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A Merry Christmas

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 174 Number 5074 New York, N. Y., Thursday, December 20, 1951 Price 40 Cents a Copy

EDITORIAL

As We See It

On Wednesday of last week Allan Sproul, President of the Federal Reserve Bank of New York, addressed the forty-fifth annual meeting of the Life Insurance Association of America. The full text of that address appeared in the December 13 issue of the *Commercial and Financial Chronicle*. It appeared there without comment or criticism by us. We suggest that all citizens of this country who have taken the trouble to reach an understanding of the basic principles of central banking read what Mr. Sproul had to say. Mr. Sproul is the chief executive officer of the largest of the Federal Reserve banks located in the financial center not only of this country but of the world today. He is Vice-Chairman of the all powerful Open Market Committee of the Federal Reserve System. He is commonly regarded—and warrantably so—as one of the ablest and most courageous members of the Federal Reserve hierarchy. Anything he has to say merits attention. It is for that reason that the *Chronicle* devoted a number of its columns last week to his pointed remarks to insurance executives.

We wish now to call particularly to the attention of our readers certain sections of Mr. Sproul's address, which we find to contain some of the most extraordinary statements we have ever known to fall from the lips of a responsible central banker. Take this as an example:

"During the war years the life insurance companies were among the largest purchasers of long-term government securities. This was not wholly a patriotic demonstration of support of

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What About Inflation?

By COURTNEY C. BROWN*
Assistant to the Chairman
Standard Oil Company (N. J.)

Asserting public as well as government is responsible for recent inflation, Dr. Brown holds productive capacity capable of providing consumer and defense demands. Predicts decline in new business investment and contends further inflation will be due to government policy. Concludes inflationary forces may meet stronger deflation trend.

When we think of inflation, most of us instinctively think of the Federal Government. Sometimes we think of those parts of the government that are charged with the task of restraining inflation; sometimes we think of the government budget and the big deficit that many take for granted as a companion to the defense program. The last thing we think about in connection with inflation is the private sector of the economy.

C. C. Brown

Perhaps this spontaneous reaction results largely from the conditioning we get in the daily press. On the day I started putting this talk together, I culled several newspapers for illustrative headlines. Here are some samples:

DiSalle Says Prices on Rise Again.
Defense Department Asks Truman to Approve 50% Boost in Air Power.
Federal Reserve Aids Are Calm as Money Supply Soars.

When you put those kinds of flash impressions together, one certainly carries away the notion that we are on the ascending spiral in a great big way, and that the government is at the center of the vortex. Then just as

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*An address by Dr. Brown before the Bronx Board of Trade, Inc., New York City, Dec. 13, 1951.

Our Foreign Policy—Its Casualties and Prospects

By HON. JOSEPH P. KENNEDY*
Former Ambassador to the Court of St. James

Financier-Diplomat advances following suggestions to make our foreign policy meaningful: (1) strengthen ourselves economically, politically, and militarily; (2) develop the resources of this hemisphere; (3) realistically reappraise the needs of Europe and the Middle East, toward eliminating Marshall Aid inefficiency; and (4) disentangle ourselves from our recently-made far-flung commitments.

Peace is, of course, the broad objective of American foreign policy. The survival of our democratic institutions, our country, even our civilization, depends upon how successful we are in attaining that objective. For to fail means war, which in turn destroys lives, institutions and ideals, which no amount of money or energy can ever rebuild. The consequences of war, whether it ends in victory or defeat, is to move us inevitably toward making the state more and more the master of the individual. Inevitably reconstruction ushers in some form of state control, such as the socialistic pattern that now dominates Western Europe, and the very institutions whose preservation may have been the motivation for war are themselves destroyed by war's overpowering demands. Modern war, in short, solves nothing.

Joseph P. Kennedy

But a foreign policy that is short of war, has an overpowering influence on everything else we do. It, and not domestic needs, determines the size of our budgets and the amount

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*An address by Mr. Kennedy before the Economic Club of Chicago, and broadcast over the Mutual Broadcasting System Network, December 17, 1951.

STANY PICTURES IN THIS ISSUE—Pictures taken at Annual Election Meeting of the Security Traders Association of New York appear on pages 21, 22, 23 and 24.

The Security I Like Best

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

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

This Week's Forum Participants and Their Selections

AUGUST HUBER
Spencer Trask & Co., N. Y. City

Borg Warner Corp.

I have suggested "The Security I Like Best" in this column before—(Kennecott, June 22, 1950—price 55; Goodrich, Dec. 14, 1950—price 38; General Electric, June 28, 1951—price 54). Therefore, the designation of "The Security I Like Best" has a necessary elasticity. With the market generally still at a relatively high level, the investor at a time like this, looks for value—as apart from "bargains"—that is, satisfactory income return, backed by prospectively favorable earning power in a peace or defense economy, strong finances, aggressive, able management, and some measure of growth through new-product development and a basically growing market for established lines. Borg Warner appears well situated in these respects.

August Huber

Currently selling around 63, the shares yield 7.9% on this year's $5 dividends, including $1 extra. The regular rate is $4 per share.

During the past ten years, the established dividend policy has been to pay out approximately 50% of earnings. The company has a relatively favorable excess profits tax base — about $8 per share—after 52% normal and surtaxes, and the cash position is strong. The latest figures show current assets of $161.7 million, vs. total current liabilities of $66.5 million. Cash items of $70 million alone exceed the latter item.

While operations have been curtailed in some divisions due to labor tie-ups, sales for 1951 are likely to approach $400 million, a new record high, and earnings should run around $9 per share.

With the major portion of sales normally derived from automotive parts and equipment, it is clear that 1952 prospects hinge importantly on the volume of defense contracts. This year defense shipments will be relatively small—probably no more than 10% of total volume. However, Borg's diversified industrial potential has made it a natural recipient for important governmental defense contracts—both directly and as a sub-contractor for some of its large customers — particularly Ford and Studebaker. Also, automotive transmissions are essential in most types of military vehicles. Other working parts, such as clutches, carburetors, radiators, etc., which have been manufactured for civilian cars and trucks, will go into military vehicles and some parts in aircraft. A major defense product will be the company's amphibious personnel carrier, while other defense items include air-frame components, shells, transmissions, and universal joints for trucks, and steel. The Spring Division is now turning out rifle clips.

The Norge Division—manufactures and sells household appliances—would normally account for about 20% of sales. Sales during the latter part of this year have been running about 50% under earlier levels. Negotiations are currently going on to sell this division to Admiral Corp. The Borg Management has never been quite satisfied with this operation, and it has not been comparable with the company's regular business. This year it is understood the division would be in the red.

Since substantial government contracts have already been received by Borg and considerably larger volume is indicated, the percentage of defense business will be appreciably higher in 1952. Plant capacity is being generally expanded to meet the demands of increasing military orders. Since the end of World War II, about $55 million has been spent on plant expansion and some $15 million additional is being added this year. The strong financial position precludes outside financing.

Present indications are that mounting defense production scheduled for Borg next year should fairly well offset the current indicated cutbacks in household appliances and automobile parts. As a result, 1952 sales volume is expected to compare favorably with 1951. Profit margins on government work will be narrower than on the regular civilian lines, and pre-tax earnings will be lower. This should be cushioned, coming down to net income, by the influence of the excess profits tax. As a result, I would look for 1952 earnings to hold around $8 per share, or still about twice the regular $4 dividend rate.

Basically, apart from the present defense period, the company is strongly situated in the auto parts field. Its record in automotive engineering has been more impressive than that of parts manufacturers generally. Borg is a designer and developer of new products which are introduced to automobile manufacturers rather than simply turning out products solely to a manufacturer's prescribed specifications. Borg's position in the field of automatic transmissions is well established and promises future growth. Materials shortages and auto cutbacks will restrict the automatic transmission business next year but the longer term potential is considered to be extremely bright.

The shares, around 63, are selling at about seven times earnings and yield 6.3% on the regular $4 dividend rate. With the $1 extra, the yield is 7.9%.

Having paid dividends without interruption since 1928, and representing one of the best situated and diversified of the auto equipment companies, Borg Warner shares may be regarded as one of the better quality issues in this group. With a favorable excess profits tax base and well sustained earnings indicated for next year, the shares may be regarded as an attractive candidate for purchase, particularly during periods of general market weakness.

HORACE I. POOLE
Eisele & King, Libaire, Stout & Co., New York City

Shawmut Association

The security I like best under present conditions is Shawmut Association. Thousands of savers and small investors are practically being forced to become owners of common stocks to obtain a "living" wage on their capital. As most of these people are not equipped by past experience, present knowledge or sufficient capital to select and purchase a diversified list of securities, one single vehicle of investment becomes the most convenient means of fulfilling their requirements. Remember too that small investments often represent "family" money in many cases left by the husband to the wife for management and use.

Horace I. Poole

The statement has been made that only 3% of those who speculate in the market make money. Whether this is true or not, the difficulties of successful investing are known to all.

Those who fear to lose choose a "guarantee" and receive starvation wages for the hire of their capital in the form of 1% to 3% bank or bond interest.

If income is fixed increased cost of living must be met by drawing upon principal, or a reduced standard of living.

Should capital losses occur, they would then have to be made up out of income if principal is to be maintained.

Capital is always at risk. The course of an investment policy must be charted through the maelstrom caused by:

Inflation or Depression
War or Peace
Rearmament or Disarmament

Many fortunes have been preserved and frequently increased over the years. This in spite of wars, depressions, political changes and, in some cases, even the worthlessness of money itself and, in other cases, the repudiation of government obligations, by the expedient of employing professional managers for these fortunes.

The professional organizations maintained in the service of such fortunes obviously enjoy a tremendous advantage over the amateur whose only talent perhaps is his desire to conserve capital.

This procedure then amounts to the hiring of ability, brains, experience and management, instead of the hiring out of wealth for a

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Status and Progress Of Television Industry

By DR. ALLEN B. DU MONT*
President, The Du Mont Laboratories

Pioneer in television development and manufacture reviews growth and progress of the industry, along with its difficulties. Blames freeze of Federal Communications Commission on new television stations for causing slump in receiver production last summer, but reveals addition of 60 new channels since freeze was lifted. Tells of prospects and difficulties of color television, and forecasts success of RCA electronic system. Sees little prospect of paid television, and reports large amount of government contract work by Du Mont Laboratories.

I am going to try and discuss today a little bit about our company, and more or less as an introduction to that, I should like briefly to cover the situation in the industry, because, of course, the situation in the industry is vitally important as far as the operation of our company is concerned.

Allen B. Du Mont

I think you people are probably familiar with the growth of the industry since 1946. The standards for our present black and white system were set in 1943, and we had the first production of television receivers in that year, namely, about 6,500 receivers.

In 1947, that built up to 178,000; in 1948, it was built up to 950,000; in 1949, it went to 3,000,000, and in 1950, which was the peak year, 7,500,000 television receivers.

This year, for a number of reasons, the production has slowed up, and we anticipate slightly over five million receivers will be produced this year. I will go into the phases, more or less, that caused that drop off a little bit later.

As far as the transmitting stations are concerned, in 1946, there were only nine stations in operation in this country. Since 1946, we have had a number of additional stations put in, so that today we have 108 stations in 63 cities in this country.

The means of connecting these stations together, of course, is either the coaxial cable or the microwave relay; and in 1946, there was a coaxial cable between New York and Washington. Today we have coaxial cables that start down in Birmingham and go along the coast to Boston, Mass. Likewise, they start in New York and go all the way out to San Francisco and Los Angeles.

There are some 20,000 miles of connecting cables or microwaves at the present time. So you can see the expansion in the industry over the last five years has been rather large, in spite of many obstacles, additional obstacles over what normal business gets. These have been thrown in the way of the industry by the government in Washington.

Freeze on Television Stations

The problems that we have been facing, that have been bothersome in the industry—probably the the principal one is the freeze on television stations. There have been no television stations granted in this country since a little over three years ago, and of course that holding up of the transmitting stations has had a considerable bearing on the slow-down in sales in 1951.

The Federal Communications Commission decided three years ago, in 1948, to hold up on the granting of licenses. Originally, the reason for doing that was because they had allocated licenses too close together. For instance, they had a station in Cleveland, and a station in Detroit operating on the same channel, and the stations were only 90 miles apart. There was considerable interference caused by these stations separated by that distance, and the industry recommended that the Commission look over their allocation scheme, and, before going ahead with it, separate the stations by greater distances. The recommended spacing is around 180 miles.

The Commission did this, or looked into it, and it should have been cleaned up in about three months, but we had the question of color television put into the pot at that time, and that, principally, has been the reason for the holdup in the allocation of stations.

Now, the way it looks at the present time, there is enough pressure on the Commission in connection with the allocation scheme so that the chances are very good that by this February or March, we will have a new allocation scheme, and they will start to hold hearings for the different applicants for the various stations.

Sixty New Channels

The thinking that has been going on as far as the allocation of frequencies has covered both the present frequencies, known as VHF frequencies, and a new group of frequencies, known as UHF, or ultra high frequency. The present VHF channels which you are familiar with are just 12 in number. There will be 60 new channels in the ultra high frequencies, and this will allow a fairly good

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*An address by Dr. Du Mont before the Association of Customers' Brokers, New York City, Dec. 11, 1951.

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Articles and News

Regular Features

*No column by Mr. May this week.

Published Twice Weekly

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Patent Office

Thursday, December 20, 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.

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

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.

Oil on the Main Street Of the Northwest

By IRA U. COBLEIGH

Author of "Expanding Your Income"

Giving some treatment and a projection of values, present and potential, found in the rights-of-way, and the mineral rights, owned by Northern Pacific Railway.

Surely, if you were to ignore principles of analysis, and just pick your investments by whim, you could, today, come up with a golden list, merely by insisting that the word "Pacific" be found in everything you backed with your dough. Get a load of these: Canadian Pacific, Union Pacific, Western Pacific, Southern Pacific, South Pacific, Pacific Gas and Electric, Pacific Tel. and Tel. See what I mean? This word Pacific is loaded. It comes from the Latin, and means peaceful; and where could you get more financial peace of mind, than by having Santa fill your sock with shares of these? Why, this idea is so good that somebody will probably go out and start a Pacific Mutual Fund next month.

Ira U. Cobleigh

But enough of this name reverie; let's get on with today's project—Northern Pacific. Contrary to what you might have gleaned from the financial pages in the last dozen weeks, it's a railroad, and a good one, too.

It kept on the main line of solvency even in the rusty thirties, when many carriers were financially derailed; and its prior lien 4's have been a mink-type bond, lining the vaults of the economic elite for half a century.

Way back in 1864 NP, chugging trail blazer of the Northwest, received a special charter from Congress, along with a paltry land grant totaling, I believe, 39 million acres (roughly the size of the State of Ohio). Like many other frontier roads, NP sold off millions of its acres to homesteaders, to attract settlers, and build communities. But for the last 45 years, NP has kept the mineral rights when it sold land. So today, although NP owns only 2,434,509 acres of land outright, it still keeps its paws on any mineral gleanings from 6½ million additional acres.

Well, for years nobody paid much attention to all this real estate — wild open country, good to gaze on, or graze on, but not regarded as likely pay dirt. Then all of a sudden some geologists, who'd been following sedimentary rock strata north in a belt running from Texas and Oklahoma, found what they'd been looking for in the Williston Basin. Lest you get this confused with the Big Dipper, the Williston Basin is a reputedly oilbearing, saucer shaped geologic structure embracing the western 75% of North Dakota, Montana's eastern third, and southern slices of both Manitoba and Saskatchewan. Look this up on the map, and you'll see it's quite an area; and the important point I want to make is that NP has over 3 million acres, right in this Williston area, a fact that has become very significant recently. If you follow down the dividing line between Montana and North Dakota, south for a hundred and twenty-five miles from the Canadian border, and then, using that point as a center, draw a circle with a 70 mile radius, you'll just about include all the principal wells brought in, in 1951, in this territory, by such distinguished oil-probers as Shell, Amerada, Carter, Phillips and Texas. The actual location and production of highly profitable wells, on both sides of the Montana-Dakota boundary, tend to prove up the whole field as one of powerful potentiality; and suggest that NP land holdings throughout this section may have been importantly understated on past balance sheets, and perhaps in the market price of NP.

You'd think from the last few paragraphs that the entire future of NP depended on land. That's not true. A fair case for today's price for NP could be made on its status as a railroad alone. 6,904 miles of line are operated, including a splendidly maintained, and scenically gorgeous, main line from St. Paul to Seattle. Your inspection of this property would show that, in the past decade, curves have been flattened and grades leveled, entirely out of retained earnings; and today the NP is a prime modernized long-haul railroad property. It has, in recent years. exceeded roads in the same territory, and roads generally throughout the U. S., in point of expansion of gross revenues; and the increase in population, and development of natural resources now taking place along its rights-of-way, point to a solid future as a railway enterprise.

Naturally, everyone is interested in earnings and a glimpse at NP's record is reassuring. In the ten years from 1941 through 1950 it had average per share earnings of $5.57; and undistributed annual equity in subsidiaries of $3.95. These subsidiaries are pretty wonderful. NP owns 48.59% of common of Chicago, Burlington and Quincy, a sable railway equity with a continuous dividend record going for 50 years. Chicago, Burlington and Qunicy common sells today at 122, and thus gives a market value to Northern Pacific holdings in this company alone, of around $100 million.

Another thing, NP has been awfully cozy about giving out dividends. With earnings on each of its 2,480,000 common shares in 1950 of $7.86, it dished out a meager $2; and has retained well over 60% of net in the past ten years. Cash position today is exemplary with probable current assets around $90 million.

Almost forgot to mention, NP owns 50% of bonds and shares of Spokane, Portland and Seattle, a largely rebuilt property in the most dynamically expanding section on NP lines. S. P. and S. has been averaging above $3 million a year net for a long while.

Fact is that in this brisk review of a standout rail, it's difficult, indeed, to find occasion for carping unless it is about the minuteness of dividends. This road is run as a road should be; and is surely one of the six best railroad equities in America today if you consider its past, its territory, its management, its balance sheet and its future.

Some have complained that all the fireworks in NP on the tape have been overdone; that as a rail, the shares are definitely bulgy, and that as an oil the misty future earning power is too nebulous. One swallow does not make a summer, and a few wells don't make an oil field—at least so these critics say. Then again, they refer to the meek $552,000 gleaned from oil and gas revenues in 1950 (this mostly from Wyoming, by the way). Well, time alone will tell, but I incline to string along with the opinion that companies with noted traditional discernment in the selection of oil drilling areas, would not be paying such heed to, nor spending so much derrick and rig money in, this storied Williston Basin unless they hoped, and rather expected, to find a plenteous pool of petroleum. And if these experts are right, 1950 will be the last year for a long while for NP's oil earnings to trickle along at $500,000 per annum.

In a year disappointing, indeed, to those who have waited for the rails, like a good bishop, to confirm the Dow-Jones industrial advance, only the oil-bearing rails have performed adequately; and surely a virtuoso has been NP—Main Street of the Northwest, and a main spring of the rail market.

F. K. Stephenson to Take Sabbatical

F. Kenneth Stephenson, Manager of the Municipal Bond Department of Goldman, Sachs & Co. has resigned, effective Jan. 15 next, and plans to take a sabbatical year. He has been with Goldman, Sachs & Co. since the fall of 1934 when he organized the department of which he has been Manager since that time.

Mr. Stephenson was the second President of the Municipal Bond Club of New York 1934-35 and a member of the Board from 1934 through 1937. He has been active in the Investment Bankers Association of America for many years.

Kuhn, Loeb & Co. To Admit Dilworth

Kuhn, Loeb & Co., 52 William Street, members of the New York Stock Exchange, will admit J. Richardson Dilworth to partnership on Dec. 31. He has been with the firm for some time.

Are Institutions to Become The Important Stockholders?

By RUSSELL R. CLEVENGER

Church and charity funds, pension and profit-sharing funds, social service and college endowment funds, firemen's and fraternal funds, life insurance companies, and now savings banks are taking the place of rich individuals in the ownership of dividend-paying stocks. This article discusses the impact of the institutional investor on the brokerage business, particularly on its research departments.

Of the $100 billion under control of the institutional investor, it is doubtful if more than 15% has been placed in common stocks, but the psychological effect has been widespread. The decisions of the managers of pension trusts, personal trusts, and college endowments (not to mention life insurance companies and savings banks) to invest from 3 to 50% of their totals in common stocks has influenced both the conservative investor and the speculator.

Russell R. Clevenger

The easily-persuaded feel that we may be at the beginning of a long-term rise in stock prices which could last for a decade. The cautious are warning that these are abnormal times for the institutions and a change in their thinking would have a disastrous effect on prices.

Bull, bear or bystander admit, however, that the increasing institutional interest in the stock market is changing the nature of the brokerage business, has been changing it for several years. Of course, this is more evident to some brokers than to others, but all have had indication of the change in their customer lists. The impact of institutional interest has affected both the large house with many branches, and the small one offering a highly personalized service. A relatively few able men, one or more of whom are regarded as authorities in a particular field, such as oils, chemicals, or aircraft, could conceivably under present conditions operate a brokerage house on the orders received from seven institutional sources:

(1) Pension trust funds (including profit-sharing retirement trusts).

(2) Personal trust funds.

(3) Mutual funds.

(4) College endowment funds.

(5) Fire and casualty insurance companies.

(6) Life insurance companies.

(7) Savings banks (buy equities in 11 of the 17 mutual savings bank states).

The members of such a firm would need to be exceptionally good, not just pretty good, but better in their field than 90% of the competition. The head of the investment research department of a life insurance company talks something like this:

"My research men," he says, "have selected what we consider the best stocks in the oil industry. We're almost sure that these are the companies we wish to purchase, but it won't cost us any more to get an outside opinion. A B C & Co. have one of the best analysts of oil stocks. I like the way he writes about them. We are sending this list to them for analysis and comment. We'll give them the orders and we'll continue to give our oil stock business to A B C & Co. as long as we like their reports."

In addition to highly competent research men, such a house would need registered representatives who understood institutional needs. In dealing with insurance companies and banks they would know the limitations under various State laws. The head of the investment department of a fire insurance company recently told me that some of the customers' brokers who called on him didn't know these rigid limitations nor had they sufficient knowledge of his company's reports to the insurance commissions.

The investment houses that present research material which completely satisfies the institutional investor can be numbered on the fingers of one hand. Institutions are extravagant in their praise of these few. They admire firms that do a good reporting job, giving current facts in an orderly manner. Institutional research men like to look at the same place each time for the same figures. They are frequently on friendly terms with the field men of Stock Exchange firms and insert a question or two in the interviews with corporation officials. If an investment firm can render service that meets the high standards set by the best-run institutions the partners can be sure of a fair volume of orders. Several funds, mutual and otherwise, are glad to divert $8,000 to $10,000 per year in commissions to a house that can give them what they want. This also holds true of a firm that can sell or purchase blocks of 15,000, 25,000 or 50,000 shares without seriously disturbing the board market. Such transactions are carried on by member firms and by non-member firms, both on and off the board. They require widespread knowledge of the whereabouts of wealth as the institution often takes over where inheritance and income taxes have called the signals for the disposal of common stocks by wealthy individuals.

Undoubtedly the demand created by institutional interest in equities has been an important factor behind recent stock market advances. How much is psychological, how much real? Everybody in Wall Street would like the answer. When a major life insurance company recently invested $80,000,000 in common stocks, the effect was startling. The prestige of the big institutional investor being what it is, there's little doubt that the institutional buyer is a silent salesman at every interview between a registered representative and his customer or that between a mutual fund salesman and his prospect. The men who manage fund investments are professionals, and it's assumed that they're right oftener than most people at most times. Their decisions are hard to ignore, especially when one feels that our nation is married to an inflationary economy and when the industrial stock average yields more than double the return obtainable from high-grade bonds.

The die-hards in the picture are apparently the labor unions. Most of the labor unions are staying away from stocks. They don't know their way around the stock market! They fear criticism from

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The State of Trade and Industry

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

Little change was noted in total industrial production for the country as a whole the past week from that of the previous period. This lack of forward progress resulted from conversion difficulties and material shortages which hampered output in some lines.

Aggregate output held about 10% under the record reached during World War II, but it was moderately higher than that of a year ago.

Despite layoffs in some localities, particularly in Detroit and parts of New England, total unemployment remained noticeably below that of a year earlier.

Industrial production in November declined to 218% of the 1935-1939 average, from 219% in both October and September, according to the Council of Economic Advisers. The decline reflected decreased manufacture of non-durable goods, notably textiles. Output of durable goods maintained a "slow advance" last month under the impact of rearmament.

Corporate profits continued to decline in the September quarter, the Council stated, with net before taxes dropping to an annual rate of $41,500,000,000 from $45,400,000,000 in the preceding three months and $45,700,000,000 in the September quarter of 1950. After taxes. corporate profits were estimated at a yearly pace of $17,000,000,000, compared with $18,400,000,000 in the June quarter and $25,200,000,000 in the like 1950 period.

It was disclosed in a report from Canadian Finance Minister Abbott on Friday night, last, that the Dominion of Canada has ended all foreign exchange controls. This, in effect, means that Canadians can now spend their money anywhere in the world. Canadian business firms will be able to sell their products for any foreign currency. Many United States citizens with investments in Canada, which were "frozen" at the start of World War II, can get them out if they wish.

In the steel industry, output last week rose 1/10% from that of the preceding week.

Statements by Washington officials this week have helped shatter the faint hope that some "miracle" of collective bargaining could pave the way for peaceful settlement of the steel wage-price impasse, according to "The Iron Age," national metalworking weekly. Almost overnight steel users and producers have taken a dim view of chances for a quick settlement. Barring a miracle, it is now squarely up to the government to keep vital steel production going.

Early this week the bargainers were still poles apart. The steel union ignored the Wage Stabilization Board's formula which would permit a 5-cent-an-hour wage increase. Instead it had outlined a 22-point program of demands which would constitute practically a completely new contract, and which some steel firms estimate would be equal to an increase of 48 cents to 53 cents an hour.

Some steel people feel that Washington has made no real effort to realize the seriousness of the situation—at least from their viewpoint. They have said time and again that government controls both wages and prices. And just as often they have said that no wage increase could be granted without a price increase to cover the higher costs, this trade paper notes.

This week it looked as if the issue could bypass the Wage Stabilization Board and head straight for the White House. The stage was set for the President once again to reluctantly invoke the Taft-Hartley Act and appoint a steel panel. Even a miracle of compromise by the union and U. S. Steel would require an okay by WSB.

This week such a compromise did not seem possible. The new Economic Stabilization Administrator had given the cold shoulder to any hope that steel firms could, as a last resort, trade a wage increase for price relief. This was another indication that Mobilization Chief Wilson will take a strong stand against either a wage or price boost above presently authorized limits, "The Iron Age" points out.

It's a safe bet that Phil Murray will risk a strike (he has authority to call one) rather than accept what he feels is an inadequate increase within the bounds of the wage stabilization formula. He could not be unmindful that John L. Lewis will be around next April to see what he can get for the miners, this trade authority observes.

Whether or not a price increase under the Capehart amendment covering cost increases up to last July would be a successful sop—or would allow enough wage increase to satisfy the union—remains to be seen. Some steel firms claim that these adjustments should allow an increase of close to five dollars a ton, concludes "The Iron Age."

Steel Output Scheduled This Week to Exceed Largest Weekly Tonnage in History of Industry

Seasonal influences will take some of the pressure off the steel mills over coming weeks as year-end approaches, says "Steel," the weekly magazine of metalworking, the current week. Holiday curtailments promise to add somewhat to the current easing in some areas of the manufacturing industry, stemming from shutdowns attending cutbacks in steel and nonferrous metal allotments to civilian durable goods makers. But the respite promises to be shortlived, it adds. Indications are the slack attending the slowing down of demand on civilian durable goods account gradually will be more than offset by requirements for defense. First-quarter supply conditions are expected to show little change from those of recent months, with overall demand continuing to outstrip production of most major products by a wide margin.

Despite further cuts in supplies to civilian goods industries, supply-demand balance in steel still is months distant. Actually, most trade authorities anticipate no noticeable change in market

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Investment Banking and The Chemical Industry

By FERDINAND EBERSTADT*
President, F. Eberstadt & Co., Inc.

Mr. Eberstadt stresses role played by investment banking in financing rapid expansion in recent years of U. S. Chemical industry. Gives data of aggregate growth of 39 chemical industries in period 1946-1950 and amount of public financing which accompanied it.

I must admit at the outset, not to your surprise, I am sure, my inability within the time available to box the compass of even the most important of the current financial problems of mutual interest to the chemical and the investment banking fields.

Ferdinand Eberstadt

Generally speaking, this mutuality of interest is based upon the function of the investment banking fraternity to raise long-term capital through the sale of corporate securities, and the need of the chemical industry for such funds and its ability to earn a satisfactory return thereon.

In years gone by the chemical industry was almost financially self-sufficient in the sense that it was able to finance its growth through earnings retained in the business. The combination of accelerated growth and increased taxation precludes a continuance of this process and has compelled the growing chemical companies to seek capital to finance the expansion of their plants and the growth of their business either through the offering of rights to their stockholders, generally underwritten by investment bankers, or through the sale of securities directly to the public through investment bankers, or through private placement, in many instances handled by investment bankers.

Income and Excess Profits Taxes

Under the Revenue Act of 1951, companies with a pronounced growth trend — most chemical companies fall in this category—will be called upon to pay a maximum of 70 cents out of each dollar of net income in income and excess profits taxes. In most cases, the remaining 30 cents, after payment of current dividend rates, will leave sufficient retained earnings to finance only a portion of the planned expansion. The seriousness of the financial problem caused by current high rates of corporate taxation can best be judged by comparing the present maximum rate of 70% with the maximum rate of 19% which prevailed before the late war.

The increase in personal taxes is also relevant in that it reduces the resources of the stockholders and thus limits their power to exercise subscription rights.

Plant Expansion

During the period 1946-1950 inclusive, the 39 chemical companies which are held in the portfolio of Chemical Fund reported capital expenditures exceeding $3.8 billion. It is estimated that these same companies will have spent approximately $950 million on new plant facilities in 1951. This makes a grand total of capital expenditures for these companies of $4.7 billion for the six years following the end of World War II.

The capital expenditures for 1951 and projected for the next two years comprise the biggest plant expansion program in the history of the chemical industry. Much of this is in response to the great accomplishments of scientists who, through research, have made major contributions to the development of new products and improved processes.

Sales Expansion

The 39 chemical companies which presently comprise the portfolio of Chemical Fund reported aggregate net sales of approximately $5 billion in 1946. The sales of these same companies had by 1950 expanded to $8.0 billion, an increase of 76%. Large additional amounts of working capital have been required to finance this increase in sales volume.

Depreciation of the Dollar

Since the end of World War II, the Bureau of Labor Wholesale Commodity Price Index has increased from 105.8 to 178.0 at present, an increase of 68%. This means substantially higher prices for many of the raw materials purchased by the chemical industry with its attendant needs for larger working capital.

New Security Issues

In order to aid in financing their expansion programs, at least 18 well known chemical companies, since the first of this year, have raised more than $940 million through the sale of securities, either privately to large institutional buyers or publicly through underwritten issues distributed to private investors, large and small.

Of the new capital, approximately $118 million has been applied to redemption of old securities and $822 million distributed to pay the cost for new plant and equipment and to augment working capital.

Approximately $650 million of the new capital, or 69%, was raised by the sale of long-term notes or other senior obligations, and $290 million, or 31%, was obtained by the sale of preferred stock, usually convertible into common, or by common stock.

In a word, the investment bankers' function is to assist in extricating the growing chemical companies from their present serious predicament which has resulted from increased taxation, the depreciation of the dollar and the need for new capital resulting from the expansion of their business.

*Statement by Mr. Eberstadt at a finance discussion of the Mid-Winter Conference of the Manufacturing Chemists Association, Inc., New York City, December 13, 1951.

Auchincloss to Be Partner in Courts Co.

Reginald L. Auchincloss, Jr., on Jan. 2 will become a partner in the New York Stock Exchange firm of Courts & Co. Mr. Auchincloss, who has been with the firm for some time will make his headquarters in the New York office, 30 Broad Street, of which he is Manager.

"Spirit of Christmas"

E. W. Snyder & Co., 120 East Washington Street, Syracuse, N. Y., is distributing as its Christmas greeting a beautifully prepared booklet illustrated in color describing the Christmas customs and beliefs of other countries.

Capitalism—The Real Welfare State

By WINTHROP H. SMITH*
Managing Partner, Merrill Lynch, Pierce, Fenner & Beane, Members New York Stock Exchange

Maintaining the term "Welfare State" has been misappropriated by planners, Mr. Smith holds capitalist system, in providing opportunity for more and more people to achieve a progressively higher standard of living, constitutes the real "Welfare State." Declares capitalism may die unless it is successfully merchandised. Urges industry to take greater interest in workings of political system.

At the risk of surprising this audience, and at the risk of disappointing those who invited me to talk here today, I must say that I fully *endorse* the Welfare State, and am one of its most ardent advocates.


Winthrop H. Smith

To clarify my point of view, I am here using the term in its *literal* sense.

What I advocate is a system of political and economic organization able to achieve a progressively higher standard of living for more and more people. A system which will *in fact* provide best for the *general* welfare.

We know this system as capitalism. A capitalist is simply a person who has means employed in productive enterprise.

The word is sufficiently broad in its definition to include not only the millions of direct owners of corporate securities—such as the people who have appeared here just now—but also the 83 million people who hold life insurance policies—the 67 million people who have savings accounts and the 50 millions of U. S. Government bondholders plus the millions of people who own and operate their farms and own businesses. These are the capitalists, and their accumulated savings are the life blood of capitalism.

Unfortunately, somewhere along the line the phrase "Welfare State" has been misappropriated by those who hold the mistaken view that human welfare can only be furthered by a central government, and by planning and controlling lives of its citizens in every detail.

*An address by Mr. Smith before the NAM's 56th Annual Congress of American Industry, New York City, Dec. 6, 1951.

Americans have seen the cost of a "Planned" economy in foreign lands—the sapping of initiative, the thwarting of inventiveness and ingenuity, a decline in living standards, and loss of personal freedom.

Fortunately, the majority of our people know that this is too high a price to pay for a doubtful security.

I don't need to dwell long on the *measurable* consequences of capitalism. You are all quite familiar with the achievements of free enterprise, a profit-and-loss system by which this nation produced and developed an economy that has brought it to world leadership.

Since 1914 this economy has survived stresses and strains of previously unheard of magnitude; has provided the tools, the weapons, the machinery and all the means necessary, to tip the scales on the side of freedom in two world wars. While doing these things on the world front, the American method has been able to increase real income per person on the home front to a level never before reached in the history of humankind.

The United States, with 6% of the world's population, produces more than 34% of the world's goods. We have 76% of the world's passenger cars, 58% of the world's telephones, and half of all the radios in the world. These are only random examples.

Everywhere you look you can see the consequences of a capitalistic economy.

Carrying out the comparison in greater detail, figures show that it takes about 22 minutes for the American worker to earn enough money for a dozen eggs. In Russia he would have to work 5 hours. It takes a Russian worker 2½ hours to earn enough to buy a pound of fish. But an American worker can earn enough to pay for a pound of fish in the length of time that I plan to talk today. You may be happy, and possibly a little relieved, to know that both of these things can be done in about 19 minutes.

We use such yardsticks as these to measure the *material* achievements of capitalism.

There are no bench marks to measure the spiritual values of a system which so exalts human dignity, in which free men exercise their self-reliance, their initiative, intelligence, their right of free speech, to worship as they choose and the privilege of selecting their own government. We are keenly aware of the indignities to which human beings are subjected by dictators.

The choice is simple, but can we Americans preserve our heritage?

As part of the financial industry my firm shares with you a selfish desire to see our economic system preserved. One of our services to the American way is that of carrying on an educational program which creates new owners of shares in American industry. Thus we help to supply business with the finances that it needs to build and to expand.

Creating new owners of American business is good for us because they become our customers. But, we think it is also good for *you*, because what is done by the financial industry to increase the number of stockholders is good for *all* industry. We say this because the more people there are who have some knowledge of the workings of the security markets, and the more people there are who own a part of American industry, the more people there will be who have a sense of identity with capitalism and the better able they will be to defend free enterprise from its detractors and its enemies.

Industry needs money, it will always need money. But, vastly more important, America needs more people as active partners in our economic life.

Progress in Widening Ownership Base

Some progress is being made in widening the base of ownership of industry. However, security owners in this country today are a minority and, unfortunately, many segments of industry itself have not, as yet, become aware of their responsibilities in spreading the ownership of industry.

My firm's program of education is aimed at the Main Streets of America, to the people living on the Main Streets who have made adequate provision through life insurance and liquid savings to provide for a rainy day; to those people who have a surplus of savings, and who have their eyes open to the risks and have a knowledge of what they are doing.

Not long ago I had a letter from a man who lives in a small town in Illinois, who seemed to me to be representative of our new capitalists. He wrote:

"It has happened that since my marriage, my wife has successfully hounded me into saving money. This heretofore strange habit has forced me into the accumulation of a small sum (after taxes) which, with planning, promises to become larger as time goes on. After the first of the year, according to my calculations, I shall decide how to dispose of a sum of about $150 a month.

"Now that isn't really a lot of money, but it is enough for me to be a little concerned about. Concerned enough to set me wondering how I should best put it to use. Some of it I intended to put into simple savings until a comfortable emergency cushion is established; some I would like to put in U. S. bonds because I think I

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From Washington Ahead of the News

By CARLISLE BARGERON

Until the advent of the TVA, it was generally considered that the Constitution prohibited the Federal Government from going into the business of producing electric power except as it was incident to flood control, navigation or reclamation. The Federal Government, the courts had held, had the right to provide for flood control, navigation and reclamation, and when in doing this it acquired a surplus of water power then it had a right to dispose of it.


Carlisle Bargeron

Indeed, it was on this constitutional basis that TVA was authorized, as well as similar Federal power projects in the Public Power Utopia of the Pacific Northwest. In the TVA the Public Power Bureaucrats squeezed the private power companies out of the area and as water power became exhausted they built steam plants. Now they have an expansion program which, in the next two or three years, will make their steam plant operation, having no relation to navigation, flood control or reclamation, equal to if not more than their water power facilities. They openly chortle over the fact that Congress will not dare stop them because the area, along with the rest of the country, has increasing needs for power and they, having run the private interests out of the field, are the only ones to supply it.

Similarly, in the Pacific Northwest, where insufficient water has caused a power shortage for the past two years, the private power companies have also been pushed out of the producing field, and the Public Power Bureaucrats now, unblushingly, have legislation pending in Congress to authorize them to build steam plants.

Flushed with their success in expanding in the power business without the justification of its being incident to a matter for the public welfare such as flood control, navigation or reclamation, they are out now to get control of the additional power which, by treaty with Canada, ratified by the Senate at the last session, is to be taken from Niagara Falls.

For more than 50 years power from the falls has been produced and distributed by a private company. This company's agreement with the government has many years to run.

But under the treaty, an additional 1,300,000 kilowatts is to be produced, on the American side, almost twice as much as the firm capacity for the American side of proposed St. Lawrence plant, about which there has been agitation for more than 30 years.

The treaty having been ratified months ago, Canada has proceeded with the development of her part of the work. On this side of the border nothing is being done to get this additional power because the Public Power Bureaucrats are determined that it shall be owned and operated by the Federal Government. The New York State Government wants it, and five New York State private utilities have offered to put up the money and operate it just as has been done all these years with the present Niagara power. Indeed, it was one of these companies, now operating the Niagara power, that built the first large hydro-electric power plant in the world.

The Administration has been insisting that more and more hydro-electric power is needed for the manufacture of aluminum, with which to build planes to save the free world, etc. It has been harping upon this in its agitation for the dual St. Lawrence waterway hydro-electric project.

But this additional Niagara power will not be forthcoming until there is the knock-down and drag-out fight in Congress between the Public Power Bureaucrats and private enterprise, with New York State politicians being more or less in the light of orphans on the outside.

In all the years of agitation for the St. Lawrence project, it has been generally understood that New York State would get the power works in the event the project was authorized. But at the last session of Congress, the cat got out of the bag and the Public Power Bureaucrats, led by Secretary of the Interior, Oscar Chapman, made little or no effort to disguise it, that they were determined this power would remain in the control of the Federal Government. This power can, of course, be considered as incident to navigation, if the waterway should be authorized.

But there is no navigation, flood control or reclamation involved in the additional power from Niagara Falls. It has none of these trimmings, but the Public Power Bureaucrats, emboldened by what they've gotten away with in TVA and the Pacific Northwest, are simply out to get it. The fight for it will be a clear issue of bureaucratic government versus private enterprise. The Public Power Bureaucrats constitute probably the most powerful lobby in the country. I can't recall a fight they have lost in 20 years. It will be interesting to watch this one, and in the meantime, you would think the Administration would be decent enough to shut up about the great need for additional water power with which to manufacture aluminum to build planes to save the free world, etc., because private enterprise, if permitted, is prepared to get on with the business of supplying it.

Chase Foreign Dep't Announces Promotions

Donald L. Ballantyne and James A. Jacobson, members of the foreign department staff which supervises the bank's business in the Far East, have been promoted to Vice-Presidents of the Chase National Bank, it was announced by Winthrop W. Aldrich, Chairman of the Board.

Other promotions in the foreign department's official staff are: Francis E. Grimes, William J. Lamneck and Thomas J. McGarry, Second Vice-Presidents; and Joseph J. Ballo and Henry C. Swenson, Assistant Managers.

Financial Problems in Chemical Industry Expansion

By CARL A. GERSTACKER*

Treasurer, The Dow Chemical Company

Pointing out that higher taxes and increased costs make it increasingly difficult for chemical concerns to finance their requirements from retained earnings, Mr. Gerstacker advocates more public financing and heavier bond indebtedness. Favors low cash dividends supplemented by regular stock dividends.

As you all know, our chemical industry has had serious financing problems resulting from our rapid growth. The internal sources of funds, namely, retained earnings and depreciation, have not been sufficient to meet the needs for plant expansion. A recent study by Laurence Marks & Company of New York points this up by showing that of 18 leading chemical companies only five had depreciation and retained earnings for the year 1950 in excess of their estimates for plant expenditures in 1951, and this is without the cash needed for working capital expansion. In our own case we have spent more cash than we generated internally in seven of the last 10 years, and in those 10 years have spent $100,000,000 more than we had available.

Carl A. Gerstacker

The future looks a little better on this score. Necessity Certificates should materially increase depreciation, although this is a difficult item for financial planning since most companies are having difficulties in obtaining their certificates and are unable to predict very accurately the effect this will have on their depreciation.

Retained earnings, which have generally been high for the industry, will be squeezed by much higher taxes and increased costs. In our case we have felt it desirable to pay out only some 30% to 40% of our earnings in cash dividends, and have supplemented this with a 2½% stock dividend. Incidentally, we are well pleased with the small yearly stock dividend. In theory it does nothing. It merely increases proportionately the number of shares for the same amount of stockholder equity. In practice where earnings are more than sufficient to cover the stock dividend, they act as real dividends. The effect is that the company pays out an extra dividend and the stockholder reinvest this in more stock. The big difference between this type of stock and cash dividends is that the stockholder does not pay income tax on the stock dividend when received and in these days that is one whale of a difference.

Many companies in our industry have been and will continue to be forced to supplement internally generated funds with cash from external sources. It might be well to discuss these external sources from the company point of view.

Common Stock

The basic source of capital is **common stock.** This is not a bad time to sell common stock since price earnings ratios of 15 to 20 times are favorable on a historic basis. Common stocks have had a substantial rise in market price since the end of the war and, if we are entering another war period, their prices may stabilize as they did in the last war and not continue to advance. Therefore, sale of common now may bring as good a price as sale of common two or three years from now. We have been selling common stock to our employees, and have been selling 2% of their holdings to our stockholders for several years. In fact, in the case of our common stockholders, we bring back into the company by the stock sale about half of the cash dividends that we pay out. We feel that the stockholder of today cannot afford to reinvest large chunks of money, but will put in small amounts each year. Since our sales are on a preemptive basis the price is of secondary importance.

In general, since the chemical industry has a history of continued growth, we feel that the sale of large amounts of common should be delayed as long as possible in order to obtain the highest possible price.

Convertible Preferreds

The next external source of funds that might be considered are **preferred stocks.** Preferred dividends come after taxes so that the cost is relatively high. Straight preferreds seem to have little attraction from the investor standpoint and I believe they are relatively unattractive from the company standpoint. The demand for convertible preferreds is high, particularly from insurance companies, who are anxious to obtain the capital gain feature inherent in them. Convertible preferreds are a good vehicle for the sale of common stock.

Bond Issues

A third source is **debt.** In this case the interest payments come before taxes so the true cost is something less than half the rate. Bank money — say five to seven years—fits in well with Necessity Certificate expansion since five-year depreciation should make it possible to repay these loans. We believe that long term debt is the most attractive for an industry such as ours, which seems slated for expansion for a long period to come. We recently arranged for a $90,000,000 loan from two insurance companies, with 25-year maturity, 3¼% interest, and low sinking fund requirements. Monsanto used a 50-year, 3¾% hybrid between debt and preferred, under which the interest is paid only if earned and there are no sinking fund requirements for the first 30 years.

Leverage Important

As you know, the higher the debt the more leverage on the common stock. Personally, I think that established chemical companies should have some leverage in their capital structure. **Finance, like everything else, is not static. It must change with the times. Business conditions have changed markedly in a generation.** We now have extremely high income taxes —carry-back and carry-forward of losses — and government (I think this applies to Republican as well as Democrat) firmly committed to a policy of stabilizing the economy and pump priming to prevent depressions. Therefore, the dangers of financial catastrophe for established corporations are much less than they used to be. A generation ago it was true that a balance sheet showing only common—no debt or preferred—was the ideal from an investor's standpoint. I don't think it is true today. Some senior capital is necessary to provide leverage. A simple example may illustrate the advantages of leverage today.

Assume that a corporation with only common stock makes 20% before tax on its capital. At the old tax rate of 38% it had 12.4% left after tax. At the present 70% tax rate it has only 6% left after tax. However, if half of the capital is debt with a net cost of only 1½% after tax, the corporation will still have 10.5% left on its common captal after a tax of 70%.

If you agree that some leverage is necessary, how much can a company afford without serious financial danger. There is no simple answer to this question. **Again our thinking must be fluid.** The answer will be different for each corporation and for each company it will continue to vary with changes in circumstances. Total fixed charges, including sinking fund payments, should be low in relation to internally generated cash. In our case depreciation is sufficient to cover fixed charges and our present cash dividend rate. Therefore, if we only broke even we are still all right. If we should lose money, the carry-back and carry-forward provisions of the tax law should still provide enough cash for our fixed charges. At the present time I feel that our common and surplus should be at a very minimum 50% of the total of our common, surplus, preferred, and debt. This ratio should not be static and the per cent made up of preferred and debt should be constantly reduced until it is necessary, perhaps, to borrow again.

To summarize, I believe that a program for financing expansion in the chemical industry today should include:

(1) Relatively low cash dividends supplemented perhaps by yearly stock dividends.

(2) Regular yearly sales of small amounts of common to the present holders.

(3) A substantial amount of long-term debt with low sinking fund requirements.

*Statement by Mr. Gerstacker at Mid-Winter Conference of the Manufacturing Chemists Association, Inc., New York City, December 13, 1951.

W. E. Hutton & Co. To Admit Hall to Firm

BOSTON, Mass.—Vernon H. Hall, II, manager of the Boston office of W. E. Hutton & Co., 75 Federal Street, will be admitted to partnership in the New York Stock Exchange member firm on Jan. 2.

Spencer Trask Wire to Crowell, Weedon

Spencer Trask & Co., 25 Broad Street, New York City, members of the New York Stock Exchange, announce the installation of a direct private wire between their firm and Crowell, Weedon & Co., 650 South Spring Street, Los Angeles 14, Calif., members of the Los Angeles Stock Exchange.

Wreszin to Be Partner In Hay, Fales & Co.

John A. Wreszin will acquire membership in the New York Stock Exchange on Dec. 27, and on the same date will be admitted to partnership in Hay, Fales & Co., 71 Broadway, New York City, members of the New York Stock Exchange.

Neuberger & Berman Admits Ernest N. Peter

Neuberger & Berman, 100 Broadway, New York City, members of the New York Stock Exchange, announce that Ernest N. Peter is now associated with the firm as a customers' broker.

Merrill Lynch Adds

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Oreg.—Everett E. Cobb, Jr. is with Merrill Lynch, Pierce, Fenner & Beane, Wilcox Building.

NYSE Governors to Decide on Saturday Closing Next Month

Will hold meeting on Jan. 24 to consider all aspects of the question, as well as the results indicated by statistical survey of Saturday trading.

G. Keith Funston, President of the New York Stock Exchange, has notified the membership that the Board of Governors determined on Dec. 13 that, at the policy meeting on Thursday, Jan. 24, they would consider all aspects of the Saturday closing question in the light of suggestions being made to the Advisory Committee on the basis of the recently distributed Saturday trading statistics, and on other factors.

G. Keith Funston

The Advisory Committee is expected to report to the Board on or before Jan. 24, and will welcome members' and firms' views, either in writing or in person, up to that time.

The Board, Mr. Funston stated, will take up for decision at the January meeting the following recommendations, which are among others thus far received by the Advisory Committee: (1) Saturday closings, on a year-round basis; (2) the so-called "package plan" which provides for closing of the Exchange on Saturdays and extending trading hours; and, in connection with question of eliminating certain holidays.

As a guide in determining the question of year-round Saturday closing—a matter which has been before the New York Stock Exchange membership for the past several years—the Exchange authorities have already compiled and published statistics as to the character and volume of Saturday trading during October from data furnished by member firms. For comparative proposes, a similar analysis was made of trading on one Wednesday in November.

The Exchange authorities presented no conclusions regarding the statistics, but the data will be submitted to the Board of Governors of the Exchange for consideration in connection with the broad question of Saturday closing when it meets in January.

Among the data compiled by the statistical survey was the relative proportion to the total of Saturday "open order" shares, "day order" shares, and percentage of Saturday "day only order" shares executed; as well as the sources of each class of business, both as to geographical distribution and the status of the principal in the transaction.

The compilation indicates that "day only" orders predominated on Saturdays. These are orders, which if not executed in the course of trading during the day, are cancelled. These orders constituted 41% of total orders, compared with 35% on Wednesday. In this connection, it may be pointed out because of the two-hour Saturday session, compared with five hours on other trading days, the "day only" orders would be generally more difficult to execute at the prices set in the order. Yet, the statistics show that 4½% of "day only" orders were executed on Saturdays, compared with 3% on Wednesdays. The figures also show that on Saturdays a smaller percentage of orders came from institutions, such as banks, insurance companies and investment trusts, than on other trading days.

The sources of Saturday business, classified according to the status of the customer, are shown in the accompanying table:

	Aggregate Totals—Four October Saturdays				Trading Day, Wednesday, Nov. 14, 1951			
	Saturday Day		Saturday Open		Wednesday Day		Wednesday Open	
	No. of Shares	% Total Shares	No. of Shares	% Total Shares	No. of Shares	% Total Shares	No. of Shares	% Total Shares
Banks	229,787	2.69	193,232	2.26	245,398	8.50	52,011	1.80
Non-Member Broker-Dealers	234,873	2.75	89,593	1.05	92,253	3.20	18,654	0.65
Insurance Companies	19,633	0.23	36,696	0.43	29,255	1.01	4,970	0.18
Investment Trusts	76,933	0.90	68,835	0.81	83,163	2.88	14,770	0.51
Members, Member Firms & Partners	1,322,755	15.49	60,050	0.70	495,246	17.16	14,756	0.51
All Other Customers	4,718,314	55.26	1,487,946	17.43	1,472,808	51.02	363,179	12.58
Total	6,602,295	77.32	1,936,352	22.68	2,418,123	83.77	468,340	16.23
Total Shares Executed	*8,538,647				†2,886,463			
Unexecuted Orders Shares	5,733,497				1,550,491			

*Includes purchases and sales, but excludes 725,717 shares executed by odd-lot dealers as principal.

†Includes purchases and sales, but excludes 247,140 shares executed by odd-lot dealers as principal.

Dealer-Broker Investment Recommendations and Literature

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

Bank Stock Outlook—Bulletin—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Income Tax Pointers Affecting Securities—Brochure—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y. Also available is a review of **Electric Bond & Share Co.**

Oil & Gas Reserves—Analysis—Dean Witter & Co., 14 Wall Street, New York 5, N. Y.

Over-the-Counter Index—Booklet showing an up-to-date comparison between the listed industrial stocks used in the Dow-Jones Averages and the 35 over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over a 12½-year period—National Quotation Bureau, Inc., 46 Front Street, New York 4, New York.

Prospecting for Stocks for 1952—Brochure—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. Also available is a bulletin of suggested stock "packages."

Titanium—Review—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

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Affiliated Gas Equipment, Inc.—Bulletin—Gartley & Associates, Inc., 68 William Street, New York 5, N. Y.

Aircraft Radio—Data in current issue of "Highlight"—Troster, Singer & Co., 74 Trinity Place, New York 6, N. Y. Also in the same issue are comments on **Reaction Motors.**

Alliance Manufacturing Co.—Circular—Kearns & Williams, 11 Broadway, New York 4, N. Y.

Alliance Manufacturing Co.—Memorandum—d'Avigdor Co., 63 Wall Street, New York 5, N. Y.

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

Bingham-Herbrand Corp.—Memorandum—White & Co., Mississippi Valley Trust Building, St. Louis 1, Mo.

Canadian Pacific Railway—Analysis—Cohu & Co., 1 Wall Street, New York 5, N. Y.

Central Public Utility Corp.—Analysis—F. S. Yantis & Co., 135 South La Salle Street, Chicago 3, Ill.

Chicago Corp.—Memorandum—Weinress & Co., 231 South La Salle Street, Chicago 4, Ill.

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

L. A. Darling Co.—Latest information—Moreland & Co., Penobscot Building, Detroit 26, Mich.

Douglas & Lomason Co.—Memorandum—Pulis, Dowling & Co., 25 Broad Street, New York 4, 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.**

General Tire & Rubber Co.—Review—Van Alstyne, Noel & Co., 52 Wall Street, New York 5, N. Y.

Hershey Chocolate Corp.—Analysis—Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y.

Lone Star Gas Co.—Memorandum—Smith, Barney & Co., 14 Wall Street, New York 5, N. Y. Also available is a memorandum on **Shell Oil Co.**

Polaroid Corp.—Bulletin—Barclay Investment Co., 39 South La Salle Street, Chicago 3, Ill.

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

St. Regis Paper Co.—Bulletin—Sincere and Co., 231 South La Salle Street, Chicago 4, Ill.

Schenley Industries—Bulletin—A. M. Kidder & Co., 1 Wall Street, New York 5, N. Y. Also available is data on **Joy Manufacturing Co.**

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

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

West Lebanon Fire District (New Hampshire)—Bulletin—F. W. Horne & Co., 18 School Street, Concord, N. H.

Inflation Is Like Slow Drug Poisoning

By CHARLES W. BRIGGS*
General Counsel, Weyerhaeuser Sales Company, St. Paul, Minn.

Mr. Briggs, likening continued inflation to opiates that lead finally to poisoning, cites present inflationary factors, and says many people suspect there will be a "reactivation of an alluring, but deceitful joy-ride through all stop signals." Gives as reasons why inflation is bad: (1) it disrupts nation's financial structure; (2) it distorts values; (3) it destroys economic stability; (4) it places a capital levy on fixed investments and fixed income; (5) it is discriminatory; (6) it defeats its own purpose; and (7) it breeds collectivism.

We are engaged or should be engaged in a battle against collectivism as distinguished from private capitalism. Inflation is a powerful and efficient weapon in the arsenal of the enemy.

Charles W. Briggs

I would like to make a few observations on human action and reaction which constitute economics.

There has been too much fascinating satisfaction with inflation. It is no secret that many people are receptive to the effects of inflation in their own spheres of activity—that is to rising prices. Furthermore, there has systematically been developed in many minds the concept that largesse from the government is in the public interest.

There is now a sort of fatalistic belief that our economy cannot be expanded and full employment achieved without inflation.

There is prevalent in many quarters the failure to suit individual actions to the fighting words of such organizations as NAM.

After all, the apologia for inflation is quite common. Abroad the London "Economist" sets the pace.

Now, I do not wish to be considered a Jeremiah who thundered pessimism to ancient Israel. But there is reason for the foreboding that the genius of our people may be stifled—a genius that has raised this democratic nation to a position of unprecedented power.

Inflation has been with us for some time and there is more than a threat that it will spiral further. This is bad whether the ascent is abrupt or gradual. A bit of inflation at a time has all the aspects of slow drug poisoning with systemic dissolution of our economy intended for our children. But history proves that ever increasing dosages are essential to prolong the desired effects of inflation.

Present Inflationary Factors

Factors are clearly discernible that make for further inflation despite present softening of the market in many places. These are known to businessmen:

(1) The international situation which is fast generating demands for additional government outlays. Our chief credential of leadership in the world is supposed to be our check-book.

(2) Shortages that will impend in many civilian commercial lines when present inventories are absorbed and the full impact of the defense program begins to be felt.

(3) Pent-up individual savings ready to implement demand for goods.

(4) Increased government spending on Federal, state and municipal levels and the incurring of Federal treasury deficits.

(5) Resistance to limitations upon credit extension and the pressures for relaxation of limitations upon bank loans.

(6) The probability that the volume of money will be further augmented, with circulation at accelerated velocity. People are very apt to demand that more dollars be made available.

(7) The persistent and progressive increase in wage rates which not only pushes prices up but enlarges the area of private spending capacities.

(8) The propensity of the great mass of consumers to spend their disposable incomes, especially when scarcities or price rises impend; and the age-old disposition of sellers of goods and services to charge what they think the market will pay.

Many people are deeply concerned about this thing we call inflation. They are not lying awake nights like Vishinsky laughing about it. They suspect a reactivation of an alluring but deceitful joyride through all the stop signals that economic history has installed on the highway. This is not like fearing a wind in the chimney. It has real substance. But human nature entices them to go along for fear that they will miss a picnic somewhere along the way.

There seems to be some mysticism about inflation. Some people devote themselves to dialectics about its definition. They are like the doctor who becomes so engrossed in symptoms, possible causes and remedies that he cannot recognize the malady for what it is. Meantime the patient dies of what it is costing him.

And look at what many in business, agriculture and labor are doing. They are submitting themselves to what they think is a miraculous restorative operation. It is performed by government under the anaesthetic of inflation. If they do not come to, they will undergo structural changes that are irreversible.

From a practical standpoint we have a working idea of what inflation is. When price levels mount generally as they have in recent years, inflation is an understandable word for the occurrence. When a bathroom installation costs as much as a whole house used to cost, inflation is just as good a polite word as any other for what is happening to the owner's pocketbook. Of course, he is using a lot of strong landiscussion of cause and effect.

Cause of Inflation

What is the cause? I think we are on sound ground when we say that the primary impetus to inflation is an inordinate increase in the money supply in relation to the supply of goods available in the market, with a stepped-up velocity of money as a supplementary factor. When money gets to chasing goods, we have inflation.

Inflation manifests itself as a progressive shrinkage in the purchasing power of the dollar or other circulating media.

Farsighted and informed people are genuinely alarmed about this destructive agent of collectivism that is insidiously creeping into our economy. They fear it will eventually stifle free enterprise. They feel it will ultimately consume the institution of private property which is the nutrient upon which such enterprise feeds.

There has been much sounding off against inflation. The loudest bugling has been in Washington. All over the country we hear the trumpets blowing an assembly for battle against the deadly enemy of collectivism already infiltrating our economy. An enemy threatening to subsist on the rations of inflation.

But let us remember the fateful words of Samuel, the ancient judge of Israel. He said: "When the sound of the trumpet is uncertain who will prepare to battle?"

In his day the troops were directed by the notes of the trumpets. If the sounds were uncertain the ranks did not and could not move.

Synthetic "Tears"

Today there is a medley of discordant and uncertain notes blaring from the trumpets that call for action against collectivism and inflation.

We hear calls from theoreticians who would defeat communism by socialism—calls for the government to raise its spending to the level of the wants and needs of the people. They view socialism as an inexorable march in history and inflation as an effective method of redistributing property and the levelling of the bourgeoisie. All of this when the ultimate aims of socialism and communism are the same.

We hear authorizations and appropriations by the Congress that defy comprehension. They are made piecemeal and add up to a total that bears little if any relation to the burdens that private enterprise can be expected to bear. They reflect a woeful lack of coordination between the spending and taxing committees of the Congress. And we hear that the end is not yet.

We hear the adamant refusal of the Congress to levy taxes to meet anticipated outlays. This means certain deficits. To follow, is government borrowing from the banking system and increasing the volume of money with inevitable inflationary results. Within government itself there is persistent opposition to control of bank credit and credit generally.

We hear recurrent demands for increased wages and allied benefits which are met by progressively less resistance, if by resistance at all. Costly interruptions of production by labor are apparently condoned; even of the fabrication and distribution of vital necessities for the defense of the nation.

Spend More, Tax Less

We hear the persistent clamor in Washington of an individual, an organization, a group, or a community for government spending in his or its own interest. More money and more spending is the note. Contemporaneously we hear clamor from the same people for reduction of their own taxes.

We hear sounded the warning that the point of diminishing returns from taxation has been reached, and with it the demand for a constitutional amendment limiting the power to tax. These but reveal a tendency to invent escapes and an internecine struggle to shift the burdens upon someone else.

Assurances of mutual sacrifice in a great national crisis are but faintly heard.

We hear contentment voiced by a powerful number of individuals in the improvement of their situations in disregard of the inevit-

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*An address by Mr. Briggs at a panel session of the 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.

Coming Heavy Capital Flotations And the Securities Markets

By WILLIAM WITHERSPOON
Statistical and Research Department
Newhard, Cook & Co., Members New York Stock Exchange

Calling attention to unprecedented rapid postwar expansion of business, investment analyst forecasts heavier flotations of corporate securities within next five years. Holds effect will tend to depress bond prices due to rising interest rates.

Would you believe that postwar business has been expanding at more than three times the rate of the roaring 1920's? This is rather difficult to imagine; and even when the fact is comprehended, we are tempted to stand aghast, fearful of the consequences. Furthermore, the financing of this huge capital expansion has its repercussions upon security markets, and this, too, is rather frightening to the investor. However, this impact will not be felt equally by all markets. The stock market will be least affected while the bond market might suffer rather heavily in the years to come. Let us examine this situation.


William Witherspoon

Net private capital formation is, for practical purposes, the total cost of corporate construction and producers' durable equipment, plus changes in business inventories, less depreciation charges and foreign investment. The Department of Commerce figures indicate that it touched $8,629 million in 1929, which as we know was a feverishly active year. Then ensued the lethargic 1930's when idle plant capacity was the "white elephant" of our economy. During that decade, it was only in 1936-37 that a relatively small amount of capital formation did occur.

After 1939, and as World War II progressed, there developed a growing need for plant capacity. Not only were the idle plants of the 1930's entirely used, but additional capacity was needed. Hence, net private capital formation jumped to $11,307 million by 1941, but following the active participation of the United States in the war, the government took over most of the financing of plant expansion. It was not until after the war that industry was required to expand of itself. In 1946, however, net private capital formation jumped to $23,063 million, followed by $26,429 million in 1947, $29,615 million in 1948, $16,161 million in the "rolling adjustment" year of 1949 and $28,309 million in 1950.

The comparable figures prior to 1929 are not available, but we can get some comprehension of the magnitude of net private capital formation in the 1920's by comparing the gross private capital formation in previous years with that of 1929. In that abundant and hectic year it amounted to $17.6 billion, whereas in the six previous years from 1923 through 1928 inclusive it averaged $14.8 billion. Hence, it might be reasonably deduced that whereas net private capital formation was $8,629 million in 1929, it would have probably averaged in the neighborhood of $7,300 million from 1923 to 1928.

Thus it is noted that net private capital formation at $28,000 million is currently running almost four times greater than the average of the 1920's. On the other hand, corporate security flotations for new capital are running at only 60% of the 1929 figure. This financing is currently amounting to about $5,870 million per year as compared with about $8,650 million in 1929. Hence, in 1929, virtually all of the net private capital formation was being financed by security flotations, but now only about 21% is being thus financed. The difference is currently being drawn from accumulated cash which has been built up through retained earnings.

The strong cash position of many corporations is revealed by the balance sheets. What was formerly regarded to be a strong financial position in the late 1920's would now be regarded as unusually weak by comparison. A current ratio of about 2-to-1 was regard as being quite satisfactory some 25 years ago, and if cash was 25% of current liabilities the company was in a secure position. Now, however, a much higher current ratio is a normal requirement for at least an industrial concern, and if that type of company does not have cash or the equivalent at least equal to current liabilities, eyebrows might be raised and questions asked concerning a corporation's financial integrity.

This strong cash position, however, will not last indefinitely; as capital formation progresses from year to year, accumulated cash will be gradually used to finance a part of this expansion. The cash positions which are now fortifying corporations extremely will be eroded and the investment analyst will again have to become content with cash ratios of less than 1-to-1. This, of course, presupposes that capital formation will continue at its present pace. It seems reasonable to assume this outlook without further proof.

The Impact on Bond Prices

As cash reserves are reduced, the flotation of corporate securities for new capital will become greater; then as this increasing amount of financing comes into the financial markets it might be anticipated that an overburdening of supply relative to demand will develop. This could be quite true, particularly as it pertains to the bond market and interest rates. Most of the new financing is currently of the debt variety. Indeed, 75.7% of the new capital financing during the first eight months of 1951 was vested in bonds. This large proportion of bond offerings will probably continue as long as interest rates are so low relative to stock yields. Thus, this proportionate size and expected continuity of bond financing for the next several years could certainly have its repercussions on the bond market.

The demand for bonds could, of course, rise proportionately with the supply and this would stabilize prices rather than produce a downward trend. However, what is to increase the demand? Gold could flow into this country as it did in the 1930's to stimulate demand, but this does not seem probable. Insurance funds might be enlarged through a greater divergence of savings to this sector of our economy, but it does not appear that insurance demand will be sufficiently enlarged to offset new debt flotations. Other institutional investing might expand to take the increased supply of bonds, but the management of such funds is turning more and more from bonds toward common equities; hence, this source may be more of a hindrance than a help to the bond market. Therefore, we might conclude that the demand for bonds will not keep pace with the increasing supply.

If the reasoning in this article is correct and capital formation does develop in our economy at this furious pace for the next five or six years, we might expect the impact of new debt securities upon the financial market to depress bond prices in a long-term downward trend until prevailing interest rates are substantially above present levels. This trend will not develop quickly. Just as bond prices advanced slowly but surely from 1934 to 1946, the downward trend will be painfully slow but just as sure.

A Review of 1951

By ROGER W. BABSON

Mr. Babson reviews briefly political, economic and business developments during 1951. Says there were many good buys in stocks of chain stores and other companies that do a cash business, but adds those who want profits have built up bank accounts for purchases when stocks are 100 points lower. Says inflation will continue.

The world situation today is much like the Cold War which existed in the U. S. between the North and South during the 1850s. The basic conflict in both periods was, and is, a conflict between those who "have not" and those who "have." The difference is that the airplane, radio, etc., have made the 1951 conflict worldwide, instead of local. Without revolution in Russia, World War III will some time be inevitable. This winter will be especially critical. If, however, Russia does not strike within six months, there should be no World War III for some years.


Roger W. Babson

Preparedness: Our government's 1951 policy of appropriating huge expenditures for military preparedness is sound. In addition, however, those living in large cities should own a small house with a few acres of land at least 60 miles away. Moreover, everyone should build up character, health, and education as the best security in case of World War III.

The New Industry: Heretofore, our war preparations have been "on-and-off" affairs; but our 1951 Military Preparedness Plans will develop into a permanent new industry. Manufacturers have been wise during 1951 in taking on some of this new type of business without neglecting their regular business.

Other New Products: Important inventions, revolutionary processes, and wonderful new products were developed in research laboratories during 1951. Manufacturers, retailers and consumers have been wise in keeping inventories low and avoiding purchases of goods soon to become obsolete.

New Houses: 1951 witnessed a decline in sales of new houses. Too many were hastily built, on too small plots, and have poor locations. The best "buys" in 1951 were well built "near-in" old houses in which modern streamlined kitchens and bathrooms were installed. These improvements, with new paint and paper, have produced wonders.

Railroads: Transcontinental railroads and the southwestern roads acted well during 1951; but the New York Central, the Pennsylvania, and certain Midwestern lines may be faced with continuing difficulties. The only eastern roads which interested me in 1951 were the three Gravity Roads—the Norfolk & Western, the Virginian Railway, and the Chesapeake & Ohio.

The Oils: Most of the oil stocks during 1951 had tremendous rises. The wise investor took profits on at least one-half of his oils. McCarthyism will soon campaign for cheaper oil, just as Rooseveltism fought for lower electric rates. Remember what happened to the electric power stocks during that campaign?

Labor Unions: I believe in labor unions; but their 1951 actions suggest they will bring about the next business depression. Yet, should we blame the labor leaders? They are pressed by the union members who are egged on by their wives made discontented by tempting 1951 advertising. The more effective such advertising becomes, the more certain another depression will come.

Stocks to Buy: There were many good "buys" for income during 1951 in stocks of chain stores and other companies which do cash business. Those who want profits, however, have built up bank accounts for purchases when stocks are 100 points lower. Business volume has held up well during 1951, but most stock prices during the past quarter have lost about 10%.

Diversification: Diversification was practical during 1951. Those too lazy to diversify bought Investment Trust Shares or stocks of Fire Insurance Companies which combine an Active Business with an Investment Trust.

Inflation: Inflation has existed during 1951 and will continue to go on. The business cycle, however, will likewise always revolve and fortunes will continue to be made by those who have the PATIENCE to store up cash in times like these, and the COURAGE to buy stocks later when no one will want them. Fortunes come from Patience, Courage and Supervision.

Religion: During 1951 there have been signs of a return to the Church, which is the only hope for individual or international peace.

Hallgarten to Admit Five New Partners

The 101-year-old investment firm of Hallgarten & Co., 44 Wall Street, New York City, members of the New York Stock Exchange, will admit five new partners on Jan. 1, 1952, according to Maurice Newton, senior partner.

All of the proposed members have been associated with the firm for many years.

Hugo F. Van Itallie, as manager of the foreign department; Herbert R. Strauss, resident manager of the Chicago office; Fred M. Kauffmann, new business department; A. B. Fletcher, administrative assistant to the partners, and John Wallace, head of the research department.

The present partners of the firm, in addition to Mr. Newton, are Donald S. Stralem, Leonard D. Newborg, Frederick M. Peyser and Pierre Stralem.

Prospects of Peace With Freedom in Next 50 Years

By PERCY W. BIDWELL*
Director of Studies, Council of Foreign Relations

Foreign relations expert holds peace and freedom in next half century depends on: (1) our skill and firmness in pursuing our defined aims with our resources; (2) keeping our domestic economy on even keel; (3) maintaining popular morale, and (4) policies and intentions of nations opposing us. Lists as dangers in subsidizing foreign countries: (1) allegiance cannot be bought; (2) dependence on our support, causing failure to put forth own efforts; and (3) unequal distribution of our aid among economic groups. Advocates lower tariffs as more effective aid in supplying U. S. dollars abroad.

To my mind, whether we can have peace and freedom in the next half-century depends on our foreign policy, our wisdom in defining its aims, our skill and firmness in pursuing those aims with the resources at our command, and our ability to hold the loyalty of our allies.

Percy W. Bidwell

It depends on our maintaining our domestic economy on an even keel despite the unbalancing effects of defense expenditures and foreign aid.

It depends also on the morale of the American people, their ability to endure with patience and fortitude the prolonged tension of the cold war.

Finally, it depends on the strength and intentions of countries that oppose us.

Now, our principal opponent is the Soviet Union, and hence the guiding purpose of American foreign policy at present is to preserve our peace and freedom by restraining, or "containing" Russian imperialistic expansion.

I do not accept war—any war—as inevitable. Nor do I regard peace and freedom as the automatic results of progress and good intentions. It depends on us, and on the Russians.

Let us first see what we can do to preserve—and perhaps to enlarge—the measure of peace and freedom we now enjoy, and then take a look at Russian intentions and Russian strength.

Material Resources Enormous

Our material resources for containing Russian imperialism are enormous. With our huge productive capacity we are able to build up the economies of countries threatened with Soviet aggression. That has been our policy since Mr. Truman made his offer of aid to Greece and Turkey in 1947. We followed that with the Marshall Plan. Altogether in the last six years we have spent $9½ billion in economic aid, principally to Western Europe.

On the whole, this operation has been successful. By helping countries in the free world to get on their feet economically, we have raised the morale of their populations as well as strengthened their ability to resist attack.

Furnishing raw materials and machinery was not enough. After Czechoslovakia fell, we saw that to restrain Soviet aggression we had to build up armed strength in Europe. The Korean affair gave us another jolt, so we began to switch from economic to military aid. This year, our $7 billion mutual aid program is 6/7 military aid and only 1/7 economic.

At the same time, we have set in motion a huge rearmament program of our own. Some people are worried lest the expenditure of $60 billion a year for the next two or three years will wreck our economy. With any kind of reasonable financial policy we ought to take this in our stride.

There are, however, other dangers in the rearmament program. In our insistence that Britain, France, The Netherlands, Belgium and other countries in the North Atlantic Treaty Organization shall step up their arms production, we run the danger of weakening their economies. We have, perhaps foolishly, announced that we can expand our arms production without curbing in any substantial way our civilian consumption. In other words, we can have both guns and butter. They naturally resent our telling them that in order to produce more guns they must consume less butter.

Security Does Not Rest on Rearmament

There is the further danger that we shall foolishly assume that rearmament means security. Our security depends, not only upon having a huge store of equipment, but also on the soundness of the economic structure and the morale of the population, both in this country and among our allies. If, in our defense program, we weaken our ability or that of our European allies to sustain civilian consumption, we may be weakening our ability and theirs to defend ourselves.

James Reston has written (New York "Times," Dec. 5, 1951):

"There is agreement . . . about what would be the ideal defense of Europe. That defense would be like the old military forts in the Baltic: It would have a double wall of defense, a strong economic outer wall and a strong military inner wall.

"One European ambassador said today, however, that 'the trouble is that we are now tearing down our strong outer economic wall, built so stoutly by Marshall Plan aid, in order to build up the inner defense wall.' We do not improve our 'situation of strength' in Western Europe by tearing down one wall to build the other. We merely substitute one wall for the other, and in many ways the economic defense wall, backed by the air and atomic power of the United States, is more important in a contest with the Communists than the military wall."

So much for the material factors. Our moral resources are quite as important in containing Soviet aggression. We shall have to endure for a long time the strain and tension of the cold war. Perhaps none of us here will ever witness a return in our lifetimes to the orderly state of international relations which prevailed at the beginning of this century. For years to come, we are going to become accustomed, and we probably already are, to newspaper headlines which tell of aggression and threats of aggression, of actual and threatened conflicts. We may have to endure irritating restrictions on our freedom.

Several million of our young men will have to spend a year and a half or two years of their lives in the monotony of military barracks. It will be a test of our morale whether we can stand these hardships without either relaxing our firm attitude toward Russian aggression or losing our heads and rushing headlong into a third world war.

Quality of World Leadership

Our ability to keep our sanity and balance in these trying years will determine the quality of our leadership in world affairs. Allies are necessary in our struggle to contain Soviet imperialism. At present, the United States and the other nations of the free world far outweigh the USSR in steel, oil, machine tools and many other factors that make for industrial power. But if the Russians could capture the center of heavy industry in Western Germany, Belgium, northern France and England, the control of their resources by the Soviets would shift the balance of strength to their side.

The last few years have shown that we do not command the unquestioning support even of allies most closely connected with us by ties of economic interest and of common traditions—England and Canada. They shudder at the reckless statements of irresponsible Congressmen. They don't know what to make of it when the Secretary of the Navy hints at preventive war. They think we are inclined to rely in our conflict with the Russians too much on naked force.

When President Truman refers to agreements with Russia as only so many scraps of paper, it seems to them that we have abandoned the art of diplomacy. We cannot expect them to cooperate fully with us or, to put it more bluntly, to follow our lead in international affairs, unless we show the restraint and sense of responsibility that are the marks of true leadership.

Democracy Cannot Be Bought

It is not only impolitic, but dangerous for us to assume that a monopoly of power gives us a monopoly of wisdom. We are spending millions on the Voice of America in an effort to build up American prestige and our moral position in Europe on both sides of the Iron Curtain. But democracy, as one Senator has observed, cannot be sold like toothpaste.

And, after all, what we are will speak louder than what we say. That means that the job of containing Russian aggression is everybody's business in this country. We can't leave it to Washington. We are preaching democracy and asking other nations to follow our lead in resisting aggressive Communism. They naturally want to know how well democracy works here in the United States. Hence every move we can make as individuals or in groups to suppress civic corruption, to abolish race discrimination, and to suppress loud-mouthed, irresponsible demagogues will raise American prestige abroad and thus reinforce our national foreign policy.

But whether we have peace and freedom depends on the Russians as well as ourselves. At present, it is true, there seems no possibility of negotiating a settlement of the main points of our conflict, either on control of atomic energy, or on Germany, or on Far Eastern questions. But no matter how time-consuming, tedious and annoying the process may be, we must persist in our search.

We can make more effective use of diplomacy. In dealing with the Soviet Union our representatives should not sacrifice national dignity and prestige in a vain endeavor to surpass Vishinsky in the use of brutal and course invective. "Speak softly and carry a big stick" is still a good motto.

Russia's Power Overrated

Meanwhile we have reason to hope that our containment policy, applied firmly but without provocation, may bring about within the next 50 years some weakening of Soviet aggressive aims. Russia's power is perhaps not as great, nor are its leaders as clever, as our fears have led us to believe. Soviet diplomacy is often stupid and blundering. Even the Iron Curtain cannot hide the weakness in the Soviet economy. Stalin is now 70 years old. Inevitably, before long, his power will be transferred to some individual or group. The transfer may be accompanied by dissension and weakness, which would make impossible the continuance of an aggressive foreign policy. Our containment policy is based on the assumption that the dynamic missionary force of the U. S. S. R. cannot merely come to rest. Its advance, when stopped, will flow backward; when it retreats, it will crack up.

For the present American security requires that the containment of Soviet aggression be the focus of our foreign policy. But containment is negative. The American people and other peoples in the free world, if they are to bear up under the tensions and deprivations of the cold war, must be sustained by some vision of a better world, a world in which they can enjoy a progressively larger measure of peace and freedom. This should be the positive, long-run aim of our foreign policy, to bring about a relaxation of international tensions and to assist in the building of a world community.

To that end this country should continue its steadfast support of the United Nations, with emphasis on its function as a forum of world opinion, an agency of mediation and conciliation. The UN is the only organization which includes both the Russian group and the countries of the free world. In our impatience to get peace and freedom we should not destroy this symbol of world unity.

For the present we should adhere to the limited objectives of the founders of the UN instead of trying to transform it into an agency of world government. Fifty years is probably not long enough to create among the nations the minimum community of interest and purpose without which a universal state could not survive. Meanwhile, however, we should not lose sight of that ideal and should promote all practical means of eventually bringing it to reality.

*An address by Mr. Bidwell at the Niagara Frontier Convocation under auspices of the University of Buffalo, Buffalo, N. Y., Dec. 7, 1951.

Gen. Am. Transportation Certificates Placed By Kuhn, Loeb & Co.

The General American Transportation Corp. announced on Dec. 19 that it has negotiated through Kuhn, Loeb & Co., the sale of $10,017,000 Equipment Trust Certificates, Series 49, to a small group of institutions. Of the total $5,040,000 principal amount was delivered on Sept. 17, 1951, and the balance of $4,977,000 principal amount on Dec. 17, 1951. The certificates will mature serially in quarterly installments to and including Sept. 15, 1971. Maturities to and including Sept. 15, 1959, bear dividends at the rate of 2⅝%, the balance at a rate of 3⅛%.

The equipment covered by the trust consists of 1,296 new tank cars.

Taxation and the Investor

By G. SIDNEY HOUSTON*

Mr. Houston, in demonstrating almost every tax affects the investor, directly or indirectly, explains the workings of the capital gains tax, the excess profits tax, excise taxation and other government levies. Finds taxes no unsurmountable hindrance to investment because of desire of people to increase their wealth and stresses vast increase in institution and pension funds as investment outlet. Says excess profits tax causes "venturing" on part of corporations and makes them bigger and bigger. Advocates changing taxes to make dividends more attractive to high income individuals.

Since the end of World War II, the American investor has been confronted with many dilemmas, such as the opposing forces of inflation and deflation, the question of world war or world peace, and the ever-present and complex problem of the effect of various tax measures on his opportunities for obtaining profits or gains. Although my comments will be confined to the general area of the effects of taxation on the investor, it is well to keep in mind that other factors which may outweigh the effects of taxation may exert powerful influences on his action or inaction.

G. Sidney Houston

There are a few fundamental and well known economic facts that should be restated here as a background to this subject. The American free enterprise system, which has given us the highest standard of living the world has ever known, is based on the principle of reward incentives. In theory, and to a substantial degree in fact, the greatest rewards go to the individual who puts forth the most effective effort. Those who have developed and perfected such labor-saving equipment as the sewing machine and the harvester have reaped important rewards for their efforts. The only way we have thus far found to raise our standard of living has been to increase the productivity of the individual worker, and we have accomplished that very largely through the use of more efficient tools. As tools and machines have become more efficient and necessarily more complex, our factories have required an ever-increasing investment in equipment per individual worker.

In order to motivate the individual to perform his daily tasks, to save money, and to invest that money in further improvement and expansion of our system, the incentives must promise to bring rewards commensurate with the effort required or the risks assumed. Anything which tends to reduce the rewards otherwise obtainable tends also to reduce the incentive which motivates the individual. As a consequence, it logically follows that any tax imposed by any governmental body tends in some measure to lower the incentive which under our system must impel the individual.

It is not surprising in a free society such as ours to witness efforts on the part of various groups of citizens to pass their taxes on to other groups. Taxes on corporations as far as possible are passed on to the consumer in higher prices; higher taxes on labor result in demands for higher wages; higher real estate taxes result in higher rents. While doubtless all of these transfers of taxes from one group to another result in the tax finally being paid by the ultimate consumer, there is little or no opportunity for the investor to transfer the taxes on his rewards to some other group or individual. As a consequence, taxes which tend to reduce the incentives to invest money are more damaging to the fundamentals of our traditional system than almost any other form of taxation.

*An address by Mr. Houston at the 44th Annual Conference of the National Tax Association, Dallas, Texas, Nov. 27, 1951. Mr. Houston is Manager of Investment Research for the 75 banks affiliated with the First Bank Stock Corp., including the First National Banks of Saint Paul and Minneapolis.

Every Tax Affects Investor, Directly or Indirectly

It is not generally realized, but virtually every tax has a direct or indirect effect on the investor which he must weigh in deciding where or in what securities he will place his funds. Of course, his individual income tax status is his first concern. If he is in the low income group, he has a wide choice of investments in which he can place his funds, his decision being largely dependent upon the risks he is willing and able to assume. If his savings account is greater than is necessary for his emergency requirements, he may buy government bonds or preferred and common stocks, his choice being determined more by his desire for security of his funds than by the tax that will be imposed on his income. As the individual income tax rate rises, it has a greater and greater effect on the investor's decision as to what he will buy and also what he will sell. The individual subject to the highest bracket of income tax now retains only 8% of his marginal dollar. Consequently, he has very little interest in purchasing stocks yielding 5 or even 10%. If he is interested in increasing his income, he is much better off by placing his funds in bonds issued by state and local governments, which are exempt from Federal income taxes under present laws. Between these two extremes, decisions of investors will be affected by their income taxes to the degree that the rate of the marginal tax on their income makes one type of investment more attractive than another.

The Capital Gains Tax

If our investors are fortunate enough to purchase securities which enhance in value, they can take their profits subject to no more than a 26% tax by the Federal Government if, of course, they have held them six months or longer. To those unfamiliar with the potentialities of obtaining capital gains over and above capital losses in the operation of a portfolio of investment securities, this looks like a loophole in our tax laws. More often than most investors are willing to admit, capital losses exceed capital gains and frequently where capital gains do exist the investor will not cash in on his profit because he figures that, if he moves out of his present holdings, even though they are no longer enhansing in value, any other venture in which he invests his funds must be better than the one he now holds by the extent of the capital gains tax.

Even though it is what might be termed a left-handed compliment, credit should be given where credit is due. The fact that the capital gains tax is lower in all instances than the tax on other forms of income and profits creates an incentive which motivates large numbers of investors in the upper income tax brackets to hold and even purchase common stocks. They are interested in obtaining additional wealth subject to the lowest possible rate of tax. In this connection, Professor Sumner Slichter of Harvard, in discussing "Why Is Industry in the United States So Productive," recently pointed out that in many parts of the world the rich are well satisfied with what they have and prefer to enjoy wealth rather than incur the cares and worries of increasing it. He says, "In America, on the other hand, most industry is in the hands of people who are eager to increase their wealth and who are willing to go to considerable trouble to make money."

But it is not only capital gains and individual income taxes that have a bearing on the incentives which motivate investors to switch from one type of security to another or even from one common stock to another. As has been pointed out, corporations will, as far as possible, pass on all taxes imposed upon them in the form of higher prices. However, an excess profits tax is one type of tax that is very difficult to pass on and under a system of price controls it is almost impossible. Futhermore, excess profits taxes do not fall evenly on all corporations for several reasons. Their experience during the base period will vary; some are permitted to apply capital gains taxes to part of their incomes and some are permitted tax exemptions on part of their earnings. Informed investors watch the effect of these taxes on their securities just as closely as executives weigh their effect on corporate profits.

Even Section 102 of the Internal Revenue Code has its effect on the incentives of investors; those who are interested in large dividend payments seek companies which, fearing the penalties of this statute, pay out a large share of their earnings while those interested in capital gains are looking for those companies which, because of their need for additional capital in their business, are not afraid of being accused of improperly retaining earnings.

Excise Taxes

Excise taxes are not without their influence on investors. The ever-increasing imposts on cigaretts may at some time cause smokers to "roll their own" and the tax on alcoholic beverages is so high that there is the constant danger of an increase in the consumption of illegally produced liquor. The new and increased excise taxes on many household appliances and automobiles all tend to narrow the market for those products.

Finally there are state and local taxes that influence investors, such as income taxes, personal property, or money and credit taxes all of which tend to reduce the rewards that would otherwise be received.

With all of these road blocks thrown in the path of investors, the question may properly be asked how has it been possible to market billions of dollars' worth of securities in the past few years. It is well to remember that statement of Professor Slichter that people with wealth are eager to increase their wealth and are willing to go to considerable trouble to make money. As long as that incentive actuates investors, they will weigh the risks to be assumed against the taxes to be paid and seek out those securities which offer the best possible means of accomplishing their purpose. It can be assumed, therefore, that the securities markets of this country constantly reflect their combined appraisal of the outlook at any given time. Consequently, new security issues coming into the market place must be so tailored as to attract those funds seeking investment and perhaps from a competitive standpoint be a little more attractive than those already on the market.

Impact of Investment Institutions

There is another important reason why so large a volume of securities has found a ready market in recent years. The assets of insurance companies, savings banks, savings and loan associations, and investment trusts have grown markedly and these funds have been seeking outlets in the securities field. In addition, since the end of World War II, we have witnessed a tremendous growth in corporate pension funds. The funds thus set aside, usually in a trust company, have created an increased demand for investment securities of all kinds.

From the foregoing, it is quite evident that the investor, in purchasing securities, is in very much the same position as the purchaser of any commodity in a competitive market, that is, he cannot have new securities issued to suit his special requirements, he must select from what is then available. Whether he is purchasing an investment or an automobile, he must select from those offered the "type, style, and model" that best suit his personal situation. The main difference, however, lies in the fact that, whereas the taxes on the operation of his automobile after the date of purchase are generally speaking small in relation to the total running expenses, the taxes on his securities may loom very large in relation to his possible income or profits. As a consequence, he will purchase the securities that he anticipates will net him the greatest income or gain after taxes, but these may not constitute the best investment from the standpoint of the American free enterprise system.

The industrial development of this country, which long ago outran that of any other nation on earth, clearly demonstrates that we have been a venturesome people who were not afraid of any frontiers and, when our geographical frontiers disappeared, we were not afraid of new ideas within our existing boundaries. We owe a great deal of our development to the fact that we were willing to venture our dollars on innovations, many of which proved worthless, but we were constantly stimulated to continue the process by the example of those that were successful. The time has come, however, when our tax laws have made it unattractive for the individual to venture. The venturing is now carried on very largely by our well established and bigger corporations. In fact, present tax laws, particularly an 82% excess profits tax, make venturing attractive for corporations. They are risking 18 cent dollars, but such is not the case with the individual. If he risks more than a few thousand dollars in a new venture and loses, those losses have to come out of taxed dollars, unless he is fortunate enough to have offsetting capital gains. This situation tends to make our more enterprising corporations grow larger and larger, and, while I am not in any way concerned over mere size in a corporation, if we are to have fewer and fewer large corporations conducting the business of this coun-

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Questions Answered on Credit Control and Debt Management

By ROY L. GARIS*
Professor of Economics, University of Southern California

Dr. Garis gives his views to Joint Committee on the Economic Report on such problems as banks' legal reserves, branch banking, status of Federal Reserve Board, full employment and stability, fiscal policy, our currency system and credit control. Says, though we have strayed from basic principles and are now paying the price, problem is not as complicated as our Federal planners and bureaucrats make it out to be.

Legal Reserves

All banks in the country should be required to keep the same percentage of reserves in Federal Reserve banks. Abolish the classification of banks into Central Reserve City, Reserve City, and Country banks. There is no need or justification for a complicated reserve system. Have only one classification of banks for reserve purposes and require all banks to keep a 20% legal reserve behind demand deposits and a 5% reserve behind time deposits. However, I would not object seriously to a flexible minimum reserve of 10% and a maximum of 20%, but think it is unnecessary. But all banks should be on the same reserve basis.

Roy L. Garis

Nonmember Banks

I believe in the dual system of banking—state and national—but all nonmember state banks should be required as a minimum regulation to keep the same legal reserves as member banks. Personally I think nonmember banks should be required to join the Federal Reserve System and to clear their checks at par. Present minimum capital and surplus requirements for membership are not too high for such compulsory membership.

Branch Banking

In hardship cases small banks could be permitted to become branches of large banks in nearby cities. This could be permitted by Congress in all States, but under no condition should branch banking beyond the borders of a given State be permitted.

100% vs. Flexible Reserves

If we had a Federal Reserve Board that I could trust, I would be for more flexible reserves. I am against 100% money, but a single minimum reserve of say 10% or 20% could be set up for all banks with a maximum reserve of 100%, the exact percentage at any given time to be determined by the Federal Reserve Board. However, I am not willing to give so great a trust and discretionary power to the Federal Reserve Board under existing circumstances. Furthermore, I would want complete separation of any control by the U. S. Treasury over such a Federal Reserve Board with such flexible powers over reserves.

It should be possible to work out an automatic non-political control formula whereby legal reserves would vary with changes in an official index number. If the index number went up, then legal reserves would be increased under a formula set up by Congress. If the index number declined, legal reserves would be lowered according to the formula. Such an idea should be given very careful consideration by Congress as a control device. In such a formula, present minimum legal reserves could be kept with a maximum reserve of 100% behind demand deposits.

Status of Federal Reserve Board

I think there should be complete separation between the Federal Reserve Board and the U. S. Treasury. It was a sad day for our banking and credit system when the Board came under the influence, control and domination of the Treasury. The Board should be restored to its former position of independence. It should be coordinate with the Treasury and **not its stooge.** The Federal Reserve Board is not a government agency. Its autonomous position should be restored beyond all shadow of doubt.

Federal Reserve Board Expenses

The expenses of the Federal Reserve Board are assessed against the Federal Reserve Banks. There is no appropriation by Congress and no cost to the taxpayers. Hence, under **no** conditions should the revenues and operating expenses be subject to any control through the Bureau of the Budget or through the Controller General.

Ownership of Federal Reserve Banks

I am in favor of continued ownership of the Federal Reserve Banks by the member banks. Not one dime of stock of Federal Reserve Banks should be owned by the U. S. Government or any of its agents.

If the so-called planners in the Federal Government have their way and have the Federal Government take over the ownership of the Federal Reserve Banks or even subject them and the Federal Reserve Board to budgetary control and auditing controls, we shall be a long way toward unmitigated socialism and totalitarianism.

Federal Reserve Bank Directors

The Federal Reserve Banks belong to the member banks—not to the U. S. Government. Then why should any special group such as labor have directors on the Board of any Federal Reserve Bank? I am against it. It should be made possible for class B directors to include labor leaders if the member banks in any or all Federal Reserve Banks choose to elect such persons. But no compulsory designation of labor leaders or farmers or any group should be designated in the law to membership on the Board of Directors of any Federal Reserve Bank.

Federal Reserve Bank Profits

I am convinced that the present scheme by which 90% of all Federal Reserve Bank earnings over 6% go to the U. S. Treasury is a subterfuge. Its present basis (a tax or interest charge against Federal Reserve notes not backed by gold) is not uniform or equitable. If Congress wants to tax all such earnings away from Federal Reserve Banks, then it should be done openly by act of Congress and not by an arbitrary bureaucratic ruling that does not "smell" right. The present device is unfortunately a convincing argument and a danger signal of what can and will happen if the Federal Reserve Board and Banks are continued under the domination and control—or even the influence—of the U. S. Treasury and the Office of the President. Congress can do much to restore waning confidence by making such arbitrary bureaucratic rulings illegal in the future.

Full Employment and Stability

I believe that present Federal planners are reading into the Employment Act of 1946 responsibilities that are not there. Our economy is a dynamic, not a static, economy. The Federal Government can never **guarantee** full employment and economic stability short of totalitarian controls that will wipe out freedom and destroy our present marvelously efficient free enterprise system that is the envy of all the world. Furthermore, we must realize the following great truth—totalitarian controls, if legalized and resorted to, will not and cannot accomplish their objective of stability and full productive employment. That is the irony of it all. We are asked to sacrifice our freedom for a jack-o'-lantern security that will always evade and mock us.

Congress needs to stop talking about economy in the Federal Government, but instead, needs to compel greater efficiency and eliminate graft and waste. Congress can do this **it it wills to do so.** Thus far, it has shown no such will, but instead continues to play politics with the finances of the people. It is not a solution to our present inflationary monetary and fiscal policies to pile up more controls, to subject the Federal Reserve Board and Banks to more domination and control by the U. S. Treasury and the Office of the President, to destroy the original autonomy of the Federal Reserve System. Instead, Congress should simplify controls. Personally, I am convinced that from $5 to $8 billion can be cut out of the present non-defense budgets to the mutual benefit of everyone except some over-ambitious bureaucrats.

Fiscal Policy

As to fiscal policy, Congress can raise $12 to $15 billion extra in an equitable and reasonable manner. The Revenue Act of 1951 passed in October, 1951, is a tragic mistake. It is based upon the erroneous assumption that everyone's personal income has increased in proportion to the increase in the aggregate or total national income (Gross National Product). Dr. E. A. Goldenweiser has pointed out recently that "totals used without adequate appreciation of their limitations have in them the seed of grave error. . . . The broader the totals, the more violence they may do to reality."

It is not true that because the GNP has increased, all component parts have similar characteristics. The uniform 11 to 12% increase on income taxes for all taxpayers, being based on impersonal aggregates, thus results in disastrous consequences to many groups and individuals. Hence, this law should be repealed at once, effective as of Jan. 1, 1952. Instead, Congress should restore 1950 income tax rates as basic. Any person whose income in 1952 and in any year thereafter increases over 1950 should be subject to a 25% tax on this excess up to $5,000; with a tax of 50% of all excess income over this $5,000 and up to $1,000,000, and a possible tax of 75% of all excess income over this $1,000,000. According to the Federal Reserve Bulletin for October, 1951, the Gross National Product has increased from $282.6 billion in 1950 to more than $325 billion in 1951. It will not be less in 1952 than it is in 1951. Such a tax as suggested above will produce at least $12 billion to $15 billion. It will not penalize the 20,000,000 or more persons whose incomes, according to Senator George, are not above their 1950 incomes. It will tax those persons and corporations whose income has increased. This would be as it should be. Any person or corporation who has just started out should be subject to 1950 rates for three years. Thus a young doctor or lawyer just beginning practice, or even a young worker on his first job, would have 1950 rates applied for three years to set his norm. Here is simplicity that will be equitable and raise the money for the U. S. Treasury where it needs to be raised and where it will check inflationary forces.[1]

Our Currency System

Our currency system should be simplified and strengthened. Congress should stipulate that the following currencies should be turned into the Treasury for redemption within six months and that thereafter they would cease to be an obligation of the Treasury — viz. national bank notes, Federal Reserve Bank notes and National Currency, and United States notes. Only Federal Reserve notes and silver certificates should be in circulation. The latter should not be larger than $5 in denomination. Congress should take immediate steps to set up a managed gold standard as the basis for all our domestic monetary and credit transactions. As soon as possible thereafter, Congress should deal constructively with the proper status of silver in our monetary system. For it must be recognized and admitted by everyone except the silver Senators and the powerful interests they represent that the silver legislation enacted since 1932 has done nothing to strengthen our monetary system. Its repeal *in toto* would be an excellent test and proof of the sincerity of Congress in its expressed desire to promote the economic welfare of our country. A stable and enduring economy is impossible if any and every economic group or interest is permitted freely by law to underwrite its financial success at the expense of the U. S. Treasury and the American taxpayer.

Continued on page 42

*Replies of Prof. Garis to questionnaire to Sub-Committee on General Credit Control and Debt Management, Joint Committee of Congress on the Economic Report.

1 I am the author of the basic provisions in the Immigration Act of 1924. Hence I am not looking at this as a crackpot suggestion. My suggestions for quota restrictions were adopted in 1924 by Congress, although they had been described in the press as being "too sensible for Congress to adopt them." I submit that the above tax proposal is in this class of being sensible legislation.

Missouri Brevities

Among the underwriters who on Dec. 11 publicly offered an issue of 75,000 shares of class A common stock (par $1) of **Broderick and Bascom Rope Co.** of St. Louis at $8.50 per share were the following Missouri bankers: **Stifel, Nicolaus & Co., Inc.; Newhard, Cook & Co.;** and **I. M. Simon & Co.** The net proceeds are to be used to pay off $400,000 of term bank debt and $100,000 of commercial paper indebtedness when they mature, and the remainder used for working capital. The company now operates four plants and manufactures and sells wire rope.

* * *

The U. S. Court of Appeals at St. Louis, on Dec. 17 issued an order staying payment of $35,088,575 in accrued and unpaid interest on bonds of **Missouri Pacific RR. Co.** and International-Great Northern RR., a subsidiary. The Court also set Jan. 16, 1952 as the date for a hearing. Appellants were given until Jan. 3 to file briefs with the Court of Appeals. Payment of the back interest was authorized earlier this month by U. S. District Judge George H. Moore.

An offering of 240,000 shares of 4.75% convertible preferred stock of General Telephone Corp. was made on Dec. 11 at par ($50 per share) and accrued dividends which was oversubscribed. **Stix & Co.** and **McCourtney-Breckenridge & Co.**, both of St. Louis, were included in the group of underwriters who handled the financing.

Missouri underwriters participating in the public offering on Dec. 12 of 180,000 shares of 4.25% cumulative convertible preferred stock of Mathieson Chemical Corp. at par ($100 per share) and accrued dividends were **Hill Brothers; Newhard, Cook & Co.; Reinholdt & Gardner;** and **Stern Brothers & Co.** The offering was oversubscribed.

* * *

Net sales of **Brown Shoe Co., Inc.** and its subsidiaries for the fiscal year ended Oct. 31, 1951, again surpassed all previous records, reaching a total of $111,393,283. This compares with sales of $89,313,099 last year. Net earnings after taxes for the 1951 year were $3,133,947 equal to $5.43 per share of the company's common stock, based upon the average number of shares outstanding during the year. Earnings of Wohl Shoe Co. included in the above are for the four months only as this company was acquired July 1, 1951. For the year ended Oct. 31, 1950, net earnings totaled $4,271,041 equal to $8.08 per common share. The ratio of current assets to current liabilities as of Oct. 31, 1951 was 6.64 to 1.

An ordnance authorizing a $10,000,000 revenue bond issue to finance a sewer improvement and extension program, which was passed by the **East St. Louis City** Council in November and which was to have gone into effect on Dec. 10, has been held up by the filing of a petition by local attorneys requesting a special election on the issue.

Scullin Steel Co. of St. Louis for the nine months ended Sept. 30, 1951 reported net sales of $20,815,121 and net earnings after taxes of $869,840, equal to $6.23 per common share. This compared with sales of $9,727,849 and net of $766,321, or $5.49 per common share, for the corresponding period of last year. E. F. Judge, President, reported that "unfilled orders for the company's regular products — bolsters, side frames and miscellaneous castings for freight cars—are substantial in volume and full-scale operations are assured well into 1952."

Kansas City Power & Light Co. on Dec. 13 was authorized by the SEC and the FPC to proceed with the purchase of Eastern Kansas Utilities Inc. (Kansas). It is planned to offer common stockholders of Eastern $17.70 per share, the book value of their stock at Sept. 30, 1951, and upon acquisition of two-thirds of Eastern's stock, steps will be taken to merge the two companies.

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The **St. Louis Public Service Co.** is reported to be contemplating a further reduction in its streetcar and bus service next year, whether or not its request for a fare increase is granted.

J. D. Cockburn With Mitchum, Tully & Co.

(Special to THE FINANCIAL CHRONICLE)

James D. Cockburn

LOS ANGELES, Calif. James D. Cockburn has become associated with Mitchum, Tully & Co., 650 South Spring Street. He was formerly for many years in the trading department of Crowell, Weeden & Co.

Walston, Hoffman Opens Cleveland Br.

CLEVELAND, Ohio — Walston, Hoffman & Goodwin, members of the New York Stock Exchange and other principal stock and commodity exchanges, announce the opening of a Cleveland office in the lobby of the Hotel Hollenden, Superior Avenue at East 6th St.

Irving Sumergrade

Irving Sumergrade will be resident manager of the new office, which offers complete brokerage and commodity facilities.

The new Cleveland office is the 14th office opened in the East by this West Coast firm and its third hotel location. Others are at the Waldorf Astoria in New York and the William Penn in Pittsburgh.

Walston, Hoffman & Goodwin was founded in 1932 with headquarters in San Francisco. The firm has 18 offices in California, six in Pennsylvania, including the cities of Philadelphia, Pittsburgh and Harrisburg, four in metropolitan New York and others in Connecticut, Maryland, New Jersey, Oregon and Washington.

Mr. Sumergrade is a veteran in the securities business, starting in Wall Street in 1913. Following his discharge from the Air Service in World War I, he came to Cleveland to open a brokerage office.

Since, he has been associated with various New York Stock Exchange firms and as representative of a Wall Street bank and the Federal Reserve Bank of Cleveland, traveling in bank relations work.

He is a member of the Cleveland Traders Association, the Cleveland Bond Club and the Westwood Country Club. He lives at 1581 St. Charles Avenue, Lakewood.

COMING EVENTS

In Investment Field

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.

Sept. 28-Oct. 1, 1952 (Atlantic City, N. J.)

American Bankers Association Annual Convention.

Oct. 19, 1952 (Miami, Fla.)

National Security Traders Association Convention at the Roney Plaza Hotel.

Nov. 30-Dec. 5, 1952 (Hollywood, Fla.)

Investment Bankers Association Annual Convention at the Hollywood Beach Hotel.

Connecticut Brevities

Kaman Aircraft Corporation has leased the new National Guard hangar and office at Bradley Field on a temporary basis. The new building, which contains 30,000 square feet of floor space, will permit the company to expand its helicopter production facilities by about 40%. Operations in this building will later be transferred to the Bloomfield plant which is presently under construction.

* * *

Colt Manufacturing Company recently purchased all manufacturing, sales and patent rights to a new development in the corrugated box making industry from Jacob Industries, Inc. of Buffalo. The company paid $50,000 cash and 8,827 shares of its common stock for the business. The machine, known as the Rite-Size Box Machine, is reported to be in "substantial demand at present, with an increasing backlog of orders from government agencies and others" and is expected to prove a valuable post-emergency asset.

* * *

The Fafnir Bearing Company has purchased substantial acreage in Newington which will be used as the site for a new plant. Actual construction of the new $1,000,000 structure is not expected to start until sometime in 1952.

* * *

The annual report of the **Plastic Wire & Cable Corporation** shows that sales for the fiscal year ended Sept. 29, 1951 were $6,060,252, more than double the previous year's total. About 60% was accounted for by defense contracts. Earnings for the year were equivalent to $2.71 per share of common before renegotiation of government contracts. Book value per share at the year-end amounted to $8.52. Defense contracts currently on hand are sufficient to continue production at the present level until June 1952. The total sales volume is currently running somewhat ahead of the 1951 fiscal year level.

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Arrow-Hart & Hegeman Electric Company has declared a 25% stock dividend, payable Jan. 21, 1952 to holders of record Dec. 11, 1951. In addition, a cash distribution of $2.25 will be paid Dec. 27, bringing the amount paid in 1951 to $4.50.

* * *

Consolidated sales of **Electric Boat Company** for 1951 are estimated at $75 million compared to $41.8 million in 1950. The backlog of orders on Sept. 30, including **Canadair, Ltd.,** had risen to $250 million based on firm orders, contracts and letters of intent. In November the parent company received orders from the Peruvian Navy for two streamlined submarines.

* * *

Aspinook Corporation has sold is Apponaug Division to a group including Frederick G. Brown and associates. The plant will be operater under its previous name of **Apponaug Company.**

* * *

In an order dated Dec. 6, 1951 the Connecticut Public Utilities Commission permitted **Bridgeport Hydraulic Company** to retain the rate increases obtained by the company a year earlier although it was allowed to drop plans for construction of a reservoir at Pine Rock. In place of the new reservoir the company plans to develop a total of nine gravel packed wells along Means Brook and the Housatonic River. The yield from these wells is conservatively estimated to be 6,000,000 gallons per day, all of which will be available by the summer of 1952 to provide an adequate margin over the safe daily minimum yield of the eastern part of the company's area. The estimated cost of the project is from $540,000 to $780,000, depending upon the methods used to transport the water from the wells to the distribution system.

* * *

The Standard-Knapp Division of **Emhart Manufacturing Company** has purchased the labeling machine business of Norton Company including all manufacturing and selling rights to the Norton Oslund automatic labeling machines. **Standard-Knapp** produces packaging machinery for the canning, packing and bottling industries at its Portland, Conn., plant.

S. F. Exchange Gets Nominations

SAN FRANCISCO, Calif. — William R. Bacon, Chairman of the Nominating Committee of the San Francisco Stock Exchange, has announced that Mark C. Elworthy of Mark C. Elworthy & Co. had been nominated as Chairman of the Board of Governors. Nominations for members of the Board of Governors for two-year terms are: Joseph Hauck of Schwabacher & Co.; Sherman Hoelscher of Sherman Hoelscher & Co. and Victor T. Maxwell of Parrish & Maxwell.

Mark C. Elworthy

The annual meeting and election of officers of the Exchange will be held on Wednesday, Jan. 9, 1952.

George H. Barnes With Shearson, Hammill Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—George H. Barnes has become associated with Shearson, Hammill & Co., 520 South Grand Avenue. Mr. Barnes was formerly Manager of the investment department of the Beverly Hills office of Walston, Hoffman & Co. In the past he was with Maxwell, Marshall & Co. and was an officer of Wyeth, Hass & Co.

Public Utility Securities

By OWEN ELY

Central Maine Power Company

Central Maine Power Company serves about 220,000 customers in Southern and Central Maine, including a number of industrial cities such as Portland, Lewiston, Brunswick, Bath, Saco, Gardiner, Augusta, etc. Population served is estimated at 617,000, about two-thirds of the total for the State. Most of the State's industry is located in the area, the more important industries served being pulp and paper, cotton and wool, textiles, shipbuilding, metal trades, lumber and woodworking, and boots and shoes. The area is gaining a large number of small industrial units as a result of the general policy of decentralization of industry, and various new processing industries are developing.

Central Maine Power is a hydro company, although it is increasing its steam generating capacity and reducing the reliance on water power. Effective capability is now 126,000 kw. hydro, 103,000 kw. steam, and 6,000 kw. internal combustion. Some 44,000 kw. of steam capacity has been constructed in the postwar period, and work started early this year on two additional 30,000 kw. steam units at Mason Station, one of which should be completed by mid-1952 and the second in 1953. Preliminary work has also started on a 45,000 kw. hydro unit on the Kennebec River below Indian Pond, to be completed in 1954, with provision for an additional 30,000 kw. unit at some later date. Construction of the two steam units will increase effective steam capacity by about 70% and will also make a possible change in system operation with respect to stream flow, thereby increasing the hydro capacity by 13,000 kw. By 1954, therefore, there should be an all-around increase of 128,000 kw. or about 55% of present "effective capacity."

The company had a deficient supply of water in varying degrees during the four years 1947-50, but in the past year the hydro supply has been above normal. In the 12 months ended Oct. 31, hydro output was 1,056,000,000 kwh. compared with only 652,000,000 kwh. in 1948.

On completion of the current financing, including the sale of $7 million bonds, the pro forma capital structure will be about as follows (eliminating intangibles in the common stock equity):

Funded debt	$70,100,000	52%
Preferred stock	25,600,000	19
Common stock and surplus	39,100,000	29
Total of 2,493,000 shares	$134,800,000	100%

Despite the improvement in hydro conditions in 1951, the company's earnings have proved a little disappointing due to higher costs and taxes. For the 12 months ended Oct. 31 share earnings were $1.52, but based on the increased shares (including the 315,000 shares recently offered to the public) would be reduced to $1.33 per share. If the 52% tax rate had prevailed through the 12 months, such earnings would have been $1.26. However, savings from omission of the tax on the electrical energy (if applicable to this period) would have saved about 9 cents, raising the pro forma figure to $1.35.

The company applied this summer for a rate increase estimated at $3.1 million revenues per annum, which it is estimated would mean a return of about 5¾% on the rate base. The State Commission has had a heavy docket but hearings have now gotten under way, with apparently no special opposition indicated. Further hearings will be held in December and the company is hopeful that it will receive the increase in 1952. Assuming that the rate increase is approved, earnings next year might approximate $1.91 a share, it is estimated. The company will use bank financing for construction funds in 1952, but when these are refunded, fixed charges will be somewhat higher, so that share earnings are estimated at $1.67 in 1953, $1.78 in 1954, and $1.77 in 1955.

Such earnings, if realized, as the management hopes, would seem ample to protect the present $1.20 dividend rate. However, until new steam generation comes in there will continue to be a "swing" in earnings of about 33 cents a share, depending upon good or bad hydro conditions. Based on historically low records of steam flow, earnings might drop 22 cents below normal; and in good years such as 1951 they would run about 11 cents over normal. The above estimates of future share earnings assume normal water conditions and of course are based on various other assumptions as to sales trends, etc.

Central Maine Power has been selling recently over counter around 17⅝ to yield 6.8%.

Louis B. Lebenthal

Louis B. Lebenthal, Senior Partner of Lebenthal & Co., passed away Dec. 16 at age of 52.

Mr. Lebenthal, who started his firm in 1925, advertised it as "the only house in America specializing exclusively in odd-lot municipal bonds," and catered to the needs of smaller investors who had previously found it very difficult to buy municipals in small lots.

For many years Mr. Lebenthal pioneered in interpreting his segment of the investment field to the investing public, in non-technical language. The best known of his work along this line was "The ABC of Municipal Bonds," a book that was on many book shelves as a standard work on municipals.

Mr. Lebenthal was born in Bridgeport, Conn., but moved to New York at an early age. He was graduated from Columbia University School of Business and Fordham University Law School.

He was a member of the Investment Bankers Association, the Security Traders Association of New York, the New York Athletic Club, the National Advertising Club and the Inwood Country Club. He served as President of the Ella Fohs Camp for Underprivileged Children and Vice-President of the West End Synagogue.

Surviving are his wife, Mrs. Sayra Fischer Lebenthal; a son, Corp. James Lebenthal, and a daughter, Mrs. H. Gerard Bissinger.

Edwin H. Heminway

Edwin H. Heminway, of Harriman Ripley & Co., Inc., New York City, passed away in his office Dec. 5 following a heart attack. He has been in ill health for some time.

Nationwide Savings Deposits Gain

Carl G. Freese, President of National Association of Mutual Savings Banks, reports banks' regular deposits rose $126 million in November, in contrast with $88 million a year ago.

According to a report by Carl G. Freese, President of the National Association of Mutual Savings Banks and President and Treasurer, Connecticut Savings Bank of New Haven, Conn., there was continued evidence during November of the uptrend that is taking place this year in savings deposits in the nation's 529 mutual savings banks. Regular deposits rose $126,000,000 during the month, in contrast to $88,000,000 a year ago. With the exception of June, 1951, when regular deposits rose $150,000,000, and December, 1950, when they rose $187,000,000, this is the largest monthly gain recorded in the nation's mutual savings banks since December, 1949. November was the eight month this year in which amounts deposited, excluding dividends, exceeded those during the same month of 1950, and was also the sixth month in which this year's withdrawals were below those of 1950.

Carl G. Freese

The usual seasonal decline—of $140,000,000—occurred in club and other accounts during November, reflecting payment of Christmas Clubs, which reached a record high total of $181,000,000 in 1951. Total deposits now aggregate $20,654,000,000.

During November, the savings banks increased their holdings of real estate mortgages $133,000,000, to reach $9,592,000,000 on Nov. 30. The gain in mortgage holdings of $1,553,000,000 since Jan. 1 is 13% above that for the same period last year. Corporate and municipal securities also rose $5,000,000 during November. The necessary funds for these investments were obtained by further reductions of $112,000,000 in holdings of U. S. governments, and of $32,000,000 in cash.

Stanley Heller Reopens Palm Beach Office

Stanley Heller & Co., members of the New York Stock Exchange and New York Curb Exchange, have reopened their office in the Palm Peach Biltmore Hotel, Palm Beach, Fla., for the winter season of 951-1952.

The Florida branch offers complete brokerage facilities and is connected with a direct private dual-wire to the main office at 30 Pine Street, New York, N. Y.

The office is under the management of Walter A. Paxton, formerly Vice-President of the First National Bank of Palm Beach, and previously Vice-President of the Berkshire Life Insurance Co.

It is the intention of Stanley Heller & Co. to open an additional office in Palm Beach at the Sun & Surf Club on or about Jan. 15, 1952.

McCaffrey Forms Own Firm in Baltimore

BALTIMORE, Md.—Robert W. McCaffrey has formed R. W. McCaffrey Investments with offices at 2113 Ellamont Street. Mr. McCaffrey was formerly sales manager of John M. Hoffman Company.

H. J. Franklin Joins Merrill Lynch Firm

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Harvey J. Franklin has become associated with Merrill Lynch, Pierce, Fenner & Beane, 301 Montgomery Street. He was formerly for many years with the American Trust Company.

John Hecht, Jr. Now With Brush, Slocumb

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—John C. Hecht, Jr. has become associated with Brush, Slocumb & Co., 1 Montgomery Street. Mr. Hecht was formerly Manager of the trading department for Blair, Rollins & Co. Incorporated in San Francisco.

Hugh Kearns Joins Coffin & Burr, Inc.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Hugh T. Kearns has become associated with Coffin & Burr, Incorporated, 231 South La Salle Street. Mr. Kearns for many years was associated with Doyle, O'Connor & Co.

With Harris, Upham Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—John A. MacConaty has become associated with Harris, Upham & Co., 523 West Sixth Street. He was formerly with Merrill Lynch, Pierce, Fenner & Beane and Paine, Webber, Jackson & Curtis.

Rudy Blum Opens

BILLINGS, Mont. — Rudy A. Blum is engaging in the securities business from offices in the Electric Building.

Continued from page 6

Capitalism—The Real Welfare State

should. But there will be a sum of $50 to $75 a month left over."

The letter continues:

"This I would like to put into active participation in industry. I like our system of capital enterprise and I think it a portion of my duty to assist it as I am able. Capitalism employs me, pays my rather comfortable salary, gives me future security. I feel that the expansion of my own standard of living and that which my children will enjoy depends directly on the successful expansion of private enterprise. So I want to do my bit.

"That doesn't mean that I have the desire to make gratuitous donations to the corporate tycoon. It does mean that I would like to share his responsibility, give him the tools with which to work, and share in his profit, if any."

And he ends by saying:

"I am a linotype operator, not a banker; a denims worker, not white collar; a union member, part of the labor force which needs capitalism to survive."

We would like to have that man for a customer, not only because we feel he would be a good customer, but because we know he would be a strong advocate for the American capitalistic system.

I have reviewed some of the consequences of capitalism—some of the benefits which flow from the incentive plan—and have advanced the idea that capitalism is better prepared for attack from within, or from without, if we could multiply the number of capitalists, that is, people who have money invested in productive enterprise.

And now I would like to make a quick review of the *threats* to capitalism.

Capitalism can wither and die unless it is successfully merchandised.

The art and science of selling has been developed in this country to a point where miracles of merchandising are performed. Sales promotion and advertising create markets for a cereal that pops, a shampoo that glorifies, or a soap that takes the work out of washday. A company which develops a good product in a good package has taken the initial steps toward success, but it will not realize its full potential unless the product is backed by vigorous merchandising. It seems to me that American industry is not nearly as effective in selling itself as it has been in selling its products. And I am confident that if even a part of the hard thought and careful research were devoted to the problem of selling ideas that is now devoted to the selling of products, a mercandising miracle could be performed on behalf of capitalism.

I do not underestimate the job that needs to be done. The social dreamers and schemers, the seekers after power over larger and larger segments of our economy, and, yes, the seekers of votes, have taken advantage of the nation's newspapers and other opinion-moulding media on a scale that industry has failed to match. Industry has even failed to tell the story to its employees, stockholders, and customers, groups to which it has relatively easy access. Unless some such efforts are made we may some day discover that while capitalism was a good product in a good package, another product has taken its place because industry neglected to spend the time and effort and money which was necessary to maintain consumer acceptance.

This is a job of telling people what makes our economy tick. Now we need to think about what makes our *political economy* tick.

Capitalism can go down the drain by default if industry, which admits its large stake in the economic system, continues to take small interest in the workings of our political system.

Today we have a situation in which the operations and decisions of government have a more vital influence upon the conduct of industry, and the profits of industry, than *any other single factor.* This being the case, it would certainly seem elemental that industry try to educate its employees, at least at levels of supervision, as to how they can best take part in the processes of representative government.

This does not mean merely encouraging an employee to vote, but includes providing the answers to some simple questions, such as: Where do candidates come from? What is the organizational structure of political parties? How can he participate in the political activities in his neighborhood, voting district, precinct or county?

Your trade associations and Chambers of Commerce are doing an excellent job toward giving industry a voice in the shaping of the nation's destiny and the direction of our future progress.

But they cannot do the job alone. Encouraging employees to vote and educating them about participating in the political process is an activity not intended to accomplish any partisan purpose. It *is* intended to stimulate a consciousness of the important role which politics play in our lives. Fuller participation should lead to *better* candidates, Democrat or Republican, and cleaner government held more accountable to the people. This is a function of industry no less important than buying, selling, advertising or accounting.

Undue concentrations of power could lead to the downfall of capitalism.

It is generally agreed that if industry in any important segment of our economy were to effect monopoly control, and the advantages of competition were denied to consumers, the government would and should and does step in to break it up. I agree with this concept. Destructive business monopolies are virtually impossible in this country. While we do have big business, our economy is the most highly competitive in the world.

The greatest threat to capitalism could come from the quarter of undue concentrations of power in other fields. Big government, big labor, and big agriculture must exercise restraint in the use of the mighty strength which they have acquired in recent years. Irresponsible leadership, or irresponsible conduct, in any of these areas could contribute to the destruction of free private enterprise as could the failure of business to live up to its obligations to society.

Capitalism can be wiped out by excessive Government expenditures.

The Federal budget is now so big that it is practically impossible to manage it; it is so big that responsible members of Congress have admitted that it has gotten out of hand; not only this, no one man even in government can have the vaguest idea of how tax moneys are being spent, much less having clear ideas about the efficiency and purposefulness of expenditures.

Expenditures authorized by the 82nd Congress total nearly *$93 billion.* Think for a minute about that figure of $93 billion. Compare that figure with $100 billion which is the total value of all of the stocks listed on the New York Stock Exchange. *One* session of Congress approved expenditures nearly equal to the market value of all the corporations listed on the Exchange.

I suppose everyone has his favorite means of describing *$1 billion,* but I think this is a good example:

$1 billion, if you had it in your pocket, would buy for you, intact, virtually the entire aircraft manufacturing industry, the air transport industry, and those engaged in the manufacture of aircraft equipment. If you had *$1 billion,* you could own all of the companies that manufacture military and passenger airplanes. This would include Douglas, Consolidated-Vultee, Boeing, Curtiss-Wright, Lockheed, North American Aviation, Grumman and Martin and others. After you had spent part of your billion dollars to buy these companies, you could also purchase American Airlines, Braniff Airways, Capital Airlines, Eastern Airlines, Northwest Airlines, Pan American World Airways, T.W.A., United Airlines and Western Air.

That is a rough idea to me of what a billion dollars amounts to.

Now if we need to spend $65-$95-$150 billion to defend ourselves from slavery and our civilization from destruction, then, all this money is well spent.

But let us be on guard that these vast and unprecedented sums of tax money are not going to duplication, to red tape, to surplus government employees, nor to waste in any form, including mink coats.

Inflation can destroy capitalism and our country.

Government fiscal policies; politically dictated policies relative to the application of price and wage controls; paternalistic coddling of various groups on the part of the government; plus other inflationary forces, have already seriously reduced the purchasing power of the dollar and have seriously harmed the many millions of our people with pensions, savings, and other forms of income and property which are not readily adjustable to the higher living costs produced by inflation.

It already takes almost two 1951 dollars to buy today what we could have bought for one 1939 dollar. Only drastic measures by our government and by all of you as citizens will rescue us from this toboggan slide that is plunging us toward a national catastrophe.

To meet these threats there are a number of things that business can do. There are things that each of you can do, in your own individual ways.

Probably you can't do all of the things. Maybe you can do some of them. In any event, here are a few ideas:

(1) All of you, in some way or other, communicate with your employees and stockholders. Some of you have house publications. Use them to sell capitalism. If you do not have regular publications, communicate with them through bulletin boards, payroll stuffers, annual reports, or any means at your command.

(2) Make the people of your community conscious of your existence and make them realize what you do for the welfare of the community. For example, you can conduct plant tours for students, women's groups, educational organizations, service clubs and civic groups. On these plant tours you can sell the American system.

(3) Use the facilities of N.A.M. and other organizations—movies, speeches, printed material — and give all of it wide circulation.

(4) Set aside a part of your advertising budget to promote the American way of doing business. If you do anywhere near as good a job advertising capitalism as you have done advertising your products, you will have gone a long way toward achieving our common goal.

(5) Take part in local politics and the political processes so that you can have something to say about the kind of men who will represent you in Congress, the State Legislature, the City Council, the School District.

(6) Take every opportunity to arrange for speakers before organized groups in your community—not merely your own organizations, but other groups.

I urge you to spread the story of capitalism because you are proud to be a part of it. Do it outside the confines of your own circle of friends and associates. Let's quit talking to ourselves. Let's start talking to our stockholders as partners; talking to our employees as potential partners; to the people of the community as allies. Let's do a better job of exercising our rights and duties of citizenship.

In our early days, America was primarily an agricultural country; then owning land was the principal means of owning a share of production; then *property* was the foundation upon which a free economy rested. Today we no longer live in an agricultural society. Now we have an industrial society and, to have a healthy country, more people must own a bigger share of industry, if they are to be aware of their civic responsibilities as were our forefathers who owned their own farms.

When a person owns something, he will fight to protect it. He will resist any movement that attempts to chisel away his property or his rights to own it. The landowner always did this. As more and more people become owners of American industry, they too will fight to protect their property and will regain some of those fundamental virtues that were so much a part of our past generations.

And of greater importance is the fact that economic freedom is essential if we are to assure the continued existence of even more important freedoms: freedom of religion, freedom of speech, freedom to own property, and freedom for the individual.

The desire for peace and security is deeply imbedded in the hearts of all people. But only under capitalism can peace and security be achieved with dignity and freedom.

Symmes Boston Mgr. for Blair, Rollins

BOSTON, Mass.—Blair, Rollins & Co. Incorporated have announced the appointment of Willard Symmes as Resident Manager of their Boston office, 50 State Street.

With T. G. Paulson

(Special to THE FINANCIAL CHRONICLE)

RICHMOND, Calif.—Donald O. Nicolls is now with T. G. Paulson, 969 Twenty-third Street.

British Credit Restrictions

By PAUL EINZIG

Commenting on British credit restrictions put into effect by the new Conservative Government, Dr. Einzig defends the banks against Socialist claims that these institutions were to blame for recent credit expansion. Says banks took measures to hold down amount of their advances as requested by the Socialist Government when it was in power.

LONDON, Eng.—The deflationary monetary policy adopted in Britain on the advent of the Conservative Government is making progress. The funding of a large proportion of the Treasury Bills has materially reduced the liquid assets of the banks, so that their liquid ratio has declined to the close vicinity of the traditional minimum of 30%. The clearing banks have decided to raise their rates on advances and to instruct their branch managers to scrutinize applications for credit with special care. It is expected that before very long the effect of the changes on the amount of advances will become quite pronounced, which is what the government wants.

Dr. Paul Einzig

The fact that the decline of the liquid ratio is forcing the banks to curtail loans to customers has given rise to a certain amount of Socialist criticism of the banks. It is pointed out that while the banks were not prepared to cut down their advances when requested to do so by the Labor Government, they are now restricting credit under the influence of a decline in the liquid ratio. The critics accuse the banks of attaching more importance to considerations of orthodox banking traditions than to considerations of public interest, on the ground that the banks were not prepared to cut down their advances for the sake of checking inflation, but they are prepared to do so for the sake of checking the decline of their reserve ratios.

In reality the criticism is unfounded. As Socialist Ministers readily admitted on several occasions, the banks have made a praiseworthy effort since the beginning of the Korean war to prevent the rise of their advances in sympathy with the rise in prices and credit requirements. Although the advances have been rising, their rise has been moderate compared with that of the level of wages, prices and costs. In view of the expansion of business activity resulting from rearmament, the expansion of advances has been relatively moderate.

It is true, the banks are now prepared to adopt more drastic measures to keep down their advances, in order to avoid a further decline of their liquid ratio. But it would not be fair to blame them for this. After all, it is their elementary duty, not only towards their shareholders and their depositors, but also to their country, to safeguard their liquidity. Considerable public interest is involved in the maintenance of the reputation of the banks for sound policies. The confidence of depositors in the soundness of the banking system is an asset of vital importance. If that confidence were allowed to be undermined the withdrawal of deposits would provide a powerful additional inflationary factor.

The banks have done a great deal towards keeping down the increase of their advances for the sake of complying with the request of the late government. Now, in addition to pressure from official quarters an additional factor appeared on the horizon: the threat to their liquid ratio. It is only natural that they should go further under the pressure of the two factors than they did under the pressure of one of the factors only. Moreover, there is now pressure also from a third direction. Tighter money conditions are causing a sharp decline on the Stock Exchange, and there is no means of knowing how far the movement is likely to proceed. In such circumstances the prudent banker is inclined to cut down his advances on securities, or to insist on wider margins. This factor, too, tends to cause a decline of credit facilities.

The question is, how far is the government likely to go in the direction of deflationary credit restrictions. Judging by the experience of the last few weeks, the monetary authorities are well in a position to deflate to a considerable extent by means of enforcing a curtailment of credit. They do not intend, however, to embark on large-scale deflation for the sake of producing unemployment. The idea that the existence of large-scale unemployment is necessary finds no support within the government. Official quarters would be satisfied if the existing over-full employment were to be liquidated with the aid of deflationary pressure. They have no wish to increase the number of unemployed beyond that of unfilled vacancies.

One of the objects of the proposed measure under which all workers will have to be engaged through employment exchanges is to gain a better idea of the extent of over-full employment. In existing circumstances the published figures are worthless, because a large proportion of employers never applies to Employment Exchanges for workers, and they do not therefore declare their requirements. Once it becomes compulsory to engage workers through the Employment Exchanges the statistics of unfilled vacancies will become more reliable. Moreover, the existing system under which employers request Employment Exchanges to send to them an unlimited number of workers will be discontinued. Employers will have to declare the actual number of hands they need. It will become possible to form a better idea about the total number of employees required. A comparison of this figure with that of the genuine unemployed will give some idea of the extent of over-full employment, and also of the extent of deflationary drive required for its liquidation.

The banks certainly stand to gain nothing through the deflationary drive. In so far as the additional interest earned on Treasury Bills and on advances is not wiped out by the additional interest paid on deposits it is certain to be wiped out through the depreciation of their holdings of government loans and other securities.

Who's Fighting in Korea—UN or U. S.?

Congressman George H. Bender, of Ohio, points out great bulk of armed forces in Korea, other than South Koreans, is furnished by United States. Says Truman's placing of UN label on war forces is designed to deceive the American people.

In a statement issued by Congressman George H. Bender of Ohio on Dec. 1, the Congressman declared that "The UN label placed by President Truman on the Korean War forces is a shabby and disgraceful farce, designed to deceive the American people."

George H. Bender

"I have been asked by a constituent to check the percentages of United States forces in Korea in comparison with those supplied by all other nations," Mr. Bender stated, adding, "This information has been cleared by our Security Board, and I am at liberty to disclose the figures. They are shocking in their revelation that our government has furnished 98.24% of all the air forces engaged in Korea, 83.81% of the Naval forces, and 88% of all the ground forces outside of those turnished by the South Korean Government itself.

"Here are the figures released to me by our authorities:

UNITED NATIONS MILITARY PARTICIPATION IN KOREA

Percentage of Total UN Force Contributed by United States*

Total U. S. Forces, all Services	60.6%
Total other UN and ROK† Forces, all Services	39.4%
Total UN Force, all Services	100.0%

Percentage of Contribution by Nation by Service*

COUNTRY—	Ground Forces	Naval Forces	Air Forces
1. Australia	0.15%	0.59%	0.51%
2. Belgium	0.11	(none)	0.03
3. Canada	1.08	0.98	0.04
4. Colombia	0.16	0.23	(none)
5. Ethiopia	0.23	(none)	(none)
6. France	0.18	(none)	(none)
7. Greece	0.16	(none)	0.06
8. Luxembourg‡	0.08	(none)	(none)
9. Netherlands	0.11	0.29	(none)
10. New Zealand	0.23	0.31	(none)
11. Philippines	0.28	(none)	(none)
12. Republic of Korea	43.16	8.62	0.51
13. Thailand	0.21	0.35	(none)
14. Turkey	1.00	(none)	(none)
15. Union of South Africa	(none)	(none)	0.25
16. United Kingdom	2.55	4.82	0.36
17. United States	50.31	83.81	98.24
	100.00%	100.00%	100.00%

*Percentages are current as of Nov. 1, 1951.
†Republic of Korea.
‡Integrated with Belgium unit.

"These figures," concludes the Congressman, "make it clear that all the talk of UN direction is a sham of the worst kind. All decisions on fighting, on truce negotiations, on cease-fire announcements come from our government. Responsibility for further killing and the entire policy in Korea rests upon Mr. Truman and not upon the UN."

First Boston Group Offers Utility Stock

Offering of a new issue of 100,000 shares of $1.76 cumulative convertible preferred stock, $30 par value, of Iowa Southern Utilities Co. was made on Dec. 19 by a banking group headed by The First Boston Corp. The stock is priced at $32.25 per share and is convertible into common stock of the corporation at the rate of two shares of common for each share of preferred.

The new preferred may be redeemed at prices ranging from $33 up to Dec. 2, 1954 to $32.25 after Dec. 1, 1960, plus full cumulative dividends.

Proceeds from the current financing will be applied to the cost of construction expenditures of $17,000,000 in the years 1951-1953. Approximately $8,750,000 represents the cost of a new generating plant located at the utility's approximate load center near Eddyville, Iowa; $6,000,000 represents the cost of additional electric transmission and distribution facilities and the balance represents the cost of additional gas distribution facilities.

The company supplies electric energy for light, heat and power in 24 counties in Iowa. While electric sales accounted for a major portion of total operating revenues of $6,630,884 in the nine months ended Sept. 30, 1951, the company anticipates that sales of natural gas will constitute an increasingly important factor in its business. Net income for the first nine months amounted to $540,313, or $1.04 per common share. Dividends on the common stock are at the quarterly rate of 30 cents per share.

Grimm Rochester Branch Office Under V. C. Strivings

ROCHESTER, N. Y.—Grimm & Co., members of the New York Stock Exchange, have opened a Rochester, N. Y. office with Victor D. Strivings as Resident Manager. The Grimm organization is taking over the former personnel of Victor D. Strivings & Co., which specialized in mutual funds for many years, and which was dissolved as of Dec. 15, 1951 after 18 years operation.

Canadian Securities

By WILLIAM J. McKAY

As anticipated, the heavy exchange movements in Canada during the last few weeks bearing principally on the British pound, foreshadowed the important developments that have just been announced. The Canadian sales of sterling at that time were apparently made in the light of the knowledge of an impending change in the British exchange system. The extreme firmness of the Canadian dollar was primarily induced by liquidation of sterling against U. S. dollars and the resultant sales of U. S. dollars against purchase of Canadian dollars. Normally of course any weakness of sterling is reflected in a similar movement of the Canadian dollar *vis-a-vis* the U. S. dollar.

By this procedure, therefore, the Canadian dollar was insulated against any adverse influence of a weakening trend for sterling. The way was thus expertly prepared for the announcement of the removal of all Canadian foreign exchange restrictions. At the same time the Canadian dollar was well braced for any shock resulting from the increased freedom of dealings in sterling in London. In effect the latter step in its present form does little to change the *status quo* with regard to the basic sterling situation. So far no relaxation of British exchange control is involved. The only changes are in exchange procedure and they do not as yet imply any alteration in the basic rate of the pound. All that has happened as a result of the recent somewhat over-dramatized announcement of exchange freedom in London is that British banks are now permitted to trade abroad in certain currencies but still within the framework of the unchanged overall exchange control.

As far as the position with regard to the pound is concerned the recent action probably constitutes the first step in the direction of an actual freeing of the pound, which at a later date might be permitted to find its natural level in free international trading. It is logical of course that before taking this drastic step the British authorities would give the British banks time to reorganize their depleted foreign exchange organizations in order to permit the London market to become once more a dominant factor in the exchange world. The Canadian action on the other hand represents a complete freeing of the Canadian dollar. The initial reaction to this step has been entirely favorable and the Canadian dollar has for the most part maintained the strength established prior to the recent notable developments.

The general viewpoint is that the Canadian currency unit is now a more desirable medium of investment as a result of its new freedom. This opinion, however, is largely based on psychological grounds. At first glance the Canadian dollar does appear more attractive than previously. But on close analysis it is highly debatable whether the foreign capital influx will be greater now than before the removal of exchange restrictions. Despite the existence of the Foreign Exchange Control Board regulations, U. S. and other foreign investment funds have been moving into Canada for over two years at an unprecedently high rate. It is unlikely therefore that the volume can be appreciably increased, and at the present level of 2% discount, investment in Canada is less attractive than it was when the discount was considerably wider.

Thus while it is improbable that foreign investment in Canada will increase to any important degree, it is likely on the other hand that the newly freed Canadian investors will have a strong urge to seek external outlets for their funds. After 12 years of exchange controls that debarred Canadian residents from foreign investments and unrestricted travel abroad, it is to be expected, that now freed, Canadians will have a natural impulse to profit from their restored liberty. This is all the more likely as U. S. investments for the most part are relatively more attractive than their domestic counterparts. Canadian travel expenditures in the United States are now bound to increase to an important degree especially during the winter season. Also in view of the higher price level of Canadian manufactured goods there will continue to be a strong demand for U. S. merchandise that will be curbed only by the maintenance of the remaining import restrictions. Furthermore this overall tendency in the direction of Canadian investment and merchandise purchases south of the border is accentuated by the boom conditions that now prevail in the Dominion.

Consequently the conclusion is reached that despite the present appearance of strength, the Canadian dollar will eventually be subjected to pressure resulting from a natural Canadian urge to take advantage of the new freedom from exchange control. In addition, U. S. investors, especially the holders of unrecorded Canadian bonds, will doubtlessly be tempted to liquidate these securities in which they have so long been virtually blocked.

During the week both the external and internal sections of the bond market were influenced by the announcement of the exchange restrictions. There was a better demand for externals with the multiple pay feature of certain issues beginning to attract a certain interest. The internals were again liquidated in small volume; at a later stage it is possible that the high exchange level and the new ability so sell previously unrecorded bonds on the rate will induce selling on a larger scale. Stocks were dull in quiet trading with most groups lower and only the gold shares meeting with any sustained support.

Theodore Wechsler to Be G. C. Haas Partner

Theodore Wechsler

Theodore Wechsler will become a partner in G. C. Haas & Co., 63 Wall Street, New York City, members of the New York Stock Exchange, on Jan. 1. He has been a partner in Hay, Fales & Co., from which he will retire on Dec. 27.

Colorado Fuel & Iron Bonds Sold Privately

The Colorado Fuel & Iron Corp. has placed privately through Allen & Co. $30,000,000 of first mortgage and collateral trust 20-year sinking fund 4¼% bonds due Dec. 1, 1971 and a $10,000,000 3¾% term loan due 1952-1956. The term loan was placed with a nationwide group of banks headed by Marine Midland Trust Co. of New York and including Irving Trust Co., The Chase National Bank and Bank of America NT & SA.

Net proceeds from the private placements, together with funds received by the corporation from the recent sale of $10,000,000 15-year 4¾% convertible debentures due Dec. 1, 1966, will be used to redeem $14,437,500 currently outstanding first mortgage and collateral trust sinking funds bonds due 1964; to prepay $8,400,000 outstanding promissory notes; and to finance in part a program of plant improvement and additions, including the construction of a new seamless pipe mill, estimated to cost $27,720,000.

Credit Restriction Is "Nasty Medicine" But it Works, Says Canadian Banker

Robert Rae, President of The Dominion Bank, Toronto, says wise restrictions can curb inflation. Scores manipulation of interest rates.

Robert Rae, President of The Dominion Bank, Toronto, told the bank's shareholders at the annual meeting on Dec. 12, that the restriction of credit "is the only dependable remedy for the disease of inflation." The medicine tastes nasty, Mr. Rae admitted, "but for our own sakes — still more for the sake of the dependents whom in the due course we must leave behind us—it must be swallowed."

Robert Rae

There are, however, he said, more ways than one of restricting credit. "All Western countries, during the past twelve or even fifteen years, have been flirting with and have become entangled in the theory that rates of interest can be manipulated successfully; that they can be kept artificially low to conform with certain ultra-modern conceptions of economic planning.

"Let us admit, this can be done at a price—and for a reasonably short time. But the manipulation of interest rates must and will, if adopted as a long-term policy, be followed by deplorable consequences."

Dealer money is not the only or main means by which credit is being restricted, he said. Restraints operating in certain specific directions still seem to be the main reliance of Canada's monetary policy.

The main stand against inflation, Mr. Rae feels, should be undertaken "by means of open-market operations, resolutely pursued on the necessary scale, and during the necessary length of time—that is by measures of restraint applied uniformly."

"Such a practice, because it will probably prove to be less painful and healthier in the long run, may be preferable to the more modern technique of selective credit restriction," Mr. Rae stated.

Continued from page 12

Taxation and the Investor

try, we may develop a very unhealthy situation, both from the standpoint of competition in the market place and from the ease with which the government could socialize the entire economy. In the present instance, the loud cries for relief from governmental domination come from the small and growing corporations; the large corporation can do little more than go along with the regulations.

This country has witnessed numerous moves on the part of the Department of Justice and other branches of the Federal Government against bigness in business. The finger of scorn has been pointed at many of our corporations and the executives who run them, even in cases where no violations of existing laws have occurred. There is no occasion for the agencies of the Federal Government to go searching the Main Streets of America or the highways and byways of our rural sections to find why we are witnessing a tremendous growth in the larger units of business enterprises. All they need to do is to conduct an investigation into the effect of the present tax laws on our business structure.

Changes That Will Benefit Investor

While it is not reasonable to expect the Congress of the United States to redesign the Federal tax laws so as to satisfy the investors of this country, it may be well to consider a few changes that will not only benefit the investor but will also aid us in continuing our traditional free enterprise system. First, some means should be found of making dividend income more attractive to individuals in the high-income tax brackets. With ever-increasing individual tax rates, the point at which other forms of investment become more attractive is constantly reaching lower levels of income. In the past, several suggestions have been made to accomplish this objective. Second, the capital gains tax should be lowered and not raised. Third, losses sustained by investors should be more fully deductible against other income, even though the deductions are spread over a period of years. An investor should not be compelled to sell out his successful ventures in order to counteract the losses that he sustains on his unsuccessful ones. Fourth, the corporate tax laws should be revised so as to encourage rather than retard growth in smaller corporations, at least until they have reached substantial size, and the excess profits tax should be repealed at the earliest possible time.

The design of our tax laws is greatly influenced by the pressure which organized groups can place upon the members of Congress. While numerous groups have well organized lobbies and are very vocal when tax laws are being considered, the investor has very little voice in the framing of laws that are of vital importance to him. As a consequence, he must find his way through the mystic maze of various governmental imposts on his income and profits, always being guided by the incentive of obtaining the greatest possible gain for himself. Unless the tax framing authorities of this country soon awaken to the problems of the investor, it is well within the scope of possibility that we may be faced with a situation in this country where the owners of wealth are not interested in making more money, and, when that day comes, the vigorous development of American free enterprise and further increases in our standard of living will be severely jeopardized. Such success as we have achieved in maintaining our traditional system in the past few years has been in spite of our tax laws and not because of them.

Westinghouse Electric Debs. Placed Privately

Pursuant to contracts negotiated by Kuhn, Loeb & Co., The First Boston Corp. and Drexel & Co., the Westinghouse Electric Corp. has agreed to sell to certain institutional investors $250,000,000 of 3½% 30-year debentures due Dec. 15, 1981 in instalments on or before Dec. 15, 1952, and has an option to sell to such investors an additional $50,000,000 of such debentures on Mar. 16, 1953.

Continued from page 4

Are Institutions to Become The Important Stockholders?

the rank-and-file whether they make money or not, and they reason that stock ownership might cramp their style in seeking wage increases.

At a time when the Stock Exchange is seeking broader ownership of industry, is this concentration of stockholding helpful or hurtful? This subject and its component parts will start an argument almost any time in investment circles. Buying of stocks by the institutions makes the "little fellow," as he is affectionately called, an owner of American industry, but his ownership is more remote than if he were registered on the books of a corporation as a stockholder, and his interest in corporate affairs is correspondingly remote. Is he likely to leave social decisions to the professionals as he does decisions on what stocks to buy and sell? Possibly, one of these days, someone will warn the professional investment managers of their social responsibilities. Just now, these professionals are more concerned with the socially acceptable stocks.

All of these institutional investors need help in the selection of the right stocks. The banks, fire insurance companies, mutual funds and pension trusts admit it readily. To quote one investment research head:

"We have the brokers working on various matters most of the time. More than 150 firms have received business from us. Our door is always open. I try to keep the orders from going to a favored few as I believe it's better public relations for our company to do business with a broad section of the financial community.

"We learn quickly what a particular firm can do well. More than one road leads to lucrative institutional business. I would list these qualifications in the order of their importance:

"(1) **Good research tailored to institutional needs.** Very careful analysis is necessary to successful investment, and it must be screened by competent customers' brokers who understand the nature of our business.

"(2) **Skilled execution of orders.** Employees who can take our instructions by phone without repetition and without error and transfer them quickly to the floor of the Exchange. Up to quite recently we were aware of a decline in the efficiency of floor operations. Now they seem to be getting slightly better.

"(3) **Discretion.** At times it is very important that no one know what we are doing. A careless remark by a brokerage house employee, overhead by an overly-enterprising customers' broker and used in the solicitation of an order, has cost a house plenty. I know of one case where we broke off business relations because such a remark started rumors. Obviously we do not wish our purchases or sales to influence others."

In fire insurance there is more dependence on competent help from the brokers than in life insurance. The research staffs are small and when the head of the securities department learns he can trust the findings of an investment firm he will submit their studies and recommendations directly to his committee. Naturally this saves both time and money.

Most institutional buyers go on the theory—"Ideas are where you find them," and if you don't find investment ideas in a firm there is a limit to placing business on the "Good Old Joe" basis. Life insurance buyers seem to resent the implication that they are attached to any one house or group of houses, but by and large they do business with those who can do the most for them. In general their orders go to the big investment banking houses, as these houses can aid them in underwritings and in direct placement. As far as direct placement is concerned, life insurance companies would rather deal through the financial community than directly with the corporations, "everything else being equal."

Right at the time when the Stock Exchange is bending every effort to educate the small investor so that he may be truly sympathetic with the aims and ideology of the capitalistic system, the big investor, the institution, gives promise of "taking over."

But in this instance the big investor is not a tycoon or a plutocrat, a wealthy playboy or playgirl who arouses envy. He is the custodian of the wealth of the little investor and his financial guide through the canyons of Wall Street, acting in his best interests.

Is that good?

Is that bad?

On that point, there is a clean-cut difference of opinion, and much prejudiced thinking. All the good things about it, the fat commissions, the small personnel required, the pleasant associations, are happening now. What of the future?

Who knows? But the naturally pessimistic in the Street say, "Look what's taken place in the high-grade bond market. The institutions took over there some years ago." The sad state of the bond market as it relates to the individual, however, may be primarily due to the low money rates fostered by the Roosevelt and Truman Administrations. The stock market is another dish of tea. Here the yields are attractive, whether one bought stocks in 1949 or in 1951 and whether one bought them directly or through an investment fund.

Perhaps there is some ground for fear on the score of the highest grade stocks, particularly those of corporations with no debt or preferred issues. A market might develop eventually in high-grade equities that would take control largely out of the hands of the individual. This possibility has led some students of finance to say that what the Stock Exchange needs is a new type of stock—tailor-made for the institutions, perhaps a revival of the Class "A" stock which had preference as to dividends up to a certain amount, after which it shared with Class "B" common. Voting power could be limited to the years in which the Class "B" dividends were unpaid. Another observer of the passing show says that what we need is a new type of specialist on the floor of the Exchange, a specialist who would pay well for his seat and have ample capital. He would have detailed knowledge of his stocks' ownership and carry on direct negotiations for the transfer of large blocks of securities. Obviously this idea has its drawbacks, too numerous to discuss here. But some modification of the role of the specialist may be prompted by the changing character of the stock market, it is held by some.

Then there is the subject of commissions. Here and there an institutional buyer will get red around the collar when he thinks about paying the same rate of commission on 10,000 shares of an active stock that he would pay on a hundred shares. He will point to the fact that the buyer of mutual fund shares pays a lower sales charge when he invests $100,000 than when he invests $2,000. He will declare that the late Francis Adams Truslow, while President of the New York Curb Exchange, outlined a graduated scale of commissions designed to meet the economic needs of the institutional investor as well as the higher sales costsof member firms. Opposition to uniform commissions does not exist in the majority of instances and in certain quarters where it does exist it might be overruled by top management. Those at the top understand the importance of allowing the broker enough profit to develop a new crop of individual investors. They know that institutions are dependent upon the day-by-day market made on the floor of the Exchange, largely by individuals, and that unless the small potential investor is encouraged the entire capitalistic system will suffer.

In interviewing customers' brokers one is impressed by the fact that some of the older men are not fully aware of the changes taking place. Many of them are secretly longing for the stock buyers of yesteryear, when rich individuals were interested in margins, not tax-free bonds and oil leases. These institutional accounts are tough-to-get and unless the registered representatives are backed by research departments of the first water they don't stand much chance of landing them.

It is in the research departments of the member firms that the higher standards set by institutional investors are having their principal impact. The partner in charge of the research department of a good-sized wire house, in a recent plea for a larger appropriation for his work, said:

"We must raise our sights to the level of the institutions. Their standards are much higher than those of our individual customers. They don't want recommendations. They want good reporting—intelligent field work. The material in the investment manuals is historically interesting—but it's yesterday's news. What's going on today and what's the outlook? Give them the facts, properly interpreted, and we'll have no trouble in increasing our other customers."

Bond Club of Okla. Elects New Officers

OKLAHOMA CITY, Okla.—At a meeting of the Bond Club of Oklahoma at Sleepy Hollow, the following officers were elected for the year 1952:

President: Oscar L. Johnson of C. Edgar Honnold, Oklahoma City.

Vice-President: Paul Utley of Merrill Lynch, Pierce, Fenner & Beane, Oklahoma City.

Secretary-Treasurer: Charles B. Stuart of Fidelity National Bank, Oklahoma City.

Phil Rhoads of the First National Bank & Trust Co., Oklahoma City, who was installed as a Governor of the Investment Bankers Association of America, made a complete report on the National Convention which was just completed at Hollywood, Florida. From Oklahoma, Phil C. Honnold of C. Edgar Honnold, Oklahoma City, was elected to the Southwest Group of the IBA and will serve as a member of the Executive Committee for the next three years.

Two With Waddell & Reed

(Special to The Financial Chronicle)

KANSAS CITY, Mo. — William A Shafer and Gertrude G. Youngman have become affiliated with Waddell & Reed, Inc., 1012 Baltimore Avenue.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The government market continues to display a firm tone on comparatively light volume, with enough official support, according to advices, to help quotations move away from recent lows. Venturesome commitments in certain of the restricted issues have been reported on the part of traders, evidently hoping for some price betterment as the year ends. Activity is still restricted even though it is somewhat larger than has been the case recently. Switches and tax operations have in the main been responsible for the slightly better volume. Tight money conditions and liquidation of the shorts by corporations and certain banks have taken some of the glamour away from these issues. However, this should be rectified in the not distant future.

President Sproul of the Federal Reserve Bank of New York, in a speech last week before the Life Insurance Association of America, took the life insurance companies to task over their liquidation of government securities. This talk has created considerable discussion in government bond circles, and many are wondering if it might not carry a veiled hint to other holders of Treasury issues to profit by what has been done by these concerns.

Market Support Effective

Federal authorities, according to informed sources, continue to give modest but important protection to the government bond market. It is indicated that supporting and orderly market bids are being made here and there, when needed, by the monetary authorities. The restricted issues, which have been showing up in not sizable amounts, are being put away by the powers that be. The pressure of liquidation is not large, but since the market is so limited and thin, it does not take many offerings of these securities to have an adverse effect upon the trend and tone of these obligations. Nonetheless, there have been a few more bids appearing here and there for the higher-income issues, from private sources, mainly pension funds, trust funds, the smaller life insurance companies as well as fire and casualty companies. These concerns, however, are still not inclined to do more than make moderate-sized commitments, because they are not sure that prices may not tend to move somewhat lower later on.

The short market has been under some pressure due to selling by corporations in order to get funds for taxes, and in some cases for dividend payments. Commercial banks also have been letting out near-term issues for the purpose of maintaining reserve positions. However, this tightness is not expected to continue, and a better tone in the riskless and liquid obligations is looked for in the very near future.

1952 Eligibles in Demand

The coming eligible tap bonds are being taken in more sizable amounts by investors and in some instances traders are getting a bit more confident, to the extent of putting some of them into positions. The June 1959/62s have been acting better due to these purchases, despite the fact that the bulk of the buying is still being done in the 2½s due 1962/67. It is reported that quite a few switches are in the making and the results of these, when they are consummated, should have a favorable influence upon these two 1952 eligible obligations. To be sure, the supply does not seem too inadequate in the 1952 eligible tap bonds, but sellers of these obligations do not appear to be quite as fast about letting them out, as in the recent past.

Although many of the experienced money-market followers do not see the higher income Treasury obligations doing very much on the up-side in the future, they likewise do not see quotations moving down very much from current trading areas. While it is admitted that the recent lows could be breached by a few thirty-seconds here and there, they believe that a floor is being established. This, to be sure, would be maintained with official help, because there does not appear to be enough private buying in the offing for the longer-term Treasuries to stand on their own feet. However, by keeping the market orderly and giving it the needed fluctuating stability, there should be not a few income-minded investors who will be attracted to these obligations. All the same, it does not seem as though there is any great hurry yet, on the part of investors, to be making sizable purchases of these issues.

Corporate bonds, it is reported—that is the highest rated obligations—have been giving signs of a somewhat improved demand. Some of this is averaging down, and while not large is nonetheless significant enough to be noted. Commercial banks—that is the smaller ones—have been the principal factors in this development. Pension funds and trust funds have also been making some of these purchases.

Commercial banks continue to be taking tax losses in not too large volume, but still enough to be a market force. The September 2½s due 1967/72 is the main issue in which they are operating. Even though this has put pressure on the longest eligible issue, homes are still being found for these bonds, despite the thin market, and without too much effect upon quotations.

Montgomery, Scott to Admit Four Partners

PHILADELPHIA, Pa. — Montgomery, Scott & Co., 23 South Broad Street, members of the New York and Philadelphia-Baltimore Stock Exchanges, will admit Marie B. DeBacker, Theodore Roosevelt, III, Edgar Scott, Jr. and Francis J. Sweeney to partnership on Jan. 1. Mr. Sweeney will make his headquarters in the New York office, 120 Broadway.

Dempsey-Tegeler Admit Davis, Pflug-Felder

LOS ANGELES, Cal.—Donald W. Davis and George W. Pflug-Felder will become partners in the New York Stock Exchange firm of Dempsey-Tegeler & Co. on Jan. 1. Both make their headquarters in the firm's Los Angeles office, Mr. Pflug-Felder being Manager of the research department.

NSTA Notes

SECURITY TRADERS ASSOCIATION OF NEW YORK

The Security Traders Association of New York (STANY) Bowling League standing as of Dec. 13, 1951 is as follows:

TEAM—	Points
Kumm (Capt.), Ghegan, R. Montanye, Krassowich, Manson	46
Goodman (Capt.), Weissman, Farrell, Valentine, Smith	42
Serlen (Capt.), Gold, Krumholz, Young, Gersten	39
Mewing, G. Montanye, M. Meyer, LaPato, Klein	39
Bean (Capt.), Lax, H. Frankel, Werkmeister, Ried	36
Bonadio (Capt.), Rappa, O'Connor, Whiting, Demaye	34
Leone (Capt.), Tisch, O'Marra, Nieman, Bradley	33½
Hunter (Capt.), Craig, Fredericks, Weseman, Lytle	33
Krisam (Capt.), Gavin, Gannon, Jacobs, Murphy	32
Burian (Capt.), Siepser, Gronick, Growney, Kaiser	30½
Greenberg (Capt.), Siegel, Cohen, Sullivan, Voccoli	29
H. Meyer (Capt.), Swenson, A. Frankel, Wechsler, Murphy	26

200 Club

Richy Goodman 236
Willie Kumm 218

5 Point Club

Duke Hunter
Willie Kumm
Walter Mewing

Christmas Prizes

Arnold J. Wechler
Ralph Weseman
Richy Goodman
Herb Lax

MERRY CHRISTMAS TO ALL

CLEVELAND SECURITY TRADERS ASSOCIATION

The Board of Governors of The Cleveland Security Traders Association have nominated the following slate for the year of 1952:

Howard J. Eble

L. Warren Foster

Robert L. Erb

President—Howard J. Eble, Wm. J. Mericka & Co., Inc.
Vice-President—L. Warren Foster, Gottron, Russell & Co.
Secretary—Robert L. Erb, Green, Erb & Co., Inc.
Treasurer—Fred A. Shorsher, Ball, Burge & Kraus

The Nominating Committee, composed of Fred A. Shorsher (Chairman), John O. Doerge and Russell K. Rowley, has submitted the following candidates to comprise the Board of Governors for the year of 1952 (4 to be elected):

Claude W. Belle, McDonald & Co.
John O. Doerge, Saunders Stiver & Co.
James J. Drnek, Prescott & Co.
Charles Fleegle, Salomon Bros. & Hutzler
John M. Gleason, Curtiss, House & Co.
Daniel M. Hawkins, Hawkins & Co.
Edmund J. Rung, C. J. Devine & Co.
Robert Weaver, Hornblower & Weeks

Congratulations To NSTA

And thanks a million to the "Chronicle" for more than $9,000.

Harold B. Smith

On Dec. 18 the National Treasurer received from Herbert D. Seibert, Editor of the *Commercial and Financial Chronicle*, a check for $9,380.70 as NSTA's share of the advertising proceeds from the National Security Traders Association Year Book Convention Supplement of the *Chronicle*.

This is a very generous gift to NSTA and all of us are very grateful to Herb and his hard-working staff of salesmen, Ed Beck, Fred Gray, Hal Murphy, and Vince Reilly, not to mention all members of our Association and my energetic committee who helped to make it possible.

I am more than happy to make this final report of the 1951 Advertising Committee.

With best wishes for a Merry Christmas and a Happy and Prosperous 1952!

HAROLD B. SMITH, *Chairman*
NSTA Advertising Committee
Pershing & Co., New York City

Norwood Boston Mgr. For Union Secs. Corp.

BOSTON, Mass.—Union Securities Corporation of New York announced that John K. Norwood has been appointed manager of its Boston office, 75 Federal Street. Previously, Mr. Norwood had been associated with Blair, Rollins & Co. in their Boston office for five years, prior to which he had been with the Bond Department of the Bankers Trust Co., New York City.

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following changes:

Transfer of the Exchange membership of the late William F. Reilly to L. Stanley Kahn will be considered by the Exchange on Dec. 27.

Elizabeth M. Gregory will retire from limited partnership in Bonner & Gregory, Dec. 31.

John T. Snyder, Jr., will withdraw from partnership in Ingalls & Snyder Dec. 31.

C. A. Johanson V.-P. Of Doremus & Co.

Carlton A. Johanson has been elected a Vice-President of Doremus & Co., Ltd., national advertising agency, it was announced by William H. Long, Jr., President.

Prior to joining the San Francisco office of Doremus in 1947, Johanson was Manager of advertising and public relations for Rheem Manufacturing Co.

Four New Partners For Newburger & Co.

PHILADELPHIA, Pa. — Newburger & Co., 1342 Walnut Street, members of the New York and Philadelphia-Baltimore Stock Exchanges, will admit to partnership on Jan. 1 Paul O. Dannenbaum, Arthur J. Hanff, Jr., Willard N. Hornstine, and Albert A. Marks, Jr.

Rowe to Be Partner in Schafer, Long Co.

Schafer, Long & Meaney, 15 Broad Street, New York City, members of the New York Stock Exchange, will admit Julius Rowe to partnership on Jan. 1.

Boston Invesim't Club Elects New Officers

BOSTON, Mass.—At the annual election of the Boston Investment Club, held at the University Club on Dec. 11, the following officers were elected:

President: Thomas Johnson, Eaton & Howard, Inc.

Vice-President: Albert P. Everts, Jr., Paine, Webber, Jackson & Curtis.

Treasurer: C. Frederic Edgarton, Hornblower & Weeks.

Secretary: David B. Ingram, Tucker, Anthony & Co.

Publicity Chairman: John M. Bleakie, W. E. Hutton & Co.

Halsey, Stuart Group Offers Long Island Lighting 3⅝% Bonds

Halsey, Stuart & Co. Inc. and associates on Dec. 14 offered $25,000,000 Long Island Lighting Co. first mortgage bonds, series D, 3⅝% due 1976 at 101.20 and accrued interest. The group won award of the bonds at competitive sale on Dec. 12 on its bid of 100.22%. Net proceeds from the sale of these bonds will be used to pay off bank loans which were used for temporary financing of 1951 construction, to complete financing of this construction and to furnish about $2,000,000 toward 1952 construction.

Regular redemptions may be made at prices from 104.20% to par, while special redemption prices run from 101.20% to par.

Long Island Lighting Co. is an operating public utility, engaged principally in the business of producing, transmitting, distributing and selling electricity and manufactured or reformed natural gas. The company is not in direct competition with any privately or publicly owned electric or gas utility company or agency rendering similar services in the territory served by it. The area served by the company covers approximately 1,200 square miles, wholly within Nassau and Suffolk counties and the Rockaway peninsula in the City of New York. During the 12 months ended August 31, 1951 the company served an average of 339,781 electric customers and 232,655 gas customers.

F. S. Moseley & Co. to Admit W. C. McKinney

F. S. Moseley & Co., members of the New York Stock Exchange, will admit William C. McKinney to partnership on Jan. 1 Mr. McKinney will make his headquarters in the firm's New York office, 14 Wall Street.

Security Traders Association of New York

Harold B. Smith, *Pershing & Co.;* Wilbur R. Wittich, *Grimm & Co.;* Lester F. Gannon, *Peter Morgan & Co.;* Clifton B. Smith, *Francis I. du Pont & Co.*

John Heck; Michael J. Heaney, *Michael J. Heaney & Co.;* Stanley L. Roggenburg, *Roggenburg & Co.;* John E. Kassebaum, *Van Alstyne, Noel & Co.*

Hal E. Murphy and Edwin L. Beck of the *Commercial & Financial Chronicle*

Leslie Barbier, *G. A. Saxton & Co., Inc.,* President of STANY congratulating Harry L. Arnold, *Goldman, Sachs & Co.,* elected President for 1952

George E. Nelson, *Bonner & Gregory;* John J. O'Kane, Jr., *John J. O'Kane, Jr. & Co.;* Frank C. Masterson, *Frank C. Masterson & Co.*

Walter Filkins, *Troster, Singer & Co.;* Ben Van Keegan, *Frank C. Masterson & Co.;* John O'Mara, *Goodbody & Co.;* Joseph J. Craig, *Goodbody & Co.*

Bill Boggs, *Hill, Thompson & Co., Inc.;* P. Fred Fox, *P. F. Fox & Co.;* Sam Magid, *Hill, Thompson & Co., Inc.*

Charles Bruggeman, John Hines, Edward H. Peene, and Everett R. Rubien, all of *Dean Witter & Co.*

Ben Lichtenstein, *B. S. Lichtenstein & Co.,* with Edna Chipok, Margie Nieman, and Katherine Schnepf of the "Antlers"

Annual Election Meeting at the "Antlers"

William J. Swords, *Zuckerman, Smith & Co.;* John H. Gertler, *Barr Brothers & Co.;* Arthur E. Schwartz, *Bache & Co.;* James Siepser, *Shaskan & Co.*

Hoy Meyer, *Gruntal & Co.;* Harry D. Casper, *John J. O'Kane, Jr. & Co.;* John C. Calef, *Dominion Securities Corporation;* Sidney Jacobs, *Sidney Jacobs Co.*

Irving Greene, *Greene and Company;* Henry G. Bruns, *H. G. Bruns & Co.;* William F. Thompson, *Greene and Company*

Irving Stein, *Stein & Company;* Otto H. Steinbecker, *New York Hanseatic Corporation;* John J. Farrell, *Farrell Securities Company*

Nathan A. Krumholz, *Siegel & Co.;* Robert R. Frank, *Reinholdt & Gardner;* Edwin S. Gutberlet, *Paine, Webber, Jackson & Curtis*

D. Raymond Kenney, *D. Raymond Kenney & Co.;* Thomas P. Gill, *Gill & Co.;* Harry J. Peiser, *Ira Haupt & Co.;* T. Frank Mackessy, *Abbott, Proctor & Paine*

J. William Kumm, *Dunne & Co.;* Jay Duga, *Merrill Lynch, Pierce, Fenner & Beane;* Clinton G. Hougl, *Schafer, Long & Meaney;* John F. McLaughlin, *McLaughlin, Reuss & Co.*

B. Winthrop Pizzini, *B. W. Pizzini & Co., Inc.;* Joseph Janareli; Henry Oetjen, *McGinnis & Company;* George V. Hunt, *Starkweather & Co.*

Daniel G. Mullin, *Tucker, Anthony & Co.;* Joe Alberti, *Walston, Hoffman & Goodwin;* Bill Belknap, *Walston, Hoffman & Goodwin;* John J. Meyers, Jr., *Gordon Graves & Co.*

Held Friday, December 7, 1951

Stanley C. Eaton, *Bendix, Luitweiler & Co.;* Barney Nieman, *Carl Marks & Co. Inc.;* David R. Mitchell, *Hill, Thompson & Co., Inc.;* Samuel Weinberg, *S. Weinberg & Co.;* Thomas M. Malone, *Gill & Co.*

James F. Fitz-Gerald, *W. L. Canady & Co., Inc.;* John M. Mayer, *Merrill Lynch, Pierce, Fenner & Beane;* Lewis H. Serlen, *Josephthal & Co.;* Alfred F. Tisch, *Fitzgerald & Company, Inc.*

"Duke" Hunter, *Hunter Securities Corporation;* Tom Worthington, *C. Herbert Onderdonk Company;* Edmund A. Whiting, *Carl M. Loeb, Rhoades & Co.*

J. Jay Schwadron, *Burke & Company;* Ted Plumridge, *J. Arthur Warner & Co., Incorporated*

George V. Leone, *Leone & Pollack;* Cy Murphy, *John C. Legg & Company;* Ernest Robb, *Paine, Webber, Jackson & Curtis;* Wilbur Krisam, *Geyer & Co., Incorporated*

Joe Farrell, *McGinnis & Company;* Samuel F. Colwell, *W. E. Hutton & Co.;* Gerard F. Hulsebosch, *Godnick & Son;* Hugh Kilmer, *Hardy & Co.;* Charles M. Zingraf, *Laurence M. Marks & Co.;* Jules Bean, *Singer, Bean & Mackie, Inc.*

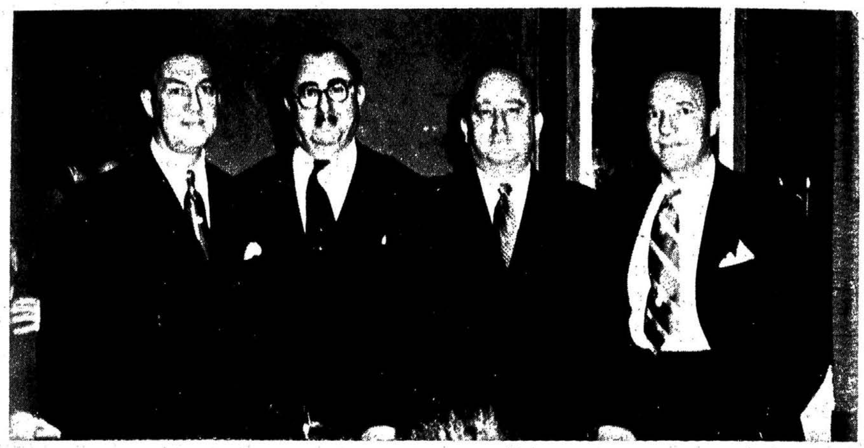
Rudolph J. Petke, *Garvin, Bantel & Co.;* Thomas J. Reilly, *J. Arthur Warner & Co., Incorporated;* Frank E. Mulligan, *Joseph McManus & Co.;* Gus Schlosser, *Union Securities Corporation;* Sam King, *King & King Securities Corp.;* Joe Kirk, *Delafield & Delafield*

Bill Eiger, *Goodbody & Co.;* Jim McGivney, *Hornblower & Weeks;* John D. Ohlandt, Jr., *J. Arthur Warner & Co., Incorporated;* Sal Rappa, *F. S. Moseley & Co.;* Larry Wren, *Allen & Company*

Peter Barken; Elbridge Smith, *Stryker & Brown;* Soren D. Neilson, *New York Hanseatic Corporation;* Edward R. O'Kane, *John J. O'Kane, Jr. & Co.*

Attended by 350 Members

Bill McGovern, *Uhlmann & Latshaw;* Herbert Lax, *Stanley Pelz & Co., Inc.;* Ed Jacobs, *Stanley Pelz & Co., Inc.;* Bill Carey, *Albert H. Weck Co.*



Martin I. King, *Sutro Bros. & Co.;* Melville S. Wien, *M. S. Wien & Co.;* Theodore R. Young, *Theodore Young & Co.;* Lee D. Sherman, *L. D. Sherman & Co.*

Frank G. Eiras and Charles Carroll, proprietors of "Antlers" Restaurant, 67 Wall Street

Walter F. Saunders, *Dominion Securities Corporation;* W. Foster Webster, *Hardy & Co.;* Joseph C. Egan, *Frank C. Masterson & Co.*

Richard C. Roberts, *R. C. Roberts & Co.;* Walter V. Kennedy, *Coffin & Burr, Incorporated* (New York); Frank Kane, *Ernst & Co.*

Gerard L. Burchard, *Charles King & Co.;* Edward Russell *Edelmann & Capper;* Michael Voccoli, Jr., *Charles King & Co.;* Arthur Vare, *Hourwich & Co.*

Carl Swenson, *G. H. Walker & Co.;* Herman Frankel, *Singer, Bean & Mackie, Inc.;* Bernie Weissman, *Siegel & Co.;* Arnold J. Wechsler, *Ogden, Wechsler & Co.;* Irving Wasserman, *Bond, Richman & Co.*

Vic Reid, *York Affiliates, Inc.;* John Fitzgerald, *W. C. Pitfield & Co., Inc.;* Robert J. Kelly, *Bonner & Gregory;* Frank Barrett, *H. C. Wainwright & Co.*

Paul C. Fredericks, Jr., *Warren W. York & Co., Inc.;* Harold I. Murphy, *Bonner & Gregory;* Jim Brewer, *John C. Legg & Company;* Willard C. Bastian, *Geyer & Co., Incorporated;* George Collins, *Geyer & Co. Incorporated*

Continued from page 2

The Security I Like Best

fee in the form of interest and a promise of repayment.

New vs. Old Trust

The selection of a trustee for funds is, of course, very important.

The procedure of "buying into" an established trust versus starting a new trust may save organization expenses and afford study of past results.

A voluntary trust which was set up by trust agreement in 1928 by the National Shawmut Bank of Boston is the type of old established trust of which parts or shares can often be acquired.

That the National Shawmut Bank of Boston knows how to handle its own money is attested to by the fact that it has paid a dividend on its own stock every year since 1836. During this period the United States has been through four major wars and many periods of inflation and depression. This is the type of trustee to be selected.

On May 21, 1928, a trust was declared by articles of agreement under the laws of Massachusetts. Management of the trust is provided by the National Shawmut Bank of Boston.

The Articles of Trust provide among other things for the payment of an amount equal to ⅜ths of 1% per annum to the extent that ⅛th of the net earnings are sufficient, to the National Shawmut Bank of Boston for the time devoted by the officers and investment research department of the bank in managing investments of the trust, etc., and office facilities.

Continuous Payments Since 1929

Since 1929, the first year of operation, this trust has made income disbursements each year. These payments and the asset value per share have been as follows:

	Income Payments	Asset Value
1929	0.80	
1930	0.80	19.93
1931	0.80	14.58
1932	0.70	13.89
1933	0.55	14.32
1934	0.40	14.97
1935	0.40	18.54
1936	0.82	21.82
1937	0.82	15.56
1938	0.40	18.26
1939	0.60	18.30
1940	0.60	16.53
1941	0.67½	14.80
1942	0.65	16.49
1943	0.65	19.81
1944	0.64	22.07
1945	0.75	25.73
1946	0.80	24.70
1947	0.85	23.21
1948	0.95	22.84
1949	0.90	25.06
1950	1.00	27.03

The record shows that an investment of $10,000 made on Dec. 31, 1941, in 940 shares of Shawmut Association at a cost of $7,990 would show an increase in value of 112% as of Dec. 31, 1950, exclusive of dividends received. Between the year 1941 and the year 1950 the dividend return increased 50%. When these two changes in value are compared with the Bureau of Labor "Consumers Price Index" which stood at 105.2 at the end of 1941, and 185.5 in July, 1951—an increase of 76%—it will be seen that the stock of Shawmut Association has provided a reasonable hedge against the rising cost of living.

Investments of Shawmut Association have for many years included a block of bank stocks. The Trust owns a majority of each of 12 suburban banks. The total assets of these banks amounts to over $93,000,000. The value of these holdings was stated at $4,795,749. This amounted to $12.20 per share of Shawmut Association stock. Other holdings on Sept. 30, 1951, included $1,973,984 U. S. Government Treasury Bills and Certificates of Indebtedness—the last maturity being April 1, 1952. These holdings amounted to $5 per share of Shawmut stock.

Shawmut also held 10 public utility common stocks with a total market value of $1,790,688. This value amounts to $4.56 per share on the stock of Shawmut Association. These utility stocks cost the Trust $1,174,514.

Industrial common stocks at a cost of $1,325,654 had a market value of $2,733,250 on Sept. 30, 1950—or about $7 per share of Shawmut stock. Largest industrial holding was Texas Company, followed by Continental Oil, Cities Service, B. F. Goodrich Co. and also included American Viscose, Celanese Corporation, General Motors, Johns-Manville, National Dairy Products, Skelly Oil and Standard Oil of New Jersey. The total value of the holdings of Shawmut as of Sept. 30, 1951, amounted to $11,481,696—or equal to $29.21 per share.

It will be noted that Shawmut Association has maintained excellent balance between the banking business, chemical industry, oil and public utility fields, with a backlog of short-term Treasuries for reserve.

Dividends and interest from securities other than bank stocks made up about 53% of income for the nine months ended Sept. 30, 1951—the income total amounting to $361,626. In addition to dividends received, Shawmut gained $96,100 due to the increase in the book amounts of the bank stocks held. During the above-mentioned period a net gain from sales of investments amounted to $98,497. Net earnings for the nine months ended Sept. 30, 1951, after provision for participation of the National Shawmut Bank of Boston, amounted to $405,432—or $1.04 per share or 390,000 shares outstanding.

Many of the features of diversification, long-term dividend record and management found in Shawmut Association can probably be found in some other investment trust. To the writer's knowledge there is no other prominent nonleverage trust whose shares are today available at 56% of asset value which also affords a 6% return from dividends paid in an amount less than investment income. The stock of Shawmut Association sells at 16½ versus asset value of $29.21 per share, based on Sept. 30, 1951 values. The dividend for 1950 amounted to $1 per share and there is a possibility of a larger dividend for 1951.

At 16½ Shawmut is selling for less than the $17 value of its government bond, utility and industrial stock holdings, leaving at no cost $12.20 of bank stocks. Earnings for 1951 are estimated at $1.15 per share exclusive of gains from sales of investments, or increase in the book value of bank stocks. Investment income of $1.15 per share figures 6¾% on a price of 16½. Dividends and interest, profits and undistributed earnings in the banks should equal 12% of the present market price for Shawmut Association stock. Half of this, or about $1, will be paid to the shareholder and the other half will be added to the assets of the Trust. Asset value has increased from $14.80 per share on Dec. 31, 1941, to $29.21 on Sept. 30, 1951.

Shawmut Association stock is eligible for investment for estates under the laws of the State of New York and the State of Pennsylvania.

Bankers Offer Niagara Mohawk Power Stock

Morgan Stanley & Co. and The First Boston Corp. head an investment group comprising 124 members which offered Dec. 19 for public sale 1,000,000 shares of Niagara Mohawk Power Corp. common stock at $24.25 per share. The issue, consisting of authorized but previously unissued shares of the company, was awarded to the group at competitive sale on Dec. 18.

Proceeds of the sale, together with the proceeds from a proposed sale of $15,000,000 general mortgage bonds, will be used to finance in part the company's 1951-52 construction program and to pay $35,000,000 of loans borrowed for construction in 1951. The construction program is expected to require about $57,148,000 in 1951 and $64,500,000 in 1952. Expenditures for 1951 include $30,726,000 for additional electric generating facilities and $18,572,000 for transmission and distribution equipment. For 1952 such expenditures are expected to be $41,229,000 and $17,921,000 respectively.

The company has declared a quarterly dividend of 40 cents payable Dec. 20, 1951 to stockholders of record on Dec. 1. During 1950 and the first three quarters of 1951 quarterly dividends on the common stock were paid at the rate of 35 cents per share.

The company supplies electric service in an area in New York State having a population of about 2,850,000. The principal cities served are Buffalo, Syracuse, Albany, Utica, Schenectady, Niagara Falls and Troy. Natural gas is distributed in areas in central and eastern New York having a population of 1,045,000. The company's present steam-electric generating plants in New York State have an estimated total capacity of 1,360,350 kw. while its hydro-electric plants have a combined estimated capacity of 785,011 kw.

The company's electric facilities are interconnected by a high-voltage transmission system, which connects with the system of its subsidiary, Canadian Niagara Power Co., Ltd., and with those of The Hydro-Electric Power Commission of Ontario, Consolidated Edison Co. of New York, Inc., New England Power Co., Central Hudson Gas & Electric Corp. Rochester Gas & Electric Corp., The New York State Electric & Gas Corp. and others.

For the 12 months ended Oct. 31, 1951 the company reported consolidated operating revenues of $171,090,000 and balance applicable to common $14,622,000 or $1.95 per share.

Firm to Be Foster Bros., Weber & Co.

TOLEDO, Ohio—Ford R. Weber will on Jan. 2 become a partner in Foster Bros., Young & Co., 410 Madison Avenue, members of the New York and Midwest Stock Exchanges, and the firm's name will be changed to Foster Bros., Weber & Co. Herbert E. Young is retiring from partnership as of Dec. 31. Mr. Weber has for many years conducted his own investment business in Toledo.

Strater to Be Partner In Green, Ellis Firm

John B. Strater will be admitted to partnership in Green, Ellis & Anderson, 61 Broadway, New York City, members of the New York Stock Exchange, on Jan. 1. Mr. Strater has been with the firm for some time.

Securities Salesman's Corner

By JOHN DUTTON

Know Your Customers

Part 3

There are no two people alike—but investors do fall into certain general groupings. If you can make a mental notation of these broad classes of investors, and direct your approach to their particular interest and attitudes, your battle is at least half won. Following are some of the investor types that you are meeting every day. There are also some suggestions for dealing with them.

Women Investors: In most cases their investment problems have come to them suddenly, and they find themselves unprepared to cope with them. For years they have let George take care of those things. Then, almost overnight they wake up and find out that they are in a field that is entirely foreign to them. In addition, their very welfare and future depends upon the skill and ability they use in handling their investments. If you will put yourself in the place of any woman who is left in such a position, you can understand that she is looking for only one thing—someone in whom she can place her trust. She wants someone to take over—to help her. She wants to believe in the ability, the sincerity, the absolute integrity, and honesty, of someone. Are you that man? If you are, then talk with her along these lines. Leave out the details. Talk about steady income, about safety. Lay out a plan—a program—don't *rush her*. Assist her in overcoming technicalities, tax matters, estate matters. Be sincerely interested in her financial welfare. Educate slowly. Don't oversell. Don't promise miracles.

Elderly Retired People: Again the problem here is one of understanding. Some are worried about inflation. Some see their present income as being inadequate. Analyze their needs—not their securities. Find out about their health, their need for safety, peace of mind. If they hold some speculative stocks at the wrong phase of the business cycle tell them why a change would protect them and suggest a replacement. Don't scare them. They are bothered enough now by their thoughts of the future. Your reserve, your conservatism, your manner, and your intentions, implied and carried forth, will build a solid relationship based upon confidence. Avoid any extreme statements at any time about everything—politics, securities, economics, or religion. Elderly people sometimes like to talk religion—let them talk, and as with others—listen!

The Young Man With High Earning Power: If he has high earning power he is usually busy. Show him why he needs an advisor. Show why he cannot do the necessary work of running a job and an investment account. Get his ideas. He is ambitious—he wants to have some security later on in life—he hopes to take it easier then. That is the objective. Work out a plan for accomplishing this. Keep him on the track. Always come back to his program. If you are selling him individual stocks and bonds, arrange for conferences periodically. If it is funds you are using, the main approach is likewise to gain an understanding of his objectives. Explain that Rome wasn't built in a day. If he is smart enough to hold down a big job and to make big money—he will see this.

Man With Low Earning Power Who Has Inherited Some Money: He is inclined to be sensitive. He is also going to be suspicious of any securities salesman. Here again, it is a question of understanding his aims and objectives. Don't talk down to him; refrain from trying to be a super salesman, or from talking on and on, about securities. He won't like it or understand it. The approach is, to once again find out what he wishes to do with his assets. Is it increase his income, or build up capital for later in life? Or is it a combination of both? Show him how savings banks and short-term government bonds can be used to give him quick money in an emergency, and recommend that some of his assets be placed in these investments. He will like that. Show him how he needs to spread his risk. Take *one thing at a time*—work out a program—go slowly—show an interest in his affairs. Call him on the telephone once in a while just to chat about *his affairs*. More business is done because some people *like other* people than because they are good salesmen. Good salesmen are good people—they are understanding human beings—they are basically human themselves. This is the approach. Don't overdo anything. As with these other types of investors *find out what the other fellow needs, see his problem, keep that foremost in your discussions*. He will let you attend to the details. In fact, after a while he will prefer it.

Stocks—bonds—cash—are only the materials with which we build our financial houses. Each one of us has a different requirement in this respect. Before we can build a house for anyone, don't we have to know their needs and their desires?

Joel Clark Opens

TEXARKANA, Tex. — Joel H. Clark is engaging in a securities business from offices in the Texarkana National Bank Building.

With A. M. Kidder Co.

(Special to THE FINANCIAL CHRONICLE)

FT. LAUDERDALE, Fla. — Howard R. Mullins has become affiliated with A. M. Kidder & Co., 207 East Las Olas Boulevard.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

Election of several executives to higher office in the **Schroder** banks was announced over the week-end by Gerald F. Beal, President, of **J. Henry Schroder**

Ernest H. Meili H. R. Sutphen, Jr.

V. Lada-Mocarski

Banking Corporation and **Schroder Trust Company of New York.** Harold A. Sutphen was elected Executive Vice-President to succeed John L. Simpson, who recently resigned. V. Lada-Mocarski and Ernest H. Meili were elected Senior Vice-Presidents, a new office. All three have been with the Schroder banks for a number of years. At the same time Paul Plowman was promoted to Assistant Vice-President, while William J. Bethune and Prestley E. McCaskie were made Assistant Treasurers and John L. Lynch was made Assistant Secretary.

* * *

Kenneth C. Brownell, President of the American Smelting & Refining Company, has been elected to the board of directors of the **Chase National Bank of New York** it was announced on Dec. 13 by Winthrop W. Aldrich, Chairman of the Bank's Board. Mr. Brownell became President of American Smelting & Refining in 1949 after serving the company for nine years as Vice-President in charge of sales and two years as Executive Vice-President. He is a director of Revere Copper & Brass Co., General Cable Corp., and the First National Bank of Greenwich, Conn. where he resides. He is a graduate of Yale (A.B. '25), and studied at the Harvard Graduate School of Business Administration.

Donald L. Ballantyne and James A. Jacobson, members of the foreign department staff which supervises the bank's business in the Far East, have been promoted to Vice-Presidents of the **Chase National Bank** it was announced on Dec. 17 by Winthrop W. Aldrich, Chairman of the Board. Other promotions in the foreign department's official staff are: Francis E. Grimes, William J. Lamneck and Thomas J. McGarry, Second Vice-Presidents; and Joseps J. Ballo and Henry C. Swenson, Assistant Managers.

Directors of **Chemical Bank & Trust Company of New York** have elected F. Stafford Cleary, Charles E. Rance and Marinus J. Topp as Vice-President, it was announced this week by N. Baxter Jackson, Chairman. Mr. Cleary is in charge of the bank's Fifth Avenue at 29th Street Office. Mr. Rance is in charge of the bank's Latin-American division of its foreign department. Mr. Topp is a senior loan officer of the bank's metropolitan staff. Prior to their election as Vice-Presidents, Messrs. Cleary, Rance and Topp were Assistant Vice-Presidents.

* * *

The Board of Directors of **Empire Trust Company of New York** on Dec. 11 voted to recommend that the stockholders at their annual meeting on Jan. 14, authorize an increase of 10,000 shares from the present total of 80,000 shares of capital stock of a par value of $50 each, and a transfer of $500,000 from undivided profits to capital stock in conformity therewith, and to approve the action intended to be taken by the directors promptly after the authorization by stockholders of such increase, in declaring a stock dividend of one share for each eight shares of stock outstanding. The directors also declared a regular quarterly dividend of 1½%, or 75 cents a share, on the capital stock of the company, payable Jan. 8, to stockholders of record at the close of business, Dec. 21.

* * *

Stockholders of **The First National Bank of the City of New York** have been notified by Alexander C. Nagle, President, that William White will be nominated as an additional director of the bank at the annual meeting to be held on Jan. 8. Mr. White is President of The Delaware, Lackawanna & Western R. R. Co.

* * *

The new Twenty-third Street, **Havana, Cuba** Branch of **The National City Bank of New York** opened Dec. 17. Wifredo Costa is Manager. The main Havana office, at 402 Presidente Zayas, was opened in 1915. National City now has 10 branches in Cuba and a grand total of 55 overseas.

* * *

At the regular meeting of the directors of **The National City Bank of New York** held on Dec. 18 Matthew J. Kelsh, Assistant Vice-President, was appointed Vice-President. Mr. Kelsh came to National City as an officer in 1929 when the Farmers' Loan and Trust Company, now City Bank Farmers Trust Company, became affiliated with the Bank. He will continue in charge of the 28th Street Branch where he has been assigned since 1931. At the same meeting Joseph D. Farrell, Assistant Cashier, was appointed Branch Manager.

* * *

After Jan. 1, 1952, **Union Dime Savings Bank, New York,** will pay dividends quarterly instead of semi-annually, it was announced on Dec. 10 by J. Wilbur Lewis, President of the bank. Dividends will continue to be figured from the day of deposit, but will be credited and compounded four times a year for the periods ending March 31, June 30, Sept. 30 and Dec. 31. For the current period, July 1 to Dec. 31, 1951, dividends payable to 138,700 depositors will amount to more than $2,500,000.

The savings banks of Brooklyn are building a community promotion around a new issue 3-cent stamp commemorating the Battle of Brooklyn 175 years ago. On Dec. 10, the day the stamp first went on sale, the savings banks in Brooklyn distributed to 330,000 school children in the public and parochial elementary grades, a 10-page folder outlining the importance of the event depicted on the stamp. Copies of the folder are also being distributed at the 49 savings bank offices throughout the borough. "First-day covers," which are bank envelopes with the new stamp attached and both canceled with a "first-day of issue" mark, are being sent by a majority of the banks to members of stamp clubs, to opinion leaders in the community and to selected mailing lists. A message pointing out the value of the stamp as a collector's item is enclosed.

* * *

Adam C. Muller has been elected a Trustee of the **Kings County Savings Bank of Brooklyn, N. Y.,** Charles D. Behrens, President, announced on Dec 10. Mr. Muller, who started with the Kings County Savings Bank in 1961, has been its Treasurer since 1945. Mr. Muller is a past President of the Savings Banks Auditors and Comptrollers Forum of New York State and is presently a member of the Committee on Administrative Procedure of the Savings Banks Association of New York.

* * *

Gilbert C. Barrett, President of the **Brooklyn Savings Bank of Brooklyn, N. Y.,** announced on Dec. 4 that Norvin Hewitt Green and John E. Heyke, Jr., have been elected to the board of trustees. The Brooklyn "Eagle" reporting this said:

"Mr. Green is Chairman of the Executive Committee of the International Business Machines Corporation, and Mr. Heyke is Executive Vice-President of the Brooklyn Union Gas Company."

* * *

David Irving Mead, retired Chairman of the Board of Directors of the **South Brooklyn Savings Bank of Brooklyn, N. Y.,** died on Nov. 30 in White Plains, N. Y. He lived in Hartsdale, N. Y., and had a home in Waccabuc, N. Y. Mr. Mead, who was 76 years of age, was born in Brooklyn, and in the Brooklyn "Eagle" of Dec. 1 it was noted that in 1911 he was elected Vice-President of the **National City Bank of Brooklyn,** of which his grandfather, John Jay Studwell, had been President. The "Eagle" added in part:

"On the merging of that bank with the **Irving Trust Company** in 1919, he became Vice-President of the Irving Trust Company. In 1922, he was elected President of the South Brooklyn Savings Bank. After 27 years as President, he became Chairman of the Board of Directors in 1949 and retired in 1950. Mr. Mead was a past President of the New York State Bankers Association and at various times served on the Executive Council of the American Bankers Association, as Secretary of the Savings Bank Trust Company, and as Secretary of the Institutional Securities Corporation."

* * *

The name of the **First National Bank & Trust Co. of Huntington, Long Island, N. Y.** was changed, effective Nov. 28, to the **First National Bank of Huntington.** Along with the change in its title the First National Bank & Trust enlarged its capital on Nov. 28 from $200,000 to $236,250; a part of the increase ($25,000) resulted from the sale of new stock while $11,250 of the addition to the capital came about by a stock dividend of that amount.

* * *

The Lincoln Savings Bank of Brooklyn, N. Y., paid tribute to Fred Honold, its oldest active employee, incident to his 40th anniversary of service with the bank, which was marked by a dinner recently held in the officers' dining room of the bank and attended by Fred Gretsch, Chairman of the Board; John W. Hooper, President; John A. Elbe, Vice-President and Cashier; J. Frank Baumann, Vice-President; Edmond G. Murphy, Comptroller; Michael J. Burke, Vice-President and Mortgage Officer; Charles J. Kipp, Assistant Cashier, and Alfred Hoercher, a former employee, now retired. On completion of the ceremony, he was presented with a congratulatory card signed by the officers and his fellow employees. Mr. Honold is presently engaged in the legal section of the mortgage department of the bank.

* * *

The election of Walter M. Jeffords, Jr., President and Chairman of the Board of Brooklyn Borough Gas Company, as Director of the **Lafayette National Bank of Brooklyn, N. Y.,** was announced on Dec. 13 by Walter J. Carlin, President of the bank, it is learned from the Brooklyn "Eagle" which also said in part:

"Mr. Jeffords is a graduate of Yale and was an Army Major in World War II. He is a director of the Brooklyn and Coney Island Chambers of Commerce.

* * *

Through the sale of $50,000 of new stock, the capital of the **First National Bank of East Hampton, Mass.,** was increased on Nov. 19 from $100,000 to $150,000.

* * *

Election of Kenneth C. Towe to the Board of Directors of the Putnam Trust Company of Greenwich, Conn., was announced on Dec. 14 by Carl Francis, President of the bank. Mr. Towe is Vice-President in charge of Finance and a director of the American Cyanamid Company. He is also a member of the Advisory Board of the Rockefeller Center branch of the Chemical Bank and Trust Company.

* * *

James Dwight Dana, prominent corporation and probate lawyer and a special assistant to the State Department during World War I, died on Dec. 2 at his home in New Haven, Conn. He was 62 years of age. It was noted in Associated Press accounts in the Providence "Journal" that he was a member of an old New Haven family that was closely identified with Yale University through Benjamin Silliman, an ancestor. His father, Edward S. Dana, was Professor of Physics at the University for many years and Mr. Dana was graduated from Yale in 1911 and from Harvard Law School in 1915.

From New Haven, Dec. 2, special advices to the New York "Times" said in part:

"President of the C. S. Mersick Company, a plumbing supplies concern here, Mr. Dana also was a director of and legal counsel for the Union & New Haven Trust Co., the Malleable Iron Fittings Co. of Branford, the Kerite Co. of Seymour, the New Haven Savings Bank, the New Haven Hospital, the Capewell Manufacturing Co. of Hartford and the United Illuminating Co.

"A member of the American, Connecticut and New Haven County Bar Associations, Mr. Dana was a trustee of Yale's Sheffield Scientific School and Hopkins Grammar School."

* * *

An "extra" dividend has been declared by the Board of Managers of **The Montclair Savings Bank, of Montclair, N. J.** Announcing the "extra" dividend on Dec. 12, T. Philip Reitinger, President, stated "that the 'extra' dividend will be paid at the next regular dividend date, May, 1, 1952, and will be calculated at the annual rate of ¼ of 1% per annum, for the six months' period, beginning Nov. 1, 1951 and ending May 1, 1952." The dividend will be credited to all depositors showing savings account balances from $10, to the individual depositor limit of $25,000, on deposit continuously for the six months' period. Mr. Reitinger stated the "extra" dividend will be paid from earnings for 1951, and it was declared after reviewing the results of the current year's earnings and appraising the earnings possibilities for 1952. The current regular dividend rate is 2% per annum. On Aug. 1, 1950 the Board of Managers increased the current rate of interest from 1½% to 2% per annum, while at the same time changing its method of calculating interest from a quarterly to a semi-annual basis.

* * *

Kelley Graham, Chairman of the Board of **The First National Bank of Jersey City, N. J.** announced on Dec. 6 the authorization by the directors of a split in the capital stock of the bank, reducing the par value from $100 per share to $25 per share, and an issue of four shares of the new stock for every share outstanding at present. This action is being proposed to the shareholders for confirmation at the annual meeting on Jan. 8. Subject to their approval and that of the U. S. Comptroller of the Currency, it will be put into effect shortly thereafter. The present capital of the bank, $3,000,000, and the surplus of $3,000,000 will remain the same. There are also substantial undivided profits and reserves. The bank has, at present, eight offices located throughout Hudson County. The directors are of the opinion that, by reducing the par value of the stock, wider distribution may be effected in the various communities which the bank serves.

* * *

The Board of Directors of the **National Bank of Germantown & Trust Co. of Philadelphia** has declared a semi-annual dividend of 60 cents per share and an extra dividend of 25 cents per share on the capital stock, both payable Jan. 2 to stockholders of record Dec. 24. The Board also authorized the transfer of $500,000 from undivided profits to surplus, increasing surplus to $2,500,000.

* * *

The election of Thomas A. Bradshaw as a member of the board of directors of the **Philadelphia National Bank of Philadelphia** has been announced by Frederic A. Potts, President of the bank. Mr. Bradshaw is Vice-President, General Counsel and director of the Provident Mutual Life Insurance Company of Philadelphia, with which he became associated in 1930. He has been a member of the Pennsylvania Bar since 1931. On the Philadelphia National Bank board Mr. Bradshaw replaces Francis Boyer, who resigned because of his additional duties incident to his election as President of Smith, Kline & French Laboratories.

Mr. Potts also announced that the Philadelphia National Bank had promoted Harold A. Myers and William Bates, Jr. to Assistant Cashiers effective Dec. 31.

* * *

Andrew Kaul, III, President of Speer Carbon Company and its subsidiaries has been elected a director of the **Federal Reserve Bank of Philadelphia, Pa.,** for a three year term beginning Jan. 1, 1952. Mr. Kaul, in addition to being President of the Speer Carbon Company and its subsidiaries, the Speer Resistor Corporation, Jeffers Electronics, Inc., and International Graphite and Electrode Corporation, is the Vice-President of two banks in Saint Marys, Pa., and Secretary and Treasurer of two ceramics companies. Since his graduation with honors from Sheffield Scientific School, Yale University, Mr. Kaul has held numerous responsible management posts in both industrial and civic circles in Pennsylvania.

At a regular meeting of the board of directors of the **City Bank and Trust Company of Reading, Pa.** the regular semi-annual dividend of 50 cents per share was declared plus an extra dividend of 60 cents per share, payable Jan. 2, to stockholders of record Dec. 13. This will make a total dividend of $1.60 per share declared in the year 1951 from earnings of that year, the last previous dividend having been 50 cents per share paid on July 1, 1951.

* * *

Temple W. Broaddus, Vice-President of the **Bank of Virginia,** and in charge of the bank's office on West Broad Street in **Richmond, Virginia,** was honored by the bank Nov. 30, on the occasion of his 25th anniversary of work with the bank. Thomas C. Boushall, President, presented Mr. Broaddus with a silver service tray from his associates.

Walter M. Boyer, Jr., of the adjustment department of The Bank of Virginia at 8th and Main Streets, Richmond, recently received the Associate Award of the National Institute of Credit at a meeting of the Richmond Association of Credit Men, Inc. Part of the educational program of the national association, the award is the first of three offered in a program of study in cooperation with schools and colleges.

* * *

The newly enlarged capital of $2,000,000 of the **La Salle National Bank of Chicago,** as compared with $1,500,000 previously, became effective Nov. 26. Plans to increase the capital stock of the bank from $1,500,000 to $2,000,000, and total capital funds from $3,406,000 to $4,056,000 through the sale of new stock, and to change the par value of the shares from $50 to $25 per share, were detailed in our issue of Oct. 18, page 1471. Action was taken at a special meeting of the shareholders Oct. 24.

* * *

A stock dividend of $350,000 has resulted in enlarging the capital of the **First National Bank of Aberdeen, South Dakota,** on Nov. 29 from $350,000 to $700,000.

* * *

As of Nov. 1 the **First National Bank of Fayetteville, Ark.** increased its capital from $125,000 to $250,000; the increase was brought about by a stock dividend of $75,000 and the sale of $50,000 of new stock.

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The capital of the **First National Bank in Fort Lauderdale, Fla.,** has been increased to $750,000 from $400,000; $250,000 of the addition was effected by the sale of new stock, while $100,000 of the increase resulted from a stock dividend. The new capital was made effective Nov. 20.

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A stock dividend of $100,000 served to increase the capital of the **American National Bank of Amarillo, Texas,** effective Nov. 16, from $500,000 to $600,000.

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A branch of the **National Bank of India Limited** was opened at Thika, Kenya on Nov. 26.

Davis & Davis to Admit Dixon to Firm

PROVIDENCE, R. I.—Davis & Davis, Grosvenor Building, members of the New York and Boston Stock Exchanges, will admit George H. Dixon to partnership on Jan. 1.

Joins Bishop-Wells

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Livio C. Costa has been added to the staff of Bishop-Wells Co., 161 Devonshire Street.

With A. L. Schlaikjer

NEWCASTLE, Wyo.—Maurice Spolum is associated with Arthur L. Schlaikjer.

No Possibility of Major Depression: Nadler

In pamphlet issued by the Hanover Bank, economist also contends "that country is not headed for permanent and continued inflation." Says swings in business cycle will not be as wide nor as long as was the case in the past.

According to Dr. Marcus Nadler, consulting economist to the Hanover Bank, and Professor of Finance at New York University, a major depression with sharp commodity price declines and severe unemployment cannot take place in the future.

Marcus Nadler

Dr. Nadler's assertion was made in his third of a series of reports to Hanover officers and customers on "Inflation or Deflation?" The series, "The Case for Inflation," "The Case for Deflation," and "Inflation vs. Deflation" has been published in booklet form by the Hanover Bank, New York City.

While foreseeing no major depression, Dr. Nadler also said it was his firm conviction that the country "is not headed for permanent and continued inflation."

"We certainly have not reached the millenium," Dr. Nadler said, "and there is no valid reason to believe that we have learned to eliminate the swings of the business cycle. Developments during 1949 and again the experience of some industries in 1951 are proof that business fluctuations of considerable magnitude are bound to take place in the future.

"The swings, however, will not be as wide as they were in the past and the duration of the downward swing will be shorter. Will the future bring permanent and continued inflation or a severe depression? The answer is neither. We may have some more inflation in the immediate future and we will have some serious declines in the longer-range future, but the extremes of the swing will be avoided."

In reaching his conclusions, Dr. Nadler said the forces of inflation are temporary.

"They will continue as long as the defense program and the large capital expenditures by corporations last," he explained. "Once these begin to taper off, the dangers of inflation will give way to those of deflation."

Much of the inflation that already has taken place, Dr. Nadler said, "has become permanently imbedded in the economy."

"The great economic, political and social changes that have occurred during the last two decades have to some extent altered the pattern of the business cycle," he added, "and have removed the dangers of a severe depression such as occurred during the early 1930's.

"The economy of the country in many respects is stronger and more capable of resisting a sharp decline in the demand for goods, and hence in business activity, than in the past."

Asserting that international economic and political developments "will exercise a greater influence on the economy of the country than was the case prior to 1930," Dr. Nadler cautioned:

"In looking into the future, one must always realize that even the most careful forecasts based on an analysis of all known factors may be upset by unforeseen events. The Korean war is a good example of how one unforeseen development upset economic predictions."

Sen. Kem Calls Small Business "Forgotten Man"

Declaring that the small businessman is the "forgotten man" in our defense effort, Senator James P. Kem (Rep., Mo.) wants Congress to find out why.

The Missouri Senator spoke at a luncheon of the Kiwanis Club of Kansas City on Dec. 13.

James P. Kem

"We were recently told by the Munitions Board that the 100 top defense contractors got 61.5% of all military contracts awarded during the last fiscal year," Senator Kem said. "These 100 top contractors are among the largest corporations in the nation. When one asks why the hundreds of thousands of small business concerns don't get more defense work the standard alibi is that they are not efficient enough.

"There are certainly many things that they can do or learn to do. The small businessman is the forgotten man as far as the bureaucrats in Washington are concerned. When he visits the Nation's Capital in search for defense contracts he is given the merry-run-around, shoved from pillar to post and finally gives up in disgust. Occasionally he may get a bone to keep him quiet, but more often he gets nothing at all. He is in competition with big business for scarce materials—and big business wins because it has the important military contracts, and incidentally the military contacts.

"In the past Congress has provided funds and created several agencies to help small business. I don't think much can be accomplished in this way. The small businessman is willing to hustle his own contracts. What he needs is a more cooperative attitude on the part of military and civilian procurement officers of the government. We should find out the individuals in the government service who are thwarting the intentions of Congress to give little business a square deal.

"The small businessman can play a major and important role in our defense effort if administrative officials will only let him do so."

Francis I. du Pont Co. To Admit Two Partners

Francis I. du Pont & Co., 1 Wall Street, members of the New York Stock Exchange, on Jan. 1 will admit Donald L. Graham to general partnership and Jean V. Blossom to limited partnership. Dudley S. Blossom, Jr., will retire from limited partnership in the firm on Dec. 31.

Keefe to Be Partner In R. L. Day & Co.

HARTFORD, Conn.—Harry V. Keefe, Jr., Hartford representative for R. L. Day & Co., members of the New York Stock Exchange, will be admitted to partnership in the firm on Jan. 1. Mr. Keefe's headquarters are at 75 Pearl Street, Hartford.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week—Insurance Stocks

Dividend payments of fire insurance companies during the last 12 months have continued the upward trend which has been in evidence over the past several years.

Stock dividends, stock splits and increased cash payments have been numerous among the major companies. While there have been exceptions to the general trend, most of the institutions have at least maintained their cash distributions during the past three years.

Considering the problems that have confronted the industry during 1951, the record of dividend payments is viewed as satisfactory.

Although it has been the general policy of fire insurance companies to pay dividends out of investment earnings, underwriting results exert a tremendous psychological influence on the attitude of the directors with respect to dividend policies and payments. Thus, even though investment earnings this year have been showing substantial gains over a year ago and are likely to reach new peaks in the current period, the generally unfavorable underwriting results, which have been experienced, have acted to prevent larger payments that might have been expected in a more profitable underwriting period.

Nevertheless, there have been some increases which together with higher rates instituted last year, will bring the payments for 1951 above those of 1950. In practically every instance current payments are at least equal to those made in 1949 and in most cases they are higher.

In the tabulation below, the record of dividend payments for the past three years of 23 of the major fire insurance companies is shown. Figures have been adjustd for stock dividends and stock splits.

	—Dividends Paid—			Current	Yield
	1951	1950	1949	Market	%
Aetna Insurance	$2.25	$2.25	$2.20	53¼	4.23
American Insurance	1.00	0.90	0.80	20¾	4.82
Boston Insurance	2.40	2.39	1.92	62½	3.84
Continental Insurance	3.00	2.80	1.76	70	4.29
Federal Insurance	2.20	2.15	1.85	87	2.53
Fidelity-Phenix	3.00	2.90	1.80	68½	4.38
Fire Association	2.60	2.60	2.07	56¾	4.58
Fireman's Fund	1.60	1.60	1.30	55¼	2.90
Firemen's (Newark)	0.75	0.65	0.55	21¾	3.45
Glens Falls	2.30	2.20	2.00	51¼	4.49
Great American	1.50	1.50	1.04	34	4.41
Hanover Fire	1.60	1.60	1.40	32½	4.92
Hartford Fire	3.00	3.00	1.88	131¾	2.28
Home Insurance	1.80	1.60	1.35	35½	5.07
Insurance Co. of North America	2.00	2.50	1.46	73	2.74
National Fire	2.50	2.50	2.50	57¾	4.33
North River	1.20	1.20	1.20	28¾	4.17
Phoenix Insurance	3.00	2.90	2.80	81½	3.68
Providence-Washington	1.50	1.50	1.50	27¾	5.41
St. Paul Fire & Marine	0.78	0.75	0.63	32½	2.40
Springfield Fire & Marine	2.00	1.98	1.90	43¾	4.57
U. S. Fire	1.48	1.36	1.33	41½	3.57
Westchester Fire	1.00	1.00	1.00	20¾	4.82

It should be pointed out that the 1951 dividends in the above table are those actually paid or declared and are not the current annual rates. In other words, several of the companies are currently paying at a rate in excess of the payments made in 1951.

Boston Insurance, for example, recently increased its quarterly rate from 60 cents to 65 cents indicating a current annual rate of $2.60 as compared with a payment of $2.40 in 1951.

Firemen's Insurance of Newark raised its semi-annual rate from 35 cents to 40 cents last October. Thus, the current yearly payment is considered to be 80 cents a share as compared with the 75 cents distributed in the current year.

St. Paul Fire & Marine increased its dividend rate to 80 cents on an annual basis last April after a 100% stock dividend and two-for-one split. This compares with the previous rate of 75 cents a share and a payment equal to 78 cents on the present shares made in 1951.

Insurance Company of North America has only paid $2.00 in the current year as compared with $2.50 on an equivalent basis in 1950. The company split the shares two-for-one last May and changed the dividend from a semi-annual payment to a quarterly basis. No extra was paid this year so that the total payment was below that of 1950. However, the company has declared a 50-cent extra payable Jan. 15, 1952 indicating the payment for next year will at least equal $2.50 a share.

Present indications are that dividend payments of fire insurance companies next year will continue to trend upward. Current distributions are conservative in relation to investment income. If underwriting makes a more favorable showing next year, we would expect some further improvement in dividend payments.

Lloyd Fernald Adds

(Special to THE FINANCIAL CHRONICLE)

SPRINGFIELD, Mass.—G. Edmund Wallace has become connected with Lloyd D. Fernald & Co., Inc., 1387 Main Street, members of the Boston Stock Exchange.

Joins Diffenderfer Co.

(Special to THE FINANCIAL CHRONICLE)

BENTON HARBOR, Mich. — Norman V. Stickney has become affiliated with H. H. Diffenderfer & Co., Fidelity Building.

Continued from first page

What About Inflation?

we are settling down to the doubtful comfort of an opinion about which we feel pretty certain, some other headlines come along to disturb our notions. For example, on the same day that I culled the first set of headlines, I ran across three others:

Allies and Foe Try to Clarify Truce Terms

Paper Salvagers Now Must Pay to Get Rid of What They Collect

Premium Prices for Steel in the Midwest Have Collapsed

What's going on here? Are we really going to get more inflation, or is the worst of the storm behind us? Is the popular notion of more inflation ahead a plausible one, or is this another one of those cases where less conspicuous forces working for deflation may contradict popular expectations? That's the topic that I want to talk about today. I do not expect to be able to provide you with a satisfactory answer. I can, I think, present to you some of the factors involved that may help you reach your own conclusions.

Business analysis is an art; it is not a science. It's a little bit like using the squint-eye method in surveying, and when you take a sight that way, your chances of being right are better if you take a long look, both backward and forward. That's not a bad method to use in trying to get an idea of where we are and where we are going in the inflation story.

Government Not Alone Responsible for Inflation

First, it's probably advisable to get rid of one popular notion that is simply untrue. The amount of inflation, if by inflation we mean expansionary forces making for both increased activity and price rises—the amount of inflation in this sense that has occurred since World War II has resulted far more from actions taken in the private sector of the economy than in the government sector. The inflationary timber may have been cut and stored by the government in the prewar depression, and during the war, but it has certainly been used by the public to build a bonfire in the postwar period.

Federal Government borrowing at the end of 1950, it may surprise you to know, was about $22 billion under the postwar peak that occurred back in 1946. Cash balances declined about the same amount. As of today, the debt is still $19 billion under the top, and cash balances are off about the same. The government, in other words, since the war has taken about as much money from the public as it has put back into circulation. In the calendar year 1950, and even in the fiscal year ended last June, 1951, it took more money away from the public than it put back.

The same is not true of other borrowers. State and local government debt, and corporate debts also, were just about 50% higher at the end of 1950 than they had been at the end of 1945. Individual and non-corporate debt had increased approximately 100%. Cash balances of these borrowers have increased on balance, but not to the same extent. Instead of the Federal Government's spending a lot more than it has taken in, individuals, corporations, and local governments appear to be the culprits in the piece on this score.

Mortgage debt expansion has been right at the front of this procession. Non-farm mortgages of all descriptions increased 115% from 1945 to the end of 1950, and mortgages on one-to-four-family houses alone increased about 140% during the same period. Another source of expanding consumer debt has been the rapid filling of postwar demands for automobiles. Installment credit to finance all types of durable consumer's goods — but particularly automobiles — increased from a year-end figure of about $2 billion in 1945 to nearly $8 billion at the end of 1950.

When we turn from the incurrence of debt to the act of spending, which is another means of measuring an inflationary force, we find very little increase from the 1946 Federal expenditure through 1950. Consumers, on the other hand, increased their spending in every postwar year, except in 1949, despite the fact that they were going further into debt each year.

Lest this begin to sound like a preface to the political campaigns of 1952, let me hasten to say that I am not condoning the Federal Government's position in this inflation matter. It seems to me that far too many frightening and even irresponsible statements by government officers have been made. I am simply trying to anlayze the record of what has been going on to get a solid footing before taking a sight into the future.

What Happened Since June, 1950

While these are the broad outlines of some of the major tendencies in the economy since the war, it may be useful before taking that look forward, to examine a little more closely what has happened since June of 1950, which you will recall, was the approximate date of the commencement of hostilities in Korea. All of you will recall the spontaneous reaction of consumers to get goods that had been scarce in the last war. But the buying spree that resulted was more widespread than a few packages of sugar and additional pairs of nylon stockings. It spread broadly, you will recall, over the whole range of consumers' durable and nondurable goods. There were two buying waves — one right after Korea and the other starting about this time last year when the Chinese came into the picture. From the second quarter of 1950 through the first quarter of 1951, the annual rate of consumer buying increased by $19½ billion and then subsided somewhat.

Even more interestingly, this buying spree spread into business thinking. The rate of business buying in the form of inventory and new plant and equipment increased pretty constantly month after month to reach a peak in the second quarter of 1951, of $19¼ billion above the preceding year.

In the meanwhile, government expenditures for national defense and related activities were also increasing from an annual rate of $13 billion to an annual rate of $31 billion in the second quarter of 1951.

In the first year following Korea, about one-third of the inflationary pressure, as measured by increased rates of spending, was contributed by the Federal Government, whereas about two-thirds of the pressure was contributed by the rest of the economy. And it is well to bear in mind that that two-thirds was put on top of what already appears to be, in retrospect, a very high level of consumer and business outlays.

It may be worth noting, with respect to business outlays, that total plant and equipment expenditures for the six years following 1945 and ending with 1951, may reach as much as $110 billion, or better than $18 billion annually. By way of comparison, in the six prosperous years ended with 1929, plant and equipment outlays totaled $48 billion, or an average of $8 billion a year. Even after allowance for price differentials, the outlays of recent years cannot fail to represent an enormous productive capacity. Not only has there been added to the productive capacity of the nation a tremendous number of new plants, but in many cases, production lines in old plants have been given intensive engineering, with a view to stepping up their production potentials.

Productive Plant Now Reaching Peak

There are two generalizations that might be drawn from this. First, our productive plant is now reaching the stage where except for well known bottlenecks that may result in specific shortages, both defense and consumer needs at projected levels might be met without additional abnormal plant expansion. Second, a decline in the rate of business investment in the future would be deflationary, not inflationary. The prospects for a decline are enhanced by the recent behavior of corporate profits. In the second quarter of this year, they were running about 34% under the peak fourth quarter of 1950, and the downward trend has continued.

When we look at the national economy in terms of what has happened since the last war, and particularly when we examine what has occurred since Korea, one is almost compelled to the conclusion that the private sector of the economy has "shot its bolt" for the time-being so far as inflation is concerned. Much has already been done to expand our industrial plant and consumers have gone far into debt to finance the replacement of war-born deficiencies of houses, automobiles and other durable goods. In this private sector of the economy, there remains only the set of relationships popularly known as the wage-price spiral, but unless labor is able to exert extraordinary power that appropriates a larger share of the national income than is economically justified, this is a process that facilitates inflation perhaps more than it generates it.

If More Inflation Comes, Government Will Be Responsible

If we are likely to get a serious inflation from here on out, seemingly it must come from the government side of the equation. There are several key places to look for potential trouble spots. The most familiar is of course the Federal budget. There are two others that may be equally as important. One is the effect upon the money markets of the manner in which the government handles its debt. The other is the extent to which government policies and operations result in what, in substance, amounts to an export surplus. An increase in the foreign trade surplus is inflationary—a decrease is deflationary.

The Federal budget is something that you have all heard a lot about, and I suspect that we will continue to hear even more about it in the next year or so. It runs through a fiscal year, as you know, from the end of one June to the next, so it overlaps our calendar years. There are two important things about the budget—(1) how large is it? and (2) does it result in the government's taking more or less dollars away from the nation than it puts back? The size of the expenditure is of great importance to the degree of influence or control the government exercises, but it is not of itself a key matter in the inflation question. The question of a cash deficit or surplus is the important one to inflation, and is answered by an analysis of the so-called cash budget.

In the fiscal year ended June, 1950, cash expenditures came to about $37 billion, of which $13¼ billion were for military defenses and related activities. That was the last year before Korea. It takes the wheels of government procurement some time to start turning. During the twelve months ended June, 1951, total cash disbursements reached about $42 billion—an increase of only $5 billion. National defense outlays increased approximately $9 billion, indicating that about $4 billion were taken out of other items.

By the end of the fiscal year 1951, government payments for defense were rolling along at successive monthly increases, and they are still doing so but at a slower rate. Defense spending this year—that is, the fiscal year ending in June, 1952—may get up as high as $50 billion, with an annual rate starting at $37 billion in the early months, and reaching a peak annual rate of perhaps $57 billion next June. Expenses other than defense will put about $20 billion on top of the $50 billion annual average, to make the total cash outlays of the Federal Government approximately $70 billion.

Whether existing taxes and other sources of revenue available to the government will bring in that much is a debatable question. A good many people are beginning to think that they will. If so, it would mean that what now looks like about a $6 billion cash deficit in the last six months of this calendar year, would have to be matched with a corresponding cash surplus during the first six months of next year. There does seem to be general agreement that there will be a substantial cash surplus from January to June of 1952. Whether it's a $4 billion or $6 billion surplus is not as significant as the fact that in all probability it will be a surplus.

The Big Question Mark

Now we come to the really big question-mark. What is going to happen to defense expenditures from this point out? Very little, I suggest, in the current fiscal year, other than what is expected. That is because the contracts for the supplies that will be delivered between now and next June were let a long time ago, and the work on them is now in process. The same comment might even be made about the defense outlays during the last six months of calendar year 1952.

It is expected that national defense and related activities that are already contracted for, or for which appropriations have been made, will pretty well assure a defense bill for the American people of some $60 to $62 billion in the fiscal year ending June 30, 1953. It could be shaved one side or the other, after December of 1952, but if that is going to be done, plans should be made immediately to get the shaving started. There may be something to be said for doing so.

There are several reasons why the possibility should be looked into very carefully. The first reason is a good humanitarian one. To quote President C. E. Wilson, the General Motors one, "It would be tragic indeed of our efforts to organize military strength to save our liberties resulted in the loss of the very liberties we seek to preserve, or if we overdo military preparedness and are at least partly responsible for precipitating a third world war. Such a war, even after victory, would still leave us with the unsolved problem of how to establish a stable peace. We must clarify our international policies now and make it clear to the rest of the world that we are adhering to the purpose for which our country was founded, and that our nation has no desire or ambition to control or dominate the rest of the world." If there is a shadow of substance for this position, and I believe there is, I submit that it is extremely important for us to examine the question of whether some curtailment of our military projections after December of 1952 would be a more plausible and enduring means of achieving our objectives than our present ever-accelerating plans.

The other reason for making a careful re-examination of our military program is that if we do not do so, we are probably destined to run into a Federal cash deficit of some $10 to $15 billion in the fiscal year ending in June, 1953. I believe that that would be an unfortunate occurrence, when the economy is operating at substantially full employment of its physical and human resources.

Taxes at Upward Limit

The present tax structure may represent about as much of a take from the national effort as is available in a democracy. From data submitted by Secretary Snyder at the House Ways and Means Committee last February, it looks like there may be about $70 billion of personal income available for additional taxation. The gimmick in this one is that about $50 billion—or roughly ¾ of this total—falls in the bracket of people earning less than $2,000 annually. That means that the personal income tax has gone just about as far as it is likely to go in getting sizable additional revenues. Corporate taxes are not available for additional attention if we want to keep our capital formation from declining precipitously. We have already noted the trend of earnings, and working capital positions are not as good as they were. A sales tax, which is a tax on consumers, would bring in some more revenue, but it is a highly unpopular tax, and for all intents and purposes, is unavailable in an election year. In other words, the difficulties of the last Congress in writing the 1951 tax bill—and you all know what a difficult thing it was—would be multiplied if a new attempt at taxation were made next year.

I do not believe we are going to get another tax bill, and that something around $70 billion or less is about all that we can expect the government to collect to match the prospective cash disbursals of $80-$82 billion in the fiscal year 1953. There have even been rumblings that requests might get up around $90 billion. Under the circumstances, it would be a very worthwhile development if our military people and our diplomats could be induced to reappraise the essentiality, not only of the magnitude of their programs, but of the timing as well. It is a question requiring the highest sense of statesmanship to measure the influences involved, but the importance of the task makes one fervently hope that there are big men in our government that will weigh the alternatives with vision.

The Outlook for Interest Rates

Another phase of the government's role in this inflation pattern is involved in the managing of Federal debt. As you all know, the Federal debt runs something in excess of $250 billion. A substantial part of the fixed outlays of the government each year is contributed by the interest payments to service this debt. At an average of 2¼%, the interest cost is about $6 billion. At 3½%, it would step up to nearly $9 billion. It is only natural that the Treasury wants to keep the rate on such a large principle as low as may be consistent with public policy. It has been supported in this purpose in past years by a fetish, which has almost amounted to a cult, of the social desirability of cheap money. It is a cult that has been giving way in various parts of the world in recent years. One of the first actions taken by the new Churchill government in England was to raise the Bank of England's discount rate. The Canadians have removed supports in the money market and let long-term bond rates fall to approximately 3½%. Italy took action some years ago toward abandoning the cheap money cult. Even we in the U. S. began to move away from excessively easy money rates last March when support prices for government bonds long maintained by the Federal Reserve were unfrozen.

It is frequently said that a half of 1% or so in the cost of borrowing money is not going to be a very significant factor in the inflationary picture. People who want to buy commodities or other properties because they think the price is going to rise will not be deterred by such a small differential in the cost of borrowing money. But that is not the point. The principal importance is that a money rate that truly reflects the investment demand for loans, provides the only kind of a money market in which the government can sell its bonds to investors. Failing to find investors, it must sell its bonds to the commercial banks, or even worse, to the Federal Reserve Banks. That operation amounts, in substance, to a monetizing, or converting into current means of payment, of the government debt. When the government is running a deficit and it finds it necessary to sell its bonds to the banks, it is generating a double inflationary result. There is the inflationary influence of spending more money than is being taken from the community, and the secondary influence of creating new demand deposits on the books of the banks for the purpose of doing so.

There will be a considerable discussion about this matter in the months to come — the Patman Committee has sent out a questionnaire as a preface to holding hearings. While it will be difficult for the public to understand the technical nature of the debate, I can assure you that the resolution of this question will not be irrelevant to the degree of inflationary pressures that may exist in the years to come. There is a good deal of concern lest the Treasury may be unduly reluctant to give way to the money market in this matter.

Excess Exports an Inflationary Factor

A third way in which government policies and actions may influence the inflation question is through the nation's foreign trade position. It is not very often realized how large our so-called favorable balance of trade has been in recent years. During the war years, we naturally sent great quantities of goods and supplies to our allies. Our exports of merchandise and services were about $80 billion in the five years, 1940-1945. Imports were about $40 billion, leaving an excess of exports over imports of $40 billion. This was more than financed by government foreign grants that came to about $40 billion, and loans of about $2 billion.

One would have expected that in the postwar period, the situation would be substantially modified. It was not. In the five years, 1946-1950, exports were again about the same $82 billion. Imports increased to approximately $48 billion, leaving an excess of exports over imports of $34 billion. The difference was not adjusted by private capital outflow to any great extent. The biggest part of the adjustment was again in the form of government grants and loans—about $26 billion.

This import-export position has been a strong positive inflationary force in the postwar period. I am not inclined to feel that it will continue to be quite as strong in the years ahead. Henceforth, our imports should show a tendency to rise, and these net export balances may diminish. The United States has been processing raw materials at a faster rate in the postwar period than it has been producing them, and the value of imports needed from the raw material producing parts of the world to the U. S. may be expected to increase relative to the past. It does not appear, however, that there can or should be an early diminution of exports resulting from governmental assistance to our allies, regardless of what label such assistance may carry. If this assistance carries the military label, it simply means that the resources of recipient nations are released for their own domestic use; whereas these same resources might be converted to military use if we were supplying them with more economic assistance.

Summary

Now, let's recapitulate. We have looked at a number of features of the private sector of the economy, and several of the features of the government sector. For five years following the war, the strongest expansionary forces in the economy were contributed by the growth of plant and equipment, by business inventory accumulation and by consumers stocking up with all the things they did without during the war period, even though it meant they had to go deeply into debt to do so. We now find ourselves in a position where we have a productive machine, the capacities of which are yet to be determined; and in a position in which the worst of the war shortages, particularly those in housing and in motor cars, may have been largely satisfied.

We have found that while defense outlays are increasing month after month, the tax increases so far have been sufficient to keep an uneven but satisfactory pace. However, the defense program already contracted for, or for which appropriations have been made, assures the continuance of expanding military outlays—and for all practical purposes, we may have reached the ceiling of taxes. Whether it is in the national interest to go on to plan for further military enlargement, or whether we should begin to think now about the possibility of cutting back so that the cut-back could be made effective a year hence, is a question that all of us as responsible citizens should weigh carefully—both for humanitarian and economic reasons. If present programs remain unchanged, however, or if they are enlarged, I think that we can feel confident that there will be strong inflationary pressures from the government side as 1952 progresses, and into the year following. The government's management of its debt may tend to be inflationary. Its influence on the nation's export position may be offset in part by higher imports. Together, these two influences may be approximately balanced as inflationary forces.

When we put all of these features of the private and the public sectors of the economy together, it is a pretty difficult thing to weigh the net direction of the forces involved. That's why at the beginning of this talk I said I did not think I could give you a very satisfactory answer. Each of us must try as best we can to resolve the issues in our own thinking. It is my own view that the relative strength of the inflationary forces ahead may not dominate, except at intermittent intervals, those forces pointing toward contraction. Personal incomes are still increasing and perhaps we shall stay on a fairly high level of activity and of prices for some time, just as we have for the past year. But I am impressed by the thought that it has taken an expanding military program just to keep the economy on an even keel.

The behavior of production and prices during 1951 in retrospect stands in marked contrast to the discussion of them, and the headlines that have been used to describe them. The fact of the matter is that wholesale prices, as measured by the Bureau of Labor Statistics' Index of nearly 900 items, have shown a tendency to decline since last March, and are now 3.2% below the peak. The Index of Industrial Production of the Federal Reserve Board has shown no sustained tendency to rise or fall during the year, and now is at about the same level that it averaged during the first quarter. Of course that means that production for the civilian economy has declined, while production for the defense effort has expanded.

Something of the same type of behavior would seem to me to be a plausible expectation for another six months or so. Of course that is a view that could be frustrated if dramatic international events should change the picture, or if we as a nation should lose our heads in a still more rapidly accelerating spiral of military enlargement, even beyond our present programs. In the absence of these unwanted events, a long look by the squint-eye method suggests that the next President of the United States, whatever his party may be, will find himself, during his four-year term which begins in 1953, as preoccupied with the problems of deflation quite as frequently as with those of inflation.

N.Y. Investment Ass'n Elects Officers

At the annual meeting of the Investment Association of New York held on Dec. 18, Harry A. Jacobs, Jr., of Bache & Co., was elected President to serve for 1952. Others elected were: Vice-President, Julian K. Roosevelt of Dick & Merle Smith; Secretary, Richard W. Baldwin of Reynolds & Co.; Treasurer, Lorrin C. Mawdsley of D'Assern & Co.

Harry A. Jacobs, Jr.

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

Kling & Co., NYSE Firm, To Be Formed in NYC

A new partnership of Kling & Co. will be formed on Jan. 2 with offices at 32 Broadway, New York City. The partners of the firm, which will hold membership in the New York Stock Exchange, will be Seymour Kling, Edward A. Kerbs, Charles L. Woody, Jr., member of the Exchange, general partners, and Louis A. Reilly, limited partner. Mr. Kling is a partner in Kling & Co., dealers in United States Government securities and State and municipal bonds. Mr. Woody has been active as an individual floor broker.

Railroad Securities

St. Louis-San Francisco

Many railroad analysts speak of the possibility of a fairly sharp rebound of St. Louis-San Francisco common stock after the turn of the year, even if on no other grounds than the technical situation. There is every evidence that for some time now the stock has been under pressure from conversion of the company's income bonds. A considerable part of this conversion has presumably been based on arbitrage operations in which the stock has been sold simultaneously with purchase of the bonds. Further substantial conversions are likely in the remaining days of 1951 because of the change in the conversion feature of the bonds at the end of the year.

The St. Louis-San Francisco Income 4½s, 2022 were originally issued in reorganization in the amount of $47,549,800. By the end of last year they had been reduced, through operation of the sinking fund, to $44,756,500. Through 1951 they are convertible into common stock of the company at the rate of 30 shares of stock for each $1,000 bond. Starting Jan. 1, 1952 the conversion ratio changes to 25 shares of stock for each bond. It is indicated that by early December slightly more than $7 million of the bonds had been converted. Once the conversion ratio changes, at the beginning of next year, conversions should cease and this pressure will be removed from the shares. Obviously if any bondholder has any intention of converting he will do so while he can still get the larger number of shares for his bonds.

Conversion of bonds naturally dilutes the equity of the stock, although fundamentally it may be constructive in reducing the debt outstanding. Under present conditions this dilution is two-pronged. Each bond converted means a saving of only $45 in annual contingent interest charges while it creates an additional 30 shares of stock. Moreover, the net saving to the company is considerably less than the $45 reduction in interest inasmuch as the interest accrued is deductible before Federal income taxes. The saving is taxable. Thus, the company under present conditions saves only $21.60 on every bond retired, equivalent to $0.72 a share on the new stock created.

With the conversions through early December it is indicated that there are now approximately 1,453,000 shares of common stock outstanding. If all of the income bonds should be converted at the present ratio (that is before the end of this year) the amount of common outstanding would be increased to 2,583,852 shares, or a little more than twice the number outstanding at the beginning of the current year. There is no danger, of course, that the entire bond issue will be converted at this time, if ever. For one thing, there are quite a few institutional holders who have confidence in the long-term status of their bonds, wish to retain the commitment, but could not legally retain the common stock in their portfolios if they were to convert.

While the earning power of the common shares has unquestionably been diluted in the past couple of months, and presumably will be further diluted in the near future, the stock, in the opinion of many analysts, still has considerable speculative appeal. Even adjusting for the conversions that have already taken place, it is indicated that earnings for the 12 months through September 1951 amounted to roughly $5.10 a common share. Full conversion, at the 30-share rate, would result in a reduction of these indicated results to $3.10. As mentioned above, however, full conversion is not at all likely. In the meantime, prospects are bright for at least some year-to-year improvement in earnings in 1952 compared with 1951 when it is estimated that probably $4.50 to $5 will be realized. Also, the current $2.50 dividend, which it is expected in most quarters will be continued, affords a very liberal income return of 9.4%.

Mabon & Co. to Admit Wirth to Partnership

Homer Wirth

Mabon & Co., 115 Broadway, New York City, members of the New York Stock Exchange, will admit Homer Wirth to partnership on Jan. 1. Mr. Wirth is manager of the firm's preferred stock department.

Walston, Hoffman to Admit Many Partners

Walston, Hoffman & Goodwin, members of the New York Stock Exchange and other exchanges, will on Jan. 1 admit to partnership Eldon A. Grimm, H. R. Derrickson, Robert W. Englander, Jr., William D. Fleming, Morton D. Harmon, Harry P. Henriques, Jr., Edward G. McEneaney, member of the New York Stock Exchange, John A. Meyer, George B. Simpson, Jr., Thomas J. Tasso and Fred W. Young, Jr.

Mr. Henriques has been a partner in Frank C. Masterson & Co., New York. Mr. McEneaney has been active as an individual floor broker. The others have been associated with the firm for some time.

Dominick & Dominick to Admit A. Rockefeller Jr.

Dominick & Dominick, 14 Wall Street, New York City, members of the New York Stock Exchange, will admit Avery Rockefeller, Jr. to partnership on Jan. 1.

Joins John W. Smart

LOUISVILLE, Ky.—John R. Clowes has become associated with John W. Smart, Washington Building.

Mutual Funds

By ROBERT R. RICH

BEFORE TAXES, corporate earnings this year should not be far different from the exceedingly good totals of 1950, Manhattan Bond's President, Hugh W. Long, stated to shareholders.

"Naturally," Mr. Long said, "earnings will be lower after taxes than in 1950 because tax rates for corporations have been substantially increased.

"However, as has been observed many times before, the investor in bonds or in bond funds has less reason to be concerned about corporate tax increases than the investor in stocks, because bond interest payable by corporations is deducted from earnings before the corporation computes its federal taxes on income."

The average pre-tax earnings coverage on bond interest and other fixed charges for Manhattan's holdings is equivalent to $3.50 for each $1.00 of interest.

Mr. Long remarked that in the instance of only one issuer was the coverage figure as low as $1.75 and that almost two-thirds of the individual issuers showed pre-tax earnings of $2.50 or more for each dollar of fixed charges payable.

The increased rate of return earned by Manhattan Bond Fund on its investments—as well as the nominal decline in the Fund's net asset value per share—were caused primarily by the government's restrictive credit policies which were begun early in 1951, he said.

These measures — designed to discourage business borrowings, resulted in increased interest returns on government and corporate bonds as their market prices decreased.

THE NATION'S principal economic objective for 1952 should be to maintain the value of the dollar, Earl E. Crabb declared today in a year-end statement. Mr. Crabb is Chairman and President of Investors Diversified Services, one of the nation's largest investment companies, managing assets in excess of $900,000,000.

"With the defense program swinging into high gear in 1952, the coming year may severly test our ability to step up military production and maintain reasonable levels of civilian supply without sacrificing further dollar purchasing power," he said.

"During 1951, the American people proved themselves willing and able to shoulder the grave economic responsibilities imposed by the dual threats of communism and inflation. Our productive capacity has been increased sufficiently to supply most consumer needs at fairly stable prices while launching rearmament. We have also helped stave off drastic inflation during the past year by nearly doubling our national rate of savings out of the disposable dollars left to us after increased taxation."

There will be something of a "tug of war" between inflationary and deflationary influences during the first few months of 1952 and, Crabb predicted, prices may hold steady. After that, however, inflationary pressures may appear in volume and wise fiscal policies will be required if prices are to remain under control.

Crabb emphasized that each dollar now being spent for defense and consumer goods is buying only about 68 cents worth of military equipment and civilian supplies in terms of even inflated World War II dollars. This slide in dollar value, he said, can only be halted by continued high production and personal savings and investment, a national determination to demand and get value received in our armament and world economic aid programs and

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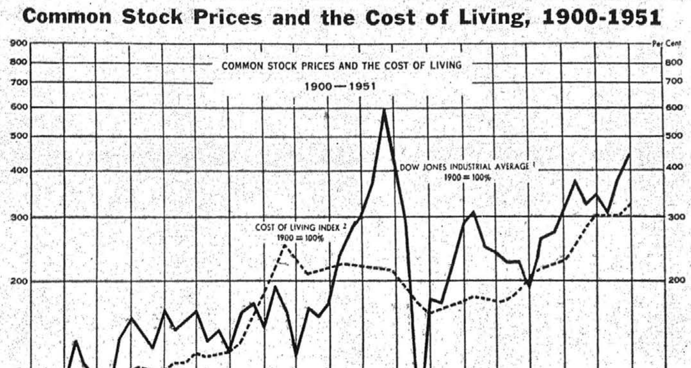
Here's Your 3¢!

The story is told of two men traveling on a train, one of whom was ranting about the famous financier Rothschild and his great wealth. He said it should be evenly divided so that every person would have the same. His listener asked him if he had any idea how many people there were estimated to be on the earth and also how much money Rothschild was supposed to have.

Upon receiving the man's estimates he then took a pencil and paper and began to do a simple example of division. He turned to the man and said, "Would you be satisfied with the result which happens to be only about three cents apiece?" The man said, "Yes." The first man then said, "Well, here is your three cents. Now, shut up. I happen to be Rothschild."

From "Popular Economics" Magazine

Common Stock Prices and the Cost of Living, 1900-1951



The above chart illustrates the steady climb in average living costs and average market prices of leading American corporate and industrial common stocks during the past 51 years. Despite the great depression of the 1930s when average securities prices fell to an all-time low, the average trend of both living costs (dotted line) and securities market prices (heavy line) has been steadily upward, and the two, as a whole, have moved upward together since 1900.

Embarrassed by Success

Boston Trust Votes to Give Shareholders Portfolio Holding

SHERATON COMMON TO BE DISTRIBUTED

2% of Total Assets in Hotel Chain Stock Booms to 13%; Special Factors Complicate Investment Trust of Boston Decision

TAX RULING AWAITED

BY BENTON G. CARR

One of the most incredible portfolio stories in the mutual funds field lies behind a Nov. 29 decision by the trustees of the Investment Trust of Boston to give its shareholders much of the Trusts holdings in Sheraton Corporation of America—a distribution only being held up pending a favorable Federal Tax Ruling. The Trust today holds approximately 15½ shares of Sheraton for each 100 shares of the Trust outstanding.

The Trust bought 38,600 shares of the common stock of Sheraton for $22,882, or less than 60¢ a share, compared with the approximate market value today of $11 per share.

Although the total investment in Sheraton common, at the time it was purchased, amounted to less than 2% of the Trust's total assets, the value of this small holding, like Topsy, grew and grew and grew, until today the current market value represents approximately 13% of total assets of the Trust.

This success became embarrassing when various state securities commissioners pointed to what was regarded as excessive Sheraton common holdings in the Trust's portfolio.

Despite the fact that the Treasury Department's Regulation Q and the Investment Company Act of 1940 in part define an investment company as one whose holdings in any corporation does not exceed 5% *at cost*, there is a general and common sense rule of diversification in the industry that the *market value* of a single portfolio holding should not exceed 5%.

The Investment Trust of Boston, faced with the wisdom of reducing its Sheraton holdings to 5% of portfolio value, chose to distribute the excess to shareholders, rather than sell them on the market, for two reasons:

First, the trustees believe that Sheraton, now at about $11 with a break-up value of over $35, has a long way to go as a growth investment, and since the shareholders are really the owners of these shares they should have the choice of keeping them or selling.

Second, the Investment Trust of Boston wished to avoid possible criticism that might result by selling Sheraton, because the Trust's principal officers, in other capacities, are actively buying the stock.

Ernest Henderson, George Henderson and Robert L. Moore, trustees of Investment Trust of Boston, are also the controlling officers of Sheraton Corporation as President, Vice-President and Treasurer. And, as is well known, Sheraton for some time has been buying back its own stock. The company has purchased over 50,000 shares of its own common and 84,000 shares of its own convertible preferred stock. In May, 1946, there were 99,100 shares of convertible preferred outstanding, and on November 13, Sheraton had retired all but 15,000 of these shares.

The brothers Henderson alone, through the partnership Henderson Brothers, and together with Robert L. Moore, through World Radio Corporation in which the three own an 80% interest, are through these organizations also actively acquiring Sheraton stock.

Sheraton Corp., which recently purchased the Book - Cadillac Hotel in Detroit for $5,000,000, although it cost about $14,000,000 to build, owns and operates through its various subsidiaries a chain of approximately 30 hotels and several large office buildings.

The company reported, at the fiscal year ended April 30, that it had enjoyed the best year in its history with consolidated net earnings of $4,910,256 compared with $3,564,499 the year before. Earnings applicable to each share of common amounted to $3.23 for 1951 compared with $2.29 in 1950.

Cash dividends during the year ended April 30 were 60 cents a common share compared with 40 cents the year before.

Aggregate value of Sheraton's assets are in excess of $100 million which, after all liability deductions, amounts to $35.59 indicated net asset value per common share, compared with an equivalent amount of $25.09 a year ago, April 30.

The only known precedent in which a mutual fund distributed shares of its holdings was several years ago when Consolidated Investment Trust, faced with a similar problem, distributed shares of United Merchants and Manufacturers.

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Mutual Funds

reduction of needless and wasteful public and private spending.

TEXAS FUND reports that less than 5% of the shares it has sold to date have been redeemed. A peak in the Fund's activity was reached in October with total sales of $472,000, and the Fund recently passed the $6 million mark after 26 months of public operation.

A 135% INCREASE in total net assets for the calendar year to Dec. 11 was recorded by Growth Companies, according to an interim report made public Dec. 14.

Mutual Fund Notes

Individual sales of Wellington Fund shares on Monday, Nov. 26, were the largest for any single day in its history. On that day there were 317 individual sales of Wellington for a total of 31,032 shares or $670,539, according to W. L. Morgan & Co., distributor. The dollar sales were the third largest for any single day.

National Securities & Research Corporation has mailed to shareholders a per share breakdown of 1951 distributions on each of the 10 National Securities Series.

This tabulation shows the cents per share of distribution taxable as true income and the portion which is to be treated as capital gains. The latter are subject to maximum Federal Income Tax of 25% and should be reported under the capital gains and losses section of the tax return as a long-term capital gain.

Directors of Selected American Shares declared a distribution of 75 cents a share from realized gains on the sale of portfolio securities, and a dividend of 28 cents a share from investment income. The profits distribution is payable in stock unless a shareholder elects to receive cash.

Both distributions are payable Dec. 27, 1951, to Selected American shareholders of record Dec. 15, 1951, Edward P. Rabin, fund President, announced.

Upon payment of these latest distributions, Selected American will have paid its shareholders in 1951, 64 cents a share from investment income and 75 cents a share from net realized security profits. Payments in 1950 were 72 cents a share from investment income and 21 cents a share from realized profits.

James H. Orr, President of Gas Industries Fund, Inc., announced that the board of directors declared a quarterly dividend from income of 18 cents per share, payable Dec. 27 to stockholders of record on Dec. 19.

Shares of the fund outstanding have risen to a new high of 787,747 in the hands of about 5,900 shareholders. Total net assets are $15,670,000 and net asset value per share $20.03.

Recent additions to the portfolio include 6,000 shares Tennessee Gas Transmission Co., 14,000 shares Transcontinental Gas Pipe Line Corp., and 15,000 shares Johnston Testers, Inc.

Shareholders of Broadstreet Investing, National Investors, and Whitehall Fund will now be able to have their net investment income dividends automatically reinvested at offering price, according to an announcement by Broad Street Sales.

The plan will function primarily through dealers. Authorizations for reinvestment will be put into effect only if the first dividend is $8.60 for Whitehall Fund and $8.00 for Broad Street Investing and National Investors.

Since Sept. 30, Growth Companies made the following changes in its portfolio:

New investments in Minnesota Mining & Mfg., Chas. Pfizer, Lurez Plastics & Chemical and Ultrasonics Corp.

Additional shares of American Cyanamid, Speer Carbon, Koppers Co., Cities Service, Ashland Oil & Refining, Thompson Products and Haloid.

Eliminations of Elliott Co., American Natural Gas, Grayson-Robinson and Golden Manitou Mines.

The portfolio now has the common stocks and one preferred stock of 47 companies.

Lower Sales Charge, effective Nov. 23, was announced by Gas Industries Fund.

The sales charge on "single transactions" was reduced from 7½% to 6% on "single transactions" between $25,000 and $50,000, and from 6% to 5% on sales between $50,000 and $100,000.

The definition of "single transaction" was changed so that it now includes the sum of an investor's purchases within 12 months, provided the buyer states his intention to the dealer of investing more than $25,000 in one year.

REGISTRATIONS

American Mutual Fund, Los Angeles, on Dec. 3, filed a registration statement with the Securities & Exchange Commission covering 250,000 shares of capital stock to be offered at market through American Funds Distributors.

New England Fund on Nov. 30, filed a registration statement with the Securities and Exchange Commission covering 50,000 shares of beneficial interest, which are to be offered at market through Coffin & Burr.

Mutual Shares Corporation on Dec. 3, filed a registration statement with the Securities & Exchange Commission covering 50,000 shares of common stock to be offered at market without underwriting.

Continued from first page

As We See It

the war effort. The steadily increasing flow of funds into the life insurance companies and the wartime lack of other investment outlets, as well as the safety of the government's obligations, made most of these purchases a pleasant necessity. At the end of the war the life insurance companies, on the basis of previous standards, had an overbalance portfolio position in government securities. And with the appearance of a strong private demand for capital funds in the postwar years, your companies proceeded to redress the balance. They did this by committing new funds to other assets, and by large net sales of government securities.

* * *

"Taking advantage of our market support, government bonds were treated as short-term investments bearing long-term interest rates.

* * *

"Many of you have become so big, and the operations of all of you are so charged with a public interest, as to inhibit your recourse to the market practices of investors with smaller aggregates of capital funds and with no public responsibilities. A wise degree of business statesmanship is needed to chart a course between the Scylla of increased public regulation and the Charybdis of falling behind your competitors in the race for business and profits.

* * *

"Some revision of ideas concerning the proportion of your assets which might be held in government securities under present day conditions, a better marketing approach to the liquidation of government securities when you felt you had to sell, and a little less haste in reaching for the higher returns of corporate obligations, direct placements, and mortgage financing during periods of strain upon our economic resources, might have been becoming to your industry and good for the economy. . . . If practices which contribute to a reduction of premiums also contribute to inflation, the policyholder gains at the spigot but loses at the bung."

There are other equally remarkable passages, but we feel constrained to make certain observations about what has already been quoted, and to do so while the gist of these utterances is fresh in the mind of the reader.

"Pleasant Necessity"

First of all, about this "pleasant necessity" under which insurance companies found themselves to buy governments during the war. This, evidently, was a pleasure shared by a good many. The Federal Reserve banks themselves increased their holdings $19.6 billion between June 30, 1941 and June 30, 1945. Life insurance companies added only $15.6 billion to their holdings. But that is not the whole story. The Reserve banks in buying these obligations, of course, vastly increased the reserves of member banks. One net result was that commercial banks increased their holdings $64.5 billion during the four-year period under review. The pleasure of the life companies would doubtless have been much greater had the Reserve banks found less pleasure in buying these bonds, since they then could have obtained them at a much better yield —a yield which would greatly reduce if not eliminate the temptation to hand bonds to the Reserve banks in postwar years.

At other points, too, Mr. Sproul appears to have forgotten vital facts. It was not only insurance companies which were selling governments through these postwar years. Member banks of Mr. Sproul's own Federal Reserve system sold $28.4 billion between the end of the war and the end of September, 1951—several times the amount disposed of by the life insurance companies. The Reserve banks, of course, bought on balance. Why did the Open Market Committee do all this buying? Well, to quote Mr. Sproul, because of the fact that "the market was not always able to come close to clearing the amount of long-term government securities which you wished to sell, at prices and yields which would conform to our ideas of an orderly market, or our ideas of the lowest desirable price for the longest term issues." Do life insurance company policyholders really owe it to the country, to themselves, or to any one else to help the Treasury and the Reserve banks hold the price of governments at some figure which they have had no part in fixing? This whole notion seems a little absurd to us.

Short vs. Long-Term Yields

And what is this that Mr. Sproul is saying about short-term obligations at long-term yields? Can it be that Mr. Sproul does not know that normally the shorter term rate is the higher, and that the peculiar circumstance that the contrary is true at the moment is due to nothing other than the abnormalities in the financial structure which the Reserve system itself has been largely instrumental in creating? And, precisely, how is the sale of governments by insurance companies inflationary?

Whatever may be said of the existing situation in the government securities market, and whatever the part of the life insurance companies in creating it, it hardly lies in the mouth of the Federal Reserve authorities to criticize. They are the group, which, yielding to the Treasury and the New Dealish ideas, are basically responsible for the woes of the day.

And, now, turn to these sentences:

"I do not mean that an independent Federal Reserve system can have policies and a program which run counter to the national economic policy. That has never been the case, is not now and never should be. An independent Federal Reserve System is one that is protected both from narrow partisan influence and from selfish private interests. It is a system with special competence in a difficult technical field, acting under a general directive of the Congress within the bounds of national economic policy as determined by the Congress."

"National economic policy"—what does Mr. Sproul mean by that? For our part we do not quite see how the words can have any meaning which does not imply a managed economy, and it is this fact which disturbs us most of all about the latest outgiving of this eminent financial authority.

Jos. McManus to Admit Graham Walker

Graham Walker

Graham Walker, manager of the dealer department, will be admitted to partnership in Joseph McManus & Co., 39 Broadway, members of the New York Stock Exchange, on Jan. 2.

Halle & Stieglitz to Admit S. B. Knothe

Halle & Stieglitz, 52 Wall Street, New York City, members of the New York Stock Exchange and other leading exchanges, will admit Stannard Brooks Knothe to general partnership in the firm at the year-end. A son-in-law of Stanley J. Halle, senior partner, Mr. Knothe is another link in the family chain of the firm which has continuously operated under the same partnership name since its formation on Dec. 15, 1889, and which is still managed by members of the founders' families. During World War II Mr. Knothe served three years in the U. S. Navy.

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Our Foreign Policy—Its Casualities and Prospects

of our taxes. Tax reform, even the correction of tax scandals, is a drop in the bucket besides the tremendous drain of the billions demanded by the direction of our present foreign policy. That policy, and not the absence of some scheme of controls, is what is responsible for inflation, for the cheapening of the dollar and ever-higher prices—a process which has only just begun and whose end no one can foresee. That policy determines how much we can and dare expend for social services. It will determine whether we, as a nation, can continue to afford them on our present scale or on any satisfactory basis. Indeed foreign policy permeates all trade, all commerce, all living.

Russians Have Impoverished Western Europe

Our foreign policy since 1946 is said to have been dominated by the threat of expansion on the part of Communist Russia. The rearming of Greece and Turkey, the Marshall Plan, the Korean War, are all ascribed to that cause. Russian tactics have, however, been directed toward weakening the democratic states of the world in order to permit the entry of Communism and its doctrines. If we measure the success of our foreign policy in terms of its checking of that tactic, we appear to be on the edge of failure. For, today, without firing a single shot or sacrificing the life of a single soldier, the Russians have impoverished most of Western Europe, forced upon us peacetime expenditures beyond what could have been their wildest hopes, taken from us the long traditional friendship of a nation of more than 400,000,000 Chinese, and in Korea brought tragedy or death to more than 100,000 American homes. Certainly, we are infinitely worse off today than we were in 1946.

Just a year ago, at Charlottesville, in raising a series of questions with regard to our foreign policy, I touched off what became known as the Great Debate. I said then that we were wasting our resources in the pursuit of a dream which, worthy though it might be, was impossible of accomplishment. I said then that, instead of scattering our dollars and our troops throughout Europe, we would do well to think first of our own destiny and its realization, and second, of how within our capabilities we could assist those whose ideals were such that they would wholeheartedly link their survival to ours. I also said then that the chief fortress of resistance must be ourselves, not Europe, not Korea, not even the United Nations, although we might, indeed, from the largesse of our own industrial output, help those who made clear that they were willing to help themselves.

Our Futile Policies

These suggestions, however, have not been followed. The Korean War becomes more ghastly, more utterly futile, as each day follows the next. International commitments which then had been extended to the Mediterranean and the North Cape, now reach thousands of miles westward to New Zealand and the southernmost reaches of Tasmania. In Indo-China, American arms, American military aid, and American dollars are going to support France's desperate effort to keep her old colonial empire. In the Suez and on the Persian Gulf, we may soon become embroiled by the actions of the British. The Arab world, whose friendship had been ours, has turned against us. In Asia only those states where we or Western Europe have some semblance of control support us. Burma, Malaya, Iran, Egypt, are all seething with revolt, and throughout the rest of Asia, America is no longer seen as a champion of democratic self-determination but as a nation indistinguishable from her imperial allies.

Drastic Deterioration

In Europe, deterioration characterizes the situation. It was the avowed objective of our planners to build a European force capable of resisting the threat of Russia's armies. It was their objective also to revive the will of Europe to fight and to place those nations on a sound economic footing. None of these things have occurred. None of them give any indication that they will occur according to projected time-tables or even according to any time-table. SHAPE is merely an organization, not an army. Even the powers of that organization and the powers of its commander are still struggling to be born. German rearmament, without which no real defense of Western Europe can be made, has not moved an inch. Indeed, it seems to have suffered a setback through the opposition of Britain in the person of Mr. Churchill to participation in a European Army. Mr. Churchill's position, moreover, strikes at the very heart of the concept of unified command. He will have no master in the Atlantic and only a limited one on the Continent. But more than this, the will to fight and to rearm—and remember that the will to rearm is basic to the will to fight—is distinctly on the downgrade. In France, the opposition to participation in the North Atlantic Treaty Organization, once limited to the Communists—then and now France's largest political party—now has the support of De Gaulle and his growing Fourth Force. In England, both Churchill and Aneurin Bevan see alike on being unwilling to hazard further England's social gains by undertaking an all-out program of rearmament. Despite General Eisenhower's hopeful assurances last February to the Congress, Denmark, Belgium, Italy and even Norway have been openly chided for being unwilling to give up a fair share of their hard-won precious butter for guns.

We cannot expect anything else. Today both England and France are in serious financial difficulties. England's Daltons, for example, her bond issue that is hardly two years old, is selling today for less than two-thirds of its issue price. It is as if U. S. Government bonds today had closed at 65. France's factories only yesterday would have been out of coal had we not given her an emergency grant of $600,000,000 to finance the purchase of coal from this country. European political federation and even European economic federation is seen daily becoming less realizable. Mr. Eden, speaking for Britain, will have no part of either.

Growing Anti-Americanism

Perhaps worse than all these, is the fact upon which all observers agree, the growing anti-Americanism of Western Europe. It manifests itself now openly at the highest levels of political expression. The sharp inflationary trend and the consequent distress is laid at our door. Man after man in the factories and in the fields charges us not only with his misfortune but with a design of pushing Europe into a war not of her own making. It is no answer today that the Communists as such in Europe have not been increasing, for these anti-American forces are an equal menace to the success of our policy as the Communists themselves.

The picture is a tragic one—so tragic that it behooves us to ask why. Many observers ascribe these sad results to ineptitude in administration. But no degree of ineptitude in administration, even of this Administration, could produce such a tremendous variation between target and reality. But given an impossible target, no proficiency of administration can realize it, and the attempt to do so recoils and makes for harm and not good.

Basic Difficulty Is Policy

The basic difficulty is not merely administration. It is policy—a policy that purports to reach for security by reliance on the United Nations, and on alliances with nations from Norway to Australia. It is a policy that builds on the theory that our dollars can buy things that are not purchasable—the will to resist, the will to rearm, the will to fight in another man's cause. From a one-time conception of generous economic aid, our policy is made to appear as an attempt to make Europe a breeding ground of Hessian troops.

This central reliance of ours on the United Nations has a basic weakness. The United Nations has a purpose as a forum for the discussion of varying points of view. But as an instrument for determining policy, it is valueless. It can neither decide, or, if by an accident such as happened with regard to Korea, it does decide, it cannot enforce what it has decided. It has demonstrated that it cannot make war or conclude a peace. Korea, for example, has always been our war. The aid of the United Nations to our forces is negligible. In money expended, in men in action, in casualties, that aid represents less than 10% of our own effort. While the aid that is being furnished our enemies, through Hong Kong, over the Indian border or across the Iron Curtain perhaps indirectly cancels that less than 10% of direct aid. Exports from Hong Kong to Red China have doubled and tripled since the beginning of hostilities, and oil from Indonesia moves and will continue to move, according to the Indonesians, to China for Chinese use. This is double-talk, but double-talk for which we pay in lives.

The Ineffective UN

Where the United Nations has been particularly ineffective is in the field of policy. The existence of the veto makes impossible definitive conclusions on policy matters, and if by some means the impact of the veto is circumvented, such policy as eventuates is flabby and meaningless. With the artificial system of voting that is employed, that puts Guatemala on a parity with India, it is true that by counting votes we can win victory after victory. But the victories are hollow and purely nominal for, despite the votes, half the world may be arrayed against us. The United Nations are truly a divided nations, incapable of settling anything that matters, of making war or of assuring peace.

Realizing the ineffectiveness of the United Nations as an agency to perserve the peace, we have reached out under the guise of collective security to build smaller and more malleable aggregates of nations. In the Atlantic, we have formed the North Atlantic Treaty Organization. In the Pacific, we have guaranteed the integrity of Australia and New Zealand. In the Middle East, we have proposed the imposition of a Middle East Command on the nations of that explosive area. Perhaps, our next effort will be to ally to ourselves the Eskimos of the North Pole and the Penguins of the Antarctic.

Such alliances have a meaning if they are the source of strength; otherwise, they provide nothing but weakness. Today aggression anywhere within this huge perimeter is potentially an act of war against the United States. Its occurrence automatically authorizes the President, without reference to the Congress of the United States, to use all the armed forces at his disposal, even the atomic bomb, in repelling that far-off aggression. Just as England in 1939, by its guaranty of Polish territorial integrity, made its power to declare war hinge on events over which it had no control, by our guaranty to maintain peace in an area that stretches now from the Dardanelles to the North Cape, we have delegated to others the power to determine our own fate. We were once strong enough to be able to neglect, so far as conscription and mobilization were concerned, wars between the British and the Boers or the Russians and the Japanese. Today, a student riot in Cairo, a pistol shot in Athens, and, as in the case of Korea, we can be committed before there has been time to seek the sober judgment of the Congress of the United States.

Regional Alliances and Collective Security

This forming of regional alliances purports to pursue the policy of collective security. In theory, through grants to other nations, we seek to achieve parity with the Communist world at points and on borders far removed from our shores. Some $30 billion have already been spent or allocated for that purpose in Europe alone. Positive results, as I have said, are lacking. There is no will to fight, nor is there much reason to hope that there will be. Americans, for example, may be critical of Mr. Churchill's recent stand; but were I an Englishman, I might well be behind him in his refusal to stake the survival of England and her Empire on a European Army. Indeed, as an American, I could well take Mr. Churchill's lead and refuse to stake our survival on the integration of our economic stability and our still latent military power with that of Europe. And that is what we may well be asked to do when next January Mr. Churchill again visits is. He may want to marry the pound to our dollar, even the British sea and air forces to our fleets, but for a dowry that will call upon us to support bride and bridegroom alike.

The chances of realizing this policy of parity on European soil seem small, but let us assume we do succeed. Suppose that the billions of dollars necessary for such an achievement would have been forthcoming in some ratio from us and our allies. What happens next? This is a question to which the men who have proposed this policy msut address themselves—given parity with Russia, given the achievement of their goals, what next?

I see only three choices—war, disarmament, or the continuation of parity. The first is horrible to contemplate. It may be that given parity, the chances of war are lessened, but neither you nor I can cite history to prove that. The second choice of disarmament, as recent events indicate, will be unacceptable, particularly since Soviet Russia knows that if she rejects or delays such a choice, she can force us to the third choice—that of the maintenance of parity. Since armaments quickly become obsolescent and need replacement, this will mean the continuation of vast expenditures for the North Atlantic world. It will mean continuing a huge wastage of manpower. Already the demands of conscription are beginning to dry up the sources of our own technical strength. Fewer engineers, fewer chemists, fewer professional men of every category are being trained this year than last, and many fewer will be trained next year and the years that stretch out after that. Taxes will remain extravagently high and life regimented to the austere needs of a war economy. It is not too difficult to predict that our democratic institutions cannot long survive such a strain. The very economics of such a situation spells disaster and in that disaster Communism or some form of totalitarianism will arise. Russia, on the other hand, can easily continue on her present course. She need do nothing more. Once more, she will have won a stupendous victory without losing a single soldier or firing a single shot.

If this is to be the outcome of our present policy, assuming the successful realization of its goal of parity, it is obviously self-defeating. It will destroy exactly what it hopes to achieve. No wonder Europe reacts toward us with a dull fatalism that sees defeat wherever she turns and sees hope only in the revival of a belief in asserting herself for herself rather than for us. She is tired of our present method, so aptly described as "an approach by reproach." Neither our dollars nor our persistent reprovals to European statesmen for failing to accept our patterns will move them, for they begin to see more clearly, I believe, than we do, the end-result of our actions. Such diverse statesmen as Churchill, Bevan, De Gaulle, Schumacher, all agree on this.

In Asia and in the Middle East, the defection from this American leadership is even more evident. Whether it be Arab or Indian, no patriot of that area wants to become the pawn in a battle between East and West. Anti-Communist as the government of India is, her Prime Minister, watching the Communist states bordering India on the north, hesitates in the light of India's great internal weaknesses to follow us in a policy that inevitably makes tenser situations already tense enough. Were I of his race, I could easily join in his hesitation. In the Middle East, the defection is even worse, for there, anti-Westernism is turning more and more to Russia and her promises. The seriousness of this defection in the Middle East cannot be over-estimated, for it must be remembered that the Moslem World, whose loyalties run to that area, stretches westward to Morocco and eastward to the Philippines.

Obviously, there must be some answer other than that which has been fashioned for us over these last years. For the billions of dollars we have spent, we deserve more fruits than the loss of friendships, ever-increasing hazards, economic insecurity, and a war that we were told once is no war, and about which, as it has been so neatly put, even now we cannot seem to make up our minds whether to win it or lose it or just to let it sit there.

The answer, of course, does not lie in the severance of our relationships abroad. Sinews of our strength and nerve tissues of our culture reach out to many lands and many peoples. Certainly we have neither the desire nor the intention to turn our backs on the rest of the world with whose welfare and whose security we have an intimate concern.

But our policy, for the past four years, has achieved for the rest of the world neither its welfare nor its security. Instead, it has endangered both. Nor has it furthered our defense. The threat of Russia lies not in the expanse of her territory but in her military might. We have expanded our territory at the expense of our military might.

Four Suggestions

I come, therefore, to suggestions that I believe would make our foreign policy meaningful and make for our security as well as for the peace and security of the world. There are at least four of them.

First: We must make certain of the economic, political and military strength of this country. For, if America collapses, the democratic world collapses. No one will create a Marshall Plan for us. Youth must be certain that life offers repayment for ambition and hard work and not see itself destined either for bureaucratic mediocrity or to having its earnings siphoned away by a crushing burden of taxation. Similarly, the savings of our great middle class must be kept intact and not be destroyed by depreciating their value in terms of goods. Both of these are already in danger by spending that has been unproductive and wasteful. This does not mean that we cannot afford or should not spend adequately and even lavishly in our own defense. We can afford that, but we cannot rearm all the rest of the democratic world and expect also to arm ourselves. That burden would weigh so heavily upon us as to destroy the sense of individual incentive that is central to our democratic institutions and to American life. If we lose ideals because of making it impossible to realize them, we lose the very things we had hoped to save.

Second: We must develop the resources of this hemisphere. We have put billions, by way of lend-lease and Marshall Plan aid, into the development of the resources of other nations in West Africa, in Iran, in Burma, in Malaya. They can too easily be imperiled. Some, like Iranian oil, have already been lost. Others, like Burmese tin and Malayan rubber, are even now in danger. As against these billions, we have put only thousands into the defensible and accessible resources of our neighbors to the South. The oil of Venezuela and the tin of Bolivia lie closer to us than the oil of the Persian Gulf and the tin of Sumatra. It is just plain horse-sense to shorten as much as possible the perimeter of self-sufficiency, rather than to expand it to embrace the world.

Third: We should make a realistic reappraisal of the needs of Europe or the Middle East or any other region for that matter, and see what we can or should do about them. What we have done has produced neither political nor economic stability in Europe—matters essential to the creation of any defensive force in that area. There is much our European allies can do for themselves which they should do for themselves. If they are unwilling to do what it is within their power to do to restore their productivity, they will be useless allies in a fight. Take the situation in coal, for example. There is coal in Britain and in France for the mining, but there are no men to mine the coal. Across the line in Italy, there are men ready and willing to mine coal, but England and France do not choose to use them. England and France choose instead to employ Marshall Plan funds to purchase coal from us. On the docks of Sweden, on the farms of France, in the textile mills of England and Belgium, there are similar shortages, while in Italy and Germany there are men ready and willing to work. But men are not moved to jobs, for dollars come too easy and so permit nations to avoid knotty problems that they should solve for themselves.

Europe's Indispensable Friendship

Certainly all of us wish and desire the friendship of Western Europe, for without that friendship, Europe's industrial productivity means nothing to us. The curious fact is that today, despite our admitted generosity, we have failed to gain that friendship, and we should find out why this is so, before we continue down the same road that we have been traveling. Normally, any man in a fight welcomes assistance. Is it that Europe does not conceive of herself as being in a fight and thus fears the very proffer of our help because it forces her to take sides on an issue of our making rather than hers? If so, there is nothing basic upon which we can build. Or is it that the manner or the nature of the help that we are ready to offer is somehow contrary to her own traditions and aims? If so, we must find a different and more effective means of approach. Or is it that she wants us to shoulder substantially the whole burden of her defense effort? If so, in our interest, we must respectfully decline.

These are questions that must be answered before we can shape for the years to come any realistic and productive program of European aid. We must find an approach that does not seek to superimpose upon Europe patterns of our thinking that may well be contrary to age-old traditions and aims, or patterns that encourage nations not to tackle on their own responsibility problems within their own capabilities to solve. Western Europe's strength has been sapped greatly by war and the loss of portions of her colonial empires. We cannot pretend that this is not so and in an ostrich-like fashion seek to bury those facts by a flood of dollars. To do so is suicidal for Europe; it is equally suicidal for us.

Fourth: We must seek to disentangle ourselves from the far-flung commitments that we have recently made. Today, a border incident in Norway is an act of aggression against the United States. I do not say that such an act should not be a cause of war, but I do say that whether such an act should be treated as a cause for war should be a matter for our determination and not that of some foreign power. And by our determination, I mean the determination of the Congress and not that of the President. In short, I would restore to Congress its constitutional power to make war.

Disentanglement of our commitments requires a similar reversal of our attitude toward the United Nations. We can look to it for a forum to exchange ideas, but not for governance. It cannot govern; it cannot reconcile, as diplomacy has reconciled, conflicting claims. To base, as our present spokesmen say they do, the core of their policy on the United Nations is simply to spread abroad as our policy the vacillation, the indetermination of that organization. America had a clearer voice when she spoke directly to the world rather than through the throat of that assembly.

Peace, I said, is the objective of our foreign policy. But today there is no peace. There is the thunder of guns in the hills of Korea, the ever-swelling lists of dead and wounded and missing. Gettysburg, Antietam, the Wilderness, all rolled together do not equal these. There are the clouds of dust cast up by atomic explosions in Nevada and in the wastes of Siberia. There is blood in Suez, in Malaya, in Philippines. There are sirens in New York and in Seattle, and millions of men and women devoted not to productive enterprise but to the building of guns and tanks and guided missiles.

It was remarked about a month ago that foreign policy should not be an issue of our coming political campaigns. But if there ever was a need to discuss it, to explore it, and to assay it, that need is now. We must somehow find stars to steer our course by, somehow avoid the thunderheads of war and the equally treacherous fog of an embattled peace. To do so will require the best that is in us. But with the help of God, we may again be able, as young men and old, to live not for today but for a morrow of dreams and freedom and an ever-abounding life.

Federated Department Stores Stock Offered

Offering of 250,000 shares of common stock of Federated Department Stores, Inc. was made yesterday by a nation-wide group of 80 underwriters, headed by Lehman Brothers and A. G. Becker & Co., Inc., at an initial price of \$40.12½ per share.

Federated operates nine major department and specialty stores together with 17 branch stores, each of its major stores being a leading institution of its kind in its community. These comprise Abraham & Straus in Brooklyn, Bloomingdale's in New York; The Boston Store in Milwaukee; Filene's in Boston; Sanger's in Dallas; Foley's in Houston; Halliburton's in Oklahoma City, Lazarus in Columbus and Shillito's in Cincinnati. The 17 branch stores are operated by the first five main stores mentioned above.

The net proceeds of the issue are to be added to the general funds of the company but the company states that it contemplates that substantial portions "may be applied to the expansion and improvement of its properties, as well as to other purposes, and to expand operation, with particular reference to the opening of new stores by the company's new Fedway Division." This program, announced on Oct. 31, 1951, provides for the building and operation of new department stores in the downtown shopping districts of medium-sized to smaller cities regarded as possessing outstanding growth records and important industrial and defense activities. The new stores will be operated as an autonomous division of Federated. Work on the construction of the first store has already begun in Wichita Falls, Texas, and real estate acquisition has been completed or is nearing completion in Corpus Christi, Amarillo, Midland, and Longview, all in Texas.

In the annual period ended Feb. 3, 1951, the company reported net retail sales of \$389,065,559 as compared with \$358,551,020 in the previous fiscal year. Net income applicable to the common stock was \$17,585,872, in the annual period to Feb. 3, 1951 and \$14,922,087 in the prior period. These were equivalent to \$5.34 and \$4.64, respectively.

The company reported net retail sales of \$243,766,014 for the 35-week period ended Oct. 6, 1951 with net income applicable to the common stock of \$4,365,026, as compared with the similar period ended Sept. 30, 1950, which showed \$227,234,965 of sales and \$7,750,404 net for the common.

In addition to 3,640,372 shares of common stock to be outstanding, the company had on Oct. 6, 1951 111,886 shares of 4¼% preferred stock (\$100 par) and long-term debt aggregating \$50,427,513.

With Standard Inv. Co.

(Special to The Financial Chronicle)

PASADENA, Calif.—Elmer D. Langworthy has become associated with Standard Investment Co. of California, 87 South Lake Avenue.

With First Central Corp.

(Special to The Financial Chronicle)

RICHMOND, Calif.—Horace C. Lansing has joined the staff of First Central Corporation of California. He was formerly with North American Securities Co.

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Status and Progress Of Television Industry

distribution of stations throughout the country.

It is anticipated that between 2,000 and 2,500 stations can be provided for with that number of channels, because every 180 miles, you can put another station on the same channel.

These ultra high frequencies that are being proposed have certain drawbacks as compared with the present frequencies. The present frequencies are about 50 and 86 megacycles, between those two figures. Then there is another band in the VHF from 180 to 260 megacycles. The UHF will be between 470 and 900 megacycles; in other words, much higher frequencies. These frequencies act quite similarly to light; in other words, the coverage from the ultra high frequency station should be fairly good, if we have level terrain. For instance, Atlantic City would be a spot where the ultra high frequency station would probably give you comparative coverage to what you would get with the present VHF channels. But if you get into a city like Pittsburgh, with many hills, the people in the valleys and on the other side of the hills will not receive very good reception. The same might apply to New York. We have the Palisades, the hills in Jersey and Connecticut, and whatnot, that would cut down materially the coverage from an ultra high frequency station.

Anyway, the allocation scheme is being worked on, and we should have something by February or March.

The FCC issued some time ago a tentative allocation scheme as far as both the UHF and VHF are concerned. We weren't particularly satisfied with the scheme that the Commission came up with. I think they probably didn't spend enough time in going over it, and we had the result that in the major markets, they did not provide enough channels so that four networks could compete. Many of the larger cities were quite shy of channels, and our engineering and research department spent a considerable period of time in going over and trying to find the maximum utilization of these channels.

Just to give you an idea of the difference between the scheme that we have proposed and the FCC scheme, they provide four or more VHF channels in 21 cities, with a population of 47 million, and that is approximately 32% of the population. We provide four or more VHF channels in 52 cities with a population of 73 million, a percentage of about 49% of total population. In other words, the scheme that we are proposing will allow 26 million people to have a wider choice of programs than that provided by the Federal Communications Commission. It is pretty obvious that there is a definite advantage in doing that, and I think that when the scheme eventually materializes that they will utilize much of the information that we have supplied to them.

Color Television

As far as the question of color television is concerned, it has been a long story, and so far it hasn't been completely solved. To go back, very briefly, right after the freeze was put on, and before they had a chance to act on it, this question of color was thrown into the hopper, and Senator Johnson, who is Chairman of the Senate Interstate Commerce Commitee, came out with a blast at the manufacturers and stated that the manufacturers had color television all developed, but they were holding it until such time as they had sold everybody a black and white receiver, and at that time, why, they would release color to the public.

Obviously, there was no basis in fact for that, but Mr. Johnson, being the Chairman of that Committee, has to do with the appointment of the Commissioners, and he has to do with their budget, so they were really not in too good a position to utilize their own judgment on the question of color. He put a lot of pressure on them to decide on a system, whether it was good, bad, or indifferent.

At the time the hearings were held, and the demonstrations given, there is no question that the mechanical system as proposed by the Columbia Broadcasting System gave the best picture. The electronic system that RCA and others have been working on was not developed at that time, and there is no question that the picture didn't show up as well. But the industry unanimously, with the exception of Columbia, pointed out to the Commission that taking a long-term view of it, the electronic system was the only system that had a chance of giving a satisfactory service to the public. I think what has happened in the meantime has substantiated that belief.

The Commission decided to go ahead and standardize on the Columbia system, and Columbia promised to go ahead with a start of 20 hours a week of programs. Well, they got going on it and got up to 10 or 12 hours a week, and got the receivers out in the field. They made somewhere around 300 receivers and attempted to sell them. As far as we have been able to find out, they just didn't sell. They sold some 100 receivers, and then finally decided it would be a good thing to drop it for the time being.

As you probably remember, Mr. Wilson came out with a statement that he didn't want any color receivers manufactured during this period, in order to conserve material. Well, of course, that just was a dodge, I believe. I don't think there is any question that Columbia was responsible for it. In other words, they hadn't used any material, and certainly by what had happened, there was very little chance that they would need any appreciable amount of material.

But anyway, we now have an order that we cannot make any—nobody can make any color television receivers while we have this defense program going on, so there are no commercial color programs being transmitted at the persent time.

The Electronic System

The electronic system that RCA worked on, and others in the industry, is coming along reasonably good. The tests that are being made at the present time are being done by a committee known as the NTSC, namely, the National Television Systems Committee, and various manufacturers have suggested improvements in the original electronic system as proposed by RCA, and this is a composite standard which the industry believes has the best chance of being worked out commercially.

The color question is not an easy one to solve. The approach to try and do it mechanically that Columbia tried had many drawbacks. Number one, the definition

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Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Last week's market wasn't much different from the previous week. After the Dow Industrials gained some 11 points from their extreme lows of November, they fell back again. The rails acted about the same way as the industrials, though the points gained and retraced were smaller. The relative movement, however, was about the same.

* * *

There isn't much to be gleaned from such stock market action. From the looks of things there won't be much more gained from the action of the coming week. Taxes and year-end clearing up of accounts to establish tax losses will shortly make their appearance. What their effect will be is something I can only guess at.

* * *

About mid-November, when the averages were scraping what is now in retrospect, the lows of the present movement, I suggested re-entry on the long side with stress laid on the lower priced shares of air transports, amusements, coppers, building equipments and supplies, etc. Since that time these groups have moved up and in some cases have established themselves at much better prices.

* * *

It's true that the leaders, the so-called blue chips, have also advanced. This combination resulted in creating more optimists, which is all for the good.

* * *

However, optimism on a unanimous scale doesn't work well for the market. There's a sound psychological basis for this that I can't go into here. Nevertheless when everybody sees only one thing in the market the first danger signal is raised.

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From what direction this danger sign will be substantiated is a moot point. How severe it can be is another debatable subject. Both are in the realm of foresight that can't be proven until it becomes hindsight, and by that time it's too late to do anything.

* * *

At this writing the familiar averages are about 265. From a technical viewpoint support should start appearing around 262. Should this support not be present, it is quite possible that a new decline that will carry them to 256-258 will follow almost immediately. I don't think there will be a new low (old low was 255.95) in the immediate future.

* * *

From a trading viewpoint, and assuming that taxes are not considered, such a potential market would be sufficient to call for lightening of long positions. But new trading technique which must allow for the sharply increased taxes, makes such action unrealistic. Therefore, the position to take is to stay long but refrain from new buying until the market establishes a new low base or penetrates old highs.

[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.]

Blumenthal & Alperin Open

BOSTON, Mass.—J. Blumenthal and M. Alperin have formed Blumenthal & Alperin with offices at 24 Federal Street, to engage in the securities business.

With King Merritt

(Special to THE FINANCIAL CHRONICLE)

BENICIA, Calif.—Kenneth R. Smith has joined the staff of King Merritt & Co., Inc.

J. H. Marcus Admits

J. H. Marcus & Co., 15 Broad Street, New York City, members of the New York Stock Exchange, will admit Myra Ronson to limited partnership on Jan. 1.

With Gibbs & Coe

(Special to THE FINANCIAL CHRONICLE)

WORCESTER, Mass.—Herman Rousseau has become affiliated with Gibbs & Coe, 407 Main St.

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of the color picture was only one-third of that of our present black and white picture; two, only 24 pictures a second were transmitted as against 30 with the present system, so that when you got a really bright picture, you had considerable flicker in the picture; three, the system was such that as you went to a larger picture, it was almost impossible to obtain it, practically; in other words, you had to have a disc in front of the cathode ray tube at the receiver, and the disc had to be about two and one-half times the diameter of the cathode ray tube, so that if you wanted to take a 19-inch set and put a disc in front of it, you needed about a 5½ foot wheel with a five horsepower motor on it, and it is pretty obvious that it is hard to get that thing in the living room.

If you go to a 30-inch set, as we are making, you need a 9-foot disc and a 15 horsepower motor. So the system was such that as you tried to get a large picture with it, it became very, very difficult.

The particular receiver that was placed on the market by Columbia gave a 10-inch picture. It cost about $600, and they did use a magnifying glass in front of it to bring the picture up to approximately 12 inches. But it just didn't work out practically, and the public wouldn't go for a thing like that.

20-Inch Sets Most Popular

You might be interested to know that today about three-fourths of the receivers being made are 20-inch sets. The 17-inch set is about 25%, and the 20-inch set about 75% of our present production. So that to go back to a 10-inch tube is something the public passed up three or four years ago.

Of course, the most important feature of the mechanical or Columbia system was the fact that it was incompatible. By that is meant that when you transmitted a signal on that system over a normal transmitter, it could not be received by any of the receivers in the field. And as we have about 14½ million receivers in homes today, making those sets obsolete is a pretty important thing. But in order to change those sets so that they could receive the pictures in black and white or color is quite complicated and not at all satisfactory.

The electronic system is a compatible system, and when the picture is transmitted in color, it can be received in black and white on any present receivers. You can see the importance of having a system of this sort, because a broadcaster starting off with the Columbia incompatible system would have no listening audience whatsoever, and assuming he could sell color sets as fast as the black and white sets were sold (which I don't believe possibly could be true) it would take him five years in order to compete with our present black and white transmitters; whereas with the compatible system, the minute they start transmitting in color, they have the same audience that they have today. People that can afford a color receiver can buy one and receive the pictures in color, and anybody that has a black and white receiver can receive the pictures in black and white.

Cost of Color Receivers

We think it is very important to have that type of system, because from the figures that have been arrived at, it looks like a color receiver, electronic type, is going to cost twice as much as a black and white receiver. With the mechanical type, Columbia type, the cost is three times as much as a black and white receiver. We don't see right at the moment how you are going to reduce that figure very much. In other words, the color receiver probably will always be considerably more expensive than the black and white, and hence you are going to have a more limited market with the color receiver than you have at present with the black and white; so it is very important to have a system to allow people to make a choice.

One thing that has not been worked out as yet in the color system, and it is a stumbling block too, I would say in commercial color, is the development of the color cathode ray tube. The tubes that have been demonstrated, and whatnot, give a reasonably good picture, but they are very expensive to produce, and even in quantity it looks like the tube might cost $175 or $200. Somebody has to come up with a solution to that problem, and I haven't seen any solution yet. Undoubtedly, it will happen just as it happened in the early days of black and white television, but that is the one big thing that we need in order to have a practical color television system.

Increase in Transmitting Powers

There are a number of things going on in the industry that might be of interest. Within the last three or four months, the Commission finally decided to allow the transmitting stations to increase their power. They haven't allowed them to go up very high in power, but at least it is a considerable improvement. For instance, previously the amount of power you could use depended upon the height of your transmitter. If you had a transmitting antennae at 500 feet, you were allowed 50 kilowatts of power, and as you went up, you could use less and less; so that when you got up on the Empire State Building, you were only allowed 2½ kilowatts. It simply meant that the stations would not get out as far and cover as many people.

They have changed that regulation now so that you can use up to the 50 kilowatts, even if you go up on the Empire State Building. I think you probably notice that there has been an improvement in most of the stations since going up to the Empire State, and since they increased the power.

Now none of the stations, at the present time, are using 50 kilowatts on the Empire State, but they are using, most of them, between 20 and 25, but that is simply because transmitters were not immediately available to go up to the higher power, and they simply took the transmitter they had and utilized the full capabilities of the transmitter.

The Allocation Scheme

In connection with the allocation scheme, it is proposed to allow the transmitters to go up to 100 or 200 kilowatts. It hasn't been decided yet. So that we can anticipate still greater coverage from the present stations and the new stations which will be put up.

As far as the receivers are concerned, as I mentioned before, the trend is to larger and larger tubes, and we progressed since 1946 from a 10-inch tube up to a standard 20-inch tube. That is the most popular tube. I don't think it has stopped. I think that it will still go somewhat higher.

Another thing that you will see in the new receivers next year is a so-called cylindrical face on the cathode ray tube. It improves the picture considerably, and it eliminates any reflections. In other words, with this slightly cylindrical face on the cathode ray tube, the reflections do not come back to you, so that annoying reflections from windows and lamps, and so forth, do not bother the picture.

Another thing that I think you will see in most of the receivers next year is that they will have provisions for receiving the ultra high frequency channels as well as the very high frequency channels, so that when the new stations come on, the receivers will be able to take care of them.

Increased Sensitivity in Receivers

Another thing that has been gradually going on in the industry is the increase in the sensitivity of the receivers. When they were first put out in 1946, it took a signal of 250 microvolts in order to get a satisfactory picture. The new receivers coming out will get quite a satisfactory picture with between 5 and 10 microvolts. So that you can see that the sensitivity of the receivers has been increased about 25 times. That, together with the increase in power of the transmitter, simply means that you extend the range of the transmitting stations. In many cases, satisfactory results are now being obtained out pretty near 100 miles.

Possibility of Paid Television

There are other things that the industry is looking forward to, and one is a possibility that some form of paid television may come in. In other words, the system scrambles the signals from the transmitter so that they cannot be received on a standard receiver, and by either utilizing the telephone lines or special equipment at the receiver, they can be unscrambled, if you drop a quarter in the box. How that is going to work out, I don't think anybody knows, but the industry is not particularly pushing it. If it should come in, it would not affect, as we see it, the sale of receivers particularly, or it would not affect the income from the broadcasters.

Whoever was putting on the show, whether it be a sports show or a movie, or whatnot, would more or less pay the station its normal air time, and they would make out just as well as they do at the present time.

Now, as far as our company is concerned, we started the manufacture of television receivers initially in 1938. We were the first manufacturers of television receivers. But there were only a small number made between 1938 and the war, and we really didn't start up until 1946 in any kind of volume. For those of you people who are not familiar with the history, our total business in 1946 was $2,200,000, and we lost a million and a half dollars that year. The next year, 1947, we had sales of $11 million; we made about $600,000. The next year, 1948, we had sales of $26 million, and a profit of $2,700,000; the next year, 1949, we had sales of $45 million with profits of $3,200,000. These are just round figures. And the next year, or 1950, we had sales of $76 million, and a profit of $6,-900,000. Those profit figures are, of course, after taxes.

Now, in 1951, we anticipate that our sales will be down to somewhere between $50 and $55 million, which more or less goes somewhat similar to the dropoff in the industry. In other words, the industry in number of sets produced dropped from 7½ million to 5 million, and we are dropping from $76 million to maybe $52 or $53 million. So we have been hit by the same thing as the industry.

Situation of Receiver Business

Now, the situation that we have had this year—the receiver business, which, in the past, has been very profitable, has not been profitable this year. We, with many other manufacturers, have had to reduce the prices to a point where there is no profit in selling the receivers, and we have had to do that, of course, to clear out our inventory, and to keep production moving. The situation in that regard is gradually getting better. In other words, there is a firming of prices, and whereas we had very large losses in the receiver division for a number of months in the summertime, the receiver division is now getting to a point where it is somewhere near the breakeven point.

What we did this year, in order to try to take care of the situation as we saw it in 1952, or next year, is that we went out and put a real effort into getting government business into the house. We are very uncertain as to how much material they are going to let us have for commercial television production, and we figured that it was a good insurance policy if we went out and got a fair amount of government business.

We have been quite successful in getting orders into the house, I think principally because of the fact that we have, percentagewise, probably the largest engineering staff of any company in the business. We have, at the present time, about $68 million of defense orders on the books to be manufactured from now until the end of '52, and we estimate that our commercial business will drop to maybe $47 or $48 million next year. Thus with our commercial business, along with government work, we expect sales in 1952 will be considerably above our sales in 1950.

We have budgeted the production for next year, and we anticipate quite a decent profit on that. Now, we know that is subject to renegotiation, and they may knock our government business now, cut the percentage of profit of it, but we still should have a reasonably good showing, as far as profit is concerned, in '52, and with the sales considerably above what we have had in any other year.

The Du Mont Laboratories

The Du Mont Laboratories has five divisions; a receiver division, a tube division, a transmitter division, an instrument division, and then a network. The network division also owns and operates three television stations. In the past—when I say the past, I mean from 1946 to 1950— three of our divisions normally were in a profitable position; that is, the receiver division, the cathode ray tube division, and the instrument division. Our profits came from those three divisions. The transmitter division never operated in the black. The network never operated in the black. As a matter of fact, the losses in the network were very, very substantial. The losses in the transmitter division were rather nominal. The reason that division didn't operate in the black is principally because of this freeze; in other words, you just didn't have the market for the transmitters.

The situation today is a little different than that. In the last two months, since we have gotten out of the slump we had in the summertime, we have four divisions operating in the black now. The only division that is not operating in the black is the receiver division, and I am certain by the end of the year that division will be in the black. So for the first time we will have five divisions operating in the black, whereas from 1950 back, we only had three.

The Network Division Now Profitable

Now, the network had a profitable operation two months ago, and that month is the first time we turned the corner there. We anticipate a reasonable profit, probably a half million or three-quarters of a million dollars, from the network division next year, whereas previously we have really had substantial losses in that division.

I think you have probably seen the figures, but the revenue from the present 108 television stations is as great as the revenue from about 2,500 broadcasting stations. For the first time, in October, the revenue of the television stations came up to about the same revenue that the AM stations had been receiving.

As far as this year is concerned, our profits should be rather small. I don't anticipate that they will be over a half million dollars for this year. There is one thing that I would just like to say about the policy of going so heavily into government work. Maybe we have made a mistake; I don't know. But we took our licking this year. We have spent large sums of money for new equipment necessary for the government jobs. We spent very large sums of money on engineering in order to engineer the jobs, so that we could get into production on them. That's pretty well behind us. We are starting production on most of these contracts now, and by February or March of next year, we should be somewhere hitting the peak.

Many other companies in the business, I think, have been too optimistic that they are going to get the material that they would like to have next year, and I think if you take many of the companies in the business, they only have about 10% or 15% government busines, whereas we are well over 50% in government business.

Whether we have made a good gamble or not we will know next year, but at least we feel that it is insurance to the company to have that as a backstop in case they really cut down on materials, which they are threatening to do, but you never can trust them.

Continued from page 5

The State of Trade and Industry

conditions before mid-1952 at earliest, with easing then depending upon maintenance of steel production at top speed through the winter months. This means output curtailments due to labor trouble and scrap shortage, which now threaten, must be averted, this magazine points out.

There will be substantial tonnage carryover in most products into first quarter of next year. To what extent these will necessitate changes in schedules is uncertain. Currently, producers are heavily booked for the first quarter and are beginning to open their books for second-quarter tonnage. Overall pressure for sheets is easier with scattered cancellations of orders reflecting cutbacks in civilian goods. Some of the slack in sheets will be taken up by diversion of additional rolling time on continuous mills to production of light plate. There is no indication the supply of bars will match demand any time soon. Currently, there is not enough hot-topped steel to go around and demand is increasing, this trade paper discloses.

Output of steel ingots passed the 100,000,000-ton mark last week, the first time in history such tonnage has been produced in any one year. With more than two weeks yet to go indications are that total steel output for the year will come out around 105,145,000 net tons. The previous all-time high record was set in 1950 when 96,836,075 tons were produced.

Despite the government drive, winter shortage of scrap still threatens. Favorable weather over the past several weeks stimulated the flow of material, but the mills are doing little more than holding their own with respect to inventories, "Steel" concludes.

The American Iron and Steel Institute announced this week that the operating rate of steel companies having 93% of the steel-making capacity for the entire industry will be 104.9% of capacity for the week beginning Dec. 17, 1951, equivalent to 2,097,000 tons of ingots and steel for castings, a rise of 8/10ths of a point over last week.

The largest amount of steel ever made in a week in the United States is scheduled to be produced this week.

Last week's operating rate was equivalent to 104.1%, or 2,081,000 tons of steel ingots and castings for the entire industry, compared to 103.7%, or 2,073,000 tons a month ago. A year ago production stood at 100.8%, or 1,944,000 tons.

Electric Output Sets New Historical High Level in Week Ended Dec. 15

The amount of electric energy distributed by the electric light and power industry for the week ended Dec. 15, 1951, was estimated at 7,666,864,000 kwh., according to the Edison Electric Institute.

The current total was 222,900,000 kwh. more than that of the preceding week; 681,443,000 kwh., or 9.8% above the total output for the week ended Dec. 16, 1950, and 1,670,258,000 kwh. in excess of the output reported for the corresponding period two years ago.

Carloadings Dip 5.9% Below Preceding Week

Loadings of revenue freight for the week ended Dec. 8, 1951, totaled 773,520 cars, according to the Association of American Railroads, representing a decrease of 48,256 cars, or 5.9% below the preceding week.

The week's total represented an increase of 6,625 cars, or 0.9% above the corresponding week of 1950, and a rise of 104,695 cars, or 15.7% above the comparable period of 1949, when loadings were reduced by a three-day working week in the coal mining industry.

Combined Auto Output Rises Slightly in Latest Week

Motor vehicle production in the United States the past week, according to "Ward's Automotive Reports," advanced to 113,289 units, compared with the previous week's total of 112,465 (revised) units, and 164,318 units in the like week of 1950.

Passenger car production in the United States last week was about 2% lower than the previous week, and about 33% under the like week of last year.

Total output for the current week was made up of 87,750 cars and 25,539 trucks built in the United States, against 90,306 cars and 22,159 trucks last week and 131,875 cars and 32,443 trucks in the comparable 1950 week.

Business Failures Move Slightly Upward

Commercial and industrial failures rose a little in the week ended Dec. 13 to 143 from 136 in the preceding week. Despite this increase, casualties were less numerous than the 150 and 161 which occurred in the comparable weeks of 1950 and 1949. Continuing far below the prewar level, failures were down 47% from the 1939 total of 270.

All of the week's increase occurred among small failures, those having liabilities under $5,000; they rose to 30 from 23 and were only one short of their 1950 level.

Wholesale Food Price Index Holds Under 1950 Level

The wholesale food price index, compiled by Dun & Bradstreet, Inc., moved slightly upward to stand at $6.69 on Dec. 11, from $6.68 the week before. It was, however, below the year-ago level of $6.77 for the second straight week, the decline being 1.2%.

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 Index Tops Like Week a Year Ago By 1.1%

The Dun & Bradstreet daily wholesale commodity price index stood at 310.71 on Dec. 11, a slight drop from 311.23 a week ago, but a gain of 1.1% over the 307.19 on the corresponding date last year. The index rose to 313.29 on Dec. 8, marking a peak since late June, largely due to firmer grain prices.

Bullishness characterized leading grain markets the past week as prices continued to rise under aggressive demand.

Sharpest advances occurred in corn, influenced by heavy demand from all sources, including feeders, distributors, processors, and foreign buyers. All corn futures on the Chicago Board of Trade went to new highs for the season, while cash yellow corn sold above $2 for the first time since 1948. Market receipts of corn increased to about 10,000,000 bushels last week but were still below the level of a year ago.

Wheat futures also reached new highs for the season, reflecting substantial sales under the International Wheat Agreement, totalling about 16,000,000 bushels for the week. This brought total sales since July 1 to 174,000,000 bushels, leaving only approximately 81,000,000 bushels to be supplied under the quota. Trading volume in all futures on the Board of Trade last week dropped to a daily average of 40,000,000 bushels, as compared with 50,000,000 the preceding week, and 41,000,000 in the same week last year.

Domestic buying of all types of flour remained very cautious during the week, although a slight pick-up in number of bookings was noted in some sections due to diminishing inventories. There were further sharp advances in cocoa for the week as the result of short covering and trade and commission house buying, prompted by higher asking prices from primary sources. Warehouse stocks of cocoa were reported at 125,190 bags, up 2,748 bags during the week, and comparing with 86,659 bags a year ago.

Domestic cotton prices were irregular and moved in a narrow range last week. There was some liquidation in late dealings with final quotations slightly under a week ago. Trading was quite active and sales in the ten spot markets continued in heavy volume.

In its semi-final estimate of the 1951 cotton crop, the Department of Agriculture placed the probable production at 15,290,000 bales.

This was 481,000 bales less than the estimate of a month ago, and a drop of almost 2,000,000 bales below the initial forecast of 17,266,000 bales in August. A national cotton production goal of 16,000,000 bales for the 1952 crop was announced by the Secretary of Agriculture the past week together with a suggested acreage of 28,000,000 acres.

Trade Volume Lifted Moderately Above Previous Week and Like Period of 1950

Unusually mild weather in many parts of the nation slowed Christmas shopping perceptibly in the period ended on Wednesday of last week. Nevertheless, the total dollar volume of retail trade was modestly higher than either the prior week or the similar week in 1950 when buying was at a record level. Reduced-price promotions were much more common than in recent years, states Dun & Bradstreet, Inc. in its current summary of trade.

The rise in the interest in apparel was much smaller than is usual at this time of the year.

Total retail trade in the period ended on Wednesday of last week was estimated to be from 2 to 6% higher than that of a year ago. Regional estimates varied from the levels of a year earlier by the following percentages:

New England and Southwest +1 to +5; East +3 to +7; Midwest 0 to +4; Northwest and Pacific +2 to +6; and South +4 to +8.

Hurried re-orders of holiday merchandise helped to lift the total dollar volume of wholesale trade in the week and it continued to be moderately higher than that of a year ago. Although buyer attendance at many wholesale markets dipped slightly last week, it continued to be somewhat higher than that of a year earlier. Most buyers continued to be chary of placing long-term orders.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended Dec. 8, 1951, declined 1% from the like period of last year. In the preceding week an increase of 4% (revised) was registered above the like 1950 week and an increase of 3% for the four weeks ended Dec. 8, 1951. For the year to Dec. 8, department store sales registered an advance of 3%.

Retail trade in New York last week continued depressed with total volume estimated at 9% below the level of the like week a year ago.

According to Federal Reserve Board's index, department store sales in New York City for the weekly period ended Dec. 8, 1951, declined 8% below the like period of last year. In the preceding week, a decrease of 3% was recorded from the similar week of 1950, but for the four weeks ended Dec. 8, 1951, a decrease of 2% was registered below the level of a year ago. For the year to date volume advanced 4% above 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. 23	104.9	104.1	103.7	100.8
Equivalent to—					
Steel ingots and castings (net tons)	Dec. 23	2,097,000	2,081,000	2,073,000	1,944,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output — daily average (bbls. of 42 gallons each)	Dec. 8	6,221,350	6,246,350	6,203,550	5,744,870
Crude runs to stills—daily average (bbls.)	Dec. 8	¶6,610,000	6,700,000	6,573,000	5,869,000
Gasoline output (bbls.)	Dec. 8	22,381,000	22,346,000	21,489,000	19,188,000
Kerosene output (bbls.)	Dec. 8	2,705,000	2,627,000	2,873,000	2,171,000
Distillate fuel oil output (bbls.)	Dec. 8	10,113,000	10,271,000	9,380,000	8,297,000
Residual fuel oil output (bbls.)	Dec. 8	8,993,000	9,180,000	9,076,000	8,611,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Dec. 8	113,590,000	112,478,000	109,455,000	109,647,000
Kerosene (bbls.) at	Dec. 8	29,293,000	30,377,000	32,907,000	25,047,000
Distillate fuel oil (bbls.) at	Dec. 8	94,270,000	96,308,000	102,687,000	80,964,000
Residual fuel oil (bbls.) at	Dec. 8	46,218,000	46,791,000	48,100,000	43,307,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Dec. 8	773,520	821,776	791,403	766,895
Revenue freight received from connections (number of cars)	Dec. 8	694,345	646,847	671,443	675,378
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Dec. 13	$192,563,000	$324,110,000	$312,983,000	$136,510,000
Private construction	Dec. 13	87,982,000	240,813,000	202,323,000	77,641,000
Public construction	Dec. 13	104,581,000	83,297,000	110,660,000	58,869,000
State and municipal	Dec. 13	57,382,000	54,044,000	76,765,000	52,587,000
Federal	Dec. 13	47,199,000	29,253,000	33,895,000	6,282,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Dec. 8	11,190,000	*12,145,000	11,440,000	11,576,000
Pennsylvania anthracite (tons)	Dec. 8	927,000	1,047,000	919,000	746,000
Beehive coke (tons)	Dec. 8	163,400	*147,600	143,500	147,200
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE = 100	Dec. 8	550	464	366	554
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Dec. 15	7,666,864	7,443,964	7,333,134	6,985,421
FAILURES (COMMERCIAL AND INDUSTRIAL)—DUN & BRADSTREET, INC.	Dec. 13	143	136	109	150
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Dec. 11	4.131c	4.131c	4.131c	4.131c
Pig iron (per gross ton)	Dec. 11	$52.72	$52.72	$52.72	$52.69
Scrap steel (per gross ton)	Dec. 11	$42.00	$42.00	$42.00	$45.08
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Dec. 12	24.200c	24.200c	24.200c	24.200c
Export refinery at	Dec. 12	27.425c	27.425c	27.425c	24.425c
Straits tin (New York) at	Dec. 12	103.000c	103.000c	103.000c	139.500c
Lead (New York) at	Dec. 12	19.000c	19.000c	19.000c	17.000c
Lead (St. Louis) at	Dec. 12	18.800c	18.800c	18.800c	16.800c
Zinc (East St. Louis) at	Dec. 12	19.500c	19.500c	19.500c	17.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Dec. 18	97.05	97.14	97.18	101.32
Average corporate	Dec. 18	108.52	108.52	109.42	115.43
Aaa	Dec. 18	112.93	113.12	113.89	119.61
Aa	Dec. 18	112.19	111.81	112.75	118.60
A	Dec. 18	107.62	107.44	108.52	114.85
Baa	Dec. 18	102.13	102.30	103.30	109.24
Railroad Group	Dec. 18	103.97	104.14	105.52	111.81
Public Utilities Group	Dec. 18	108.70	108.52	109.42	115.82
Industrials Group	Dec. 18	113.31	113.31	113.70	119.00
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Dec. 18	2.70	2.69	2.69	2.40
Average corporate	Dec. 18	3.25	3.25	3.20	2.88
Aaa	Dec. 18	3.01	3.00	2.96	2.67
Aa	Dec. 18	3.05	3.07	3.02	2.72
A	Dec. 18	3.30	3.31	3.25	2.91
Baa	Dec. 18	3.62	3.61	3.55	3.21
Railroad Group	Dec. 18	3.51	3.50	3.42	3.07
Public Utilities Group	Dec. 18	3.24	3.25	3.20	2.86
Industrials Group	Dec. 18	2.99	2.99	2.97	2.70
MOODY'S COMMODITY INDEX	Dec. 18	457.5	459.7	457.0	503.0
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Dec. 8	265,609	179,689	175,281	243,978
Production (tons)	Dec. 8	201,888	192,085	209,154	243,297
Percentage of activity	Dec. 8	86	80	86	106
Unfilled orders (tons) at end of period	Dec. 8	428,921	365,363	450,811	721,122
OIL, PAINT AND DRUG REPORTER PRICE INDEX — 1926-36 AVERAGE = 100	Dec. 14	147.2	147.2	148.9	145.1
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	Dec. 1	28,029	22,305	34,018	35,209
Number of shares	Dec. 1	784,854	618,109	971,801	1,076,459
Dollar value	Dec. 1	$35,599,366	$27,462,391	$39,950,913	$44,167,628
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Dec. 1	21,750	16,917	25,708	34,892
Customers' short sales	Dec. 1	232	199	461	311
Customers' other sales	Dec. 1	21,518	16,718	25,247	34,581
Number of shares—Total sales	Dec. 1	617,187	468,733	750,833	1,062,907
Customers' short sales	Dec. 1	7,932	6,429	15,171	12,667
Customers' other sales	Dec. 1	609,255	462,304	735,662	1,050,240
Dollar value	Dec. 1	$25,409,638	$19,954,455	$32,543,908	$42,311,304
Round-lot sales by dealers—					
Number of shares—Total sales	Dec. 1	165,730	126,020	196,670	405,170
Short sales	Dec. 1	------	------	------	------
Other sales	Dec. 1	165,730	126,020	196,670	405,170
Round-lot purchases by dealers—					
Number of shares	Dec. 1	380,680	251,720	422,880	354,780
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR—1926 = 100:					
All commodities	Dec. 11	177.2	*177.1	177.3	174.7
Farm products	Dec. 11	193.7	193.9	195.1	185.5
Grains	Dec. 11	197.9	197.1	194.1	179.2
Livestock	Dec. 11	236.5	*239.9	235.7	226.0
Foods	Dec. 11	188.4	187.5	190.4	178.8
Meats	Dec. 11	266.5	267.6	273.9	252.3
All commodities other than farm and foods	Dec. 11	165.6	*165.5	165.2	165.5
Textile products	Dec. 11	159.6	159.6	159.3	171.6
Fuel and lighting materials	Dec. 11	138.8	138.8	138.7	135.1
Metals and metal products	Dec. 11	190.9	190.9	190.9	185.9
Building materials	Dec. 11	224.6	224.7	223.9	221.1
Lumber	Dec. 11	347.5	347.5	345.6	‡
Chemicals and allied products	Dec. 11	140.4	139.4	140.2	139.7

*Revised. ‡Not available. ¶Includes 443,000 barrels of foreign crude runs.

	Latest Month	Previous Month	Year Ago
BANK DEBITS—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—			
Month of November (in thousands)	$132,140,000	$139,209,000	$123,541,000
BUSINESS FAILURES—DUN & BRADSTREET, INC.—Month of November:			
Manufacturing number	106	150	150
Wholesale number	58	48	69
Retail number	307	304	310
Construction number	68	85	87
Commercial service number	48	57	67
Total number	587	644	683
Manufacturing liabilities	$6,158,000	$12,444,000	$8,412,000
Wholesale liabilities	2,348,000	7,285,000	1,749,000
Retail liabilities	4,369,000	6,707,000	4,235,000
Construction liabilities	3,740,000	1,937,000	2,726,000
Commercial service liabilities	952,000	2,044,000	1,742,000
Total liabilities	$17,567,000	$30,417,000	$18,864,000
DEPARTMENT STORE SALES (FEDERAL RESERVE SYSTEM—(1935-39 Average=100) Month of October:			
Adjusted for seasonal variations	304	312	291
Without seasonal adjustment	323	323	308
EDISON ELECTRIC INSTITUTE:			
Kilowatt-hour sales to ultimate consumers—Month of September (000s omitted)	26,866,559	26,725,250	24,156,684
Revenue from ultimate customers—month of September	$476,787,500	$469,300,000	$430,679,900
Number of ultimate customers at Sept. 30	46,397,924	46,214,651	44,497,408
EMPLOYMENT AND PAYROLLS—U. S. DEPT. OF LABOR—REVISED SERIES—Month of August:			
All manufacturing (production workers)	13,070,000	*13,055,000	13,016,000
Durable goods	7,275,000	*7,252,000	7,016,000
Nondurable goods	5,795,000	*5,803,000	6,000,000
Employment indexes—			
All manufacturing	159.5	*159.4	158.9
Payroll indexes—			
All manufacturing	436.9	*430.2	403.2
Estimated number of employees in manufacturing industries—			
All manufacturing	16,004,000	*15,980,000	15,685,000
Durable goods	8,893,000	*8,866,000	8,423,000
Nondurable goods	7,111,000	*7,114,000	7,262,000
FAIRCHILD PUBLICATIONS RETAIL PRICE INDEX — 1935-39=100 (COPYRIGHTED) AS OF DECEMBER 1):			
Composite index	147.8	148.1	143.5
Piece goods	136.2	137.4	134.6
Men's apparel	148.0	148.0	141.4
Women's apparel	136.3	136.6	134.0
Infants' and children's wear	137.2	137.2	133.7
Home furnishings	160.5	161.0	156.3
Piece goods—			
Rayon and silks	114.9	115.4	114.7
Woolens	115.4	156.7	147.6
Cotton wash goods	150.8	153.7	155.2
Domestics—			
Sheets	185.6	186.5	186.9
Blankets and comfortables	174.3	176.6	155.6
Women's apparel—			
Hosiery	103.7	103.7	106.1
Aprons and housedresses	143.4	143.4	143.2
Corsets and brassieres	142.8	142.8	137.9
Furs	148.3	149.1	141.8
Underwear	137.0	137.0	135.1
Shoes	150.5	151.3	144.8
Men's apparel—			
Hosiery	149.0	148.9	143.0
Underwear	168.4	168.2	157.7
Shirts and neckwear	134.3	134.3	130.7
Hats and caps	128.0	128.0	127.2
Clothing including overalls	137.7	137.7	132.2
Shoes	182.3	184.0	175.7
Infants' and children's wear—			
Socks	133.6	133.1	131.6
Underwear	123.3	123.3	122.4
Shoes	161.7	162.0	151.3
Furniture	160.8	160.9	152.1
Floor coverings	183.9	184.5	180.9
Radios	125.8	125.8	122.2
Luggage	133.7	135.2	133.2
Electrical household appliances	148.4	148.4	146.6
China	135.6	135.6	133.8
METAL PRICES (E. & M. J. QUOTATIONS)— Average for month of November:			
Copper (per pound)—			
Electrolytic domestic refinery	24.200c	24.200c	24.200c
Electrolytic export refinery	27.425c	27.425c	24.425c
Lead (per pound)—			
Common, New York	19.000c	19.000c	17.000c
Common, St. Louis	18.800c	18.800c	16.800c
Silver and Sterling Exchange—			
Silver, New York (per ounce)	88.000c	88.147c	80.000c
Silver, London (pence per ounce)	77.000c	77.130c	70.000c
Sterling Exchange (Check)	$2.79987	$2.79943	$2.80000
Zinc (per pound)—East St. Louis	19.500c	19.500c	17.500c
Tin (per pound)—			
New York Straits	103.000c	103.000c	137.217c
§§New York, 99% min.	102.000c	102.000c	136.217c
Gold (per ounce, U. S. price)	$35.000	$35.000	$35.000
Quicksilver (per flask of 76 pounds)	$216.304	$216.962	$99.348
¶Antimony (per pound) (E. & M. J.)	48.133c	45.350c	35.280c
Antimony (per pound) bulk, Laredo	44.783c	42.000c	32.000c
Antimony (per pound) in cases, Laredo	45.283c	42.500c	32.500c
Antimony (per pounr), Chinese Spot	Nominal	Nominal	Nominal
Platinum, refined (per ounce)	$90.000	$90.000	$90.000
†Cadmium (per pound)	$2.55000	$2.55000	$2.40000
‡Cadmium (per pound)	$2.67500	$2.67500	$2.52500
§Cadmium (per pound)	$2.80000	$2.80000	$2.65000
Cobalt, 97%	$2.40000	$2.40000	$1 80000
Aluminum, 99% plus, ingot (per pound)	19.000c	19.000c	19.000c
Magnesium, ingot (per pound)	24.500c	24.500c	24.500c
**Nickel	56.500c	56.500c	48.000c
NEW CAPITAL ISSUES IN GREAT BRITAIN—MIDLAND BANK, LTD.—Month of Nov.	£34,085,000	£4,314,000	£14,969,000
TREASURY MARKET TRANSACTIONS IN DIRECT AND GUARANTEED SECURITIES OF U. S. A.—Month of November:			
Net sales	$3,634,000	------	------
Net purchases	------	$8,444,450	$5,848,750
UNITED STATES EXPORTS AND IMPORTS—BUREAU OF CENSUS—Month of October (000's omitted):			
Exports	$1,154,300	$1,232,200	$906,000
Imports	832,400	717,700	861,733

*Revised figure. †Based on the producers' quotation. ‡Based on the average of the producers' and platers' quotations. §Based on platers' quotations. ¶Domestic, five tons or more but less than carload lot packed in cases, f.o.b. New York. **F.O.B. Port Colborne, U. S. duty included. §§Tin contained.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE

★ Affiliated Fund, Inc., New York
Dec. 17 filed 20,000,000 shares of capital stock. **Price**—At market. **Underwriter**—Lord, Abbett & Co., New York. **Proceeds**—For investment.

★ Allied Kid Co., Boston, Mass.
Dec. 10 (letter of notification) 1,000 shares of common stock (par $5). **Price**—At market (estimated at $21 per share). **Underwriter**—Schirmer, Atherton & Co., Boston, Mass. **Proceeds**—To Benjamin Simons, the selling stockholder.

American Airlines, Inc., New York
Dec. 5 filed 750,000 shares of common stock (par $1), of which 143,000 shares are to be offered to executive employees through outstanding options at $11.70 per share, and 607,000 shares are to be offered to employees through above options. **Underwriter** — None. **Proceeds** — For working capital.

American Bosch Corp., Springfield, Mass.
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 Jan. 1.

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. (1/7-13)
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.

★ Automatic Canteen Co. of America, Chicago, Ill.
Dec. 10 (letter of notification) 25,000 shares of common stock (par $5) to be offered to certain key employees under a restricted stock option plan. **Price**—To be 95% of average sale price per share. **Underwriter** — None. **Proceeds** — For general funds. **Office** — Merchandise Mart, Chicago 54, Ill.

Badger Manufacturing Co., Cambridge, Mass.
Nov. 5 (letter of notification) 17,500 shares of common stock (par $10). **Price**—$15 per share. **Underwriter**—None, but sales will be handled by H. W. Cooms, E. I. Clapp, R. W. Carlson and C. L. Campbell, all of Cambridge, Mass. **Proceeds**—For working capital. **Office**—230 Bent St., Cambridge, Mass.

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.

Benbow Manufacturing Co., Burlingame, Calif.
Dec. 7 (letter of notification) 85,000 shares of capital stock (par $1), of which 10,000 shares are to be offered in retirement of indebtedness and 75,000 shares offered publicly. **Price**—$3 per share. **Underwriter**—Davies & Co., San Francisco, Calif. **Proceeds**—To retire debt and for working capital. **Office** — 1285 Rollins Road, Burlingame, Calif.

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.

★ Buensod-Stacey, Inc., New York
Dec. 11 (letter of certification) 1,500 shares of class B common stock to be offered to officers and employees. **Price**—At par ($20 per share). **Underwriter**—None. **Proceeds**—To liquidate certain debt and for other general corporate purposes. **Office**—60 East 42nd St., New York 17, N. Y.

Burlington Mills Corp.
March 5 filed 300,000 shares of convertible preferred stock (par $100). **Price**—To be supplied by amendment. **Underwriter**—Kidder, Peabody & Co., New York. **Proceeds**—For additions and improvements to plant and equipment. Offering date postponed.

California Tuna Packing Corp., San Diego, Calif.
Oct. 4 (letter of notification) $300,000 of 6% convertible sinking fund debentures due Oct. 1, 1966. **Underwriter**—Wahler, White & Co., Kansas City, Mo. **Proceeds**—For general corporate purposes. **Price**—At 100% and accrued interest. **Office**—2305 East Belt St., San Diego 2, Calif.

★ Carolina Power & Light Co.
Dec. 14 filed 33,000 shares of $5 par value preferred stock (no par) to be offered in exchange for $1.35 cumulative preferred stock (par $25) of Tide Water Power Co. on basis of one $5 par share for each four shares of Tide Water preferred, in connection with proposed merger of the two companies. **Underwriter**—None.

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.

★ Cincinnati Fund, Inc., Cincinnati, Ohio
Dec. 17 filed 10,000 shares of capital stock. **Price**—At market. **Underwriter**—Cartwright & Co., Inc. **Proceeds**—For investment.

★ Columbia Pictures Corp., New York
Dec. 11 (letter of notification) 1,077 shares of common stock (no par). **Price**—At market (about $12.50 per share). **Underwriter**—None, but Hallgarten & Co., New York, will act as brokers. **Proceeds**—To stockholders entitled to receive fractional shares in connection with 2½% stock dividend, payable Dec. 28, 1951.

★ Columbus National Life Insurance Co., Columbus, Ga.
Dec. 13 (letter of notification) 5,000 shares of capital stock (par $10), to be offered first for subscription by stockholders. **Price**—$30 per share. **Underwriter**—None. **Proceeds** — For increased capital. **Office**—400 Murray Bldg., Columbus, Ga.

★ Curtis Publishing Co., Phila., Pa.
Dec. 17 (letter of notification) 2,000 shares of common stock. **Price**—At market (about $6.62½ per share. **Underwriter**—None, but Hecker & Co., Philadelphia, Pa., will act as broker. **Proceeds**—To Walter D. Fuller, the selling stockholder.

Dallas Smith Corp., Indianapolis, Ind.
Dec. 7 (letter of notification) 4,997 shares of common stock (par $8). **Price**—$18.50 per share. **Underwriter**—Raffensperger, Hughes & Co., Inc., Indianapolis, Ind. **Proceeds**—For working capital. **Office**—118 So. Pennsylvania St., Indianapolis, Ind.

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.

Disco Industries, Inc.
Dec. 4 (letter of notification) 299,500 shares of common stock (par 10 cents). **Price**—$1 per share. **Underwriter** — I. J. Schenin Co., New York. **Proceeds** — For new equipment and working capital. **Offering**—Not expected until after Jan. 1.

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 180,000 shares of common stock (par $15) of which about 133,202 shares will 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. Approximately 46,798 shares are to be offered to employees of the company and its subsidiaries. **Price**—$82.50 per share. **Underwriter**—None. **Proceeds**—For capital additions to plants and facilities and for other corporate purposes. Statement effective Dec. 10.

★ Eighth and Brown Mutual Housing Corp.
Dec. 13 (letter of notification) 5,000 shares of common stock. **Price**—At par ($10 per share). **Underwriter**—None. **Proceeds**—To purchase real estate and improve property. **Office**—534 No. 4th St., Philadelphia 23, Pa.

★ Empire Southern Gas Co., Ft. Worth, Texas
Dec. 10 (letter of notification) 10,300 shares of common stock (par $10), to be offered to stockholders, employees and officers of the company. **Price**—$26.75 per share. **Underwriter**—None. **Proceeds**—To purchase natural gas distribution systems in Pampa and Panhandle, Texas. **Office**—2509 West Barry Street, Fort Worth 9, Texas.

★ Equitable Office Building Corp., N. Y.
Dec. 13 (letter of notification) approximately 18,300 shares of common stock (par $1). **Price**—Sufficient to raise an aggregate of $100,000. **Underwriter**—None. **Proceeds**—To Cullman Bros., Inc., and Hugh Cullman, the two selling stockholders. **Office**—120 Broadway, New York 5, N. Y.

★ Eston Exports, Inc., Los Angeles, Calif.
Dec. 13 (letter of notification) 26,100 shares of capital stock. **Price**—At par (25 cents per share). **Underwriter**—None. **Proceeds**—For working capital. **Office**—3100 East 26th St., Los Angeles 23, Calif.

Exolon Co., Boston, Mass.
Nov. 21 (letter of notification) 12,653 shares of common stock (no par), being 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.

★ Falstaff Brewing Corp., St. Louis, Mo.
Dec. 10 (letter of notification) 20,000 shares of common stock (par $1). **Price**—At market (approximately $12.50 per share). **Underwriter** — J. H. Williston & Co., New York. **Proceeds**—To Estate of Frederick R. Bauer.

★ First Western Co., Seattle, Wash.
Dec. 10 (letter of notification) 6,000 shares of class B common stock. **Price**—At par ($50 per share). **Underwriter**—None, but A. F. Crawford and R. B. Magner will handle sales. **Proceeds**—For construction and working capital. **Office**—8050—35th Street, Seattle, Wash.

Florida Power Corp. (1/15-16)
Dec. 12 filed 51,550 shares of convertible preferred stock (par $100). **Price**—To be supplied by amendment. **Underwriters**—Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane, both of New York. **Proceeds**—For construction program.

★ Forbes & Wallace, Inc., Springfield, Mass.
Dec. 13 (letter of notification) 1,050 shares of class B common stock (no par). **Price**—$20 per share. **Underwriters** — Tifft Brothers, Springfield, Mass., and F. S. Moseley & Co., Boston, Mass. **Proceeds**—To A. B. Wallace, the selling stockholder. **Office** — 1414 Main St., Springfield 2, Mass.

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 1, 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. **Underwriter**—None. **Proceeds**—To construct and equip frozen concentrate plant at Forest City, Fla.

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.

★ Guardian Mutual Fund, Inc., New York
Dec. 17 filed 200,000 shares of capital stock. **Price** — At market. **Distributor**—Neuberger & Berman, New York. **Proceeds**—For investment.

Hawkeye-Security Insurance Co.
Nov. 5 (letter of notification) 2,000 shares of 5% cumulative preferred stock (par $50). **Price**—At market (currently $50 per share). **Underwriter**—Quail & Co., Davenport, Ia., and Becker & Cownie, Des Moines, Ia. **Proceeds** — To six selling stockholders. **Office** — 1017 Walnut St., Des Moines 9, Ia. **Offering**—Temporarily delayed.

Helio Aircraft Corp., Norwood, Mass.
July 31 (letter of notification) 7,750 shares of noncumulative preferred stock (par $1) and 7,750 shares of common stock (par $1) to be offered in units of one share of preferred and one share of common stock. **Price**—$25 per unit ($20 for preferred and $5 for common). **Underwriter**—None. **Proceeds**—For development and promotion expenses. **Office**—Boston Metropolitan Airport, Norwood, Mass.

Hex Foods, Inc., Kansas City, Mo.
Aug. 1 (letter of notification) 89 shares of 6% cumulative preferred stock (par $100) and 424 shares of common stock (no par). **Price**—For preferred, at par; and for common, at $20 per share. **Underwriter** — Prugh, Combest & Land, Inc., Kansas City, Mo., will act as

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dealer. **Proceeds**—For plant improvements and general corporate purposes. **Office**—412 W. 39th St., Kansas City, Mo.

Hoover Co., No. Canton, O.
Oct. 22 (letter of notification) 4,000 shares of common stock (par $2.50). **Price**—$18 per share. **Underwriter**—Hornblower & Weeks, New York. **Proceeds**—To William W. Steele, the selling stockholder.

★ **Hygrade Food Products Corp., Detroit, Mich.**
Dec. 11 (letter of notification) 319 shares of capital stock (par $5). **Price**—At market (approximately $17.75 per share). **Underwriter**—Tobey & Kirk, New York. **Proceeds**—To holders of fractional shares of stock.

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.

★ **Industrial Research, Inc., Miami, Fla.**
Dec. 13 (letter of notification) 8,000 shares of class A 6% preferred stock. **Price**—At par ($25 per share). **Underwriter**—None. **Proceeds**—For working capital. **Office**—4016 N. W. 29th St., Miami, Fla.

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.

★ **International Aggregates Corp., Denver, Colo.**
Dec. 10 (letter of notification) 300,000 shares of common stock. **Price** — At par ($1 per share). **Underwriter** — None. **Proceeds**—For mill machinery and working capital. **Office**—209 Equitable Building, Denver 2, Colo.

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.

Kaiser Aluminum & Chemical Corp. (1/9)
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.

Kellogg Co., Battle Creek, Mich. (1/9)
Dec. 12 filed 415,060 shares of common stock (par 50 cents), of which 30,200 are for the account of the company and 384,860 are owned by W. K. Kellogg Foundation. **Price**—To be supplied by amendment. **Underwriters**—Morgan Stanley & Co., Clark, Dodge & Co. and Glore, Forgan & Co., all of New York. **Proceeds**—To company, to be used for working capital.

Key Oil & Gas Co., Ltd., Calgary, Canada
Oct. 3 filed 500,000 shares of common stock, of which 5,000 shares have been reserved for issuance to company counsel for services. **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.

Lindemann (A. J.) & Hoverson Co.
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. **Offering**—Date indefinite.

Lockheed Aircraft Corp.
Oct. 17 filed 27,000 shares of capital stock (par $1), issuable upon exercise of certain options granted to a selected group of officers and employees of company and its subsidiaries, together with 19,370 shares previously registered and issuable upon exercise of options heretofore granted to officers and employees. **Price** — $19.35 per share. **Underwriter**—None. **Proceeds**—For general corporate purposes. Statement effective Nov. 6.

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.

★ **Marshall Field & Co., Chicago, Ill. (1/8)**
Dec. 19 filed 150,000 shares of cumulative convertible preferred stock (par $100). **Price**—To be supplied by amendment. **Underwriters**—Glore, Forgan & Co. and Lee Higginson Corp., New York. **Proceeds**—To retire bank loans.

★ **Marshall Laboratories, Inc., Washington, D. C.**
Dec. 13 (letter of notification) 15,000 shares of common stock. **Price**—$1 per share. **Underwriter**—None. **Proceeds**—For working capital. **Office**—3746 W St., N. W., Washington 7, D. C.

McKesson & Robbins, Inc., New York
Dec. 5 filed 100,000 shares of common stock (par $18) to be offered under an "executive stock purchase plan" to employees of company and its subsidiaries. **Underwriter** — None. **Proceeds** — For general corporate purposes.

Mercantile Acceptance Corp. of California
Oct. 24 (letter of notification) $100,000 of 10-year 5% junior subordinated debentures (in various denominations) and 306 shares of 5% first preferred stock (par $20). Of latter, 271 shares will be offered to public and 35 shares to employees only on an instalment basis. **Price**—At par. **Underwriter**—Guardian Securities Corp., San Francisco, Calif. **Proceeds**—For general corporate purposes.

★ **Mid-Eastern Cooperatives, Inc.**
Dec. 11 (letter of notification) 22,800 shares of class B common stock (par $5) to be issued in exchange for Eastern Cooperatives, Inc., common stock of equal par value. **Underwriter**—None. **Office**—c/o Dorothy Kenyon, 50 Broadway, New York 4, N. Y.

★ **Midwestern Insurance Co., Oklahoma City, Okla.**
Dec. 10 (letter of notification) 3,000 shares of preferred stock to be offered to present stockholders. **Price**—At par ($100 per share). **Underwriter**—None. **Proceeds**—For increased capital.

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.

★ **Mitchell (Harry) Brewing Co., El Paso, Texas**
Dec. 12 filed 99,500 shares of common stock (par $1). **Price**—$6 per share. **Underwriters**—Russ & Co., Inc., San Antonio, Texas, and Harold S. Stewart & Co., El Paso, Texas. **Proceeds**—To certain selling stockholders.

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.

Moore International Television, Inc., N. Y.
Dec. 5 (letter of notification) 299,000 shares of common stock. **Price**—At par ($1 per share). **Underwriter**—None. **Proceeds**—For production of films for television presentation and general working capital. **Office** — 20 East 53rd Street, New York, N. Y.

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.

Nash (F. C.) & Co., Pasadena, Calif.
Dec. 7 (letter of notification) $200,000 of 5½% convertible debentures to be first offered to common stockholders on a pro rata basis; unsubscribed shares first to exchange, par for par, for $92,600 of outstanding 5½% cumulative preferred stock (par $100); remainder to be publicly offered. **Price** — At 100%. **Underwriter** — Pasadena Corp., Pasadena, Calif. **Proceeds**—To redeem unexchanged preferred stock and for working capital. **Office**—141 East Colorado Street Pasadena 1, Calif.

National Marine Terminal, Inc., San Diego, Calif.
Oct. 24 (letter of notification) 26,650 shares of 6% cumulative preferred stock (par $10) and 26,650 shares of common stock (par $1) to be offered in units of one share of each class of stock. **Price**—$11 per unit. **Underwriter**—None. **Proceeds** — For working capital and to purchase an additional interest in tuna clippers. **Office**—1592 So. 28th St., San Diego 13, Calif.

National Motor Bearing Co., Inc.
Sept. 26 (letter of notification) 3,200 shares of common stock (par $1). **Price**—$31.25 per share. **Underwriter**—Blyth & Co., Inc., Los Angeles, Calif. **Proceeds**—To Lloyd A. Johnson, President, who is the selling stockholder.

★ **National Perlite Co., Denver, Colo.**
Dec. 10 (letter of notification) 250 shares of common stock. **Price**—At par ($1 per share). **Underwriter**—None. **Proceeds** — For mine equipment and working capital. **Office**—209 Equitable Building, Denver 2, Colo.

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.

★ **Nevada Oil & Gas Co., Reno, Nev.**
Dec. 6 (letter of notification) 48,350 shares of common stock. **Price** — At par ($1 per share). **Underwriter** — None. **Proceeds** — To purchase drilling equipment. **Office**—304-305 Clay Peters Building, 140 N. Virginia Street, Reno, Nev.

★ **New England Cooperatives, Inc., Cambridge, Mass.**
Dec. 11 (letter of notification) 390 shares of class B common stock (par $100) to be issued in exchange for common stock of equal par amount of Eastern Cooperatives, Inc., in connection with latter's reorganization plan. **Underwriter**—None. **Office**—167 Albany Street, Cambridge, Mass.

★ **Norwich Pharmacal Co.**
Dec. 13 (letter of notification) 800 shares of common stock (par $2.50). **Price**—At market (about $20 per share). **Underwriter**—Reynolds & Co., New York. **Proceeds**—To Warren E. Eaton, the selling stockholder.

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 being 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 Olivr). **Underwriter** — None, but Stroud & Co., Inc., Philadelphia, Pa., will solicit exchanges. Statement effective Dec. 6.

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. Dec. 4 filed amendment adding 59,220 shares of 4¾% cumulative convertible preferred stock (par $25) to be offered in exchange for Contract Purchase Corp. preferred stock on basis of four shares of Pacific preferred stock for each preferred share of Contract (59,220 shares of common to be reserved for conversion of new preferred stock). Statement effective Dec. 6.

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.

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.
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. **Offering**—Not expected until after Jan. 1.

Penn Fruit Co., Inc., Philadelphia, Pa.
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. **Offering**—Expected in about two weeks.

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.

Pennzoil 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.

Philadelphia Electric Co. (1/9)
Dec. 10 filed $35,000,000 first and refunding mortgage bonds due 1982. **Price**—To be supplied by amendment. **Underwriters**—Drexel & Co., Philadelphia, Pa.; and Morgan Stanley & Co., New York. **Proceeds**—To repay bank loans and for new construction.

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. **Offering**—Expected some time in January.

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 25% of the market price on the New York Stock Exchange at time options are granted. **Underwriter**—none. **Proceeds**—For working capital.

★ **Potomac Cooperatives, Inc., Baltimore, Md.**
Dec. 11 (letter of notification) 5,200 shares of class B common stock (par $5) to be issued in exchange for common stock of Eastern Cooperatives, Inc. of equal par value in connection with latter's plan of reorganization. **Underwriter** — None. **Office** — 236 Franklintown Road, Baltimore, Md.

Procter & Gamble Co.
Nov. 29 Procter & Gamble Profit Sharing Dividend Plan and Procter & Gamble Stock Purchase Plan filed 2,000 participations in Profit Shaving Dividend Plan, 1,100 participations in Stock Purchase Plan, and 34,000 shares of common stock (no par) to be purchased by trustees for the plans for company stockholders from selling stockholders. **Underwriter**—None.

Public Service Co. of North Carolina, Inc. (1/9)
Dec. 11 filed $2,400,000 three-year interim notes due Jan. 1, 1955 (to be payable at maturity at company's option in an equivalent par value of convertible preferred stock of $25 par, at rate of one preferred share for each $25 principal amount of notes). **Price**—To be supplied by amendment. **Underwriter**—The First Boston Corp., New York. **Proceeds**—To help finance expansion program and company's changeover to natural gas. **Offering**—Expected to take place about Jan. 9, 1952.

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. (1/15)**
Dec. 17 filed 175,000 shares of convertible preferred stock (no par), each share to be convertible into 1½ common shares. **Price**—To be supplied by amendment. **Underwriter**—The First Boston Corp., New York. **Proceeds**—For working capital.

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.

Silver Buckle Mining Co., Wallace, Ida.
Sept. 25 (letter of notification) 290,000 shares of common stock (par 10 cents). **Price**—32½ cents per share. **Underwriter**—Standard Securities Corp., Spokane, Wash., and Kellogg, Idaho. **Proceeds** — To six selling stockholders. **Address**—Box 469, Wallace, Idaho.

Skyway Broadcasting Co., Inc., Ashville, N. C.
Sept. 10 (letter of notification) 6,000 shares of common stock. **Price**—$50 per share. **Underwriter**—None. **Proceeds**—For construction and operating capital for a proposed television station.

Smith (Alexander), Inc.
Dec. 3 (letter of notification) 6,250 shares of common stock. **Price**—Approximately $16 per share. **Underwriter**—Alex. Brown & Sons, Baltimore, Md. **Proceeds**—To Alexander S. Cochran, the selling stockholder.

NEW ISSUE CALENDAR

January 3, 1952

Dow Chemical Co	Common

January 7, 1952

Atlas Plywood Corp.	Preferred

January 8, 1952

Marshall Field & Co.	Preferred
Uarco, Inc.	Common

January 9, 1952

Kaiser Aluminum & Chemical Corp.	Preferred
Kellogg Co.	Common
Philadelphia Electric Co.	Bonds
Public Service Co. of North Carolina, Inc.	Interim Notes

January 15, 1952

Florida Power Corp.	Preferred
Seaboard Finance Co.	Preferred

January 22, 1952

Indiana & Michigan Electric Co.	Bonds & Notes

January 30, 1952

United Gas Corp., 11:30 a.m. (EST)	Bonds

February 1, 1952

Southwestern Public Service Co.	Common

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 Charlon St., Boston, Mass.

Southern Oxygen Co., Bladensburg, Md.
Dec. 10 filed $1,400,000 of 6% convertible subordinated debentures due Jan. 1, 1962 (convertible on basis of five shares of common stock for each $100 debenture). **Price**—To be supplied by amendment. **Underwriter**—Johnston, Lemon & Co., Washington, D. C. **Proceeds**—To repay notes and for working capital. **Offering** — Expected in January.

Specialized Products Corp., Birmingham, Ala.
Sept. 26 (letter of notification) 50,000 shares of common stock **Price**—$1 per share. **Underwriter**—Carlson & Co., Birmingham, Ala. **Proceeds**—For operating capital and advertising costs. **Office**—2807 Central Ave., Birmingham 9, Ala.

★ **Standard Oil Co. of California**
Dec. 11 (letter of notification) 4,744 shares of capital stock (no par). **Price**—$50.50 per share. **Underwriter**—None. **Proceeds**—To holders of scrip certificates. **Office**—225 Bush Street, San Francisco, Calif.

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.

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.

Texstar Corp., San Antonio, Tex.
Nov. 27 (letter of notification) 10,000 shares of common stock (no par). **Price**—$10 per share. **Underwriter**—Wood, Struthers & Co., San Antonio, Tex. **Proceeds**—To purchase Aztec Ceramics, Inc., and for working capital. **Office**—2409 Transit Tower, San Antonio 5, Tex.

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.

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.

Trans Caribbean Air Cargo Lines, Inc.
Dec. 3 (letter of notification) 20,000 shares of class A stock (par 10 cents). **Price**—At market (about $2.37½ per share). **Underwriter**—Gearhart, Kinnard & Otis Inc., New York. **Proceeds**—To O. Roy Chalk, President the selling stockholder.

Transgulf Corp., Houston, Tex.
Dec. 3 (letter of notification) 200,000 shares of capital stock (par 10 cents). **Price**—$1.05 per share. **Underwriter**—None. **Proceeds**—For working capital. **Office**—1 Main Street, Houston, Tex.

Tyler Fixture Corp., Niles, Mich.
Dec. 4 (letter of notification) 13,500 shares of common stock (par $1). **Price**—$7.37½ per share. **Underwriter**—Morgan & Co., Los Angeles, Calif. **Proceeds**—To Leon L. and Minnie S. Tyler, two selling stockholders. **Office**—1401 Lake Street, Niles, Mich.

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 Oil Corp., Oklahoma City, Okla.
Dec. 4 (letter of notification) 400,000 shares of common stock. **Price**—At par (10 cents per share). **Underwriter**—None. **Proceeds**—To Forrest Parrott, the selling stockholder. **Office**—3109 Apco Tower, Oklahoma City, Okla.

United States Radiator Corp., Detroit, Mich.
Oct. 22 (letter of notification) 5,085 shares of preferred stock (par $50). **Price**—At market (estimated at $44 per share). **Underwriter** — None. **Proceeds** — For working capital. **Office**—300 Buhl Bldg., Detroit 25, Mich.

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.

★ **Uarco, Inc., Chicago, Ill. (1/8)**
Dec. 14 filed 65,000 shares of common stock (par $10). **Price**—To be supplied by amendment. **Underwriter**—Kidder, Peabody & Co., New York. **Proceeds** — To repay bank loans and for working capital.

★ **United Minerals Reserve Corp., Chicago, Ill.**
Dec. 14 (letter of notification) 1,100,000 shares of common stock (par 10 cents). **Price**—25 cents per share. **Underwriter**—Greenfield & Co., Inc., New York. **Proceeds**—To develop mining properties. **Office**—231 So. La Salle St., Chicago 4, Ill.

Van Norman Co., Springfield, Mass.
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. **Offering** — Not expected until after January 1.

Vertientes-Camaguey Sugar Co. of Cuba (Compania Azucerera Vertientes-Cameguey de Cuba)
Nov. 23 filed 481,307 shares of common stock being 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. Statement effective Dec. 12.

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.

Viking Plywood & Lumber Corp., Seattle, Wash.
Oct. 19 filed 22,500 shares of common stock (no par) to be offered to employee-stockholders in minimum units of 125 shares per unit. **Price**—$20 per share. **Underwriter**—None. **Proceeds**—To purchase 50% of capital stock of Snellstrom Lumber Co.

★ **Vulcan Extension, Inc., Wallace, Idaho**
Dec. 13 (letter of notification) 120,000 shares of capital stock (par 20 cents). **Price**—82 cents per share. **Underwriter**—J. A. Hogle & Co., Salt Lake City, Utah. **Proceeds**—To Callahan Zinc-Lead Co., the selling stockholder. **Co's Address**—P. O. Box 709, Wallace, Ida.

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.

Warner-Hudnut, Inc.
Dec. 12 filed 293,960 shares of common stock (par $1) to be offered in exchange for 146,980 shares of Maltine Co. on a two-for-one basis. **Underwriter**—None. (F. Eberstadt & Co. is financial consultant for Warner-Hudnut, Inc.)

Western Light & Telephone Co., Inc.
Dec. 3 (letter of notification) 13,577 shares of common stock (par $10), being offered for subscription by common stockholders at rate of one share for each 23 shares held as of Dec. 11; rights will expire on Dec. 21. **Price**—$20 per share. **Underwriter**—None, but Harris, Hall & Co. (Inc.) and The First Trust Co. of Lincoln, Neb., will act as dealer-managers, **Proceeds**—For construction program.

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 officers and executive employees. **Underwriter**—None. **Proceeds**—For general corporate purposes.

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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.

Amurtex Oil Development Co.
Dec. 6 it was rumored that about 500,000 shares of class A stock may be issued. **Underwriter**—Probably A. G. Becker & Co. Inc., Chicago, Ill.

Arkansas Louisiana Gas Co.
Dec. 6 it was reported company may issue and sell $35,000,000 of first mortgage bonds. **Underwriters**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Lazard Freres & Co. (jointly); Union Securities Corp.; Smith, Barney & Co.; Equitable Securities Corp. **Proceeds**—To repay bank loans and for new construction.

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.

Brooklyn Union Gas Co.
Nov. 30 it was announced that the company intends to borrow $18,000,000 from a group of four banks in order to finance, in part, its program to change the service to straight natural gas next year. After completion of this program the bank loans will be refunded by means of long-term borrowings, repayable over ten years.

Central Louisiana Electric Co., Inc.
Oct. 10 it was reported company plans to issue and sell $4,000,000 of debentures due 1971. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blair, Rollins & Co. Inc., Lee Higginson Corp., W. C. Langley & Co. and Carl M. Loeb, Rhoades & Co. (jointly).

Central Louisiana Electric Co., Inc.
Dec. 3 it was announced that company contemplates sale of $2,980,000 of additional debentures (probably privately) and $1,500,000 additional common stock early in 1952 (probably to stockholders through rights), following the merger into company of Gulf Public Service Co., Inc.

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.

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.

★ **Idaho Power Co.**
Dec. 14 company applied to FPC for authority to borrow from banks up to a total of $15,000,000 during the first seven months of 1952. Of this amount, $10,225,000 would be required for interim financing of new construction during 1952. The balance would be used, if required prior to the time of permanent financing, to renew temporary bank loans outstanding.

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.

★ **International Resistance Co., Philadelphia, Pa.**
Dec. 18 it was announced company plans to issue and sell 250,000 additional shares of common stock (par 10 cents), with registration expected shortly. Stockholders will vote Jan. 9 on increasing authorized common stock from 1,097,225 shares (1,067,163 shares outstanding) to 1,500,000 shares. **Underwriters**—F. Eberstadt & Co., Inc., and Zuckerman, Smith & Co., both of New York. **Proceeds**—For additional working capital and for product development.

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.

Jamaica Water Supply Co.
Dec. 3 it was stated that company has applied to New York P. S. Commission for authority to issue and sell $1,200,000 of first mortgage bonds (probably privately) and approximately 13,600 shares of common stock. **Traditional Underwriter**—Blyth & Co., Inc.

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.

★ **Kentucky Utilities Co.**
Dec. 10 it was reported company plans to issue and sell in April or May $12,000,000 30-year first mortgage bonds, series D. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Lehman Brothers and Salomon Bros. & Hutzler (jointly); Blyth & Co., Inc.; Union Securities Corp. and Merrill Lynch, Pierce, Fenner & Beane (jointly).

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.

★ **Martin (Glenn L.) Co.**
Dec. 13 it was announced that Smith, Barney & Co., New York, has been appointed as the company's financial advisers to work out a plan to help finance a backlog of $425,000,000.

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.

Metropolitan Edison Co.
Dec. 11 it was reported company is considering a $16,000,000 financing program for early next year, which will include issue and sale of 40,000 shares of preferred stock (par $100) and about $8,000,000 of bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders for bonds—Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Union Securities Corp.; Drexel & Co.; The First Boston Corp.; White, Weld & Co. and Equitable Securities Corp. (jointly); Kidder, Peabody & Co.; Carl M. Loeb, Rhoades & Co. Probable bidders for preferred—Kidder, Peabody & Co.; Smith, Barney & Co. and Goldman, Sachs & Co. (jointly); Carl M. Loeb, Rhoades & Co.; Drexel & Co.; Harriman Ripley & Co. Inc. and Union Securities Corp. (jointly); Salomon Bros. & Hutzler; The First Boston Corp. **Offering**—Expected at end of February or the middle of March.

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.

★ **Midway Airlines, Inc.**
Dec. 15 it was announced Illinois Commerce Commission has authorized issuance and sale of 87,200 shares of common stock (no par). **Price**—$1 per share. **Underwriter**—None. **Proceeds**—For general corporate purposes.

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.

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. **Underwriter**—Probably Collin, Norton & Co., Toledo, O. **Registration**—Expected in two months.

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.

Northern Natural Gas Co.
Nov. 16 it was reported that permanent financing is not expected to be concluded until 1952 (probable in January or February) to repay $42,000,000 of bank loans and to provide additional funds for company's construction program. This financing may consist of about $32,000,000 of debentures and $18,000,000 of common stock. Latter may be offered to common stockholders, without underwriting. Probable bidders for debentures: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; The First Boston Corp. and Kidder, Peabody & Co. (jointly).

Northern States Power Co. (Minn.)
Oct. 25 it was announced company estimates that approximately $32,500,000 of new money will be required to finance its construction program for 1951 and 1952 through the sale next year of common stock, and senior securities. Probable bidders for stock and bonds: Smith, Barney & Co.; The First Boston Corp.; Glore, Forgan & Co.; Lehman Brothers and Riter & Co. (jointly); Equitable Securities Corp.; Union Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane; Kidder, Peabody & Co. and White, Weld & Co. (jointly). Probable bidder on bonds only: Halsey, Stuart & Co. Inc.

Olsen, Inc., Elyria, O.
Oct. 19 it was reported early registration is planned of about 225,000 shares of common stock. **Underwriter**—McDonald & Co., Cleveland, O. **Proceeds**—To certain selling stockholders. **Business**—Manufactures hot air furnaces. **Offering**—Expected in January.

★ Owens-Corning Fibreglas Corp.
Dec. 7 it was reported that early registration was expected of between $15,000,000 and $20,000,000 common stock, part of which will be additional financing by company and part for benefit of Corning Glass Works and Owens-Illinois Glass Co., which each own 42% of the outstanding Fibreglas common stock. Probable underwriter: Goldman, Sachs & Co., New York.

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.

Public Service Electric & Gas Co.
Dec. 7 it was announced stockholders will on Jan. 17 vote on approving a proposal to increase the amount of authorized preferred stock from 500,000 to 1,000,000 shares and to increase the limit of unsecured indebtedness. There are, however, no present plans for additional financing. In November, the company sold through Morgan Stanley & Co., Drexel & Co. and Glore, Forgan & Co. an issue of 249,942 shares of 4.70% cumulative preferred stock (par $100), thus exhausting the amount of presently authorized preferred stock.

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 California Petroleum Corp.
Dec. 17 stockholders approved proposal to create 250,000 shares of 6% cumulative preferred stock (par $25) in place of the previously authorized 75,000 shares of preferred stock (par $10), none of which is outstanding. T. F. Woodward, President, states that company tentatively plans to issue and sell 112,000 of the new shares to net about $2,475,000. **Underwriter**—The First California Co., Inc., San Francisco, Calif. **Proceeds**—To purchase outstanding stock of Culbertson & Irwin, Inc., independent oil producer. **Registration**—Expected in about a month.

Southern Natural Gas Co.
July 31 it was announced company has filed an application with FPC for permission to construct additional facilities to cost an estimated $13,641,000, of which approximately $9,187,000 is expected to be spent in 1951.

Southern Utah Power Co.
Nov. 27 the company asked the FPC for authority to issue and sell 15,671 additional shares of its common stock (no par) to common stockholders at rate of one new share for each four shares held. **Price**—$11.50 per share. **Underwriters**—Smith, Polian & Co., Omaha, Neb., and Glidden, Morris & Co., New York. **Proceeds**—For construction program.

Southwestern Public Service Co. (2/1)
Dec. 10, H. L. Nichols, Chairman, announced company plans to raise about $4,000,000 through an offering about Feb. 1 of additional stock for subscription by common stockholders at rate of one share for each 13 or 14 shares held. **Underwriter**—Dillon, Read & Co. Inc., New York. **Proceeds**—From sale of stock, together with funds from $10,000,000 bank loans or long-term debt, to be used for 1952 expansion program. It is anticipated that about $16,000,000 will be raised in 1952 from the sale of securities.

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 Gas Transmission Corp.
Dec. 6 company applied to FPC for permission to construct additional natural gas pipeline facilities at an estimated cost of $33,752,705. It is planned to finance project through sale of first mortgage bonds and other securities and from cash in treasury. **Underwriter**—Bonds may be placed privately. Previous preferred stock financing was handled by Dillon, Read & Co. Inc.

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. **Underwriter**—Kidder, Peabody & Co., New York.

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.

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. **Underwriters**—To be determined by competitive bidding. Probable bidders follow: 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.

★ Upstate Telephone Corp. of New York
Dec. 10 corporation applied to New York P. S. Commission for authority to issue $1,000,000 first mortgage bonds (probably privately) and 4,000 shares of common stock (par $100) to General Telephone Corp., the parent.

★ Virginia Electric & Power Co.
Dec. 12 it was announced that company expects to spend $40,000,000 or more for new construction in 1952, of which about $30,000,000 may be raised through new financing. The company is said to be considering a stock issue next spring and a bond sale in the fall. **Underwriters**—For stock, probably Stone & Webster Securities Corp. For bonds, to be determined by competitive bidding, with the following probable bidders: Halsey, Stuart & Co. Inc.; Union Securities Corp.; Salomon Bros. & Hutzler; Stone & Webster Securities Corp.; White, Weld & Co.; Kuhn, Loeb & Co. and Wertheim & Co. (jointly).

West Penn Power Co.
Dec. 6, Earle S. Thompson, President of West Penn Electric Co., the parent, will require about $23,000,000 of new capital in connection with its 1952 construction program, with about one-half to be raised by West Penn Power Co. by way of a bond issue and the remaining one-half to come from the sale of West Penn Electric Co. common stock. **Underwriters**—To be determined by competitive bidding. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; Lehman Brothers, Blyth & Co., Inc.; W. C. Langley & Co.; The First Boston Corp. Probable bidders for stock: Harriman Ripley & Co. Inc; W. C. Langley & Co. and The First Boston Corp. (jointly); Lehman Brothers and Goldman, Sachs & Co. (jointly). **Offering**—Of stock expected in February and of bonds in March.

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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Questions Answered on Credit Control and Debt Management

Economic Rigidities

The system of economic rigidities that has been built up in recent years which calls for more and more controls, which in turn create more and more rigidities, must be grappled with by a wise and prudent Congress before it can hope for success toward economic stability, the maintenance of full employment, and the control of inflation. If Congress ignores its responsibilities and its opportunities, then the forces of inflation will continue unabated until they have swept away the political dams that have been built in the hope of stemming the irresistible tides resulting from our mistakes and our folly. Either Congress must act now or the forces that Congress has unleashed will do it by a relentless and destructive flood of accumulated mistakes that even now seek to destroy us with tidal fury.

Questions for Economists

(1) *Changes in Rediscount Rates:* As long as banks can manufacture credit by a multiple of their legal reserves, which is possible only in a period of general credit expansion, it is my conviction that changing the rediscount rate is of little effect other than psychological. If a commercial bank can lend $5,000 against $1,000 it has in a Fereral Reserve Bank, it is obvious that a small, or even a large, change in the rediscount rate will prove ineffective as a control device. In periods of recession a lowering of rediscount rates at Federal Reserve Banks will not induce business interests to expand loans at commercial banks. Under a system of multiple credit expansion, rediscount rates can have little or no effect on commercial interest rates.

Furthermore, the existing ability of banks to monetize the public debt now nullifies any hope of successful use of changes in rediscount rates as a control device.

Increases in interest rates of commercial banks is quite another matter in periods of an expanding economy. However, in periods of recession, I doubt the efficacy of lower interest rates to encourage credit expansion. Experience since 1930 vindicates these conclusions.

(2) *Abuse of Credit:* I do not believe that an abuse of private credit has taken place since the Korean conflict began, or since 1946. As to control devices, the raising of the legal reserves, at the request of the President in 1948, was purely political and hence ineffective. All the banks had to do, and did, was sell or monetize some of their government securities at the Federal Reserve Banks, securities paying only a "nominal" interest rate.

As I see it the best solution is a voluntary control system by our commercial banks. The Federal Government has been the worst offender and needs first of all to clean its own house. It can then go to the commercial banks with clean hands and can confidently expect their full cooperation. In fact, I believe the commercial banks are even now going more than half way in seeking to make a program of voluntary controls work successfully.

(3) *Price and Wage Controls:* I am opposed to direct price and wage controls except under conditions of total war. I do not anticipate such war conditions in the immediate future. Such controls create additional rigidities and cannot succeed due to the infinite number of ratios involved.

(4) and (5) *The Public Debt:* This is the heart of the inflationary problem. The ability to monetize the debt is like pouring oil onto a fire. Instead of trying to borrow at abnormally and artificially low interest rates in the hope of minimizing the service charges on the public debt, the U. S. Treasury should refinance the public debt, perhaps on a perpetual basis as the British do, at interest rates high enough to induce the public to buy and hold the bonds. Why should the Federal Government try to borrow money at the present abnormally low rates which have been forced upon the public by the Federal Government when this is a basic cause of the inflation that has reduced the purchasing power of the dollar by twice the interest earned on the bonds since 1904? Who can be expected to buy government bonds or securities at 1% to 3% when the dollar has lost about half its value since 1940? The losses to U. S. bond owners after World War I were less than half the losses suffered by owners of World War II bonds in loss of purchasing power. This inflation has cost the American people a thousand times what the U. S. Treasury has saved on the service charges on the public debt by its erroneous policy of forcing on the public the existing abnormally and artificially low interest rates. In the words of Sen. Everett Dirksen of Illinois, Sept. 25, 1951, "planners and controllers have developed an inflation engine which they can no longer control."

If Congress will return to fundamentals, I believe that the entire public debt can be refinanced in a short period of time on a 3½% to 4½ basis that will induce the public to invest in and hold such securities. It is an elementary fact that the only dependable way to solve the problem of the Federal debt is to create the economic and political conditions under which private investment in government securities can be made with security and confidence.

I do not think it is the duty or responsibility of the Federal Reserve Banks to support the U. S. Government bond market. If the Treasury followed sound and proper policies, such would not be necessary.

(6) *A Guaranteed Purchasing Power Parity Bond:* A bond, the value of which is guaranteed in terms of purchasing power, is based on the principle of the tabular monetary standard. I have set this forth in detail in my book, *Money, Credit and Banking* (Macmillan, 1934), pp. 246-269. Rand-Kardex Company tried it once. I do not believe such a bond would be a success in the long run. If my suggestion as to interest rates on the public debt set forth in (4) and (5) above should be followed, such a bond, based on purchasing power, would not be necessary in the short run. It would be just another new rigidity—an escalator clause in public bonds that would in time run its relentless, perhaps ruthless, course throughout the entire economy. Its ultimate effects would not be constructive or successful. At most, it would be a temporary shot in the arm.

(7) *Answered above in (4) and (5).*

(8) *Compulsory Savings:* Nothing could be more foolish than to resort to compulsory methods in the sale of government securities. Like irrdeemable, fiat paper money, it would have to be considered a part of financial pathology—a sign of a bankrupt and discredited government which is facing monetary and fiscal chaos. Without a return to fundamentals, it would be a confiscatory levy that would destroy the objective it sought. Private financial and business organizations and individuals can be expected to purchase the bonds on a voluntary basis if the Federal Government will manage its debt on a sound basis that will justify and hold the confidence of the American people. That confidence does not exist today.

Summary

The problem is not as complicated as our Federal planners and bureaucrats make it out to be. We have strayed from basic principles and now are paying the price. But it is not as yet too late for Congress to act constructively. The naive convictions of certain of our self-designated liberal economists and the immaturity of our numerous pseudo-economists are evident when they expound their theory of perpetual inflation and perpetual boom—when they argue that the size of the public debt does not matter—and that we are afflicted with a mature economy which they admit calls for more and more government controls. It recalls too vividly the false prophets of the years 1925 to 1929, who also predicted permanent prosperity, with a chicken in every pot and two cars in every garage. Instead, they are engineers and architects of doom who are leading us to financial disaster. Furthermore, their stated objectives and convictions conflict. Congress is faced with a critical decision in this hour of crisis. It cannot and must not fail its constituents—the American people.

J. A. Lynch Co.

ST. CLOUD, Minn. — John Lynch, Jr., has formed J. A. Lynch Company, Inc., with offices at 1616 St. Germain Street. Mr. Lynch was formerly an officer of King Merritt & Co., Inc.

Jay W. Gardner Opens

WASHINGTON, N. J. — Jay Wesley Gardner is engaging in the securities business from offices at 14 Gardner Court.

With Inv. Service

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Jameson M. Barton has joined the staff of Investment Service Corporation, 650 Seventeenth Street.

With Courts & Co.

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga.—Earl M. Weaver has joined the staff of Courts & Co., 11 Marietta Street, N. W., members of the New York Stock Exchange.

With Lincoln McRae

(Special to THE FINANCIAL CHRONICLE)

ROCKLAND, Maine. — Rodney L. Murphy has become associated with Lincoln E. McRae, 449 Main Street.

A. M. Kidder Adds

(Special to THE FINANCIAL CHRONICLE)

FT. LAUDERDALE, Fla.—John F. Taylor has been added to the staff of A. M. Kidder & Co., 207 East Las Olas Boulevard.

With W. C. Gibson

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Henry J. Ward is with W. C. Gibson & Co., 231 South La Salle Street, members of the Midwest Stock Exchange.

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Inflation Is Like Slow Drug Poisoning

able consequences of inflation to the country as a whole.

We catch the importunate calls on government to supply security from cradle to grave, which encourages government spending. These from beneficiaries who deplore a mounting cost of living occasioned thereby.

We listen to indifferent enforcement of price and wage controls.

There grate upon our ears reports of misconduct and peculations in the sanctum of government because the money is there, mingled with shouting of doubtful sincerity in defense of those involved.

Political expediency is a continual incitement to government spending and intervention.

Thus the trumpets blow a scale of turbulent ideas throughout the land. The sounds from them are uncertain and men do not prepare to battle. Clear directions to the ranks of the citizenry are not in their sounding and collectivism aided by wasteful spending and inflation threatens to continue its onward march. Many put their fingers in their ears to escape the unpleasant din and confusion of it all.

If our economy is in Armageddon who is to know how and where the brunt of the battle is to be borne to preserve its freedom?

Before suggestions are offered as to the course we should take, a few observations are pertinent here.

No Distinction Between Property Rights and Human Rights

Anyone having a working acquaintance with human instincts, the philosophy of government, and economics knows that this idea of separating property rights from human rights is ridiculous. They are indissolubly compounded. And don't forget here the man with the dollar, or claims payable in dollars, both of which are property.

All people are property minded. They undertook to create the right to property under the law as a basic ingredient of freedom. Let us not be confused by specious reasoning to the contrary.

Therefore, it should never transpire that property in the form of money or claims payable in money should be debased by any governmental effort.

And let not those who accumulate physical assets think they can be safe in a storm cellar once the hurricane of discontent develops from suspicion as to the soundness of the dollar. Let them not assume that they can escape the debacle if it should come.

Too little attention is paid to public confidence which is the keystone factor of the economic arch. When strong it sustains the economy, but under too much stress it can be a fickle and unpredictable thing quite beyond the ability of economists to rationalize.

Impact of War's End on Business

Illustrative is the query:

What would happen to business if the war should end?

The apprehensions in the public mind will not down that we may be building an economy upon the treacherous sands of global undertakings and commitments held together temporarily by the cement of questionable fiscal and monetary policies. If the sands shift, confidence will fail.

Confidence cannot be sustained by basing the economy upon a Keynesian philosophy that internal government debt is of no consequence because "we owe it to ourselves." From a practical point of view this doctrine is fallacious in any noncommunist country. Our capitalistic country is not an economic unit. Government bonds and investments dependent upon them are not held by taxpayers in proportion to the taxes each must pay. Unless the government representing the whole people honors its obligations to its creditors on strict business terms our whole financial structure, largely based on government debt, becomes a trap for the unwary investor. The misery that follows in the train of government clipping of the value of money by inflation continues on. And loss of faith in government obligations marks the beginning of corrosion in a free economy which only heroic and self-sacrificing effort can arrest.

Here we come face to face with a fact but little comprehended. Back of all the obligations of this government lies nothing but the sovereign power to collect future taxes. This is true even of our vast social security system. The enormous debt of $200 billion represents taxes that were not paid. Moreover, and most significantly, it represents vast expenditures for property and services that were shot away and dissipated and constitute no wealth as of today. We can repeat that process. We say we cannot meet the budget with taxes now. When and under what conditions of prosperity can we ever do so? The answer will be delivered by a sovereign people through the ballot box.

Dangers of Inflation

Inflation is bad. It disrupts the financial structure of the nation and eventually its economy. It disrupts the economy because while certain segments disproportionately benefit in its initial stages other segments are hurt and hurt more grievously as it continues.

It is bad because it distorts values. It channels production and distribution artificially and not in accordance with the real needs of the economy.

It puts exchanges upon a speculative basis and destroys the stability of the economy.

Inflation is bad because it is a deceitful and capricious capital levy or tax upon those holding fixed investments and the right to more or less fixed incomes. It conceals the burdens thrust upon the people.

It is a discriminatory burden upon those who are not in a situation to recoup the increased cost of living by dealing through commercial channels in the market place.

Inflation is bad because it finally defeats its own purpose as an open sesame to expanding production and full employment. Mounting wages and other costs are bound to obliterate profit margins. Production will then recede. Unemployment will mount. Flight from the dollar will culminate in erratic speculation.

Inflation Breeds Collectivism

The people will impetuously resort to government for relief and collectivism will engulf the whole economy. An established characteristic of inflation is that it breeds more and more drastic controls of production and distribution.

The situation requires a rebirth without the twilight sleep of artificial prosperity.

This involves a reversal of some of our attitudes, policies and performances.

First and foremost we must restore high standards of morality from the grass-roots. If this is done the urge to get through cheap money and inflation what is not fairly earned will be brought within more effective self-control. Inflation opens a fertile field for getting something for nothing even by evil means. Our government is of and by the people and in the last analysis they have the power to determine its character.

We must put the interests and security of this nation above every other mundane consideration. To that end mutual sacrifice and self-restraint are imperative.

We must cease making the Federal government a centralized refueling station and a rehabilitation center for the communities, organizations and people throughout this nation. Local autonomy must be revived. Individuals must reassume responsibility and practice a greater degree of self-reliance. Competitive efforts and contributions to society must again receive their relatively fair and just awards.

We must reduce government spending in international and domestic areas to what our economy can stand and yet remain free.

We must stop using a swollen money supply and unrestrained extensions of credit as a substitute for increased work and production of real wealth. The destruction of money value was first in Lenin's book.

We must submit to taxation to balance expenditures to the last endurable degree.

Shall we bow to these duties in the face of dangers that threaten our security? If we do not we may by seeking the illusive and ephemeral profit of inflation hazard the survival of the very thing that the overwhelming majority of Americans want us to secure. That is our economic system.

Businessmen have a compelling task of indoctrination. They have the scholarly staff of this organization able intelligently to present their wisdom and knowledge. The sound of their trumpets should not be uncertain. They should give direction and the ranks of the people will have the spirit to prepare to battle. The intensity of the fight we make at home and the self-sacrifice we display should never be questionable in the eyes of the men we send into battle against a foe that threatens our national ramparts.

Morgan Stanley Group Offers Niagara Mohawk Power 3⅜% Bonds

Morgan Stanley & Co. and associates are offering for public sale today (Dec. 20) a new issue of $15,000,000 Niagara Mohawk Power Corp. general mortgage bonds, 3⅜% series due 1981. The bonds are priced at 101.80% plus accrued interest to yield approximately 3.28% to maturity. The issue was awarded at competitive sale on Wednesday.

Other members of the underwriting group are: Blyth & Co., Inc.; Glore, Forgan & Co.; Goldman, Sachs & Co.; Lee Higginson Corp.; Schoellkopf, Hutton & Pomeroy, Inc.; F. S. Moseley & Co.

The company will use the proceeds from the sale along with proceeds from the public sale of 1,000,000 shares of additional common stock to finance in part the company's 1951-52 construction program and to pay $35,000,000 of loans borrowed for construction in 1951.

The new bonds are redeemable at 104.80% if redeemed during the 12 months ending Nov. 30, 1952 and thereafter at decreasing premiums through Nov. 30, 1980 and at the principal amount in the last year. The indenture provides for a 1% improvement fund. The bonds are redeemable for debt retirement or maintenance fund purposes at prices which range from 101.80% to the principal amount.

Our Reporter's Report

Just when the bond market appears to be getting on its feet again something happens to create a new element of disturbance. Progressive hardening of money rates has been upsetting the investment picture through the current year.

The latest such move developed this week with commercial banks lifting their lending rates to prime name borrowers and dealers in bills and commercial paper making corresponding adjustments in their rates.

Fortunately, investment bankers were scheduled to bid for only one new corporate issued, Niagara Mohawk Power Corp.'s $15,000,000 of 30-year general mortgage bonds. Consequently there was an absence of real confusion that might have gripped things had there been a series of new issues up for bids.

As it was there evidently had to be some last-minute rejiggering of price ideas by the underwriters who bid for the up-state utility's bonds.

While there was a difference of only six cents per $100 separating the two top bids of 101.141 and 101.081 both for 3⅜% coupon the lowest of five bids received was 100.15 for a spread of almost $1 per $100.

The successful group planned reoffering the bonds at a price of 101.80 to yield about 3.28%.

Some Drop Outs

There were reports of some last-minute "drop-outs" in groups which went after the Niagara Mohawk. Those withdrawing apparently felt that final pricing ideas might not fully discount the new hike in money rates.

But other factors entered into their decisions. This is the season of the year when, if an issue proves sticky, it will very likely involve carrying over into the new year with consequence tieing-up of capital.

Most big institutional buyers are out of the market for the balance of the year and only exceptionally attractive opportunities would cause them to look at a situation.

Still Stock-Minded

The brisk demand for Niagara Mohawk's 1,000,000 share block of common stock disclosed that investors still are "equity-minded." Bankers paid the company $23.643 a share for the stock and reoffered at $24.25 with 35 cents a share allowance to dealers.

Bids were close and the reoffering price was well-off the current open market level thus providing a good margin within which the sponsoring bankers were able to work.

Other new stock issues brought out during the week, including Federated Department Stores' 250,000 shares of new common, likewise were reported to have been well received.

Dull Week Ahead

Next week, with Christmas Day falling on Tuesday, will be bare of anything in the way of new debt offerings. There may be a few equities brought to market, but even here the potential schedule is thin.

Bankers now are looking ahead to the early part of January when a brisk pickup is indicated in the new issue market, provided, of course, nothing happens to further disturb the situation.

Philadelphia Electric Co. has $35,000,000 of first and refunding bonds due up for bids on Jan. 9 and Marshall Field & Co., 150,000 shares of $100 convertible preferred Kaiser Aluminum & Chemical Corp.'s 350,000 shares of $50 preferred also could come along at that time.

Meanwhile Atlas Plywood Co. has 120,000 shares of new $50 preferred, $2.50 dividend rate, scheduled to reach market on Jan. 7.

Barrett Herrick Offers Fram Debs. & Stock

Public offering of $2,500,000 of 6% convertible sinking fund debentures and 100,000 shares of common stock of Fram Corp., a leading producer of oil filtration equipment, is being made today by a banking group headed by Barrett Herrick & Co., Inc. The debentures are being sold by the company at par and accrued interest, proceeds of which will be used to retire outstanding promissory notes and for additional working capital. The common shares are priced at $11.375 per share and are being sold for the account of several stockholders. The new debentures are convertible into common stock of the corporation up to Dec. 1, 1966, at the rate of 37½ shares of common for each $500 principal amount of debentures.

Dividends on the common stock in 1951 have consisted of cash payments aggregating 65 cents per share and a 50% stock dividend. The company has outstanding 556,185 shares of common stock. Debt of the corporation will amount to $3,298,300 following the current financing.

Fram Corporation manufactures a line of products designed to remove or prevent abrasive and other foreign material from interfering with the efficient operation of internal combustion engines. Of consolidated sales of $17,081,469 for the nine months ended Sept. 30, 1951, sales of oil filtration products accounted for 89%. The balance was derived from the sale of water, air and fuel filtration equipment. Net income for the nine-month period for the consolidated companies amounted to $495,551. Principal customers of the company include distributors of automotive replacement parts, automobile and other manufacturers of original equipment, oil companies, and the government. The Ford Motor Company is the company's largest customer.

With A. M. Kidder

(Special to The Financial Chronicle)

MIAMI, Fla.—Mrs. Mildred C. Johnston is with A. M. Kidder & Co., 209-211 Southeast First Street.

Joins Kidder Staff

(Special to The Financial Chronicle)

ST. PETERSBURG, Fla.—James E. Midkiff is with A. M. Kidder & Co., 400 Beach Drive, North.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—One of the sure-fire side shows of the forthcoming session of Congress will be a battle over legislation to boost the government's statutory debt limit beyond the present maximum of $275 billion.

At present the Federal debt is approaching $259 billion, only $16 billion from the supposed ceiling on government borrowings. This debt, however, will be reduced temporarily by a few billion by an excess of receipts over expenditures during the quarter ending in March.

However, with the Administration likely to admit a budgetary deficit of $15 billion during fiscal '53, and the actual deficit being likely, it looks at this preliminary stage, to run about $20 billion, it will be considered necessary to boost the statutory limit. In fact, such an indication already has come officially from the Bureau of the Budget.

Congress usually likes to make a great fuss over raising the debt limit, and it is certain to kick up a row over this next year. One prominent Democrat already has recorded himself as saying that he won't boost the debt limit a cent.

It is so much more political fun to concentrate on the debt limit than it is on practical means of restraining Administration expenditures on specific fronts. There appears to be little doubt, from sentiments expressed, that Congress will appear in January in more of a mood to economize than in the last few years.

The economy drive in the 1952 session, however, will find itself behind the eight-ball for two potent reasons. One of them is the vast total of unspent appropriations and contact authorizations which will remain at the end of the current fiscal year. This may aggregate something like $70 billion. Even some spectacular reductions in Mr. Truman's requests for new military appropriations could fail to stem the advance in military spending to something approaching $65 billion.

In the field of foreign economic and military aid, the opponents of the Administration may be able to checkmate the alliance of State Secretary Acheson and NATO for more American relief. But when it comes to cutting down those items below present levels, the division among the conservative opponents of the Administration will appear sharply. It is a safe bet that the Congressional backers of the outstanding (if he chooses to run) internationalist candidate for the GOP nomination would back Truman on this issue, and so would many Southern Democrats. Such is the Presidential politics of an opposition in Congress in the session which precedes the nominating convention.

* * *

The Chamber of Commerce of the U. S. is responsible for bringing to light an example of the proliferation of regulation under OPS. There are some 103 ceiling price regulations. One of these is "Ceiling Price Regulation 22," promulgated last April 25. So far there have been 34 amendments to this regulation, 33 interpretations, 19 supplementary regulations, and 24 amendments to supplementary regulations.

* * *

Unofficial word is that the Administration itself may have no major housing legislation to propose to Congress. New housing bills have occurred each year with almost as much regularity as bills raising taxes. However, the Administration will probably ride along with proposals to provide additional money for operation of last year's Defense Housing Act, plus additional money for government housing, by whatever name it may be called.

It is anticipated that the Administration will oppose the Maybank bill to provide for the use of some of the government's GI life insurance reserves for direct loans to veterans on houses—if the easy-money housers in Congress put steam behind this proposal.

* * *

Uncle Sam's bureaucracy has carried on a substantial invasion abroad. According to a Senate Committee, 88,000 U. S. civilian employees are stationed in foreign countries. Almost invariably they draw handsome salaries with their special allowances for foreign service. This 88,000 is exclusive of the military personnel. It is reported, but without confirmation, that the number stationed in France alone is 8,000.

Certain of these personnel have characteristically been operating in foreign countries for many years before the Roosevelt and Truman Administrations, performing services that long had been recognized as traditionally governmental. In particular, the U. S. has had customs agents, foreign service officers, and immigration agents.

The list now includes such novel activities as the Production and Marketing Administration of the Department of Agriculture, the General Services Administration, Economic Cooperation Administration, Agricultural Research Administration, Bureau of Standards, Bureau of Accounts of the Treasury, Fish and Wildlife Service, Federal Supply Service, Atomic Energy Commission, and even the Federal Public Buildings Service.

During the fiscal year 1950 the United States belonged to 38 permanent and "emergency" international organizations, 10 inter-American organizations, 17 miscellaneous international organizations, and eight so-called "temporary" agencies.

U. S. taxpayers contributed $123,500,000 to the support of international organizations. Add $25 million loaned to the UN for the construction of the Manhattan edifice housing this debating society, and total expenditures on account of international organizations in fiscal 1951 aggregated $154,398,540.

Chairman McClellan's Senate Expenditures Committee thinks that the expenditure of something like $154 million is not too trifling to investigate to ascertain whether there is waste and coordinated management. However, the Budget Bureau, which speaks for the President on legislative proposals, says it is opposed. The Budget Bureau's response, couched in the characteristic obscure language of government, amounts to saying to the Committee that it is none of Congress's doggone business, but that improvement and investigation of foreign employees and activities is exclusively the prerogative of the Executive establishment.

Accordingly, the Committee can get nowhere with its three-year-old proposal to set up a commission of 12 persons, eight of them from Congress, to inquire into the extent of U. S. activities and employment abroad.

* * *

The assumption that the study inaugurated by the Federal Reserve Board of bank earnings may lead to an united front by the Board, other Federal bank supervisory officials, and the American Bankers Association on behalf of legislation to give banks "utility treatment" under the excess profits tax, may not pan out in actuality.

There is, of course, a widespread conviction that taxation of commercial bank income is an important factor behind the present depressed market state of bank shares. It is also believed to be an important influence retarding the building of bank capital.

Accordingly, the Board has sent a questionnaire to some 1,500 selected banks requesting complete data as to the effect of taxation upon their incomes.

Well-placed persons point out that the actual figures of the effect of corporation taxation upon bank income may show a mixed trend. Certain classes of institutions definitely will be hit by EPT. On the other hand, many others are being hit hard simply by a corporation income tax rate of 52%, and this "normal" rate alone may play havoc with their net position and thereby with the attractiveness of bank shares to investors.

If the figures came out showing that the "debbil" was mainly EPT, there wouldn't be much doubt about the willingness of the responsible members of the taxing committees to give banks special treatment under EPT as part of a bill which at least will be considered next year, to reduce inequities under EPT.

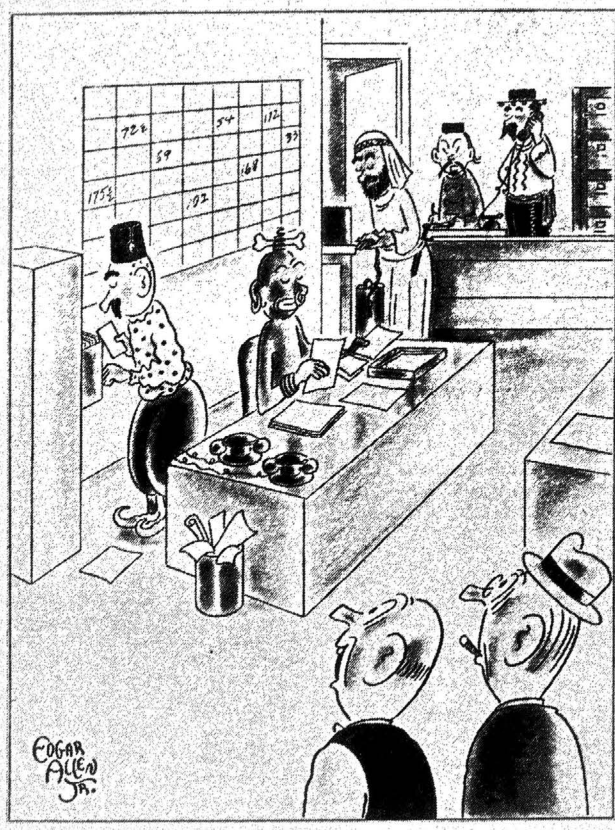
On the other hand, if the figures show that the 52% rate is primarily responsible for their situation, relief ahead of relief for other corporations would appear to be the slimmest of possibilities.

* * *

The announced delay until March 1 of the Patman Committee hearings into the subject of bringing the Federal Reserve under the control of the National Administration may prove in fact to be only the first of such delays. For by March 1 the members of the Patman Committee will be severally so preoccupied with hotly controversial legislation before other major committees of which they are members that it may prove difficult to have more than two or three mornings of uninterrupted hearings.

(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



"They're in charge of foreign securities!"

Business Man's Bookshelf

Corporate Income Retention 1915-43—Sergei P. Dobrovolsky—National Bureau of Economic Research, 1819 Broadway, New York 23, N. Y.—cloth—$2.50.

Credit Manual of Commercial Laws: 1952—National Association of Credit Men, 229 Fourth Avenue, New York 3, N. Y.—cloth—$10.00.

Europe Today and Tomorrow—Monthly international bulletin of the European movement—American Committee on United Europe, 537 Fifth Avenue, New York 17, N. Y.—subscription rate, $3.00 per year.

How Much Can Our Economy Stand—A Report of the Committee on Economic Policy—Chamber of Commerce of the United States, Washington 6, D. C.—paper—50c (lower prices on quantity orders)

Inflation or Deflation?—Dr. Marcus Nadler—The Hanover Bank, New York, N. Y.—paper.

Security Analysis—Third Edition—Benjamin Graham and David L. Dodd with the collaboration of Charles Tatham, Jr.—McGraw-Hill Book Company, Inc., 330 West 42nd Street, New York 18, N. Y. —cloth—$8.00.

Struggle for Survival, The—A Chronicle of Economic Mobilization in World War II — Eliot Janeway — Yale University Press New Haven, Conn.—cloth—$5.00.

Telephone Statistics of the World — Pamphlet — American Telephone and Telegraph Company, 195 Broadway, New York 7, N. Y.

United States in International Banking, The — Stern — Columbia University Press, 2960 Broadway, New York 27, N. Y.—cloth—$5.25.

To Retire from Firm

George S. Cochrane retired from partnership in Tuller, Crary & Ferris, New York City, effective Dec. 10.