of 1950 and 1949, but they remained 41% below the prewar total of 252 in 1939.

Failures involving liabilities of $5,000 or more rose to 118 from 81 in the previous week and were slightly higher than last year when 113 of this size were recorded.

Wholesale Food Price Index Makes Further Mild Gain

The wholesale food price index, compiled by Dun & Bradstreet, Inc., continued upward last week although individual price movements were mixed. The index for Nov. 20 rose 1 cent to $6.68, from $6.67 the week before. It compared with $6.63 on the corresponding date a year ago, or a rise of 0.8%.

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 Average Closes Week Slightly Higher

The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., moved in a narrow range during most of the week but rose sharply at the close to finish slightly higher than a week ago. The index closed at 311.07 on Nov. 20, as against 310.41 a week previous, and 303.47 on the like date a year ago.

Grain markets registered further substantial gains last week, sparked by unfavorable weather reports from Canada and Argentina.

All future deliveries of wheat, corn and oats reached new high ground for the season. There was a broadening demand for corn both for domestic and export account. In addition to unfavorable weather conditions, bullish influences included a decrease in production estimates and reports indicating a high level of cattle feeding. Export busines in wheat was in good volume with favorable prospects for heavy sales during the remainder of the crop season. Strength in oats resulted largely from an active feeder demand. Trading in all grain futures on the Chicago Board of Trade was about equal to that of the previous week and the like week a year ago.

Flour prices were steady the past week following the upward spurt of the previous week. Domestic bookings of all types of flour showed little variation from the conservative pace of recent weeks; trading as a rule was confined largely to scattered small lots for fill-in purposes. Cocoa values continued to sag, reflecting further selling in primary markets at slightly lower prices. The current spot quotation for Accra cocoa at 28⅝ cents a pound, represents a drop of about 7 cents since early September.

Coffee was slightly lower for the week in the absence of buying support and the increased availability of supplies as a result of the dock strike settlement.

The upward trend in cotton prices was reversed last week. Following early strength the market turned irregularly lower, influenced by profit-taking and hedge-selling and by liquidation induced by the failure of the cotton goods market to expand as anticipated following the recent advance in the raw staple. Mill demand for cotton was limited with export sales continuing in good volume. Sales in the ten spot markets increased quite sharply and totaled 400,100 bales for the latest week, compared with 354,100 the previous week, and 347,100 during the corresponding week a year ago. Entries into the government 1951 loan continued at a lower rate, totaling 54,564 bales in the week ended Nov. 8, comparing with 70,905 a week earlier, and 86,400 two weeks previous.

Trade Volume Improves on Holiday Buying and Good Shopping Weather

Early Christmas shopping and cool, stimulating weather for the period ended on Wednesday of last week sustained the steady rise in retail sales volume which began a few weeks ago. Although the dollar volume of retail trade was moderately higher than a year ago, many merchants encountered increasing difficulty in bettering the sales figures of a year ago, when the second wave of warscare buying was under way, states Dun & Bradstreet, Inc., in its current trade summary.

Shoppers increased their purchases of apparel perceptibly the past week; total dollar receipts of clothing retailers were generally larger than a year ago. Both women's and men's suits and coats were in increased demand.

Retailers of household goods sold about as much as during the previous week, but somewhat less than a year ago. The interest in television sets remained considerably below a year ago when scare-buying boosted sales sharply. Among the most popular items were incidental furniture, glassware, hardware and bedding. Floor-coverings were in slightly increased demand.

Total retail dollar volume in the period ended on Wednesday of last week was estimated to be from 3 to 7% higher than a year ago. Regional estimates varied from the levels of a year ago by the following percentages:

New England, East, and Northwest +3 to +7; South +1 to +5; Midwest and Southwest +4 to +8; and Pacific Coast +2 to +6.

Trading activity in most wholesale markets increased markedly in the week; many merchants limited their commitments to near-future needs. Aggregate order volume did not vary perceptibly from the high level of a year earlier. Buyer attendance at many markets dropped substantially last week and was slightly below 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. 17, 1951, increased 2% from the like period of last year. In the preceding week an increase of 7% (revised) was registered above the like 1950 week and an increase of 6% for the four weeks ended Nov. 17, 1951. For th year to date, department store sales registered an advance of 3%.

Retail trade in New York last week continued to experience a lag in selling, but reflected a gain of 10% over the 1950 period. It should be noted, however, that a year ago trade suffered a sharp decline as a result of the severe storm on Nov. 25.

According to Federal Reserve Board's index, department store sales in New York City for the weekly period ended Nov. 17, 1951, declined 4% below the like period of last year. In the preceding week an increase of 6% was recorded from the similar week of 1950, but for the four weks ended Nov. 17, 1951, an increase of 2% was registered above the level of a year ago. For the year to date volume advanced 5% from the like period of last year.

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)	Dec. 2	104.0	103.7	104.5	81.7
Equivalent to—					
Steel ingots and castings (net tons)	Dec. 2	2,079,000	2,073,000	2,089,000	1,575,800
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output — daily average (bbls. of 42 gallons each)	Nov. 17	6,237,150	6,203,550	6,353,200	5,882,400
Crude runs to stills—daily average (bbls.)	Nov. 17	‡6,616,000	6,573,000	6,481,000	6,002,000
Gasoline output (bbls.)	Nov. 17	22,114,000	21,489,000	21,839,000	19,702,000
Kerosene output (bbls.)	Nov. 17	2,802,000	2,873,000	2,415,000	2,319,000
Distillate fuel oil output (bbls.)	Nov. 17	9,638,000	9,380,000	9,461,000	8,231,000
Residual fuel oil output (bbls.)	Nov. 17	9,403,000	9,076,000	8,502,000	8,783,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Nov. 17	110,381,000	109,455,000	111,363,000	105,468,000
Kerosene (bbls.) at	Nov. 17	32,729,000	32,907,000	33,392,000	28,382,000
Distillate fuel oil (bbls.) at	Nov. 17	100,429,000	102,687,000	101,548,000	87,117,000
Residual fuel oil (bbls.) at	Nov. 17	48,434,000	48,100,000	49,279,000	45,600,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Nov. 17	814,435	791,403	886,648	837,458
Revenue freight received from connections (number of cars)	Nov. 17	687,557	671,443	706,756	704,392
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Nov. 22	$163,148,000	$312,983,000	$189,111,000	$235,119,000
Private construction	Nov. 22	93,962,000	202,323,000	105,732,000	142,919,000
Public construction	Nov. 22	69,186,000	110,660,000	83,379,000	92,200,000
State and municipal	Nov. 22	56,201,000	76,765,000	41,379,000	79,061,000
Federal	Nov. 22	12,985,000	33,895,000	42,000,000	13,139,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Nov. 17	11,510,000	*11,440,000	11,355,000	12,003,000
Pennsylvania anthracite (tons)	Nov. 17	993,000	919,000	1,045,000	849,000
Beehive coke (tons)	Nov. 17	143,400	*143,500	131,200	155,100
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE = 100	Nov. 17	374	*366	334	368
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Nov. 24	7,157,038	7,333,134	7,233,928	6,507,509
FAILURES (COMMERCIAL AND INDUSTRIAL)—DUN & BRADSTREET, INC.	Nov. 22	149	109	155	146
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Nov. 20	4.131c	4.131c	4.131c	3.837c
Pig iron (per gross ton)	Nov. 20	$52.72	$52.72	$52.72	$49.69
Scrap steel (per gross ton)	Nov. 20	$42.00	$42.00	$42.00	$40.75
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Nov. 21	24.200c	24.200c	24.200c	24.200c
Export refinery at	Nov. 21	27.425c	27.425c	27.425c	24.425c
Straits tin (New York) at	Nov. 21	103.000c	103.000c	103.000c	144.000c
Lead (New York) at	Nov. 21	19.000c	19.000c	19.000c	17.000c
Lead (St. Louis) at	Nov. 21	18.800c	18.800c	18.800c	16.800c
Zinc (East St. Louis) at	Nov. 21	19.500c	19.500c	19.500c	17.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Nov. 27	97.15	96.80	97.73	101.56
Average corporate	Nov. 27	109.06	109.42	109.97	115.43
Aaa	Nov. 27	113.70	113.70	114.27	119.61
Aa	Nov. 27	112.37	112.75	113.50	118.00
A	Nov. 27	107.80	108.34	109.42	114.85
Baa	Nov. 27	102.80	103.13	103.47	109.24
Railroad Group	Nov. 27	104.83	105.34	106.56	111.81
Public Utilities Group	Nov. 27	109.06	109.24	109.79	115.82
Industrials Group	Nov. 27	113.50	113.70	113.89	119.00
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Nov. 27	2.69	2.72	2.65	2.38
Average corporate	Nov. 27	3.22	3.20	3.17	2.88
Aaa	Nov. 27	2.97	2.97	2.94	2.67
Aa	Nov. 27	3.04	3.02	2.98	2.72
A	Nov. 27	3.29	3.26	3.20	2.91
Baa	Nov. 27	3.58	3.56	3.54	3.21
Railroad Group	Nov. 27	3.46	3.43	3.36	3.07
Public Utilities Group	Nov. 27	3.22	3.21	3.18	2.86
Industrials Group	Nov. 27	2.98	2.97	2.96	2.70
MOODY'S COMMODITY INDEX	Nov. 27	457.1	458.6	457.8	477.6
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Nov. 17	186,612	175,281	168,866	228,399
Production (tons)	Nov. 17	208,429	209,154	217,734	237,895
Percentage of activity	Nov. 17	86	86	89	103
Unfilled orders (tons) at end of period	Nov. 17	426,284	450,811	429,639	723,350
OIL, PAINT AND DRUG REPORTER PRICE INDEX — 1926-36 AVERAGE = 100	Nov. 23	149.3	148.9	149.0	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. 10	25,435	34,018	26,144	28,589
Number of shares	Nov. 10	715,703	971,801	770,718	850,965
Dollar value	Nov. 10	$31,940,676	$39,950,913	$32,981,060	$37,324,115
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Nov. 10	20,094	25,708	23,601	23,798
Customers' short sales	Nov. 10	267	461	131	377
Customers' other sales	Nov. 10	19,827	25,247	23,470	23,421
Number of shares—Total sales	Nov. 10	569,897	750,833	676,754	700,913
Customers' short sales	Nov. 10	9,255	15,171	4,469	14,279
Customers' other sales	Nov. 10	560,642	735,662	672,285	686,634
Dollar value	Nov. 10	$24,174,760	$32,543,908	$27,166,119	$25,626,727
Round-lot sales by dealers—					
Number of shares—Total sales	Nov. 10	148,840	196,670	185,090	199,740
Short sales	Nov. 10				
Other sales	Nov. 10	148,840	196,670	185,090	199,740
Round-lot purchases by dealers—					
Number of shares	Nov. 10	300,600	423,880	283,440	351,210
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR—1926 = 100:					
All commodities	Nov. 20	177.2	*177.3	177.1	172.0
Farm products	Nov. 20	195.5	*195.1	192.3	184.5
Grains	Nov. 20	197.4	194.1	188.9	171.5
Livestock	Nov. 20	235.3	235.7	253.5	219.8
Foods	Nov. 20	189.8	*190.4	190.1	176.1
Meats	Nov. 20	269.8	273.9	282.4	240.6
All commodities other than farm and foods	Nov. 20	165.2	*165.2	165.1	163.8
Textile products	Nov. 20	159.3	159.3	156.8	168.1
Fuel and lighting materials	Nov. 20	138.7	138.7	138.8	135.6
Metals and metal products	Nov. 20	190.9	190.9	190.9	180.3
Building materials	Nov. 20	224.5	223.9	223.7	217.9
Lumber	Nov. 20	346.5	345.6	345.9	‡
Chemicals and allied products	Nov. 20	140.0	140.2	141.8	136.2

*Revised. ‡Not available. ‡Includes 408,000 barrels of foreign crude runs.

	Latest Month	Previous Month	Year Ago
BANKERS' DOLLAR ACCEPTANCES OUTSTANDING — FEDERAL RESERVE BANK OF NEW YORK—As of October 31:			
Imports	$226,405,000	$210,083,000	$242,687,000
Exports	106,098,000	103,662,000	84,972,000
Domestic shipments	9,267,000	10,214,000	10,013,000
Domestic warehouse credits	17,920,000	16,564,000	18,585,000
Dollar exchange	3,593,000	3,338,000	1,977,000
Based on goods stored and shipped between foreign countries	34,831,000	30,702,000	25,102,000
Total	$398,114,000	$374,563,000	$383,336,000
BUSINESS FAILURES—DUN & BRADSTREET, INC.—Month of October:			
Manufacturing number	150	150	150
Wholesale number	48	70	63
Retail number	304	277	339
Construction number	85	84	91
Commercial service number	57	39	64
Total number	644	620	707
Manufacturing liabilities	$12,444,000	$14,908,000	$5,949,000
Wholesale liabilities	7,285,000	1,459,000	1,598,000
Retail liabilities	6,707,000	4,826,000	4,683,000
Construction liabilities	1,937,000	4,668,000	2,410,000
Commercial service liabilities	2,044,000	782,000	2,009,000
Total liabilities	$30,417,000	$26,643,000	$16,649,000
CASH DIVIDENDS — PUBLICLY REPORTED BY U. S. CORPORATIONS — U. S. DEPARTMENT OF COMMERCE — Month of September (000 omitted)	$1,133,000	$216,700	$1,153,000
COMMERCIAL PAPER OUTSTANDING—FEDERAL RESERVE BANK OF NEW YORK—As of October 31 (000's omitted)	$409,000	$377,000	$312,000
CONSUMER PURCHASES OF COMMODITIES —DUN & BRADSTREET, INC. (1935-1939=100)—Month of October	338.3	*321.6	321.0
COTTON GINNING (DEPT. OF COMMERCE):			
Running bales (excl. of linters) to Nov. 14	11,113,252	-------	7,589,054
DEPARTMENT STORE SALES—SECOND FEDERAL RESERVE DISTRICT, FEDERAL RESERVE BANK OF N. Y. — 1935-1939 AVERAGE=100—Month of October:			
Sales (average monthly), unadjusted	277	242	264
Sales (average daily), unadjusted	262	257	259
Sales (average daily), seasonally adjusted	240	252	*237
Stocks, unadjusted	294	289	291
Stocks, seasonally adjusted	261	274	258
LIFE INSURANCE—BENEFIT PAYMENTS TO POLICYHOLDERS — INSTITUTE OF LIFE INSURANCE—Month of September:			
Death benefits	$122,338,000	$148,811,000	$115,933,000
Matured endowments	35,119,000	39,785,000	35,834,000
Disability payments	7,453,000	8,580,000	8,542,000
Annuity payments	21,506,000	22,966,000	19,077,000
Surrender values	47,832,000	56,691,000	52,607,800
Policy dividends	54,672,000	50,692,000	48,456,000
Total	$288,920,000	$327,525,000	$280,449,000
NEW CAPITAL ISSUES IN GREAT BRITAIN—MIDLAND BANK, LTD.—Month of Oct.	£4,314,000	£15,524,000	£44,158,000
PERSONAL INCOME IN THE UNITED STATES (DEPARTMENT OF COMMERCE)—Month of September (in billions):			
Total personal income	$253.3	*$253.7	$231.5
Wage and salary receipts, total	167.9	*167.4	149.7
Total employer disbursements	171.3	*170.8	152.6
Commodity producing industries	74.6	*74.5	67.1
Distributive industries	46.3	*46.2	42.8
Service industries	20.3	*20.3	19.1
Government	30.1	*29.8	23.6
Less employee contributions for social insurance	3.4	3.4	2.9
Other labor income	3.8	3.8	3.6
Proprietors' and rental income	48.4	*49.7	45.3
Personal interest income and dividends	20.7	*20.1	21.6
Total transfer payments	12.5	12.7	11.3
Total nonagricultural income	231.8	*231.3	212.9
PRICES RECEIVED BY FARMERS — INDEX NUMBER — U. S. DEPT. OF AGRICULTURE — August, 1909-July, 1914=100—As of Septmber 15:			
Unadjusted—			
All farm products	291	292	272
Crops	239	244	243
Food grain	233	234	221
Feed grain and hay	216	215	194
Tobacco	423	430	428
Cotton	283	291	336
Fruit	201	207	217
Truck crops	161	181	126
Oil-bearing crops	288	294	303
Livestock and products	337	336	298
Meat animals	411	416	372
Dairy products	283	277	248
Poultry and eggs	247	231	196
REAL ESTATE FINANCING IN NONFARM AREAS OF U. S. — FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION —Month of September (000's omitted):			
Savings and loan associations	$445,850	$485,532	$457,384
Insurance companies	113,712	132,080	158,481
Bank and trust companies	263,396	293,493	319,436
Mutual savings banks	82,671	88,263	102,981
Individuals	203,825	227,046	203,593
Miscellaneous lending institutions	198,967	222,533	255,949
Total	$1,308,421	$1,448,967	$1,497,824
U. S. GOVT. STATUTORY DEBT LIMITATION As of October 31 (000's omitted):			
Total face amount that may be outstanding at any time	$275,000,000	$275,000,000	$275,000,000
Outstanding—			
Total gross public debt	$258,298,191	$257,352,895	$256,936,999
Guaranteed obligations not owned by the Treasury	37,483	33,311	21,761
Total gross public debt and guaranteed obligations	$258,335,674	$257,386,206	$256,958,761
Deduct—other outstanding public debt obligations not subject to debt limitation	670,412	673,257	711,040
Grand total outstanding	$257,665,262	$256,712,949	$256,247,720
Balance face amount of obligations, issuable under above authority	17,334,737	18,287,050	18,752,279

Securities Now in Registration

★ REVISIONS THIS WEEK
● INDICATES ADDITIONS

New Registrations and Filings

Abraham Lincoln Land Co., Grand Rapids, Mich.
Nov. 21 (letter of notification) 47,900 shares of common stock (par $1) and $30,000 of 20-year 3% debentures due Oct. 31, 1971 (latter in denominations of $50 each). **Price**—At par or principal amount. **Underwriter**—None. **Proceeds** — To remodel property and to retire debentures. **Office**—900 Michigan Trust Bldg., Grand Rapids 2, Mich.

Air Associates, Inc., Teterboro, N. J.
Nov. 23 (letter of notification) 20,000 shares of common stock (par $1). **Price**—To be offered at about market. **Underwriter**—Bioren & Co., and Stroud & Co., Inc., both of Philadelphia, Pa. **Proceeds**—For working capital.

American Metal Co., Ltd.
Nov. 23 (letter of notification) 964 shares of common stock (no par). **Price**—At market on New York Stock Exchange (closed at 58 on Nov. 21). **Underwriter**—None. **Proceeds**—To common stockholders whose holdings at the close of business were not divisible by 20 (a 5% stock dividend is payable on Dec. 14).

Atlas Plywood Corp. (12/10-15)
Nov. 21, filed 120,000 shares of $2.50 cumulative convertible preferred stock (par $50). **Price**—To be supplied by amendment. **Underwriter**—Van Alstyne Noel Corp., New York. **Proceeds**—To repay $2,500,000 bank loans and for expansion and working capital. **Meeting**—Stockholders will on Dec. 4 vote on approving proposed financing.

Ba-Be Medical Products, Inc., Los Angeles, Cal.
Nov. 23 (letter of notification) 100,000 shares of common stock. **Price**—$1 per share. **Underwriter**—None. **Proceeds**—To purchase products for resale and for operating expenses. **Office**—2516 Overland Avenue, West, Los Angeles, Calif.

Bamberg Textile Mills, Bamberg, S. C.
Nov. 19 (letter of notification) $100,000 of 6% junior convertible debentures due Dec. 1, 1958 to be offered for subscription by common stockholders. **Price**—At par (in denominations of $5 and multiples thereof). **Underwriter**—None. **Proceeds**—To pay RFC debt and for working capital.

Columbia Uranico Mining & Milling Corp.
Nov. 19 (letter of notification) 400,000 shares of common stock. **Price**—50 cents per share. **Underwriter**—Albert Lee Larsen. **Proceeds**—For mining equipment and capital. **Address**—19 Third St. (P. O. Box 733), Cheney, Wash.

Conlan Electric Corp., Brooklyn, N. Y. (12/3)
Nov. 26 (letter of notification) 240,000 shares of common stock (par 25 cents), of which 210,000 are for account of company and 30,000 shares for account of selling stockholder. **Price**—$1.25 per share. **Underwriter**—Weber-Millican Co., New York. **Proceeds**—To company, for working capital.

Exolon Co., Boston, Mass.
Nov. 21 (letter of notification) 12,653 shares of common stock (no par), to be offered to stockholders of record Nov. 28 at rate of one share for each 10 shares held. **Price**—$16 per share. **Underwriter**—None. **Proceeds**—For working capital. **Office**—60 State St., Boston, Mass.

Fram Corp., East Providence, R. I.
Nov. 23 filed $2,500,000 of convertible sinking fund debentures due 1966. **Price** — At 100% of principal amount. **Underwriter**—Barrett Herrick & Co., Inc., New York. **Proceeds** — To retire approximately $1,530,000 of notes, bank loans, and other indebtedness, and for working capital and general corporate purposes.

Fram Corp., East Providence, R. I.
Nov. 23 filed 100,000 shares of common stock (par 50 cents). **Price**—To be supplied by amendment. **Underwriter**—Barrett Herrick & Co., Inc., New York. **Proceeds**—To nine selling stockholders.

General Hearing Aid Corp., Washington, D. C.
Nov. 23 (letter of notification) 2,500 shares of preferential common stock (par $50) and 2,500 shares of management stock (par $1). **Price**—At par. **Underwriter**—None. **Proceeds**—To Melvin H. Stonestreet and John G. Rand, the selling stockholders. **Office**—Colorado Bldg., Washington, D. C.

General Steel Castings Corp.
Nov. 19 (letter of notification) 4,166 shares of common stock (no par). **Price**—$24 per share. **Underwriter**—None. **Proceeds**—To Baldwin Securities Corp., the selling stockholder.

Globe Hill Mining Co., Colorado Springs, Colo.
Nov. 19 (letter of notification) 300,000 shares of common stock (par one cent). **Price**—At market (approximately two cents per share). **Underwriter**—None. **Proceeds**—To Albert S. Konselman, the selling stockholder. **Office**—334 Independence Bldg., Colorado Springs, Colo.

Green Giant Co., Le Sueur, Minn.
Nov. 23 (letter of notification) 6,200 shares of class B common stock (no par). **Price**—At 95% of market on date of offer (market around $18.75 per share). **Underwriter**—None. **Proceeds**—For working capital.

J. S. Distributing Co., Inc., Ingelwood, Cal.
Nov. 23 (letter of notification) 121,594 shares of common stock. **Price**—At par ($1 per share). **Underwriter**—None. **Prceeds**—For working capital. **Office**—9830 So. Irwin Avenue, Inglewood 1, Calif.

Kaiser Aluminum & Chemical Corp. (12/17)
Nov. 27 filed 350,000 shares of cumulative preferred stock (par $50), convertible into common stock through 1961. **Price**—To be supplied by amendment. **Underwriter**—The First Boston Corp., New York, and Dean Witter & Co., San Francisco, Calif. **Proceeds**—From sale of stock, together with proceeds from private sale to institutional investors of $33,500,000 additional first mortgage bonds and from $50,000,000 bank loans, to be used to finance the company's $100,000,000 expansion program.

Lubrication Engineers, Inc., Fort Worth, Tex.
Nov. 20 (letter of notification) 750 shares of common stock to be offered first to stockholders, and then to public. **Price**—At par ($100 per share). **Underwriter**—None. **Proceeds** — For operating capital. **Office** — 2809 Race St., P. O. Box 7303, Fort Worth 11, Tex.

May Brothers Co., Minneapolis, Minn.
Nov. 23 (letter of notification) $150,000 of 6% subordinate debentures (with warrants attached entitling holders to purchase a total of 4,500 shares of common stock, par $10, at $15 per share). **Price**—At principal amount (in denominations of $1,000 each). **Underwriter**—J. M. Dain & Co., Minneapolis, Minn. **Proceeds** — For working capital. **Office**—900 No. 4th St., Minneapolis 1, Minn.

Mines Management, Inc., Wallace, Ida.
Nov. 20 (letter of notification) 20,000 shares of common stock. **Price** — 75 cents per share. **Underwriter**—Louis Payne, 612 Chronicle Bldg., Spokane, Wash. **Proceeds**—To develop mines. **Office**—507 Bank St., Wallace, Ida.

Moore International Television, Inc., N. Y.
Nov. 26 (letter of notification) 299,000 shares of common stock. **Price**—At par ($1 per share). **Underwriter**—None. **Proceeds**—To produce live and film shows for sale to national sponsors and to advertising agencies for broadcasting via television and radio. **Office**—20 East 53rd Street, New York, N. Y.

Mortgage Investors, Inc., Seattle, Wash.
Nov. 16 (letter of notification) 75,000 shares of common stock and 25,000 shares of 1½% cumulative preferred stock. **Price** — At par ($1 per share). **Underwriter**—None. **Proceeds**—To reinvest in real estate. **Office**—713 Third Ave., Seattle 4, Wash.

Niagara Mohawk Power Corp., Syracuse, N. Y.
Nov. 27 filed $15,000,000 of general mortgage bonds, series due 1981, and 1,000,000 shares of common stock (no par). **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. Probable bidders for stock: Merrill Lynch, Pierce, Fenner & Beane; The First Boston Corp.; Morgan Stanley & Co. **Proceeds** — To repay $35,000,000 bank loans and for new construction.

Paper Corp. of United States (N. Y.) (12/3)
Nov. 26 (letter of notification) $100,000 of 10-year profit-sharing 5% to 8% debentures due Dec. 1, 1961. **Price**—At principal amount with interest at rate of 8% per annum from Dec. 1, 1951. **Underwriter**—None. **Proceeds**—For working capital. **Office**—630 Fifth Avenue, New York 20, N. Y.

Patrick T. Henry Corp., Marysvale, Utah
Nov. 19 (letter of notification) 275,000 shares of common stock. **Price**—Estimated at not more than 20 cents per share. **Underwriter** — None. **Proceeds**—For exploration of minerals.

Penn Fruit Co., Inc., Philadelphia, Pa. (12/13)
Nov. 21 filed 30,000 shares of 5% cumulative convertible preferred stock (par $50) and 60,000 shares of common stock (par $5), the preferred to be sold for the company's account and the common stock for the account of six selling stockholders. **Price**—To be supplied by amendment. **Underwriter**—Hemphill, Noyes, Graham, Parsons & Co., New York. **Proceeds**—To company, to reimburse treasury for expenditures made for fixtures and equipment and the balance will be added to working capital.

Perfecting Service Co., Charlotte, N. C.
Nov. 19 (letter of notification) $125,000 of 6% 10-year sinking fund debentures (with warrants attached entitling hold to subscribe to an aggregate of 250 shares of common stock, par $100, on or before noon Oct. 12, 1961 at $115 per share). **Price**—At principal amount (in units of $1,000 each). **Underwriter**—R. S. Dickson & Co., Charlotte, N. C. **Proceeds**—To retire mortgage on machinery and buildings and for working capital.

Prudential Fund of Boston, Inc.
Nov. 21 filed 18,000 shares of capital stock (par $1). **Price**—At market. **Underwriter**—Standish, Ayer & McKay, Inc., Boston, Mass. **Proceeds**—For investment.

Seaboard Finance Co.
Nov. 21 (letter of notification) 5,000 shares of common stock. **Price** — At market (approximately $19.62½ per share). **Underwriter** — None. **Proceeds**—To William A. Thompson and Elsie Thompson, selling stockholders.

Stanzona Petroleum Corp., Phoenix, Ariz.
Nov. 21 (letter of notification) 287,070 shares of common stock. **Price**—At par ($1 per share). **Underwriter**—None. **Proceeds**—To acquire oil properties and for working capital. **Address**—P. O. Box 1468, Phoenix, Arizona.

Suburban Propane Gas Corp., Whippany, N. J.
Nov. 23 filed 45,658 shares of common stock (par $1), which may be acquired prior to Nov. 27, 1955, at $9.50 per share under terms of outstanding option warrants. **Proceeds**—For working capital.

Suburban Propane Gas Corp., Whippany, N. J. (12/18)
Nov. 23 filed $3,500,000 of sinking fund debentures due Dec. 15, 1966, and 100,000 shares of cumulative convertible preferred stock (par $50), convertible prior to Jan. 1, 1962. **Price**—To be supplied by amendment. **Underwriter**—Eastman, Dillon & Co., New York. **Proceeds**—To finance purchase of outstanding capital stock and long-term notes of Rulane Gas Co. of Charlotte, N. C., and for working capital.

Trenton-Eureka Mining Co., Patagonia, Ariz.
Nov. 19 (letter of notification) 48,000 shares of preferred stock and 24,000 shares of common stock. **Price**—For preferred, $6 per share, and for common, one cent per share. **Underwriter** — None. **Proceeds** — For equipment and working capital. **Address**—Box 167, Patagonia, Ariz.

United States Metals Corp., Las Vegas, Nev.
Nov. 19 (letter of notification) 200,000 shares of capital stock. **Price**—At par ($1 per share). **Underwriter**—None. **Proceeds**—To operate mining properties. **Office**—Friedman Bldg., Las Vegas, Nev.

Vertientes-Camaguey Sugar Co. of Cuba (Compania Azucerera Vertientes-Cameguey de Cuba) (12/18)
Nov. 23 filed 481,307 shares of common stock to be offered to common stockholders of record Dec. 18, 1951 at rate of one share for each two shares held, wtih an over-subscription privilege. **Price**—At par ($6.50 per share). **Underwriter** — None. **Proceeds** — To reduce short-term indebtedness and for working capital.

Victoreen Instrument Co., Cleveland, O.
Nov. 19 (letter of notification) 25,000 shares of common stock (par $1). **Price**—At market (about $4 per share). **Underwriter** — Barrett Herrick & Co., Inc., New York. **Proceeds**—To Mr. and Mrs. John A. Victoreen, the selling stockholders.

Westinghouse Electric Corp., Pittsburgh, Pa.
Nov. 27 filed 500,000 shares of common stock (par $12.50) to be offered under the company's "restricted stock option plan" to certain oifficers and executive employees. **Underwriter**—None.

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. Statement effective Nov. 16.

Almaden-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 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.

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Proceeds—For acquisition of property, construction of race track, etc. **Office**—c/o Morris Orenstein, 31 Mamaroneck Ave., White Plains, N. Y.

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.

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.

★ **Baxter Laboratories, Inc. (12/10-15)**
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.

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.

★ **Broderick & Bascom Rope Co. (12/11)**
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.

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 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 acquisition of stock of Piedmont Gas Co. and for construction program.

★ **Carolina Telephone & Telegraph Co.**
Oct. 30 filed 41,650 shares of common stock being 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. Oct. 30 filed 41,650 shares of common stock being offered **Office**—Tarboro, N. C. Statement effective Nov. 16.

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 Hudson Gas & Electric Corp.
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 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 Inc. **Proceeds**—To repay bank loans. **Bids**—To be received up to 11 a.m. (EST) on Dec. 5 at 443 Congress St., Portland, Me. Statement effective Nov. 21.

★ **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**—To be received up to 11:30 a.m. (EST) on Dec. 5 at 443 Congress St., Portland, Me. Statement effective Nov. 21.

Central Telephone Co., Lincoln, Neb.
Nov. 20 filed 20,000 shares of cumulative convertible preferred stock (no par). **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.

Century Natural Gas & Oil Corp.
Oct. 24 (letter of notification) 23,000 shares of common stock (par 10 cents). These are part of 1,175,000 shares offered in June, 1951. **Price**—25 cents per share. **Underwriter**—Greenfield & Co., Inc., New York. **Proceeds**—For exploration, drilling and development expenses, etc., and for working capital. **Office**—Waynesburg, Pa.

★ **Colorado Fuel & Iron Corp. (12/5-6)**
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.

★ **Columbia Gas System, Inc.**
Nov. 1 filed 1,501,826 shares of common stock (no par), being 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 Dec. 12. **Price**—$14.25 per share. **Underwriters**—Merrill Lynch, Pierce, Fenner & Beane; White, Weld & Co. and R. W. Pressprich & Co. **Proceeds**—To finance construction program. Statement effective Nov. 20.

★ **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.

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. (name to be changed to Schutter 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.

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.

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 of record Dec. 3 at a 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) being offered initially to stockholders of record Nov. 15 at rate of one share for each six shares held; rights to expire on Nov. 30. **Price**—To stockholders, $10 per share, and to public, $10.50 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 Telephone Corp. (12/11)**
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.

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.**
Nov. 5 filed 102,276 shares of cumulative preferred stock (par $100), convertible through Dec. 31, 1961, being record Nov. 27 at rate of one preferred share for each 12½ shares of common stock; rights to expire on Dec. 10. **Price**—$100 per share. **Underwriters**—The First Boston Corp. and Merrill Lynch, Pierce, Fenner & Beane, New York. **Proceeds**—From sale of stock, together with proceeds from proposed sale to insurance companies 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.

Gulf Sulphur Corp., Washington, D. C. (12/3-4)
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. (12/4-5)
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.

★ **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**—Quail & Co., Davenport, Ia., and Becker & Cownie, Des Moines, Ia. **Proceeds** — To six selling stockholders. **Office** — 1017 Walnut St., Des Moines 9, Ia. **Offering**—Temporarily delayed.

Helio Aircraft Corp., Norwood, Mass.
July 31 (letter of notification) 7,750 shares of noncumulative preferred stock (par $1) and 7,750 shares of common stock (par $1) to be offered in units of one share of preferred and one share of common stock. **Price**—$25 per unit ($20 for preferred and $5 for common). **Underwriter**—None. **Proceeds**—For development and promotion expenses. **Office**—Boston Metropolitan Airport, Norwood, Mass.

Hex Foods, Inc., Kansas City, Mo.
Aug. 1 (letter of notification) 89 shares of 6% cumulative preferred stock (par $100) and 424 shares of common stock (no par). **Price**—For preferred, at par; and for common, at $20 per share. **Underwriter** — Prugh, Combest & Land, Inc., Kansas City, Mo., will act as dealer. **Proceeds**—For plant improvements and general corporate purposes. **Office**—412 W. 39th St., Kansas City, Mo.

Hoover Co., No. Canton, O.
Oct. 22 (letter of notification) 4,000 shares of common stock (par $2.50). **Price**—$18 per share. **Underwriter**—Hornblower & Weeks, New York. **Proceeds**—To William W. Steele, the selling stockholder.

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**—Now being made.

★ 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. **Offer**—To expire Dec. 31.

★ 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. Statement effective Nov. 16.

★ Indiana Gas & Water Co., Inc. (11/29)
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. (12/3-4)
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.

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.

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 (12/4)
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.

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.

NEW ISSUE CALENDAR

November 29, 1951	
Indiana Gas & Water Co., Inc.	Common
December 3, 1951	
Conlan Electric Corp.	Common
Ferro Corp.	Common
Gulf Sulphur Corp.	Common
Indiana Telephone Corp.	Preferred
Paper Corp. of United States	Debentures
December 4, 1951	
American Bosch Corp.	Preferred
Chesapeake & Ohio Ry. Noon (EST)	Equip. Trust Ctfs.
Consolidated Engineering Corp.	Common
Hamilton Manufacturing Co.	Common
Lau Blower Co.	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)	Common
Colorado Fuel & Iron Corp.	Debentures
El Paso Natural Gas Co.	Preferred
New Brunswick (Province of)	Debentures
New York, Chicago & St. Louis RR. Noon (CST)	Equip. Trust Ctfs.
December 6, 1951	
Diamond Alkali Co.	Preferred
Hubbell (Harvey), Inc.	Common
Texas & Pacific Ry.	Equip. Trust Ctfs.
Texas Utilities Co.	Common
December 10, 1951	
Atlas Plywood Corp.	Preferred
Baxter Laboratories, Inc.	Common
Penn Controls, Inc.	Common
December 11, 1951	
Broderick & Bascom Rope Co.	Common
General Telephone Corp.	Preferred
Public Service Co. of New Hampshire	Common
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
Mathieson Chemical Corp.	Preferred
December 13, 1951	
Penn Fruit Co., Inc.	Common & Preferred
December 17, 1951	
Kaiser Aluminum & Chemical Corp.	Preferred
December 18, 1951	
Suburban Propane Gas Corp.	Debentures & Pfd.
Vertientes-Camaguey Sugar Co. of Cuba	Common
January 3, 1952	
Dow Chemical Co.	Common
January 22, 1952	
Indiana & Michigan Electric Co.	Bonds & Notes

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.

★ Mathieson Chemical Corp. (12/12)
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.

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.

Mineral Products Co., Pittsburg, Kansas
Oct. 4 (letter of notification) $225,000 of second mortgage 5% bonds to be offered to stockholders in ratio of $300 of bonds for each share of stock held as of record June 30, 1951, with an oversubscription privilege. **Price**—At principal amount. **Underwriter**—None. **Proceeds**—For equipment. **Office**—314 National Bank Bldg., Pittsburg, Kansas.

Mohawk Business Machines Corp.
Nov. 2 (letter of notification) 80,385 shares of common stock (par 10 cents). **Price**—$1 per share. **Underwriter**—Tellier & Co., New York. **Proceeds** — For working capital.

Montana Hardwood Co., Inc., Missoula, Mont.
Sept. 26 (letter of notification) 2,970 shares of 6% redeemable preferred stock (par $100) and 2,970 shares of common stock (par $1) to be offered in units of one preferred and one common share. **Price**—$101 per unit. **Underwriter**—None. **Proceeds** — To purchase land and erect plant. **Office**—123 West Main St., Missoula, Mont.

National Marine Terminal, Inc., San Diego, Calif.
Oct. 24 (letter of notification) 26,650 shares of 6% cumulative preferred stock (par $10) and 26,650 shares of common stock (par $1) to be offered in units of one share of each class of stock. **Price**—$11 per unit. **Underwriter**—None. **Proceeds** — For working capital and to purchase an additional interest in tuna clippers. **Office**—1592 So. 28th St., San Diego 13, Calif.

National Motor Bearing Co., Inc.
Sept. 26 (letter of notification) 3,200 shares of common stock (par $1). **Price**—$31.25 per share. **Underwriter**—Blyth & Co., Inc., Los Angeles, Calif. **Proceeds**—To Lloyd A. Johnson, President, who is the selling stockholder.

National 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 otustanding, to repay bank loans and for other corporate purposes.

★ New Brunswick (Province of) (12/5)
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.

★ 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. Statement effective Nov. 13.

★ Norden Laboratories Corp. (Conn.)
Nov. 9 filed 400,000 shares of common stock (par $1) to be offered to public, together with an additional 90,000 shares reserved for issuance upon the exercise of warrants. **Price**—Expected at $3 per share. **Underwriter**—Van Alstyne Noel Corp., New York. **Proceeds**—To purchase additional equipment and for working capital. **Offering**—Temporarily delayed.

Northern Illinois Corp., DeKalb, Ill.
Sept. 13 (letter of notification) 5,138 shares of common stock (no par). **Price**—At market (not less than $9 per share). **Underwriter** — None. **Proceeds** — For working capital.

Northern Indiana Public Service Co.
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 share 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,

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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.

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 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.**
Oct. 19 filed 633,274 shares of common stock being 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. Statement effective Nov. 20.

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.

★ **Pittsburgh Coke & Chemical Co. (12/4)**
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.

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.

★ **Public Service Co. of New Hampshire (12/11)**
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. **Bids**—Expected to be received on Dec. 11.

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 Buckie 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.

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.

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.

Snoose Mining Co., Hailey, Idaho
July 19 (letter of notification) 1,000,000 shares of common stock. **Price**—At par (25 cents per share). **Underwriter**—E. W. McRoberts & Co., Twin Falls, Ida. **Proceeds**—For development of mine.

Sonic Research Corp., Boston, Mass.
Oct. 8 (letter of notification) 9,000 shares of common stock (no par). **Price**—$20 per share. **Underwriter**—None. **Proceeds**—For working capital. **Office**—15 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.

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.

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.

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.

★ **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**—To be received up to 11 a.m. (EST) on Dec. 4 at office of Cahill, Gordan, Zachry & Reindel, 63 Wall St., New York 5, N. Y. Statement effective Nov. 21.

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.

Thatcher Glass Mfg. Co.
Nov. 14 (letter of notification) 3,000 shares of common stock (par $5). **Price**—At market (about $15 per share). **Underwriter**—Coleman, Fagan & Co. (as brokers) clearing through L. F. Rothschild & Co., New York. **Proceeds** — To Mrs. Helene Le Berthon Pollock, the selling stockholder.

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. 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 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.

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.

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.

Victoreen 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.

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.

★ **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. 14 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; to public, $2.95 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

• **Allied Electric Products, Inc., Irvington, N. J.**
Nov. 9, Nathan Chirelstein, Chairman, said it is probable that the company within a short time will register with the SEC an issue of long-term convertible debentures, part of which will be offered in exchange for any outstanding three-year convertible notes dated Nov. 1, 1951. **Underwriter**—Hill, Thompson & Co., Inc., New York.

Atlantic Coast Line RR.
Sept. 14 it was stated that the company may refund its outstanding $22,388,000 first consolidated mortgage 4% bonds due July 1, 1952. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Kuhn, Loeb & Co.; The First Boston Corp. Offering expected some time in November.

Bing & Bing, Inc.
Aug. 30 it was reported company is contemplating sale of additional common stock following approval of 3-for-1 stock split (approved Sept. 5.) Traditional underwriter: Lehman Brothers.

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. (12/4)**
Nov. 23 it was announced that company has invited bids to be opened at noon (EST) on Dec. 4 on an $8,850,000

issue of equipment trust certificates to be dated Dec. 15, 1951, and to mature in 30 equal semi-annual installments from June 15, 1952 to Dec. 15, 1966. 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 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. 27, it was announced stockholders will vote Jan. 11 on approving an amendment to constitute 51,550 shares of presently authorized but unissued preferred stock as a new series of convertible preferred stock. The new series of preferred stock would be issued and sold free of preemptive rights of holders of common stock.

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. **Underwriters** — May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Morgan Stanley & Co. **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.

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 (probably debentures and/or convertible preferred stock). **Underwirters**—May be 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.

● Mississippi Valley Gas Co.
Nov. 19, it was announced that subject to approval of SEC and FPC Equitable Securities Corp. has agreed to purchase the natural gas properties of Mississippi Power & Light Co. for approximately $11,000,000, effective about Jan. 1, 1952. It is planned to organize Mississippi Valley Gas Co. to operate these properties and later expects to issue and sell first mortgage bonds and common stock, following final approval by the Commissions.

New England Power Co.
Sept. 6 it was reported that company plans to sell about 50,000 shares of preferred stock later this year. **Underwriters**—To be determined by competitive bidding. Probable bidders: Lehman Brothers; Equitable Securities Corp. and Carl M. Loeb, Rhoades & Co. (jointly); The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; Kidder, Peabody & Co.; The First Boston Corp.; W. C. Langley & Co.; Harriman Ripley & Co., Inc. **Proceeds**—To repay bank loans and for construction program.

★ New York, Chicago & St. Louis RR. (12/5)
Nov. 21 company invited bids, to be opened at noon (CST) on Dec. 5, on an issue of $1,950,000 serial equipment trust certificates to be dated Jan. 1, 1952 and to mature in 30 equal semi-annual installments from July 1, 1952 to Jan. 1, 1967, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

● Northern Natural Gas Co.
Nov. 16 it was reported that permanent financing is not expected to be concluded until 1952 (probable in January or February) to repay $42,000,000 of bank loans and to provide additional funds for company's construction program. This financing may consist of about $32,000,000 of debentures and $18,000,000 of common stock. Latter may be offered to common stockholders, without underwriting. Probable bidders for debentures: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; The First Boston Corp. and Kidder, Peabody & Co. (jointly).

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 January.

Parkersburg Rig & Reel Co.
Aug. 1 A. Sidney Knowles, Chairman and President, announced that the directors have approved in principle a plan to offer a modest amount (not exceeding $300,000) of common stock for subscription by common stockholders. This may involve the issuance of 24,700 additional shares on a one-for-eight basis. There are presently outstanding 197,600 shares of $1 par value. **Probable Underwriter**—H. M. Byllesby & Co., Chicago, Ill. **Proceeds**—For working capital.

Pennsylvania 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.

● Robertson (H. H.) Co., Pittsburgh, Pa.
Nov. 16 it was announced stockholders will in April, 1952, vote on a proposal to increase the authorized common stock from 250,000 shares (all outstanding) to 1,000,000 shares in order to make additional stock available for such corporate purposes as acquisition of new properties, to provide additional capital funds or declaration of stock dividends.

Rochester Gas & Electric Corp.
Aug. 1 it was announced that company expects to issue $5,000,000 additional first mortgage bonds and additional debt securities or preferred or common stocks, bank borrowings, or some combination thereof, in connection with its construction program. The method of obtaining such additional cash requirement has not been determined. Previous bond financing was done privately. July 18, it was reported that the company expects to raise money through the sale of some preferred stock later this year. **Underwriter**—Probably The First Boston Corp., New York. **Proceeds**—To finance, in part, a $10,000,000 construction program the company has budgeted for the next two years.

Ryan Aeronautical Co., San Diego, Calif.
Aug. 4 it was announced company plans to increase its authorized capital stock (par $1) from 500,000 to 1,000,000 shares in order to place it in a position to do appropriate financing of some form of its own securities if and when advantageous to the company. The new financing may take the form of a general offering for sale to the public or granting of rights to stockholders; or the reservation for conversion of long-term indebtedness which could be issued with provision for convertibility into common stock. The company presently has outstanding 439,193 shares of capital stock, of which 45,350 shares are held by the wholly owned subsidiary, Ryan School of Aeronautics.

Schering Corp.
Oct 3 it was reported that the sale of the company's entire common stock issue (440,000 shares) was not expected for at least two months. The sale will be made to the highest bidder by the Office of Alien Property. Probable bidders: A. G. Becker & Co. (Inc.), Union Securities Corp. and Ladenburg, Thalmann & Co. (jointly);

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Merrill Lynch, Pierce, Fenner & Beane; Kidder, Peabody & Co.; F. Eberstadt & Co.; Allen & Co.; new company formed by United States & International Securities Corp., Dillon, Read & Co.; F. S. Moseley & Co.; Riter & Co.

→Seaboard & Western Airlines, Inc.
Oct. 19 it was reported that company plans financing totaling $6,500,000 to $7,000,000 for purchase of new equipment. May be placed privately.

South Jersey Gas Co.
April 24 Earl Smith, President, announced company plans a bond issue of more than $8,000,000 by fall of this year. **Underwriters**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Blyth & Co., Inc. **Proceeds**—To refund the presently outstanding $4,000,000 of 4⅛% first mortgage bonds and repay outstanding short-term bank notes which are due before the end of the year.

Southern California Edison Co.
Aug. 29 it was announced company may have to raise approximately $49,900,000 more through additional financing to take care of its 1951-1952 construction program. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Blyth & Co., Inc.; The First Boston Corp. and Harris, Hall & Co., Inc. (jointly). These bankers bid for the $30,000,000 issue of 3⅛% first and refunding mortgage bonds which were sold last week. The nature, amounts and timing of the new financing cannot now be determined, and will depend in part on market conditions existing from time to time and may include temporary bank loans.

Southern California Gas Co.
April 4, the company indicated it would this year be in the market with $18,000,000 of senior securities. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; White, Weld & Co.; Lehman Brothers; Merrill, Lynch, Pierce, Fenner & Beane and Harris, Hall & Co. (Inc.) (jointly). **Offering**—Expected in the Fall.

Southern Natural Gas Co.
July 31 it was announced company has filed an application with FPC for permission to construct additional facilities to cost an estimated $13,641,000, of which approximately $9,187,000 is expected to be spent in 1951.

• Southern Utah Power Co.
Nov. 27 the company asked the FPC for authority to issue and sell 15,671 additional shares of its common stock (no par) to common stockholders at rate of one new share for each four shares held. **Price**—$11.50 per share. **Underwriters**—Smith, Polian & Co., Omaha, Neb., and Glidden, Morris & Co., New York. **Proceeds**—For construction program.

Spear & Co.
Nov. 5 announced that the management, headed by A. M. Kahn, President, which now owns 100% of the 18,750 shares of no par second preferred stock (dividend rate to be changed from $5.50 to $5 per annum), will offer this stock to common stockholders for subscription at rate of one preferred share for each 12 common shares held. **Price**—$105 per share. **Meeting**—Stockholders will vote on Dec. 5, among other things, to make the second preferred stock convertible into common stock (initial conversion rate to be 12 shares of common for each share of preferred).

Texas-Ohio Gas Co., Houston, Tex.
Oct. 17 company applied to FPC for authority to construct a 1,350-mile natural gas transmission line extending from Texas into West Virginia. The project is estimated to cost $184,989,683.

Texas & Pacific Ry. (12/6)
Nov. 13, W. G. Vollmer, President, announced that company will invite bids on Nov. 20, returnable Dec. 6, for a $2,900,000 issue of equipment trust certificates, series N. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Texas Utilities Co.
Sept. 24 it was reported company may issue and sell around 400,000 additional shares of common stock early in 1952. Probable bidders: The First Boston Corp. and Blyth & Co., Inc. (jointly); Union Securities Corp.; Lehman Brothers and Bear, Stearns & Co. (jointly); Goldman, Sachs & Co. and Harriman Ripley & Co. Inc. (jointly); Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly).

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.

• Western Light & Telephone Co., Inc.
Nov. 27, E. P. Hennek, President, stated that company will shortly announce a financing program to raise $2,000,000 in order to provide funds to carry on its construction program.

Westinghouse Electric Corp.
Sept. 26, it was announced stockholders will vote Dec. 14 on increasing authorized indebtedness to $500,000,000 from $150,000,000 in connection with a $296,000,000 expansion program. Company plans sale of debt securities the type and amount of which are undetermined (may be private). Traditional underwriter: Kuhn, Loeb & Co., New York.

Wisconsin Public Service Corp.
Sept. 4 C. E. Kohlepp, President, announced company plans to build a $12,000,000 steam turbine power plant in Marathon County, Wis. Method of permanent financing has not yet been determined. If bonds, probable bidders may include: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Harris, Hall & Co. (Inc.); Kidder, Peabody & Co.; Carl M. Loeb, Rhoades & Co.; Salomon Bros. & Hutzler; Union Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane; Shields & Co.

Our Reporter's Report

With the secondary market still in a state of "flux" there is a rather welcome hiatus in the emission of new corporate debt securities at the moment. A large segment of the industry naturally is attending the Investment Bankers Association's Convention in Florida.

This condition bids fair to continue through the ensuing week at least, since only one substantial-sized issue, Tennessee Gas Transmission's $25,000,000 of 20-year sinking fund debentures is slated to reach market.

Bids on this business are scheduled to be opened next Tuesday and several groups have indicated their intentions of seeking the debentures. It is understood that the company had a substantially larger operation in mind but was moved by market conditions to revise its original intentions.

While corporate debt securities have been a bit on the slow side, market observers have been moved to remark the ready acceptance which has been accorded recent flotations of convertible preferred stocks.

Such offerings, of course, have had the added attraction of more liberal yields backed up by good current earnings of the issuers. Allegheny-Ludlum Steel's offering went well and is ruling currently at a substantial premium, it was noted.

Similarly there has been brisk demand for Granite City Steel's 5½% cumulative, convertible preferred stock, and in the parlance of the trade the arbitrageurs have been "rattling this issue around at a premium."

Recent Deals Hang Fire

Despite the relative dearth of new emissions several recent offerings have continued definitely on the slow side as far as distribution to investors is concerned.

This week's lonely public utility issue, involving $8,000,000 of 20-year bonds of the Central Illinois Light Co., awarded on Tuesday failed to induce any rush of buyers.

Priced for reoffering to yield 3.22%, the bonds were reported to be less than half sold or spoken for at the end of the initial day.

Similarly Pacific Telephone & Telegraph Co.'s 30-year debentures, brought out last week in the total of $30,000,000 on a 3.35% yield basis, were reported as only about $10,000,000 to $12,000,000 spoken for at this time.

Buyers Taking Time

Bond traders report a pickup in activity "off-the-board" around current levels. Volume is still not substantial but a bit of leg-work, it is observed, turns up business.

Dealers ascribe the current upturn in interest to an influx of reinvestment money and admit that this phase of the business is more apparent over-the-counter than in the listed market.

For the moment, however, insurance companies are not in any rush to step into big deals. Admittedly they are in a position to pick and choose. But it is observed that any improvement in the Treasury market would tend to help move lagging issues.

Taking the Cue

Presumably moved by its bankers' observations, Kaiser Aluminum & Chemical Corp., has revealed plans for financing its huge expansion program in no small measure through the sale of convertible preferred stock.

The company has filed for an issue of 350,000 shares of cumulative, convertible preferred of $50 par, which should reach market around the middle of December via the negotiated route.

To round out its borrowing program estimated around $100,000,000, the company plans to place $33,500,000 of first mortgage bonds directly with institutions and to borrow about $50,000,000 under a bank credit agreement.

Business Man's Bookshelf

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

Capital Investments in Foreign Countries — Dr. A. Schaefer — Union Bank of Switzerland, New York Representative, 14 Wall St., New York 5, N. Y.—paper.

Money Muddle — Leonard Keesing — Published by the author, Bronxville, N. Y.—paper.

Register of Defunct and Other Companies Removed from the Stock Exchange [London] Official Year Book — Thomas Skinner & Co., Gresham House, Old Broad Street, E. C. 2, England and 111 Broadway, New York 6, N. Y.—cloth—£1 net.

Regulations Concerning Dealings in Gold and Foreign Exchange in France—9th Supplement—Bank for International Settlements, Basle, Switzerland — 30 Swiss francs, plus postage.

Total Tax Collections in 1950—In the October 1951 issue of "Tax Policy"—Tax Institute, 457 Nassau St., Princeton, N. J.—paper—25¢ (special prices on quantity orders).

DIVIDEND NOTICES

AMERICAN POWER & LIGHT COMPANY
Two Rector Street, New York 6, N. Y.

CAPITAL STOCK DIVIDEND

A dividend of 24¢ per share on the Capital Stock of American Power & Light Company was declared on November 28, 1951, for payment December 22, 1951, to stockholders of record at the close of business December 7, 1951.

D. W. JACK, Secretary and Treasurer

The American Tobacco Company
INCORPORATED

111 Fifth Avenue New York 3, N. Y.

189th PREFERRED DIVIDEND

A quarterly dividend of 1½% ($1.50 a share) has been declared upon the Preferred Stock of THE AMERICAN TOBACCO COMPANY, payable in cash on January 2, 1952, to stockholders of record at the close of business December 10, 1951. Checks will be mailed.

HARRY L. HILYARD, *Treasurer*

November 27, 1951

ANACONDA

DIVIDEND NO. 174

November 21, 1951

The Board of Directors of Anaconda Copper Mining Company has today declared a dividend of One Dollar and Twenty-five Cents ($1.25) per share on its capital stock of the par value of $50 per share, payable December 21, 1951, to stockholders of record at the close of business on December 1, 1951.

C. EARLE MORAN
Secretary and Treasurer
25 Broadway, New York 4, N. Y.

ALLIED CHEMICAL & DYE CORPORATION

The following dividends have been declared on the Common Stock of the Company:

Quarterly dividend No. 123 of Fifty Cents ($.50) per share.

Special dividend of One Dollar ($1.00) per share.

Both Dividends are payable December 20, 1951, to common stockholders of record at the close of business December 7, 1951.

W. C. KING, *Secretary*

November 27, 1951.

AMERICAN WOOLEN COMPANY
INCORPORATED

"THE GREATEST NAME IN WOOLENS"

AT the meeting of the Board of Directors of American Woolen Company, held today, the following dividends were declared:

A regular quarterly dividend of $1.00 per share on the $4 Cumulative Convertible Prior Preference Stock payable December 15, 1951 to stockholders of record November 30, 1951.

A regular quarterly dividend of $1.75 per share on the 7% Cumulative Preferred Stock payable January 15, 1952 to stockholders of record December 31, 1951.

A year-end dividend of $3.00 per share on the Common Stock, payable December 15, 1951 to stockholders of record November 30, 1951.

Transfer books will not be closed.

Dividend checks will be mailed by the Guaranty Trust Company of New York.

F. S. CONNETT, *Treasurer*

November 21, 1951.

DIVIDEND NOTICES

J. I. Case Company
(Incorporated)

Racine, Wis., November 27, 1951

Regular quarterly dividend of $1.75 per share on Preferred Stock payable January 2, 1952 to holders of record December 12, 1951. Quarterly dividend of $.75 per share on $25 par value Common Stock payable January 2, 1952 to holders of record December 12, 1951. Also year-end dividend of $2.00 per share on $25 par value Common Stock payable January 2, 1952 to holders of record December 12, 1951.

WM. B. PETERS, *Secretary.*

CITY INVESTING COMPANY
25 BROAD STREET, NEW YORK 4, N. Y.

The Board of Directors of this company on November 21, 1951, declared the regular quarterly dividend of $1.375 per share on the outstanding 5½% Series Cumulative Preferred Stock of the Company, payable January 1, 1952, to stockholders of record at the close of business on December 14, 1951.

The Board of Directors of this company on November 21, 1951, declared a dividend of 20 cents per share on the outstanding Common Stock of the company payable December 15, 1951 to stockholders of record at the close of business on December 3, 1951.

EDWARD FRAHER, *Secretary.*

BORDEN'S 1857

Borden's

DIVIDEND No. 167

The final dividend for the year 1951 of one dollar ($1.00) per share has been declared on the capital stock of *The Borden Company*, payable December 20, 1951, to stockholders of record at the close of business December 5, 1951.

E. L. NOETZEL, *Treasurer*

November 27, 1951

C.I.T. FINANCIAL CORPORATION

Extra Dividend on Common Stock

An extra dividend of 50 cents per share in cash has been declared on the Common Stock of C. I. T. FINANCIAL CORPORATION, payable December 24, 1951, to stockholders of record at the close of business December 10, 1951. The transfer books will not close. Checks will be mailed.

Dividend on Common Stock

A quarterly dividend of $1.00 per share in cash has been declared on the Common Stock of C. I. T. FINANCIAL CORPORATION, payable January 1, 1952, to stockholders of record at the close of business December 10, 1951. The transfer books will not close. Checks will be mailed.

FRED W. HAUTAU, *Treasurer*

November 21, 1951.

CHEMICALS
TEXTILES
PLASTICS

CELANESE CORPORATION OF AMERICA
180 Madison Avenue, New York 16, N. Y.

THE Board of Directors has this day declared the following dividends:

4½% PREFERRED STOCK, SERIES A

The regular quarterly dividend for the current quarter of $1.12½ per share, payable January 1, 1952, to holders of record at the close of business December 7, 1951.

7% SECOND PREFERRED STOCK

The regular quarterly dividend for the current quarter of $1.75 per share, payable January 1, 1952, to holders of record at the close of business December 7, 1951.

COMMON STOCK

75 cents per share, payable December 22, 1951, to holders of record at the close of business December 7, 1951.

R. O. GILBERT, *Secretary*

November 27, 1951.

DIVIDEND NOTICES

E.I. DU PONT DE NEMOURS & COMPANY

DU PONT
REG. U. S. PAT. OFF.

Wilmington, Delaware, *November 19, 1951*

The Board of Directors has declared this day regular quarterly dividends of $1.12½ a share on the Preferred Stock—$4.50 Series and 87½¢ a share on the Preferred Stock—$3.50 Series, both payable January 25, 1952, to stockholders of record at the close of business on January 10, 1952; also $1.00 a share on the Common Stock as the year-end dividend for 1951, payable December 14, 1951, to stockholders of record at the close of business on November 26, 1951.

L. DU P. COPELAND, *Secretary*

Allen B. Du Mont Laboratories, Inc.

The Board of Directors of Allen B. Du Mont Laboratories, Inc. this day has declared a regular quarterly dividend of $.25 per share on its outstanding shares of 5% Cumulative Convertible Preferred Stock payable January 1, 1952 to Preferred Stockholders of record at the close of business December 15, 1951.

PAUL RAIBOURN, Treasurer

November 21, 1951

DUMONT *in all phases of television*

IBM TRADE MARK **INTERNATIONAL BUSINESS MACHINES CORPORATION**
590 Madison Ave., New York 22

The 147th Consecutive Quarterly Dividend

The Board of Directors of this Corporation has this day declared a dividend of $1.00 per share, payable December 10, 1951, to stockholders of record at the close of business on November 20, 1951. Transfer books will not be closed. Checks prepared on IBM Electric Punched Card Accounting Machines will be mailed.

A. L. WILLIAMS, Vice Pres. & Treasurer

November 13, 1951

IBM TRADE MARK **INTERNATIONAL BUSINESS MACHINES CORPORATION**
590 Madison Ave., New York 22

The Board of Directors of this Corporation has this day declared a stock dividend at the rate of five shares for each 100 shares held, to be issued January 28, 1952, or as soon thereafter as practicable, to stockholders of record at the close of business on January 4, 1952. Transfer books will not be closed.

A. L. WILLIAMS, Vice Pres. & Treasurer

November 13, 1951

International MINERALS CHEMICALS

Mining and Manufacturing

Phosphate • Potash • Fertilizer • Chemicals

★

Dividends were declared by the Board of Directors on Nov. 15, 1951, as follows:

4% Cumulative Preferred Stock 39th Consecutive Regular Quarterly Dividend of One Dollar ($1.00) per share.

$5.00 Par Value Common Stock Regular Quarterly Dividend of Forty Cents (40c) per share.

Both dividends are payable Dec. 28, 1951, to stockholders of record at the close of business Dec. 14, 1951.

Checks will be mailed.

Robert P. Resch
Vice President and Treasurer

★

INTERNATIONAL MINERALS & CHEMICAL CORPORATION

General Offices: 20 North Wacker Drive, Chicago 6

DIVIDEND NOTICES

JOHNS MANVILLE JM PRODUCTS

Johns-Manville Corporation

DIVIDEND

The Board of Directors declared a dividend of 75c per share on the Common Stock, and, in addition thereto, a year-end dividend of $1.25 on the Common Stock, both payable December 13, 1951, to holders of record December 3, 1951.

ROGER HACKNEY, *Treasurer*

INTERNATIONAL SALT COMPANY

DIVIDEND NO. 150

A dividend of ONE DOLLAR a share has been declared on the capital stock of this Company, payable December 21, 1951, to stockholders of record at the close of business on December 10, 1951. The stock transfer books of the Company will not be closed.

HERVEY J. OSBORN
Exec. Vice Pres. & Sec'y.

ROBERTSHAW-FULTON CONTROLS COMPANY

Greensburg, Pa.

COMMON STOCK

A regular quarterly dividend of 37½¢ per share on the Common Stock has been declared, payable December 20, 1951 to stockholders of record at the close of business December 10, 1951.

The transfer books will not be closed.

WALTER H. STEFFLER
Secretary & Treasurer

November 23, 1951.

AROUND THE WORLD FOUNDED 1897

RAYMOND CONCRETE PILE CO.

140 Cedar Street, New York 6, N. Y.

Soil Investigations • Foundations Heavy Construction

The Board of Directors has this day declared an extra dividend of 60¢ per share on the Common Stock, payable on December 20, 1951 to stockholders of record on December 10, 1951, bringing total dividend distribution to $3.10 per share; also a regular dividend of 75¢ per share on the Preferred Stock, payable on February 1, 1952 to stockholders of record on January 21, 1952.

M. M. UPSON, *Chairman of Board*
W. V. McMENIMEN, *President*

November 26, 1951

MERCK & CO., INC.
RAHWAY, N. J.

MERCK

Quarterly dividends of 20¢ a share on the common stock, 87½¢ a share on the $3.50 cumulative preferred stock, and an initial dividend of 90¢ a share on the $4.00 convertible second preferred stock (at the rate of $1.00 quarterly for the period October 10, 1951 to December 31, 1951) have been declared, payable on January 2, 1952.

In addition, an extra dividend of 10¢ a share has been declared on the common stock, payable on December 19, 1951.

All payments are to stockholders of record at the close of business December 7, 1951.

JOHN H. GAGE, Treasurer

November 27, 1951

DIVIDEND NOTICES

UNITED FRUIT COMPANY

DIVIDEND NO. 210

A dividend of seventy-five cents per share on the capital stock of this Company has been declared payable January 15, 1952, to stockholders of record December 6, 1951.

EMERY N. LEONARD
Secretary and Treasurer

Boston, Mass., November 19, 1951

UNITED GAS CORPORATION
SHREVEPORT, LOUISIANA

Dividend Notice

The Board of Directors has this date declared a dividend of twenty-five cents (25¢) per share on the Common Stock of the Corporation, payable January 2, 1952, to stockholders of record at the close of business on December 10, 1951.

B. H. WINHAM, *Secretary*

November 28, 1951

The Mark of Quality

At a meeting of the Board of Directors of The Weatherhead Company, held October 31, 1951, a Dividend of $1.25 per share was declared upon the $5.00 Cumulative Preferred Stock of the Company, payable January 15, 1952 to the holders of such stock at the close of business on Jan. 2, 1952.

MORRIS H. WRIGHT
Vice-President & Treasurer

October 31, 1951

THE WEATHERHEAD COMPANY
300 E. 131st St. • Cleveland 8, Ohio

THE **West Penn** *Electric Company*
(Incorporated)

QUARTERLY DIVIDEND DECLARED

• Common Stock
50¢ per share

Payable on December 27, 1951 to stockholders of record on December 7, 1951.

H. D. McDOWELL, Secretary

November 27, 1951.

SIRCO

SOUTHERN STATES Iron Roofing Company
SAVANNAH, GEORGIA

Dividend on Preferred and Common Stock

•

The Board of Directors has declared the regular quarterly dividend of thirty-one and one-quarter cents (31.25¢) per share on Preferred stock, payable January 2, 1952 to stockholders of record December 15, 1951; and a dividend of twenty-five cents (25¢) per share on Common Stock, payable December 15, 1951 to holders of record December 1, 1951.

ROSS C. ALLEN,
Secretary and Treasurer

Washington... And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—President Truman, so say the reports from Key West, is busy preparing the Federal budget for the fiscal year 1953.

This is probably only a literal truth. The President is, in fact, fulfilling more the function of an expert estimator, like one of the several top grade estimators who have been advising him. The President's '53 budget was set in all its principal outlines before the President began to play around with the figures.

These basic policies give almost a conclusive advance picture of the overall budget. The picture would be changed—so far as the President is concerned—only if the President were to retreat from his military build-up program—hardly in the cards. Or it could be changed by Congress or by other forces beyond the President's control.

One of these things to a large extent beyond the President's control while present policies are held, is the rate of expenditures. The expectation has long been that by the opening of fiscal '53—or by July 1 of next year—the Feredal government would be spending at the rate of $65 billion on all "security" programs, or for its own three military services plus Mutual Defense Assistance, plus about $7 billion for "defense-related" items, including materials stockpiling, atomic energy, and defense housing.

To this would be added a glib $20 billion "for all other government expense," or for veterans, interest on the debt, and those trifles like the postal service, the judiciary, the Department of Agriculture, and other sundries which have come to be known as government.

So then the total of government expense in fiscal '53 can hardly run less than $85 billion. It will exceed $85 billion by that unfathomable sum by which $20 billion is too low a figure for estimating "all other" expenditures.

The $85 billion plus figure is an estimate of expenditures only. In an era of long-time build up, appropriations, as total, are in a sense irrelevant as to actual expenditures in a single year. Thus, the government will go into fiscal '53 with an accumulation of unspent past appropriations and contract authorizations of some $75 billion, or $5 billion more than the latest estimate of total expenditures for the entire current fiscal year.

So the $85 billion plus is an expenditure estimate, "the budget total" as the news headlines will call it in January, for the 12 months beginning July 1, 1952.

This figure is largely beyond the President's control because he cannot decrease it without either (a) "lowering the sights" of the defense build-up, or (2) making a public forecast either that Congress will not continue to go along or industry cannot hit the production rate forecast. There is reason to doubt that the $65-billion all-defense total rate of spending will be reached by July 1, unless the rate of spending increases for more sharply than it has in the past three months. The President, however, probably would not admit this or reflect such an admission in his budget.

This $85 billion is largely beyond the President's control on the upside, also. When the $65 billion all-defense target was fixed, it was concocted out of a witches brew, representing a collective hunch as to the maximum amount of materials diversion the overall economy could stand plus the maximum inflation the economy could stand.

As it has worked out, the economy could stand the inflation far more easily than the materials diversion, and in some respects, the materials shortages have not been as bad as many officials expected.

Nevertheless, most of the President's advisers are telling him that he should not attempt to push the rate of production much faster than it is scheduled to rise. This is a change in outlook from a few months ago. The Administration was so surprised to find that the economy could stand the defense program without substantive price and wage controls, that there was formerly a disposition to boost the projected rate of production for the near term.

It is now taken for granted by most Administration spokesmen and most of the materials controllers that whatever the President decides in the way of an additional military program, the expanded build-up, or the larger objective, shall be added on, not to production for the next 18 months, but to production thereafter.

Thus, the budget will be interesting to many, not for the "budget total" which will get the headline play, but for how much of an additional long-term build-up the President will propose. The Pentagon has not as yet given the President its final recommendations, which include something around 140 Air Force groups versus 95 now authorized, and something additional for the other services.

This additional build-up, however, will not be superimposed upon the fiscal '53 output. It will be in the nature of a consecutive sentence for the economy, not two concurrent sentences to hard labor for a military program.

So the expanded aggregate target will have the effect, as has long been known, of postponing beyond 1953—on either a calendar or fiscal year basis—the date when there will come that glorious "leveling off" of the defense program. That date, Congress or the country not intervening, will not in any case come before calendar 1954, and probably not then or on any date which can at present be foreseen.

* * *

There are threats to both sides of this expenditure estimate the President is cooking up at Key West. Britain and France, in close alliance with the State Department, are going to put terrific pressure upon the President to increase economic aid to Europe.

On the other hand, Congress has made tentative threats against a total budget of $80 to $90 billion. What diminishes the force of these threats, however, is the enormous carryover, the $75 billion, of unspent appropriations and contract authorizations.

The Congressional threat might be backed up by widespread public opinion, should an appearance of real peace develop in Korea.

* * *

On the revenue side of the President's budget, the Chief Executive's function is definitely that of an estimator only, under present circumstances. He must guess what the total national income will average out in fiscal '53, and by application of established formulae, determine what government revenues will amount to under existing taxes. If the President proposes taxes to balance the budget in whole or in part and estimates these taxes in revenues, they will have to be subtracted to arrive at an accurate revenue estimate.

On the present basis that indicates revenues of not more than $65 billion. Hence '53 will show a deficit of $20 billion—the first of what may be a new series of big deficits.

For the question of whether the President asks for higher taxes or not is purely a political question, to be determined for its effect one way or another in the election campaign. Congress will refuse any overall tax increase, not just because it is sore at Truman, but because it is an election year and taxes had previously been increased three times in a row.

* * *

The value—cost—not replacement cost, of the naval establishment is placed at $40 billion, according to officials. Of this total some $17 billion represents the cost of present ships, $12 billion an inventory of some 2 million items, and $11 billion, shore establishments and miscellaneous.

* * *

Smaller Defense Plants Corp., that peculiar child of a curious political strategy, is developing very quietly with the assistance and cooperation of the Reconstruction Finance Corp.

During the consideration of the DPA, some of the so-called spokesmen for small business in Congress managed to have the SDPA tacked on to the bill on the floor, although neither Banking committee wanted to do much more than exhibit, in public hearings and otherwise, a dripping sympathy for "small business."

As originally written the proposal would have authorized SDPA to become a "prime contractor," and would have obliged procurement officials to clear any contract with SDPA to see if it wanted to undertake it, before letting a contract to private industry. In the final version SDPA may become a prime contractor, parcelling out a job into subcontracts, but procurement officials are not obliged to award contracts to SDPA.

Congress just managed, somehow, to avoid giving SDPA any funds for this purpose, so SDPA until it gets some money, won't be in the contracting business.

SDPA also was empowered to go into the laboratorial and engineering business, to set up laboratories to solve the technical problems of small business, or to aid in solving its clients' engineering problems.

Here too, Congress avoided making money available, so that proposed function is now also on ice until and unless Congress provides money therefor.

Finally, Congress set it up so that SDPA would make loans for defense purposes, and here again, didn't get around to making the loan money available.

Congress probably will give SDPA $100 million or so for loans for small business, whether or not it appropriates money for labs and engineers.

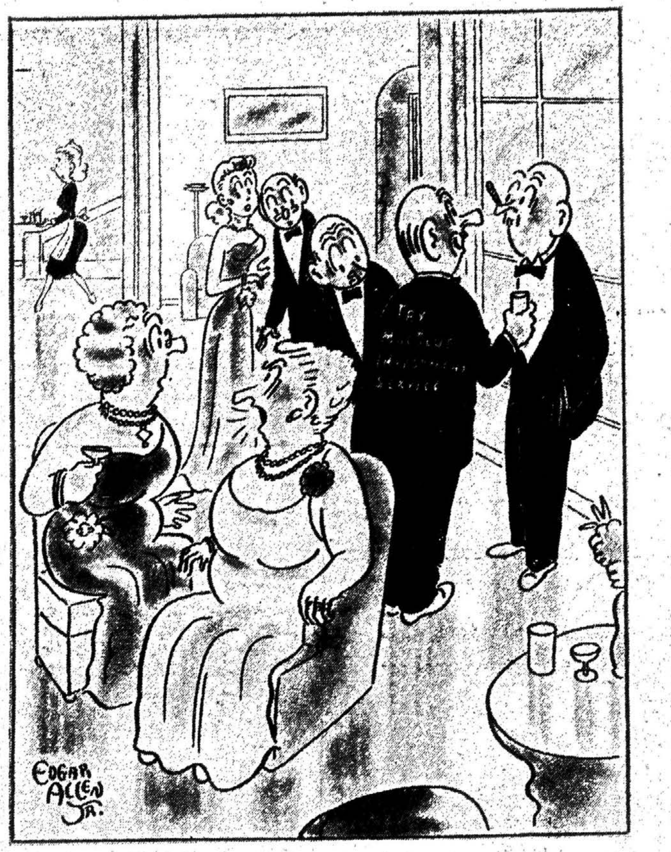
The close cooperation between RFC and SDPA is important at this point. In effect RFC's experienced and purged staff will make its judgment and background available to SDPA. Small business customers will first be recommended to RFC. If RFC can't make the loans under its laws or if direct government loans cannot be made under the Defense Production Act, then the money will come from the SDPA kitty, when it is made available.

For the moment, however, SDPA is what is known in the lobbying trade here as a "hand-holding agency." Each defense and procurement establishment has some "small business unit," designed to either help get contracts for small business or make the process of frustration seem more important.

In this frame, SDPA is a sort of coordinator of hand holders. It is given quarters for the time being in a former barracks of the Coast Guard female military establishment, in the shadow of the National Museum, down the pike from Charley Brannan's Department of Agriculture, and way out of the way of everything.

(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



"That's all my husband ever thinks about—'Plug the Business—Plug the Business'!"