ESTABLISHED 1839

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 174 Number 5070 | New York, N. Y., Thursday, December 6, 1951 | Price 40 Cents a Copy

EDITORIAL

As We See It

Investment bankers in convention assembled last week devoted a possibly unusual proportion of their time to study and discussion of their duty as leaders in a vital section of the financial community and of the duty of their organizations to inform the public and to undertake to lead popular thought. Illustrative of their work in this connection were resolutions placing the IBA in support of freedom for the Federal Reserve from subservience to the executive branch of the Federal Government; promising support of the voluntary credit restraint movement set under way some months ago; and agreeing to discourage certain misuses of municipal credit which have of late years been on the increase.

The new IBA President, Joseph T. Johnson, was on the same tack when he admiringly quoted at some length from Mr. Sproul, President of the Federal Reserve Bank of New York, as follows: "The banking community has left it to others to propose broad legislative programs—and has allowed itself to be cast in the role of opposition or resistance to change—it is the plain duty of the banking community to give the public the idea that banking stands for something besides its own special interests—to take its place with progressive industry and organized labor in trying to influence and mold public opinion on the critical issues of our times." And then to add a few words of his own, Mr. Johnson said: "Here in the United States we are like the man standing at dead-center of a tornado, who has but a limited time to take effective action. Business executives are not

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Economic Prospects in '52

By EARL L. BUTZ*
Head of Department of Agricultural Economics, Purdue University

Midwestern economist, though predicting upward pressure on commodity prices during next two years, sees a slowing down of inflationary forces, barring all-out war. Stresses importance of increased productive capacity, but warns inflationary factors to be reckoned with are: (1) prospect of a continuing Federal deficit; and (2) constant increase of wage rates that outrun labor productivity

Mild price inflation is in prospect for the United States for the coming year, and very likely for the next two years. If a general war is avoided, sharply rising prices are not expected. The general price level may advance as much as 3 to 5% a year in the next couple of years. Price rises will result from our expanded defense program and a continued high level of domestic capital investment. These will cause a high level of business activity, approximately full employment, and a high demand for food products and consumer goods generally.

Earl L. Butz

The anticipated price rise during the year or two ahead will be substantially less than during the first year of the Korean war. During that interval wholesale prices in the United States rose about 16%. In the main, prices reached a peak about February, 1951, and then declined some by the late summer of 1951. By November they were on a modest rise again. It appears that the price deflation which occurred during the late summer of 1951 has now run its course, on the average, and from now on prices will head up gradually. However, occasional and unpredictable price relapses will occur with the changing patterns of military, diplomatic, and economic developments. Moreover, it should be pointed out that not every commodity will share in the price recovery.

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*An address by Prof. Butz before the Fourth National Credit Conference sponsored by the Credit Policy Commission of the American Bankers Association, Chicago, Ill., Dec. 5, 1951.

How Bad Is Inflation?

By HARLEY L. LUTZ*
Professor Emeritus of Public Finance, Princeton University, and Tax Consultant, National Association of Manufacturers

Prof. Lutz takes view creeping inflation, which results in slowly rising prices, is not an advantage in comparison with a stable price economy. He denies rising prices are essential to the vitality and vigor of the profit incentive. Calls inflation "legalized robbery," and concludes burden of inflation on scale required to meet rising prices accelerates tempo of currency depreciation, which ends only when dollar value reaches zero and debts are repudiated.

Inflation is the creation of more dollar purchasing power than is required for the exchange of goods and services at a given price level. Increased dollars may come from the Bureau of Printing and Engraving, the Mint, or, as is more likely here, from an expansion of bank credit.

Dr. Harley L. Lutz

The kind of inflation we should most fear and seek to avoid stems from bad fiscal policies of government. Bank loans to individuals or business firms increase the volume of bank credit as truly as do bank loans to government. But there are important differences between the duration and effects of private and public bank loans.

First, private business loans from commercial banks are to finance some sort of productive activity, but the great bulk of loans to government do not add directly to productive capacity.

Second, private loans must be repaid on schedule and credit lines can be limited according to circumstances. Politics being what they are, the banks dare not refuse to lend to the government, nor do they dare insist that government reduce its line of credit by paying off part

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*An address by Dr. Lutz at 56th Annual Congress of American Industry, sponsored by the National Association of Manufacturers, on the topic, "How Bad Is Inflation?" New York City, Dec. 5, 1951.

IBA CONVENTION ISSUE NEXT WEEK—The "Chronicle" of Dec. 13 will be devoted to the recent Annual Convention of the Investment Bankers Association of America at Hollywood, Fla. Therein will be Convention addresses, Committee reports, and 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.)

WARREN E. BUFFETT

Buffett-Falk & Co., Omaha, Nebr.

Government Employees Insurance Co.

Full employment, boomtime profits and record dividend payments do not set the stage for depressed security prices. Most industries have been riding this wave of prosperity during the past five years with few ripples to disturb the tide.

Warren E. Buffett

The auto insurance business has not shared in the boom. After the staggering losses of the immediate postwar period, the situation began to right itself in 1949. In 1950, stock casualty companies again took it on the chin with underwriting experience the second worst in 15 years. The recent earnings reports of casualty companies, particularly those with the bulk of writings in auto lines, have diverted bull market enthusiasm from their stocks. On the basis of normal earning power and asset factors, many of these stocks appear undervalued.

The nature of the industry is such as to ease cyclical bumps. Auto insurance is regarded as a necessity by the majority of purchasers. Contracts must be renewed yearly at rates based upon experience. The lag of rates behind costs, although detrimental in a period of rising prices as has characterized the 1945-1951 period, should prove beneficial if deflationary forces should be set in action.

Other industry advantages include lack of inventory, collection, labor and raw material problems. The hazard of product obsolescence and related equipment obsolescence is also absent.

Government Employees Insurance Corporation was organized in the mid-30's to provide complete auto insurance on a nationwide basis to an eligible class including: (1) Federal, State and municipal government employees; (2) active and reserve commissioned officers and the first three pay grades of non-commissioned officers of the Armed Forces; (3) veterans who were eligible when on active duty; (4) former policyholders; (5) faculty members of universities, colleges and schools; (6) government contractor employees engaged in defense work exclusively, and (7) stockholders.

The company has no agents or branch offices. As a result, policyholders receive standard auto insurance policies at premium discounts running as high as 30% off manual rates. Claims are handled promptly through approximately 500 representatives throughout the country.

The term "growth company" has been applied with abandon during the past few years to companies whose sales increases represented little more than inflation of prices and general easing of business competition. GEICO qualifies as a legitimate growth company based upon the following record:

Year—	Premiums Written	Policy-holders
1936	$103,696.31	3,754
1940	768,057.86	25,514
1945	1,638,562.09	51,697
1950	8,016,975.79	143,944

Of course the investor of today does not profit from yesterday's growth. In GEICO's case, there is reason to believe the major portion of growth lies ahead. Prior to 1950, the company was only licensed in 15 of 50 jurisdictions including D. C. and Hawaii. At the beginning of the year there were less than 3,000 policyholders in New York State. Yet 25% saved on an insurance bill of $125 in New York should look bigger to the prospect than the 25% saved on the $50 rate in more sparsely settled regions.

As cost competition increases in importance during times of recession, GEICO's rate attraction should become even more effective in diverting business from the brother-in-law. With insurance rates moving higher due to inflation, the 25% spread in rates becomes wider in terms of dollars and cents.

There is no pressure from agents to accept questionable applicants or renew poor risks. In States where the rate structure is inadequate, new promotion may be halted.

Probably the biggest attraction of GEICO is the profit margin advantage it enjoys. The ratio of underwriting profit to premiums earned in 1949 was 27.5% for GEICO as compared to 3.7% for the 135 stock casualty and surety companies summarized by Best's. As experience turned for the worse in 1950, Best's aggregate's profit margin dropped to 3.0% and GEICO's dropped to 18.0%. GEICO does not write all casualty lines; however, bodily injury and property damage, both important lines for GEICO, were among the least profitable lines. GEICO also does a large amount of collision writing, which was a profitable line in 1950.

During the first half of 1951, practically all insurers operated in the red on casualty lines with bodily injury and property damage among the most unprofitable. Whereas GEICO's profit margin was cut to slightly above 9%, Massachusett's Bonding & Insurance showed a 16% loss, New Amsterdam Casualty an 8% loss, Standard Accident Insurance a 9% loss, etc.

Because of the rapid growth of GEICO, cash dividends have had to remain low. Stock dividends and a 25-for-1 split increased the outstanding shares from 3,000 on June 1, 1948, to 250,000 on Nov. 10, 1951. Valuable rights to subscribe to stock of affiliated companies have also been issued.

Benjamin Graham has been Chairman of the Board since his investment trust acquired and distributed a large block of the stock in 1948. Leo Goodwin, who has guided GEICO's growth since inception, is the able President. At the end of 1950, the 10 members of the Board of Directors owned approximately one-third of the outstanding stock.

Earnings in 1950 amounted to $3.92 as contrasted to $4.71 on the smaller amount of business in 1949. These figures include no allowance for the increase in the unearned premium reserve which was substantial in both years. Earnings in 1951 will be lower than 1950, but the wave of rate increases during the past summer should evidence themselves in 1952 earnings. Investment income quadrupled between 1947 and 1950, reflecting the growth of the company's assets.

At the present price of about eight times the earnings of 1950, a poor year for the industry, it appears that no price is being paid for the tremendous growth potential of the company.

GEORGE C. HANNAHS

Partner, Hannahs, Ballin & Lee, New York City

Public Revenue Bonds

Outstanding in municipal finance today are the large number of necessary public improvements which are self-supporting without resort to *ad valorem* real estate taxes. The many turnpikes, tunnels, and bridges, which have proved of inestimable value to the public, have been successfully financed and supported by those using the facilities. The Pennsylvania Turnpike, the many Port Authority of New York bridges, and tunnels, the Triborough Authority, the Delaware Bridge at Philadelphia, and many others are entirely supported by tolls collected from trucks and automobiles using them. In these times of high costs of services provided by our cities, counties, and school districts, these improvements which have done so much for business and traffic would be practically impossible to build or sustain from the already burdensome taxes upon real estate.

George C. Hannahs

The charges upon trucks and cars through tolls are obviously fair and proper methods of paying for these great advantages, and the public has certainly evidenced willingness to pay the supporting charges. The railroads for many years complained of taxes upon their real estate to build roads for competing trucking, and the truck toll today is a step in the right direction.

There is, of course, a danger in this revenue financing if carried too far, and for improvements of doubtful value. Municipal troubles in the past have often been caused by communities branching out into ventures which are actually not public services. Investment bankers, investors, and public officials should discourage any tendencies along these lines which could lead to a weakening of public credit. Sound judgment is quite essential at the present time to curb tendencies to carry these revenue producing improvements beyond the limit of proper municipal financing. We are all interested in keep-

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This Week's Forum Participants and Their Selections

Gold More Than a Commodity; Irredeemable Currency an Evil

By WALTER E. SPAHR
Professor of Economics, New York University
Executive Vice-President,
Economists' National Committee on Monetary Policy

Dr. Spahr offers a detailed rebuttal of arguments presented by Charles E. Wilson, in his address published in the "Chronicle," Nov. 15, under title, "Gold—Just Another Commodity." Concludes, when people find themselves caught in trap of irredeemable currency, they tend to adjust themselves to it, but it takes wise statesmanship to insist on restoration of sound redeemable money, "which like good rails on a railroad cannot prevent wrecks, but will not cause them."

Charles E. Wilson, President of General Motors Corporation, made an address at Saginaw, Michigan, November 8, published in "The Commercial and Financial Chronicle" of November 15, under the caption, "Gold—Just Another Commodity!", which contains two major contentions that call for examination because of their great importance to our people. One is that gold is "just another commodity." The other is that an irredeemable currency is more desirable than a redeemable currency for the people of the United States.


Dr. Walter E. Spahr

Those contentions are likely to appear persuasive since they are typical of, and tend to reflect, the thinking of the great mass of people when living under an irredeemable currency and the fears it generates.

One of the remarkable phenomena in monetary history is the fact that when a people find themselves living with an irredeemable currency the majority tend to become adjusted to it, and they not only appear to forget, but they repudiate, the basic principles of good money which were recognized as elementary truths when they lived under, and had the benefits of, a redeemable currency.

Apparently a great proportion of each generation seems to think that the situation with which they are familiar invalidates basic principles, long known to monetary specialists to be true, merely because the minor details are different or, as so many like to put it, "the times are different."

For example, when, in the last decade of the 18th Century, the French wanted to issue irredeemable paper money and some of their wiser and more experienced leaders warned of the evils of such currency as they had experienced it under John Law seventy years earlier, the commonly-reiterated contention that "the times are different" was advanced. Says Andrew D. White, in his *Fiat Money Inflation in France* (D. Appleton Century Co., New York, 1933), p. 7: "But the current toward paper money had become irresistible. It was constantly urged, and with a great show of force, that if any nation could safely issue it, France was now that nation; that she was fully warned by her severe experience under John Law; that she was now a constitutional government, controlled by an enlightened, patriotic people . . . ; that she was able to secure every *livre* of her paper money by a virtual mortgage on a landed domain vastly greater in value than the entire issue; that, with men like Bailly, Mirabeau and Necker at her head, she could not commit the financial mistakes and crimes from which France had suffered under John Law. . . ."

So France plunged into irredeemable currency again and relearned a lesson that had been learned many times before. Her currency finally collapsed and she got "a man on horseback."

After World War I, France again repudiated the old basic lessons, and, by a system of "managed" irredeemable currency, she sent her franc from 19.3 cents to less than one-third of one cent. "The times were different"—of course—, but the principles of good money and good monetary standards were not, and have not been altered. They were merely illustrated again.

Experience of U. S. "Managed" Irredeemable Currency

When we embarked upon our system of "managed" irredeemable currency in 1933, President Roosevelt, in a radio address of October 22, 1933, told our people that one of the purposes was "to establish and maintain a dollar which will not change its purchasing and debt paying power during the succeeding generation." Experienced monetary economists knew at that time that there were no lessons in the monetary field that could justify the making of such a statement. But the money manipulators, who either did not understand or did not respect available lessons in the field of money, were in the saddle and had their way. The President obviously had no important understanding in the field of money. His monetary program of 1933-1934 was almost entirely that of The Committee for the Nation which was composed of outstanding businessmen who thought business recovery, which had already started in August, 1932, could be generated by currency manipulation.

Under this "management,"

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Published Twice Weekly
The COMMERCIAL and FINANCIAL CHRONICLE
Reg. U. S. Patent Office
WILLIAM B. DANA COMPANY, Publishers
25 Park Place, New York 7, N. Y.
REctor 2-9570 to 9576
HERBERT D. SEIBERT, Editor & Publisher
WILLIAM DANA SEIBERT, President
WILLIAM D. RIGGS, Business Manager
Thursday, December 6, 1951
Every Thursday (general news and advertising issue) and every Monday (complete statistical issue — market quotation records, corporation news, bank clearings, state and city news, etc.).
Other Offices: 135 South La Salle St., Chicago 3, Ill. (Telephone: STate 2-0613); 1 Drapers' Gardens, London, E. C., England, c/o Edwards & Smith.

Reentered as second-class matter February 25, 1942, at the post office at New York, N. Y., under the Act of March 8, 1879.
Subscription Rates
Subscriptions in United States, U. S. Possessions, Territories and Members of Pan-American Union, $45.00 per year; in Dominion of Canada, $48.00 per year. Other Countries, $52.00 per year.
Other Publications
Bank and Quotation Record — Monthly, $30.00 per year. (Foreign postage extra.)
Note—On account of the fluctuations in the rate of exchange, remittances for foreign subscriptions and advertisements must be made in New York funds.

Investment Banking and the Credit Restraint Program

By RUDOLF SMUTNY*

Member, National Voluntary Credit Restraint Committee
Partner, Salomon Bros. & Hutzler, Investment Bankers, N. Y. C.

After outlining organization and purposes of National Voluntary Credit Restraint Committee, of which he is a member, Mr. Smutny expresses opposition to government "inflationary policies." Says more loans should be shifted to defense production and expresses fear President may revive Capital Issues Committee and thus adversely affect investment banking industry. Says Voluntary Credit Restraint Program must be success or alternative will be end of free enterprise system. Describes "screening" of new securities by regional committees of Voluntary Credit Restraint Program.

I do not believe that any one has seen so many reluctant lenders assembled in one place before.

Rudolf Smutny

The subject of my address is the impact of the Voluntary Credit Restraint Program on the investment banking industry.

I regret that this program is called the Voluntary Credit Restraint Program. It seems to me that it would be much better if the emphasis were upon the affirmative side and not the negative. In my mind, I would have preferred that this Committee had been called the Voluntary Committee to Provide Credit for Defense Production.

You are all cognizant, I am sure, that Section 708 of the Defense Production Act of 1950 authorized the President of the United States to encourage financing institutions to enter into voluntary agreements and programs which will further the objectives of that Act. By executive order, the President delegated to the Board of Governors of the Federal Reserve System his authority with respect to financing under this section of the Act. A Program for voluntary credit restraint has been developed by representatives of financing institutions and has been approved by appropriate government officials as required by the Act. This plan is entirely voluntary, and as indicated, has the full approval of the Board of Governors of the Federal Reserve System, the Attorney General, and the Federal Trade Commission.

Impact of Voluntary Credit Restraint on Investment Banking

A National Voluntary Credit Restraint Committee was appointed March 9, 1951, by the Board of Governors of the Federal Reserve System. This Committee, under the most able Chairmanship of Federal Reserve Governor Oliver S. Powell, consists of sixteen men, four representing each of the following groups: commercial banks, insurance companies, and investment bankers. The mutual savings banks and the savings and loan associations each have two representatives on the National Committee. The investment bankers are represented by Lee M. Limbert, Vice-President of Blyth & Co., Inc., New York City; Francis Kernan, partner, White, Weld & Co., New York City; William K. Barclay, Jr., partner, Stein, Brothers & Boyce, Philadelphia, Pa.; and Rudolph Smuty, partner, Salomon Bros. & Hutzler, New York, N. Y.

It is the responsibility of the National Committee to meet for the purpose of considering the functioning of the Program; to advise the Federal Reserve Board with respect thereto; and to suggest for consideration of the Board such changes in the Program including the Statement of Principles; issue bulletins or memoranda to the subcommittees or to financing institutions regarding general matters relating to the Program and related credit problems. Included in this are statements implementing or clarifying the Statement of Principles, and describing the types of credit which, in the Committee's opinion, should or should not be regarded as proper under the terms of the Program.

The National Committee is a policy committee whose responsibility it is to secure voluntary action by banks, insurance companies, investment bankers, and other lenders to refrain from making loans for nonproductive purposes, with the objective of thereby helping to control existing inflationary pressures and assisting defense production.

Opposes Government Inflationary Policies

I wish to take this opportunity to have it clearly understood that my serving on the National Committee does not imply a tacit endorsement on my part of the inflationary policies of the government. Political climate seems to favor inflation; there is no indication of any economy; spending by the government grows by leaps and bounds; and under the influence of pressure groups, the Congress modified Regulations X and W, which were intended at least in part to check the inflation. I, personally, do not believe that you can successfully combat inflation by monetary controls alone while the government maintains a floor under commodity prices, only partially restricts wages, continues non-defense spending at an unprecedented rate, and pays life insurance dividends to veterans with National Life Insurance Policies to the extent of $686 million. However, I do believe that in the segment of the economy in which we operate, we can serve the country best by putting our house in order and setting an example for the government by conducting our business affairs as an exemplification of the standard of restraint during inflationary times.

At the inception of this Program, there was a great deal of skepticism and incredulity of its success. After all, in this day and age of "What is in it for me?" it was fairly reasonable to believe that a National Voluntary Program of Credit Restraint could not possibly succeed. The predictions were that the Program would be short-lived indeed.

Says Loans Should Be Shifted to Defense

Those of us who have lived with this Program from the beginning realized there was much more to it than met the naked eye. In the first place, I was greatly concerned by predictions in the spring of this year that due to the activities of this Program, it was expected that loans would be reduced. In several prior addresses during this year, I stressed as much as I could that in my mind the measure of success or failure of this Program should be the diversion of loans to production for defense, not the reduction of loans.

Statistics show that from March 28 to Nov. 15 loans to metal and metal products industries, defense supporting, have increased $812 million; also petroleum companies, $252 million; public utility and transportation, $493 million. Commodity dealers' loans have been reduced by $27 million. Possibly the Voluntary Credit Restraint Program can be credited with at least contributing to making more credit available for defense.

It seemed to me that we were getting ourselves in a dangerous, untenable position if we thought loans were going to be reduced by voluntary action in the face of credit requirements of our great rearmament program. The actual statistics supported my opinion that loans would increase during the year, not decrease. Weekly reporting member banks showed a total of all types of loans:

	Millions
March 7, 1951	$32,145
versus total	
November 7, 1951	34,117
Net increase over period	$1,972

Segregating this figure into commercial, industrial and agricultural loans produces:

	Millions
March 7, 1951	$18,680
versus total	
November 7, 1951	20,667
or a net increase of	$1,987

Fears Revival of Capital Issues Committee

Due to the fact that the President has the power to reimpose the Capital Issues Committee upon our industry under Section 5B of the Trading with the Enemy Act of Oct. 6, 1917, it was in my opinion an inherently dangerous premise to assume that loans would be reduced by the Voluntary Credit Restraint Program. The confirmation of my belief that the **reimposition of a Capital Issues Committee** is a real threat to the free enterprise system of the investment banking industry, and, during periods of inflationary pressures, the only alternative of the Voluntary Credit Restraint Program, is contained in a letter that Charles E. Wilson, Chief Mobilizer, wrote March 23, 1951, to the Chairman of our Committee, Governor Oliver S. Powell. An excerpt covering this point reads as follows: "I hope that you will impress upon industry leaders the deep interest of government in the success of this effort (Voluntary Credit Restraint Program); otherwise it will be necessary for my Committee to consider what additional steps may be required in the private credit field."

I am sure, gentlemen, that this statement requires no explanation. It is direct and to the point. Possibly this is not a "shotgun wedding"; but in any event we in the investment banking industry understand the "facts of life"; and do not forget that you, too, are members of the wedding party. When that shotgun goes off, it hits us all in the pocketbook, and that really "hurts."

Continuing the same trend of thought, I was wondering how many investment bankers had thought through to its conclusion, what the impact would be on our industry if a Capital Issues Committee were imposed upon us. Just on one point alone it has onerous implications. Who would accept the Chairmanship of that Committee? I would not, and I am sure that no one who is presently a member of the National Committee of the Voluntary Credit Restraint Program would accept the chair. Also, in my opinion, no investment banker would do so. The answer probably would be some one who is not in our industry at the present time. If you use the yardstick of other agencies, and the great number of offerees to whom the chair had been offered — sometimes over 40 in number — it does not augur well for us. Do not forget you, too, are included. If some one in our industry accepted this Chairmanship it would have to be, in my opinion, a person who would take pleasure in riding "herd" on all of us. You can easily conjure up the picture of investment bankers, and bankers, waiting hat in hand, to find out what we can and cannot do. That is why, in my opinion, so many prominent people have lent their names to the Voluntary Credit Restraint Program and are working earnestly and diligently for its success. Gentlemen, we are fighting for the preservation of the free enterprise system. The Voluntary Credit Restraint Program must succeed—the alternative is too unattractive.

Work of Regional Committees

Regional Committees of the Voluntary Credit Restraint Program were appointed shortly after the inauguration of the Program in March, 1951, to whom lenders may submit questions as to the appropriateness of loans which are not readily classified as desirable or undesirable under the terms of the Voluntary Credit Restraint Program. Four geographically located Investment Banking Regional Committees have been organized, one each in New York, Chicago, Dallas, and San Francisco. The Eastern Investment Banking Voluntary Committee is under the able Chairmanship of the well known Percy M. Stewart, partner, Kuhn, Loeb & Co., New York City; Midwestern Regional Committee under the Chairmanship of my very good friend, D. Dean McCormick, McCormick & Co., Chicago; Southwestern Regional Committee, the likable John H. Rauscher, partner of Rauscher, Pierce & Co., Dallas; Western Regional Committee, the able Frank Walker, partner of Dean Witter & Company, San Francisco.

A representative of the Federal Reserve Bank is a member of each of the Regional Committees to see to it that the interests of the public are properly protected. The Federal Reserve representative attends each of the Regional Committee meetings.

The Regional Committee reviews and carefully screens the loans that originate in its district. In this Midwestern District, 456 loan applications both written and oral have been screened by the Midwestern Investment Banking Regional Committee from May 11 to Nov. 15, 1951, the dollar amount being $573,937,000. Of this amount, 10 written loan applications have been deferred amounting to $23,646,000. In addition, 25 to 30 oral informal loan applications made by telephone aggregating approximately $50,000,000 have also been deferred. Total deferments in this district are approximately $74,000,000.

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REGIONAL COMMITTEE SCREENINGS

	No. of Loan Applications Screened	Total in Millions	Deferred No. of Loans	Total Deferred Incl. Verbal in Millions	Approved No. of Loans	Total Approved in Millions
Midwestern	456	$574	35	$74	421	$450
San Francisco	64	371	*0	72	64	299
Dallas	330	170	23	68	307	152
New York	471	1,704	8	104	463	1,600
Total	1,321	$2,819	66	$318	1,255	$2,501

*Reductions.

*An address by Mr. Smutny before the Fourth National Credit Conference sponsored by the Credit Policy Commission of the American Bankers Association, Chicago, Ill., Dec. 4, 1951.

The State of Trade and Industry

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

Many plants were closed for the Thanksgiving holiday, but notwithstanding the loss of a workday, total industrial output for the country at large displayed only a slight tapering off in the period ended on Wednesday of last week. It was, however, somewhat higher than the comparable 1950 level. In fact, the year-to-year gain was particularly pronounced in some industries due in great part to the severe storms a year ago which hampered output. The current high output, about 10% below the all-time peak reached during World War II, was bolstered by defense production.

In the Detroit area unemployment is on the rise as auto makers enter their model changeover periods and cut output to conform with government restrictions. The number of unemployed topped 100,000 in mid-November for the first time in 20 months, the Michigan Employment Security Commission reports. Chrysler Corp. has already laid off 2,500 workers due to United States car output quotas, and Ford Motor Co. announced it would start laying off about 23,000 beginning Dec. 10.

In the week beginning Nov. 26, steel ingot production returned to the all-time record level of 104% of capacity, which was set in May.

This week the alloy and stainless steel market picture is so confused it will require drastic action to bring it back into focus, states "The Iron Age," national metalworking weekly. Even so, it will probably take at least several weeks to get Controlled Materials Plan tickets and steel industry melt schedules straightened out, so that all possible production of these products is channeled to those needing them most urgently, it continues.

At the rate Washington is cutting back alloy steel allocations to some industries there is likely to be open space on mill order books for these products during the first half of 1952. This has already happened with stainless steels because military users failed to take all that was set aside for them. Apparently, some high priority orders were placed far in advance of actual need.

Manufacturers of heavy cranes, such as are used in steel mills, have been cut back too. Failure to permit a few hundred tons of steel for this use now will mean—if not corrected at once—that thousands of tons of steel production will be lost because of lack of cranes to handle it.

Price ceilings for the steel middleman announced late last week do not mean that regular warehouse customers will get cheaper steel. Prices of steel items sold through established warehouses aren't expected to change much when the new ceilings become effective Dec. 16 or later, said warehouses, in most cases, will be permitted their regular percentage markups—plus cost increases resulting from the two latest freight rises which they have been absorbing. Price-shaving is expected to be just about averaged out by allowing the higher freight costs, this trade authority points out.

Consumer resistance to high prices during the past several weeks had already slowed the gray market to a walk. It is hoped this order will prove to be the legal crusher that will halt it completely, the magazine adds.

Don't be surprised if the government soon starts subsidizing conversion steel. In its simplest form, conversion is the practice of buying semifinished steel from a mill having excess ingot capacity and shipping it to a mill having excess finishing capacity for processing into the desired form. Manufacturers whose production has been ordered cut back have been shying away from this expensive steel, this trade weekly notes.

Now the government may keep conversion rolling by subsidizing the difference between conversion prices and regular mill prices. Some in Washington regard this as a fair move, since government restrictions have caused the conversion market to wither, concludes "The Iron Age."

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Savings Bonds "On Trial"

PART II

Transcription of second session, held Nov. 27, of ABC-TV program "On Trial," devoted to negative side of the question before the "Court," "DO SAVINGS BONDS GIVE A FAIR RETURN?" The negative witness was Leslie Gould, Financial Editor of the New York "Journal American"; his counsel, Mark F. Hughes, New York trial lawyer; opposing counsel, Robert W. Coyne, New York and Boston attorney, and former National Field Director, War Savings Staff, U. S. Treasury Department.

At the opening session held Nov. 20, published in the "Chronicle" of Nov. 29, the affirmative side of the question was argued, with A. Wilfred May, Executive Editor of the "Chronicle" as witness; John Kadel, New York lawyer, as his counsel; and Mr. Hughes as opposing counsel.

Hon. William B. Groat, Judge of the Queens County Court, presided over both sessions.

(David M. Levitan, lawyer, was program director.)

Direct Examination of Mr. Gould by Mr. Hughes

Q. Mr. Gould, have you an opinion whether War Savings Bonds give a fair return?

A. Yes.

Q. Will you give the reasons for your opinion?

A. Leaving out the question of patriotism, and merely on the basis of whether the return is fair to the investor as an investment: they do not pay proper rates of interest, in view of all that has happened in the last 10 years. They yield only 2.9% if they are held for the full 10 years; in the face of the fact that we have only a 53 cent dollar now versus a full 100 cent dollar 10 years ago. Everyone else besides the small investor, who is the backbone of our country, has been keeping pace with inflation. It has been a losing race as far as he is concerned. The Washington politicians tell the unions to go out and get more money, and they do, and the inflation goes on and on. But the citizen with his Bonds gets the same rate of interest as he did 10 years ago.

Q. Mr. Gould, you've alluded to the question of inflation. Can you tell me whether these War Savings Bonds can be a factor one way or another in either encouraging or discouraging an inflationary trend.

A. Yes, the Savings Bond purchaser can definitely exert an important anti-inflationary influence. The buyer takes money which might otherwise go into shortages and into consumption as in World War II. It is not an all-over cure, particularly if the government does not spend the money wisely.

Q. At the present time are Saving Bonds sales now really effective in stopping the inflationary trend?

A. No, there are no major shortages; as can be seen in the case of automobiles and other consumers goods, and in price wars.

Q. What has been the recent experience regarding the sale and redemption of War Savings Bonds?

A. Since April, 1949, there have been more redemptions than sales. This reflects some of the public's dissatisfaction with the yield.

Robert W. Coyne Leslie Gould

Cross-Examination of Mr. Gould by Mr. Coyne

Q. Your counsel last week in cross-examining Mr. May made much of the fact that the interest rate on Savings Bonds was lower today than that on the Liberty Bonds of World War I. Do you feel that is a sound comparison?

A. Yes, you didn't have a manipulated money market during World War I.

Q. Is it not true that Liberty Bonds were quite dissimilar to our present Savings Bonds? They were not demand obligations?

A. That is true.

Q. The former Liberty Bonds were subject to market fluctuations; they were not cashable prior to maturity, at 100 cents at the will of the holder? If one wished to realize on his invested capital before maturity, he was forced to accept the market price at the time he needed his money? Liberty Bonds for which $100 was paid, were subsequently sold by the holders as low as $85, or even $82. Is that not true?

A. Yes, but that was a year or so after the War's end.

Q. Your counsel in his cross-examination of Mr. May and in his summation argued that an increased interest rate would win more bond holders and hence increase the spread of the public debt among the people. Do you not feel that the security of the principal, the cashability of the bonds and other factors are more persuasive to the bond purchaser than is the precise rate of interest?

A. The question of return is very important. If a person buying Savings Bonds were instead to put his money into a savings bank, he would get a higher return for the first 6½ years. And bonds in general ordinarily get a higher return than a cash deposit.

Q. I am certain you realize, do you not, that the Treasury Department in its thrift program, is not disparaging the Savings Banks nor trying to undermine the other forms of savings that are also good?

A. A further evidence of the unfairness of the rate is seen in the high volume of redemptions.

Q. But isn't it a decisive fact that the precise rate of interest is not usually the decisive factor to the ordinary saver in a thrift program?

A. The basic point is that from Savings Bonds you cannot get a proper return on your money.

Q. Isn't it so that systemization of savings and regularity are more important than the exact interest rate?

A. No, the Bond buyer is governed by two things. One important feature is that no interest whatever is paid if the Bond is cashed within 18 months after purchase; contrasted to the savings banks, where the 2% interest accrues immediately. Second, the Administration has failed to give back dollars of equal purchasing power.

Q. Let us consider, as you and your counsel have suggested, an interest rate rise of 1%. Wouldn't that cost the government an additional $580 million—on the $58 billion of Bonds outstanding; a sum that would have to be paid by you and me?

A. The figure is correct.

Q. So the 50 million Bond holders would have to pick that up?

A. No. It would have to be spread around. It would have to be paid for only partly by the Bond holders.

Q. You have stated that there are many better ways for the saver to dispose of his dollars. Does that include common stock?

A. Not a bad idea. Most of the savings banks and life insurance companies are going into that field.

Q. I liked your last statement that even life insurance companies are going into common

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The Steel Supply Picture

By R. F. SENTNER*

Assistant Executive Vice-President
United States Steel Corporation

Mr. Sentner estimates 1951 steel production at 105 million ingot tons, an increase of 9% above 1950 and 17% more than 1944, the peak year of World War II. Predicts in 1952 production will be at rate of 108 million tons and steel producing capacity will increase to 110 million tons. Cites lack of sufficient scrap, shortage of alloys, work stoppages and slow-downs as impeding factors, and hints that demand for steel in 1952 may be less than supply.

I am going to break with precedent, waive my traditional immunity, and tell you as much as I can about steel supplies in 1952. I am going somewhat beyond this, for you recognize, as well as I do, that "supply" by itself is meaningless. A knowledge of "demand" is required to complete the equation, and provide the answers which your industry, in common with all steel-consuming industries, is seeking. I wish that I could say that the picture I shall sketch out will be completely clear and unmistakable. Unfortunately, that cannot be. I can only paint in the broad outlines and indicate the large masses of color. I must then leave you to complete the picture and interpret it in the light of your own more detailed knowledge of your industry.

Richard F. Sentner

In addition to discussing the situation as it exists, I should like to bring to your attention a few suggestions as to how it may be improved. Most of these suggestions have already been made by the steel industry to those responsible in the government. Some of them are already in effect. At the same time, I should like to relate my own concept regarding controls.

Finally, I would like to tell you what I think you gentlemen, your associates, and your companies can do at this time as long as the present situation continues, to contribute most to the future of your industry, the mobilization effort, the American economy, and our free enterprise system.

Businessmen who have served with the defense agencies in Washington are frequently presumed to be in possession of vital information that would form the basis of knowledge about what is going to happen and how to solve the problems of the day. When such men, having been asked to discuss these problems, both on and off the record, fail to provide these answers, it is frequently assumed that they know, but can't tell for reasons connected with national security.

Let me assure you that in my case secrecy is not the basis for the considerable degree of uncertainty which I shall exhibit. Naturally, as Director of the Iron and Steel Division of the National Production Authority, I learned many things about the problems of individual companies which I cannot properly reveal. I was told certain facts about the current military situation which were not for publication. I had access to certain facts and figures which were not published. Nevertheless, none of this knowledge is of such a nature that it need cause me to be less than completely frank in today's discussion of the current picture.

There will be more steel available next year than in this record year, 1951, in which the American steel industry will have produced approximately 105 million ingot tons. This 1951 tonnage will be 9% higher than in 1950, the previous peak year, and will be 17% above 1944, the peak year of World War II.

Throughout this year, it has been commonly accepted that there has been a shortage of steel. Whether this is factual depends entirely on the definition of the word shortage. With the direct military procurement in 1951 being not more than 10%, increased production alone, in effect, provided the military needs, leaving a full measure of steel for all other requirements. In 1952, the direct military requirements may require as much as 15% of the national production, but this increased requirement again will be largely offset by increased availability, again leaving a full measure of steel for all other requirements.

It is the factor of timing that develops the circumstances which result in honest conclusions that there is a shortage of steel. When, for purposes of national defense, timetables of production are established in terms of units per month or per quarter, without regard to feasibility of procurement of steel in such a particular period of time, apparent rather than real shortages result. When too many things are required to be done in too short a time, there is temporary shortage, and I believe that is true no matter what the productive capacity of the steel industry may be or ever will be. A more reasonable timing of needs would change this picture of apparent shortages. Whether such changes in timetables would have impaired our overall defense effort, I am not qualified to say.

Getting back to the forecast of the supply of steel for 1952, the current weekly production of steel is at the annual rate of almost 108 million ingot tons. With new facilities coming in during 1952, I believe the industry will have capacity for the production of more than 110 million ingot tons.

There are factors, however, that may limit the extent to which the industry can better its 1951 production performance. The first is lack of scrap. For nearly a year now, the industry has been using every pound of scrap it could lay its hands on, and has been depleting inventories of scrap at the mills. The success of current scrap drives is, therefore, a crucial consideration. I predict that they will be moderately, though not spectacularly, successful. It is extremely difficult to step up the level of scrap accumulation because the dormant scrap which we are now collecting must come largely from the wearing out and obsolescence of machinery, equipment, and other items produced during the early 1930s, or prior periods, an era during which such production was at an extremely low ebb. Much depends upon our success in obtaining the sizable stocks of scrap which the government owns in the form of obsolete ships, weapons and other equipment.

A second factor which may limit production is a shortage of alloying materials such as nickel, chromium, manganese and other ferro-alloys. Many of these materials are likely to continue in short supply and may be expected to limit the production of the particular end products for which they are required. With the exception of manganese, however, limitations in their supply do not affect seriously overall steel production. Manganese will be a serious problem in 1952, but I am not inclined to believe that it will be a limiting factor in steel production. Nevertheless, we shall have to economize in its use; and we shall certainly not be able to add to strategic stockpiles all the manganese which the military authorities would desire.

A third factor is continuity of operations. Work stoppages and slowdowns are never contemplated in any forecasts. Any losses in production from these causes are irretrievably lost.

The final major factor which may limit steel production in 1952 is steel demand, which is the other side of our equation. If next year this factor comes into play in any significant amount, the immediate problem may well disappear. The demand for many steel mill products may be less than the supply, and discussion of expanding steel production then becomes academic.

This is one of the areas in which the greatest disagreement exists between those in Washing-

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*An address by Mr. Sentner before the Institute of Cooking and Heating Appliance Manufacturers, Cincinnati, O., Dec. 3, 1951.

From Washington Ahead of the News

By CARLISLE BARGERON

There is always a lull in Washington when Congress is away and those who are in the business of making news—the newspapermen, those members of Congress remaining in town and the headline seekers of the executive branch—have to resort to different devices. The late Senator Borah got a lot of his fame by staying here in Congress' absence and holding daily press conferences at which he would air his opinions on everything under the sun. Lacking the competition of the Congressional happenings and debates, his remarks would receive front-page treatment.

Carlisle Bargeron

Recesses of Congress are good times for holding committee investigations, particularly those dealing with less dramatic subjects than corruption, and it is in this atmosphere that we are hearing a lot about the lag in the military procurement program. Why don't we have jet planes in Korea comparable with those of the Russians? It is because the Air Force hasn't been given enough money, or at least, wasn't given enough money back there in Louis Johnson's "economy" period before Korea? Incidentally, it was getting $1½ billion a year during this period.

Why is our program of rearming Europe behind schedule? Is it because of strikes in essential industries? Is it because we haven't cut the civilian economy enough?

Everybody concerned has different explanations, but as for me, aside from the outrage of our pilots in Korea not having equipment equal to the Russians, for which the military and not any lack of money is reponsible, I hate to see the subject being discussed. You can rest assured that the outcome will be bad.

It will be handled in the usual political way, and the result will be that we will pay more and the civilian economy will be put in more of a straitjacket.

Instead of the lag in rearmament being a cause for concern the plain truth is that it should be one for rejoicing. It means simply that the billions that have been appropriated are not being spent as fast as the spenders would like to spend them. And until this money is spent there is always the hope that something may turn up, not just to make the spending unnecessary—it is not necessary now—but to get it out of our political consciousness or to cause a public revulsion against it. Anthony Eden, for example, has just said that there has got to be a readjustment of the rearmament program to the ability of the Western European nations to stand. A little thing like that—you can't tell—may spread to the point of bringing our government to its senses. Another thing, if the money isn't being spent as fast as had been anticipated there might be a lot of it left, certainly more of it, when the Republicans come in, and you can bet your boots that this nonsense will then be cut out.

There is considerable significance, I think, in the articulation that has recently come to General Motors' Wilson, such as his statement, just uttered, that our government has reversed the old British colonial policy. Whereas the British exploited the colonials for the benefit of the British, he pointed out, our government is exploiting the American people for the benefit of other nations. Mr. Wilson is not a talkative man but he has been doing some profound thinking and expressing himself in no uncertain terms lately. That's all to the good. Other men of his standing might be encouraged to speak up. It might be that this craziness can be stopped and it would be splendid if it can be stopped before that $92 billion which the military already has is spent.

So I say I regret these criminations and recriminations about the rearmament program not being as advanced as it should be. With this one exception: The responsibility for the boys in Korea not having what they need, not just the Air Force but the whole crowd, should be fixed. And the military shouldn't be permitted to get off the hook by saying we disarmed too fast after World War II and they were put on a too skimpy diet. From the end of World War II, to the time of Korea, the military was getting $15 billion a year and as I have already said, $1½ billion was going to the Air Force. This was the budget that the much-maligned Louis Johnson was trying to trim and the main target of his trimming efforts was the duplicated and half-filled hospitals strewn around the country. We should be rejoicing in the rearmament lag. Particularly is this true when you realize that the obsolescence of tanks and planes and guns and the like is so great in war and even in such peace as we are having, makes ridiculous a program which is predominantly directed at loading up on such large quantities of them.

There is the added difficulty of voices like Anthony Eden's and GM Wilson's getting anywhere in the confusion which wrangling about the status of the rearmament program engenders. It militates against a possible revulsion against the spending on the part of the public. The most likely reaction on the part of the politicians will be to give the military more money and make further inroads upon the civilian economy. For it seems always to be the safer course for the politicians in such times to wave the flag, and beat their breasts about the Russian menace.

With Shields & Co.

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Jeanette C. La Touf has become associated with Shields & Company, 9478 Santa Monica Boulevard. Miss La Touf was formerly with Daniel Reeves & Co. and Walston, Hoffman & Goodwin.

Joins Daniel Reeves

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Chas. W. Burger has become affiliated with Daniel Reeves & Co., 398 South Beverly Drive, members of the New York and Los Angeles Stock Exchanges. He was previously with Quincy Cass Associates.

Television Comes of Age

By ROSS D. SIRAGUSA*
Chairman, Admiral Corporation, Chicago

Revealing television industry within four years has attained a multi-billion dollar stature, Mr. Siragusa ascribes this to TV's value in entertainment and education. Gives reasons for mid-year slump in TV set sales, and reports, because of restrictions on raw materials, production, at present, has been below sales of most manufacturers and thus the industry's readjustment is pretty well completed. Estimates industry can produce five million sets annually under present restrictions, but foresees vastly greater potentialities in future.

My own industry is so young that it is hard even for many of us who have taken part in its meteoric development fully to realize the importance it has assumed in American life. That is what prompted me to choose for my subject — "Television Comes of Age." When we appraise TV today it scarcely seems possible that a scant five years ago it was still confined to the laboratory. The public had heard a lot about TV as one of the post-war wonders that would be unveiled at some future date. But as recently as 1946, there was no telecasting except by a half dozen stations operating on non-commercial, experimental licenses, and no production of receivers except for a few hand made models.

Ross D. Siragusa

A Multi-Billion Dollar Industry

Since then, or more accurately since the spring of 1947 when the Federal Communications Commission began issuing commercial telecasting licenses, the industry has attained multi-billion dollar stature. Starting from scratch in 1947, production capacity capable of building 8,000,000 receiving sets annually has been created. Last year American families spent $2,000,000,000 for 7,500,000 receivers. This year sales will approximate 5,000,000 sets, despite the very bad spring and summer slump which I shall discuss later. Today almost 14,000,000 families, or slightly more than 50% of those living in areas having telecasting service, are TV owners.

While this development in receiver production and distribution has been in progress 108 telecasting stations have been placed in operation in 63 cities. There would be several hundred more on the air in many additional cities if the FCC had not frozen the licensing of new stations away back in September, 1948, when the industry was just getting started. Four national networks are now in operation and coast-to-coast hookups became a reality just two months ago, when the nation was spanned by a combination of coaxial cable and microwave relay stations. It is estimated that the 108 stations and four networks will have a combined billing of approximately $250 million in 1951, compared with less than $35 million in 1949. As bankers you can readily see that prior to 1949 the stations then on the air operated largely on capital and faith.

From these few figures I think it is evident that no other new product, not excepting the automobile, radio and motion pictures, ever captured the heart of the American people so quickly and so completely.

The reason that TV was accepted with such unprecedented rapidity is obvious and simple. It represents the greatest value in entertainment and education ever offered to the American people. For a very small investment as consumer durable goods go, and pennies in operating expense, TV provides ringside seats right in the living room for the whole family for everything from top sport spectacles to such history-making events as the recent signing at San Francisco of the Japanese peace treaty.

The Mid-Year Slump

You may be thinking, "Why, with such a background, did TV sales drop so precipitously in the second quarter of this year?" Why were sales of the whole industry less in the month of June than Admirals' sales alone were in March?

There are five principal reasons. They are worth examining not so much because they explain the slump—which is now *past* history—but because of their bearing on the future.

First was the government freeze on new stations which restricted the TV market to 63 communities. This denied and continues to deny TV service to almost 40% of American households. So far as I know, no new industry in this country ever before had its market restricted to little more than half of its potential by government edict.

Second, were the several waves of panic buying which followed the outbreak of shooting war in Korea. The fear buying of the last half of 1950 and the first quarter of 1951 constituted borrowing from future sales. Practically all consumer durable lines felt some degree of reaction in the second and third quarters of this year. TV had its time of reckoning beginning late in March.

TV's third handicap was the FCC decision giving the go ahead to mechanical, non-compatible color telecasting late in 1950. This, of course, caused buyers to hold back in the very mistaken belief that color TV was imminent.

Fourth and fifth were the imposition of regulation W and the 10% excise tax, also in the fall of 1950.

Any way you add up those five factors they would be a terrific handicap for any industry, young or old.

The Current Picture

So much for the background. Now let's look at the current picture. Production hit bottom in June and dragged along at a very low level through the summer until late August, when it turned sharply upward. Since then it has leveled off at approximately 400,000 units per month, which is about the industry's capacity under present restrictions on the use of raw materials. Production has been held below sales by most manufacturers with the result that total inventories of manufacturers, distributors and retailers in the industry are estimated at 1½ million units now as compared with more than 2½ million units at the peak last spring. Inventories currently represent a little over two months' sales at the present rate of turnover, which is a satisfactory relationship.

Present signs all indicate that the industry's readjustment has been pretty well completed. The anticipatory buying of 1950 and early 1951 was compensated for by almost six months of very subnormal sales. Prices have been reduced to a level more than offsetting the effect of the excise tax. They are now at an irreducible minimum—especially since costs are again pointing upward. Much needed liberalization of regulation W was obtained last August.

Color TV Situation

Color has been effectively removed as a deterrent to sales by a request from Defense Mobilizer Wilson that production of color receivers be indefinitely suspended because of shortages of both materials and engineering talent. The industry has willingly acceded to this request. As a matter of fact, only one manufacturer, a subsidiary of Columbia Broadcasting Company which was the sole proponent of mechanical color TV, had started the manufacture of receivers. Columbia has also suspended color telecasts, which it had launched on a very limited basis in a few cities.

Mr. Wilson did not, however, request that research on color be abandoned during the current postponement, because color research has important implications for military electronics. The industry has been working intensively to perfect an electronic color system which would overcome the very serious shortcomings of the mechanical method. Recently substantial progress has been made. One compatible system permitting programs broadcast in color to be received on present black-and-white sets is already being field tested with results that are reported favorably by our engineers. Therefore, it is not unlikely that the controversy over color within the industry may be settled by technical progress long before the defense situation will permit a further attempt at commercial exploitation.

The net of the situation for TV is that Admiral had to resume allocating its output two months ago. Other leading brand manufacturers no doubt are facing the same problem. Those of you who have TV distributors and dealers among your customers probably are wondering what this means to them. It is our estimate that distributors and dealers will fare quite well. They should be able to reduce discounting and long trade-ins to a minimum and cut sales costs generally so that their final results will be much more satisfactory than in the second and third quarters. They will not, of course, enjoy the very lush profits obtained under the highly abnormal conditions prevailing in 1950.

After this month, when the pre-Christmas seasonal sales peak has been passed, we expect receiver production will be adequate to maintain a reasonably even balance with sales for the next three to six months. This estimate could be upset, of course, if production is further curbed by an increase in military requirements. Under present material restrictions the industry can produce no more than 5,000,000 sets annually. Production at that rate is possible only because we have been able to devise important savings of critical materials. In our household appliance division we have not been nearly so fortunate. For example, on refrigerators it has been necessary to reduce production by almost the exact amount of our most severe material cutback.

As far as Admiral itself is concerned, defense orders will take up any capacity idled by material cutbacks. We already have a very substantial government backlog for electronic equipment. At the same time we are maintaining civilian production at the maximum level permitted by the materials allowed us. A substantial flow of civilian goods must continue to go to distributors and dealers or the industry's m a r k e t i n g structure will not be strong enough to do the job expected of it when the defense build-up has been completed.

While on the subject of defense work, I should tell you that it is very close margin business, which is as it should be. Our experience indicates that military work takes about twice as much floor space per dollar of production as civilian output. This factor, combined with renegotiation and present taxes, restricts net earnings to approximately three cents per sales dollar. In comparison, Admiral's civilian business in the year and three-quarters up to Sept. 30, 1951, which includes both boom and poor times, yielded average net earnings of 6½ cents per dollar of sales.

Long-Term Outlook

Thus far I have dealt only with the short-term outlook for TV. Ordinarily when one is prophesying it is an accepted rule that the need for caution increases geometrically with the length of time covered by the forecast. Television, in my opinion, is one of those exceptions that proves the rule. TV is destined to become as universal in the American home as radio is today. If it were not for the restricting effects of a defense economy I would expect 90 to 95% of American homes to have receivers within five or six years. Even with a defense economy that market penetration should be attained within 10 years, barring some cataclysmic event such as total war.

Earlier I pointed out that the freeze on new telecasting stations imposed by the FCC in Septem-

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*An address by Mr. Siragusa before the Fourth National Credit Conference sponsored by the American Bankers Association, Chicago, Ill., Dec. 3, 1951.

Dealer-Broker Investment Recommendations and Literature

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

Defensive Stocks—Ten stocks selected for stability—F. P. Ristine & Company, 15 Broad Street, New York 5, N. Y.

Higher Earnings—Analysis of candidates for higher earnings in 1952—Sutro & Co., 407 Montgomery Street, San Francisco 4, Calif.

Investing for Income—Brief data on **Canadian Chemical Co., Ltd., Traders Finance Corp., British Columbia Power Corp., International Nickel,** and **Canada Iron Foundries Ltd.**—Ross, Knowles & Co., 330 Bay Street, Toronto, 1, Ont., Canada.

Outlook—Market and world situation—Uno Equities, Inc., 30 Pine Street, New York 5, N. Y.

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

Portfolio—Suggestions—Francis I. du Pont & Co., 1 Wall St., New York 5, N. Y.

Portfolio Analysis—Chart of action of various industries—Dean Witter & Co., 14 Wall Street, New York 5, N. Y.

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

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American & Foreign Power Co.—Analysis—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

Atchison, Topeka & Santa Fe Railway—Analysis—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y. Also available is an analysis of **Avon Products, Inc.**

Beryllium Corporation—Analysis—Cruttenden & Co., 209 South La Salle Street, Chicago 4, Ill.

British American Oil Co.—Memorandum—Shearson, Hammill & Co., 14 Wall Street, New York 5, N. Y.

British Industries Corporation—Analysis—Strauss Bros., Inc., 42 Broadway, New York 4, N. Y.

Canadian Pacific Railway Company—Brochure—A. G. Becker & Co., 120 South La Salle Street, Chicago 3, Ill.

Domestic Finance Corp.—Bulletin—Smith, Burris & Co., 120 South La Salle Strete, Chicago 3, Ill.

Eastern Airlines—Analysis—Van Alstyne, Noel & Co., 52 Wall Street, New York 5, N. Y.

Gear Grinding Machine—Write-up—Lerner & Co., 10 Post Office Square, Boston 9, Mass. Also available are write-ups on **National Company, Riverside Cement "B,"** and **Seneca Falls Machine.**

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.**

North Canadian Oils Ltd.—Booklet—Aetna Securities Corp., 111 Broadway, New York 6, N. Y.

Puget Sound Power & Light—Review—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

St. Regis Paper—Review—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

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

Skiatron Electronics & Television Corporation—Bulletin—Moran & Co., 744 Broad Street, Newark, N. J.

Stewart Warner Corp.—Analysis—Sincere and Company, 231 South La Salle Street, Chicago 4, Ill.

United States Radiator Corporation—Analysis—J. R. Williston & Co., 115 Broadway, New York 6, N. Y.

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

Whiting Corporation—Analysis—May & Gannon, Inc., 161 Devonshire Street, Boston 10, Mass.

Wisconsin Electric Power Company—Discussion—Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis. Also available is a discussion of the **Revenue Act of 1951 and Its Initial Impact on Corporate Earnings.**

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Savings Bonds "On Trial"

stocks. The life insurance investment facilities are highly skilled with large technical staffs for investing. Isn't it true that with all these facilities their yield on investments is just a little above 3%?

A. Yes, currently.

Q. These insurance companies are allowed to invest in common stocks now in New York and other important states. Isn't it true that they have not seen fit to take anywhere near full advantage of this privilege. That only about three-quarters of 1% of their invested assets are in common stocks?

A. I haven't the answer to that. But I'd like to call to your attention a study prepared by one of the savings banks. This shows that since 1927 a common stock program of investing a fixed sum of equal amounts each year since 1927 in 14 leading common stocks would by 1949 have doubled the capital invested and yielded a return of 7.3%.

Q. Just one more question, Mr. Gould. In a Town Hall program a year ago you answered an inquirer who wanted to know how to invest safely in common stocks by saying "Well, if only I knew the answer to that, I wouldn't be an editor." Isn't that so?

A. Oh yes! that is correct.

Re-Direct Examination by Mr. Hughes

Q. Mr. Coyne has develped the point that there were times when Liberty Bonds sold below their value, in contrast to the present Savings Bonds. In terms of purchasing power, however, where does the present buyer stand, who bought 10 years ago?

A. Very badly. He has put in \$75, received \$100 which are only worth \$53 in purchasing power. So he has lost money.

Q. Is the \$580 million which it might cost annually to raise the rate by 1% a fair price to pay for the great advantages which would result in terms of a better Savings Bond program?

A. By all means.

Summation by Mr. Coyne for the Affirmative

There is one bright spot in this world today. That spot is America! Defense Savings Bonds are a part of our American system. Forgetting the complexities of finance, in language that you and I understand, Defense Bonds mean:

(1) The money we invest is safe.

(2) We can get our money when we want it.

(3) The return on our investment is fair, **and it is sure.**

(4) When we buy Bonds we are members of an army of 50,000,000 who have a stake in our government and who, by buying Bonds, live their belief in a government by the people.

I ask your vote in favor of these Bonds tonight and your best vote is your action in buying them and urging others to do so. This is good for the country. It is good for you. For you and I and our country are the same.

Summation by Mr. Hughes for the Negative

The issue before the Television jury is whether the U. S. Savings Bond gives a fair return to the investor. The answer is quite simple. The yield is 2.93%, the same yield as has obtained during the past 10 years and a period when dollars became worth 47% less. So the buyer is minus in terms of purchasing power. Thus the return is obviously unfair.

The Savings Bond policy also is unsound, it should aim to get into the hands of the people a far greater number of the Bonds.

COMING EVENTS

In Investment Field

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, 1952 (Chicago, Ill.)

Bond Traders Club of Chicago annual dinner at the Furniture Club.

Feb. 8-9, 1952 (Chicago, Ill.)

Winter Meeting of Board of Governors of Investment Bankers Association at the Edgewater Beach Hotel.

May 1-2, 1952 (Galveston, Tex.)

Texas Group of Investment Bankers Association Spring Meeting at the Hotel Galvez.

May 14-17, 1952 (White Sulphur Springs, W. Va.)

Spring Meeting of the Board of Governors of the Investment Bankers Association.

NSTA Notes

SECURITY TRADERS ASSOCIATION OF NEW YORK

The Security Traders Association of New York (STANY) Bowling League standing as of Nov. 29, 1951 are as follows:

TEAM—	Points
Kumm (Capt.), Ghegan, R. Montanye, Krassowich, Manson	38
Goodman (Capt.), Weissman, Farrell, Valentine, Smith	36
Serlan (Capt.), Gold, Krumholz, Young, Gersten	34
Leone (Capt.), Tisch, O'Marra, Nieman, Bradley	32½
Mewing (Capt.), G. Montanye, M. Meyer, Lapato, Klein	32
Krisam (Capt.), Gavin, Gannon, Jacobs, Murphy	29
Bean (Capt.), Lax, H. Frankel, Werkmeister, Ried	29
Burian (Capt.), Siepser, Gronick, Growney, Kaiser	28½
Donadio (Capt.), Rappa, O'Connor, Whiting, Demaye	28
Hunter (Capt.), Craig, Fredericks, Weseman, Lytle	28
Greenberg (Capt.), Siegel, Cohen, Sullivan, Voccoli	24
H. Meyer (Capt.), Swenson, A. Frankel, Wechsler, King	21

200 Club

Ricky Goodman 214
Paul Fredericks 206

Five Point Club

Tom Greenberg

Stein Roe & Farnham Opens N. Y. Office

Stein Roe & Farnham, Chicago investment counsel firm, has opened a New York office at 60 Broadway. Manager will Be Henry B. Thielbar, former partner of Naess, Thomas & Thielbar. L. Z. Morris Strauss, Jr., from the Chicago office of Stein Roe & Farnham, will be associated with him.

Henry B. Thielbar

Sydney Stein, Jr., partner, stated that "the establishment of the eastern office is expected to add to the effectiveness of our research organization and enable us to keep in closer touch with the many important financial houses and other corporations headquartering in New York. The move has been contemplated for some time in order to serve a growing clientele in the region."

The firm of Stein Roe & Farnham was organized in Chicago in 1932 to provide investment counsel service to individual investors and institutions. It also manages the Stein Roe & Farnham Fund, Inc., an unloaded mutual investment fund primarily serving the needs of smaller investors.

Mr. Thielbar has been an investment adviser since graduation from Harvard Business School in 1936, except for Navy service during the war. Prior to the war, he was associated with Alexander Brown & Sons in Baltimore and later managed the trust department of an Atlanta, Ga., law firm.

Mr. Strauss, a graduate of New York University Graduate School of Business Administration, has been in the Chicago office of Stein Roe & Farnham for the past two years. He was formerly associated with the Chemical Bank & Trust Company of New York. During the war he served with the 8th Air Force.

Many With Mutual Fund Associates

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Mutual Fund Associates, 127 Montgomery Street, have added to their staff Alfred E. Baker, Howard H. Barrows, Jr., Russell M. Bate, Frederick Bense, Willard A. Bergwall, Frank Deaver, C. Kenneth DeWitt, Jr., Mrs. Eloise H. Hammel, William J. Hammel, Marshall V. Hardenbrook, Denise V. Hughes, Maxwell L. Johnston, Maurice G. Keene, Marshall C. Kelley, John V. Littlefield, Joseph C. Michels, Rudolph H. Nurmi, Raymond F. Paxton, John R. Reardon, Charles M. Schwieso, Ellen A. Smith, Harris F. Soderwall, Gene F. Taylor, Robert W. Thomas, Basil C. Walker and Earl S. Waltz. All except Mrs. Hammel, Mr. Schwieso and Mr. Walker were previously with Paul C. Rudolph & Co.

Inflation—Has It Ended or Merely Slumbering?

By EMERSON P. SCHMIDT*
Director of Economic Research,
Chamber of Commerce of the United States

Contending inflation is not an unmitigated evil, though inflation-fed prosperity may be illusory, Dr. Schmidt holds it is reasonably safe to say "we have conquered inflation for time being, at least." Stresses balanced budget as most important inflation curb, and maintains Federal Reserve through its control of bank reserves can prevent over-expansion of credit. Says, however, free economy is impossible unless we also have free money market. Lists inflation curbs.

Inflation is not an unmitigated evil. That is why it is hard to stop.

Except for creditors and others with lagging incomes, such as pensioners, nearly every group benefits from inflation in the short run. The overwhelming majority of people prosper under inflation as never before. Jobs are easy to get, little work time is lost through short work weeks or unemployment. Overtime at time-and-a-half or double-time is common. Debtors, which include governments, find their debt loads eased. Businessmen can sell everything they can produce. Profits are good. Business debts can be paid off with cheapened dollars. Farmers' incomes rise. Finally, the beneficiaries of government spending—and this is the chief factor leading to inflation—cash in enormously. This includes the Pentagon, most other government employees, businessmen who are government contractors and suppliers, home builders, house buyers, realtors and borrowers.

Dr. E. P. Schmidt

It is easy to blame the government for inflation, but back of the government are many persons and groups either demanding policies which are inflationary or condoning such policies. That is why it is so hard to stop inflation.

Inflation-Fed Prosperity May Be Illusory

Yet, these illusions of well-being during an inflation have always come to an end—as they must again. Inflation creates feverish economic activity. But, in time, labor hoarding, labor pirating, inefficiency, and enormous labor turnover lead to reduced productivity per man-hour, and perhaps to a decline in total product, even though there is more than full employment. Management becomes lax and waste mounts. In the German inflation of the 1920s, physical production in the aggregate started to decline before the peak of inflation was reached, yet nearly everyone felt exceedingly prosperous.

Inflation ultimately means a relatively "empty economy." How empty, for example, has the British economy become under sustained inflation of more than a decade? While the official figures and ECA reports tell us that industrial production in Britain is now 58% above prewar, Dr. Colin Clark, one of the most noted statistical analysts in the world, states that in Britain output per man-hour probably has not increased more than 5% in the last 12 years—and half of this improvement has been allowed to evaporate in a shorter work week. Clark finds that the British national net product has risen by only 18.3% since 1938 and the net product per person in work by only 3.1%. ("The Statist," London, Sept. 29, 1951, page 405.) Assuming that Clark is only approximately correct, ECA and the official British figures have indeed played some tricks on us. This would also explain why the British economy has not regained its health. Such artificial economic stimulation is one reason why the British loan, the Marshall Plan and all the other aids have not put the British economy back on its feet and why we will be called upon for still further aid. It is of interest to note that the Federal Reserve Bank index of physical production in our own country rose 10% from June, 1950, to last January, but has been virtually stationary since then.

What Is Inflation?

To the man in the street, and, alas, many politicians and even governmental administrators, inflation is merely "rising prices." Recently, "The Economist," (London), stated: The more the public mind becomes concerned about inflation, the more muddled it shows itself to be. . . ."

Webster defines inflation 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."

Popular language has merely telescoped this very accurate definition to read (incorrectly): "Inflation *is* a rise in the price level." Thus a symptom has taken the place of the disease. And it is not surprising to find some groups advocating treatment of the symptom, namely price rises, by direct means such as price and wage controls, in a manner somewhat akin to immersing a fever patient in ice water to cool him off.

Inflation—A Monetary Phenomenon

In mid-1939 we had about $33 billion of money in our economy—currency and checkbook money (demand deposits). Today we have $118 billion of money. Money is subject to the law of supply and demand just as are commodities. A phenomenal rise in wheat production signalizes a decline in its exchange value.

The $85 billion of money which we have added since 1939 inevitably found its way into our cost and price structure, and is reflected in higher and higher costs all round and higher and higher incomes. Costs and prices, of course, are merely opposite sides of the same shield. Everyone's income is a cost to someone else.

Since the North Korean aggression, the Federal cash budget has been in slight surplus for the period as a whole. So, it is often said that deficit spending had nothing to do with the marked inflation since June, 1950—that the inflation has been due to the expansion in private credit. There is substantial truth in this view, but it is not the whole truth.

Liquid assets — money in the hands of the American people, including business—rose from $65 billion in 1939 to about $250 billion at present. These liquid assets were chiefly the outgrowth of the deficit spending of the depression and the war period. Following the North Korean aggression, people and business greatly activated these liquid assets, which is reflected by a great increase in the velocity of money turnover. In this sense, all the earlier deficit spending helped greatly to feed the inflationary forces since the summer of 1950.

Price controls do nothing to correct the disparity between the supply of goods and the demand. The history of price and wage control is one of universal failure and collapse except for short periods when a nation was emotionally and economically unified by a major threat from external enemies. Even the death penalty for violating fixed prices in a number of European countries and in China had little or no effect.

Consciousness of price increases is universal. But the rise in incomes accompanying these price increases is for some obscure reason soft-pedalled. Thus the politician and the labor leader cry out against "extortionate prices," and say nothing about the more than corresponding wage increases and that of most other incomes.

Since 1939 the cost of living has risen by about 88%, but average hourly earnings in manufacturing have gone up by 155%, while average weekly earnings have gone up by 173%—about twice as high!

Since the postwar pre-Korean price peak of August, 1948, consumer prices have gone up only 7.4%, while average hourly earnings in manufacturing have gone up by 20% and average weekly earnings by 21% — about three times as much as consumer prices!

Even since June, 1950, average hourly and weekly earnings have gone up slightly more rapidly than the consumer price index as shown by the accompanying table.

Every change in the consumer price index is front page news. The Bureau of Labor Statistics, or newspaper editors, would perform a great service to the public if, when announcing a change in the price index, they would simultaneously, in the same news story, announce also what has happened to average straight time hourly rates or hourly earnings and average weekly earnings. While one cannot be sure because new arguments are always invited and applied, it is possible that such simultaneous publication of prices and wages would do something to mitigate the wage-price spiral.

The dynamism of the labor movement is the chief factor now pushing up costs and forcing up prices. An easy money policy facilitates this process. But only tight fiscal and monetary policies can stop it. Then this dynamism will translate itself, in the longer run, into unemployment. This in turn will lead to deficit spending and another inflation round. And the cycle repeats itself.

Since last spring the consumer price index has been almost stable. Wholesale prices reached a peak of 184 (1926=100) and declined moderately but fairly steadily ever since. The Office of Price Stabilization takes credit for this trend. Thus Mike V. DiSalle said on Nov. 25 that price controls were working out pretty well, and offered as proof figures showing that some shoes were selling for $1 a pair under ceiling prices. (New York "Times," Nov. 26, 1951). The OPS has been very busy pulling ceilings down to meet lower current market prices. It is somewhat shocking—or is it?—to find the Office of Price Stabilization taking credit for reduced prices even though they are substantially below ceiling prices. Currently, it has been estimated that the majority of consumer prices are below ceiling. Actually the OPS has had little to do with stopping price increases and in all conscience should not grab credit for below ceiling prices.

In the last half of 1950 we had our 1951 inflation, with a slight spill-over through February of this year. What has caused the recent price plateaus and declines? Partly, the overbuying in earlier months. Partly, the fact that the Federal budget has been roughly in balance for the entire period. The "voluntary" credit restraint program helped. Most important of all was "the accord" announced on March 4 between the Treasury and the Federal Reserve System. When the Federal Reserve announced that it would not longer support the Federal debt at the previous arbitrary interest rate structure, this pulled the plug from under the inflationary pressures. This stopped the monetization of the public debt.

With Federal government bonds selling below par, it was not attractive for bondholders to sell them at a loss in order to use their funds for other purposes. This also stopped the expansion of bank reserves which are the basis for extending credit. Quickly, insurance companies found that their commitments to make loans exceeded their prospective inflow of cash. The money market tightened up. Marginal borrowers were confronted with slightly higher interest rates and the inflationary

Continued on page 38

*Address by Dr. Schmidt at 56th Annual Congress of American Industry, sponsored by the National Association of Manufacturers, on the topic, "How Bad Is Inflation?" New York City, December 5, 1951.

Relative Price and Manufacturing Wage Changes

	Consumer Price Index	Average Hourly Earnings	Average Weekly Earnings
1929	122.5	$0.566	$25.03
1939	99.4	0.633	23.86
August 1946*	174.5	1.349	54.05
June 1950	170.2	1.453	58.85
October 1951	187.4	1.613	65.17

*Pre-Korean peak in prices. (1935-39=100)

Percentage Rise in Earnings and Prices From Selected Dates to October 1951*

	Consumer Prices	Hourly Earnings	Weekly Earnings
1929	+53.0%	+185.0%	+160.4%
1939	+88.5	+154.8	+173.1
August 1948	+ 7.4	+ 19.6	+ 20.6
June 1950	+10.1	+ 11.0	+ 10.7

*Most recent data. All data from U. S. Department of Labor.

Quotations and Flotations of '51

By IRA U. COBLEIGH

Author of "Expanding Your Income"

Some random comment on this year's financial scene; and a whimsical lead-off article in the traditional welter of year-end pontifications, with which you are about to be deluged.

Nineteen fifty-one was quite a year. A year featured by mink coats, and Molybdenum, Internal Revenue agents' descent, and International Minerals and Chemicals ascent; reveling Franchot Tones, and Bulging Building and Loans; Billy Rose and American Viscose; South Pacific moved to London, England moved to the right, and Guatemala to the left; Taft runs as the Republican McCoy; and Ike just stays coy. Government bonds took a market flop; bankruptcy is still a-doggin' the MOP. 1951 was also a year in which the Williston Basin became as famous as the Rose Bowl, and with strictly a ground attack, produced dazzling market gains. And Mutual Funds topped $3 billion.

Ira U. Cobleigh

If you, by good fortune, survived that opening paragraph, you're definitely in the mood for the offbeat financial and economic distillations which follow with unabated velocity.

When, on Jan. 1, 1951, roisterers were reacting to the blaring but bleak dawn of the New Year, optimism as of old, set the pace of our American economy. There were high hopes that the Korean "incident" would be concluded; that our reputed store of atom bombs would make a lamb out of Russia; that taxes would go no higher; that we might have a definite foreign policy; that the Dow Jones industrials would cross 300; that the Stock Exchange would get another dynamic new leader (which we now have); that labor demands would be moderate; that Brooklyn would win the World Series; and that mediocrity would be a less prevalent quality in the men moving forward to leadership in the American scene.

Well, let's face it, the year is pretty well shot, and just how did we make out? As bankers or brokers, businessmen or bookies, teachers or touts, politicians or plumbers, auto workers or soda jerkers or just plain citizens?

That "Police Action"

About the Korean "police action," it's still with us, and we can't escape the conclusion that each of the many semi-truces, cease-fires, and negotiation lulls, were just so many breathing spells permitting the malicious Muscovites to assemble new assault units in their "privileged sanctuary," beyond the Yalu River. Statesman or otherwise, MacArthur set down for us in terms of icy logic, the manner in which we best might hope to triumph in this baffling and bedevilling, and utterly evil game the Russians are playing; with their goal line technically inviolate, while ours remains an open target. Bombing concentrations of troops and trucks, ammunition and airfields, this side or beyond the Yalu is the winning strategy according to MacArthur. And each passing day appears to bring us nearer to it.

We surely have more atom bombs than the pink punks and we, by now, must have as well atomic-war-headed artillery. Are we saving them for the mixed doubles at Wimbledon?

What about taxes? Ouch? Remember Nov. 1—all-time high personal and corporate levels launched upon us, and at the same time a distinguished roster of those gentlemen assigned to collect these paltry items from us, were resigning or being punted out of the Internal Revenue Department for extension of courtesies and an occasional favor here and there, to some of our fellow citizens whose tax plight in the eyes of these worthies, called for an especially solicitous sort of sympathy.

About the foreign policy, it must be set down that we gained stature at the Japanese peace signing in San Francisco, and that Secretary Acheson never looked better than at the conclusion of that event. But does that undo all the years of playing high level "footsie" with Chinese Commies? Does that dim the memory of how close we may have been to handing Formosa to the Commies; or following the Labor light-weights of London in giving UN recognition to Communist China?

The Market Forecast

What about the Dow Jones Industrials? They didn't hit 300, but they did pass 275. Bradbury K. Thurlow, writing in the columns of the "Chronicle," has best advanced the bullish cause for this year, to my mind; and unless he has been misinterpreted by me, there is still in his book, reason for the Dow Jones 300 figure to be crossed. This 300 has seemed, as the months passed by, a difficult and elusive target, partly because of the new tax bite on corporate earnings, partly because of profit-taking, and partly because nobody has finally decided which is the ascendant goal in our economy—guns or butter.

Further, the rails have given the Dow theorists a hard time by their stubborn failure to confirm the most exuberant upswings of the industrials; and we have observed fine rails like Illinois Central cut their net by about 50% from 1950 figures; and offer cash dividends quite disappointing in their magnitude vis-a-vis earnings. What should have been a golden railroad year has been loused up by higher labor costs, heavy winter and flood damage, and continued powerful competition by over-the-road truck and trailers (which now total about 8,600,000 units). There is some ray of hope, however, for the rails in '52, since so many have just entered a period when they can show net results from all the new cars and Diesels they've been latching onto. Moreover, those roads that have secured accelerated depreciation (five-year write-offs) respecting purchase of new equipment, will technically be understating their earnings, due to exceptionally incisive depreciation debits. And some rails, hitherto unheralded, may yet strike oil or uranium on their lands. (Which reminds me of the oil company that found a railroad on its property, and thus became a short sale!)

The palm for market brilliance among the carriers must be accorded to Northern Pacific which moved from 31½ to 63⅝.

The Oils Are "Slick"

Oils glided their way to market leadership, lubricated by Texas Pacific Land Trust which derricked its way from 80 to a sort of spindle-top of 188; Louisiana Land from 32½ to 59 on the Curb deserves mention; and any reference to petroleum shares is incomplete without citing their sable beauty, Superior Oil of California (which just about doubled its net earnings, even though using most conservative accounting techniques), and led the Stock Exchange rarefied atmosphere department, by moving from a low of 355 to a plushy pinnacle of 570. Socony Vacuum also built a lot of character and found a lot of new oil. Yes, 1951 was a great year to be "oilive"! My! My!

Doin' what comes chemically was also doin' what comes profitably this past year. Playing oils and chemicals back to back was, beyond question, the most productive market technique. Starting with such lordly leaders as Allied Chemical, which ranged from 58 to 77⅞, we view Virginia Carolina moving from 10½ to 22⅞, International Minerals from 25½ to 44⅞, American Cyanamid, which pogoed from 71¾ to 131½, and Dow which (without the slightest help from Jones) moved between 77¾ and 119½. Not to mention highly therapeutic performance by pharmaceuticals like Merck, Pfizer, Squibb and Searle. A great year indeed for test tubes and retorts.

Convertibles Roll Along

Convertibles, which I have dubbed as the security with the two-way stretch, had a field day in 1951. All-time champion in this department was surely the mammoth $415 million flotation of American Telephone and Telegraph Co. convertible 3⅜s which rewarded subscribers by rising to 123¼. In the field of convertible preferreds the nod goes to Celanese which marketed, with signal success, $100 millions of 4½s. Splashiest oversubscription was, no doubt, Pfizer $4 convertible preferred which racked up, as I recall it, a 15-point premium on offering day. Merck $4 convertible preferred is also among the fine performers here; and if you want to switch to utilities you will go a long way before you find a better convertible than Commonwealth Edison of Chicago around 31½. Abbott Laboratories have a preferred en route that should also travel in the best company. If you wish to own good senior securities, and at the same time, keep one foot in the speculative door, you owe it to yourself to get the facts about the above double-play items.

Naturally, the foregoing is not quite a complete economic summary of 1951; partly because the year is not yet over, and partly because I must leave some ground to be covered by Messrs. Babson, Stabler, Haney, The National City Bank and the London "Economist"! About quotations, the best I can leave with you is: "Don't overtrade. You'll never get rich, if you sell and you switch."

How to Find More Oil

New discoveries will continue if man has vision, freedom to explore, incentive to venture, Wallace E. Pratt tells A.A.P.G.

[*Reprinted from "Oil and Gas Journal" of October 25, 1951*]

AUSTIN, Texas—Big oil fields lie undiscovered today because oil finders are hampered by the very knowledge that has found other fields, Wallace E. Pratt, philosopher-geologist, told 400 geologists at Austin, Texas, on Oct. 18.

Oil will continue to be found as long as man has vision, the freedom to explore, and the incentive to venture, provided geologists are not too quick to condemn possible areas on the basis of false assumptions, Pratt declared. He spoke before the 18th annual meeting of the South Texas Geological Society and the 1951 regional meeting of the American Association of Petroleum Geologists.

Pratt's address did not deal with the aids and techniques now known or that may some day be known for finding oil; these were assumed. It dealt principally with men's minds and also of social and political environments. He originally called his address "A Philosophy of Oil Financing" and later humbly added "An Approach Toward . . ."

Oil finders must reverse their present system of calling an area unfavorable for the accumulation of petroleum just because very little is known about that area and consider every province as potential oil country until it is positively proved to be unfavorable, Pratt said. Geologists and other trained oil finders must maintain a constant awareness of what they do not know, if they are to long continue to find new oil areas.

No Freak of Nature

Pratt, former Vice-President and director of Standard Oil Co. (N. J.), was the first to point out that oil was not a freak of nature that occurred at only a few spots around the world but rather that the generation of oil was a natural process that might have developed almost anywhere at some time.

He cited a number of examples of how some of the world's largest oil fields had been found where the world's most competent geologists had said there was no oil.

Pratt pointed out that Kuwait, the biggest oil field in the world, went begging at a time when it could have been had for the cost of exploratory work, because the three big international companies that knew the most about the occurrences of oil in the Middle East were convinced that there was no oil in Arabia. It took a small company, a company new to the area that didn't know there wasn't any oil in Arabia, to initiate exploration that eventually opened Kuwait.

Pratt told how it had become an accepted fact that the Woodbine pinchout in East Texas had no oil, until it was discovered that is; and how until very recently there were many who argued that there was no producible oil in the Uinta basin.

Many Errors

Pratt said that though by far the greatest amount of oil had been found by companies using skilled techniques, still there have been many grave errors on the part of most skilled geologists. He explained that this was because what little is known about the occurrences of oil often forms "mental shadows" that hide what we do not know.

For example, Pratt said, in estimating proven recoverable reserves, if what we know is small, an estimate of what is left will be small. He recalled estimates of oil reserves in this country, which as President of the A.A.P.G., he played a major part in setting back in 1921. The estimated remaining crude oil reserve at that time, Pratt said, was 9 billion barrels of recoverable oil. Today, he pointed out, after 30 years of increasing production this country's crude oil reserves are estimated to be over 25 billion barrels plus reserves of liquid petroleum gases and natural gas.

This country has yielded ten times as much oil per unit as the rest of the world, and Pratt credits our social and political environment with having played a tremendous part in this difference. Pratt considers oil finding a dual task—a task of the individual and a task of the community.

Five Essentials

Pratt's philosophy includes five essentials for an oil finder: (1) Faith (conviction that oil will be found at a given spot); (2) Persistence (not influenced by the laughs of others); (3) Venturesomeness (willing to take a risk and to be encouraged by his own enthusiasm); (4) Resourcefulness (ability to find places to dig for oil that have been passed or avoided by others); and (5) Imagination (imbued with vision).

Pratt added that if, in addition to having these qualities, a man is well trained in the modern art of oil finding, so much the better so long as he does not let his knowledge obscure what he doesn't know.

An oil finder, Pratt said, cannot know all the answers, so he must always be alert to what he doesn't know. He must never assume his knowledge is complete, because it won't be. His deductions may be logical, his conclusions plausible in the light of what is known today, but, declared Pratt, that doesn't make them right in the light of what may be known tomorrow.

Ultimate Consequences Of Our Fiscal Policy

By DR. WILLIAM F. EDWARDS*

Dean of the College of Commerce, Brigham Young University

Dean Edwards declares our astronomical spending comprises greater threat to nation's future than any foreign nation's atomic bomb, and present tax rates comprise equivalent of taking over most of individual's property. Asserts taxes are undermining ability to save, thus threatening to destroy our way of life. Maintains government has become too big to watch, causing people to lose their sense of values.

"Russia has developed a new super-atomic bomb so destructive that if only one were to hit the American continent, it would cause destruction throughout the land. She has also developed a new guided missile which can carry this bomb at a speed greater than sound. This makes it almost impossible to intercept the weapon. Russia even now squats as a cat watching a mouse, waiting only for the few months necessary to build up a supply of these earth-destroying bombs."

Dr. Wm. Edwards

If each of us believed that statement to be true, we would obviously be deeply concerned. I plead with you to become that concerned over a force that is operating in this country, and that has destroyed more nations than military conquests. It may be a greater threat to our future than any foreign power.

The Congress has completed its work and returned home. Now we can reappraise our position, adequate courage permitting.

For the current fiscal year ending June, 1952, the Federal budget calls for expenditures of about $72 billion. However, this Congress approved expenditures approaching $100 billion, and it is seriously proposed that the budget for the subsequent fiscal year total $90 billion, or more. Not being able to comprehend such large sums of money, we may not be fully aware of the atomic danger. Oh, how I hope I can reduce the problem to understandable proportions, and thus contribute to our wisdom.

The United States of America was established as an ideal in the hearts of courageous, God-loving people. "We hold these truths to be self-evident, that all men are created equal, that they are endowed by their Creator with certain inalienable Rights, that among these are Life, Liberty, and the Pursuit of Happiness." Thus came into being, "A Government of the People, by the People, and for the People."

Seven score years witnessed the growth of this "ideal" into the richest nation in all the world. The average laborer's family was living in greater comfort than previously enjoyed by Kings, even though many things were not yet right. During this period of time, from the inaugural of George Washington to Franklin D. Roosevelt, the Federal Government collected from the people $91.6 billion. We now contemplate spending this amount of money in one year!

We have all stopped the car at a crossing and watched a freight train go by. We have counted 30, 40, 50 and maybe 70 cars and wondered if there were an end. The average boxcar will carry a load of about 40,000 pounds. Silver dollars weigh 412.5 grains each, which is at the rate of approximately $17 to the pound. One of these boxcars could thus haul about $680,000 in silver. It would take 132,500 boxcar loads of silver to equal $90 billion. This would be a train about 1,050 miles long.

We still talk in terms of dollars, but we must think in larger units when talking about the Federal budget.

Spending money at the rate of $90 billion is spending $7.5 billion per month, $250 million per day, $31 million per hour, assuming an 8-hour day, and almost $500 thousand per minute

President Truman recently made the following statement regarding the budget:

"I wish everybody in the country could read the budget message of the Federal Government. I am proud of the budgets that have been prepared since I have been President. I want to say to you that I know every figure in every one of them. I want the people to understand them. . . . I do not think anyone ought to take his complaints about government spending too seriously until he has gone to the trouble of finding out what it is all about."

Would it be reasonable to expect each of us to spend 10 minutes for each $1 million in the budget? It is hard to conceive of any man making even a cursory inspection of that amount of money in such a short period of time. Nevertheless, if we devote all of our time to the budget and work 40 hours per week, 50 weeks per year, it would take 7½ years to review the budget. And there is a new budget each year. Is it possible for any person to know every figure?

In keeping with the speed of the day, maybe we could get by with one minute for each million dollars in the budget. Now let each person, including the President, allot 20 hours per week to a study of the budget. Even at this speed, it would take a year and a half to review one year's budget.

The budget has become so large that it is beyond the capacity of mortal man to study or comprehend it. This is equally true whether you be a local merchant or the Secretary of the Treasury; whether you live in a moderate countryside dwelling, or in the White House.

Millions, hundreds of millions, and in some respects, billions of dollars are considered with no more concern than individual dollars, or at most thousands, used to be and still must be by the individual who is to maintain his financial integrity.

What would you expect from any operation so large, and so financially incomprehensible? In January of this year, a respected committee of the House reported, "In numerous sample agencies, among the hundreds whose only job is to make out purchase orders, it was found that the average work load was two orders per worker per day." The committee found that while a large percent of the purchases were for less than $20 each, the average cost of putting each order through was $7.06 for the Treasury Department, $13.98 for the Bureau of the Mint, and $9.95 for the Interior Department.

As extreme examples, they found that the National Park Service paid 50c for a magazine subscription, but with "procurement charges," the total cost to the budget was $13.89. The Bureau of Reclamation purchased a unit of drinking cups for $2.45, which with "administrative costs," totaled $17.35.

The average Federal Government employee works 1,650 hours per year. This is equal to 41 weeks at 40 hours per week. In industry, the average work load is 1,900 hours per year. If the average government employee worked this number of hours, it would mean approximately six more work weeks per year.

During the past year, industry has had to adjust to the war production program. In so doing, factory employment has increased about 350,000, or an average of almost 30,000 per month. But the Federal Government has added an average of 50,000 new civilian employees per month since the outbreak of the Korean War.

With lowered efficiency and increased waste, there naturally comes a decline in moral standards. Federal Government Controller General Lindsay C. Warren, stated as a witness before a Congressional Committee that during 1949, "every single employee" of an office of a government agency in Washington, D. C., accepted gifts from private firms seeking favorable governmental consideration through that office. Before the same committee, L. C. Stewart, President of the National Federation of Federal Employees, said, "Moral deterioration in governmental service is more prevalent at the present moment than in all of my 55 years of continuous contact."

There are in the government many faithful servants who are doing their best to be worthy of their trust and pay. But the government has become too big to study, watch, and control, and so big that people lose their sense of values. Was the cheating at West Point an isolated case, or representative of current thinking? The thought may shock our senses, but who has a right to be surprised? Maybe the Russians, observing these developments, say to themselves, "We planned it that way."

Study of Astronomy Needed

How large is the Federal Government debt? It is equal to $1 million per year for 255,000 years, or $1 million per month for 21,250 years, or $1 million per day for 700 years. It has been recommended that the average citizen should study astronomy in order to comprehend better the government's financial operations.

Adam was the first man that we know. It is estimated that he was born about 6,000 years ago. If we project him back another 2,000 years or add to his historical whiskers growth equal to the span since the birth of the Savior, and if $1 had been saved every second from this imaginary birth date until now, the total would approximate our Federal debt.

Would you like to count an amount of money equal to next year's suggested budget? Go to the bank and obtain two $100 bills. This will make it not too difficult to count $200 per second. Keep this up for 40 years or from the age of 25 to 65, and you will have counted one year's budget.

Does this discussion of our financial position make you feel uneasy or insecure? We have never been more prosperous. Notwithstanding our armament program, there is available an abundance of almost everything one desires to buy. Then why be concerned? Because it is false security. We have started to consume the economic "seed corn"—danger signs are appearing for those who wish to look. We have created a danger to our future well-being that may be more threatening than foreign armies or the atomic bomb.

The Tax Take

Federal, State and local taxes now take aproximately 25c of each $1 of income. This is equivalent to one day out of four. It means that the average person works two hours for the government out of each eight-hour day. Every time a family of five sits down to a meal, they might do well to prepare three additional places. These would represent the uninvited guests who have already consumed through taxes this proportion of their earnings.

Those relatively few people who are earning $25,000 a year, and who might succeed in raising their income to $50,000 per year are required to pay the government nearly 40% of the gain. The rare individual earning $200,000 is required to pay the Federal Government nearly 90% of any increase. This is the equivalent of working 9 days out of 10 for the Federal Government, and much of the tenth day would be necessary to work for other governmental units. Is this much different from taking over most of an individual's property?

Actually, because of layers of taxation, the situation is even worse than these figures suggest. If a corporation were earning $100,000 before Federal income taxes, prior to the Korean War, and increased its pretax earnings to $200,000, the Federal income tax would amount to $138,500, leaving net earnings of only $61,500.

The average corporation is required to retain part of its earnings in order to finance its operations, including the payment of wages and salaries. On the average, not more than two-thirds of the earnings can be paid to the owners as dividends. These dividends, in turn, are subject to personal income taxes, and it is unlikely that the owners of the business could retain, for their own use, more than $15,000 to $30,000 out of the original $200,000.

Taxes have reached the level where they are weakening the ability to save, and if we destroy private savings, we destroy our way of life. One kilowatt hour of electricity comes into the home unnoticed and costs the individual only a few pennies. This kilowatt hour of electricity, however, represents more energy than would be exerted by a man working two full days at a manual task, such as shoveling coal. This kilowatt hour of electricity represents servants for the people, but this mass servant cannot be had unless there are generators and dis-

Continued on page 19

*An address by Dr. Edwards before the Rotary Club, Salt Lake City, Utah, Nov. 13, 1951.

Freedom and Progress Rest Upon Industry Leadership

By ALFRED P. SLOAN, JR.*
Chairman of the Board, General Motors Corporation

Prominent industrialist, in stressing responsibilities of leaders in industry, deplores attacks on human progress and freedom, and cites Britain's experience with Socialism as case of destruction of incentives, leading to economic insolvency. Says great leadership creates great accomplishments, and is entitled to corresponding rewards. Attacks confiscatory taxes as destroying incentives, and concludes keystone of our economic progress is dependent on the "uncommon man," i.e., the leader.

Human progress may be broken down into two components—economic or material advancement, on the one hand; and social and political gains, on the other. Now let us examine for a moment the factors that comprise the foundation upon which human progress rests. There are two —"Freedom" and "Knowledge." Without freedom, knowledge becomes debased. Without knowledge, freedom cannot long exist.

Alfred P. Sloan, Jr.

By "Knowledge" I refer to the expansion, through scientific research, of our understanding of nature's physical laws — fundamental or basic knowledge, it might be called. Knowledge also includes an understanding, on the part of our people at the grassroots level, of the rules of life by which we live and prosper, or otherwise — an understanding, I might say, of the simple truths that control human existence and largely determine how we live.

It is a commonplace to say that human progress today is in grave jeopardy. Though we live today amidst every evidence of great material prosperity, every thinking individual realizes that our country and the world face one of the most critical periods in history. The fact is that civilization's most vital asset—**freedom**—is under attack. It is under attack on two significant counts: from without by aggression; from within by the arts of the demagogue who exploits the lack of understanding or ignorance of our people for his own ends.

External aggression, appalling in its threat to our national security and its demands on our economic strength, stands out crystal clear in its naked reality. All can see. All can understand. Thus it may be appraised. The attack from within involves an attack upon the fundamental economic processes by which we live in a free society. It is superficially plausible, and therein lies its danger. And all this notwithstanding the fact that these are the very processes by which we have become the most powerful nation on earth and the principal defenders of the world's civilization.

Human Progress Synonymous with Human Freedom

If we turn back the pages of history to the very beginning, we find indelibly inscribed thereon the fundamental fact that human progress is synonymous with human freedom. It was only when men became free to exercise their individual talents, to satisfy their ambition and to find encouragement through the opportunity of accomplishment and the incentive of reward that our civilization really began. Under those same conditions it has since evolved and progressed.

Can it be possible that all this has been wrong? Can it be possible that we would be better off, in terms of human progress and happiness, if we were to surrender our freedom, as indeed we are surrendering it slowly but surely, to an all-powerful bureaucracy? In answering these questions we are not concerned only with today. We are concerned as well with the trend which clearly forecasts the facts of tomorrow. We move unconcernedly down the road to socialism, far too oblivious of what is in store for us or what lies at the end of the road. Sooner or later we must decide, in no uncertain terms, whether our economic well-being is to be determined by the free economy of the consumer or by the regimented economy of the bureaucrat. Otherwise freedom will lose the decision by default.

This warning has been dramatically confirmed by what has happened in the last five years in Great Britain. An objective examination of the impact of socialism upon the lives of the people in that country reveals an appalling record of social extravagance, economic incompetence and frustration. Economic regulations—arbitrary and often conflicting. Incentive for accomplishment has been largely destroyed. Monopoly, governmental and otherwise—hence inefficiency and high prices. Confiscatory taxation has destroyed the incentive to invest and produce. Restrictions on capital investment have kept a damper on productive business. Consumer decisions have been distorted by subsidies and free services offered as a substitute for the price system of consumer selection.

And yet, notwithstanding all this, **note what has happened.** One-half of the people are still not satisfied. They want **more** of the **same** thing. Led by a militant minority, they move for socialism in a more intensive form. They are willing to sell their freedom, their opportunities, their very national existence — which today stands at the brink of bankruptcy —for a mess of social and economic fallacies, tested and found wanting both as respects material progress and individual freedom. They are seduced by the bait of free spectacles, false teeth and a bottle of regimented medicine paid for at a high price through their own increased taxes. And even this paltry bait is only possible in part by a subsidy provided by American capitalism. A former member of the British Cabinet in explaining the objectives of the then Labor Government said: "The Labor Government is in the process of 'leveling off.'" Of necessity "leveling off" means "leveling down." It means reducing **all** to a state of mediocrity. Such is socialism. In 1949 there were only 86 individuals in Great Britain who had spendable incomes, after taxes, greater than $18,000.

The Case of Britain

True, Great Britain has made enormous sacrifices as a result of two wars. That greatly magnifies the difficulty. But **how** can Great Britain be rehabilitated and re-established as one of the great nations of the world? More austerity may be unavoidable as an emergency measure. More help from outside may be justified to avoid a world catastrophe. But the only true solution lies in a greater output of wealth more efficiently produced. The alternative is a drastic reduction in the standard of living with great political repercussions. Time and will are needed, and above all, more realistic national economic policies which encourage the release of free creative energies. Great Britain must face the fact that her production facilities and operating techniques must, to a major degree, be reconstructed to enable her to meet the competition of the world's markets upon which her solvency depends.

The time span of my life, more particularly the first half of the twentieth century, is frequently described as the "technological age." As I view it, the first half of our century might better be described as the beginning of a technological civilization. As I look back over the accomplishments of these five decades, even the wonders of the magician, if brought to reality, sink into insignificance. Fifty years ago there was no radio, no airplane, no television, no automobile, no atomic energy, no household refrigeration, no wonder drugs to alleviate suffering and extend the span of life. And many other things did not then exist which add to the comforts and pleasures of present-day living. Even the technical devices of that time were crude in comparison with the same devices of today.

Thus we begin to appreciate the wonders with which nature will provide us if we shall only seek and find. If I were given the opportunity to look back over the accomplishments of the second half of the twentieth century, I am sure I would find I had neither the vision nor the imagination to anticipate **what** I would see. Tremendous developments are before us. Medical research will create far more miracles in promoting better health and expanding further the span of useful life. The potential wonders of atomic energy are as yet undetermined. Cancer, one of the greatest curses levied on humanity, has recently come under heavy scientific attack for the first time in history. Given talent, resources, facilities and time, does any informed individual dare say that cancer **can** survive when challenged by a concentrated, coordinated, scientific effort? The problem is **not** the possibilities. The problem is to maintain individual initiative and to adopt such national policies as will insure that the possibilities, revealed by basic knowledge, can be capitalized in terms of human progress and security.

Basic Knowledge Must Be Discovered

Like the ore in the ground, basic knowledge must first be discovered. The logical sources of basic knowledge are our great universities and technological institutions. They have the talent. They operate in a climate conducive to fundamental thinking. For them time is **not** a factor. Such sources should have greater recognition as a productive factor in our economy.

Then the ore must be refined and developed. Here enters the role of industry. Industrial research transforms basic knowledge into useful products through the processes of applied research, engineering and production. American enterprise has always been research minded. But the research activities of the prewar era sink into insignificance with those of today. My own organization, General Motors, has under development a Technical Center that will ultimately require a capital expenditure of nearly $100,000,000. This is only one example of what is happening throughout our economy as a whole. Each such center insures accelerated progress in a particular area of enterprise. In the aggregate they constitute a tremendous force for progress by insuring an expanding and dynamic economy and, what is of equal significance, an impregnable bulwark against aggression from without.

We recognize the greatness of our country. But we do not always realize that the major components of greatness must be great in themselves. We must have great productive enterprises; great educational institutions; expanded markets for distribution, and constantly increasing opportunities for development. The alternative is an inability to capitalize the potentials of still further greatness. But to these things something significant must be added. That something is leadership. We must have great leadership in enterprise, in education, in science, in government and in all other activities.

Great leadership creates great accomplishments and is entitled to corresponding economic rewards. Yesterday, generous rewards provided the incentive for great accomplishments and produced great leaders. That, in part, is **how** we became great. And let us not forget that the pioneer still lives but in a different role. However, today the value of talent, imagination and enterprise, never so scarce and never in such great demand, has been liquidated in large part by inflation and by a confiscatory tax structure. Here is a real problem. A highly successful executive receiving a compensation of $50,000 in 1939, must today have compensation of $365,000 to enjoy equal purchasing power.

The economic philosophy of Marx—the source of communistic doctrine — embraces the concept that the laboring classes are the only producers—the sole source of wealth. We grant the significance and indispensability of labor as a vital component of our system of enterprise both in production and consumption. But consider how incapable are most men of advancing productive efficiency; of developing new devices of production; of discovering basic knowledge; of promoting and capitalizing technological progress, or of contending with the highly intricate problems of our modern economy in its relationships with a free society. Such leadership—the keystone of all economic progress—rests, and always will rest, **not** with the "common" man but with the "uncommon" man. Yesterday, it might be said, that the security of our civilization was underwritten by the supremacy of the British Navy and the leadership of British power. Today, the security of civilization and the most significant component of human progress—**freedom**—rests upon the leadership of American industry reflecting the power of American production.

My time passes. I have tried to present a few truths of yesterday in terms of the problems of today and tomorrow — truths that have been impressed upon me as a result of over 50 years' activity on the American scene. It is well said that the only certain thing in life is change. Change dramatically affects our mode of living and our view of life, and the problems that engulf us. But policies or principles based upon **truth** never change.

I believe that the high purpose of human effort should be to promote human progress. That should be our inspiration. That is the objective. And it is the surest way to **peace** and **security.** Basic knowledge is the catalyst. A free society is the field of opportunity. Leadership is of prime importance. The incentive is both individual advancement and an opportunity to discharge one's responsibility to the society of which one is part. Such is the formula of life as I have found it.

But there is one highly significant factor which I have **not** mentioned. It involves the relationships of nations, or groups within nations, and of individuals among themselves. It stands out dramatically in everything we see. In everything we do. In everything we hear. Wherever we go. It has the power to accelerate human progress to heights unknown. It has the power to destroy civilization. I refer to human behavior. To appraise it requires a social philosopher who can penetrate the intangibles rather than an industrialist who must confine himself to the realities. Suffice it for me to say that the world of today offers the most tragic evidence that human progress in a material sense has far outdistanced the up-

*An address by Mr. Sloan on the occasion of the Presentation of the Gold Medal Award of the Hundred Year Association of New York, New York City, Dec. 3, 1951.

lifting of human behavior. The reason is clear. Material progress has been dominated by scientific discovery—by the abstract. Human behavior, on the other hand, is subject to all the weaknesses: the ignorance, the prejudies, the selfishness, and the lust for power, and—let me add—to the greatness of human reactions.

J. Herbert Evans Joins Beil & Hough

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURGH, Fla.—Beil & Hough, 33 Fourth Street, North, members of the Midwest Stock Exchange, announce that J. Herbert Evans has joined their organization and will be in charge of their Municipal Department specializing in the trading of Florida Municipal bonds. Mr. Evans has been active in the Florida municipal field since 1930. He was formerly in charge of the Municipal Department for the Florida Securities Company and prior thereto was for many years a Vice-President of Ed. C. Wright & Co.

J. Herbert Evans

Hornblower & Weeks To Admit Two Partners

Ralph Hornblower, senior partner of Hornblower & Weeks, members of the New York Stock Exchange and other leading exchanges, announces that the firm is filing with the New York Stock Exchange for the admission of George T. Flynn and Thomas B. Gannett as general partners, effective Jan. 1, 1952. Mr. Hornblower also announced that F. Dewey Everett and Henry A. Dearborn will retire as general partners on Dec. 31, 1951, and will become limited partners.

Mr. Flynn, who will be located in the New York office, 40 Wall Street, joined the firm in 1928 and has been manager of the investment department in the New York office for the past five years. Mr. Gannett will be resident in the firm's Boston office, 75 Federal Street.

James J. Lee to Be W. E. Hutton Partner

James J. Lee has resigned from Lee Higginson Corp., of which he is Vice-President and Director as of Jan. 1, when he will be admitted to partnership in W. E. Hutton & Co., 14 Wall Street, New York City, members of the New York Stock Exchange. Mr. Lee's interest in Lee Higginson has been taken over by other officers. This is the first time since its establishment more than 100 years ago that Lee Higginson Corp. has been without a member of the Lee family.

Severance Now V.-P. Of F. Eberstadt Co.

F. Eberstadt & Co., Inc., 39 Broadway, New York City, announces that Craig Severance has been elected a Vice-President of the corporation. Mr. Severance is a manager of the Syndicate Department.

Joins Income Funds

(Special to THE FINANCIAL CHRONICLE)

NEW HAVEN, Conn.—Richard H. Kimball is with Income Funds, 152 Temple Street.

"Defensive Stocks" as Investments

By BRADBURY K. THURLOW

Partner, Talmage & Co.
Members, New York Stock Exchange

Mr. Thurlow, defining "defensive stocks" as utilities, gold producers, tobaccos, and others which are not likely to be affected by crises, such as we had in 1930's, contends, on basis of market action and inflationary prospects they are not adequately protected against foreseeable contingencies, and therefore cannot be properly considered conservative.

For at least the past two years, a considerable number of investment advisers have been telling clients to place the bulk of their funds in so-called "defensive stocks," a category generally including groups which successfully weathered the crises of the 1930's, (i.e., utilities, gold producers, tobaccos, and certain food processors and distributors) on the theory that if business conditions deteriorated, the inherent stability of companies in this group would protect their shares against undue price shrinkage, while if business continued to prosper, their dividend yield was considerably better than that provided by government bonds. Furthermore, a general rise in stock prices would almost certainly be reflected in higher quotations for these issues, particularly when many of them could be identified as "growth situations."

B. K. Thurlow

A Vital Flaw

There has been only one flaw in this theory to date, but one is led, on analysis, to believe that it is of sufficient importance to call the validity of the theory itself into question: In this two and one-half year period (mid-1949 to date) the average investment stock has risen 62% as measured by the Dow-Jones Industrials, while such popular defensive issues as Northern Natural Gas, Public Service Electric and Gas, General Foods, Homestake Mining, and American Tobacco have either done nothing or shown net declines. We question whether the complete failure of such prominent issues to participate so far in what has been by historical standards a bull market does not imply that *as investments something is fundamentally wrong with them.* It is evident that a great number of investors and institutions have been buying these stocks since 1949. (e.g., At the end of 1949, Wiesenberger's index of holdings of the 20 leading mutual funds showed 12.0% of their total assets invested in utility common stocks. In September, 1951, the ten largest funds had 11.5% of their total assets in this group. In view of the substantial advance which took place in the general market in the interim this means that the funds must have added constantly to their utility investment in order to keep the percentage of the total approximately even.)

Faulty Premise

It is apparent that so far this buying has been based on a mistaken analysis of the basic forces at work in the economy. It is also evident that all this buying has not been sufficient to absorb the overhanging supply in spite of highly favorable general market conditions. The conclusion is that selling in these issues has been of extraordinary proportions. It has also proven intelligent to the extent that the money from these sales could have been far more profitably employed at almost any time in other sections of the market. We propose to explore in the following paragraphs some of the possible reasons as to why these stocks have been poor purchases.

The securities generally selected (by hindsight) as "defensive" investments are those which performed this function most admirably during the two deflationary depressions of the 30's. Their business in the past has been characterized by stability of demand more or less irrespective of fluctuations in purchasing power and in depressions a slight fall in volume of sales, balanced by cutting of costs. We have mentioned earlier the inflation-deflation dilemma which exists in the mind of today's investor. Against the possibility of deflationary business collapse, he is forced to weigh the equal possibility of war or further political tampering with the currency. In the background he is forced to consider the statistical fact of an enormous increase in the money supply and national debt which has found reflection in an apparently permanent plateau in the cost of living, from which prices could rise further as easily as they could fall.

Let us assume for the sake of argument that either of the contingencies which holders of defensive securities believe they are hedged against occur: namely, that business collapses or the bull market continues as usual. In the first instance, stock prices would presumably fall apart. It seems to us reasonably elementary that while the collapse is taking place, stocks of any kind are a poor investment. Even the highest grade preferreds, (e.g., American Can, Liggett & Myers, U. S. Gypsum) fell over 35% (equal to about eight years' dividends) in the 1929-32 debacle, although at no time was the safety of their dividends called into question. (The best investment common stocks, which lacked this assurance, declined upwards of 85%.) It is a rash person who assumes he can hold a common stock through a business collapse without losing a larger amount of his capital than he will receive back in dividends. In drastic stock market declines, the only truly defensive investments are cash and short-term high-grade bonds.

If, on the other hand, the market continues to rise with the same inflationary motivation as has been in evidence so far, it strikes us as illogical that the stocks which have been the worst inflation hedges up to the present time should prove the safest investments from now on. In at least two categories of "defensive" stocks, the arguments against safety can be stated more concretely:

(1) *Utilities*—In a politically regulated industry with fixed prices, controlled profits and a variable labor cost, utility equities could conceivably be subjected to a serious earnings decline in the event of any severe inflationary psychosis on the part of the voting public, when rising wages could not be offset by comparable rate increases. (The New York Telephone Company has already encountered this treatment.) The leverage provided on the majority of these issues by their heavy senior capitalization would, of course, magnify even a small decline in gross revenues.

(2) *Gold Stocks*—The price of gold is effectively controlled by the United States Government, regardless of assertions to the contrary by those anticipating higher prices on the basis of world demand, for the simple reason that no other countries with which we do business have any real purchasing power, while our own nationals are legally forbidden to own gold in more than minute quantities. In the event of inflation, from whatever cause, it seems unlikely that the government would voluntarily aggravate the condition by officially debasing the currency (i.e., raising the price of gold). In the event of war, the need for non-ferrous metals would in all probability lead to the forced transfer of skilled workers from gold mining operations, as was the case in Canada during the last war. Even without war, a further rise in the price of non-ferrous metals would enable their producers to pay higher wages than gold producers thereby securing the increase in skilled labor which is at present considered the only effective means of increasing supply. In such an event it would be surprising if the major gold producers could continue to pay dividends and more surprising still if their stocks continued to sell at present prices, which appear to reflect much more optimism than is justified by the possibilities.

From the foregoing, it should be apparent that an investment account consisting of cash, high-grade bonds, and "defensive" stocks is not adequately protected against the foreseeable contingencies and therefore cannot properly be considered conservative.

Perhaps some who are unimpressed by this line of attack will be interested in the following remarks by one of the country's foremost economists, Sumner Slichter of the Harvard Business School (in an address to the Savings Bank Association of Massachusetts, Sept. 22, 1951) to the effect that changes in holdings of personal assets that have occurred during the inflation of the last ten years have been "particularly rapid in the very kind of assets that suffer most loss of purchasing power from inflation, namely, cash, demand deposits and U. S. Government securities. Individuals ought to hold substantially larger quantities of real estate and corporate securities. . . . They need to increase the proportion of assets that will not lose their purchasing power as prices advance."

We doubt whether, on the basis of the record, it can be reasonably expected that the majority of stocks which are today being recommended as defensive securities will "not lose their purchasing power as prices advance."

With Kirchofer & Arnold

(Special to THE FINANCIAL CHRONICLE)

CHARLOTTE, N. C.—Harrison R. McCray has become affiliated with Kirchofer & Arnold Associates, Inc., Johnston Building.

With Westheimer Co.

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio — Michael F. Hoffman has joined the staff of Westheimer and Company, 326 Walnut Street, members of the New York and Cincinnati Stock Exchanges.

Pennsylvania Brevities

Subways for Pittsburgh?

PITTSBURGH — The second section of a voluminous study of mass transportation problems affecting Pittsburgh and Allegheny County, issued last week by the Allegheny Conference on Community Development, suggests that the building of a subway system points up the most logical solution of Pittsburgh's downtown traffic congestion. Such a program would include the complete unification of the area's transit facilities, with the present Pittsburgh Railways Co. as a nucleus, and could be completed in five to eight years provided the program "were not delayed by long legal battles and political jockeying."

Other conclusions reached by the conferees are:

The complete substitution of buses for trolley cars throughout the system is considered impracticable. The use of buses of a capacity equivalent to that of the new PCC-type cars is illegal in Pennsylvania. A larger number of smaller buses would not solve the traffic problem.

Although other means of unification are available for consideration, the most feasible method appears to lie in purchase of existing properties by the City of Pittsburgh or through the creation of a Transit Authority. The report indicates that annual tax savings of over $1,700,000 would result from municipal ownership.

Such disposition would comply with an SEC order requiring Philadelphia Company to divest itself of its present 50.9% control of Pittsburgh Railways common. It is pointed out, however, that no immediate steps in this direction are currently in process.

"Fees While You Sleep"

Viewing the recently completed reorganization of Pittsburgh Railways Company from across the state, the Philadelphia "Inquirer" raises a critical eyebrow at the stratospheric total of fees claimed by fiscal agents and legal gentry in connection with the proceedings.

Granting that considerable time, effort and high-level talent were required successfully to unsnarl the transit system's complicated affairs, the "Inquirer" is impressed with an individual's request for $573,750, a fee which, in instances, reached the astonishing level of $1,600 per day. As carefully itemized in an accompanying exhibit, it appears that legal labrynths were explored and charged for at the rate of $50 per hour for the conventional 8-hour working day, plus $75 per hour "overtime" for the remaining 16 hours. The "Inquirer" calculates that the gentleman must have worked around the clock or charged for his services while asleep.

The aggregate of all claims sought exceeds $2,000,000 and the company has on hand only about $725,000 to meet them. With operational figures for nine months running only slightly in the black, it is obvious that full allowance of claims filed would seriously jeopardize the company's financial position. However, mitigating factors are present.

The court and the SEC carefully consider each such claim on its merits and seldom award them in full.

The court has agreed to consider a request that Philadelphia Company contribute $800,000 toward the payment of such fees in view of benefits derived in being relieved of an obligation of $800,000 per year for 900 years in respect to its former guarantees.

Improved earnings are expected to result from recent fare increases, but will not be reflected until the final quarter of 1951 and thereafter.

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Kellett Aircraft in Black

Kellett Aircraft Corp., discharged from bankruptcy last August after five years of marginal operations under the jurisdiction of a Federal court, reports net earnings of $185,692 for the nine months ended Sept. 30. The company is said to be working on substantial prime and subcontract orders for aircraft parts and is expected to finish the current year in the black.

A judgment against Kellett for $45,000 by Coldaire Corp. has been appealed and a breach of contract claim for an additional $125,000 by the same plaintiff awaits final court decision.

A successor to the late W. Wallace Kellett, former President, will be chosen at the annual meeting in Philadelphia next March. Affairs of the company are presently conducted by an operation committee. Recently elected directors are Mrs. Virgina F. Kellett, Robert G. Kellett, J. Nelson Brown, Treasurer-Controller; Charles A. Barnett, Chief Engineer, and George P. Williams, Secretary and General Counsel.

Baldwin-Lima-Hamilton Corp.

Boosted by the inclusion of Lima-Hamilton Division operations for the entire year and those of the Austin-Western Co. since its acquisition last March, 1951 sales of Baldwin-Lima-Hamilton Corp. are estimated by Dow-Jones to rise to $200,000,000 compared with $94,386,752 in 1950. Consolidated net may reach $4,000,000, equivalent to 84 cents per share, compared with $3,671,930, or $1.01 per share in 1950, on fewer shares.

Penna. Telephone Co. Files

HARRISBURG — Pennsylvania Telephone Corp. has filed a registration certificate with the SEC covering the issuance and sale of $2,000,000 in bonds. Of the proceeds, $1,500,000 will be used to retire bank loans and the balance will go for construction.

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American Pulley Co. Extra

Reporting that sales for the fiscal year ended last September were about 14% above the $163,704 earned on the common in the previous year, American Pulley Co. has declared a special dividend of 20 cents per share.

* * *

Warner Company

PHILADELPHIA — Officials of Warner Company have indicated that increased depletion credits provided for in the new tax law will benefit the company "possibly to an extent that will offset increased taxes." The new allowances are applicable to the company's extensive operations in lime and limestone products and its production of sand and gravel.

On Nov. 26, Warner directors declared a special December dividend of 85 cents, plus the next regular quarterly disbursement of 40 cents, the latter payable Jan. 15 to stock of record Dec. 31. Total dividends for 1951 will total $2.45 per share, the same as last year.

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Nazareth Cement Co.

Directors of Nazareth Cement Co. have declared the regular quarterly dividend of 25 cents per share on the common, plus 75 cents extra, both payable Dec. 15. The total distribution for the year will be $1.75 per share, same as 1950. Although it is estimated that sales for the current year will be well ahead of the previous 12 months, increased taxes are expected to reduce per share earnings to about $3, compared with $4 last year. The company's current position remains strong and it is expected that a proposed expenditure of about $250,000 for capital improvements scheduled for next spring can be made without recourse to borrowing or the issuance of additional stock.

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P. T. C. Hassle Dec. 10

PHILADELPHIA—As indicated in a previous issue of the "Chronicle," management of Philadelphia Transportation Co. and a special Stockholders' Committee are set for a no-holds-barred joust at the special meeting scheduled for Dec. 10.

The latest maneuver took place last week when the Stockholders Committee petitioned the SEC in Washington to enjoin management from its alleged "campaign of distortion and mistatement" regarding the purposes of the meeting.

Charles E. Egert, PTC President, has charged that a group of stockholders, headed by persons identified with the securities business and inexperienced in the conduct and management of a metropolitan transportation system, are endeavoring to obtain control of the enterprise "to the detriment of the best interests of the company and its stockholders."

Leonard B. Gordon, counsel for the Committee, counters with the assertion that "there is no question of control in connection with the meeting" and that the company is trying to confuse the issue.

The Committee intends to put four specific proposals to a vote. They are designed to eliminate a presently existing Committee on Industrial Relations and to curtail the membership and broad powers of the Executive Committee which, at present, is authorized to assume the full powers of the Board of Directors between meetings of the Board.

PTC Grants Pay Rise

PHILADELPHIA—At least one characteristically turbulent "front" in Philadelphia Transportation Company's field of operations is quiet and serene for the nonce.

William J. MacReynolds, company Vice-President in charge of industrial relations, last week announced that a cost-of-living wage adjustment amounting to an increase of two cents an hour will be paid to all transportation and maintenance workers, effective Dec. 16.

The increase is based upon an escalator clause in the company-union contract and is computed on Consumers' Price Index figures for this city for the six-months period from May through October. Annual cost to PTC is estimated at $550,000.

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Sun Ship Adds Workers

PHILADELPHIA—R. L. Burke, President of Sun Shipbuilding and Drydock Co., states that employees at company's Chester plant will be increased from 3,800 to 6,000 within coming months.

Sun Ship now has under construction, or is under contract to build, nine fast cargo vessels and tankers and one large railroad car float. Backlog of contracts is said to be sufficient to keep plant in full operation until July, 1953, without orders.

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Roberts & Mander

Stockholders of Roberts & Mander Corp. have approved the acquisition of the Price Fire Heater & Tank Corp. of Buffalo, N. Y., payment to be made in authorized but unissued Roberts & Mander stock. As a result, Roberts & Mander stockholders will retain a 53% control of the combined enterprise, which, by virtue of the infusion, again becomes a going concern. Operations will be consolidated at the Hatboro, Penna., plant.

* * *

Equipment for Penna. R.R.

The Pennsylvania Railroad has announced that it is spending $60,000,000 for 180 diesel-electric locomotives and 5,000 additional freight cars. The road will spend $12,000,000 more for new rails and reconditioning of old freight cars.

Walter S. Franklin, President, says this brings to approximately $650,000,000 the amount spent for new equipment in recent years.

* * *

Strikers Offered the Business

LEBANON—The Lebanon Valley Transit Co. operates a bus line from Meyerstown to Harrisburg, serving an area with an estimated population of 200,000. But because of a succession of strikes, one of which is now in effect, and for other reasons, the company hasn't made much money since 1929. This state of affairs has become increasingly irksome to the Beneficial Corp., of Wilmington, Del., the parent company.

Rather than abandon the line and throw a large group of men permanently out of work, R. B. Williams, President, has offered to transfer the properties to the striking employees "upon reasonable terms." But if they don't like the view from the other side of the street, Williams says he will petition the Pennsylvania Public Utility Commission for permission to go out of business.

American Heritage Inv. Co.

SALT LAKE CITY, Utah—The American Heritage Investment Co. has been formed with offices at 367 East Second Street to engage in a securities business. D. B. Potter and G. L. Potter, who was formerly with Merrill Lynch, Pierce, Fenner & Beane, are partner in the firm.

M. Scott Stout With Shearson, Hammill

M. Scott Stout

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—M. Scott Stout has become associated with Shearson, Hammill & Co., 520 South Grand Avenue. He was formerly with Morgan & Co. in their trading department and prior thereto was with Blair, Rollins & Co., Inc.

NASD District 13 Elects to Office

The District No. 13 Committee of the National Association of Securities Dealers, Inc., which district includes New York, New Jersey and Connecticut, announces that the following candidates to office in the association have been declared duly elected:

To the Board of Governors: George Geyer of Geyer & Co., Inc.

To the District No. 13 Committee: Paul A. Gammons of Bradley, Gammons & Co., Inc.; Earl K. Bassett of W. E. Hutton & Co.; George Herbert Walker, Jr. of G. H. Walker & Co.; Edward S. Hinckley of Adams & Hinckley.

All the foregoing will take office on or about Jan. 15, 1952, and will serve for the succeeding three years until Jan. 15, 1955.

Star Koerner Joins Moseley in Chicago

Star C. Koerner

CHICAGO, Ill.—Star C. Koerner has joined the Chicago office of F. S. Moseley & Co. Formerly with Mitchell, Hutchins & Co., Mr. Koerner will be associated with the Moseley trading department, specializing in Chicago bank stocks and other over-the-counter securities.

James Edgerton With Hopkins, Harbach & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—James E. Edgerton has become associated with Hopkins, Harbach & Co., 609 South Grand Avenue, members of the Los Angeles Stock Exchange. Mr. Edgerton was formerly vice-president of Edgerton, Wykoff & Co.

Fred C. O'Donnell, previously with Lester, Ryons & Co., and Herman J. Lofgren have also become affiliated with Hopkins, Harbach & Co.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

Shareholders of **The National City Bank of New York** have been notified by Wm. Gage Brady, Jr., Chairman of the Board, that an increase in the number of directors of the bank from 17 to 19, and the election of Harry C. Hagerty, Financial Vice-President of the Metropolitan Life Insurance Company, and Keith S. McHugh, President of the New York Telephone Company, to fill the two new places on the board, will be recommended at the annual meeting on Jan. 8 next. Mr. Hagerty who was born in Rochester, N. Y., in 1892, is a trustee of the East River Savings Bank and a director of the Erie RR. Co., Long Island Lighting Company, and the Rochester Gas & Electric Corp. Mr. McHugh was born in Fort Collins, Colo., in 1895 and was graduated from the University of Wisconsin in 1917. He is a director and member of the Executive Committee of the Air Reduction Co., Inc.; and President and Director of the Empire City Subway Company, Ltd. He is also President and trustee of the Community Service Society of New York and trustee of the Carnegie Institution of Washington. He is a member of the New York City Advisory Council for Civil Defense and the New York State Defense Council, and holds the War Department Certificate of Appreciation and the National Military Establishment Certificate of Appreciation.

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Horace C. Flanigan, President of **Manufacturers Trust Company of New York,** announces that Alfred R. Robbins, who is in charge of the bank's office at 100 Park Row, has been promoted to Assistant Vice-President. Mr. Robbins, a native of New York City, came to Manufacturers Trust in 1931 when it acquired the **Midwood Trust Company.** He has been in charge of the Park Row Office since 1946. President Flanigan, of Manufacturers Trust, also announces that E. J. Riesbeck, President of the **Astoria Federal Savings & Loan Association,** has been appointed to the Advisory Board of the bank's Queens Plaza office.

On Dec. 3, President Flanigan, of the Manufacturers Trust Co., announced that the board of directors at its regular meeting that day increased the regular dividend rate to $2.60 annually from the previous rate of $2.40 annually and declared a quarterly dividend of 65 cents a share on the bank's capital stock payable on Jan. 15, 1952, to stockholders of record of Dec. 14, 1951.

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The board of directors of **City Bank Farmers Trust Company of New York,** at its regular meeting on Dec. 4, elected Lindsay Bradford, Vice-Chairman of the board of directors with chief executive powers. He was succeeded as President by Richard S. Perkins, who has been Executive Vice-President of the trust company since March 1, 1951. W. Randolph Burgess, Chairman of the Executive Committee of **The National City Bank of New York,** is Chairman of the Board of the trust company. Mr. Perkins is the son of the late James H. Perkins who was President of City Bank Farmers Trust Company and its predecessor institution, **The Farmers Loan and Trust Company,** from 1922 to 1936, and was subsequently Chairman of the Board of both the trust company and The National City Bank of New York. Mr. Perkins has had long experience in the securities business, having been connected with Wood, Struthers & Co., and then a partner of Harris, Upham & Co. before coming to the trust company. He is a director of City Bank Farmers Trust Company; the Phoenix-London Group; the New York Life Insurance Company; Treasurer of Miss Chapin's School and a trustee of The Roosevelt Hospital.

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At the meeting of the board of directors of the **New York Trust Company,** of 100 Broadway, **New York,** held on Dec. 4, an extra dividend of $1 per share on the capital stock of the company was declared payable Dec. 24, in addition to the regular quarterly dividend of $1 per share payable Jan. 2, next. Both of these dividends are payable to stockholders of record at the close of business Dec. 14.

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Employees of the **Guaranty Trust Company of New York** voted almost four to one against joining a union in an election conducted on Nov. 28 by the National Labor Relations Board. In the New York "Times" of Nov. 29, it was stated that there were 1,955 votes for no union, 503 votes for the United Financial Employees, Local 205 Office Employees International Union, AFL, and seven contested votes. About 95% of the eligible voters cast ballots, it was added.

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The election of nine officers and employees to new official posts at **The Marine Midland Trust Company of New York** was announced on Dec. 4 by James G. Blaine, President, following a meeting of the board of directors. Promoted to Vice-President from Assistant Vice-President were James G. Baldwin, Stanley W. Hubbel, J. Frank Morris, and Arthur J. Smyth. Assistant Vice-Presidents appointed were William H. Keeler and Frank C. Straat, Jr., advanced from Assistant Treasurer and Assistant Secretary respectively. Advancement to new official roles went to Charles F. Mansfield, Assistant Treasurer, and to William P. Allman and James O'Neil, Assistant Secretaries.

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E. Chester Gersten, President of **The Public National Bank & Trust Company of New York,** has announced that James P. Walsh, whose former title was Assistant Vice-President, has been appointed Auditor of the bank, and Arthur C. Vogt, Jr., of the auditing department, has been appointed Assistant Auditor.

The board of directors of **The Public National Bank and Trust Company** on Nov. 29 declared the regular 50 cents per share quarterly dividend for the period ending Dec. 31, 1951, and an extra dividend of 25 cents per share, both payable Jan. 2, 1952, to shareholders of record Dec. 20, 1951.

The Board of Trustees of the **Title Guarantee and Trust Company of New York** has approved a plan of recapitalization which will result in a distribution to stockholders in 1952 of stock in a new corporation to which will be transferred $2,125,000 in book value of assets not required in the operation of the company's business, it was announced on Dec. 1 by William H. Deatly, President. The trustees' approval was conditioned on the approval of stockholders at their annual meeting on Jan. 28, next, and the approval of the Banking Board of the State of New York. It is further announced that Klein, Finke & Austin, attorneys and tax specialists, have rendered an opinion to the company that the proposed distribution will qualify as a "tax-free reorganization" under the provisions of the Internal Revenue Code, as amended by the Revenue Act of 1951, and this opinion is concurred in by the company's general counsel and by its tax consultant. The announcement further says:

"The plan proposes a reduction in the company's stated capital from $3,000,000 to $2,000,000 by reducing the number of shares from 500,000 to 250,000 and increasing their par value from $6 to $8. If approved, the $1,000,000 reduction in stated capital will be added to surplus. On and after Feb. 1, 1952, two shares of the company's presently outstanding $6 par value stock will be exchanged for one share of the company's new $8 par value stock. On Feb. 29, 1952, assets of Title Guarantee and Trust Company having a book value of $2,125,000 will be transferred to a newly formed company to be known as **North River Securities Co., Inc.,** in exchange for 489,598 shares of the latter company's capital stock. These shares in turn will be distributed on March 3, 1952, to the registered holders on Jan. 28, 1952, of the 489,598 presently outstanding shares of the capital stock of Title Guarantee and Trust Company on a share-for-share basis. The 10,402 shares of presently issued stock now in the company's treasury will not participate in the distribution. The title company assets to be transferred comprise approximately $1,200,000 in net book value of real estate holdings, including the company's office building at 176 Broadway and 5 and 7 Maiden Lane, New York City; approximately $800,000 of real estate mortgages and $125,000 in cash. Title Guarantee and Trust will retain occupancy of the space required for its use in the Broadway and Maiden Lane buildings, under lease for a period of five years, with three 5-year renewal options."

Mr. Deatly stated further that, except for the relatively small amount of cash with which North River Securities Co., Inc., will begin business, none of the liquid assets of Title Guarantee and Trust Company, nor any of its funded insurance reserves are being distributed; that capital funds of Title Guarantee and Trust Company upon consummation of the transactions would probably exceed $3,750,000 and that insurance reserve funds will then aggregate an additional $2,000,000. The North River Securities Co., Inc., will have broad charter powers, excluding, however, insurance or banking powers. It is expected that the stock of North River will be traded in the over-the-counter market independently of the stock of Title Guarantee and Trust Company. Mr. Deatly stated also that trustees of Title Guarantee and Trust Company will meet early in January, 1952, to consider resumption of cash dividends on the company's stock.

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George H. Woodin, Vice-President of **The Bowery Savings Bank of New York** retired from active duty on Nov. 30, after 46 years' association with The Bowery. Mr. Woodin was the senior employee in length of service. He started in 1905, at the age of 15, as an office boy at the 130 Bowery office. On Nov. 30, more than 100 fellow employees held a reception and buffet in honor of Mr. Woodin at the Vanderbilt Hotel. Previously the officers of The Bowery gave a luncheon at the Uptown Club with Mr. Woodin as guest of honor.

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At a regular meeting held this week, the Board of Trustees of the **Hanover Bank of New York** approved the following appointments: Samuel L. Joseph, Assistant Treasurer; Howard D. Brundage, George Faunce III, Frederick B. Utley, Jr., John E. Hardy and Lawrence H. Bober (Herald Square Office), Assistant Secretaries; Harry P. Barrand, Jr., Vernon A. Eagle and Frank P. Gage Assistant Managers of the Foreign Department.

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Frank T. Howard, D. Rice Longaker, and Preston D. Brenner have been appointed Assistant Vice-Presidents of the **Land Title Bank & Trust Company of Philadelphia.** Mr. Howard was formerly Trust Officer. Mr. Longaker formerly Assistant Treasurer, and Mr. Brenner formerly Title Officer of the bank.

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The election of a director and a Vice-President was announced on Dec. 4 by William R. K. Mitchell, President of the **Provident Trust Company of Philadelphia.** Benjamin F. Sawin, Executive Vice-President, was elected a member of the Board of Directors and John J. Buckley, formerly an Estate Planning Officer, was elected a Vice-President. Mr. Sawin, a native of Chicago, began his banking career with the **State Bank & Trust Company of Evanston, Ill.** He later served for six years on the staff of the Chief National Bank Examiner in the New York Federal Reserve District, following which he joined the Union Trust Company, Rochester, N. Y., as Vice-President. He resigned this post to become Vice-President of the National City Bank of Cleveland, Ohio. During the war Mr. Sawin served as Financial Adviser to the Chief of Ordnance, U. S. A., and was attached to the Cleveland Ordnance District. He was elected a Vice-President of the Provident in 1944 and was advanced to Executive Vice-President in April of this year.

Mr. Buckley joined the Provident staff in 1946, was appointed a Trust Officer in 1947, and Estate Planning Officer earlier this year. He enlisted in the Army as a private in 1942, and was advanced by successive promotions to the rank of Major before returning to civilian life. Prior to his Army service, Mr. Buckley had extensive estate planning experience in Philadelphia, New York and Chicago.

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The City National Bank of Philadelphia will be consolidated with the **Central-Penn National Bank of Philadelphia,** it is announced by C. A. Sienkiewicz, President of Central-Penn and William H. Faas, President of City National. The two banks will combine under the name and charter of the Central Penn National Bank of Philadelphia. The consolidation is subject to approval of the shareholders of both banks and the Comptroller of Currency. Shareholders will meet in January to vote on the consolidation. It was disclosed by the two Presidents that the basis of exchange is 2½ shares of Central-Penn stock for each of City National's. Central-Penn stockholders will retain the same number of shares they now hold. City National has its main office at 1518 Walnut Street, and three branches in West Philadelphia. All offices of City National will become branch-

C. A. Sienkiewicz

Continued on page 23

Causes of Unemployment

By ROGER W. BABSON

Laying chief cause of unemployment to movements in the business cycle, Mr. Babson finds that changes in volume of instalment buying and fluctuations in family indebtedness are factors in creating, or reducing, unemployment. Stresses variations in public's psychic attitude toward debt as producing changes in business cycle and urges more study of unemployment causes.

Every manufacturer, retailer, and consumer is affected by market movements. This especially applies to a consumer whose family depends upon the employment of its father or other members. Therefore, whether you own a business or a share of stock, or are dependent on a job, you should be much interested in the business cycle, and what causes business to improve or to decline.

Roger W. Babson

The changing indebtedness of families, business concerns and governments-at-war is the apparent factor causing the long-term "ups and downs." When people are freely making instalment purchases, business improves and more jobs at higher wages follow. When, however, people reduce their instalment purchases retail trade declines. Then inventories pile up so that retailers are unable to meet their bank loans. Hence, they reduce their purchases of new goods.

This causes manufacturers to lay off help, which further reduces consumers' purchasing power. As a result, the country heads for a depression. During depressions every reader of this column suffers. As voluntary increases in indebtedness stimulate business, so forced reduction of debt hastens a decline. It would be unwise to say that we are now heading for a depression; but it is generally believed that business is now on a plateau and the next move will be downward with much unemployment.

Importance of Entertainment

Although the superficial factor of the business cycle is debt, yet I ask: *What causes the public's changed psychic attitude as to debt?* Why do people some years do a lot of buying before any change in wages or prices occurs, and in other years follow a reverse policy without apparent reason? There is some basic spiritual, unseen cause for this changed attitude. Here is where the psychologists claim that they have the answer; namely, in the moods or desires of people. But again we ask: What changes these moods and desires? It certainly seems that such changes must be due to what people read, hear or see.

My feeling is that the newspapers, magazines, radio, movies, theaters, and television (and perhaps churches) are the factors which change people's psychic or spiritual moods and determine their actions. Yet, we find there are times when, even if all these factors unite to influence public opinion, the people refuse to believe them. Hence, the material published or broadcast or shown on the screen and stage is of little use unless the people are ready to believe what they read, hear and see. It is fairly easy to get publishers, broadcasters, film makers, and theater operators to agree on a propaganda policy; but if the public thinks this is only propaganda, then it is of no use. Only when these material forces arouse the spiritual forces of the people are they effective.

Opportunities for Many

Real opportunities exist for those who will make impartial studies of this problem for their respective communities or industries. This will require months of research in public libraries, studying the advertisements and articles of newspapers and magazines, the movies and theatrical reviews, including comments on radio and television broadcasts. (The latter, of course, have been only recently a factor.) This material should be studied in conjunction with past business cycles to learn the correlation between the spiritual and the material. These public libraries have the answer, and the librarians will be very glad to aid Chambers of Commerce and Trade Associations in such research. One of these libararians suggests that the style of women's clothing should also be considered!

Such a study could be of great value to everyone. It might solve the employment problem and enable us to make better forecasts of what is ahead. Such studies could certainly help these "vendors" of public entertainment to at least *steady* business conditions, employment and prices. Changes from employment to unemployment are what cause heartbreaks of manufacturers, retailers, wage workers and investors.

N. Y. Banker Sees Danger of Renewed Undermining of Federal Reserve

J. Stewart Baker, Chairman of Board of Directors of Bank of Manhattan Company, takes issue with manner of credit investigation conducted by Sub-Committee of the Joint Committee on the Economic Report, and warns basis may be created for undermining independence of Federal Reserve System and thus jeopardize private banking.

In a report to stockholders at the 153rd Annual Meeting of the Bank of the Manhattan Company of New York, J. Stewart Baker, Chairman of the Board of Directors, criticized the methods used by the sub-committee on credit of the Joint Congressional Committee on the Economic Report in its investigations, particularly the elaborate questionnaire which was sent out to bankers, economists and others. Mr. Baker also expressed the view that this matter should be of serious concern to the bankers of the nation, inasmuch as it may be used as a means of undermining again the recently restored independence of the Federal Reserve System.

J. Stewart Baker

According to Mr. Baker's report:

"This year has been an historically important one for the future of the entire banking business in this country, for the Federal Reserve Board during the early months of this year made a determined effort to regain the independence of action without which no central banking organization can be an effective instrument for keeping the money supply closely adjusted to the economic needs of the country in which it operates. For a long period of years, government policies were directed toward maintaining inflexible and very low levels of interest rates, but now the price the country's banks are able to charge for credit accommodation can be much more responsive to the demand.

"While this means that bank earnings in the future are likely to be affected favorably, its deeper significance lies in the fact that the Federal Reserve System can no longer be regarded as 'an engine of inflation' and that we are again in a position where central banking policies can take an anti-inflationary direction when prices are rising dangerously and can be used to obstruct price deflation in times when the course of trade has turned downward. This change in the position of the Federal Reserve organization with respect to the nation's credit structure is of the highest importance and the Federal Reserve authorities deserve the commendation of everyone in the country for the statesmanship and courage they have shown during the past year.

"It needs to be emphasized in the strongest possible terms, however, that protection of this newly affirmed independence of the Federal Reserve System will require eternal vigilance on the part of the financial and business interests of the country. The influence of those who favor the subordination of the Reserve System to political expediency and to a philosophy of perpetually easy money is not to be regarded lightly.

"At this very moment there is in progress a Congressional investigation of the utmost importance. This investigation is being conducted by a subcommittee of the Joint Committee on the Economic Report, which has issued to a selected list of bankers, economists, and other individuals an elaborate questionnaire asking questions of vast significance. The right and appropriateness of Congressional investigations into matters affecting the welfare of the nation are beyond question, but the manner in which this investigation is being conducted should be a matter of serious concern to the bankers of the nation lest it be used as a means of undermining the independence of the Federal Reserve System and place in jeopardy the future of banking and the system of private enterprise of which banking is a part."

George R. Liddle With Walston, Hoffman Co.

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—George R. Liddle has become associated with Walston, Hoffman & Goodwin, 550 South Spring Street. He was formerly with First California Company and prior thereto was an officer of Jones, Cosgrove & Co. of Pasadena.

J. E. Bennett to Admit

James E. Bennett & Co., members of the New York Stock Exchange, on Jan. 1 will admit Donald V. MacDonald to partnership. He will make his headquarters in the firm's New York office at 30 Broad Street.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The government bond market on moderately increased activity, especially in the longer-terms, breached the old lows, before Federal came in and put the props under them. According to reports, the selective spot buying of the monetary authorities in the higher-income obligations was not sizable. The bank issues were the first to give ground, to be followed by the restricted obligations, not because of any large increase in the amount of bonds being offered for sale, but due to lack or absence of buyers. It is still evident that private buyers are not yet inclined to venture very far away from the sidelines. Year-end adjustments are one of the factors that are plaguing the market, but it should be remembered this is a temporary force that will be eliminated with the passing of time.

The announcement of a 100-year loan at 3¾% to a large industrial concern by the two big life insurance companies seems to have dampened, temporarily at least, whatever enthusiasm there was around for the higher-income Treasury obligations.

Eyes on Korea

Developments in the Korean affair are being watched very closely by money market followers, because it is believed progress towards an armistice and eventually peace over there will have a marked influence upon the economy as a whole, and that includes the government market. The cessation of hostilities, it is felt, would lessen the inflationary pressure which should not be unfavorable to the action of the market for Treasury obligations. A longer period of time in which to carry out the defense and preparedness program should mean the peak of the operation will come at a much later date. There would not be the same need to rush things along and spending would be done over a much longer space of time. The loan trend might even be reversed and with some of the pressure off the money markets there could be a change in the pattern of demand for government obligations.

However, it will probably take a bit of time before more definite conclusions can be reached about the Far Eastern conflict. Nonetheless, it is believed in some quarters that developments underway there will ventually turn out to be on the favorable side for the government market, especially the longer end of the list.

Federal Came to the Rescue

The higher-income Treasury issues have been under moderate pressure and new lows have been made in these securities. However, these lows have been made on light volume, and were not too sharply under the previous bottom limits. This should have considerable significance as far as buyers of these securities are concerned. Likewise, Federal, when they stepped in, took only a minor amount of these securities in order to stabilize the market and to prevent it from having too bad a psychological attitude. There appears to be very little question about the monetary authorities being willing to keep the longer Treasuries within set limits on both the down side and the up side. At the moment the lower reaches, it seems, will get the attention and protection of the powers that be, whenever they believe it necessary.

These lower limits will probably be flexible, which means a leeway of some 32nds, but it is not expected that any important decline will be witnessed from here on. This undoubtedly indicates that an important bottom is being made in long governments. As this is proved by time and experience, there will no doubt be a much better tone in the higher income governments. Investors have funds that can be put into these securities and while they will no doubt take their time in acquiring them, it will not require too much buying to be felt in these securities, because the floating supply is not very large. Most of the higher-income governments which have been bought recently have gone into strong hands. This kind of investment buying, which has been going on in modest amounts, will not be shaken out with either a trading rise or a further minor price decline.

What is likely to happen to the short-term market for Treasury obligations if there should be a cessation of hostilities in Korea? Some of the demand for these securities, it is believed, may be eliminated because the loan trend might change and as a result there will not be the same need for liquidity and the riskless issues. Whether there would be a lengthening of maturities immediately is open to question, but a change in the loan curve, it is believed, would bring commercial banks eventually into the higher-income Treasury obligations.

Market Briefs

The two early eligible taps, that is, the June, 1959/62s and the 2½s of 1962/67, still seem to be among the favorites in the restricted group. Although volume has not been very sizable in these bonds, it appears to be larger than in the other issues in the group.

The partially-exempts continue to be under moderate accumulation, in not large amounts by the money center banks, with the eastern institutions, according to reports, the leading buyers.

It is indicated there is still more than a fairly large amount of buying by corporations in the recently offered tax-anticipation bills.

Walter Bryant Pierce With White, Weld Co.

PHILADELPHIA, Pa. — Walter Bryant Pierce has become associated with White, Weld & Co., members of the New York Stock Exchange, as a Registered Representative in their Philadelphia office, Fidelity - Philadelphia Trust Building, it has been announced.

Russell E. Evans Forms Own Firm on Coast

(Special to The Financial Chronicle)

SAN DIEGO, Calif.—Russell E. Evans has formed R. E. Evans & Co. with offices at 202 Broadway, to engage in the securities business. Mr. Russell was formerly an officer of the First California Company.

The New Tax Bill's Effect On Credit and Business

By HENRY H. HEIMANN*

Executive Vice-President, National Association of Credit Men

Asserting new tax law makes "sharecropper" out of all in business, leading credit association manager warns bankers and businessmen to scrutinize management ability of their customers more closely than in normal times. Says new tax law will promote extravagance in business management, since government takes 70c in cash of every dollar earned, and thus the economy incentive is destroyed. Sees fewer new businesses in near future.

One of the most important effects of the new Federal tax law on credit and industry is that it makes a "sharecropper" out of those engaged in business because a heavy portion of the results of their efforts must be paid to the government in cash.

Henry H. Heimann

Bank and commercial credit executives should begin at once to check on such items as tax accruals and reserves as shown in the operating statements submitted by their customers. Projection of the cash position is of vital importance to commercial and bank credit executives, for they realize that their customers must pay their tax bills in cash. Even if the operating statements show a fair margin of earnings and progress, will their customers be able to continue to pay their notes and invoices when tax day comes and they must drain off a considerable portion of their "paper profits" to pay the tax collector? Normally, the earnings of a business are only fractionally reflected in cash, the larger part being shown by inventory, equipment, and plant.

On several occasions I have warned the executives who are members of the organization I represent that they should carefully scrutinize the management ability of their customers even more closely than in normal times. Bank credit executives, I believe, would do well to follow such a program. There are men of middle age now holding high positions in management who have never experienced the severe competition of normal times. Business in general is now producing at a high rate, sales are ahead of or even with last year, but net earnings have been reported as lower. If profits are lower on such a tremendous volume, what will happen when sales decline? Will they reach the point of an inadequate return? What will happen when normal competition brings a further decline in sales, but high production costs and the new high tax levy continue?

Tax Law Promotes Extravagance in Business

One of the effects of the new tax bill is that it will promote extravagance in business management. Despite the fact that over one-half, and in some cases as much as three-quarters, of the earnings will be taken by the government for taxes, there is little justification for resorting to extravagant practices. We still may hope that the tax bill may some day be slightly reduced, and it is well to remember that we will not always be operating under a defense program. When the preparedness era is ended, any one now resorting to extravagances because the government is taking so much money will find it is one thing to engage in these practices when orders are being really thrown at our front doors and quite another thing when we have to go out and fight for business. There is nothing so demoralizing to conservative business management as waste.

Both bank and commercial credit executives will readily recognize the fact that if business must hand over 70 cents in cash to the government out of every dollar earned, it cannot build up sufficient reserves to maintain its equipment, expand its plants, or maintain its progress in the industry it serves. Business will find it increasingly difficult to obtain equity capital. At the present time only 5% of outside capital is being obtained through the sale of shares of stock; and even this source of capital may be considerably reduced because of the burden of increased levies created by the new tax law.

The new tax law will have greater consequences than many people now realize. It may take time to demonstrate the changes of an adverse character that are inherent in this law, but they will soon start to appear.

In the first place, business will have to conserve what little reserve it has for its own growth. If there is a substantial interest in the company by management, it is to its interest to keep the earnings in the business rather than distribute them for the benefit of government. Of necessity, some dividends must be paid; but they will be much more conservative; and, consequently, business will be less apt to get new capital from those possessed of surplus funds. Here again is a design, intentional or accidental, to force funds into government obligations to underwrite deficits or to carry forward the Welfare State.

Fewer Businesses Will Be Launched

Certainly there will be fewer businesses launched in the future. Why should a man risk his hard-earned savings in a business merely to work for the benefit of the government?

There is an era in the business field in which people might engage without being shouldered with the heavy tax responsibility. This area is found in the company making less than $25,000. Why should a business making around this figure seek to expand and make more?

Presently the bank loans of business are tremendous. How can they help but grow when there are inadequate sums of money left after the government taxes are paid for the average progressive business to finance itself?

With the government taking so much of your earnings in taxes, you can readily see how strong a business management must be to avoid indulging in extravagances. Why not pay high salaries, high wages, and everything else of that character and, if necessary, have it reduce earnings because the government gets most of the benefit of earnings in any event? What will be the condition of business management and business morals when peacetime competition comes if these extravagances are indulged in as undoubtedly they will be in many instances?

Note the socialistic nature of the tax law. What is private charity going to do in the future for its funds? Will the average individual have enough left to continue his contributions?

In the field of education, where will you find the heavy donations from individual or from businesses? They just won't have it to give. The result will be that education will have to go to Washington to try to get back some of the tax money that has been collected from their former benefactors.

As to the standard of living, how can people maintain their way of life with so heavy a tax load? If increases are given them in wages and salaries, they in turn bring about an inflationary spiral that in time will again have its full impact on their standard of life.

Adverse Effect on Savings

Why should people continue to save money when the tax law in itself will force an inflationary program? The thought that taxation destroys purchasing power is true only as it affects individuals. What it actually does is to transfer purchasing power to a centralized government.

The states and their political subdivisions have deferred projects for years, and now they will have to begin to do some necessary work. In the field of highways, for example, we are way behind schedule. This will mean the issuance of tax-exempt bonds, and you can rest assured that these bonds will be in great demand. In fact, it is not inconceivable that the demand will be so heavy that a great many will be made available at low prices. Cities and states thus may spend more than is necessary.

What is a person to do if he wants to set aside a retirement fund for his later years? With a dollar declining in its purchasing power and apt to continue doing so, what chance has he to be certain that his savings for a rainy day may not vanish before the rain falls?

Why shouldn't people who have accumulated what they feel is sufficient to carry them along in their way of life decide to retire and not chase an elusive rainbow of security? Certainly, if they look at it realistically, many will retire much earlier; and as a consequence their services will be lost and their productive efforts will be liquidated by the tax bill.

But many people will say, what are we to do? We are in a defense effort. We have the European and world aid problems before us. We can't incur a deficit. No, we should not incur a deficit, and something must be done to build a defense effort. If some intelligent energy had been devoted to a realistic recognition of the situation and a true analysis of the appropriation bills with the thought of keeping them within bounds, you would not have needed the highest tax bill in the history of the nation. That is the tragedy of it all. High taxes we would continue to need because of past extravagances and because of our wars, but we would not need the peak tax bill that now confronts us and which will take its toll day by day. If we are not careful, it may alter and divert the entire course of American industry and the American way of life.

What we can do is to contact our representatives in Congress before they return to Washington and let them know that we are no longer ready to blindly accept any program merely because it has "MUST" stamped on it. There will be plenty of voters who will enroll in a peaceful tax revolution. No power on earth can convince the average man or woman that he was born into this world to work the greater part of his life in support of an extravagant and prodigal government. His family relationship and responsibility he knows come first. It is the one relationship that transcends in its importance even the forces of a government irrespective of how much he may love it and be willing to work for it. It was said in 1933 we had to "drive the money changers out of the temple." After 20 years, we face a more difficult and important job. Let us drive the tax hogs to slaughter.

*Summary of an address by Mr. Heimann before the Fourth National Credit Conferences sponsored by the American Bankers Association, Chicago, Ill., Dec. 3, 1951.

New Brunswick Issue Of $10,000,000 Bonds Offered to Investors

Halsey, Stuart & Co. Inc. is heading an underwriting group which is offering $10,000,000 Province of New Brunswick 4½% Nineteen Year Sinking Fund Debentures, due December 1, 1970 at 98.12% and accrued interest.

Of the proceeds to be received from the sale of the debentures, $3,950,000 will be used to repay loans incurred for the payment of $4,500,000 Provincial debentures at maturity and $2,250,000 will be used together with other funds of the Province to retire $7,811,500 principal amount of the Province's outstanding debentures. Of the remainder of the proceeds, approximately $2,500,000 will be advanced to The New Brunswick Electric Power Commission in connection with its electric generating, transmission and distribution system construction program and the balance will be applied to the general capital program of the Province.

The debentures are redeemable at general redemption prices ranging from 103% to 100%. Through the sinking fund the debentures are redeemable at 100%.

New Brunswick is located east of the State of Maine and is the largest in area of the three Maritime Provinces of Canada. The Province has a total area of 27,985 square miles. Preliminary figures for the 1951 census show a population in the Province of 512,186.

Other members of the offering group include—Union Securities Corporation; Salomon Bros. & Hutzler; Lee Higginson Corporation; Blair, Rollins & Co. Incorporated; Coffin & Burr Incorporated; Hayden, Stone & Co.; Hornblower & Weeks; L. F. Rothschild & Co.; Harris, Hall & Company (Incorporated); American Securities Corporation; The Milwaukee Company; Thomas & Company; Byrd Brothers; H. M. Payson & Co.; and Wm. E. Pollock & Co., Inc.

Britain's Deflation Technique

By PAUL EINZIG

Dr. Einzig, in commenting on rise of Bank of England rate and discontinuance of unlimited supplies of funds to money market by the government authorities, analyzes the effects on Stock Exchange prices and tightening of credit. Foresees some possibility of new deflationary tactics causing uncontrollable stock market slump.

LONDON, Eng.—On Nov. 7, 1951, the Bank of England raised its rediscount rate from 2 to 2½%. At the same time the new Chancellor of the Exchequer, Mr. Butler, announced in the House of Commons that the system under which the authorities made available unlimited supplies of funds to the Money Market has been discontinued. Hitherto the firm acting for the authorities (the "official buyer") was willing to take up at the current market rate any amounts of Treasury bills which the Discount Houses wished to sell whenever they were short of money. By such means the banks could always depend on their cash requirements being fully covered, irrespective of the amounts they have lent or invested. As from Nov. 7, money is no longer "on tap." The official buyer is in the market, but only as and when this suits the authorities. The banks can no longer assume that any deficiency in their cash resources could be covered, as a matter of course, through the sale of Treasury bills to the official buyer by the Discount Houses. There is a possibility of a deficiency arising, deficiency which will have to be covered through borrowing from the Bank of England at the penal rate of 2%.

Dr. Paul Einzig

On Nov. 19 this situation actually arose for the first time since the inauguration of the new policy. The official buyer withdrew from the market before all the requirements of funds were met, and some Discount Houses had to borrow from the Bank of England. The amount involved was very small, but the effect was spectacular. There was a heavy slump on the Stock Exchange, especially in government loans. The fact that the authorities allowed tight money conditions to develop was regarded as an indication of the possibility of a further rise in the Bank rate and in interest rates in general. It was widely assumed that the old technique under which the authorities tightened money conditions when they intended to raise the Bank rate has been resumed.

As a matter of fact the Treasury and the Bank of England have adopted a totally new technique. It is not the intention of the authorities to raise the Bank rate further. The storm of protests provoked by the recent rise made it appear politically inexpedient to proceed further in the direction of high interest rates. What the authorities are trying to do is to achieve the maximum of results with the minimum of increase of interest rates. They are also trying to insure a curtailment in the volume of credit without having to give the banks official instructions to that end.

For the first time in the history of British monetary policy, the authorities are operating mainly through the intermediary of Stock Exchange prices. The primary object of the tactics foreshadowed on Nov. 7 and actually employed on Nov. 19 was to cause a fall in Stock Exchange prices, for the sake of the deflationary effect of such a fall. This method has been compared with the "gold scare" tactics employed by the United States Treasury in 1937, when over-trading was sought to be discouraged through the psychological effects of uncontradicted rumors of a possible reduction in the official dollar price of gold. In a somewhat similar way, the British authorities seek to discourage inflationary expansion of credit through the psychological effects of rumors of a possible further increase of the Bank rate.

The effect of Bank rate fears on the volume of credit and purchasing power is manifold. The fall in the value of government loans and equities has made it necessary for the banks to ask for additional cover or to reduce credits secured by government loans and equities. What is much more important, the banks have to envisage the possibility of further substantial falls on the Stock Exchange. They must insist, therefore, on wider margins. This consideration should go a long way toward discouraging a further increase of advances on securities and bringing about a noteworthy contraction. The ability and willingness of holders of bonds and stocks is also affected. Hundreds of thousands of investors who have been living on their capital during recent years will have to curtail their spendings, for fear of a marked depreciation of their capital. It is true, this factor will affect the demand for luxuries rather than the demand for necessities, so that its direct effect on the cost of living will be negligible. On the other hand the decline of luxury spendnig will make it easier for the government and for employers to resist wages demands.

In many instances the curtailment of credits and the depreciation of investments might induce industrial firms to reduce their activities, thereby releasing manpower needed elsewhere. By such means inflationary over-full employment could be reduced. It is of course arguable that such indiscriminate deflationary measures are liable to affect the output of essential goods, and that a planned contraction of credit to producers of unessential goods would be a preferable solution. Beyond doubt this is so. But in practice the Labor Government had failed almost completely to adopt any such discriminatory credit restrictions. Throughout its six years' rule manpower continued to be wasted on the production of unessential goods, in spite of the obvious vital need for diverting manpower to essential production. Although discriminatory measures had been taken in the form of "physical" controls affecting the allocation of raw materials, the extent of discrimination in credit control in Britain had been negligible.

Even if in theory a planned deflation of credit, directed against unessential trades, may appear preferable, in circumstances prevailing in postwar Britain it has proved to be politically unworkable. The choice lies not between planned discriminatory deflation and unplanned indiscriminate deflation but between unplanned indiscriminatory deflation and continued inflation.

There is of course always the danger of a deflationary spiral, once initiated, getting out of control. A really heavy Stock Exchange slump might lead to a repetition of the experience of the early '30s. The Bank of England is in a position to enforce liquidations by the pursuance of its new tactics. But if the slump should go too far it would not be so easy to check it. Although the authorities now possess weapons which did not exist in the '30s—for instance they can release some £600 million of Postwar Credits, thereby increasing the purchasing power of the public—it is by no means certain that excessive deflation could be checked. For this reason the authorities are using their new deflationary tactics very sparingly.

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The Security I Like Best

ing our governments out of private enterprise, and only such revenue projects should be entered into which are beyond question public necessities and improvements.

CHARLES E. STOLTZ

Proprietor, C. E. Stoltz Co., N. Y. City

Flying Tiger Lines, Inc.

At 1952 individual tax rates most investors and certainly most businessmen in selecting securities usually think in terms of growth and capital gains. I'd like to suggest an investment in an industry in its infancy; possibilities of growth unlimited and its field world wide. I have reference to *Flying Tiger Lines Inc.*

Charles E. Stoltz

This company is a certified carrier of air freight incorporated in June 25, 1945 as National Skyway Freight Corp. — its name changed to present title in June 1947. It is authorized to serve 46 domestic cities over transcontinental route 100. In September 1950 it was serving only 19 cities on flights extending from Los Angeles and San Francisco to N. Y. and Boston via San Diego, Oakland, Denver, Milwaukee, Chicago, Detroit, Toledo, Cleveland, Philadelphia, Hartford and Providence, and just recently came into the Newark Airport. It is now the operator of the world's largest freight and contract air fleet. The company now has in operation 37 four-engine C-54 and twin-engine C-46 aircraft. In the past year the company doubled the size of its fleet and its traffic tripled, rising from $5,000,000 to nearly $16,000,000. In October 1951 the company ordered seven new DC-6A Liftmaster cargo airplanes at a cost of $7,000,000. These new DC-6A are the newest of the postwar cargo giants and largest commercial freight airplanes now flying. This ship flies 100 miles an hour faster and lifts twice as much cargo as the C-54. In other words, the additional seven new aircraft will do the work of 14 aircraft of the C-54 type. This purchase will increase the Tiger fleet to 44 aircraft—an increase of 17% in number of aircraft but in actual terms of cargo volume the company achieves a gain of 38%.

The company is only five years old—let us look at its record of growth (fiscal year July 1-June 30):

	Total Oper. Revenue	Income Taxes	Net Income	Earned per Share
1946	$480,724	------	*$199,595	*$0.27
1947	4,725,544	------	*778,129	*1.07
1948	3,281,815	------	*349,264	*.48
1949	3,145,852	$4,250	123,620	.16
1950	4,964,168	7,000	500,347	.66
1951	15,582,059	1,408,000	1,399,872	1.79
1st Quarter 1952	5,308,000	------	610,203	.78

*Deficit.

The company's balance sheet as of June 30, 1951 showed current assets of $4,131,004 against current liabilities of $3,071,263. Property and equipment after reserves and depreciation was a very modest $2,023,373. Earnings recently published for the first quarter July 1 to October showed net earnings of $610,203 or 78c per share after all State and Federal taxes. This is at the rate of $3 per share on total capitalization. The Tiger Line transacted $6 of revenue per invested dollar, which is 3 to 5 times more productive than any other carrier. Gross revenue is now running at the rate of $2,000,000 monthly and for the fiscal year ending June 30, 1952 should exceed $24,000,000—a 50% increase over 1951. This should improve considerably when the seven new Liftmaster cargo planes are put in operation probably the latter part of 1952. The company could increase its gross revenue to $35,000,000 or $40,000,000 during the next two to three years with ease. While the company's EPT base is poor, it has established a very favorable depreciation policy for flight equipment which has been approved by the Department of Internal Revenue and will derive special benefits from accelerated depreciation during the next three years.

Its capitalization is very simple. The company is without funded debt although it recently contracted for seven new planes at a cost of $7,000,000 which will be financed through bank loans. On Nov. 1, 1951 the company issued 99,533 shares of a new 5% preferred $10 par stock that was distributed to the common stockholders (other than 180,800 founder shares) as a dividend on the basis of $1.65 par value of such preferred shares. Total common outstanding, including 180,800 founder shares, is 784,027. No options outstanding.

Air freight is here to stay. The tempo of transportation is being stepped up. Development of air freight appears to be in the same position as motor trucking in the early twenties and passenger aviation in the early thirties. An extensive advertising and public relation program has brought the Tiger name before thousands of new potential customers. The war in Korea gave the company an opportunity to take active part in military airlift to Tokyo, a source of increased revenue. The company has been engaging in larger foreign contract business and is now operating a large contract movement between Europe and Australia. Its field is unlimited in the transportation of vegetable and fruit products from West to East, from America to Europe and Asia. Transportation of heavy industry is also playing a larger part in its revenue. The Flying Tiger has a young and aggressive management. Its relation with its employees is excellent. A great number of pilots, retired because they are too old for combat duty in the Army and Navy Air Force, are available for employment.

At current price of approximately $7.50 per share, two and one-half times estimated earnings based on actual first quarter earnings, the common stock of Flying Tiger Lines, Inc. represents an interesting purchase at this time since it holds excellent possibilities for capital gains. For those who are interested in income the 5% preferred stock selling at about 7, yielding 7.10%, is certainly attractive. The dividend requirements for the entire year were covered over 12 times in the first quarter of 1952 alone.

Flying Tigers—to use the vernacular of Wall Street—has a tremendous amount of "romance." A bright future is being written in the skies.

J. K. Lasser to Answer Year-End Tax Questions

J. K. Lasser

J. K. Lasser, author of "Your Income Tax" will speak on "The Investor's Year-End Tax Questions" at the New School for Social Research, Tuesday, Dec. 11, 5:20 P.M. He is guest lecturer in A. Wilfred May's series "Your Investment Problems Today." Mr. Lasser who is chairman, Federal Tax Committee of N. Y. State Society of Certified Public Accountants, is also author of "How to Live Within Your Income" (with Sylvia Porter) and other books in the field.

Hunnewell Co. Merges With Harris, Upham

BOSTON, Mass.—Harris, Upham & Co., members of the New York Stock Exchange, have announced that as of Dec. 10 the business of Hunnewell & Co. will be consolidated with their firm. E. Mauran Beals, Jr. will be admitted to limited partnership in Harris, Upham & Co. and Willis P. Beal to general partnership.

The office previously maintained by Hunnewell & Co. at 136 Federal Street, Boston, and Bank of Commerce Building, Portland, Maine, together with their personnel will be operated by Harris, Upham & Co. The present Boston office of Harris, Upham & Co. at 30 State Street will be moved to the space formerly occupied by Hunnewell & Co. at 136 Federal Street.

Emerson & Holt Join W. E. Sibley Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — H. Bigelow Emerson and Jesse H. Holt have become associated with W. E. Sibley & Co., 10 Post Office Square. Mr. Emerson formerly conducted his own investment business under the name of Emerson & Company. Mr. Holt was associated with him.

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Ultimate Results of Our Fiscal Policy

tributing facilities, and these can be built only with savings.

Mountain States Telephone and Telegraph Co. has doubled its investment in Utah during the past five years. Nevertheless, 10,000 people are still waiting for service. The company will invest almost $5 million during 1951, and needs to continue this rate of expenditure for the next few years. This can be done only if people save the money and are willing to invest in the business. Unless there are the savings, there will be no additional telephones.

The oil industry finds it necessary to invest over $500 for each new passenger car that goes on the road, almost $700 for each new oil burner, almost $1,000 for each additional truck. Unless these funds are saved and reinvested to develop new oil fields, construct pipelines and refineries, etc., the petroleum products needed would not be available and hence we could not operate the additional passenger cars, oil burners, and trucks.

We all recognize today the need for steel. It is the backbone of the armament program. It is literally the foundation of our modern production plant. U. S. Steel is spending almost $90,000 for each additional worker in its new plants. Unless this capital is invested, we could not have the additional steel, and the source of the capital is savings.

The strength of nations is not due primarily to their population, or natural resources. China and India represent 40% of the world's population and account for only 2% of the world's output of manufactured goods. In contrast, the U. S. with less than 7% of the world's population produces almost 50% of the world's manufactured goods. The principal factors which make possible our greater production and higher standard of living are capital and the ability to use it. If we destroy the source of savings, we shall witness the death of our economic way of life, as certainly as the tree will cease to bear fruit if you destroy the roots.

A prominent church leader used to say, "You can break the Ten Commandments, if you desire, but if you do they will break you." We can continue to spend money as we have done, maintain extremely high tax rates, and weaken the ability to save, but if we do, the day will come when we no longer have a "government of the people, by the people, and for the people." Even Lenin foresaw what would happen if we did this, when he predicted that "someday we shall force the United States to spend itself into destruction."

Here is a danger to our future security that may be greater than any foreign army or the atomic bomb. "God bless America," and bless us with the wisdom and courage to do what is necessary to preserve this choice land and our way of life.

Baker, Weeks Firm to Admit J. Henneberry

John J. Henneberry will become a partner in Baker, Weeks & Harden, 1 Wall Street, New York City, members of the New York Stock Exchange, on Jan. 1. He has been with the firm for some time.

First Southern Investors

BOYNTON BEACH, Fla.—First Southern Investors Corporation is engaging in a securities business from offices at 524 Jasmine Street. James G. Somerville is a principal of the firm.

Continued from first page

As We See It

taking a stand to mold public opinion and to shape policy."

Vital Question

Mr. Johnson has touched upon a vital and troublesome subject as did Mr. Sproul before him. It is a vital subject because upon the effectiveness with which some one or other leads popular thought of the day into sounder and saner directions, depends the very existence of the free enterprise system. It is a troublesome subject because of the difficulty of knowing how any group of businessmen or any association of business or financial executives can make themselves really effective in such endeavors. The very resolution to enter the field at all is enough to enable astute politicians and labor leaders to pin the label "monopoly" upon any organization of businessmen.

Upon reflection it is a strange and certainly a lamentable fact that labor unions and organizations of farmers may seek their own ends in Washington and the State capitals without let or hindrance—and for that matter inject themselves openly into political campaigns, even boasting about it — while any group of manufacturers, merchants, bankers or the like which undertakes it are suspect in the public mind at once. Such, however, is the truth of the matter, and such is a phase of this whole situation which must never be lost to sight. This whole business of what is sometimes known as "public relations" is a strange business.

But all this is but a branch or segment of a much broader question. Of course, each businessman is a citizen and has the duties as well as the privileges of citizenship. Whatever these are, they are the same as those which devolve upon the man at the work bench or at the plow. In some sense or another the businessman is often an influential figure in his own personal community, and hence on the principle of *noblesse oblige* has a somewhat greater responsibility for leading the thought of his community—although in this era of character assassination and mudslinging it may be that the neighborhood political demagogue can render his influence of little weight.

Business Enterprise

But these are all personal matters. What, after all, are and what are not the social obligations of a business enterprise as such or of any association or organization of business enterprises? Take first the business enterprise. It has been organized and presumably is being operated for the purpose of making money. If it is able to make no money, then there is no real reason for its existence. This will doubtless seem to some to be a harsh doctrine. So it may be, but of course truth is often harsh to those who are fond of delusions. But harsh or not, it is the very heart of the free enterprise system. Of course, incidentally and inevitably, in the course of successful operation a business enterprise "gives employment" just as it provides goods desired by its customers. Of course, in the very nature of its operations, it provides its employees with the wherewithal to buy what they want or need. But these are things it must do if it is to accomplish the real purpose for which, in a free enterprise system, the business was started in the first place.

Now, it would be foolish to deny that in the complex, modern society situations do not arise when circumstances impose certain moral obligations upon a business enterprise, but it will usually be found that due respect for these obligations pays off in the end and is hence but another way of saying that in the pursuit of its own interest — an enterprise performs certain essential social functions. There are the classical cases, of course, where an enterprise springs up or is located at some point where little exists and is responsible for the influx of large numbers of workers. The time may quickly come when for all practical purposes the welfare of these employees is largely in the hands of one employer. Some sort of obligation in this one-enterprise town comes to rest upon that one enterprise to do what is right and reasonable so far as its employees are concerned. In the long run, however, it would certainly not be good policy for the enterprise to do anything else, and we prefer to think of the matter as one of wise management rather than any mystical duty to play father to any one.

Education Needed

Take the matter one step farther. It is dollars to doughnuts that the great rank and file of the employees of such an enterprise, particularly if it happens to be a large one, have strange ideas about business. If this one employer can find some way to get the thinking of these members of its staff straightened out, it will have performed a public service, but it would also pay rich dividends to the employer. In a sense, then, it is an obligation which the employer owes to himself to educate his employees about many things. The problem really is how can the employer make himself effective—and that is no small problem today with false prophets on every street corner.

When we pass from the single enterprise to the groups of enterprises organized into associations and the like, we find a superficially different situation. Here also, though, the main purpose in life is to promote the type of business enterprise represented, and here again the best promotion of that business will best promote the public welfare.

"Abolish Price Controls," Says U. S. Chamber

In a Report of its Committee on Economic Policy, most comprehensive commercial organization in nation urges all wage and price controls be abolished in public interest, since they are generating a "callous disregard for law."

The Chamber of Commerce of the United States, on the occasion of the publication of a voluminous report, "The Price of Price Controls," prepared by the Chamber's Economic Policy Committee, let it be known that price and wage controls should be abolished immediately in the public interest. In many cases, the Chamber said, the controls are making everyday business and consumer actions illegal and they are thus generating a callous disregard for laws in general.

Dr. E. P. Schmidt

Commenting on the report, Dr. Emerson P. Schmidt, the Chamber's Director of Economic Research, said:

"Most prices are below ceilings now and price controls had nothing to do with that. The tightening of our monetary and fiscal policies caused the decline.

"OPS pencil pushers are pulling the ceilings down as prices slide downward.

"Price controls have never worked in the face of strong inflationary pressures. Today the pressures are off and there certainly is no need for them. A balanced Federal budget and tight credit controls can keep prices in line. Even if prices should start to rise again, a courageous Administration could use the powers it now has to stop inflation by cutting less essential spending, taxing enough to cover necessary expenditures, and tightening credit policies."

The Chamber's report made these points:

"(1) Attempts to make regulations on a national level for commodities bought daily by millions of persons and produced by thousands of individual businesses result in rules and regulations which appear unreasonable in many cases."

"(2) Attempts to correct price regulations in such cases result in still more involved and technical regulations which continually complicate the situation."

"(3) Price controls never have worked for any length of time because they work against traditional market forces of demand and supply, operating through a free competitive price mechanism. Price controls broke down at the end of World War II. Many persons still believe OPA was abolished too soon. But actually, production in many critical lines was not only failing to rise in response to heavy demand, but was decreasing."

The Chamber's study shows that World War II price controls were creating unblievable distortions in the production and marketing mechanism. Enforcement of price regulations was becoming impossible.

If controls hadn't been removed when they were, we might never have been able to return to our traditional free competitive productive system, the report concluded.

Canadian Securities

By WILLIAM J. McKAY

The various recent visits of Canadian and British highest level financial representatives to London and Washington suggest imminent important developments in which Canada is likely to fill a prominent role. It has been a somewhat curious fact that following Canada's prodigious contribution to the British and Allied war efforts, her postwar performance, particularly with regard to the United Kingdom, has been noticeably less conspicuous. The blame for the Dominion's strange remoteness from the British Commonwealth financial and economic scheme during the postwar years can possibly be ascribed to the apathetic attitude of the British Labor government, which failed lamentably to recognize the tremendous economic promise of the senior Dominion. This country on the other hand has been amply conscious of Canada's looming economic potential, as a result of which the Dominion has been increasingly drawn within the U. S. economic orbit.

Unlike their predecessors in office, the Conservatives, who now control British destinies, have long been enthusiastic concerning the brilliant prospects of Canadian economic expansion and the possibilities of British participation. Although the restrictive Socialistic policies of the Labor government have prevented British free enterprise from taking advantage of the many fruitful opportunities that have been available in the past few years, there is still ample scope for the exercise of the long repressed financial genius of the City of London. There is however one particularly formidable obstacle in the path of complete freedom of Anglo-Canadian financial transactions. That is the currency barrier constituted by the present artificial level of the British official rate of exchange. It is true that Canada has had special privileges with regard to sterling convertibility, but as recent events have demonstrated, this imposes an embarrassing strain on Britain's dwindling exchange reserves.

When considering possible future action in connection with the solution of the sterling problem it is interesting to look back to 1931, at which time the situation was curiously similar. Then as now a new government, a coalition but predominantly Conservative, was obliged to assume the responsibilities of a dire exchange situation inherited from a Labor government. The course adopted then was a departure from the fixed gold parity of the pound and the setting free of the currency to find its natural level determined by the normal play of supply and demand. As a result, the pound, after declining rapidly from $4.86 to $3.12, staged a strong recovery and sterling became once more an acceptable unit of international exchange. At the present time sterling is once more at an artificial level, with free commercial dealings transacted between $2.35 and $2.40, and with pressure on the official level resulting in a steady drain on the exchange reserves.

Although it is widely accepted in banking and financial circles here that the British Conservative government will have access to renewed U. S., and possibly Canadian, financial support for the purpose of bolstering sterling at its present uneconomic level, the 1931 precedent and the known Conservative outlook does not adequately support this belief. If possible, and even at some sacrifice, the Conservative leadership would like to break away from the Socialistic system of exchange restrictions and controls. Any endeavor to attain this objective would receive enthusiastic support in Ottawa, Washington, and all financial centres that are now plagued by the problem of the inconvertibility of sterling at its present level. Even the staunch links that bind the United Kingdom with its Dominions and Colonial Territories are now sorely strained as a consequence of inability to dispose freely of sterling holdings.

The appropriate action required to correct the situation would not constitute a formal devaluation. The absence of a fixed peg would avoid the recurrent sterling crises that arise whenever the world's financial centres consider that the official level is out of line according to actual realities. An initial decline although assisting British exports would under normal circumstances of course raise the cost of imports. It is probable however, that contrary to the general belief, Britain will not come cap in hand to Washington and Ottawa for direct financial assistance that in the past has served only as a rapidly dissipated palliative. On this occasion it is more likely that U. S. and Canadian aid will be sought in the form of access to special sources of raw materials, the settlement of which might involve the acceptance and possible retention of sterling at its new commercial valuation. In this way Canada and this country could solve the British import problem and in turn would become the holders of sterling balances that would give little rise to anxiety with respect either to their convertibility or market value. Canada moreover would then have the opportunity to play a more constructive role in the British Commonwealth economic system.

During the week interest in the external section of the bond market was confined to the marketing of the new $10 million New Brunswick issue. Activity in internals was on an even more restricted scale but they were marked slightly higher following the persistent strength of the Canadian dollar. The corporate rate was also appreciably higher at 5¼%-4½%. Stocks continued their recent rally led by the Western oils with the golds and the base-metals also well to the fore.

Bank of Montreal Elects Officers


Gordon R. Ball


Prentice Bloedel


H. Greville Smith

MONTREAL, Quebec—At the annual meeting of the Bank of Montreal, Gordon R. Ball, general manager, was elected a director and, at a subsequent meeting of directors, was made Vice-President.

Also elected directors were Prentice Bloedel, Vice-Chairman of MacMillan & Bloedel, Ltd., important lumber and pulp-mill operators on the Pacific Coast, and H. Greville Smith, President of Canadian Industries Limited.

Mr. Ball became general manager of the Bank of Montreal in 1947, after three years' service as the bank's first agent in New York.

Mr. Bloedell, who is a well known figure in British Columbia lumber circles, has been a member of the government-appointed Advisory Committee on Overseas Investment.

Mr. Smith, formerly associated with Imperial Chemical Industries Limited in England, joined Canadian Industries Limited in 1932, became a director in 1940 and was elected President last April. As wartime Vice-President and general manager of Defence Industries Limited, he was responsible for a vast program of plant construction and production of defence chemicals and explosives, for which he was made a Commander, Order of the British Empire.

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Investment Banking and the Credit Restraint Program

The total number of loans screened by all Investment Banking Regional Committees from March to Nov. 15, 1951 is 1,321—dollar amount $2,819 million — total deferments being 66 loans, amounting to $318 million. You can see that the Regional Committees have borne the brunt of the work. A vast number of written inquiries have been presented to the offices of the Investment Banking Regional Chairmen to find out whether or not those applications were in accordance with the Voluntary Credit Restraint Program. Application forms have been developed by the Regional Committees which facilitate the handling of applications. The telephone inquiries have also been of great volume. Many loans have been deferred in their embryonic stages. Several large loans have been deferred in their primary stages of negotiation upon the assurance from the Regional Committees that the loans in question did not conform with the Program. The time, thought, and efforts of the Chairman and members of the Regional Committees have been freely donated to the Voluntary Credit Restraint Program to insure its success. We all owe the Regional Committees an enthusiastic vote of thanks for their splendid work in handling this great volume of inquiries quickly and efficiently. The proper handling by the Regional Committees of the inquiries submitted is the cornerstone of the entire program.

Frequent meetings of the Regional Committees have been held to screen the many loan applications. This work has been on an entirely voluntary basis. Meetings of the National Committee in Washington have been held at least monthly, and in some instances, at more frequent intervals. The time and cost involved to attend these meetings have been borne by the member institutions and firms of the representatives. This again exemplifies the voluntary nature of this effort. This is a time-consuming operation, and time is money in our business.

The National Committee has issued six bulletins which are used by the Regional Committees and persons active in various segments of banking, insurance, and investment banking fields to screen loans offered to them as to whether or not they conform to the Voluntary Credit Restraint Program. The first bulletin dealt with the subject of inventory loans. In view of the rapid increase in inventories, particularly at the wholesale level, the Committee decided that this was its number one problem. The second bulletin was on the subject of credit for plant expansion. According to government estimates, the business firms were planning to spend about $24 billion on plant expansion in 1951. While part of this money would come from corporate savings, a large part would need to be financed by borrowing. Furthermore, regardless of the sources of funds, it seemed highly doubtful to the Voluntary Credit Restraint Committee that expenditures of this magnitude, other than those directly related to defense, could be carried through without exerting undesirable inflationary pressures. The third bulletin dealt with borrowings by states and municipalities, the fourth with real estate, and the balance with loans to foreign borrowers and loans on securities.

The possession by the borrower of a National Production Authority Certificate for scarce materials must not be considered sufficient evidence exclusively to justify a loan. However, a certificate of necessity does distinctly give the "green light" of affirmation.

The Program's foundation rests on the principle that the "purpose test" should determine whether a loan should be made or deferred.

State and Local Government Loans

A large credit area in which screening of projected issues by investment bankers has been helpful is in the field of state and local government borrowing. The demand for credit from this source has been very strong since World War II, and 1951 has been no exception. Outstanding State and local debt reached an all-time high level in 1950 of about $23 billion.

When it became apparent that municipal issues had to be included in the Program, it evidently was quite a surprise to many municipalities and dealers in municipal bonds. Corporate issues had been included in the Program; and when municipal issues came to market, irrespective as to their purpose, it became imperative to include these issues if our industry wished to make a serious attempt to hold inflationary pressures in our segment of the economy in check. In the past, we in the municipal bond business have considered credit and legality as the major factors in formulating bids for municipal issues. Now a new factor has been added, the "purpose test." Does the issue conform with the Voluntary Credit Restraint Program?

Bulletin number three issued by the National Voluntary Credit Restraint Committee dealt with the problem of the use of credit by municipalities for nondefense purposes and, in some instances, for nonessential projects. This bulletin synchronized with a letter dated May 7, 1951, from Chief Mobilizer Charles E. Wilson, addressed to all governors of states, mayors of major cities, and financial officials of principal counties and other political subdivisions, in which he asked that "on behalf of our government, I ask you to postpone borrowing no matter how worthy the purpose if the project is postponable." He also wrote: "Soldiers' bonus payments, many war memorials, and municipal recreational projects are but a few important examples of postponable projects which will serve the nation better at a future time." He further states: "Regional Committees have been chosen from leading investment bankers of the nation. They are at your service to advise as to the current desirability of your financing. It is my earnest request that during the defense emergency every state and municipal borrowing of $1 million or over receive approval of one of these committees before being consummated either by a single lender or by public sale. Unprecedented as this request may be, your patriotic cooperation will be a major contribution to the future welfare of our country. No one could have a higher aim." This immediately focused the attention of the investment banking industry on the purposes for which municipal loans were being brought to market.

Bulletin number three of the National Committee stated: "Financing institutions are requested to cooperate in this matter by not participating in public or private sale or purchase of such securities unless the issue involved has been cleared by the proposed issuer, or as a result of an application for a ruling by the financing institution itself. **All such transactions, regardless of size,** should be screened by the financing institutions in accordance with the Statement of Principles of the Program, and may be referred to the Regional Committees if the financing institutions so desire."

You will immediately recognize the difference between the two statements. Wilson asked for screening of all municipal issues of "$1 million or over." The National Committee stated that "all such transactions regardless of size" be screened. It is through the media of screening **all issues** that we hope to make more credit available for defense.

Investment Banking Conscious of Its Responsibility

The investment banking industry is fully conscious of its responsibility. We have refrained from bidding on several very large issues. In reference to one large issue particularly, it was necessary to dissolve two syndicates which were comprised of 246 dealers. By not bidding on this issue, the investment bankers voluntarily gave up a potential profit of $670,000 to cooperate with the Voluntary Credit Restraint Program. So you can see that our interest and cooperation is not theoretical but actual. The total issues deferred by the Voluntary Credit Restraint Program amount to approximately $300 million. The potential profit given up by the investment banking industry on this volume of financing is at least $3 million. That is quite a contribution!

The insurance companies and banking institutions have cooperated with the Voluntary Credit Restraint Program by rejecting loans that do not conform with the program. However, the loan demand has been so great that the rejected loans are easily replaced with loans that do conform with the Voluntary Credit Restraint Program. So it is fair to say, in my opinion, that the insurance companies and banks have been engaged in a cooperative effort.

The investment banking industry, in my opinion, is a charter member of the "How Dumb Can You Be Club." Other than this address no mention has been made by any investment banker of our contribution to the Voluntary Credit Restraint Program. I hope that the press representatives present will give emphasis to the point that the investment banking industry has made a real contribution to the Voluntary Credit Restraint Program. The dollar profits we have denied ourselves are **irretrievable.** If an underwriting is deferred we have no assurance that another deal of like magnitude will come our way. **You have cooperated! We have contributed!** This is the message I hope the country at large will recognize, that the investment banking industry has contributed **irretrievable** earnings to the success of this voluntary program.

I participated in a conference in Washington in which several commercial bankers were trying to justify their favorable viewpoint on a bonus issue, saying that in their opinion it was not inflationary. One commercial banker insisted there was no inflationary influence caused by bonus issues. This theory is definitely fallacious.

One of the initial steps taken to publicize the Voluntary Credit Restraint Program at its inception was the circularization of a letter to some 90,000 lenders by the Federal Reserve Board, requesting these lenders to participate in the Voluntary Credit Restraint Program.

In addition, a Statement of Principles of the Voluntary Credit Restraint Program on a printed card received wide distribution. Many of the Regional Committees publicized the various bulletins. By giving wide publicity to the various bulletins, the Voluntary Credit Restraint Program received the support of practically all the lending institutions. The Investment Bankers Association and the National Association of Securities Dealers are giving widespread publicity to the Voluntary Credit Restraint Program. In addition, various Commercial Regional Committees have publicized the Program throughout their areas. We have used our best efforts to avoid a situation where one lender has turned down a loan on the basis of its nonconformance with the Voluntary Credit Restraint Program only to see some competitor grant the loan due to his lack of familiarity with the Program. In addition, we have conferred with government agencies, seeking their cooperation to defer unnecessary lending. We have really spread the "word"!

Commitments of Life Insurance Companies

A new factor has entered investment banking concerning the consideration of the availability of investable funds. Under the direction of the Life Insurance Company Section of the National Voluntary Credit Restraint Committee, for the first time a new set of figures has become available, prepared by the Life Insurance Association of America, under the able supervision of Dr. James J. O'Leary. The outstanding commitments of 45 life insurance companies representing 85% of the assets of all life insurance companies in the United States is an important factor in finance. Forward commitments of major life insurance companies have a direct bearing on the bond market; reliable information on funds committed for, periodically released, permits a better estimate of the balance of funds available for investment.

Forward Commitments of Major Life Insurance Companies

Apr. 30, 1951	$4,504,000,000
May 31, 1951	4,331,000,000
June 30, 1951	4,197,000,000
July 31, 1951	4,055,000,000
Aug. 31, 1951	3,748,000,000

This shows that life insurance company forward commitments have been reduced approximately $800 million since April 30. Estimated normal forward commitments, pre-Korea, if you can call that normal, is approximately $1½ billion to $2 billion, so present excess over normal forward commitments is approximately $2 billion. This is a much lower figure than usual estimates made in the recent past and is most important to the investment banking industry.

Classifying these figures as to purpose shows defense supporting commitments fairly constant, being:

$1,794,695,000, April 30, 1951
$1,696,009,000, Aug. 31, 1951

showing a reduction of $100 million, while nondefense commitments have been reduced approximately $650 million during this period:

$2,709,305,000, April 30, 1951
$2,052,556,000, Aug. 31, 1951

However, the present **annual** total of all **investable funds** received by insurance companies, being premiums, amortization of mortgages, maturities, interest, and sinking fund payments, plus new life insurance sales, aggregate a grand total of approximately $7 billion. Thus it is reasonable to assume that excess forward commitments of major life insurance companies can be reduced in a comparatively short time to normal proportions. The availability of these figures are important by-products of the Voluntary Credit Restraint Program.

"Screening" by Investment Banking Industry

The investment banking industry has adopted the program of screening by the Regional Committees of issues brought to market. We have adopted the "purpose test" as applicable to all issues inclusive of municipal and state issues. We have unstintingly given our time and personnel in support of the Voluntary Credit Restraint Program. We have put economic well-being of the country ahead of the "fast buck" of today. We in the investment banking industry believe that complete cooperation with the Voluntary Credit Restraint Program is the best means to avoid being hamstrung by unrealistic, stringent regulations.

The investment banking industry has shown through its wholehearted cooperation with the Voluntary Credit Restraint Program and the denial of potential profits, that the greatest contribution we can make to defense production is to preserve the profit incentives of the free enterprise system. Defense is everybody's business.

Pros and Cons of "Lifo" Inventory Valuation

Monthly publication of Guaranty Trust Co. of New York points out "last-in, first-out" method of pricing inventories can reduce taxes under rising prices, but will not permit writing off inventory losses when prices drop.

According to an editorial in the December issue of "The Guaranty Survey," monthly publication of the Guaranty Trust Company of New York, a distinction should be made between true operating profits and inventory gains during a time of price inflation.

Titled, "Measuring Profits in a Time of Inflation," the editorial devotes much of its discussion to the "last-in, first-out" method of inventory valuation. In the so-called "lifo" method the units of inventory, instead of being regarded as used in order of acquisition, are treated as if used in the opposite order—the last units used first. The general effect of the method is to match current inventory replacement costs against current selling prices, and thus eliminate inventory gains and losses from the income statement.

"Because it includes inventory gains from stated income, 'lifo' is a tax saver at a time of rising prices. The same rule, of course, works in reverse when prices are falling. Inventory losses cannot be reported for tax purposes, since the law requires that, once a company has adopted 'lifo,' it must continue to use it unless authorized to do otherwise by the Commissioner of Internal Revenue.

"In retrospect, almost all companies dealing in commodities could have reduced their tax liabilities by adopting 'lifo' years ago," said "The Guaranty Survey." "Hindsight is easier than foresight, however, and the question to be answered by a company considering the adoption of 'lifo' for tax purposes is not the past but the future trend of prices."

"The Guaranty Survey" editorial discusses, without recommendation, the objections to the 'lifo' method of inventory valuation, as well as its advantages.

"An outstanding objection to 'lifo'," according to the article "and perhaps the main deterrent to its more general adoption, is the legal compulsion to continue using it, once it has been adopted. This compulsion could result in a severe tax penalty in case the market value of the inventory should decline below the level prevailing at the time 'lifo' was adopted. To meet this objection, it has been suggested that the law be amended to permit companies to revalue their inventories at cost or market prices, whichever are lower, whenever prices decline below the level that prevailed at the time 'lifo' was adopted."

From the tax standpoint, the choice of accounting methods depends on assumptions made as to future tendencies, continued "The Guaranty Survey." Whatever the uncertainties, and whether the "last-in, first-out" method is used or not, "sound financial practice requires that a clear distinction be made between true operating profits and inventory gains."

Era of Cheap Money Policy Ending?

December "Monthly Bank Letter" of the National City Bank of New York notes world-wide movement away from "cheap money" philosophy.

An article in the December issue of the "Monthly Bank Letter," published by the National City of New York, calls attention to recent tightening of credit by means of the interest rate both here and abroad as marking the end of an era of cheap money policy. Commenting on the recent advance in the Bank of England discount rate and similar action in other financial areas, the "Monthly Bank Letter" states:

"Action by the Bank of England last month in advancing its discount rate from 2 to 2½%, and in taking other steps to tighten credit, may be said to mark the end of an era of monetary philosophy. To quote the London "Economist" of Nov. 10:

"'Very wisely, the new Chancellor has lost no time in enlisting, for his attack upon inflation, the almost forgotten technique of orthodox monetary policy. He has raised Bank rate—a rate kept unchanged and wholly ineffective for so long that it had come to be regarded by some people as a kind of museum exhibit from an obsolete system.'

"The British action is only one of a series of steps in different countries indicating a reviving recognition of the role of interest rates and credit policy in influencing production, employment, and prices. An earlier step of epochal importance was the unpegging in this country of the government bond market last March, untieing the hands of the Federal Reserve to exert its traditional controls over the volume and cost of credit.

"The falling into line by the Bank of England, one of the last of the central banking institutions to take such action, and for many years the leader in the money markets of the world, comes as culminating evidence of the trend toward monetary orthodoxy. It marks the end of the era of faith in the doctrine that money ought always be kept easy and interest rates low, regardless of the state of the economic climate.

The Cheap Money Philosophy

"This faith in the efficacy of perpetually cheap money had been something new in man's economic thinking. Like so many other recent departures from traditional economic theory, it sprang from the great depression of the '30s.

"Prior to 1929 there was little disposition anywhere to question the idea of fluctuating interest rates. Changes in such rates were commonly accepted as one of the instruments of credit policy. As Dr. Per Jacobsson, Economist of the Bank for International Settlements, pointed out in the April, 1951 Quarterly Review of the Skandinaviska Bank (Stockholm):

"'The successful operation of the world's currency systems under the gold standard depended very much on the flexibility of interest rates: one of the advantages of this standard was that gold movements could as a rule be taken as a guide for policy, since they generally reflected the state of the balance of payments and of the internal credit situation. And, at the same time, the example set by the London market was of the greatest importance, changes in interest rates by the Bank of England being looked upon as indicative of the general world trend.'

"The depression of the '30s, however, wrought great changes in the thinking about interest rates and credit policy. While it had always been established doctrine that interest rates should be low during periods of declining business, there developed out of the length and severity of the depression a new school of thought which held low interest rates to be a blessing, the enjoyment of which ought not be limited to periods of depression but extended to all times, good as well as bad.

"Then came the second World War, with its emphasis upon low interest rates for war financing. Altogether, counting the depression and the war period, there existed, as Dr. Jacobsson noted, a span of some 15 years of continuously cheap money. In consequence of this and the preaching of the new monetary doctrines, belief in the virtues of cheap money continued to flourish even into the early postwar years. As indicated by the "Economist," many people came to regard the discount rate as little more than an interesting relic of an outmoded age.

"Belgium was one exception to the trend, the National Bank twice raising its discount rate in 1946. This was in keeping with the independent course taken by that country in dealing with its postwar economic problems."

Bank and Insurance Stocks

By H. E. JOHNSON

This Week—Insurance Stocks

Current indications are that operating results of fire insurance companies for the year 1951 may approximate those reported for last year. Because of the particular difficulties connected with some of the casualty lines, it is expected that the casualty companies will report operating earnings below those of 1950.

Operating results in the first six months of the current period for the fire companies were disappointing in comparison with those of the similar period of last year. Many companies reported underwriting losses or only modest profits in comparison with a generally favorable period of operations in the first half of 1950.

There were several reasons for this unfavorable showing. Underwriting results were influenced adversely by belated claims arising from the windstorm which swept the Northeastern section of the country last November. Although a good portion of the claims arising from this storm were processed before the end of 1950 and reserves provided for additional losses, the damage was so extensive that claims continued to be received through the first half of 1951. In addition automobile physical damage risks written by the fire companies were less profitable than a year earlier due to the influence of rising amounts of awards.

Thus, even though the general fire lines continued to be highly profitable, these unfavorable factors depressed underwriting earnings.

There was also the fact that many of the fire insurance companies have casualty subsidiaries. Casualty insurance has experienced particularly unfavorable results, primarily as a result of the increasing losses on automobile bodily injury and property damage insurance lines. The sharp rise in costs since the Korean war has had an unfavorable effect upon earnings and many of the casualty companies have reported substantial underwriting losses.

Where such operations have been consolidated with those of the parent fire company, the results have shown an even more unfavorable comparison with those of the previous year.

Investment results of both the fire and casualty insurance companies were more favorable for the first half. Increased premium volume enlarged the available investment funds. Dividends for the period were higher and firmer interest rates enabled the companies to obtain better rates of return on their investments. In many cases investment income showed gains of more than 10% for the first half.

As some of the unfavorable factors operating in the first six months were of a temporary nature it is logical to expect an improvement in operating results for the final half of the year.

In other words, the losses originating from the storm of last November should not be a factor in the results of the last half of 1951.

Although fire losses are showing some increases, higher premium volume should help to offset this and overall results should continue to be profitable.

The casualty lines are still the most difficult problem. Increases in rates granted earlier this year, while substantial, were not sufficient to restore the lines to a profitable basis. It is expected that additional increases in these rates will be made by the end of the year. They will not be of any immediate assistance, however, in reversing the unprofitable underwriting results expected for the year.

On the overall then, fire insurance, with some further gain in volume and a better showing on underwriting in the last half, should end the year with results which approximate those of 1950. Casualty lines may continue to reflect the unfavorable conditions which prevailed throughout the first six months of the year.

Investment results for the full year are expected to show gains comparable to those reported for the first six months.

Current indications are that some improvement in results may be possible next year. Unless there is a revival of inflationary pressures, fire losses should be well controlled. Upward adjustments in automobile liability rates indicates that these lines will eventually turn profitable. Then barring some catastrophic loss this better balance in underwriting should be reflected in improved operating results.

Crehan to Be Partner in Moore, Leonard Co.

PITTSBURGH, Pa.—James E. Crehan will become a partner in Moore, Leonard & Lynch, Union Trust Building, members of the New York and Pittsburgh Stock Exchanges, on Jan. 1. Mr. Crehan has been associated with the firm for some time as manager of the retail sales department.

On Dec. 31, Lambert Turner will retire from limited partnership in the firm.

A. W. Morris to Admit Dowell as Partner

LOS ANGELES, Calif.—Clifford H. Dowell will on Jan. 1 become a partner in A. W. Morris & Co., 325 West Eighth Street, members of the New York and Los Angeles Stock Exchanges. He was formerly with Marache Sims & Co.

R. P. Munger & Co.

SIOUX CITY, Iowa—R. P. Munger has formed R. P. Munger & Co. with offices in the Davidson Building to engage in the securities business.

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Television Comes of Age

ber, 1948, has been one of the very serious handicaps to TV's growth. The commission is now, at long last, in the process of lifting this embargo. Last spring it announced a plan to provide additional broadcasting channels for TV under which more than 2,000 new stations could be authorized. This would make it possible to blanket the nation with telecast service.

The plan has not yet been placed in operation but the commission expects it will be in February. The FCC has said that 80 new stations will probably be authorized by July 1, and the NPA has assured telecast equipment makers that they will be allowed scarce materials for new station construction. For the longer run, the FCC Chairman has predicted that 1,500 stations may be telecasting within five years, and 2,500 within 10 years.

Until recently it was believed that only comparatively densely populated areas could support a station because of the high cost of telecasting equipment. Stations now on the air have cost $300,000 or more. However, technical progress recently achieved promises that costs for stations of moderate power will be gotten down to as little as $25,000 to $50,000. A cost that low will mean that communities with a population of only 5,000 to 10,000 persons will be able to have their own stations.

All told there are at least 26 million homes still without TV, almost half of which are in areas now served with telecasts. With a virgin market of that dimension I don't think a product having the proved appeal of television can have anything but the brightest kind of a future before it. A very substantial business is also going to be done in replacing the outmoded small screen sets which were sold in 1947, 1948 and 1949. It is also a foregone conclusion that most houses ultimately will have more than one TV receiver, just as they now have more than one radio. There is already a marked trend in that direction.

Incidentally, a recent survey our marketing department conducted showed that there is still a great deal of misunderstanding about the relationship of screen size to room size. You may recall that in TV's early days, it was said that the viewer should be one foot away from the screen for each inch of screen size. For example, the ideal viewing distance with a 10-inch screen was supposed to be 10 feet. The tremendous improvement made in picture quality has completely outmoded this theory. A 20-inch picture of good quality today can be viewed at a range of six feet. In Admiral's promotion, we are translating this into an easy to grasp slogan that any room big enough for a nine by twelve rug is big enough for a 20-inch TV set.

A great deal has been said about the harmful effects TV has had on other industries, notably those in the entertainment field. Time is proving these assertions to be much exaggerated. Radio is prospering even in markets where television has had its greatest development. Publication advertising and circulation are gaining. The motion picture industry has been reporting an improving box office, although the initial impact of TV on movie attendance was very noticeable.

The situation regarding sports telecasting is still what you might call mixed. Promoters of some events, notably football, are afraid of the effects TV will have on their gate. In boxing, the international boxing club has progressed beyond that point. It is now trying to find out how to squeeze the most out of TV by matching paid sponsorship against theater TV and giving the show to the highest bidder.

You know the outcome to date. A half-dozen receiver manufacturers have joined with one non-industry sponsor to bring two of the biggest boxing events of the year to the home TV audience. This pattern is likely to be continued.

Basically there is a growing market for all types of amusement enterprises. The American people are constantly gaining more leisure time and more income to spend on discretionary, high standard of living items such as entertainment. TV does constitute a new competitor for this time and income. But with a growing population having more time and more money to spend, I believe the only types of amusement that won't prosper in the future will be the ones which fail to provide something the public wants.

As bankers serving all lines of business you are interested in these broader effects of TV. You are probably even more interested in TV as a new industry which you may serve directly. A great many banks already have built up profitable business with manufacturers, distributors and dealers. When established banking principles are observed with reference to the ability, integrity and capital of a borrower, there is no difference between the quality of a loan to a TV distributor or dealer and distributors and dealers in older consumer durable lines.

We all know, of course, that loans to some dealers and distributors turned slow in the bad market of last spring and summer when inventories became sticky. One of the big problems at that time was the heavy inventories of unknown or little known brands with which some distributors and dealers had loaded themselves when boom conditions made it possible to sell almost anything. I don't think that this experience is likely to be repeated very soon.

In its development to date, TV has much for which to thank banking in all of its various forms. Neither TV nor any of the older consumer durable goods industries could exist as we know them today without consumer credit, which has reached its present high state of development within the lifetime of many of us here today. The object of all of our economic activity is to sell goods. Production is merely a first step toward that end. There was a time when bankers thought that their service began and ended with lending money. More and more, I believe, are coming to realize that they need to be sales minded. Loans that will help move goods to the ultimate consumer are no less important—and may be even more important—than loans which facilitate the production of goods.

The major electric appliance business, of which TV is a part, is a very specialized business. It has its own peculiar characteristics, one of which is that unlike the necessities of daily life the demand for its goods must be created. Bankers who study the specialized needs of the industry and tailor their service accordingly can make an invaluable contribution. Many have done just that and we find that our distributors and dealers who have such banking associations appreciate the help and council of their banks a great deal. Often they pay more attention to them than to the factories whose goods they sell. We know of cases where banks have even conducted training programs to make better salesmen and better businessmen out of dealers and distributors.

In touching on what banks might do, and what some are doing, I have disgressed from my subject. In fact, I am invading a field about which you know a great deal more than I ever will. So I'll get back to "TV Comes of Age."

I chose that subject because the industry has now experienced its first bad time and has come through exceptionally well. It is no longer a boom time industry, untested in the hot crucible of an extreme buyers' market. By way of example, let me cite a few figures on Admiral which I think are representative of the leading companies in the industry. After going through the buying vacuum of last spring and summer, our sales recovered to $18,000,000 in October. Our consolidated inventories of raw materials, work in process and finished goods were down to $13,000,000 by the end of October compared with $24,500,000 at the peak. Receivables on Oct. 30 represented approximately one month's sales. Throughout the spring and summer market break we did not have to do any borrowing. We were not alone in being able to meet TV's first bout with adversity so favorably, which I think you will agree is solid evidence of the industry's basic strength.

Looking ahead, the industry has a tremendous virgin market and a very large repeat market for a product that in four short years has come to be a necessity in one-third of the homes of the nation.

Perhaps even more significant than the fact that TV has become a multi-billion dollar industry itself is its potential as a builder for all business. As the most advanced medium of mass communication yet developed it is already proven to be the greatest tool for mass marketing that American business has ever had. Its influence extends far beyond its direct selling power as an advertising medium. Over the years it will importantly influence the tastes and living standards of the American people just as motion pictures did. What people will see in products and styles on their TV screens they will quickly demand in their daily living. This is highly significant to our whole economy. The American principle of raising the standard of living by providing more goods for more people depends on the economics of mechanized mass production which in turn depends on mass selling.

Gentlemen, I have attempted to give you a round-up on the status of TV. To summarize in a sentence, it's big and it will become much bigger. It will materially affect the lives and the business of all of us—and, I might add, for the better.

Hunter Securities Corp. Formed in N. Y. City

Hunter Securities Corp. has been formed with offices at 52 Broadway as successor to Hunter & Co. The new firm will act as underwriters, distributors and dealers in over-the-counter securities.

Officers are Wellington Hunter, President and manager of the trading department; Henry C. Burt, Vice-President; John De Castanos, Secretary and Treasurer. Frank McCall is associated with the firm in the trading department and Kennedy Boardman in the Mutual Fund Department.

Mr. Hunter has been active in the investment business under the name of Hunter & Co. since 1940. Mr. Burt has been associated with him for the past three years.

Continued from first page

Economic Possibilities in '52

Some individual products and some geographical areas will continue to experience receding prices, temporarily at least.

Generally speaking, both prices and business activity reached a postwar high in the United States in late summer 1948. Then came a year to 15 months of gradual decline in prices and slowing down in business activity. For example, wholesale prices declined 11% from August 1948 to January 1950, prices received by farmers declined 22% from January 1948 to December 1949, and the index of industrial production declined 18% from October 1948 to July 1949. However, by June 1950, just preceding the outbreak of the Korean war, wholesale prices had recovered half of this decline, farm prices nearly half of the decline, and industrial production all of the decline.

Price Increases Since Korean Incident

We have experienced two short, but rather violent periods of price increase in the United States since the Korean incident in June 1950. The first came in July and August 1950, immediately following our entry into the Korean Peninsula. This resulted primarily from an unwarranted wave of scare buying and inventory accumulation. Everyone recalled that consumers goods became scarce following Pearl Harbor, and most of us resolved "not to get caught this time." As a consequence wholesale prices, farm prices, and the consumers price index were pushed up substantially without any genuine increase in the real inflationary forces under the economy. When this initial wave of buying subsided, and consumers goods became generally available again, prices leveled off. With the entry of the Chinese Communists into the war in December of 1950, another wave of scare buying and inventory accumulation ensued. Prices rose again. Labor leaders seized on rising prices as justification for increased wage demands, and not without success. However, there had still been very little increase in the real inflationary forces under the economy. Once again the tremendous productive capacity of our country filled our shelves and warehouses with ample goods of nearly all kinds, and the wave of buying subsided. Following last February most prices held their own, or even declined until a couple of months ago. Wholesale prices dropped 10 points, or about 4%, to last September. In the same interval prices received by farmers dropped 22 points, or 7%. Even the consumers price index virtually held its own all summer, and resumed its slow rise a month ago.

Adjustment to Semi-War Economy

The average American is pretty well psychologically adjusted to living in a semi-war economy. Twice in the last 18 months he has been prematurely stampeded into an unnecessary buying spree. It is doubtful if anything short of a total declaration of war will do this to him again. Evidently the warlike incidents occurring in Iran, Suez, and behind the Iron Curtain have little if any effect on his current spending practices.

Total personal income in the United States has increased steadily since Korea except for a short period at the beginning of 1951. It has increased by some $10 billion annually since January, 1951. The disposable personal income has likewise increased by about $9 billion since the start of 1951. However, the personal net savings of individuals is currently running at the highest level since the close of World War II. For the third quarter of 1951 individuals were saving at the annual rate of $21.7 billion, or almost 10% of their disposable personal income. This is roughly the same rate of savings as in the second quarter of 1951. By way of contrast, in the first quarter savings were at the annual rate of $9.3 billion, or 4.3% of disposable income. In the third quarter of 1950, immediately following Korea, the annual rate of saving was only $4.6 billion, or 2.2% of disposable income.

The rate of saving during the past six months is abnormally high for peacetime conditions. During the war years, when consumers could not spend money for automobiles, gasoline, clothing, housing, and a host of other items, the annual rate of saving got as high as $35 billion in 1944, representing 24% of disposable income. In those days saving was forced, because goods were not available for purchase. The situation is different now. During the past six months many consumers goods, including household appliances, both new and used automobiles, clothing, and a host of goods have been begging for purchasers. The market was free. In spite of that, consumers saved at an unprecedented rate. This exerted a very restraining influence upon the upward pressure of prices.

If this marked tendency for consumers to save a large share of personal income continues through 1952, as it now appears likely to do, it will have a conservative influence upon upward price pressures.

Productive Capacity vs. Inflation

One of the greatest restraining factors in the inflationary picture is the tremendous productive capacity in America. We have roughly one-third of the world's productive capacity within our borders, and we are increasing it rapidly. The index of industrial production has held around 220 (1935-39=100) this year, compared with a 1950 monthly average of 200, and only slightly under the World War II peak which we attained by eliminating or reducing many services and service connected industries. However, we have held this index around 220 in 1951 with practically no cut-back in the amount of manpower devoted to our service trades and non-industrial pursuits. Thus it has been possible to absorb a substantial share of our military production out of increased total output of the economy. In 1950 we were spending about $18 billion annually for the military, which represented approximately 7% of a gross national production of $250 billion. In late 1951 we were spending for the military at the approximate rate of $40 billion annually, which represented approximately 11% of a gross national production of $325 billion. The level of expenditures for the military in 1952 is variously estimated at $45 to $65 billion. If we assume an actual expenditure for the military of $55 billion in 1952, that will represent approximately 16% of an estimated gross national product of $350 billion. That will be an increase of 4% over 1951 in the amount of the national product devoted to the military. This amount of increased production is easily within the realm of probability of attainment, just through the natural increase in the size of the working force, continued application of technology, and a little additional overtime work here and there if conditions warrant. This is not to infer that particular shortages of critical materials will not develop, and that rather severe upward price pressures will not be felt in those areas. But it does seem logical to conclude that, in the aggregate, we should be about able to absorb the increased military production and take it in our stride. By 1953, when military production hits its contemplated peak and begins to level off, we should be able to live without inflationary pressures from this source while still diverting some $50 billion annually to the military, if it should be necessary to do so after that date.

Two additional inflationary factors to be reckoned with are the prospect of a continuing Federal deficit, and the constant increase of union wage rates which outrun the productivity of labor.

With respect to the first, experience teaches that in a period of full employment and active business, with moderately rising prices, Federal budget makers tend to underestimate the amount of Federal tax receipts. Likewise, it is difficult to build up governmental spending machinery as rapidly as apparently was anticipated under the various defense appropriations, under conditions short of total war. It is therefore probable that the Federal deficit in fiscal year 1952 will not be as great as contemplated earlier. Indeed, it will probably be held under $5 billion. While most of such a deficit would probably be financed through the banks, and would, therefore, in itself be inflationary, a deficit of $5 billion would be less than 1.5% of the contemplated gross national product in 1952, and would exert only modest upward pressure on the price level.

Turning to probable wage increases, prospects are not good for union leaders to exercise restraint in their demands. On many occasions in the past decade new wage contracts have been negotiated which pushed wage rates up faster than output per worker increased. In almost every such instance, added wage costs were incorporated into selling prices, and contributed to inflation. To expect the demands of labor leaders in the year ahead to be more moderate is to be more naive than the situation justifies. Their demands for higher and ever higher wage rates will be offset partly, but not completely, by the constant efforts of management, engineers, and scientists to increase total production per worker. But this group will continue to fight a losing battle in their effort to keep up with advancing wage rates. This process is inherently inflationary, but not alarmingly so in the year ahead.

Summary

(1) Commodity prices will experience upward pressure through 1952 and into 1953.

(2) The general price level will not increase as much in 1952 as it did in the first year of the Korean war.

(3) There is at the present time very little if any public fright about the dollar, and there is no imminent flight from the dollar in prospect now.

(4) By late 1952, when we hit our stride in military production, it should be possible to absorb the major part of our military production from increased total national production, and go on from there with decreased inflationary pressure, barring total war.

(5) The standard of living in the United States may level off, on the average, during 1952 because of increased military production. However, by 1953, it should be possible for us to resume the long time upward trend in standard of living, due to the tremendous productive capacity we have in America.

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News About Banks and Bankers

es of Central-Penn. This will swell to ten the number of offices operated by Central-Penn. As of Nov. 21, total deposits of City National were $33,000,000. Central-Penn's, as of the same date, were in excess of $137,000,000. Combined deposits will now exceed $170,000,000. The capital structure of the combined banks will be approximately $17,000,000. Total assets of Central-Penn will now exceed $190,000,000.

All the officers and personnel of City National will become a part of the Central-Penn banking organization. Mr. Faas will assume the post of Vice-President of Central-Penn. Mr. Sienkiewicz will be President of the consolidated banks. With the addition of the City National personnel, Central-Penn will have more than 500 employees. In the spring of 1950, Central-Penn acquired the assets of the **Charter Bank of Philadelphia**, originally the Morris Plan Bank. This move brought the number of Central-Penn's bank offices in the city to six. The Central National Bank was established in 1865 and in 1929 merged with the **American Bank and Trust Company.** A few months later, in 1930, Central National merged with the Penn National Bank under the present title, the Penn National having been established in 1828 as the Bank of Penn Township. Another move toward further growth was the establishment of the new main office of Central-Penn at Broad and Walnut Streets in October, 1950. The building is now known as the Central-Penn Bank Building. Central-Penn has an unbroken dividend payment record dating back to Nov. 4, 1828, when the Bank of Penn Township paid its first dividend to stockholders.

The capital of the **First-Knox National Bank of Mount Vernon, Ohio,** has been increased from $250,000 to $375,000. The addition of $125,000 was brought about by a stock dividend of $50,000 and the sale of $75,000 of new stock. The enlarged capital became effective Nov. 7.

* * *

The Lincoln National Bank of Chicago, Ill., has increased its capital, effective Nov. 7, from $300,000 to $400,000 by the sale of $100,000 of new stock.

* * *

As a result of a stock dividend of $500,000, the **Second National Bank & Trust Co. of Saginaw, Mich.,** reports that its capital has been increased as of Nov. 15 from $2,500,000 to $3,000,000.

The directors of the **Traders National Bank of Kansas City, Mo.,** in furtherance of plans to increase the bank's capital, voted on Nov. 27 to submit to the stockholders at the annual meeting on Jan. 8 a proposal to declare a stock dividend of $100,000 to be paid by tranfer from the undivided profits account. The Kansas City "Times" of Nov. 28, from which this is learned, likewise said:

"It also was voted to:

"Reduce the par value from $62.50 to $25 a share, which would mean a split of 2½ shares for one.

"Sell $100,000 of new capital stock at $33 a share, which would provide a premium of $32,000. To this would be added $8,000 transferred from undivided profits into surplus, making a total of $40,000.

"Increase surplus from the present $365,000 to $405,000, leaving the undivided profits account at $245,000.

"Increase capital from $600,000 to $800,000.

"The steps outlined would increase the total capitalization accounts to $1,450,000."

A semi-annual cash dividend of $1.56¼ at the regular 5% rate was declared by the directors on Nov. 27.

* * *

Credit Suisse (Canada) Limited has announced the election of L. M. Bloomfield, K. C., as President and the appointment of Major General L. R. LaFleche, P. C. (C), D.S.O., to its Board of Directors. Mr. Bloomfield is a partner in the Montreal law firm of Phillips, Bloomfield, Vineberg & Goodman, and a director of Consolidated Theatres Ltd., St. Johns Textile Mills Ltd., Franco-Canadian Dyers Limited and other companies. Major General LaFleche is a former Minister of National War Services, Canadian Ambassador to Greece and Canadian High Commissioner to Australia.

Hubert O'Neil Others With Barbour, Smith

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Hubert R. O'Neil, Jr., Hugh H. Crowe and Loren D. Saltzman have become associated with Barbour, Smith & Company, 621 South Flower Street. Mr. O'Neil was formerly with Merrill Lynch, Pierce, Fenner & Beane and Dempsey-Tegeler & Co. Mr. Crowe and Mr. Saltzman were with Floyd A. Allen & Co.

Public Utility Securities

By OWEN ELY

Interstate Power Company

The company and its subsidiaries comprise an interconnected and integrated system serving 256 communities in the States of Iowa, Minnesota, Wisconsin and Illinois. The principal office is located in Dubuque, Ia. The company was organized in 1925 as part of the Utilities Power & Light System, and was operated as such until 1940, at which time Ogden Corporation purchased the assets of the U. P. & L. It continued as part of the Ogden system until financial reorganization was effected in March, 1948.

The final phase of the recap plan—distribution of escrowed common stock to several classes of creditors or security holders under the old regime—was begun in April this year, and while some 75,000 shares still remain in escrow, doubtless the distribution will be cleared up within a year or so. Settlement of this problem and recent listing of the stock on the "Big Board" puts the company in the ranks of independent, listed utilities.

Interstate controls Interstate Power Company of Wisconsin and the East Dubuque Electric Company. The company and its subsidiaries serve more than 98,000 customers located in 256 communities, including 11,600 farms situated in the rich farming region of the Middle West. In addition to electric service the company supplies natural gas and steam heating at Albert Lea, Minn., manufactured gas at Clinton, Ia., and bus service at Dubuque, Ia., and East Dubuque, Ill.

Principal activities in the territory served are agriculture and farming, including the raising of corn, wheat, oats, alfalfa, soy beans, poultry, cattle and hogs; dairy farming; packing, freezing, canning and processing operations, such as flour mills, feed mills, canneries, creameries, cheese factories, packing plants and frozen food locker plants; and the manufacture of furniture, tractors, cellophane, corn products, steel and wood products.

The State of Iowa has some of the richest farm land in the country (25% of all "Grade A" land), and farm income averages some $10,000 per farm. Electricity is served to about 10,000 farms, and power is sold at wholesale to REA's serving another 20,000. Farmers use an average of about 3,720 KWH per annum, about double the amount of a decade ago, and the company expects farm usage to rise to 7,500 KWH in five years.

The company has been engaged in a major construction program which has totaled nearly $32 million in the postwar period. The program for 1951 includes a new 11,500 KW generating unit for the Fox Lake plant near Sherburn, Minn., and initial work on a new 25,000 KW unit at Dubuque, Ia., scheduled to be in service by the end of 1952; also a 26-mile transmission line to bring natural gas to Clinton, Ia., where the company now operates a manufactured gas plant. This gas line will be built provided the materials are available.

The financial structure of Interstate Power Company on its reorganized basis is 62% debt, 11% preferred stock, and 27% common stock equity. Dividend payments on the common stock since reorganization have been at the rate of 60¢ per annum. The company expects to sell about $5 million of new securities prior to next April and will arrange for new bank loans of about $4,300,000. Proceeds will be used to prepay present bank loans of $4,250,000 and carry on the 1952 construction program. Consideration will be given to the sale of about $2 million first mortgage bonds and $3 million common stock. After this financing the capital structure will probably be about 60% debt, 10% preferred stock and 30% common stock equity. Further financing in 1953 (possibly $3 million bonds and $3½ million stock) should increase the common stock equity to around 33%.

Earnings are estimated for 1951 at about 83¢ per share on the common stock, and at about 90¢ for 1952 (based on an estimate of 2,425,000 shares of common stock to be outstanding at Dec. 31, 1952 —the present amount is 2,075,000).

The company has had no labor troubles or threatened strikes for many years and there have been no threats of municipal ownership in the area. The company asked for a rate increase in June and proceedings are almost completed. The amount of increased revenue would approximate $450,000, or about 23¢ a share. With the rate increase, it is estimated that Interstate will be earning about 6½% return on the investment.

Regarding dividend payout policy, President Picard has indicated that the company expects to follow the general trend of the utility industry, after certain questions, such as the rate increase, a tax case, and a fee problem, are settled. The present dividend rate of 60¢ represents a 73% payout based on the estimated earnings of 83¢ for the calendar year 1951.

Indiana Gas Offering Underwritten By Blyth

Indiana Gas & Water Co., Inc., is offering to holders of its common stock, rights to subscribe to an additional 66,000 shares of common stock on the basis of one additional share for each ten shares held of record Nov. 28, 1951. The stock is priced at $21.25 per share, with the offer expiring on Dec. 14, 1951. Blyth & Co., Inc., and associates will purchase the unsubscribed shares from the company.

Proceeds from the sale will be used to pay, or to reimburse the company's treasury for, a portion of $6,385,041 in construction costs from September, 1950, to the close of 1952. The balance of the cost of construction and acquisition of gas lines, and gas and water distribution plant, property, equipment and related facilities will be derived from the private placement about Dec. 21, 1951, of $2,000,000 of additional first mortgage bonds.

Dividends on the common stock have been paid quarterly since publicly distributed in 1946 and are at the current rate of 35 cents per share.

Total operating revenues for the 12 months ended Sept. 30, 1951, amounted to $9,683,725 and net income was $1,403,861, equal to $2.13 per common share.

The company is engaged in the purchase, production, distribution and sale of gas, primarily natural gas, and, to a lesser extent, in the supply, distribution and sale of water within Indiana.

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The Steel Supply Picture

ton and many members of the business community. You hear that requirements for structural steel at present are in excess of 200% of supply. You hear that overall requirements for the first quarter are 25% in excess of available production. These figures are said to be the "screened requirements" of the various claimant agencies derived from the stated needs of individual steel consumers. I say to you that such figures as these are totally meaningless as measures of the degree of imbalance between demand and supply. If demand for any product exceeds supply by 1%, immediately all requirements begin to expand like a balloon, for every steel user sees himself as supplying a large part of the market represented by that 1%. Let the situation reverse itself and that balloon bursts in a hurry.

Make no mistake, steel *is* today in short supply, relative to present needs as they exist in the minds and production schedules of steel consumers. Also, make no mistake—the point of balance in many products is closer than may appear. Let us pass the peak in the current race to expand productive capacity of all American industry, the greatest capital goods boom in our history; let military expenditures expand less rapidly than anticipated; let the government go a little too far in placing limitations on various civilian industries; let it be a little too slow in removing restrictions at the proper moment; let consumers become complacent about future supply of the products they desire; let any of these things happen and supply becomes more nearly adequate. The steel production rate could soon fall from its present lofty height.

There is another element which may prove most important of all. There is considerable evidence that steel inventories are accumulating in many places. Some are in warehouses; most are in manufacturing plants, partly in the form of parts of goods-in-process. Most of these inventories are not excessive. Some are unbalanced. Some were built up during the switch from civilian to military production. Nevertheless, we shall soon cease building them further. That means additional steel will move into consumption, and we may then find that we will not be at such a high rate of actual steel usage. Adequate inventories rapidly become heavy inventories if the operating levels of steel-consuming industries fall.

I am not attempting to predict a collapse of steel demand. I am merely pointing out that there are existing factors which may well bring overall steel demand into balance with overall supply during the year 1952.

That brings me to the subject of controls and the controversy regarding their continuance. There is no fundamental disagreement, of course, with the need for providing whatever steel is required by the military establishment. It is conceded that under current conditions such distribution must be directed by the government, not only to insure adherence to specific delivery schedules, but also to assure an equitable distribution of the defense load among producers of steel as well as among the various consumers of steel.

There *is* disagreement, however, concerning the distribution of the steel that is left over after direct military needs have been taken care of. Should the Federal Government control this distribution from Washington? Or should private industry, which has the responsibility of making the steel, also have the responsibility of distributing it equitably and effectively?

The inflation of priorities and the eventual decision by the National Production Authority to adopt the 100% control inherent in the Controlled Materials Plan was influenced not by the direct military needs, but by the requirements of those industries that were, one by one, determined by government to be defense supporting. In rapid succession, steel-consuming industries developed military support for their entire production because a portion of their output was needed for direct military programs.

There is no way to separate the gasoline that is used to drive the automobile to a picnic, the gasoline used to run a farm tractor, or the gasoline used to drive a self-propelled gun. The requirements for petroleum products, viewed in the light of the demand and the dismal outlook of world supply, surely presented some basis for declaring the petroleum program in its entirety as being defense supporting. Comparable justification was made for programs involving transportation, farm machinery, components, and the expansion of production facilities of basic industries and military armament.

Thus, though even today the direct military procurement is less than 15% of the steel production, the requirements of those industries termed defense supporting, I would estimate, total between 60% and 70% of the production. That figure would be higher but for the fact that the adoption of the Controlled Materials Plan obviated the necessity for many other industries to establish themselves in Washington as defense supporting.

So that there may be no area for misunderstanding, let me say that I, personally, am strongly opposed, in principle, to government control of the production or distribution of anything in times of peace. But if this is not a time of peace, and I believe there is ample evidence that our country is in peril, then controls over distribution and production to insure military preparedness are appropriate. If, however, the tempo of preparedness is not to be further advanced, and increased availability of steel brings us to a point of approximate balance, then immediate consideration must be given to the elimination of the present complete control of the production and distribution of steel.

For our economic survival, the present controls must be terminated at the earliest possible moment; for government control is often wasteful, often arbitrary, and often subject to political pressure. Furthermore, government cannot be closely in touch with the hundreds of plants that make steel or the thousands of plants that consume it. Given the opportunity, I believe the steel industry is better qualified to do the job faster, at lower cost, more efficiently, and, if the experience of the last few months is any criterion — with considerably less confusion. I do not say this in criticism of the thousands of men and women in government who are working earnestly and diligently at this mammoth task; I say it because I know that centrally administered controls will not, and cannot, work efficiently in a capitalistic economy, no matter how wise, talented and honest the administrators may be. The incalculable complexities of a great industry in a free economy, the enormous intricacies of the marketing operations that make up the distribution of any major product in that economy, are simply beyond the power of any man and any planning board to control, short of a 100% military objective which discards consideration of the civilian economy.

Whether or not you agree with my philosophy of controls, the facts of the moment are that under the Controlled Materials Plan the Federal Government is directing virtually all steel distribution. It is controlling the flow of most of the steel which goes from my industry to yours; and, as we both know only too well, it has turned the valve down pretty hard.

However, until the regulations are changed, CMP is the only legal means we in the steel industry have to help the nation accomplish its "butter and guns" objective. Faced as we are with a national emergency, a precipitous swing from full controls to the other extreme at this time could easily result in further confusion.

Therefore, it seems to me that the answer to our problem lies in intelligently applying ourselves to the development of a program which has as its ultimate objective the elimination of controls, but which, in the meantime, permits us to devote our time and energies to the task of defending our country and improving our economy.

You may well ask what would be fundamental in such a program. In my judgment, three points are basic.

First of all, it is absolutely essential that production be maintained at its highest level and that production be directly related to the needs of the entire economy, both military and civilian.

Second, direct defense requirements must be handled adequately regardless of the impact on non-defense requirements.

Third, every effort must be made to develop complete realism in the amount of steel required to support today's total economy. In other words, we must see to it that all inflation is eliminated from future stated steel requirements. Let's not make the job tougher than it actually is by exaggerating steel requirements.

On Oct. 10, 1951, at the invitation of Mr. Charles E. Wilson, representatives of the iron and steel industry presented a report and recommendations on means of improving the Controlled Materials Plan. All three of the points that I have just mentioned were included among the recommendations. In view of the confusion of the past few months, however, the third point—the need for realism in stated requirements—was highlighted as being of paramount importance.

Incidentally, another facet of this same problem concerns the need for realistically keying steel shipments to actual scheduled need on the job. Up to now, tickets covering thousands of tons of steel have been cashed far in advance of actual needs and the steel temporarily placed in inventory. Such a practice unnecessarily immobilizes steel which at the moment might better be shipped to others who need steel for immediate use.

I am happy to be able to report that the National Production Authority already has adopted several of the recommendations in the report and are currently considering the adoption of the balance. It is my opinion that, if and when these three basic points are incorporated in any carefully thought out program, then the first step will have been taken in setting the stages for eventual relief from controls.

If the three fundamentals which I have just discussed are properly handled during the months just ahead, we may then logically expect to come reasonably soon to the day when we can say: "It now is essential to terminate government distribution controls, and it now is practical to do so." When this day comes, we shall be confronted with two alternatives, and only two: The first is to end these controls completely and decisively. The second is to try to abolish them in piecemeal fashion. I favor the first approach, at least as far as steel is concerned—complete and decisive termination. Our industrial system simply cannot function effectively in this manner.

Let us not delude ourselves into believing that complete decontrol will be easy to accomplish. Many companies throughout American industry would be temporarily benefited by the maintenance of a few controls which, in effect, lessen for them the rigors of competition.

These and other pressures will be difficult to overcome, but overcome they must be if we, as businessmen, are not to abdicate our long-term responsibility for the effective operation of free American industry.

At the beginning of my address, I said that I would tell you what you can do now to make a constructive contribution in the present situation.

In the first place, help get in the scrap. Our own mills are operating with an extremely limited supply of steel scrap, only two or three days in some cases. The rest of the industry is also in a most precarious position in this respect. I know that you have heard this appeal before, and I fear that its reiteration is becoming tiresome; but it is of extreme importance.

In the second place, cooperate with controls. Understand them and comply with them. Give those in Washington who are administering this work prompt and accurate reports. Their job is tough enough. Don't make it any more difficult. Help make controls work, for their failure can only result in more restrictive, more arbitrary and less workable controls.

Thirdly, depend as little as possible on Washington. If you can operate without special help, by all means do so. It is the willingness of businessmen to lean on Washington for help in emergency situations which exaggerates the impression of stringency. I have been on the receiving end of many appeals. I know how easy it is for policy to be formulated based largely on the exceptions, the emergencies, the hardship cases, and not on the average experience.

Finally, and most important, don't forget that controls must end, and end completely. Those in authority in the government have stated repeatedly that their aim is to remove controls as soon as possible. I believe them. Let's all help marshal business and public opinion to the point where it will be politically expedient, when it is economically feasible to eliminate all government control.

Our democratic capitalism has shown tremendous vitality in these uncertain years. It has expanded far beyond the expectations of those who take it for granted. It has been better and stronger than even its friends realize. Its enemies watch in bewilderment and await the collapse they confidently expected long ago.

Our free enterprise system makes one lone demand of us. It requires that it be permitted to operate as it is meant to operate. This means a system of free prices and wages functioning within the moral and political framework of liberty under the law. It calls for full freedom in choice of work, freedom of selection by consumers, freedom of distribution by producers. Those are basic elements of our free moral economy.

I have not used the word *freedom* three times carelessly. The lesson of our age is that all freedoms are based on economic freedom. Economic liberty is only one among our several liberties, and if such a thing as liberty can be graded, it is neither the greatest, nor is it the most precious; yet, surely we have learned that those who have lost economic liberties have inevitably lost all the other liberties.

Let us protect and cherish, then, the liberty with which all of our other liberties are so intimately interwoven. Let us protect and cherish the economic system that made us powerful and great.

The Truman Administration's Spending Record

Chamber of Commerce of U. S. reports Government under Truman has spent mort than one-third of total outlays of Nation since its beginning. Admits lower purchasing power of dollar has played part in outlay increase.

President Truman has collected more taxes from the American people than all other Presidents combined, the Chamber of Commerce of the United States reported on Nov. 23.

His Administration has spent more than one-third of all the money ever spent by the United States Government, the report said.

A study of Treasury figures by the Chamber's Government Economy Program shows that Federal receipts from July 1, 1945 through last Nov. 16 totalled slightly over $262 billion. Total Federal receipts from 1789 through June 30, 1945 totalled only $254 billion.

In its entire history, the Federal Government has spent $770 billion, or more than three quarters of a trillion dollars. Well over a third of this amount ($282 billion) has been spent by the present Administration.

Total receipts in our entire history have amounted to $516 billion. The Truman Administration has collected 50.8% of this total.

The Chamber noted that the purchasing power of the dollar has been declining, so that the $262 billion of taxes collected by the present Administration are not worth as much as the $254 billion collected by all the other Administrations in history; but pointed out that most economists agree that Federal financial policies are a primary cause of inflation.

Taxes and Spending

The Chamber statement follows:

"The Federal Government has taken more money from the taxpayers during the Truman Administration than during all other Administrations combined. On the same basis, one third of all the money ever spent by the United States has been spent in the past six years by this Administration.

"On Tuesday, Sept. 18, of this year, according to an analysis of official Treasury figures by the Chamber's Government Economy Program, net receipts of the Federal Government during this Administration passed above the total net receipts of all other Administrations from George Washington's through Franklin D. Roosevelt's.

"Since then, tax money has continued to pour in so that by Nov. 16 the present Administration was already $8 billion ahead of all others combined.

"By Nov. 16, the total spending by the Federal Government since 1789 had reached $770 billion, or more than three quarters of a trillion dollars. More than a third of the total spending in our history, or $282 billion, has occurred under the present Administration.

"The pertinent facts are as follows:

	Net Receipts of Federal Govt.	Expenditures of Federal Govt.
	(In billions of dollars)	
162 years (1789 to June 30, 1945)	$254.2	$488.8
6 years (July 1, 1945 to Nov. 16, 1951)	262.6	281.8
Total (1789 to Nov. 16, 1951)	$516.8	$770.6
Per cent of total in last six years	50.8%	36.6%

SOURCE: Annual Report of the Secretary of the Treasury, 1950, and Daily Treasury Statements.

"The period used for the present Administration begins with fiscal year 1946 (July 1, 1945-June 30, 1946). Actually, President Roosevelt died on April 12, 1945, so that part of April, as well as May and June of 1945, technically belong under the present Administration. This period is not included, however, since the budget for those months had already been established by the Roosevelt Administration. If May and June had been included, the present Administration's receipts would have been approximately $9 billion higher, and the expenditures $19 billion higher.

"It is recognized, of course, that the purchasing power represented by the $262.6 billion of receipts after July 1, 1945, is not equivalent to that of the $254.2 billion before that time, since the value of the dollar has been declining. There is no generally accepted way of determining the extent of this effect throughout our history. However, economists generally recognize the fact that government financial operations are one of the major causes of inflation.

"Net receipts of the Federal Government consist almost entirely of tax collections and tax-type receipts. Of total receipts of $41.3 billion in 1950, for example, $39.9 billion consisted of internal revenue receipts (income and other direct taxes) and customs. The remainder included some tax-type payments, such as railroad unemployment insurance, as well as Panama Canal tolls, sale of surplus property, fines and penalties and other items."

Henry B. Warner & Co. Adds to Staff

PHILADELPHIA, Pa.—Henry B. Warner & Co., members of the Philadelphia-Baltimore Stock Exchange, 123 South Broad Street, announce the association with the firm of the following registered representatives: Hilda Williams Daggy, Charles Evans Mirick, E. Roy Nellius and Oliver M. Zendt. Mr. Zendt will represent the firm in Bucks, Lehigh and Montgomery Counties.

Sullivan-Brooks Co. New Firm Name

WICHITA, Kans. — The firm name of the Sullivan Investment Co., Union National Bank Building, has been changed to Sullivan-Brooks Co.

Railroad Securities

Seaboard Air Line

There are many holders of railroad stocks and many analysts of railroad securities who wish that more railroad managements would take to heart the example being set by Seaboard Air Line with respect to participation by stockholders in the profits of the enterprise. Early this week directors again raised the dividend rate, this time to $1.25 quarterly. This marks the third increase in the quarterly rate in a year and a half. During the first half of 1950 the quarterly rate was $0.50 a share. This was upped to $0.75 for the second half, with a year-end extra of $0.50 to bring the total for the year to $3.

In the opening quarter of the current year the company started out on a regular $1 quarterly rate and this was maintained for three periods. The increased $1.25 quarterly distribution to be made on Dec. 27 to stockholders of record Dec. 14 will bring the aggregate payments for the present year to $4.25. The action of the directors is particularly commendable when it is realized that increasing common dividends is a relatively expensive job for this particular road because of the indenture provisions of the Income bonds.

Under the indenture of the Income bonds the company must put into a bond purchase fund, in addition to the regular sinking fund, a dollar amount equal to dividends in excess of $2 a share on the common. A $5 dividend rate on the common, then, involves a purchase fund of $2,550,000. Of course the company may present for this purpose, at cost, any bonds previously purchased for other than sinking fund purposes and held alive in the treasury. At the end of last year the company held $6,039,900 of such bonds alive in its treasury and purchased an additional $3,000,000 face value at a cost of $2,748,375 in September from a syndicate that had purchased the RFC holdings at competitive bidding. Naturally, this substantial paring of the Income bond issue also redounds to the eventual benefit of common stockholders.

Seaboard has had a particularly impressive record in recent years. It went through a long period of receivership. During this period, when very little was being paid out in bond interest, there were adequate funds to spend on the property and on new equipment. Thus, the road entered its present phase in excellent physical condition and with operating efficiency vastly improved. Also, the capitalization was pared sharply in the process of reorganization and has been further bolstered since then through refunding of the First Mortgage bonds on a 3% basis and progressive reduction in the amount of Income bonds outstanding. Stock capitalization is quite low for a road of this size. There are only 150,000 shares of 5% preferred ($100 par) and 850,000 shares of common.

Paring of the capital structure and physical rehabilitation during receivership are not the entire answer to the company's recent excellent showing. There are plenty of roads that went through the same process and are still unable to show much, if anything, in the way of earning power. The road benefited additionally from the strong growth characteristics of the southeastern territory served, and from aggressive traffic solicitation and industrial development staffs. Its revenue trend has been one of the best in the country, and prospects in the area traversed remain favorable for the future.

Last year the company reported common share earnings, before sinking and other reserve funds, of $15.79. This compared with the war-time peak of $34.52 a share in 1942 and a ten-year average of $15.05. Gross has continued upward in the current year and the company has been able to exert considerable control over operating costs. As a result net income for the ten months through October increased by $1,133,000. The road will probably be one of the few in the industry showing 1951 earnings slightly higher than those reported for 1950. With the present general business outlook the 1952 results could well be even higher.

James Imhof Joins Frank Knowlton & Co.

James R. Imhof

(Special to THE FINANCIAL CHRONICLE)

OAKLAND, Calif. — James R. Imhof has become associated with Frank Knowlton & Co., Bank of America Building, in their trading department. Mr. Imhof was formerly manager of the trading department for Waldron and Company, and prior thereto was with First California Company.

Chase Bank Appoints

Five promotions and three new appointments to the official staff of the Chase National Bank have been announced.

Promoted to Second Vice-President were Daniel A. Cahalane, John J. Shea and Eugene C. Wyatt, all of the bank's Trust Department; James J. Maher and Robert W. Scofield, both associated with personnel administration.

Albert C. Bossert, Emil R. Holls and George C. Huneke were appointed assistant cashiers in the Trust Department.

Franklin Foreign Exch. Mgr. for Sutro Bros. Co.

Felix A. Franklin has become associated with Sutro Bros. & Co., 120 Broadway, New York City, members of the New York Stock Exchange, as manager of the firm's foreign exchange department.

With Hamilton Managem't

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Mrs. Violet Holloway has joined the staff of Hamilton Management Corporation, 445 Grant Street.

Mutual Funds

By ROBERT R. RICH

SEC and NASD Discuss Fate of Cashion Opinion

The staff of the Securities and Exchange Commission and the members of the Investment Companies Committee of the National Association of Securities Dealers are currently conducting secret and intermittent preliminary discussions regarding the right of mutual fund retailers to advertise under the Cashion opinion.

The Cashion opinion, as most readers of this column know, is an interpretation of the Securities Act of 1933, which has been the modus operandi for mutual funds' retail advertising since 1947 when it was first expressed in a letter written to an investment company by Edward H. Cashion, then the Chief Counsel of the Corporate Finance Division of the SEC.

The pith of the opinion is the open-mindedness of the dealer; that he is essentially advertising his business and offering general information to the public, and to this end his advertising and sales material is to contain the name of no specific security, nor is the dealer to have in mind any specific security until the prospect's preferences, circumstances and objectives are determined.

At stake in these discussions are three basic and vital issues—the principle of consumer sovereignty, the right of a man to conduct a lawful business in a way most economical to him provided it is consistent with the public good, and the obligation of the SEC to discharge its responsibilities under the Securities Act of 1933.

The principle of consumer sovereignty is right of a man to register by his "dollar votes" in the market place his preferences for a few of the multitude of goods which the producers offer him.

This principle, one of the cornerstones of our economy, is an assurance that the people shall have produced for them the goods and services which they most want. It is the doctrine of "let the buyer choose."

It is apparent that public good will approach a maximum if it is given as much accurate information as possible about the alternative goods and services which it can buy.

Quite closely related to this is the second issue, a man's right to practice his business, within limits of the public good, in a way he believes most efficient.

An important operation in business is, of course, that of giving information, telling the public what the business is and explaining what it has to offer.

This operation, the determination of a businessman's market for his wares, is vital to consumers because it gives them information they might not otherwise have. And, with the exception of untruthful information, it can be said that more consumers are misled because they have not enough pertinent information rather than because they have too much information.

This was the laudable objective of the Cashion opinion. It gave interested buyers as much general information as possible about one legal outlet or conduit for their savings. And it was the fault in the principle of tombstone advertising for mutual fund retailers that they could not give the public the information about mutual funds which it needed in order to make its own fair evaluation.

Of course, if a man's business is held lawful by the government, there is implicit in this judgment the right of the businessman to establish contact with the public, and from this public to filter out those people who are interested in further information.

It is possible for retailers to find out where their market is by ringing doorbells, but since mutual funds are not likely to be held by a majority of the population, this method can have ruinous selling costs.

An alternative, and more economical way, is to advertise what mutual funds are generally, and let interested prospects either come to the brokerage office or send their name in to the retailer for more information.

Because mutual fund retailers operate on a very small sales margin, compared with the selling costs of other industries, it is necessary they be allowed to determine their market with the utmost economy. It is this very important issue which forms the background of the occasional discussions now in progress between the SEC staff and the NASD.

In this problem, the responsibility of the SEC has not been clear even to its own Commissioners and staff, not through any fault of its own, but because of the complexity of the problems which it must face.

Even at the time the Statement of Policy was issued, it was evident that the SEC, through the implicit admission of one of its own Commissioners, had not established a definite criterion for its own operation.

Donald Cook, Vice-Chairman of the Securities and Exchange Commission, in an address on Aug. 29, 1950, before the Second Mutual Funds Conference, while discussing the Statement of Policy, said, "And right here I want to make two points clear to you: one, that had the industry . . . not intervened . . . and worked with the Commission on a cooperative basis to find a reasonable and workable solution, the sanctions the Commission was considering invoking would have had a far more drastics, far more restrictive effect than the new standards for the future that have been set up. . . . It could have been much worse, gentlemen, of that I assure you."

This admission by an SEC Commissioner that there was both a "get tough" program and a "go soft" program is an admission of a double standard—that no definite criterion had been determined.

The general aura of secrecy surrounding these deliberations, in which neither the SEC staff nor the members of the NASD committee will discuss, with others, even in general, the present problem and the progress made so far is quite paradoxical.

Presumably, it is the contention of the NASD committee that a well-informed public can best benefit from mutual funds. Then why is it not also true than an informed mutual fund retailer can most benefit from open and free discussion about problems important to him.

Oklahoma Supreme Court Settles Stormy Prudent Man Problem

RULING VITALLY AFFECTS OTHER STATES

Trustees Permitted To Invest In Funds Although They Are Not Mentioned In Oklahoma Prudent Man Law

By BENTON G. CARR

One of the most controversial problems in Prudent Man legislation—the power of a fiduciary to invest in investment company shares under a Prudent Man Law which does not specifically mention investment company shares as eligible for trust account investment—was settled in favor of investment companies by the Supreme Court of Oklahoma in a Nov. 13 decision rendered "In the Matter of the Estate of Addie M. Flynn, Deceased."

The decision, in substance establishes the unequivocal right of fiduciaries operating under Oklahoma's "Prudent Man" legislation to purchase investment company shares for trust accounts, despite the fact that investment companies are not specifically mentioned in the Oklahoma Prudent Man legislation.

John Shattuck, of Vance, Sanders & Company, in a statement on this court ruling, said, "This long awaited decision is of importance to fiduciaries in Oklahoma and 19 other "Prudent Man Rule" states where the law, as written, does not specifically mention investment company shares as eligible for purchase by fiduciaries.

"It is also expected," he said, "to have an important influence on the thinking of legislators in the 14 remaining legal list states where fiduciaries are obliged, with few exceptions, to purchase only the low yielding fixed income bearing securities appearing on a statutory list. And, this also applies to the four states in which there is no specifically declared fiduciary investment law."

Mr. Shattuck remarked, "Actually, the language of the Prudent Man Rule, as usually expressed, contemplates the use of every type of security, including investment company shares, by trustees so long as they conduct themselves faithfully and exercise a sound discretion in the performance of their duties.

"In some 11 Prudent Man or partial Prudent Man States, the law makes this unmistakably clear.

"However," he added, "in Oklahoma and 19 other Prudent Man states, the law is not so explicit and some fiduciaries there have been hesitant to purchase investment company shares because of the existence of ancient legal prohibitions which forbid trustees to delegate any of their fiduciary duty or responsibility to others.

"The Supreme Court of Oklahoma has removed the reason for such hesitancy on the part of trustees by pronouncing that the purchase of investment company shares did not constitute such an unwarranted delegation of fiduciary responsibility and that the Pruden Man Law of Oklahoma did not prevent trustees from investing therein."

The Supreme Court opinion confirms the decision of The District Court of Oklahoma County which stated in part In The Matter of the Estate of Addie M. Flynn, Deceased, "The Court further finds that the investment by Trustees in shares of investment trusts does not constitute a delegation of authority in the sense that a Trustee's discretionary power cannot be delegated to others, and that a Trustee in determining what type of shares should be purchased discharges his discretionary duty in the sense required by law, and the fact that a corporation, whether it be a business corporation or an investment trust, is managed by persons other than the Trustees, does not constitute such an unwarranted delegation of authority as would prevent a Trustee from investing therein."

The opinion also pronounced the applicability of this finding to all trusts created before the enactment of the state's Prudent Man Law so long as the trust instruments did not contain any specific provision to the contrary.

Mr. Shattuck said, "The decision by the Oklahoma Supreme Court climaxes a wearisome ten-year battle by fiduciaries to promulgate legislation which would permit the use of equities and investment company shares in trust accounts."

He said, "In 1940, most trustees and fiduciaries in all but nine states were obliged to limit their trust investments to the low yielding fixed-income securities appearing on statutory lists, commonly known as 'legal list.'

"Only those few trustees," Mr. Shattuck remarked, "who were fortunate enough to possess broad investment powers, explicitly set forth in their governing trust instruments, dared to venture forth into more lucrative equity investments because of the established right of the courts to surcharge trustees for any investment losses

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Orvis to Admit

Orvis Brothers & Co., 14 Wall Street, New York City, on Jan. 1 will admit James S. Shields to partnership.

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Mutual Funds

they incurred in the performance of their duties."

Mr. Shattuck said that before 1940 these legal restrictions were no general problem because the fixed dollar income earned by sizable trust funds was sufficient to provide life beneficiaries with all of the necessities of life.

But, he said, higher inheritance taxes which reduced the size of trust accounts, the falling yields of fixed income securities, and the declining purchasing power of the dollar changed the situation significantly—so much so that the exclusive use of fixed income securities in trust accounts was no longer sound.

"In 1949," John Shattuck commented, "Prudent Man legislation was in existence in 22 States and trustees began not only to make extensive use of equities in trust accounts, but a number of them also began to purchase shares of better known investment companies. More and more thoughtful fiduciaries were beginning to realize that the diversification afforded by investment company shares made them highly desirable as an equity investment.

"It was then," he said, "that the ancient legal prohibition against the delegation of responsibility by fiduciaries was brought to light. While this antiquated point of law had nothing to do with the right of trustees to purchase equities individually, it did apply directly to the purchase of shares in investment companies inasmuch as the managers of an investment company customarily exercise their own best discretion in managing the funds at their disposal.

"Thus fiduciaries operating in States where the Prudent Man legislation failed to mention investment company shares by name hesitated to buy them for trust accounts. Some States were able to amend their Prudent Man laws to cover this contingency and those States which adopted Prudent Man legislation after that time covered it in their original legislation. But today only 11 of the 31 Prudent Man rule or partial Prudent Man rule States have legislation which specifically mentions the shares of investment companies registered under the Investment Company Act of 1940 as eligible for purchase by fiduciaries."

The Syllabus of the Supreme Court of Oklahoma ruling enumerating the points determined by the opinion, reads as follows:

Syllabus

"(1) Unless a trustor specifically restricts the power of his trustee in investing trust funds the trustee is governed by the law in force at the time the investment is made.

"(2) Under 60 O. S. 1949 Supp. Section 161 [Editor's Note: The Oklahoma Prudent Man Law.] trustees not otherwise restricted may invest trust funds in any form of property in which an individual may invest his own funds if in making such investments the trustee exercises the judgment and care in the circumstances then prevailing which men of prudence, discretion and intelligence exercise in the management of their own funds not in regard to speculation but in regard to the permanent disposition of their funds considering the probable income as well as the probable safety of their capital.

"(3) Record examined and held, that the judgment of the District Court authorizing the trustees to invest trust funds involved herein 'in stocks of corporations and corporate obligations and in shares of investment trusts, providing they exercise in making such investments the judgment and care which men of prudence, discretion and intelligence exercise in the management of their own affairs, not in regard to speculation, but in regard to the permanent disposition of their funds, considering the probable income as well as the probable safety of their capital' is authorized by statute."

Investors Diversified Offers New Pension Plan Concept

VARIABLE AND FIXED INCOME COMBINED

Innovation Is Addition of Variable Income From Mutual Funds and Their Liquidation for Benefit Income

A new employee pension plan benefit concept which for the first time adds a fluctuating income to fixed-income to help pensioners hedge against inflation and variable costs of living was announced in New York Monday by Investors Diversified Services of Minneapolis.

Described as a "balanced-income" program, the Investors Group plan developed by Clyde J. Moore, Vice-President in charge of the company's pension-planning division, undertakes to provide a supplementary fluctuating income by investing part of pension fund contributions in mutual fund shares and by distributing fluctuating benefits derived both from investment income and also from liquidation of shares on an actuarial basis during retirement. The plan is available now for the use of corporations, institutions, organizations and groups establishing employee pension-retirement plans and facing pension fund investment problems.

"Our concept, which is designed to provide a variable income for pensioners, in addition to a fixed income, introduces a revolutionary but, we believe, an economically sound practice in pension-fund planning," Moore explained.

"In an economy which has been predominantly inflationary for the past 40 to 50 years," he pointed out, "it is ironical that our employee pension-retirement plans have hedged only against defla-

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Securities Salesman's Corner

By JOHN DUTTON

Know Your Customers

The other night I was listening to a radio program that appeals to me very much. It is called "Big Time," and George Price (he is well known to many people in the investment business) who conducts it, stated: "Some years ago Eddie Cantor gave some advice to younger entertainers. He said, 'It is not so important what you say, but what you *do not* say that matters. If just one person is hurt by something you have said then your entire performance has been a failure.' Mr. Cantor has been one of the best salesmen in the entertainment field, but although his tact is certainly admirable, the idea came to me that there is one field where it is not always possible to tell people what they like to hear, unless you want them to get hurt. In the investment business you sometimes have to lay it on the line. It is better to refuse to do an unsound thing that may eventually be harmful, than to go along with a client's own desires in this respect. Stock buyers are not sitting in a comfortable chair waiting to be entertained—they are on serious business. Their financial welfare is involved. Our problem today is that most of the people we meet don't know they are not sitting down at a side show when they look at that ticker tape.

You Must Call A Spade A Spade

One of the weaknesses of the securities business has always been a lack of *Customer Understanding* of his own needs and objectives. It is entirely possible to be tactful. You don't have to hurt another's pride, or his self esteem. You can straighten a client out before he gets hurt without becoming stuffy, too smart, condescending, or irritating in any way. But unless you know how to judge the different types of investors that you are meeting everyday, you are going to run into trouble in arranging a true understanding of what they can expect from you, and you from them. Some people are investors for income. Some don't mind if their stocks go up or down — they want dividends. Others want action. Some want long-term growth stocks. Some just want to make some money. Others are beginners starting out in the purchase of securities. Each of these groups, and there are others, have to be handled in a different manner.

Start Right at the Beginning

The best time to put a new account straight is at the very beginning of your business dealings with him Don't wait until you have gone along with his whims and hunches, and have allowed him to *Help You* put himself out on a limb. If you do this, in his eyes you have been a party to the crime. Quite frankly, I don't believe there is a single investor today that would honestly expect his own account to be perfect if he managed it without any outside assistance. But if you don't put every one you sell on record to the effect that you are not a miracle man, that there are no such animals; that it is the overall results that count, and it is where he is going to be ten years from now if he lives that is important, and that these are the important things to consider, you are going to have a misunderstanding of this business right at the beginning.

How many times have customers picked out one or two issues which you have sold them that did not perform too well, and every time you saw them they mentioned it? Then you were thrown on the defensive. You had to pick out the winners and go over them but it didn't help much. Mr. Investor wanted perfection, he paid you a commission, and although he had never accomplished any miracles, he wanted you to squirm a bit because your advice in one or two instances was faulty.

If some one had told me this simple thing many years ago when I started out as a securities salesman it would have saved me many a heartache. I have had people buy securities through me as an agent; I may have never have heard of the stock, I just bought it for them. Then two years later they raised the roof because I didn't tell them *Not To* buy it. It had turned out sour. These are not extreme cases. They happen quite often. The fault is not altogether on the shoulders of the investing public. We must learn how to sell fundamentals in this business. We must start people off on the right foot. We must not promise very much. It is a hard business. Over a period of many years figures prove that only a few speculators are successful. Large fortunes are not made easily without great good fortune and extreme speculative ability. Many people get hurt badly when depressions come along. Social Security tells the story of how few even have enough for bare necessities after a lifetime of toil. The life insurance companies have the answer to financial mortality. The figures are very high. Some of the most astute investors and statisticians I have ever known, professionals in the business, have found the road to financial success hard, and constantly demanding of their time and skill.

The first thing we must do is to educate every account we sell—properly, soundly — and put the record straight. I am going to follow this column with a series on the different types of investors I have met, on the best methods I have found to work with them, and will try and pass along some ideas that may be helpful in this respect. We must know the aspirations and objectives of these broad classes of security buyers if we are going to continually maintain an affirmative and positive relationship between the client and ourselves. Once you lose control of an account you are both sunk. He has no advisor, no one who could assist him in carrying out a successful investment program, and he certainly won't do too good a job of it trying to run the boat, read the map, and hold the rudder all at the same time.

Joins Conrad, Bruce

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Milton Jellins is now with Conrad, Bruce & Co., Russ Building.

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Gold More Than a Commodity; Irredeemable Currency an Evil

which promised stability in the purchasing power of the dollar during the succeeding generation, the dollar, in March, 1951, reached its lowest value, in terms of wholesale prices, since the establishment of the Federal Reserve System. Under a redeemable currency, its value fell in May, 1920, to 60 per cent of prices at wholesale in 1926 as 100. In March, 1951, its value fell to 54 per cent of 1926 prices and to 43 per cent of the average of prices in 1939. In other words, the index of wholesale prices rose to a peak of 167 in 1920 under a redeemable currency and to a peak of 184 thus far in 1951 under an irredeemable money.

Thus the contentions of the advocates of our managed irredeemable currency that, if freed from the restraints placed upon money managers by a redeemable currency, they could and would give us a dollar of greater stability in purchasing power than that to which we have been accustomed—overlooking President Roosevelt's unwarranted suggestion that the money managers could provide stability—have already been proved wrong. Still further, monetary history is replete with lessons which teach that the greatest fluctuations in the purchasing power of currencies come under irredeemable currencies.

These are facts that should be respected.

The history of irredeemable currency is to the effect that serious trouble, sometimes reaching the level of a major disaster, such as political revolution and government dictatorship, awaits the people who are so unfortunate as to have such a currency inflicted upon them.

There is nothing new, in principle, in the contention, characteristic of a period of irredeemable currency, that gold is "just another commodity" and that an irredeemable currency is superior to a redeemable money. Such notions were advanced by the French in 1789-1790 and for a few years thereafter, and in this country in 1878, for example—both periods of irredeemable currency.

The contention that gold is just another commodity is valid only in those cases in which countries have a thorough-going system of irredeemable currency—the worst monetary system known to man. In our hybrid monetary system, which involves a restricted international gold bullion standard and an irredeemable currency, except when foreign governments and central banks are involved, gold is not just another commodity. It is our best money which is used, when demanded, in our international exchanges with central banks and foreign governments.

Evils of Irredeemable Currency

To simplify procedure and to be as precise as possible in a limited space regarding Mr. Wilson's defense of irredeemable currency and his contention that gold is just another commodity, samples of his principal contentions will be quoted and indicated by "W." My replies are indicated by "S."

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

S: Peace has likewise been possible for only part of the time under modern conditions. But as peace is better than war, so is a redeemable currency better than an irredeemable currency. It is credit that breaks down in time of trouble because it has been over-extended as against such a time. But gold is in no sense responsible for that. It is from credit to gold that people flee when credit seems unsound. There is confusion of cause and effect when one blames gold for the consequences of man's abuse of credit.

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

S: It was prevalence of gold standards that fostered free trade, free movements of capital, and free movement of people. Irredeemable currencies invite, go with, and perpetuate government dictatorship and obstructions to trade, travel, and capital investment abroad. Human freedom and use of the gold standard attained their greatest development together, each contributing to the benefits of the other.

As to "rich new gold discoveries" of gold and the adoption of gold standards: Discoveries of gold mean nothing as against output of gold. The total output of gold in dollars at the rate of $20.67 per fine ounce during the 19th Century (1801-1900, inclusive), was $7,695,570,400, according to reports of our Mint. For the years 1901-1934, inclusive, the value of the output, at the rate of $20.67 per ounce, was $14,289,299,624. For the years 1935-1941, the value of the gold output, at the rate of $35 per fine ounce, was $8,983,980,815—greater than the output for all of the 19th Century. England went on the gold standard while the output of gold was declining sharply and before the discoveries of 1848. If there is any close relationship between discoveries of gold or output of gold and nations being off or on gold standards, the facts do not seem to reveal it.

W: "Gold convertibility of our money has not prevented wide fluctuations in commodity prices. Such fluctuations were common when we had gold convertibility."

S: Fluctuations of commodity prices are wider under irredeemable currency than under redeemable currency. We have already demonstrated that since 1933. Furthermore, it is not the fact of redeemability but the abuse in the use of credit plus all other forces affecting prices that cause fluctuations in prices. Redeemability puts a limit on credit expansion. An irredeemable currency releases or removes the brake on credit expansion.

The Question of Imbalances in International Trade

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

S: Gold standards are the greatest correctives of imbalances in international relations known to man. Irredeemable currencies obstruct natural correction and create further maladjustments.

W: "While gold convertibility might help police the politicians to some extent under normal conditions, it could not be counted on when most needed. . . . Specie payments would again be suspended under those conditions. . . Thus placing our faith in currency convertibility into gold coin as a means for stabilizing the economy of the nation would be found to be an illusion—a mirage—which would fade away when we were most depending upon it. Thus gold convertibility would expose the country to the far greater danger of wrecking the entire banking and credit structure through fear and panic. In addition to those people whose potential gold withdrawals might discipline government officials for extravagances, there would be the hoarders and international and domestic speculators whose demands for gold might generate panic reactions by the public. These and other reasons could stimulate withdrawals of gold at the wrong time and thus produce results quite different from those sought by sponsors of gold coin convertibility."

S: To insist that we should not have redeemability because it might be suspended as in time of war, is equivalent to saying that we should not have peace when we can get it because governments may suspend it.

To insist that holders of promises to pay on demand should not be able to collect when they desire is to take a position against a valuable property right. It means, also, that the promises to pay cease to be promises. It means, under our system, that, of our various kinds of dollars, the people shall be compelled to take the cheapest, while the government may properly keep the best to pay out to foreign central banks and governments. It means that the government and banks should be protected from meeting the promises which they voluntarily make, while the holder of the promise should be denied the right to convert that promise when he chooses.

That is a far-reaching blow at human freedom, the right of private property, and the right of a person to protect his property.

People do not withdraw gold domestically to any great extent if the government and banks conduct themselves properly. We fought World War I without suspending redeemability domestically. Even during the runs on banks prior to the bank closing of March, 1933, very little additional gold was demanded domestically. The heavy demands for gold came from foreign sources in January and February, 1933, when it was suspected that the President planned to suspend gold payments and to devalue our dollar. Even with that foreign withdrawal, our gold supply in March, 1933, was $4,261,000,000 as compared with a gold supply of $4,166,000,000 in March, 1929, $4,444,000,000 in March, 1926, and $2,859,000,000 in March, 1920. (The index of wholesale prices in March, 1933 (with 1926=100) was 60.2. In March, 1929, it was 96.1; in March, 1926, it was 100.6; in March, 1920, it was 159.)

The people take much abuse before they withdraw gold to any great extent. But the fact that they can and might withdraw gold, if abused sufficiently, compels the government and banks to conduct themselves with much greater circumspection than tends to be the case when they know they are free from the responsibilities placed upon them by a redeemable currency.

Advocacy of an irredeemable currency is advocacy of unrestrainable government and opposition to the rights of the people to hold gold when they desire it.

Government vs. Freedom of People

That raises a basic question of government versus the rights and freedom of the people. Where Socialism or government dictatorship exists there, also, exists irredeemable currency. Irredeemable money is the most potent legal weapon a dictator can use to control a people. Furthermore, it invites dictatorship.

Why should not the poor newsboy, seeking a start in earning an income be able to get a gold coin, which has universal acceptability, rather than be compelled to accept a piece of paper or overvalued silver or minor coin? Why should he not be enabled to learn the difference between gold and less valuable currencies? Why should he be compelled to accept inferior currency while our government reserves the best for foreign governments and central banks?

"Gold Is a Payment"

Mr. Wilson writes: "When I worked in the Westinghouse shops something over 40 years ago, I was paid in hard money—a $20 gold piece and some silver coins for two weeks' work." Boys and others of today should have the same opportunity to profit from such an experience. Gold and silver money have an important meaning to people which tends to be lost if they handle only paper money and checks. Gold is not a promise to pay; it is payment, and it is payment in a commodity having the quality of universal acceptability. It is scarce and difficult to get; it is valuable; it is closely related to ornamentation; it is dug from the ground and is minted by the government. A daughter, accustomed to paper money and checks, asked her father for a necklace priced at $1,000. The wise father later spread out $1,000 in gold for her to see and told her that there was the price of the necklace. Seeing the gold involved, she decided not to buy the jewelry. When a people lose contact with gold and silver, they lose their bearings. Our thousands, and millions, and billions of dollars today are mere pieces of paper and, consequently, have become meaningless in high degree. The present young generation have not handled gold. They do not understand its significance. Loss of that understanding can have far-reaching and unfortunate effects on these people and our nation.

And how does one defend an irredeemable promise to pay? Since honorable men do not intentionally issue such promises, how may their government or banks properly do so? And if our irredeemable paper money is not even a promise, what is it—just a piece of paper never to be redeemed? If so, how does one defend such paper as being as good as a metal having universal acceptability when the paper has limited acceptability? And why should we be compelled to take pieces of paper while foreign central banks and governments can get gold? And if it is wrong for individuals to hoard gold, why is it proper for our government to hoard it? Does this nation's money belong to the people or to the government? Why should the government take the best and compel the people to take the poorest?

These are fundamental questions which must be answered unless one is simply to assume that an unrestrainable government is desirable and that people should be deprived of a valuable right and an effective means of protecting their property.

Would a Redeemable Currency Be Harmful to U. S.?

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

S: People must have dollars before they can demand gold. And, since Jan. 31, 1934, foreign central banks and governments have been able to convert their dollars into gold. The point is that with the institution of redeemability other holders of dollars could then demand gold. And why should they not have the same rights in this respect as have central banks? And, if all non-bank holders of dollars can redeem their non-gold dollars in gold at the statutory rate, would they wish to redeem to any great extent? In the light of past experience and logic, demands for redemption would be small unless our government and banks should be engaging in abusive practices. Paper money and checks are far more convenient to use than is gold. Therefore there would need to be a compelling reason for conversion of a convenient currency into an inconvenient one. But should that reason arise, there is no valid grounds on which the banks and government may hold the dollars of best quality and compel the people to receive the porest.

W: "Discipline is necessary in these matters [of money and credit] but it should be the discipline of competent and responsible men; not the automatic discipline of a harsh and perverse mechanism."

S: Because people are fallible and cannot be trusted, brakes and automatic safety devices are provided in practically every direction possible. We would consider it most irrational to allow men to run a train without brakes and automatic controls. Considering the number of people involved, it is extremely foolish to allow fallible men to run a nation's monetary system without any effective brakes on the managers. Such a procedure has no valid defense in human experience.

Our money managers have already demonstrated their inability to control the expansion of credit and rise of prices as well as they insisted they could or as well as was done when the brake of redeemability operated. Although management of credit has not been particularly good even when our managers were compelled to respect the brakes, we should be able to understand, without consulting the world's experiences with such an undertaking, that our money managers have already failed to operate as well as was the case under redeemability. And in this fact alone we should be able to see the very important lesson involved.

Is Productive Power Basis of Monetary Stability?

W: ". . . The integrity of our money does not depend on domestic gold convertibility. It depends upon the great productive power of the American economy and the competence with which we manage our fiscal and monetary affairs."

S: All irredeemable currency is always issued against such vague things as the national wealth, the taxing power of the government, the productive power of the economy—all of which become meaningless in so far as maintaining the gold value of a currency is concerned. It is redeemability of a currency into gold at a fixed rate that provides the integrity of non-gold money — nothing else. Our great productive power does not prevent the depreciation of our irredeemable paper dollars in terms of gold in foreign markets where gold can be bought. A money to be as good as gold must be composed of the standard metal, gold, or be redeemable in it at a fixed rate.

Can We Have Confidence in Monetary Affairs Under Irredeemable Currency?

It generally is useless to look for much competence in fiscal and monetary affairs when an irredeemable currency is used. We are demonstrating that.

W: "I suggest that anyone who is worried about the dollar concentrate on the correction of those tendencies in our economic and political life. I suggest that . . . they address themselves to the difficult problem of the size of the budget, whether in deficit or surplus or balance."

S: That is a recommendation that we engage in a futile undertaking, as our experience since 1933 should have demonstrated very clearly by this time. So long as a government has the freedom given it by an irredeemable currency it can spend and run deficits as long as it is in power. The people are helpless in the face of such a situation.

W: "Gold has a useful purpose to serve, chiefly as a medium for balancing international accounts among nations and as a guide to necessary disciplines in international trade and finance. It has no useful purpose to serve in the pockets or hoards of the people. To expose our gold reserves to the drains of speculative and hoarding demands at home and abroad strikes me as both unwise and improvident."

S: There is no valid reason why gold should be used as a necessary discipline in international trade but not at home. The useful purposes it serves at home are as a good standard of value, as a fine storehouse of value, as a good standard for deferred payments, as a good reserve against convenient substitutes, as an ultimate settler of balances, as a valuable property right, as a means of protecting one's savings, as a means of holding the central government and central banking system in check, as a means of preventing government dictatorship.

There would appear to be no defensible reason why people should not hoard gold or anything else if they choose. It is their property. They have a right to keep and to protect it. But to insist that the banks should have the authority to withhold gold paid into them when presented with promises to pay on demand in the form of the substitutes issued by the Treasury and banks in exchange for the gold is to contend that privilege without corresponding responsibility has a valid defense.

W: ". . . I believe most of the world as well as our country has outgrown the desirability or necessity for the free convertibility of their currencies into gold."

S: A look at what has happened to the value of irredeemable currencies should make clear the consequences of believing that redeemability is no longer desirable or necessary.

W: "Gold, in addition to its value in the arts and in industry, is only valuable to the extent that it can be used in commerce or traded to others for these fundamental commodities that are so necessary both in peace and war."

S: When by statute we specified that an ounce of fine gold should be coined into 35 dollars we made an ounce of gold equal to 35 gold dollars. What those dollars will buy is another consideration. What non-gold dollars will buy, of gold or anything else, is still another consideration. It is necessary that the various meanings of the value of gold not be confused.

W: "Gold still has a speculative value because it has been considered to be valuable by so many millions of people. . . ."

S: There is nothing speculative about an ounce of gold being worth 35 gold dollars. There is nothing speculative about 35 non-gold dollars being worth 35 gold dollars, or an ounce of gold, when the currency is redeemable at the statutory rate. The price of gold becomes speculative only under irredeemable currencies. Its value, in the sense of its purchasing power, is simply the question of prices as measured in terms of some gold unit.

W: "[Some cogitation in 1932] clearly indicated to me that gold was more important as a medium of exchange than it was in itself and that real values could only be maintained by maintaining production of those things that the people needed in their daily living."

S: Gold is wealth used both in industry and as money. Its value, in the various senses in which value may properly be applied to it, is as real as the value of any other scarce commodity or service. Gold is superior to practically all other valuable things because it is the most universally-marketable commodity known to man.

W: "While they [our dollars] no longer give the owners a call on so much gold, they do give a call on material, products and services at the market."

S: Any currency, regardless of how depreciated it may be, constitutes such a call.

W: "The only advantage the owners of dollars would have if dollars were freely convertible into gold would be in case they wished to spend their money abroad or in case they wanted to hoard it, having no confidence in currency and expecting the value of currency to depreciate in terms of gold."

S: The advantages would be that all our dollars would be of equal value, domestically and internationally; there would be no discrimination against our people and in favor of foreign governments and central banks; the return of other nations to redeemable currencies should be made easier; power to control the public purse would be returned to the people where it belongs; the fear of the power of the people under a redeemable currency should cause Congress to end its profligate waste of the people's national patrimony; the people would be able to block government dictatorship; private enterprise in foreign trade, investment, and travel should receive a new lease on life; honesty in respect to the redemption of promises to pay would be restored to the Treasury and Federal Reserve banks; a valuable and fundamental property right would be returned to the people; savings would be provided a better protection; people could make plans with greater assurance as to the future; there should be a revival of confidence and greater incentive for more saving, more investment, more production, more trade, more and safer prosperity; restoration of a redeemable currency should free our people from the prospects of the great trouble or disaster inherent in an irredeemable currency, but it would not, and could not, insure the people against sharp ups and downs in productive activity and prices since no monetary system can do that; our people would once more have an honest currency and the benefits of standards of honesty among officials in respect to the people's money.

If the currency were redeemable, it could not depreciate in terms of gold and there would be no basis for such expectation. The desire to hoard gold and the expectation of the depreciation of non-gold currency in terms of gold are characteristics of people's reactions under an irredeemable currency. It is assurance of redemption at the statutory rate that ends hoarding.

The Fear of Hoarding

The fears of hoarding gold and the desires to hold gold which prevail under an irredeemable currency should not be confused with the converse situation which prevails under a redeemable currency.

In 1878, as today, many men feared hoarding of gold and therefore opposed resumption of redemption. A banker offered $50,000 to be first in line when redemption was instituted, Jan. 2, 1879. On that day some $400,000 of gold were turned in for paper money or bank deposits; approximately $135,000 of paper money were turned in for gold. The banker's $50,000 offer disappeared. The year 1879 saw a continuation of those tendencies. Business recovered. The Treasury staff could not keep up with demands for its bonds. The Treasury refunded maturing debt at lower rates of interest. Gold flowed in from abroad. That has been our common experience with resumption of redemption.

W: "I am sure that the country will be very much better off if we adopt sound policies in regard to our credit and confidence money in order to avoid both inflation and deflation rather than depending on free convertibility of our currency into gold to accomplish this objective."

S: A government cannot be compelled to adopt sound fiscal and monetary policies so long as it has the freedom and unrestrainable power given it by an irredeemable currency. Our experiences since 1933 alone should make that clear.

Gold and Stabilized Purchasing Power

W: "This history of money throughout the world shows clearly that to rely upon gold for stabilizing the purchasing power of money is a vain hope."

S: This is a misstatement of the issue. No monetary standard known to man can stabilize the purchasing power of money. A basic function of a good monetary standard is to measure, not to control, changes in prices. On the standard money rests paper money, subsidiary coin, and credit. All these plus all factors affecting prices determine prices. Even with a redeemable currency, credit needs to be managed. If a currency is redeemable and if all credit is self-liquidating, then the purchasing power, in the form of money and credit, is largely a passive factor—a good medium of exchange. But when a currency becomes irredeemable and depreciates sharply because of its inherent weakness, it becomes not just a passive medium of exchange but a potent causal factor affecting prices.

W: "I would recommend putting our confidence in these two ideas ["By the industry of the people the state flourishes" and "In God We Trust"] as a means of maintaining a sound value for our currency rather than its convertibility into gold."

S: Those are the common security of the crudest irredeemable currencies. We have such security now and our dollar has a purchasing power, in terms of wholesale prices, of 43 cents, as of Nov. 13, 1951, as compared with its average purchasing power in 1939. Our non-gold dollars in private hands are selling at a discount in gold markets abroad. The fact is that people prefer gold to the "security" of the type recommended by Mr. Wilson.

W: ". . . Gold should be considered for what it really is, namely, just another commodity."

S: Gold is just another commodity only when a country is on a thoroughgoing irredeemable currency basis—the cheapest and worst currency known to man.

Even under our system of irredeemable currency, gold is money in our dealings with foreign governments and central banks.

W: "The world has long since passed the point where the personal privilege to hoard gold can be justified as one of the main objectives of life."

S: It may be doubted that anyone but a most abnormal type of miser would regard gold hoarding as "one of the main objectives of life."

There never has been a permanent suspension of specie payments in any nation in the world, and for good reason — paper is paper and gold is gold. England once ran on irredeemable currency for 24 years. We suspended for 17 years, 1861-1878. We are now in our 18th year of our present suspension. Countries are compelled to resume in due course; otherwise the currencies sink to extremely low values. That is the story which is unfolding today in most countries of the world.

Conclusion

When a people find themselves caught in the trap of irredeemable currency, they tend to adjust themselves to it. The fears which they properly sense as to the great desire to get gold if possible, because of distrust of a depreciating paper money, cause them to fear redemption. They cannot make the jump in their minds and emotions from the psychology under irredeemable currency to the different psychology which prevails under redeemability. As a consequence, the great mass of people become advocates and defenders of irredeemable currency. And that generally includes the majority who are regarded as business, social, and professional leaders. Apparently there never has been a movement by the mass of people or by the majority of business leaders toward a redeemable currency. Our experiences of 1878 are paralleled today. The mass of people, apparently the majority of business leaders, the press, the banks, and so on, are, as in 1878, fearful of redemption. Currency reform comes from statesmanship. Statesmen must act despite the people's fears. That was the great task which John Sherman performed for this nation, 1874-1879.

Nothing of importance is being said today in defense of irredeemable currency that was not said in 1878 in so far as this author has been able to observe. We have a central banking system which did not exist then, and that fact inspires sufficient confidence in some people to cause them to advocate irredeemable currency on the ground that the Federal Reserve authorities can now manage it with success. But the record of the Reserve authorities already proves that such is not the case. And the experiences of other central banks, under irredeemable currencies, teach the same lesson.

Our people today, unlike those of 1874-1879, do not have a John Sherman to rescue and to protect them, and, unless one appears, we probably shall experience serious trouble.

There also appears to be a widespread notion in this country that under an irredeemable currency we are less likely to have a severe business recession than otherwise would or might be the case. All who believe that might do well to consider the fact that the maladjustments generated under Greenbackism culminated in the longest period of business contraction in our history — 65 months, 1873-1878, as compared with 45 months, 1929-1933. Our currency can depreciate badly and injure us severely; or our economic relationships can become so greatly distorted that we may find ourselves engulfed in a severe business depression as in 1873-1878.

A redeemable currency is like good rails on a railroad. They cannot prevent wrecks if the personnel is irresponsible, but they will not cause wrecks. Defective rails can cause wrecks regardless of how responsible the personnel may be. So it is with redeemable versus irredeemable currencies. A redeemable money never caused a wreck. The story of irredeemable currencies, on the other hand, is that of a series of catastrophes in which the basic causal factor was the irredeemability of the currency.

Hycon Mfg. Co. Stock Offered at $1 a Share

Gearhart, Kinnard & Otis, Inc. and White and Company are offering 290,000 shares of common stock of Hycon Manufacturing Co. at a price of $1 per share.

Proceeds of the offering will be used by the company as working capital to handle its existing backlog of government contracts and such additional contracts as are obtained from time to time.

The corporation has acquired all the assets of Hycon Mfg. Co., a California corporation, which was organized in 1946 and manufactured aircraft parts and accessories until June 1948 when the present management assumed control. The company then began a program of design and manufacture of electronic and radar equipment, guided missile components, aerial photographic equipment, and ordnance products. A number of products developed by the company since July 1, 1948 are considered to have valuable proprietary patent rights.

The backlog of orders and letter awards held by the California company at present exceeds $10,000,000, of which approximately $6,000,000 represents the company's half interest in an ordnance manufacturing program held jointly with Oedekerk & Ludwig, Inc.

Sales of the California corporation for 1950 were $1,411,739 and net profit after taxes was $103,279 compared with sales of $404,428 and net profit of $11,587 for 1949.

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following firm changes:

Transfer of the Exchange membership of Eugene F. Canavan to Alfred J. Nobel will be considered by the Exchange on Dec. 6.

Transfer of the membership of the late George A. Seligmann to Louis Gross will be considered on Dec. 13.

Transfer of the membership of Benjamin H. Brinton to Richard S. Barnes will be considered by the Exchange on Dec. 13.

Transfer of the membership of the late James A. K. Marshall to Rowland H. George will be considered Dec. 13.

Frances Weeks Ryan retired from partnership in Luke, Banks & Weeks Nov. 30.

With Dempsey-Tegeler

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Kenneth O. Barsamian has become affiliated with Dempsey-Tegeler & Co., 210 West Seventh Street. He was formerly with Lester Ryons & Co.

Curtis Lipton Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Harlan N. Lee has joined the staff of Curtis Lipton Co., 338 South Western Avenue.

King Merritt Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Ross T. Smith is now with King Merritt & Co., Inc., Chamber of Commerce Building.

Bailey Davidson Adds

(Special to THE FINANCIAL CHRONICLE)

FRESNO, Calif.—Gerald G. McNutt is now associated with Bailey & Davidson, 2133 Fresno Street.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

A reversal in the trend last week brought about sighs of relief from long holders of stocks. The news from Korea either was disregarded or given short shrift. In any case the "cease fire" stories that broke in the daily papers had very little repercussions on the stock market price structure.

* * *

This brings me back to the shooting war in Korea and the word tossing war in Europe. We are committed to a tremendous rearmament program at home and a financing of an almost equally large rearmament program abroad. It's no secret that European countries are in no position to finance American imports. There are many schemes to see that these European countries in the North Atlantic Treaty organization keep their armament purchases high and at the same time step up their internal rearmaments.

* * *

What these schemes are need not be gone into here. The fact remains that instead of a letdown in armament spending we haven't even approached the bottom of the long uphill climb. This, in effect, means that instead of any cessation in orders for many industries tied into the armament program, they'll be stepped up with resultant increase in gross profits.

* * *

Gross profits and net are, however, two different things. Taxes will take a substantial slice. Increased wages will also take a goodly share. But basically the fringe industries, those not directly involved in the armament program, will benefit from the increased wages that will almost certainly be available in the near future.

* * *

Disregarding the fundaments, the action of stocks of companies in the consumer group (as against those in the heavy industries) have shown greater comparative strength in the past few weeks to such an extent that they point to something that cannot be disregarded by the seeker after profits.

In the past few weeks this column has recommended the so-called "cheap stocks," stocks of companies in the amusement industry, in the non-ferrous branches and in building trades. In the past week or so these have shown better than market performance. Given the opportunity, I think they will add more to their recent gains.

* * *

F. O. H., Jersey City, N. J.: I regret that I haven't the time nor the facilities to reply personally to your letter. To answer your questions I would need considerably more knowledge of your financial position than your letter shows. I cannot engage in personal investment advice. In the past I have recommended various issues. Readers will have to determine for themselves what their finances will allow and if the stocks suggested fit their programs.

[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.]

Continued from first page

How Bad Is Inflation?

or all of its debt. Therefore, when government embarks on a program of bank credit expansion there is every reason to fear that the expansion will be permanent.

But why should it ever be necessary for government to borrow from the banks? Here is the heart of the inflation problem. There is never any reason for government to borrow from the banks or from anyone else except when it is spending more than it collects in taxes. This raises the basic conflict of doctrine regarding the purposes of government and how it shall fulfill them.

Duties of Government

This conflict has long existed but the issues have been increasingly sharpened over the last 20 years. On one hand is the position that government exists to perform certain services for the people; that the nature and scope of these services are to be determined by a reasonably strict interpretation of the Constitution; and that taxes should be collected to cover their cost. On the other hand is the position that government is not to be limited by the bare bones of constitutional powers, but rather, it is to regulate and manipulate the economy, to shelter all and sundry from even the ordinary economic hazards, and to be the prop and mainstay of the good life until we arrive at the ultimate haven of the national Socialist state.

A tide of public indignation is now rising against the decay of ethical standards in government. A fundamental reason for this decay is the immense size and power of the government. Power always corrupts and absolute power corrupts absolutely. As the Federal Government advances farther into the welfare state it is moving rapidly toward absolute power. It is far too big to be understood, to be managed competently, or to be paid for without bankrupting the people. To attain greater morality and efficiency, the size, power, and cost of the Federal Government must be reduced. The conditions now being disclosed in the Bureau of Internal Revenue have had their origin first, in the basic immorality of our tax doctrine, second, in the atrocious rates of tax imposed, and third in the Bureau's ruthless use of immoral practices, including blackmail, to increase back tax collections.

With a restoration of the Constitution as the guide for determining the functions and objectives of the Federal Government, there would be no occasion for deficits, no case for borrowing. This would be true, even in war.

The planned and controlled economy involves a continuous increase of the public debt. Government, in its role of paternalistic benefactor, undertakes to do more things for the people than they are willing to pay for currently in taxes. An elementary axiom of politics is that the people would not demand all of the benefits that government is giving them if the bill had to be paid regularly in cash on the barrelhead. Many persons have had long, if undistinguished careers in Congress by strict adherence to the rule of never voting against an appropriation, or for a tax.

Seductiveness of Welfare State

Here enters the marvelous seductiveness of the Welfare State as the ante-chamber to the Socialist state. The people have been persuaded that not all of the bill has to be paid now in taxes. Part of it can be borrowed. The benefits can be enjoyed now, and since we may not be living when the final bill is presented, we can let the next generation pick up the check. The principle of divide and rule has a perfect application in this advance into the Welfare State. The form vote has been corralled by an inordinate program of price supports, REA, and flood control. The veterans have been gathered in by a housing loan program, readjustment benefits, and pensions. The old folks have been held in line by small teasers in increased OASI benefits. Business has been enticed by contracts, five per centers, and RFC loans. The labor organizations have been brought into the fold by legislative support of membership maintenance and by appropriate revisions of the cost of living index.

None of these shenanigans is inflationary, *per se*. The farm parity program may increase the prices of farm products. Wage escalator clauses may increase the prices of some manufactured goods. The resulting price distortions merely compel consumers to re-shuffle their spending. If they buy the same quantities of beans and bacon, or automobiles, at the higher prices they can buy less of other things. This is not inflation. It is a bad thing for any specially favored group to have a throat-hold on the whole economy. But we should recognize this evil for what it is and deal with it by proper measures. We should not confuse it with inflation.

All of the benefit programs produced by a combination of governmental paternalism and popular avidity raise the budget to a level that will not be fully covered by the current revenues. Each group on the Federal gravy train assumes that its coach is not the one that is overloading the revenue engine. Bad debt management and unsound financial policies have combined to produce a debt structure so unbalanced and so unattractive to noninstitutional investors as to assure that any substantial new debt financing will be inflationary.

The blandishments of phony finance make it difficult to defend the austerity of sound, honest finance.

Illusions of Inflation

First, the early stages of inflation are pleasant because they are usually gentle rather than violent. Prices rise but not too rapidly. Dollar profits increase. Employers can purchase labor peace by a succession of wage increases and pass along the higher costs without diminution of sales volume. Those with fixed incomes are squeezed from genteel into shabby poverty, but their anguished outcries go unheard amid the general rejoicing.

Second, there is the great illusion that government benefits do not cost anything. Both the individual and the nation can live beyond their respective means by running up charge accounts. Eventually, the sheriff moves in on the individual and inflation moves in on the nation. It is fundamental that the nation really *does* pay as it goes, either through taxes or inflation. But it takes time to spread popular understanding of the fact that inflation always costs more than taxes.

Dollar Depreciation

Third, there is the rationalization that a gradual depreciation of the dollar, which means a creeping inflation, will lead to more employment, more output, and a higher standard of living. From the various expressions of this viewpoint I select the following by Professor Sumner H. Slichter. He said:

"Let us not overlook the fact that an economy with slowly rising prices has advantages as well as disadvantages in comparison with an economy that has a stable price level over the long run. It has more employment, more output, and a higher standard of living than an economy with a stable price level. Consequently, the prospect the dollar will slowly drop in purchasing power is not to be viewed in alarm. When one is compelled to choose between two kinds of economies, each of which has certain disadvantages, one is naturally inclined to select the economy that produces the higher standard of living. Therefore, as between an economy with a stable price level and one with a slowly rising price level, the latter is to be preferred."[1]

In fairness to Professor Slichter I should say that in the paper cited here he did discuss ways of preventing inflation. But his discussion reveals a closed mind to tax methods other than the income tax, and a fatalistic acceptance of the view that any legislative folly, once committed, cannot be reversed. It is easier to understand his conclusion, from these premises that continuing inflation is inevitable than it is to condone his rationalization that this condition will not be too bad, after all. He says that a continuing inflation which he hopes, though without supporting historical evidence, will always be gradual, will assure more jobs, more output, and a higher living standard. The issue is—must we have a steadily depreciating dollar, that is, a continuous inflation, to achieve these results? In my limited time I can only outline the rebuttal I would make.

Keys to Real Prosperity

First, employment and output are the keys to living standards.

Second, profit is the key to employment and output.

Third, capital formation, managerial skill, and technological advance, are the keys to profit.

The matter boils down to this —does the vitality and vigor of the profit incentive depend on continuously rising prices? Would this vigor disappear if prices were stable or if they were to fall gradually over a long period?

History gives a negative answer. Our large mass production industries have not needed rising prices. On the contrary, they have found that regular price reductions were the *open seasame* to more jobs, more volume, and larger profits. The nation as a whole prospered mightily from the Civil War to 1900 under generally downward prices. England prospered with declining prices from the end of the Napoleonic wars to the close of the 19th Century.

I am not arguing for either another generation or another century of falling prices although the eminent English economist, Alfred Marshall, long ago gave some pointed reasons in support. I am only saying that we do not need continuously rising prices to be prosperous.

If there were to be either a stable or a slowly falling price level, the case for wage adjustments to cost of living would be gone. Real incomes, the only sound measure of living standards, would be constant or would increase. Capital formation would be less costly because both the business reinvestment dollar and the dividend dollar would go farther. Hence, while profits might not attain the fantastically inflated dollar totals of recent years they could be expected to be adequate as a production incentive, first, because the true character of profit as a reward for risk and astute management would be more sharply revealed; second, because profits would go farther; and third, because the fruits of technological improvement could be shared among all owners, workers, and consumers instead of being channeled off into the pockets of a small segment of the workers.

Fallacy of Rising Price Argument

The fallacy in the continuously rising price argument[2] is the assumption that corrective adjustments can be made to compensate virtually everybody for the price

1 Sumner H. Slichter, "The Integrity of the Dollar," in *Proceedings of the Academy of Political Science*, May, 1951, pp. 99-116, at p. 116.

2 The only group for which Professor Slichter has little sympathy is the men of age 45 and up who carry life insurance. He says that most of these are over-insured anyway.

advance without causing the inflation to get out of hand. The sequence of this argument is as follows: Rising prices increase living costs; hence, to maintain sales volume and employment there must be more consumer spending power so, wages must be increased by a cost of living escalator. Note, however, that this would only serve to hold the line on living standards for the workers thus protected. It is proposed, further, that suitable escalators be provided for such fixed incomes as bond interest and pensions. By such devices those in receipt of these types of fixed incomes would get income adjustments that would hold the living standard line for them. However, to *raise* living standards in face of rising prices—the ultimate advantage which Professor Slichter claims for the rising prices—the escalator adjustments would have to rise faster than living costs. This scheme for general escalation of incomes neglect the fact that the escalator payments are costs to the debtors or employers obligated to pay them. The only way to give everyone enough additional money to compete for the goods requisite to a higher standard of living would be to pump more money into the economy. Adoption of any such scheme would be equivalent to equipping the price index with jet propulsion.

Professor Slichter anticipates a decline of about 2% a year in the value of the dollar, or a loss of about half its present value in 40 years. But he does not say what will happen then. Even granting his assumption—which is optimistic because the dollar lost about half of its 1939 value in 12 years to 1951—it amounts to saying that the present generation need not worry for it will be safely underground when the deluge comes. What a Hell of a philosophy to offer a nation that, thus far, has always built for the future of its children and grandchildren!

Inflation Is Legalized Robbery

The belief that a continuing inflation is inevitable assumes that certain government policies involving inflation will not be changed. Acceptance of inflation as the lesser evil stems from the fear that deflation will lead to depression. This fear is a social psychosis implanted during the years 1929-1933. In dealing with a psychosis, that which has been forgotten is often more important than what is remembered. We remember the armed resistance of embattled farmers against mortgage foreclosure but we forget the immense expansion of farm mortgage debt in the early 1920's. We remember the frozen assets of banks and the bank holidays but we forget the shift of bank investments from short-term to long-term paper under the relaxed banking laws of the previous decade. We remember the precipitous decline of stock market quotations after 1929 but we forget the fabulously thin margins and the ever-zooming share prices in the years preceding 1929. My point is that the way to avert the excesses of a depression is to avoid the excesses of an inflation. Since no inflation, once started, can be controlled any more than a prairie fire, the way to avoid inflation excesses is to have no inflation.

No matter how thin it is sliced, inflation is legalized robbery. Selected groups can be protected against it to some extent by parity programs or escalator wage clauses. But the advantage of these groups merely makes it tougher for the non-sheltered groups. The cost of parity supports or wage escalators comes out of the hides of those on fixed incomes, unorganized workers, and stockholders.

As I have said, limited application of such protective devices does not necessarily mean inflation. It is merely robbing Peter to pay Paul. But we are asked to believe that through some kind of financial skullduggery Paul can be paid without robbing Peter. The only source of new purchasing power in the amounts that would be required for this kind of financial bootstrap levitation is the government.

"There Is No Free Lunch"

Those on fixed incomes, the unorganized workers, and the owners of the tools of industry would still be behind the eight-ball. The burden of an inflation on the scale required to supply everyone with enough dollars to keep up with the rising prices would accelerate the tempo of currency depreciation and long before its value had reached zero, the debt would be repudiated. Then, at long last, would be terminated the cycle of deceit and fraud which began when government initiated, and the people accepted, the policy of public benefits beyond their willingness to pay. No scheme of currency depreciation and inflation can disguise the inexorable truth of that elementary fact of economic life—*There is no free lunch.*

Continued from page 5

The State of Trade and Industry

Steel Output Scheduled to Decline Slightly This Week

The current week demand pressure on the steel mills continues as strong as ever, says "Steel," the weekly magazine of metalworking. Slack arising from cutbacks in consumer durable goods is being offset by expanding defense requirements. Mills are booked virtually full for the first quarter despite smaller allotments on civilian goods account. Carryover tonnage from the fourth quarter will be substantial in all the major products, especially plates, structurals and bars. Consequently, there seems little likelihood of any easing in supply conditions before the second quarter at the earliest, this trade weekly points out.

Revisions in allotments of steel, copper products and aluminum to some government claimant agencies for production and construction in the first quarter were announced last week. The changes provide additional controlled materials to the Federal Security Agency for construction of schools and hospitals, the Atomic Energy Commission for important projects, the Defense Electric Power Administration for transmission lines, and the Department of Defense for urgent production programs.

Many soft spots in demand now apparent will disappear early in the first quarter, this trade magazine states. Diversion of continuous mill rolling time to production of light plates on a larger scale will take up considerable of the slack now developing in the light, flat-rolled products. Further, since the soft spots largely stem from cutbacks in steel and other metal allotments to civilian goods with attending dislocations and curtailments in manufacturing schedules, affected manufacturers are likely to intensify their efforts to get into defense work. Results should be apparent on an increasing scale from here on as defense activities gain steadily and subcontracting spreads out to shops now adjusting from civilian goods production.

Threat of a scrap shortage this winter is increasingly disturbing, "Steel" adds, despite the more optimistic view held in government circles as the result of a survey of 165 steel mills which showed stocks of purchased scrap up to 45 days' supply from April's low point of 36 days. Critically low stocks of scrap are reported by some mills, including large works in the Pittsburgh area, and it is apparent widespread allocation of tonnage to distress points will have to be continued through the winter if sharp production curtailments are to be averted.

The American Iron and Steel Institute announced this week that the operating rate of steel companies having 93% of the steel-making capacity for the entire industry will be 103.6% of capacity for the week beginning Dec. 3, 1951, or a decrease of 0.4 of a point from a week ago.

This week's operating rate is equivalent to 2,071,000 tons of steel ingots and castings for the entire industry, compared to 104%, or 2,079,000 tons a week ago, and 101%, or 2,019,000 tons a month ago. A year ago it stood at 100.5% of the old capacity and amounted to 1,938,400 tons.

Electric Output Soars to New Historical High in Post-Holiday Week

The amount of electric energy distributed by the electric light and power industry for the week ended Dec. 1, 1951, was estimated at 7,475,693,000 kwh., according to the Edison Electric Institute.

The current total was 318,655,000 kwh. above that of the preceding holiday week; 759,420,000 kwh., or 11.3% above the total output for the week ended Dec. 2, 1950, and 1,732,778 kwh. in excess of the output reported for the corresponding period two years ago.

Carloadings Drop 12.6% in Holiday Week

Loadings of revenue freight for the week ended Nov. 24, 1951, totaled 711,447 cars, according to the Association of American Railroads, representing a decline of 102,988 cars, or 12.6% below the preceding week, due to the Thanksgiving holiday.

The week's total represented an increase of 9,896 cars, or 1.4% above the corresponding week of 1950, and a rise of 46,892 cars, or 7.1% above the comparable period of 1949.

Auto Output Rebounds to Higher Level in Post-Holiday Week

Combined motor vehicle production in the United States and Canada the past week, according to "Ward's Automotive Reports," rose to 117,224 units, compared with the previous week's total of 86,313 (revised) units, and 152,140 units in the like week of 1950.

Passenger car and truck production last week in the United States was about 40% higher than the previous week but dropped about 26% below the like week of last year.

For the United States, total output advanced to an estimated 109,074 units from last week's revised total of 78,110 units. In the like week of last year output totaled 147,300 units.

Total output for the current week was made up of 87,442 cars and 21,632 trucks built in the United States, against 62,048 cars and 16,062 trucks last week and 126,456 cars and 20,844 trucks in the comparable 1950 week.

Canadian output is estimated at 5,200 cars and 2,950 trucks against 5,271 cars and 2,932 trucks last week and 3,853 cars and 987 trucks in the corresponding 1950 week.

Business Failures Hold Steady

Commercial and industrial failures totaled 148 in the week ended Nov. 29, one below the 149 in the preceding week, Dun & Bradstreet, Inc., reports. Casualties were down slightly from a year ago when 160 occurred; they were off more sharply from the 1949 total of 221, and were 44% below the prewar level of 264 in the similar week of 1939.

Wholesale Food Price Index Reaches Six-Week Peak

Continuing its upward movement for the third straight week, the wholesale food price index, compiled by Dun & Bradstreet, Inc., rose from $6.68 a week ago to $6.71 as of Nov. 27. This was the highest level in six weeks, and marked an increase of 0.6% as compared with $6.67 on the corresponding date a year ago.

The index represents the sum total of the price per pound of 31 foods in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Attains New High Level for Past Five Months

Following irregular movements, the Dun & Bradstreet daily wholesale commodity price index turned higher toward the end of the week to reach a new high ground for the past five months. The Nov. 27 index at 311.87, compares with 311.07 a week ago, and with 302.02 on the corresponding date last year.

Trading in leading grain markets increased last week with prices showing firmness at the close. Early declines from recent high levels were largely influenced by the favorable progress of cease-fire negotiations in Korea. Strength in wheat reflected continued heavy export sales of the bread cereal and the lower estimates of Canadian supplies. Other supporting factors included a pick-up in domestic flour trade and a substantial reduction in United States visible supplies. Corn prices were very irregular.

Early sharp declines were mostly recovered at the close as demand broadened, aided by fairly active export business.

Marketings of the crop showed some increase last week but the movement remained far below the average for this time of year. Demand for oats was less active and prices reacted from recent peaks. Sales of all grain futures on the Chicago Board of Trade last week averaged 47,000,000 bushels per day, as compared with 44,000,000 the previous week, and 42,000,000 in the same week last year.

Domestic cotton prices moved over a wide range and finished sharply higher for the week, bolstered by the general expectation of a further reduction in the official crop estimate.

There was some selling during the week induced by developments in Korean truce talks, the continued lag in demand for textiles, and a further decline in the rate of domestic consumption.

The Bureau of the Census reported consumption during the October period at 905,000 bales, equal to a daily average of 36,600 bales. This compared with a daily rate of 37,000 bales in September, and 42,400 in October a year ago. The movement of cotton into the government 1951 loan stock continued to taper off.

Trade Volume Rises on Christmas Buying

With Christmas shopping gaining momentum in most parts of the nation, retail dollar volume continued to rise in the period ended on Wednesday of last week; as during recent weeks it was somewhat higher than that of a year earlier, Dun & Bradstreet, Inc., states in its current trade summary. Many merchants reported that shopping on the Friday after Thanksgiving, sometimes considered a bell-wether of the entire Yule season, was well above a year ago.

The interest in apparel was focused mainly on merchandise suitable as gifts.

While retailers of household goods sold more than the prior week, over-all consumer demand did not approach the unusually high level of a year ago. However, an increasing number of individual merchants bettered the sales figures of a year ago. Although television sets were in wider demand, most shoppers were still rather bargain-conscious. Glassware, small appliances, toys, and lamps were especially popular.

Total retail volume in the period ended on Wednesday of last week was estimated to be from 1 to 5% higher than that of a year ago. Regional estimates varied from the levels of a year ago by the following percentages:

New England and Northwest —2 to +2; East +1 to +5; Midwest 0 to +4; South +4 to +8; Southwest and Pacific Coast +3 to +7.

Trading activity in wholesale markets quickened perceptibly in the week as many buyers reordered for the holiday season. There was a marked rise in the number of orders for Spring needs although the total volume remained rather scanty. The total dollar volume of wholesale orders was about on a par with a year ago. Buyer attendance at many wholesale markets was larger than in the prior week and did not vary notably from a year earlier.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended Nov. 24, 1951, increased 11% from the like period of last year. In the preceding week an increase of 2% was registered above the like 1950 week and an increase of 7% for the four weeks ended Nov. 24 1951. For the year to date, department store sales registered an advance of 4%.

Retail trade in New York last week received much stimulus from good shopping weather, with indications pointing to higher figures than a year ago. However, the air raid alert in midweek interrupted the forward movement and sales volume declined sharply to about 1 to 2% under the 1950 level.

According to Federal Reserve Board's index, department store sales in New York City for the weekly period ended Nov. 24, 1951, advanced 15% above the like period of last year. In the preceding week a decrease of 4% was recorded from the similar week of 1950, but for the four weeks ended Nov. 24, 1951, an increase of 6% 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. 9	103.6	104.0	101.0	100.5
Equivalent to—					
Steel ingots and castings (net tons)	Dec. 9	2,071,000	2,079,000	2,019,000	1,938,400
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output — daily average (bbls. of 42 gallons each)	Nov. 24	6,232,176	6,237,150	6,339,900	5,887,870
Crude runs to stills—daily average (bbls.)	Nov. 24	‡6,757,000	6,616,000	6,461,000	6,238,000
Gasoline output (bbls.)	Nov. 24	22,181,000	22,114,000	22,364,000	19,847,000
Kerosene output (bbls.)	Nov. 24	2,862,000	2,802,000	2,573,000	2,386,000
Distillate fuel oil output (bbls.)	Nov. 24	9,428,000	9,688,000	9,380,000	8,591,000
Residual fuel oil output (bbls.)	Nov. 24	9,305,000	9,403,000	8,433,000	8,470,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Nov. 24	111,698,000	110,381,000	111,120,000	106,424,000
Kerosene (bbls.) at	Nov. 24	31,661,000	32,729,000	33,541,000	28,291,000
Distillate fuel oil (bbls.) at	Nov. 24	98,966,000	*100,200,000	102,106,000	86,768,000
Residual fuel oil (bbls.) at	Nov. 24	47,591,000	48,434,000	49,168,000	45,566,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Nov. 24	711,447	814,435	863,961	701,551
Revenue freight received from connections (number of cars)	Nov. 24	654,691	687,557	708,620	642,499
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Nov. 29	$179,341,000	$163,148,000	$209,778,000	$260,346,000
Private construction	Nov. 29	115,966,000	93,962,000	140,314,000	127,681,000
Public construction	Nov. 29	63,375,000	69,186,000	69,464,000	132,665,000
State and municipal	Nov. 29	43,935,000	56,201,000	53,602,000	101,250,000
Federal	Nov. 29	19,440,000	12,985,000	15,862,000	31,415,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Nov. 24	10,090,000	*11,560,000	11,565,000	9,168,000
Pennsylvania anthracite (tons)	Nov. 24	841,000	993,000	1,086,000	687,000
Beehive coke (tons)	Nov. 24	136,200	*140,200	136,600	137,900
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE = 100	Nov. 24	355	374	327	319
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Dec. 1	7,475,693	7,157,038	7,319,019	6,716,273
FAILURES (COMMERCIAL AND INDUSTRIAL)—DUN & BRADSTREET, INC.	Nov. 29	148	149	143	160
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Nov. 27	4.131c	4.131c	4.131c	3.837c
Pig iron (per gross ton)	Nov. 27	$52.72	$52.72	$52.72	$49.69
Scrap steel (per gross ton)	Nov. 27	$42.00	$42.00	$42.00	$40.75
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Nov. 28	24.200c	24.200c	24.200c	24.200c
Export refinery at	Nov. 28	27.425c	27.425c	27.425c	24.425c
Straits tin (New York) at	Nov. 28	103.000c	103.000c	103.000c	140.500c
Lead (New York) at	Nov. 28	19.000c	19.000c	19.000c	17.000c
Lead (St. Louis) at	Nov. 28	18.800c	18.800c	18.800c	16.800c
Zinc (East St. Louis) at	Nov. 28	19.500c	19.500c	19.500c	17.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Dec. 4	97.00	97.15	97.71	101.35
Average corporate	Dec. 4	108.88	109.06	109.60	115.43
Aaa	Dec. 4	113.31	113.70	113.89	119.61
Aa	Dec. 4	112.37	112.37	112.75	118.60
A	Dec. 4	107.62	107.80	108.52	114.66
Baa	Dec. 4	102.46	102.80	103.47	109.06
Railroad Group	Dec. 4	104.66	104.83	105.69	111.44
Public Utilities Group	Dec. 4	108.52	109.06	109.42	115.63
Industrials Group	Dec. 4	113.31	113.50	113.70	119.20
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Dec. 4	2.70	2.69	2.65	2.40
Average corporate	Dec. 4	3.23	3.22	3.19	2.88
Aaa	Dec. 4	2.99	2.97	2.96	2.67
Aa	Dec. 4	3.04	3.04	3.02	2.72
A	Dec. 4	3.30	3.29	3.25	2.92
Baa	Dec. 4	3.60	3.58	3.54	3.22
Railroad Group	Dec. 4	3.47	3.46	3.41	3.09
Public Utilities Group	Dec. 4	3.25	3.22	3.20	2.87
Industrials Group	Dec. 4	2.99	2.98	2.97	2.69
MOODY'S COMMODITY INDEX	Dec. 4	460.3	457.1	460.3	478.3
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Nov. 24	144,151	186,612	184,971	181,234
Production (tons)	Nov. 24	184,691	208,429	203,278	228,706
Percentage of activity	Nov. 24	75	86	85	100
Unfilled orders (tons) at end of period	Nov. 24	382,247	426,284	402,751	671,985
OIL, PAINT AND DRUG REPORTER PRICE INDEX — 1926-36 AVERAGE = 100	Nov. 30	148.1	149.3	149.0	140.6
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. 17	21,292	25,435	26,144	31,998
Number of shares	Nov. 17	608,024	715,703	770,718	935,447
Dollar value	Nov. 17	$26,845,662	$31,940,676	$32,981,060	$41,324,077
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Nov. 17	17,623	20,094	23,601	31,053
Customers' short sales	Nov. 17	156	267	131	348
Customers' other sales	Nov. 17	17,467	19,827	23,470	30,705
Number of shares—Total sales	Nov. 17	495,191	569,897	676,754	914,278
Customers' short sales	Nov. 17	5,436	9,255	4,469	13,046
Customers' other sales	Nov. 17	489,755	560,642	672,285	901,232
Dollar value	Nov. 17	$20,514,489	$24,174,760	$27,166,119	$36,312,668
Round-lot sales by dealers—					
Number of shares—Total sales	Nov. 17	127,850	148,840	185,090	279,210
Short sales	Nov. 17				
Other sales	Nov. 17	127,850	148,840	185,090	279,210
Round-lot purchases by dealers—					
Number of shares	Nov. 17	263,070	300,600	283,440	366,980
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR—1926 = 100:					
All commodities	Nov. 27	177.6	177.2	177.0	172.6
Farm products	Nov. 27	197.7	*195.7	192.1	185.7
Grains	Nov. 27	197.8	197.4	189.5	172.6
Livestock	Nov. 27	253.5	235.3	247.6	222.1
Foods	Nov. 27	189.9	189.8	189.9	176.9
Meats	Nov. 27	269.4	269.8	282.1	243.1
All commodities other than farm and foods	Nov. 27	165.2	*165.1	165.1	164.2
Textile products	Nov. 17	158.8	*158.6	157.0	167.8
Fuel and lighting materials	Nov. 27	138.8	138.7	138.8	135.6
Metals and metal products	Nov. 27	190.9	190.9	190.9	180.4
Building materials	Nov. 27	224.7	*224.8	223.8	219.0
Lumber	Nov. 27	347.5	*347.5	346.6	‡
Chemicals and allied products	Nov. 27	139.9	140.0	140.7	137.0

*Revised. ‡Not available. ‡Includes 504,000 barrels of foreign crude runs.

	Latest Month	Previous Month	Year Ago
AMERICAN GAS ASSOCIATION — For Month of September:			
Total gas (M therms)	3,179,383	3,254,515	2,792,100
Natural gas sales (M therms)	2,980,413	3,053,840	2,586,100
Manufactured gas sales (M therms)	90,700	99,488	124,500
Mixed gas sales (M therms)	108,270	101,187	81,500
AMERICAN IRON AND STEEL INSTITUTE:			
Steel ingots and steel for castings produced (net tons)—Month of October	9,096,000	*8,654,897	8,752,686
Shipments of steel products, including alloy and stainless (net tons)—Month of Sept.	6,207,491	6,755,589	6,145,354
AMERICAN PETROLEUM INSTITUTE—Month of August:			
Total domestic production (bbls. of 42 gallons each)	210,178,000	206,729,000	191,043,000
Domestic crude oil output (bbls.)	193,201,000	190,362,000	175,594,000
Natural gasoline output (bbls.)	16,969,000	16,357,000	15,442,000
Benzol output (bbls)	8,000	10,000	7,000
Crude oil imports (bbls.)	16,404,000	16,940,000	15,539,000
Refined products imports (bbls.)	7,783,000	7,500,000	10,476,000
Indicated consumption domestic and export (bbls.)	226,256,000	*219,023,000	215,742,000
Increase—all stocks (bbls.)	8,109,000	*12,146,000	1,316,000
AMERICAN ZINC INSTITUTE, INC.—Month of October:			
Slab zinc smelter output, all grades (tons of 2,000 lbs.)	79,432	70,623	79,997
Shipments (tons of 2,000 lbs.)	73,583	64,632	81,156
Stocks at end of period (tons)	23,084	17,235	9,108
Unfilled orders at end of period (tons)	66,293	66,838	64,436
BUILDING CONSTRUCTION PERMIT VALUATION IN URBAN AREAS OF THE U. S. — U. S. DEPT. OF LABOR — Month of Septmber (000's omitted):			
All building construction	$825,284	$764,711	$850,643
New residential	454,922	405,077	484,947
New nonresidential	275,906	258,318	266,204
Additions, alterations, etc.	94,456	101,316	99,692
BUILDING PERMIT VALUATION — DUN & BRADSTREET, INC.—215 CITIES—Month of October:			
New England	$20,911,700	$28,279,685	$29,288,032
Middle Atlantic	82,299,475	53,304,845	132,407,699
South Atlantic	29,667,872	41,026,632	37,164,086
East Central	80,647,840	96,322,803	128,681,438
South Central	58,225,322	70,032,298	73,222,010
West Central	29,288,609	39,506,703	30,322,274
Mountain	16,458,180	13,381,945	12,013,170
Pacific	49,946,823	69,442,081	77,156,951
Total United States	$367,445,821	$411,796,992	$520,255,660
New York City	53,886,760	25,034,632	70,902,243
Outside of New York City	313,559,061	386,762,360	449,353,417
COTTON AND LINTERS — DEPT. OF COMMERCE — RUNNING BALES:			
Lint—Consumed month of October	905,062	722,004	836,738
In consuming establishments as of Oct. 28	1,238,596	1,049,263	1,489,994
In public storage as of Oct. 28	5,567,181	3,341,544	6,375,419
Linters—Consumed month of October	135,795	113,592	128,905
In consuming establishments as of Oct. 28	188,909	146,433	209,568
In public storage as of Oct. 28	42,112	30,905	110,178
Cotton spindles active as of Oct. 28	20,394,000	20,714,000	20,770,000
COTTON SEED AND COTTON SEED PRODUCTS—DEPT. OF COMMERCE—Month of October:			
Cotton Seed—			
Received at mills (tons)	1,587,074	*1,053,549	1,122,651
Crushed (tons)	834,458	541,257	620,905
Stocks (tons) Oct. 31	1,687,370	*934,752	973,665
Crude Oil—			
Stocks (pounds) Oct. 31	152,144,000	90,010,000	89,685,000
Produced (pounds)	256,862,000	166,505,000	195,645,000
Shipped (pounds)	186,591,000	102,211,000	156,588,000
Refined Oil—			
Stocks (pounds) Oct. 31	154,868,000	102,715,000	107,144,000
Produced (pounds)	173,826,000	96,085,000	143,075,000
Consumption (pounds)	125,071,000	100,550,000	112,573,000
Cake and Meal—			
Stocks (tons) Oct. 31	72,611	70,841	214,226
Produced (tons)	386,106	250,122	276,465
Shipped (tons)	384,336	236,624	215,717
Hulls—			
Stocks (tons) Oct. 31	35,269	23,457	96,647
Produced (tons)	182,636	119,904	141,508
Shipped (tons)	170,824	115,361	127,331
Linters (running bales)—			
Stocks Oct. 31	135,369	94,982	89,757
Produced	265,628	175,473	206,761
Shipped	225,241	132,048	189,013
Hull Fiber (1,000-lb. bales)—			
Stocks Oct. 31	838	818	1,052
Produced	1,834	1,606	3,173
Shipped	1,814	†	3,199
Motes, Grabbots, etc. (1,000 pounds)—			
Stocks Oct. 31	5,762	4,144	4,096
Produced	4,029	2,463	3,374
Shipped	2,411	1,953	1,923
COTTON SPINNING (DEPT. OF COMMERCE):			
Spinning spindles in place on Nov. 3	23,182,000	23,188,000	23,082,000
Spinning spindles active on Nov. 3	20,394,000	20,714,000	20,758,000
Active spindle hours, (000's omitted) Nov.	10,721,000	9,247,000	10,041,000
Active spindle hrs. per spindle in place Nov.	460.3	474.2	542.4
MOODY'S WEIGHTED AVERAGE YIELD OF 200 COMMON STOCKS — Month of Oct.:			
Industrial (125)	6.15	6.03	6.76
Railroad (25)	6.41	6.13	6.39
‡Utilities (24)	5.77	5.78	6.02
Banks (15)	4.77	4.70	4.63
Insurance (10)	3.44	3.28	3.22
Average (200)	6.02	5.91	6.49
RAILROAD EARNINGS — CLASS I ROADS (ASSOCIATION OF AMERICAN RRS.)—Month of September:			
Total operating revenues	$855,928,988	$909,944,607	$872,032,232
Total operating expenses	660,407,749	700,651,363	600,672,104
Operating ratio	77.16%	77.00%	68.88%
Taxes	$105,667,570	$110,726,003	$132,850,141
Net railway operating income before charges	75,724,639	80,881,476	122,955,543
Net income after charges (est.)	50,000,000	55,000,000	101,000,000
ZINC OXIDE (BUREAU OF MINES)—Month of September:			
Production (short tons)	15,705	16,575	18,949
Shipments (short tons)	13,808	14,388	21,170
Stocks at end of month (short tons)	20,880	18,983	9,354

*Revised figure.
†Not shown to avoid disclosure of individual operations.
‡Amer. Tel. & Tel. excluded.

Securities Now in Registration

★ REVISIONS THIS WEEK
● INDICATES ADDITIONS

New Registrations and Filings

Abdoo, Inc., N. Y. City
Nov. 28 (letter of notification) 2,000 shares of class B common stock. **Price**—At par ($25 per share). **Underwriter**—None. **Proceeds**—For working capital. **Office**—166 West 75th St., New York, N. Y.

Air Marshal Corp., New York
Nov. 29 (letter of notification) 100,000 shares of common stock (par 1 cent). **Price**—At market (about 13 cents per share). **Underwriter**—Frazee, Olifiers & Hillman, New York. **Proceeds**—For general corporate purposes.

Allpark Finance Co., Inc., Houston, Tex.
Nov. 26 (letter of notification) 20,000 shares of common stock (no par) and 20,000 shares of preferred stock (no par). **Price**—For common, $5 per share; and for preferred, $10 per share. **Underwriter**—None. **Proceeds**—For working capital. **Office**—602 East 11th St., Houston, Tex.

American Machine & Foundry Co.
Nov. 30 (letter of notification) not less than 3,300 shares and not more than 4,000 shares of common stock. **Price**—At market (about $18.37½ per share. **Underwriter**—None. **Proceeds**—To be added to general funds to be apportioned to common stockholders entitled to fractional shares of stock on Dec. 15 in connection with 2½% stock dividend. **Office**—511 Fifth Ave., New York 17, New York.

American Mutual Fund, Inc., Los Angeles, Calif.
Dec. 3 filed 250,000 shares of capital stock (par $1). **Price** At market. **Underwriter**—American Funds Distributors, Inc., Los Angeles, Calif. **Proceeds**—For investment.

Austin Co., Cleveland, O.
Nov. 27 (letter of notification) 1,816 shares of common stock (par $25), to be offered to key employees. **Price**—$100 per share. **Underwriter**—None. **Proceeds**—For general corporate purposes. **Office**—16112 Euclid Ave., East, Cleveland 12, Ohio.

B. S. & K. Mining Co., Phoenix, Ariz.
Nov. 26 (letter of notification) 100,000 shares of common stock. **Price**—At par ($1 per share). **Underwriter**—None. **Proceeds**—For working capital. **Office**—242 So. First Ave., Phoenix, Ariz.

Bostitch, Inc., Stonington, Conn.
Nov. 29 (letter of notification) 5,000 shares of class A common stock. **Price**—$18 per share (with limit of 100 shares per person). **Underwriter**—None. **Proceeds**—For working capital. **Office**—Pawcatuck, Stonington, Conn.

British Industries Corp., New York
Nov. 30 (letter of notification) 12,500 shares of common stock (par 50 cents) to be reoffered pursuant to letter of recission. **Price**—Publicly sold at $1.12½ to $2 per share. **Underwriter**—Aigeltinger & Co., New York. **Proceeds**—To two selling stockholders. **Office**—164 Duane St., New York, N. Y.

Coffee Time Products of America, Inc.
Nov. 28 (letter of notification) 74,950 shares of class A common stock (par $1). **Price**—$4 per share. **Underwriter**—Luckhurst & Co., Inc., New York. **Proceeds**—For working capital. **Office**—74 Heath St., Boston, Mass.

Cristobal Sand, Inc., San Juan, Puerto Rico
Nov. 26 (letter of notification) 9,000 shares of class B common stock and 4,200 shares of preferred stock. **Price**—Of common, $10 per share, and of preferred, $50 per share. **Underwriter**—None. **Proceeds**—For construction and furnishing a residential and hotel development in Dorado, Puerto Rico. **Address** — Box 26, San Juan, Puerto Rico.

Dairymen's Ohio Farmers Milk Co., Cleve., O.
Nov. 26 (letter of notification) 31,471 shares of common stock (no par). **Price**—$7 per share. **Underwriter**—None. **Proceeds**—For working capital. **Office**—3068 West 106th Street, Cleveland, O.

Dealers' Cooperative Supply, Inc.
Nov. 29 (letter of notification) 500 shares of preferred stock. **Price**—At par ($100 per share). **Underwriter**—None. **Proceeds** — To purchase inventory materials. **Office**—5705 So. Central Ave., Los Angeles 11, Calif.

Family Finance Corp., Wilmington, Del.
Nov. 29 (letter of notification) 3,324 shares of common stock (par $1). **Price**—At market (not less than $15 per share). **Proceeds**—To Mrs. Beulah McCollum King, the selling stockholder. **Office**—200 West Ninth St., Wilmington, Del.

Federated Department Stores, Inc. (12/18)
Nov. 29 filed 250,000 shares of common stock (par $5). **Price**—To be supplied by amendment. **Underwriters**—Lehman Brothers, New York, and A. G. Becker & Co., Inc., Chicago, Ill. **Proceeds**—For expansion program.

Flagstaff Associates, Inc., Flagstaff, Ariz.
Nov. 21 (letter of notification) 5,000 shares of common stock. **Price**—At par ($10 per share). **Underwriter**—Bayard Weibert, Phoenix, Ariz. **Proceeds**—For working capital.

Guardian Loan Co., Inc., Brooklyn, N. Y. (12/10)
Dec. 3 (letter of notification) 2,220 shares of 6% cumulative preferred stock. **Price**—At par ($100 per share). **Underwriter** — None. **Proceeds** — For working capital. **Office**—26 Court St., Brooklyn 2, N. Y.

Hunter Creek Mining Co., Wallace, Ida.
Nov. 15 (letter of notification) 400,000 shares of capital stock. **Price**—25 cents per share. **Underwriters**—W. T. Anderson and Louis Payne, Spokane, Wash. **Proceeds**—For mining operations. **Office**—507 Bank St., Wallace, Idaho.

Iowa Public Service Co.
Nov. 26 (letter of notification) 2,000 shares of common stock (par $5). **Price**—At market (approximately $19.50 per share). **Underwriter**—A. C. Allyn & Co., Inc., Chicago, Ill. **Proceeds** — To Ray P. Stevens, the selling stockholder.

Iowa Southern Utilities Co. (12/17)
Nov. 29 filed 100,000 shares of cumulative convertible preferred stock (par $30). **Price** — To be supplied by amendment. **Underwriter**—The First Boston Corp., New York. **Proceeds**—For new construction.

Key West Propane Gas Corp., Key West, Fla.
Nov. 28 (letter of notification) $30,000 of first lien and collateral trust bonds, series A, due 1965. **Price**—At par (in denominations of $1,000 each). **Underwriter**—Bioren & Co., Philadelphia, Pa. **Proceeds**—For equipment and plant expenditures. **Office**—415 Fleming St., Key West, Florida.

Krauss (John), Inc.
Dec. 3 (letter of notification) 1,250 shares of 6% cumulative preferred stock. **Price**—At par ($100 per share). **Underwriter**—None. **Proceeds**—$79,000 to purchase 80 shares of corporation's common stock held by John Duetsch, and the remainder for working capital. **Office**—144-27 9th Ave., Jamaica, N. Y.

Lindemann (A. J.) & Hoverson Co. (12/18)
Nov. 28 filed 112,500 shares of common stock (par $1). **Price**—To be supplied by amendment. **Underwriter**—Sills, Fairman & Harris, Inc., Chicago, Ill. **Proceeds**—To eight selling stockholders.

McLaurin-Jones Co., Brookfield, Mass.
Nov. 28 (letter of notification) $95,500 of 10-year subordinated debentures, due Dec. 1, 1961, of which $45,500 will be offered to a single holder in exchange for a like par amount of 5% preferred stock issued in part payment of purchase price of plant. **Price**—At par (in denominations of $500 each). **Underwriter**—None. **Proceeds**—For construction and equipment.

Metals & Chemicals Corp., Dallas, Tex.
Nov. 26 (letter of notification) 100,000 shares of common stock (par 10 cents). **Price**—$3 per share. **Underwriter**—Beer & Co. and Binford, Dunlap & Reed, both of Dallas, Tex.; Carlson & Co., Birmingham, Ala., and Stuart Wyeth & Co. of Philadelphia, Pa. **Proceeds**—To purchase and install mill and for mining equipment and working capital. **Offering**—Now being offered.

Modern Loan Co., Louisville, Ky.
Nov. 30 (letter of notification) 12,500 shares of 6% cumulative preferred stock (par $10) and 12,500 shares of common stock (par $1). **Price**—For preferred, $11.50 per share; and for common, $1.25 per share. **Underwriter**—W. L. Lyons & Co., Louisville, Ky. **Proceeds**—For working capital. **Office**—645 South Third St., Louisville, Kentucky.

Muntz TV, Inc., Chicago, Ill.
Nov. 28 (letter of notification) 30,000 shares of common stock (par $1). **Price**—At market (approximately $2.87½ per share). **Underwriter**—John R. Kauffmann Co., St. Louis, Mo. **Proceeds**—To Earl W. Muntz, the selling stockholder. **Office**—1735 West Belmont Ave., Chicago, Illinois.

Mutual Shares Corp., New York
Dec. 3 filed 50,000 shares of common stock (par $1). **Price**—At market. **Underwriter**—None. **Proceeds**—For investment.

New England Fund, Boston, Mass.
Nov. 30 filed 50,000 shares of beneficial interest in the Fund. **Price**—At market. **Underwriter**—Coffin & Burr, Inc., Boston, Mass. **Proceeds**—For investment.

Pako Corp., Minneapolis, Minn.
Nov. 30 (letter of notification) 38,000 shares of common stock (par $5). **Price**—$7.50 per share. **Underwriter**—None. **Proceeds** — For working capital. **Office** — 1010 Lyndale Ave., North, Minneapolis, Minn.

Penzoil Co.
Dec. 3 (letter of notification) 39,658 shares of common stock (par $10) to be offered to common stockholders of record Dec. 10 at rate of one share for each 18 shares held; rights will expire on Dec. 28. South Penn Oil Co., parent, will subscribe for 31,693 shares, or 79.915% of the issue. **Price**—$33.25 per share. **Underwriter**—None. **Proceeds**—To retire debt incurred through expansion of refining and sales activities. **Office**—Drake Theater Bldg., Oil City, Pa.

Pioneer Air Lines, Inc., Dallas, Tex.
Nov. 29 filed 120,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Underwriter**—Cruttenden & Co., Chicago, Ill. **Proceeds**—To purchase new equipment.

Poor Charlie, Inc., New York
Nov. 28 (letter of notification) 2,000 shares of class B common stock. **Price**—At par ($25 per share). **Underwriter**—None. **Proceeds**—For working capital. **Office**—166 West 75th St., New York, N. Y.

Silver Chieftain Co., Wallace, Ida.
Nov. 16 (letter of notification) $72,500 of 6% debenture notes (300 at $40 each; 250 at $80 each; 150 at $160 each; and 75 at $400 each). **Price**—At principal amount. **Underwriters**—W. T. Anderson and Louis Payne of Spokane, Wash. **Proceeds**—For operating capital. **Office**—509 Bank St., Wallace, Ida.

Slate Creek Mining Co., Seattle, Wash.
Nov. 21 (letter of notification) 640,000 shares of common stock (par 5 cents) to be sold to one individual under an option granted in 1949. **Price**—8⅓ cents per share. **Underwriter**—None. **Proceeds**—To purchase equipment for mining operations. **Office**—145 Horton St., Seattle 4, Washington.

Teachers' Directory Service, Greenwood, Miss.
Nov. 26 (letter of notification) 1,000 shares of preferred stock. **Price**—At par ($100 per share). **Underwriter**—None. **Proceeds**—For equipment and working capital. **Address**—P. O. Box 395, Greenwood, Miss.

U. N. World, Inc., New York
Nov. 27 (letter of notification) 500,000 shares of common stock (par 10 cents) to be offered to existing stockholders and employees. **Price**—50 cents per share. **Underwriter**—None. **Proceeds**—For working capital. **Office**—319 West 44th St., New York 17, N. Y.

Western Gold Mines, Inc., Carson City, Nev.
Nov. 29 (letter of notification) 15,000 shares of capital stock (par 10 cents). **Price**—At market (estimated at about $2.12½ per share). **Underwriter**—None. **Proceeds**—For working capital. **Office**—First National Bank Bldg., Carson City, Nev.

Previous Registrations and Filings

★ **American Bosch Corp., Springfield, Mass. (12/27)**
Nov. 13 filed 65,450 shares of cumulative convertible second preferred stock, 1951 series, to be offered to common stockholders at rate of one share of preferred for each 20 common shares held (with over-subscription privileges). **Price**—To be supplied by amendment. **Underwriter**—Allen & Co., New York. **Proceeds**—For capital expenditures and working capital and other corporate purposes. **Offering**—Not expected until after Christmas.

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. **Withdrawal**—Request filed Nov. 26 to withdraw statement.

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. **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.

★ **Atlas Plywood Corp. (12/13)**
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. 12 vote on approving proposed financing.

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.

★ **Baxter Laboratories, Inc. (12/10-12)**
Nov. 21 filed 125,000 shares of common stock (par $1), of which 100,000 shares will be for the account of selling

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Continued from page 33

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.

★ **Carolina Natural Gas Corp. (12/10-11)**
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 Maine Power Co.**
Oct. 31 filed $7,000,000 first and general mortgage bonds, series T, due Nov. 1, 1981. **Underwriter**—Issue was awarded to Halsey, Stuart & Co. Inc. and associates on Dec. 5 on their bid of 101.14 for 3⅝s. **Price**—To be 101.749% and accrued interest. **Proceeds**—To repay bank loans. Statement effective Nov. 21.

★ **Central Maine Power Co.**
Oct. 31 filed 315,146 shares of common stock (par $10) to be offered for subscription by holders of 6% preferred stock and common stock 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. **Underwriters**—The First Boston Corp. and Coffin & Burr, Inc. **Price**—Expected to be $17.62½ per share. **Proceeds**—To repay bank loans and for new construction. Statement effective Nov. 21.

★ **Central Telephone Co. (12/11)**
Nov. 20 filed 20,000 shares of cumulative convertible preferred stock (no par). **Price** — To be supplied by amendment. **Underwriters**—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. (12/7)**
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.

★ **Conlan Electric Corp., Brooklyn, N. Y.**
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. **Offering**—Now being made.

★ **Consolidated Engineering Corp.**
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. **Offering**—Now being made.

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.

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.

★ **Exolon Co., Boston, Mass. (12/10)**
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.

★ **Ferro Corp., Cleveland, Ohio.**
Nov. 13 filed 91,859 shares of common stock (par $1) being 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**—$28 per share. **Underwriter**—Merrill Lynch, Pierce, Fenner & Bean, New York. **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.

★ **Fram Corp., East Providence, R. I. (12/17)**
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. (12/17)**
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 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 102,265 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. (12/10-15)**
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.
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. **Offering**—Expected today.

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.

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.
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. **Offering**—Expected today.

★ **Ideal Cement Co., Denver, Colo.**
Nov. 9 filed 250,000 shares of capital stock (par $10) being 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. Statement effective Nov. 29.

★ **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.**
Nov. 15 filed 66,000 shares of common stock (par $10) being offered to common stockholders of record Nov. 28 at rate of one new share for each 10 shares held, with rights to expire Dec. 14; employees entitled to purchase unsubscribed shares. **Price**—$21.25 per share. **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.**
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.

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.

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.

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.

Long Island Lighting Co. (12/12)
Oct. 31 filed $25,000,000 of first mortgage bonds, series D, due 1976. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc. and The First Boston Corp. (jointly); Lehman Brothers; Kidder, Peabody & Co.; Smith, Barney & Co.; W. C. Langley & Co.; Union Securities Corp.; Equitable Securities Corp.; White, Weld & Co. **Proceeds**—From sale of bonds, together with proceeds from sale of 100,000 shares of preferred stock (par $100), will be used to retire $14,493,400 of bonds of former subsidiaries, to repay bank loans and for construction program. **Bids**—To be opened at 11 a.m. (EST) on Dec. 12 at City Bank Farmers Trust Co., 20 Exchange Place, New York.

Loven Chemical of California
Oct. 8 (letter of notification) 200,000 shares of capital stock. **Price**—At par ($1 per share). **Underwriter**—None. **Proceeds** — For working capital. **Office** — 244 South Pine St., Newhall, Calif.

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.

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.

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.

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.

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 notifictaion) 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.

NEW ISSUE CALENDAR

December 6, 1951	
Texas & Pacific Ry.	Equip. Trusts Ctfs.
December 7, 1951	
Colorado Fuel & Iron Corp.	Debentures
December 10, 1951	
Baxter Laboratories, Inc.	Common
Carolina Telephone & Telegraph Co.	Common
Exolon Co.	Common
Guardian Loan Co., Inc.	Preferred
Gulf Sulphur Corp.	Common
Penn Controls, Inc.	Common
December 11, 1951	
Broderick & Bascom Rope Co.	Common
Central Telephone Co.	Preferred
General Telephone Corp.	Preferred
Van Norman Co.	Debentures
Virginia Electric & Power Co. 11 a.m. (EST)	Bonds
December 12, 1951	
Long Island Lighting Co. 11 a.m. (EST)	Bonds
Mathieson Chemical Corp.	Preferred
Missouri-Kansas-Texas RR. Noon (EST)	Equip. Trusts Ctfs.
Public Service Co. of New Hampshire 11 a.m. (EST)	Common
December 13, 1951	
Atlas Plywood Corp.	Preferred
O'Brien Brothers, 3 p.m. (EST)	Capital
Penn Fruit Co., Inc.	Common & Preferred
December 17, 1951	
Fram Corp.	Debentures
Fram Corp.	Common
Iowa Southern Utilities Co.	Preferred
Kaiser Aluminum & Chemical Corp.	Preferred
December 18, 1951	
Chicago, Rock Island & Pacific RR. Noon (CST)	Equip. Trusts Ctfs.
Federated Department Stores, Inc.	Common
Lindemann (A. J.) & Hoverson Co.	Common
Niagara Frontier Transit System, Inc. 5 p.m. (EST)	Common
Niagara Mohawk Power Corp. 11 a.m. (EST)	Common
Niagara Mohawk Power Corp. 11:30 a.m. (EST)	Bonds
Suburban Propane Gas Corp.	Debentures & Pfd.
Vertientes-Camaguey Sugar Co. of Cuba	Common
December 27, 1951	
American Bosch Corp.	Preferred
January 3, 1952	
Dow Chemical Co.	Common
January 22, 1952	
Indiana & Michigan Electric Co.	Bonds & Notes
January 30, 1952	
United Gas Corp. 11:30 a.m. (EST)	Bonds

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.

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.

★ **Niagara Mohawk Power Corp. (12/18)**
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.; Kidder, Peabody & Co. and White, Weld & Co. (jointly). 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. **Bids**—Tentatively expected to be opened on Dec. 18, the common stock at 11 a.m. (EST) and the bonds at 11:30 a.m. (EST).

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.

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 and will expire on or about Dec. 21. **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.

Paper Corp. of United States (N. Y.)
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.

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.

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.

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.

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.

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 (12/12)**
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**—To be received up to 11 a.m. (EST) on Dec. 12 at Room 170, Parker House, Tremont and School Streets, Boston, Mass.

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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.

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.

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.

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.

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. (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.

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. Statement effective Nov. 25.

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. Statement effective Nov. 29.

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.

★ **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, with an oversubscription privilege; rights expire Jan. 18. **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. **Offering**—Not immediately planned.

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**—To be received up to 11 a.m. (EST) on Dec. 11 at 11 Broad Street, New York, N. Y. Statement effective Nov. 29.

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.

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 offcers and executive employees. **Underwriter**—None. **Proceeds**—For general corporate purposes.

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. 30 stockholders approved a proposal to authorize a new issue of 25,000 shares of 4¾% cumulative preferred stock (with common stock purchase warrants attached). To 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).

● **Chicago, Rock Island & Pacific RR. (12/18)**
Bids will be received up to noon (CST) on Dec. 18 at the office of the Treasurer of the company, Room 1136, LaSalle Street Station, Chicago 5, Ill., for the purchase from the company of $4,950,000 equipment trust certificates, series L, to be dated Jan. 1, 1952, and to mature in 30 equal semi-annual instalments from July 1, 1952, to Jan. 1, 1967, inclusive. 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.

● **Columbia Gas System, Inc.**
Nov. 26 it was announced that it is the present intention of the company to sell securities in 1952 for the purpose of refunding the $20,000,000 of 2½% bank notes due June 15, 1952. The type or aggregate amount of securities which may be sold during 1952 cannot be determined at this time.

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.

● Interstate Power Co.
Nov. 28 it was reported company plans to issue and sell about $2,000,000 of first mortgage bonds and $3,000,000 of common stock before April 15, 1952. **Underwriters**—To be decided by competitive bidding. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Merrill Lynch, Pierce, Fenner & Beane; Smith, Barney & Co.; Salomon Bros. & Hutzler. Probable bidders for common stock: Blyth & Co., Inc.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly); Smith, Barney & Co.; Harriman Ripley & Co. Inc.

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 plans to issue and sell in the near future first mortgage bonds and contemplates sale of approximately $5,000,000 additional securities in 1953. Previous bond financing was done privately. **Proceeds** from bond sale, to repay $7,000,000 bank loans. **Registration**—Of preferred stock, see a preceding column.

● Kansas City Stock Yards Co.
Dec. 4 it was announced stockholders will vote Dec. 12 on approving a proposal to issue $4,739,000 of 40-year 5% debentures in exchange for the outstanding 47,390 shares of $100 par preferred stock on a basis of $100 of debentures for each preferred share.

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. 28 it was reported company may be planning issuance and sale of 150,000 shares of $100 par convertible preferred stock. **Underwriters** — 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.

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.

● Missouri-Kansas-Texas RR. (12/12)
Bids will be received by the company up to noon (CST) up to Dec. 12 at Room 1506, Railway Exchange Bldg., St. Louis 1, Mo., for the purchase from it of $3,300,000 equipment trust certificates, series 1952, to be dated Jan. 15, 1952, and mature in 30 equal semi-annual instalments from July 1, 1952, to and including Jan. 1, 1967. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

● National Union Radio Corp.
Nov. 29, Kenneth C. Meinken, President, announced company plans to raise more than $5,000,000 of "new money" through sale of stock or from loans. **Proceeds**—For expansion program, involving a new plant to be constructed in Philadelphia, Pa.

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.

● Niagara Frontier Transit System, Inc. (12/18)
Nov. 26 it was announced that J. W. Van Allen and H. W. Keitzel, trustees of International Ry. Co., will receive bids up to 5 p.m.(EST) on Dec. 18 for the purchase from them of all or part of 1,515 shares of common stock of Niagara Frontier representing the fractional shares arising in connection with the distribution made to approximately 3,300 creditors as provided in International's plan of reorganization. Bids will be received by the trustees, c/o the U. S. District Court for the Western District of New York, Niagara Square, Buffalo, N. Y. The net proceeds will be distributed to persons entitled thereto under the reorganization plan.

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.

● O'Brien Brothers, New York City (12/13)
Dec. 4 it was announced that 3,225 shares (or 32½%) of capital stock of O'Brien Brothers, 120 shares (or 40%) of the capital stock of O'Brien Brothers Towing Co., Inc., and 120 shares (40%) of the capital stock of O'Brien Brothers Shipyard Corp. will be sold at public auction at the office of Adrian H. Muller & Son, Room 2010, 39 Broadway, New York, N. Y., at 3 p.m. (EST) on Dec. 13.

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.

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); 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

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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)
Bids will be received until noon (EST) on Dec. 6 at the company's office at 233 Broadway, New York, N. Y., for the purchase from the company of $2,900,000 equipment trust certificates to be dated Jan. 1, 1952, and to mature $290,000 annually on Jan. 1, from 1953 to 1962, inclusive. 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.

• Toledo Edison Co.
Nov. 20 it was reported that the company expects to spend approximately $46,500,000 for expansion in 1952 to 1955, and it has been stated that no further financing is contemplated before late 1952, when about 400,000 shares of common stock is anticipated. Probable bidders: Merrill Lynch, Pierce, Fenner & Beane; W. C. Langley & Co.; Lehman Brothers and Smith, Barney & Co. (jointly).

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, 1⅓ shares of the new stock to be issued in exchange for each no par share held.

★ United Gas Corp. (1/30/52)
Nov. 28 it was reported company plans registration about Dec. 20 of $50,000,000 of 25-year 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. **Bids**—Tentatively scheduled to be received up to 11:30 a.m. (EST) on Jan. 30.

★ Western Light & Telephone Co., Inc.
Nov. 23 the company announced that it plans to offer at an early date about 14,194 additional shares of its common stock for subscription by common stockholders on the basis of one additional share for each 22 shares held. It is also planned to issue and sell later this year or early next year $1,000,000 of first mortgage bonds. The proceeds from the sale of these securities and from bank loans are to be used to carry the company's construction program through 1952. **Price**—Of stock to be below market price prevailing at time of offering. **Dealer-Managers**—For stock: Harris, Hall Co. (Inc.) and The First Trust Co. of Lincoln, Neb. The bonds are expected to be placed privately.

Wisconsin Public Service Corp.
Sept. 4 C. E. Kohlepp, President, announced company plans to build a $12,000,000 steam turbine power plant in Marathon County, Wis. Method of permanent financing has not yet been determined. If bonds, probable bidders may include: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Harris, Hall & Co. (Inc.); Kidder, Peabody & Co.; Carl M. Loeb, Rhoades & Co.; Salomon Bros. & Hutzler; Union Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane; Shields & Co.

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Inflation—Has It Ended or Merely Slumbering?

pressures were over. The long era of the excessively cheap money policy was halted—under the protest of the Administration and the Council of Economic Advisers.

While there is danger that the Wright Patman hearings on this matter, beginning next year, may be used to feed the inflationary fires again, it is reasonably safe to say that we have conquered inflation, for the time being at least. If we can keep a balanced budget so that the government will spend no more than it takes out of the economy, the most important sources of inflationary pressures will have disappeared. If the Federal Reserve is in a position to control bank reserves, there cannot be any substantial, or, at least, any rapid expansion in private credit.

There is good reason to believe that a free economy and, indeed, human freedom are impossible unless we also have a free money market. This is an idea almost never discussed in economic literature or the popular press. If the interest rate is driven downward by artificial forces, it drives the demand for capital ever upward. Lord Keynes wanted to drive the interest rate to zero—the euthanasia of the "rentier" class. He has many followers in Washington. They are regimenters and totalitarians—whether consciously or not. Interest-free perpetual loans would be the equivalent of making capital a free gift—and when things are free, there is no possible limit to the demand for them. Similarly, government guarantees on loans, easier and easier borrowing arrangements with interest rates forcibly depressed below market levels (by fiscal and monetary policy as prior to March, 1951), likewise drive the demand for capital through the roof. This puts the economy under constant inflationary pressures and must finally lead to capital investment rationing, compulsory saving, price and wage controls, profit controls, the allocation of labor to specific assignments—a regimented economy. This set of ideas on economic interrelationships has been inadequately discussed in the United States by those who favor human freedom and a free economy.

A Program of Action

What then must we do to stop further inflation? Economically the answer is simple and easy. The real problem is political in character. Here are some essential steps:

(1) Cut down all less essential government expenditures and bring about very much greater efficiency in the military program.

(2) Encourage people to continue to save, by providing adequate incentives, including a convincing determination by the government to maintain the value of the dollar and therefore of savings, and a savings bond carrying a remunerative interest rate.

(3) Gradually transform the Federal debt from excessive reliance on short-term financing, to longer-term financing at interest rates which will be attractive to financial institutions and other savers.

(4) Continue to balance the budget. While taxes may have certain inflationary effects, taxes adequate to meet the government's bills are less inflationary than would deficit financing be.

(5) Congress should pass the Senator Paul Douglas resolution which states: "It is the will of Congress that the primary power and responsibility for regulating the supply, availability, and cost of credit in general shall be vested in the duly constituted authorities of the Federal Reserve System, and that Treasury actions relative to money, credit, and transactions in the Federal debt shall be made consistent with the policies of the Federal Reserve." This would make it clear to the Administration that the accord of March 4 is to continue, and encourage the Treasury to compete in the open market for loan funds, instead of creating new money.

(6) Continue the voluntary credit restraint program.

(7) Carry on an educational program showing the importance of preserving a free market economy, free from the frustrations and distortions of direct controls, and the sources and nature, and not merely the evils, of inflation.

If such a program were adopted, there can be no doubt whatsoever that inflation could be brought to a halt. From an economic standpoint the problem is easy and simple. The real hurdle is politics, including public opinion.

Continued from page 27

Mutual Funds

tion by providing fixed income to retiring persons. A realistic pension plan could and should also strive to protect the pensioner against possible future inflation by delivering him an income from equity investments which usually move up and down in correlation with living costs."

The Investors plan, Moore said, makes available a single investment "package" to enable a pension fund to provide a "balanced income" by investing partly in fixed-return securities and partly in fluctuating return securities (mutual funds), with both investments under the continuous supervision of one central management organization—the Investors group.

"Our plan makes practical use of the longstanding relationship between securities market prices and living costs, which has been apparent to all during the past 50 years of our expanding national economy. We have all known that average securities market prices and average living costs have moved fairly closely in their ups and downs in the past 40 to 50 years. Our plan proposes to keep the upswings of such fluctuations working for the pensioner, instead of against him, as we are now doing if we continue to provide him with only fixed income retirement benefits."

Under the Investors "balanced-income" plan, pension and retirement fund beneficiaries would receive, in addition to a fixed-dollar monthly income, a fluctuating income of "cost of living" dollars from two sources:

First: From monthly liquidation of a fixed number of mutual fund shares which the pensioner will have accumulated through company contributions to his retirement fund. Such shares, of course, would vary in value and earnings during both the accumulation period and the benefit-payment period, in accordance with prevailing economic conditions.

Second: From quarterly dividends on the mutual fund shares remaining in the pensioner's retirement fund account before his vested holdings are gradually liquidated. Such income would also vary during the accumulation and retirement-benefit periods.

Delivery of fixed income would be undertaken through systematic investment of a suitable portion of fund contributions in face-amount certificates of Investors Syndicate of America, Inc., a subsidiary of Investors. The plan calls for investment of all employee contributions in special, registered ISA certificates, specifically designed to meet the investment requirements of profit sharing, pension or retirement funds, Moore explained. A portion of company contributions also could be invested in ISA certificates as desired.

Investors has distributed face-amount certificates to individual investors since the company's founding in 1894. The special certificates, available only to bona fide group pension - retirement plans, are offered in units of $1 plus a sales charge which graduates downward from 7% to a minimum of 2% for gross investments of $1,000,000 or more. The special fixed-income certificates bear an interest rate of 2⅝%.

Investors Mutual has current net assets in excess of $308,180,448. Its securities portfolio includes bonds, common stocks and preferred stocks of a cross-section of leading American industries.

Investors Stock Fund, with current assets in excess of $28,733,576, has a portfolio consisting of common stocks or securities convertible into common stocks. Its investment objectives are long-term capital appreciation with reasonable current income an important factor.

Mutual Fund Notes

Directors of Diversified Funds, Inc. and Manhattan Bond Fund, elected Eugene J. Habas as Vice-President of both funds. Mr. Habas has been for seven years a member of Manhattan Research Associates, investment adviser to the funds, and a Vice-President of Hugh W. Long and Company, national sponsor of the funds.

Eugene J. Habas

D. Moreau Barringer says the foremost question facing managers of investment funds today is how a cease fire in Korea will affect the economy.

The Delaware Fund Chairman in his weekly report summarized the effects marketwise this way: "In so far as stock prices are supported by the expectation of a spreading active war, some of the support will have been withdrawn. The current expenditure of war material will slacken or stop."

His conclusions: "The national income may be expected to remain high, and employment to stay near 100%. Retail sales, which still show the effects of the reaction from their previous spree, seem likely to respond to this activity, so that the current high inventories of many consumption goods are likely to prove temporary."

Joins Davies & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—James J. Carroll is with Davies & Co., Russ Building, members of the New York and San Francisco Stock Exchanges.

Our Reporter's Report

The underwriting business is moving slowly but doggedly to the end of another year and investment bankers realize that only about another week or ten days remain before the real slowing down sets in.

From there on they will be running the chance, as one of their number puts it, of coming up against the fellow who has decided to close his books until early January.

Institutional buyers, it is pointed out, must take inventory and balance out their positions against the year-end. Once past December 15, bankers are aware, it is difficult, if not almost impossible, to interest them in new material unless it is "dirt cheap."

So chances are that underwriters will be putting on all the steam at their command in an effort to move out remnants remaining over from recent offerings, before the "shutters start to go up" in William Street.

Moreover, they will be working at a brisk pace to take care of new issues that are ahead in the interval between now and mid-month.

Naturally direct placements have been a big help to the insurance companies in particular by the way of providing an outlet for their funds at what they consider attractive rates.

By the same token operations of this nature are a continuing thorn in the side of the underwriters who must depend on new corporate offerings for their business.

A Double Dose

As reported here a fortnight ago, one of the biggest undertakings handled by the direct negotiation route has been virtually signed, sealed and delivered. And this time the underwriters suffered what might be called a "one-two" punch.

Union Carbide and Carbon Corp. has arranged with two large insurance companies for $300,000,000 of financing through the medium of 100-year notes, split evenly between the two big lenders.

On this occasion, however, not only do the bankers lose out on the underwriting of this huge volume of new corporate securities, but what makes it a bit more painful to take, none of them participated in the actual placement.

Several are reported to have tried to work out the business but ultimately it was a straight borrower-to-lender operation.

Going Up a Notch

Tennessee Gas Transmission Co.'s $25,000,000 of 20-year debentures brought out two bids, both of which were indicative of the temper of the current market.

The successful group made a bid of 100.603 and specified a 4⅞% coupon rate. This interest charge is the highest yet fixed for a new corporate offering since competitive bidding came into vogue back in the 30's.

And just to top off this phase of the matter, it developed that the runners-up specified a 5% interest rate, on a bid of 101.30.

However, it was indicated that the current financing would be immediately successful by way of contrast with two earlier issues brought out for the same company, both of which hung fire for considerable periods before being turned loose by the sponsoring groups.

Next Week's Bids

Two public utility undertakings are on tap for next week. Virginia Electric & Power Co., on Tuesday, will open bids for $20,000,000 of 30-year first and refunding mortgage bonds, with five groups seeking the issue.

The following day Long Island Lighting Co. will look over tenders for its projected $25,000,000 of 25-year first mortgage bonds and at this point four banking syndicates have indicated intentions to bid.

Thereafter, there is nothing in the utility field until Dec. 18, when Niagara Mohawk Power is slated to open bids for $15,000,000 of its 30-year general mortgage bonds and consider propositions to underwrite an offering of a million shares of its common stock.

SITUATION WANTED

YOUNG WOMAN

With broad experience in Journalism and Public Relations Field seeks association with investment banking and brokerage firm. Box C 1129, Commercial & Financial Chronicle, 25 Park Place, New York 7.

Diamond Alkali Stock Offered by Bankers

The First Boston Corp. heads an investment group which is offering publicly 120,000 shares of a new issue of 4.40% cumulative preferred stock of Diamond Alkali Co. of Cleveland, Ohio. The stock is priced at $100 per share and is convertible into common stock through Dec. 31, 1961, at the rate of 2.3 common shares for each preferred share.

Proceeds will help finance the expansion and modernization program on which the company plans to spend approximately $40,000,000 during 1951 through 1953. Diamond Alkali, a leading producer of inorganic chemicals such as chlorine products, alkalis, silicates and chromium chemicals, has recently entered the field of organic chemicals, particularly chlorine based plastics, solvents and other petrochemicals, insecticides and agricultural chemicals. As part of this program, the chlorine and caustic soda capacity of the Houston, Texas, plant is being doubled and facilities provided there to produce vinyl plastic materials; and the chlorine and electrolytic caustic soda capacity at the Painesville, Ohio, plant is being more than doubled and facilities provided there for the production of perchlorethylene and trichlorethylene. This new expansion follows the expenditure of $41,000,000 during 1946-1950 on facilities for producing the company's basic line of inorganic chemicals.

The new preferred is callable at company option at a price of $103 per share on or prior to Dec. 31, 1956, thereafter at $101.50 through Dec. 31, 1961, and thereafter at $100. It is also callable by sinking fund beginning in 1962.

The company has paid common dividends in each year since 1932 and the last quarterly dividend payment was 37½ cents per share.

Two With Waddell & Reed

(Special to The Financial Chronicle)

PONTIAC, Mich. — Michael E. Daniels and Harry A. Miller are with Waddell & Reed, Inc.

Weber-Millican Offers Conlan Electric Stock

An issue of 240,000 shares of common stock (par 25 cents) of Conlan Electric Corp., Brooklyn, N. Y., is being offered publicly by Weber-Millican Co. at $1.25 per share. This includes 210,000 shares for the account of Conlan Electric Corp. and 30,000 shares for the account of a selling stockholder.

The net proceeds to the company will be used for working capital.

The company, incorporated in New York on April 9, 1918, is presently engaged in the development and improvement of television receiving circuits, design of high and low frequency antennas, radio receiver and audio amplifier development, etc.

Two With Waddell & Reed

(Special to The Financial Chronicle)

LINCOLN, Neb. — Orville D. Cumming and Michael H. Wilks are now affiliated with Waddell & Reed, Inc., Barkley Building.

Murray Co. Formed

(Special to The Financial Chronicle)

BROOKLYN, N. Y.—Quentin A. Murray has formed Murray & Co. with offices at 74 Green Street, to engage in the securities business. He was formerly with Eaton & Co.

With Kidder, Peabody

(Special to The Financial Chronicle)

BOSTON, Mass. — Herbert S. French, Jr. is with Kidder, Peabody & Co., 75 Federal Street.

Two With Edward Mathews

(Special to The Financial Chronicle)

BOSTON, Mass.—Lewis H. Millett and Hyman S. Patashnick are now affiliated with Edward E. Mathews Co., 53 State Street.

Two Join Stone & Webster

(Special to The Financial Chronicle)

BOSTON, Mass. — Charles V. Briggs, Jr. and John A. Jeffries, Jr., have become associated with Stone & Webster Securities Corp., 49 Federal Street.

DIVIDEND NOTICES

AMERICAN LOCOMOTIVE COMPANY

30 Church Street New York 8, N. Y.

Preferred Dividend No. 174
Common Dividend Nos. 107 and 108

Dividends of one dollar seventy five cents ($1.75) per share on the Preferred Stock and of twenty five cents (25¢) per share on the Common Stock of this Company have been declared, payable January 1, 1952. A special year end dividend of forty cents (40¢) per share on the Common Stock has been declared, payable December 27, 1951. These dividends have been declared payable to stockholders of record at the close of business on December 12, 1951. Transfer books will not be closed.

CARL A. SUNDBERG
November 29, 1951 Secretary

AMERICAN BANK NOTE COMPANY

Preferred Dividend No. 183
Common Dividend No. 173

A quarterly dividend of 75¢ per share (1½%) on the Preferred Stock for the quarter ending December 31, 1951 and a dividend of 25¢ per share on the Common Stock have been declared. Both dividends are payable January 2, 1952 to holders of record December 8, 1951. The stock transfer books will remain open.

W. F. Colclough, Jr.
November 28, 1951 Secretary

THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY

New York, N. Y., November 27, 1951.

The Board of Directors has this day declared a dividend of One Dollar and Twenty-five Cents ($1.25) per share, being Dividend No. 106 on the Preferred Capital Stock of this Company, payable February 1, 1952, out of undivided net profits for the year ended June 30, 1951, to holders of said Preferred Capital Stock registered on the books of the Company at the close of business December 28, 1951.

The Board also declared on this day a dividend of One Dollar ($1.00) per share, being Dividend No. 156 on the Common Capital Stock of this Company, payable March 1, 1952, to holders of said Common Capital Stock registered on the books of the Company at the close of business January 25, 1952.

Dividend checks will be mailed to holders of Preferred and Common Capital Stock who have filed suitable orders therefor at this office.

D. C. WILSON, Assistant Treasurer,
120 Broadway, New York 5, N. Y.

CANADA DRY

DIVIDEND NOTICE

Preferred Stock

A regular quarterly dividend of $1.0625 per share on the $4.25 Cumulative Preferred Stock was declared, payable January 1, 1952 to stockholders of record at the close of business on December 10, 1951.

Common Stock

A quarterly dividend of $0.20 per share on the Common Stock was declared, payable December 28, 1951 to stockholders of record at the close of business on December 10, 1951. Transfer books will not be closed. Checks will be mailed.

WM. J. WILLIAMS,
Vice-Pres. & Secy.

DIVIDEND NOTICES

CANCO AMERICAN CAN COMPANY

PREFERRED STOCK

On November 27, 1951 a quarterly dividend of one and three-quarters per cent was declared on the Preferred Stock of this Company, payable January 2, 1952 to Stockholders of record at the close of business December 13, 1951. Transfer books will remain open. Checks will be mailed.

EDMUND HOFFMAN, *Secretary.*

AMERICAN METER COMPANY

Incorporated

1513 RACE STREET

Phila. 2, Pa., Nov. 29, 1951

A dividend of Fifty Cents ($.50) per share has been declared on the Capital Stock of the Company, payable December 15, 1951, to stockholders of record at the close of business November 30, 1951.

W. B. ASHBY, *Secretary.*

THE BYRNDUN CORPORATION

The Directors of the Byrndun Corporation at its meeting held on December 5, 1951, declared a dividend of Thirty cents (30c) per share on the Class "A" Participating Stock, the Class "A" Common Stock and the Common Stock; no dividend on fractional shares, all payable on December 22, 1951 to stockholders of record at 3:00 P.M. December 12, 1951.

H. G. FAHLBUSCH, *President*

December 5, 1951

CALUMET AND HECLA CONSOLIDATED COPPER CO.

The Board of Directors of Calumet and Hecla Consolidated Copper Company has declared a dividend of ten cents ($0.10) per share, payable December 26, 1951 to stockholders of record at the close of business December 10, 1951. Checks will be mailed from the Old Colony Trust Company, Boston, Mass.

J. H. ELLIOTT, Secretary

Boston, Mass., November 29, 1951

GOODYEAR

DIVIDEND NOTICE

The Board of Directors has declared today an extra dividend on the Common Stock of 50 cents per share, payable December 24, 1951 to stockholders of record at the close of business December 13, 1951.

The Goodyear Tire & Rubber Co.
By W. D. Shilts, Secretary
Akron, Ohio, December 3, 1951

The Greatest Name in Rubber

DIVIDEND NOTICES

HOMESTAKE MINING COMPANY
DIVIDEND NO. 882

The Board of Directors has declared dividend No. 882 of forty cents ($.40) per share of $12.50 par value Capital Stock, payable December 17, 1951 to stockholders of record December 11, 1951.

Checks will be mailed by Irving Trust Company, Dividend Disbursing Agent.

JOHN W. HAMILTON, *Secretary.*

November 30, 1951.

HARBISON-WALKER REFRACTORIES COMPANY

Pittsburgh Pennsylvania

November 30, 1951

Board of Directors has declared extra dividend of FIFTY CENTS per share on the NO PAR COMMON STOCK, payable December 27, 1951, to stockholders of record December 11, 1951.

G. F. CRONMILLER, JR.
Vice President and Secretary

THE SAFETY CAR HEATING AND LIGHTING COMPANY, INC.

DIVIDEND NO. 218

The Board of Directors has declared a year end dividend of 70¢ per share on the outstanding Capital Stock of the Company of the par value of $12.50 per share, payable December 22, 1951, to holders of record at the close of business December 6, 1951.

J. H. MICHAELI,
November 27, 1951 *Treasurer*

MIDDLE SOUTH UTILITIES, Inc.

DIVIDEND

The Board of Directors has this day declared a dividend of 30¢ per share on the Common Stock, payable January 2, 1952, to stockholders of record at the close of business December 14, 1951.

H. F. SANDERS,
Treasurer

New York 6, N. Y.
December 4, 1951

New York, December 5, 1951

The Board of Directors has this day declared a quarterly dividend of Three Dollars ($3.) per share on the Capital Stock of this Company for the quarter ending December 31, 1951, and an extra dividend of Two Dollars ($2.) per share, both payable on January 15, 1952, to stockholders of record at the close of business December 14, 1951.

STUART K. BARNES, Secretary

Guaranty Trust Company of New York

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — When Mr. Truman calls the Congress to arms in a little more than a month from now to carry on the great fight against inflation, he will find that his troops will, so to speak, make a very ragged formation indeed.

The Defense Production Act, which includes those supposed wage and price controls, expires June 30. Hence the President may be counted upon to ask Congress to move promptly to "extend and strengthen" the controls.

Congress will be pretty apathetic toward these controls. This arises in a large part because of the notorious fact that the wolf of drastic inflation has failed to turn up even though he has been cried may times by Harry Truman & Team (Johnson, DiSalle, Wilson, et. al.).

However, two prospective steps of the Administration itself will do as much as anything else to sour Congress toward the whole controls picture. One of them is the indicated intension of OPS to roll back price ceilings, where the law permits, to present prices, which are lower.

Congress isn't exactly a non-political body, but purely bureaucratic politics are something to which the national legislature distinctly doesn't cozen. The only purpose of this action is to make it appear that OPS is responsible for present lower prices. When Mike DiSalle indicated some intensions along this line at the recent hearings of the Congressional "Watchdog" committee, the reaction of the members thereof was distinctly hostile.

The other action which the Administration will take is to dictate a wage settlement for the steel workers of some 10 cents or thereabouts above present hourly wages, exclusive of additional fringe benefits. This will break the supposed "wage ceiling" by something like 6 cents per hour. It is altogether probable—although naturally the Administration will squirm around and try to delay it because of the public reaction which will result —that simultaneously or very close to the time of the wage boost dicated by the government, there will be a steel ceiling price boost made necessary by the wage boost.

Finally, next spring, while Congress is wrangling with DPA, the Treasury will be finding itself in a position of contributing to deflation from the fact it will be taking in, in cash, several billions more than it is paying out.

If inflation or deflation is as mechanistic a thing as the high planners conceive it to be—even though it hasn't been—then the effect of Treasury operations for the first few months of the year would be to counter even a large upward surge in defense production.

In such a background it would appear that the price and so-called "wage controls" would have the hardest kind of sledding; that Congress would in no case "tighten" these controls, and might liberalize them even further. Even a junking of price and wage controls would not be an impossibility under present circumstances. However, it is far too soon at this stage to forecast more than that Mr. Truman will find his controls program facing the roughest kind of going.

Will there be a new housing bill in the 1952 session of Congress? If not, then some man somewhere is going to bite some dog, for housing bills have been as regular an annual proposition as higher tax bills. At present members of the staff of the Banking Committee, as well as members of the committee, are scouting around the country, looking for ideas. None of the ideas have jelled so far.

* * *

Some quiet and formidable discussion is taking place in and out this capital on the subject of war damage insurance.

Last session Congress could get no where on the subject of war damage insurance as there was such a variation among the proposals. One plan was simply to revive RFC's War Damage Corp. to insure property losses. Another scheme was to insure property plus having the government underwrite the liability of workmen's compensation carriers for their losses in case of extensive personal injuries to those working in factories which might be bombed. Still a third proposition was to provide property insurance plus insurance of civil defense workers.

Finally, the Budget Bureau threw out an all-inclusive proposed program in which the government would aid in the provision of utilities and other community facilities, indemnify workers injured or rendered jobless by enemy damage, and conduct a vast war risk insurance program, all to amount initially to a paltry $20 billion.

When the government threw in this enormous plan, those Senators who doubt the efficacy of government debt and the magic wand of a statute to solve all potential problems, just about gave up.

Meanwhile the staff of the committee and Chairman Allen Frear of the appropriate subcommittee, have been conferring quietly with insurance company executives and others to try to get some idea not only of how far the government should go in this field, but what safeguards and rules should be established for a war damage program.

What the subcommittee hopes to do early in the session is to make up its mind whether there should in fact be a program enacted in 1952, with some rough idea of its scope. Implicit in this approach is the possibility that the subcommittee may decide to give up the idea. If it decides upon a program, then it will clear it with the full committee. If the full committee gives an informal nod for legislation, then the subcommittee will attempt to get going and get a bill out with some reasonable speed.

* * *

When Mr. Truman verbally chastised the Congress for appropriating only $75 million for civil defense, he overlooked the fact that that old sub-Treasury, fairly expert administrative body, and maid of all works, the RFC, was delegated $250 million to lend for civil defense installations of almost all shapes and descriptions.

And RFC has got going. It may approve in the very near future the first civil defense project.

RFC may lend to finance the construction of hospitals, bomb shelters, warehouses, for the procurement and distribution of materials, for renovation of buildings for public shelters, for communications centers, and for "such other" projects as the Civil Defense Administrator may designate.

One condition is that any such loans must be for civil defense purposes. Another is that RFC will consider no application unless it has been recommended by the Civil Defense Administrator. A third, less important, is that the loan of money shall not be available elsewhere on reasonable terms. Each project must be part of a state or local civil defense plan.

In practice most of the applications for loans will come from local and state governments. However, applications may be accepted from individuals and private corporations. The Federal Civil Defense Administration may not apply, so this will be a device to get out of an appropriation for a purely Federal project.

Congress gave the Civil Defense Administration $75 million instead of the $535 million Truman asked for CD. This money may be used in no case for shelters. It may be used for the administrative expenses of the agency, for operating communications centers, for constructing warehouses to store medical supplies and equipment to repair public utilitites, and to stockpile materials generally for relief in case of disasters.

Where the states participate in the CD picture, the Federal government in general will match state funds on a 50-50 basis.

* * *

C. D. Howe, who doubles as Canada's Minister of Defense Production and also Minister of Trade and Commerce, selected a group of engineers in Washington, D. C., as the audience in this country to whom he would explain why the Dominion has determined to complete the St. Lawrence seaway "on its own," if necessary.

Mr. Howe made many arguments for the seaway. However, it would appear from an analysis of his address, that two considerations were paramount.

(1) The first is hydro power. The Province of Ontario, he said, will need the power by 1956. He did not say so, but Canada has relatively high cost sources of coal. One is in Nova Scotia, a long haul. The other is the subbituminous coal from Alberta, an even longer freight haul. Canada is always worrying about trying to pay for its imports in U. S. dollars, since she is an importer of not only large quantities of coal from the U. S., but also of petroleum and a large range and volume of industrial semi-manufactures used in her U. S. branch factories or Canadian subsidiaries of U. S. firms.

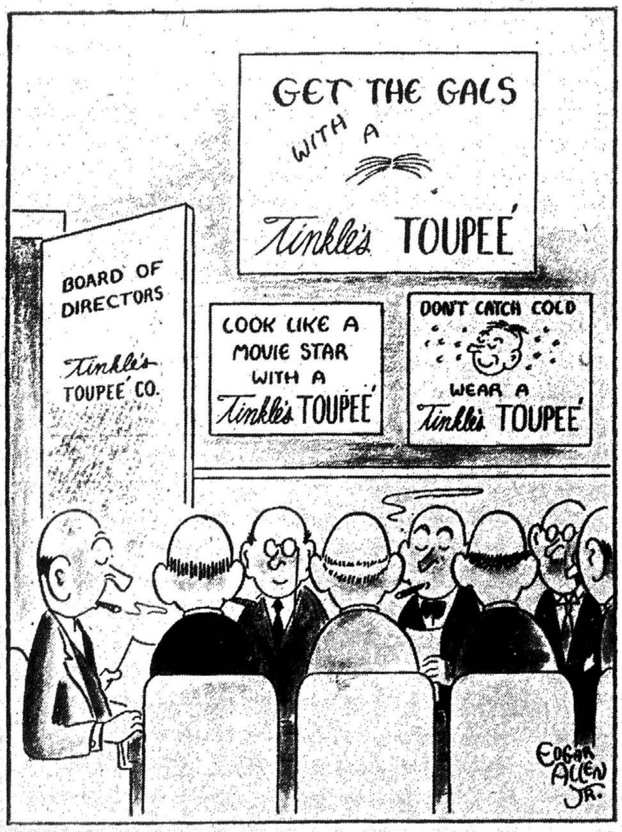
Again the Minister did not point it up, but if Ontario has to expand its power on steam, it expands the strain on U. S. dollar exchange.

(2) Transportation of iron ore from the new region on the Quebec Labrador border. This ore development is being financed at a cost of $250 million, including a railroad 350 miles long to the Gulf of St. Lawrence, and harbor developments on the Gulf.

"Without the deep water development, important markets for these ores in the Great Lakes areas are out of economic reach. On the other hand, Quebec-Labrador iron ore is the best possible answer to the supply problems of the steel industries located on the Great Lakes," he asserted.

(This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.)

BUSINESS BUZZ



Business Man's Bookshelf

Accounting Trends & Techniques in Published Annual Reports — 5th annual survey — American Institute of Accountants, 270 Madison Avenue, New York 6, N. Y.—paper—$10.00.

Commercial Bank Investment Policy—American Bankers Association, 12 East 36th Street, New York 16, N. Y.—paper.

Domicile and Residence of Individuals for American tax Purposes — Franz Martin Joseph — reprint from November 1951 issue of "Taxes," Commerce Clearing House, Inc., Chicago, Ill.—paper.

Incentive Management—James F. Lincoln—The Lincoln Electric Company, Cleveland 17, Ohio—cloth—$1.00.

Manpower Needs and the Labor Supply — Clarence D. Long — American Enterprise Association, Inc., 4 East 41st Street, New York 17, N. Y.—paper—50¢.

Price of Price Controls, The—Report of the Committee on Economic Policy—Chamber of Commerce of the United States, Washington 6, D. C.—paper—50¢ (lower rates on quantity orders).

Stock Exchange (London) Official Year-Book, Volume 2—Thomas Skinner & Co., Ltd., Gresham House, Old Broad Street, London, E. C. 2, England, and 111 Broadway, New York 6, N. Y.—cloth—by post, U. S. A. and Canada, $30 (two volumes).

Taxation and the American Economy—William H. Anderson—Prentice-Hall, Inc., 70 Fifth Avenue, New York 11, N. Y.—cloth, $8.00.