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EDITORIAL

As We See It

The President last week made his annual economic report to Congress. Along with it was, as usual, the annual economic review by the President's Council of Economic Advisers. In such matters as these it is always difficult to determine whether what the President had to say to Congress was in large measure determined by what his Council had said to him, or whether the President had a controlling hand in what his Council reported to him. It is, however, generally understood that the Chairman of the Council has at present a sort of preferred position in the mind of the President, and that his views influence the Chief Executive greatly.

This is a council of *economic advisers* at least in name, although only one of the three composing it has any standing at all among economists. The fact is that the matriculate have long understood that the regular reports of that body were to be studied less for light on economics or economic subjects, than for clues as to the general direction of the President's thinking on questions much broader than one expects to find in discussions of economics as such. As a document on economics, it must be assigned a low rank. Its endless reiterations of dubious generalizations about the economic system, to be brutally frank about it, constitute a weariness of the flesh and a vexation of the spirit. As an exposition of the basic social and political philosophy that now governs the Administration, it is at times enlightening—and always a sharp reminder of the degree in which we as a nation have strayed from the path of our forefathers, and indeed from the

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Recent Developments in Medicinal Chemistry

By MARLIN T. LEFFLER*
Associate Director of Research, Abbott Laboratories

Dr. Leffler, in comment on recent advances in medicinal chemistry, points out great developments that have marked the six years of World War II. Tells story of discovery and production of antibiotics and other products of medical research. Says there are many new antibiotics "just around the corner," and greatest problem is to provide better supply of blood for wounded men, and substitutes for food by means of injections. Reports some progress in drugs for heart diseases, arthritis, and rheumatic fever, and in use of radioactive isotopes.

I am going to speak to you about some of the more recent developments in medicinal chemistry—a branch of science whose role began in earnest only a few decades ago. In referring to the history of medicinal chemistry, I recall a story about three men—a doctor, an engineer, and an economist—who were arguing about which of their particular sciences was the oldest. It was offered by the doctor that medical science was really the oldest because the Lord performed surgery when He made Eve from Adam's rib. The engineer suggested that certainly engineering was older than that because before Adam and Eve, the Lord created the world by bringing order out of chaos. Finally, the economist made his claim by stating that it was economics that created the chaos.


Marlin T. Leffler

Regardless of its actual age, medical science has grown up only recently—which fact makes its extensiveness more impressive. The extent of the subject may be gauged by a few words about the pharmaceutical industry itself. It is estimated now that the grand total of pharmaceutical manufacturers and distributors in the United States is about 1,200. Of these approximately 11 are inter-

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*An address by Dr. Lefflor before the LaSalle Street Women, Chicago, Ill., Jan. 15, 1952.

Today's New Type Inflation And Its Tragic Implications

By JOHN E. ROVENSKY*
Chairman of Board, American Car & Foundry Co.

Prominent industrialist and ex-banker emphasizes today's inflation differs in essence from all historical inflations. Avers former inflations received initial impetus from purchases of merchants, manufacturers and speculators, while today's stems from monopolistic power of unions. Holds new type is fed mainly by repeated raises in all manner of pay, including wages, and hence remedial measures such as credit control, etc., aimed at old type of inflation, are of almost no value in present case.

Our civilization—our way of life—that of individual liberty, is being undermined and whittled away at an alarmingly increasing rate. Look back 20 years; see where we stood 20 years ago and then, where we now stand; then project this course forward 20 or 30 years, and what do you see? You can call that future picture Marxism, Socialism, Fascism or any other kind of "ism"—but it always means the same thing—the individual is more and more becoming the servant—the chattel of the state—liberty is going out and as it does slavery comes in. Just how much farther do you want this to go—how much longer are you going to sit back and idly wait for things to work out—which they never do.


John E. Rovensky

We—the sensible-conservative class—who have the most to lose in the impending catastrophe—are losing this fight by default. When you speak on this subject to one of your associates, he wearily listens to you—first he agrees with you in principle and then blandly asks—"Well, what can we do about it?"

Well, of course, we can't do much about it just now.

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*An address by Mr. Rovensky before New York State Bankers Association, New York City, Jan. 21, 1952.

MORE BUSINESS FORECASTS IN THIS ISSUE—Starting on page 6 we present some of the additional opinions on the outlook for Trade, Finance and Industry which could not be accommodated in our ANNUAL REVIEW and OUTLOOK ISSUE of Jan. 17.

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.)

GLENN E. ANDERSON

Executive Vice-President,
Kirchofer & Arnold Associates,
Raleigh, N. C.

Correction on American Enka Corp.

In our issue of Jan. 17, on page 2, we published Mr. Anderson's analysis of the American Enka Corporation. In this connection, Mr. Anderson wrote us under date of Jan. 21, as follows:

"It has been brought to my attention that there is an error in the article relating to earnings of American Enka Corporation common stock. I stated that the earnings were $5.42 in 1947, $7.18 in 1949, $5.34 in 1950, and $3.69 for the first 36 weeks of 1951. In copying the earnings down for the article, I left out the year 1948, but used the earnings for 1948 with the year 1949. The last sentence in the sixth paragraph should have read, *'Earnings per share, also adjusted for the split, were $5.42 in 1947, $7.18 in 1948, $5.37 in 1949, $6.23 in 1950, and $3.69 for the first 36 weeks of 1951.'*

"I wanted to provide you with this information to avoid misunderstandings in case there are inquiries about the article."

H. THEODORE BIRR, JR.

President, First California Company,
San Francisco, Calif.

Bank of America N. T. & S. A.

In the year 1951 just ended, the Bank of America chalked up new records to the direct benefit of its employees, depositors and shareholders. In so doing, its stock has further demonstrated its true investment characteristic which is *an investment for income and growth* based on 10 fundamental facts, namely: (1) Capital for Western industries, (2) Aggressive management, (3) Largest nongovernment bank in the world, (4) Increasing population in territory served, (5) Financial strength, (6) Operating statewide branches, (7) Recognition as "The Little Fellow's Bank," (8) Newest ideas in banking, (9) International banking activities on a widening scale, and (10) Assets over $7.5 billion. These 10 facts point to one inescapable conclusion: *California* — the bright star in the Western horizon of our great country.

H. T. Birr, Jr.

The statistics for Bank of America as of the end of 1951 reveal the basis for our prior conclusion. For example: Resources reached the magnitude of $7.5 billion, an increase of $764 million over a year ago; deposits jumped to $6.8 for an increase of $624 million; loans reached a total of $3.6 billion, up $376 million, and investments amounted to $2.4 billion—up $196 million. A total of 2.4 million separate loans were made during 1951 adding up to $5.6 billion. Loaning activities were geared to strengthen California's robust economy as well as aiding in production for the national defense program.

Shareholders could take pride in the whopping operating earnings (after taxes and expenses) of $60.8 million for 1951, compared with $56.8 million for 1950. After adding $10 million to the reserve for possible loan losses, net earnings on the 24 million shares outstanding amounted to $2.12 per share vs. $2.16 per share for 1950. The net earnings per share for 1951 could have been $2.22 had the addition to reserve for loan losses been maintained at the $5 million level as in 1950. Capital funds reached $412 million, or an increase of $23 million.

An organization's progress depends largely on the morale and capabilities of its personnel. In this regard the 17,000 united employees and top flight management of Bank of America continue to be the primary builders of the Bank's business. The prodigious effort of this team scattered through 537 domestic and foreign branches made possible the continuing growth of Bank of America, thereby benefiting themselves, the depositors and the shareholders.

Since Bank of America and California are, to a large extent, synonymous, it is worth mentioning that the Golden State's economic, social and political progress continue to have a direct favorable impact on the Bank's growth. A recent study shows that in the period 1940-1950, California has experienced remarkable increases in the following important vital statistics: Population, up 53.3%; individual income, up 230.8%; agriculture, up 247.0%; construction, up 228.2%; bank deposits, up 196.2%; bank loans, up 192.7%; motor vehicles, up 68.7%, and employment, up 53.3%. In all cases these increases substantially exceeded like gains for the United States as a whole.

The conclusion is inescapable that the stock of Bank of America is an attractive investment for income and growth based on the undeniable fundamentals of: A healthy growing territory, and a top flight management-employee team with imagination and purpose. The 5½% yield currently available from a well secured dividend of $1.60 supported by real earning power is a realistic yardstick of appraisal. The alert investor is interested in two facts: A good return on his money and opportunity for its growth. The stock of Bank of America, which is traded over-the-counter, ideally suits this objective.

ALBERT H. DEUBLE

Partner, Oppenheimer & Co.,
New York City
Member, New York Stock Exchange

The Denver and Rio Grande Western Railroad Company

Two immediate reasons suggest the purchase of the common shares of the Denver and Rio Grande Western Railroad Company:

(1) A probable dividend increase from $3 to possibly $5 a share at the February meeting; and (2) the strong possibility of a stock split-up on the basis of 3 : 1 or even 4 : 1.

Albert H. Deuble

There is a sound basis for these early expectations. Earnings for 1951 are estimated at $20 a share before funds and about $17 after funds ($12.49 in 1950). The EPT exemption is excellent and amounts to about $18.

Today the rapidly growing Denver and Rio Grande is one of the most efficient lines in the whole country. It is a heavy freight carrier with a full share in the highly profitable transcontinental freight business. The road is a strategic link in the increasingly important route between San Francisco and Chicago. Great benefits are derived from the industrialization of the Provo-Salt Lake City area and the development of the Geneva steel mills. Bridge-line business is of major importance, accounting for 32% of total tonnage. Originations run around 49%. Unprofitable passenger business is unimportant (only 5% of gross revenues). The revenues of DRG could be permanently increased (about $3 million yearly) if the ICC upholds an examiner's recommendation on the Ogden gateway rate dispute with the Union Pacific.

The Denver goes "through the Rockies, not around them," extending 600 miles across the Wasatch and Rocky Ranges between Denver and Salt Lake City. The road is considered by many travelers the most scenic in the West and its "California Zephyr" has become one of the most popular and profitable transcontinental trains since its inauguration in 1949.

The Denver reorganization, consummated in 1947, was one of the most drastic. The resulting capitalization is very simple: Equipment obligations, $21.6 million; fixed interest debt, $43.7 million; income bonds, $27.6 million; 5% preferred certificates ($100 par), 325,313 shares; and only 351,677 common shares.

The small common issue is highly leveraged and the present and prospective earning power is very high. Based upon 1951 results, the shares are selling about four times earnings (present price about $71). The 5% preferred shares, selling around $80, are convertible into 1 share of common. They also represent excellent value. Dividends on this issue are paid annually in March. The great speculative play should be, however, in the common shares which are actively traded on the New York Stock Exchange.

This Week's Forum Participants and Their Selections

American Enka Corp. — (Correction)—Glenn E. Anderson, Executive Vice-President, Kirchofer & Arnold Associates, Raleigh, N. C. (Page 2)

Bank of America N. T. & S. A.—H. Theodore Birr, Jr., President, First California Company, San Francisco, Calif. (Page 2)

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Business Man's Bookshelf

Bituminous Coal Annual (1951)—Compendium on the industry—Bituminous Coal Institute, Southern Building, Washington 5, D. C.—Paper.

History and Policies of the Home Owners' Loan Corporation—C. Lowell Harriss—National Bureau of Economic Research, 1819 Broadway, New York 23, N. Y.—Cloth—$3.

Monetary Policy to Combat Inflation—A statement by the Conference of University Economists called by the National Planning Association—National Planning Association, 800 21st Street, N. W., Washington, D. C.—Paper—15c.

Underemployment in Agriculture—A problem in economic development—Arthur Moore—National Planning Association, 800 21st Street, N. W., Washington 6, D. C.—Paper—75c.

Overpriced Commodities, The Stock Market and Business

By RICHARD D. DONCHIAN
Investment Adviser; President, Futures, Inc.

Asserting, despite support lent by high gear defense effort and long-term trend toward currency depreciation, today's situation is vulnerable, investment adviser calls attention to rise in inventories since Korea. Contends rising commodity prices generally limit rise in stocks, while economic maladjustments present today lead to vicious devastating price declines. Warns of coming slump, when supporting props and cushions are exhausted.

Every person in the United States—and for that matter in the entire world—is vitally interested in commodities and what they cost. Of the 155,000,000 people in the country a recent survey of consumer finances conducted by the Federal Reserve Board showed that only about 7% of the spending units, containing 11,000,000 people, own stocks of one sort or another; 39% or 60,000,000 own government bonds; and 54% or 84,000,000 own insurance policies. In comparison, absolutely everbody owns and buys commodities. Commodity prices enter into every meal we eat, every garment of clothing we wear, every article we buy or use. Commodity prices determine basic living costs so that every time commodities go up or down, it means something—in higher or lower living costs—to each and every one of us.

Richard D. Donchian

Labor unions are keenly aware of the importance of commodity prices and living costs to their members. As a result, cost of living wage increases have been written into an increasing number of employer-employee contracts. The contract between General Motors and the United Auto Workers a few years ago was the first example, and recently it has been the policy of the Wage Stabilization Board to favor cost of living escalator contracts. Some of these contracts, however, grant automatic wage increases at periodic intervals when the cost of living index rises, but place a definite floor below which downward wage readjustments cannot take place when the cost of living declines. The strong bargaining position of labor unions today in the matter of wage increases, pension plans and other employee welfare benefits have given business a high fixed-labor overhead which may make it extremely difficult for companies to maintain earnings when living costs decline.

In the past few years, commodity prices, as measured by the U. S. Bureau of Labor Statistics Index of Wholesale Prices (1926=100), have climbed from 77 in 1939 to over 180, reaching rarefied heights above 150 for the fifth time in American financial history—after the Revolutionary War, after the War of 1812, after the Civil War, after World War I, and now. Recently, from the extreme high point of 183.9 recorded on March 20, 1950, the price index, disregarding widespread talk about inflation, fell back to 175.4 on Aug. 21 of last year and has recovered in a slow and feeble fashion to a recent high of 177.7.

History tells us how thousands of people lost money, how big important business concerns went broke and how people suffered untold financial hardships by buying and holding land and other commodities at the peak in post-Revolutionary War days, and again in 1814-1818, in 1868-1880, and in 1920-1922. Dun & Bradstreet Co. has an interesting booklet entitled "Peaks and Valleys in Wholesale Prices and Business Failures," by Roy A. Foulke, Vice-President, showing business failures and liabilities in some of the past postwar business panic years.

It is the writer's opinion that despite the support lent to the economy by the high gear (but temporary) defense effort; despite a certain amount of inflation permanently frozen into the price level, and despite a very long-term trend toward currency depreciation, today's situation is vulnerable to a sharp intermediate (one to two years) correction. Once again, high commodity prices, coupled with plentiful supplies of consumer durable and other merchandise, can lead to a severe and emphatic decline in business and in the stock market, perhaps worse than anything which has taken place since the debacle of 1929-1932.

Is the Current Inflation Real or Phoney?

Let's examine the present-day much-touted inflation critically. What part of it is founded on inflationary fact? How much of it is overdone and founded on nothing more solid than psychological "thin air"?

Webster defines inflation as "Expansion or extension beyond natural proper limits, or so as to exceed normal or just value—specifically, over-issue of the currency, or the state resulting therefrom."

High prices, *per se*, are not inflation. They are simply the outward symptoms or manifestations of inflation.

High prices brought about by real inflation can occur (1) by an increase in the supply of money,

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Other Publications

Bank and Quotation Record — Monthly, $30.00 per year. (Foreign postage extra.)

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For Sportsmen Only

By IRA U. COBLEIGH

Author of "Expanding Your Income"

Outlining a group of basement-priced shares that might gain upward velocity from causes other than general market exuberance.

Classical economists in their erudite, but sometimes endless books, make a sharp distinction between investment and speculation. Prepare yourself to follow them today! Bid farewell to prudent respect for safety of principal. Seek ye not here, shares with a long solid record of dividend payment; nor issues traditionally found in investment trust portfolios. Today's article is dedicated to those who, in the late 'twenties, were frequently called "speculators for the rise"; and there usually was a rise. Either the stocks would rise, or, if they sank, blood pressures would rise!

Ira U. Cobleigh

Whereas, particularly with the emphasis on security perceptible in the last 15 years, there are probably 10 investors for safety and income for every starry eyed speculator, recent heavy hitches in income tax levels have prompted a wide resurgence of interest in capital gains, with their 26% tax limit. To glean king-size market gains often requires the assumption of some pretty sporting risks.

Thus, having now assured you of entry into a poker game, with plungers or better to open, I propose to wrap up a romantic speculative package for you with a $5 limit—four issues which, I'm quite sure, have never before been played back to back.

The first of these is United Cigar-Whelan Stores Corp. 2,307,308 common shares are listed on the Stock Exchange, where small slices of ownership change hands at considerable velocity between ten and three daily.

United Cigar succeeded, by reorganization, the old United Cigar Stores of America in 1937. By sloughing off unprofitable units, and streamlining sales outlets, United now operates about 195 drug stores, 69 cigar stores and roughly 1,000 agencies. This type of retail business is fiercely competitive, and earnings on common, for the past decade, have been unimpressive, to say the least. The best year was 86 cents a share in 1946. Also, company has never loused up stockholders' tax brackets by the declaration of common dividends!

New elements, however, suggest that UCW may now be ready for a favorable turn. A Mr. Charles Greene, together with a new financial group, some weeks ago secured working control of United Cigar and suggested a new list of names for the Board of Directors. This new ownership echelon may create reasonable profitability for United by further reduction of cigar stores and hopping up the efficiency of drug and variety units. So, by building some hopes around a new direction topside, and observing that UCW now sells around 3⅞ against 17 in 1946, it is by no means absurd to suggest that United Cigar common, in the current favorable market climate, might gain altitude.

Surely no speculative program today would be complete without at least one selection from the fabulous Canadian oil fields. Adhering to the low price program set forth above, please be prepared to consider now an item selling at $2.90 on the Toronto Exchange known as Security Freehold Petroleums, Ltd. For some reason all Canadian oils favor a boat load of outstanding shares. Instead of selling 100,000 common at, say, $10 per share, they much prefer to sell 2 million at 50 cents. In consonance with this fashion, there are outstanding 1,900,000 shares of Security Freehold.

Well what about this meekly priced entry into the Alberta oil adventure? First of all, Security owns in perpetuity the rights to minerals lurking under 95,339 acres in Alberta, located in the same general zone, north and south of Calgary, as the land of better known Calgary and Edmonton. Company policy is to permit exploration and development by granting leases, or lease options, to responsible oil companies. The lease, as a rule, will run for ten years with royalty from ⅛ to 15% of gas and oil production. The lessor can't just sit around and wait to see what the boys nearby are bringing up—he has to start drilling at once, and pays all the taxes while he's on the lease. As of June 30, 1951, Security had granted options on 35,374 of its acres. Royalty interests in five oil wells and nine naphtha wells in the Turner Valley have been Security's most productive earning assets.

Important gas reserves have been located in this company's geographic area — reserves that can be converted into cash just as soon as permits for exporting gas from Alberta can be arranged, probably by next July first. In addition to rights owned, Security also has leases and reservations on some 142,000 acres of likely land in Manitoba and Saskatchewan.

Unlike a lot of West Canada companies this outfit depends on something more than a drill and a prayer. It has productive royalties right now, mentioned above, extensive perpetual rights in Alberta, plus a lot of "iffy" land leases in two other provinces. With current assets of $1,300,000 it should be able to stay in business, and perhaps convert high hopes into plushy bank balances. Here's a chance for "Security" and sportsmen to go hand in hand.

Switching from oil to gold, get a load of Frobisher Limited. This isn't a mine—it's a series of them; copper in Africa, silver and lead in Greece, but most important, gold in Canada, Venezuela, and Southern Rhodesia. 4,478,956 shares of common quoted in Toronto at around $5 represent the capitalization of this broad spread romantic mineral enterprise.

As of February, 1951, Frobisher owned shares in extraction companies as shown in accompanying table.

Of these Connemara recovered some 23,000 ounces of gold in 1951 and has interesting development possibilities for the long term future. Giant Yellowknife (29% owned) has proven ore reserves of over 3½ million tons—20 years supply at 1951 operating levels. For six months ended Feb. 28, 1951 net was $1,200,000 before write-offs; and plans for much larger milling capacity mean bigger earnings later on. United Keno is a fine producer with expanding net. Get the latest annual report of Frobisher, and you will be impressed by the extent of holdings and the horizons for increased earnings. Just the shares in portfolio, of publicly dealt-in companies, have a market value today of roughly $7 a share of Frobisher.

Should the world price of gold break sharply upward, away from the U. S. official price of $35 an ounce, gold stocks in general, and Frobisher in particular, could romp. Gold is eternally and universally in demand and if you like a golden gamble, this might be it.

The fourth speculation on my list is Atlantic Coast Fisheries. No dividends have been paid since April 17, 1944 on the 463,872 common shares listed on the Curb and currently quoted at about 2¾. Further, earnings have not been more than a few cents a share for the last couple of years. But, as you know, often the best time for speculative purchase is when an industry or a company looks feeble; and there is some evidence that ATL is now turning the corner.

Atlantic Coast Fisheries processes and distributes fresh, frozen, canned, and deep fried, fish in owned plants in Boston and Provincetown, Mass., and a leased plant in Glace Bay, Nova Scotia. Currently the company is expanding its hotel and restaurant sales, and has confidence in the profitable promotion of its one pound formed frozen fish package, and new pre-cooked lines. The expanded national consumption of fish, prompted by meat rationing during the war, and high meat prices currently suggests that if ATL works out its new packaged products effectively, this common stock might start swimming upward. Capitalization is simple—with only $515,550 4½% bonds due 1958 ahead of common (each $1,000 bond is convertible into 280.9 shares of common).

Frobisher's Extraction Company Holdings

	Shares Held Feb. 1, 1951	Percentage Interest at Feb. 1, 1951
Akaitcho Yellowknife Gold Mines Ltd.	1,235,230	37.83%
Kilembe Copper Limited (Uganda)	1,205,056	63.03
Connemara Mines (Southern Rhodesia)	*	100.00
Giant Yellowknife Gold Mines Limited	1,164,936	29.12
Guayana Mines Limited	1,428,687	28.57
Mediterranean Mines Incorporated	1,728,185	49.38
New Calumet Mines Limited	1,006,639	28.76
St. Eugene Mining Corporation Limited	839,184	34.76
United Keno Hill Mines Limited	833,539	33.75

*Not incorporated—operated as a division of the company.

Other Candidates

If the foregoing four seem too incomplete a selection of Lilipu-tian shares, then I suggest that, as homework, you look up National Petroleum around 3⅛, Benguet Consolidated at 1⅝, Zonite Products, and Silex.

Here then has been bundled together a rare speculative package. Egad what diversity! — A drug chain, an oil, a gold and a fish. Plenty of risk, but plenty of room for a splashy gain as well. Get the complete current facts from your broker before you make a move. Then, if you buckle your safety belt for a bumpy ride, you may with luck, glean gains. You might even be glad you took long risks, clearly labeled at the outset—for sportsmen only.

Our Roads

By ROGER W. BABSON

Claiming overloaded trucks are ruining our roads faster than we can build them, Mr. Babson contends truckers should pay fair share of building and maintaining the roadbeds they use. Condemns paying tolls "on top of a tax," and trucks that are overloaded and driven recklessly.

There are nearly 49,000,000 registered vehicles on our roads. Better than 8,000,000—or about one-sixth—are trucks. Spot checks in some states reveal that about 10% are overloaded. And overloaded trucks are ruining our roads faster than we can build them.

Roger W. Babson

The most significant evidence yet gathered to substantiate this fact comes from the tests sponsored by the Inter-Regional Council on Transportation and made on a mile stretch of two-lane concrete highway in Maryland. Various test loads of 22,400 and 44,800 pounds were run. The 22,400 loads damaged 28% of the concrete sections, while the 44,800-pound loads damaged 96% of the concrete slabs! If this first fairly comprehensive test gives insight into what future tests will reveal, then it becomes clear that truckers are not bearing their share of the burden in maintaining our roads.

I should like to see a similar test made of pleasure vehicles to see how fast they pound our roads to pieces. Should the evidence collected build a case against the trucker, then he should be taxed in proportion to the rate he wears out the roads. Further, since some truckers will overload until caught, on the basis that "only the big loads are pay loads," then a careful check system will need to be established.

Taxes vs. Tolls

I cannot deny the fact that it is a pleasure to drive the 327 miles from Pittsburgh to Philadelphia on a super highway. Yet I resent, in principle, the idea of having to pay a toll on top of a tax. With tolls currently averaging from 1 to 1½ cents a mile, this is simply adding an additional tax of 15 to 20 cents a gallon. I wonder how many motorists ever stopped to consider the problem in this fashion. What would be your reaction should the current price of gasoline at your favorite pump be hiked from 28 cents to 45 cents per gallon?

Apparently with our roads being pounded to pieces at a fast clip, present funds are wholly inadequate both to maintain old roads and build modern express ways. Added to this is the fact that to insure a fair degree of financial success a toll road must have some kind of dangerous monopoly. Pressure might be brought by bondholders to discourage modernization of parallel routes. Is this principle of highway monopoly in the public interest?

Railroads and Trucks

The truck companies make a profit on their business just as the railroads make a profit on the freight they carry. Railroads, however, build and maintain their private roads. Truck companies, on the other hand, have the use of the highways which all of us build and maintain.

I'm not suggesting the truckers build their own roads. I am, however, suggesting they carry their fair share of building and maintaining the roadbed they use. Perhaps a per-mile rate multiplied by tonnage might be an equitable basis? I know that a proposition of this sort will not appeal to the truckers. But, I ask you, isn't it so often the abuse of privilege by a few which brings about regulation of all?

Advice to Truck Drivers

Many have noticed of late the increasing carelessness with which truckers drive. Almost any day, between Boston and Hartford, for example, they roll along racing each other, two abreast, so that the average motorist has to fight for his place on the road. More than once lately I've been scared out of my wits by trucks failing to stop at red lights simply because they were rolling so fast they couldn't stop! We used to look upon truck drivers as the most courteous on the road. If overloading and recklessness continue, the whole industry will suffer.

Truckers ought to try to regulate themselves before the state and Federal governments step in! In fact, municipal governments may soon rule that truckers can use downtown streets only after 6:00 p.m. Eliminating trucks from congested areas will be the next step in solving the wretched traffic conditions of today.

[The Editor of the "Chronicle" would appreciate receiving comments on the views expressed above by Mr. Babson. Letters should be addressed to Editor, "The Commercial & Financial Chronicle," 25 Park Place, New York 7, N. Y.]

Observations . . .

By A. WILFRED MAY

The Investor's Take-Home Pay

In direct contrast to the voluble stressing of his reduced *take-home* pay figure these days by the wage-earner, organized and unorganized, as well as by the company executive in reporting to the shareholders; the investor too often wishfully neglects to calculate the actual impact of taxation on *his* dividend "take home." Irrespective of whether the present Congress will hold the line on tax hikes, or whether the long-term future has in store secularly higher levies, the actual effects of present imposts must be faced with realism by the individual investor.

A. Wilfred May

The inexorable deduction from gross income receipts taken by Uncle Sam has definite calculable effects on the individual's investing policy, as well as ever more important implications for the security markets and the financial world in general.

Realism About Yield

On the premise that investing, including value-judgment, under any approach or technique, is predicated on income, calculation of the market yield of corporate distributions in a form not reaching our pocketbook, assuredly is fictional.

Assuming that 75% of the average investor's income comes from salary and 25% secondarily and discretionarily from securities, following are the percentages taken in tax from the segment of his gross receipts from stocks and bonds, according to the 1952 Revenue Act:

Joint Net Income After Deductions and Exemptions (Married Man w. 2 Children)	Percentage of Top 25% Segment of Income Taken by Tax
$100,000	73%
75,000	68
50,000	63
25,000	42
10,000	28

Omitting to take into full account this tax charge is to make a mere beautiful illusion of the market yields on equities. Realistically calculating the Federal (excluding State) tax-take, translates gross yields into *actual* income return as follows:

On Standard Statistics 90-Stock Average

Current gross market yield—5.8%

Total-Income Recipient of:	His "Take-Home" Return
$100,000	1.6%
75,000	1.9
50,000	2.1
25,000	3.4
10,000	4.2

On the stocks comprising the Dow-Jones Industrial Average the yields would be reduced by 0.25% on both calculations.

The comparative returns on bonds follow:

On Dow-Jones Average of 40 Bonds

Current gross market yield—3.57%

Total-Income Recipient of:	"Take-Home" Return
$100,000	0.9%
75,000	1.1
50,000	1.3
25,000	2.1
10,000	2.6

The before-and-after-tax situation is also seen in the following table, showing the gross market yield which is needed from common stocks to secure the same yield after taxes, that is available from tax-exempt bonds such as the just-issued Federal Housing Authority Government-guaranteed tax exempt bonds—the coupon yield being 2.20%:

Total-Income Recipient of:	Com. Stk. Yield Requir. to Return Equiv. of 2.20% Tax-Exempt
$100,000	8.1%
75,000	6.6
50,000	5.9
25,000	3.8
10,000	3.1

This tax-exempt situation carries implications far transcending conclusions concerning the stock market levels or its future. It affects the quantitative valuation of issues; vitally accentuates the economic and market importance of the mutual fund movement as a distributor of equities to the lower income, less tax-burdened individuals in the community; and increases the pressure on the higher-income recipients to transform their quest away from recurring income to capital-gain operations.

Correction

In the "Financial Chronicle" of Jan. 17 it was reported that David Rosenberg, formerly of Naess & Cummings, on Feb. 1 would be admitted to partnership in Cohen, Simonson & Co., members of the New York Stock Exchange. We have since been informed that the David Rosenberg who is becoming a partner in Cohen, Simonson & Co., was not formerly with Naess & Cummings. The David Rosenberg, who joined Naess & Cummings in 1943, became a partner in the successor firm, Naess, Thomas & Thielbar on Dec. 1, 1951.

NASD District No. 11 Elects Officers

WASHINGTON, D. C. — The members of District No. 11 of the National Association of Securities Dealers, Inc., recently elected:

Edw. J. Armstrong

Harvey B. Gram, Jr., Johnston, Lemon & Co., Washington, D. C., and J. Read Branch, Branch & Company, Richmond, Va., to the District Committee, representing the securities industry in this area for a term of three years to fill the vacancies created by the expiration of the terms of:

G. Fenton Cramer, Ferris & Company, Washington, D. C. and John C. Hagan, Jr., Mason-Hagan, Inc., Richmond, Va.

At a meeting of this Committee held Jan. 22, the following officers were elected:

Chairman: Edward J. Armstrong, Stein Bros. & Boyce, Baltimore, Maryland.

Vice-Chairman: Charles P. Lukens, Jr., Robinson & Lukens, Washington 5, D. C.

Mr. Armstrong takes office as Chairman succeeding G. Fenton Cramer. L. Victor Seested, Washington, D. C., was elected Secretary of the Committee.

District No. 11 comprises the District of Columbia, and the states of Maryland, Virginia, West Virginia and North Carolina.

The members of this District are represented on the Board of Governors of this Association by Harold C. Patterson, Auchincloss, Parker & Redpath, Washington, D. C.

Manufacturers Trust Announces Promotions

Horace C. Flanigan, President of Manufacturers Trust Company, has announced that Carl Oelkers and John G. Beutel, both of the Securities Department, have been named Assistant Secretaries.

Mr. Oelkers, a native of Chicago, has been with Manufacturers Trust Company since 1928.

Mr. Beutel, a native of Spring Valley, N. Y., joined the bank in 1935.

Joins Hornblower Weeks

(Special to The Financial Chronicle)

CLEVELAND, Ohio—Edward J. Polak is now affiliated with Hornblower & Weeks, Union Commerce Building.

The State of Trade and Industry

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

Nation-wide industrial effort last week again resulted in a moderately higher level of output than that of a year ago. Further, it was close to 10% below the all-time high record set during World War II.

The nation's employment situation in the latest week revealed that initial claims for unemployment insurance benefits rose 21% and were 20% higher than the like period of 1951. Continued claims rose 1% above the level of a year earlier.

A current report from the United States Department of Labor's "Bureau of Employment Security," discloses that idle labor pools have shown a substantial rise in 16 areas of the country in the past two months.

The main reasons for this upward trend were materials shortages, slow consumer demand for some products and tighter production controls.

Michigan received the main impact, according to the "Bureau," with three cities, Detroit, Grand Rapids and Flint, listed among the 16 areas. In only two of 174 areas were labor supplies classified as tighter in January than in November. These were Orlando, Fla., and Peoria, Ill.

On Monday of this week it was reported by the United States Department of Commerce Bureau of Business Economics that the national income rose $3,500,000,000 in the third quarter of 1951 to an annual rate of $278,000,000,000. The boost, the "Bureau" pointed out was largely due to increasing government and defense payrolls. The study noted that corporation profits for the third quarter, after taxes, were at an annual rate of $16,000,000,000, compared with a rate of $18,500,000,000 in the second quarter.

In the steel industry this week, surging steel production and restrictions on use are narrowing the gap between supply and demand, according to "The Iron Age," national metalworking weekly, in its latest summary of the steel trade. No longer are all products almost uniformly tight. Recently there has been a marked easing in several items, a few of which are now in easy supply.

Purchasing agents are admittedly buying more cautiously, this trade authority notes. But their consensus seems to be that overall supply is not yet close to demand. That goal is still at least several months beyond attainment, possibly longer, it adds.

But the chances are the government will soon be able to make a show of good faith on its promise to relax controls, product by product, as soon as feasible. A decision is expected to be reached this week on whether to lift controls on these products completely, or just relax them. In either event restrictions will be eased, though it may be three weeks or so before action is announced. This decision will be based on market factors which have been evident for some time, "The Iron Age" observes.

Mills are advising consumers to switch from nickel grades to chrome stainless wherever possible. Some have done so with satisfactory results; others are still considering the change. The outlook for nickel is dim for all except very high priority uses, since mill allotments have been getting smaller.

Carbon tool steel is in good supply at warehouse level. On the other side of the ledger are a group of heavy-weight products which show no signs of easing. Plate demand is getting even more voracious. Even larger quantities of this product will have to be turned out on strip mills. All bars, excepting tool steel bars, are in tight supply. In structurals the gap between stated needs and supply has been narrowed. But it is still wide enough to keep strong pressure on the mills for at least the next several months, this trade weekly points out.

The alloy picture is confused and orders for military use, while large, have fallen far short of expectations. Yet other users have been cut back resulting in open space on mill books. Engin-

Continued on page 37

Business and Finance Speaks After the Turn of the Year

MORE BUSINESS FORECASTS

The following are some of the opinions on the business outlook for the present year which, for various reasons, could not be accommodated in our ANNUAL REVIEW and OUTLOOK ISSUE of Thursday, Jan. 17. Others will be published in subsequent issues.—Editor.

HERBERT ABRAHAM

President, The Ruberoid Co.

Current confused conditions in the general business situation make it very difficult to do much in the way of detecting probable future trends. What is only a rumor today may become a government regulation tomorrow. Due to the constantly changing exigencies of the defense program, adjustments in the allocation of materials may be expected for some time to come. It may be well also to remember that 1952 is an election year.

Herbert Abraham

However, notwithstanding the many uncertainties that cloud the picture of our national economy, analysis of the present situation in the building materials industry reveals a number of encouraging features.

In this country today, there exists a huge and rapidly mounting accumulation of buildings of all kinds in urgent need of repairs and replacements. Expenditures for these purposes are not restricted.

Government credit restrictions on new residential construction have been substantially relaxed with respect to homes costing up to $12,000 thus tending to stimulate sales in that large field.

Defense construction projects are opening up a market for a wide variety of building and insulating materials.

The farm building market is favorable, due to current prosperity in rural areas, Government subsidies, and active demand for agricultural products. It has been predicted that the spending by farmers in 1952 will slightly exceed the record of 1951.

Taking a long-range point of view, it should not be overlooked that this is still a rapidly growing country and that shelter must, therefore, be constantly provided for the increase in population. In a recent statement the Director of the Census estimated that in the 10 years following 1950, the population of the United States would increase by 29,500,000.

Among the highlights of progress in the field of Ruberoid products in 1951 was a success achieved, through research, in enhancing the appearance of an increasingly important item in the building materials field —asbestos-cement siding. As a result of this development, there has been added to the other advantages of asbestos siding, the ability to meet the mounting popular demand for truly tasteful color styling of the exterior walls of homes.

On the basis of existing conditions in all business, it is my idea that what will be principally required to maintain and strengthen activity in the building products industry in 1952 will be a lot of real "shirt-sleeve selling."

A. E. BARIT

President, Hudson Motor Car Company

It is my belief that 1952 will be a very good year, particularly for Hudson. This belief is based upon a number of things but primarily because Hudson will offer better value—better value because we will offer outstanding styling — the kind that has up to now been confined to premium priced models — at regular sedan and coupe prices.

A. E. Barit

I also believe that we will operate in a healthier atmosphere, economically speaking. I have queried a number of people on this subject recently and invariably they start out by referring to the 1951 situation as "a confused state of affairs." This is not surprising when you consider that within the framework of a highly inflationary program there have developed deflationary tendencies. This situation certainly proves the importance of careful planning by our government for the protection of our economy. Briefly stated, 1952 will be a year of realization. At the start of the 1951 season industry generally laid its plans based upon certain expectations. These were: The government would spend huge sums for defense purposes—large enough to cause fear of inflation; individual earnings would increase and would even include overtime pay; cost increases and increasing excise taxes would create increased public buying to escape price increases; civilian production would be restricted, thereby promoting scarcities of articles like the automobile, essential to current living habits.

These expectations were valid then and in fact they still are—every single one of them. What has since happened simply amounts to a postponement due primarily to the delay in the defense program. As you know, the ramifications of this defense program are tremendous and as a consequence its influence is very widespread.

As we go into 1952 the status of the defense program will change from the transition period of 1951 to one of actual production, accelerating as the year wears on.

We will progress from a period of deep uncertainty, which brought with it large scale unemployment with its attendant anxieties to unemployed and employed alike, to a period of more sustained employment and a clearer economic outlook. It is not easy to visualize the shock to the average worker caused by unemployment where he was led to believe we would have full employment with overtime. It resulted in fear—fear to the unemployed and to those who were wondering when their turn would come.

The results of the delay in the defense program also brought shock and uncertainty to another segment of the buying public—men who operate their own businesses. This undoubtedly had a serious effect upon the spending habits of such people. Certainly a state of mind born of fear and uncertainty is the breeding ground for deflationary tendencies.

As the defense program gains momentum, as the emotions caused by fear and uncertainty fade out of the picture, business will improve and we will then realize the full employment promised us by the government a year ago.

Apparently one million cars per quarter is the most the industry can expect to produce during the next year. This represents a sharp curtailment. Some forecasters point to the upwards of forty million cars now in use as an argument that we require less production of automobiles. That might be true if cars were rationed, but as long as people are free to buy, I believe the large number of cars in use means an even greater potential demand. As a general rule people do not willingly give up the automobile once they start to use it. Putting the matter bluntly, there will not be enough cars to meet the demand in 1952.

The Hudson defense contract program is very substantial. Hudson has two contracts for the manufacture of the forward sections of the B-47 Stratojet fuselage; one for major components for the R-3350 Wright aircraft engine; and one for the manufacture of the rear fuselage and tail sections for the twin jet B-57 Canberra. Defense production will not interfere with our authorized automobile production.

W. S. BAUMANN

President, Ludwig Baumann

Any prediction of what business will be like in the furniture and home furnishing field in 1952 involves a bewildering variety of imponderables. Perhaps it will help a little to separate the picture into the three categories which influence profit and loss in a retail business: These are volume, margin and expense.

The first of these is the most complex. The continuing increase in disposable income should be distinctly favorable to high volume. However, this has been true for some time, but has been accompanied principally by higher savings. Apparently psychological resistance to the price level and general feelings of insecurity have not abated, while some of the overstocked condition of consumers resulting from the post-Korean wave of buying may still exist. But in point of fact, how much of this buying was really the last gasp of the unsatisfied demand pent up during World War II? Especially in consideration of the substantial reduction in home building, are we now operating in much more of a normal replacement market than we have experienced in many years?

To judge when and whether the pendulum will begin to swing the other way is almost impossible. It must be remembered that durables are what economists call a postponable purchase. Still another factor is that, at least in metal goods, some shortages seem likely later in 1952. So, if the desire to purchase increases again, will the goods be available to meet it? Frankly, I do not anticipate any sizable increase in volume in 1952, particularly during the early part of the year.

Mark-up is, of course, frozen by price control. Here it is important to distinguish between present price control rules for manufacturers and those for retailers; while the former are permitted to take into account many items of rising cost, the latter may only utilize rises in what they pay for the goods they sell. However, at the present time the effect of price control is relatively small. Many if not most kinds of goods are selling well below ceiling prices. So far I have discussed only mark-up; the severe mark-downs occasioned during 1951 by too high inventories will probably not be repeated in 1952. As a consequence, it may be possible to maintain and perhaps even slightly improve gross margins.

The expense category presents an altogether different picture. There is no single item of cost in business which has not increased and which does not threaten to increase still further. For a time, this condition was concealed by continual increase in volume, but that day is over. Unfortunately, only a relatively small part of expense is directly controllable in a retail store. The biggest single item, of course, is payroll and yearly (or more frequent) increases in the price a retailer must pay for the same or less service have become habitual; nor is any change likely in 1952. Advertising money buys less space; the rental dollar buys less square area; and so on throughout the entire gamut of expense. Between steady volume at a fixed mark-up and continually rising expenses the average retailer is caught in a squeeze the seriousness of which cannot easily be exaggerated.

In short, it is difficult to see very high profits for furniture and home furnishing retailers during 1952.

LYMAN B. BRAINERD

President, The Hartford Steam Boiler Inspection and Insurance Company

Any prediction of how the boiler and machinery insurance industry will fare in 1952 must be based on assumptions, and thus it involves some degree of guesswork. However, it is now generally expected that the arms program will reach its peak some time during the latter half of the year. If the intervening months bring no serious reduction of total industrial activity through a slackening off in the production of consumer goods because of material shortages, or while some industries take time out to convert to arms production, the high industrial pace that characterized 1951 should again prevail. If it does, the underwriters of boiler and machinery insurance will find a continuing strong demand for their services. Obviously, industrial production requires power, and the boilers, turbines, engines and electrical apparatus which are the sources of this power are the kinds of equipment with which this branch of the insurance industry deals.

Lyman B. Brainerd

It seems inevitable that, as the arms program hits its full stride, heavier and heavier burdens will be put upon power equipment, and this will mean for the insurance companies not only expanded opportunities for larger writings, but also the responsibility for reducing outages on power sources which are vital to the nation's rearmament effort.

The companies should have no difficulty in obtaining satisfactory volumes of premium in 1952. But they may find a source of serious concern in that continued inflation will inevitably result in a higher cost-per-loss from accidents under their policies and in mounting expenses for maintaining the all important inspection and engineering services on which so much of the value of engineering insurance depends.

Such hopes as were entertained a year ago that there would be a leveling off or even a decline in the prices of materials and labor needed for effecting repairs did not materialize. The upward inflationary trend continued through 1951 and still gives little evidence of having run its course. Until it does, property damage cost-per-loss under boiler and machinery policies must logically be expected to increase.

Aside and apart from its effect on loss payments, however, inflation is proving of concern to the boiler and machinery underwriters because of the large staff of skilled engineers and inspectors which the peculiar nature of their business obliges them to maintain. The line differs from most others in this respect, and in no other major field of insurance does so large a share of the premium dollar go directly into services aimed at preventing accidents to the policyholders' equipment. Salaries and traveling expenses of these staffs have been greatly affected by inflation.

The fact is that today's high cost level is putting on the business a much heavier burden than the current rate level was designed to bear. In acknowledgement of this, applications for higher rates have been filed with the insurance departments of the several states. Acceptance of these filings is now being awaited.

JAMES R. DAVIE

President, Albany Savings Bank

The country's economy is so closely tied into the defense effort that it is impossible to discuss one without the other. 1952 promises to be a year of full employment although the curtailing of some consumer's lines may produce spotty areas of unemployment temporarily. The national income may well reach a new all-time high but to the individual this will not be significant, for larger taxes and further increases in the cost of living will tend to minimize any additional income. Unless the government strengthens price and wage stabilization, costs of all commodities should be higher in 1952. These measures are only expedients but would help temporarily.

The expected increase in the production of defense items will, in all probability, create a national budget deficit of several billions of dollars which will not help keep inflation down. Inasmuch as 1952 is an election year, no serious effort will be made to reduce governmental expenses, which is in line with the pattern which has been established for the past 20 years. It is imperative that some action be taken in this respect if we are to avoid a further drift to "statism." We talk about inflation as if it were something to be avoided in the future. Actually we have it now.

Also, it is inconceivable that our present governmental policies can continue indefinitely without the possibility of a severe economic upheaval. The only question is when.

Mr. Truman has spent more money since he has taken office than was spent in the entire history of the country prior to his Administration. In other words, in a period of seven years he has spent more than all his predecessors, including Mr. Roosevelt, spent from 1789 to 1945. In 1835 there was no Federal debt but at the end of 1950 the debt was over $1,700 per capita and no serious effort is being made to reduce it. Continuance of this heedless policy of spending means only debt repudiation in some form. It is late and getting later. Let us pray it is not too late.

Continued on page 26

Sweden Holds Free Government in Jeopardy When Identity of Financial Contributors to Political Parties Becomes Mandatory

Concludes mandatory filing of names of political contributors conflicts with principle of secrecy of ballot and that obligatory filing of similar financial statements by newspapers and magazines might abridge freedom of press.

The question of whether the financing of political parties and election campaigns, as well as that of newspapers and magazines, should require an obligatory filing of statements has been answered in the negative by a government investigating committee in Sweden. Such a legislation, according to the committee, would not safeguard Swedish public discussion and opinion against foreign influences. Anyone who is willing to accept foreign support may also be expected to file inaccurate information about the financial setup. Anonymous domestic contributions ought not to be branded as objectionable, the committee further holds, and a filing of the names of the contributors would actually conflict with the principle of secrecy of the ballot. A mere listing of the contributions, without mentioning the donors' names, on the other hand, would be meaningless. An obligatory filing of similar financial statements by newspapers and magazines might involve risks for the freedom of the press. In extreme cases, public authorities might use such legislation as a pretext for intervening against papers which they regard as offensive.

Political Parties File Voluntary Statements

The political parties voluntarily supplied information about income and expenditure, etc., during 1948, when elections were held, and in 1949, and such data probably also will be furnished in the future. The Conservatives spent 6.8 and 4.1 million kronor respectively, the Social Democrats 4.6 and 2.5 million, the Liberals 4.9 and 1.8 million, the Agrarians 1.7 and 0.9 million, and the Communists 2.1 and 1.2 million. A survey of Swedish press ownership shows that 197 newspapers are owned by incorporated stock companies, 19 by other organizations, and 32 by private individuals.

New York Bond Club To Hear Jackson

William H. Jackson, former Deputy to Lt. General W. Bedell Smith in the Central Intelligence Agency, will address the Bond Club of New York at a luncheon meeting to be held at the Bankers Club on Wednesday, Feb. 6, it was announced by James J. Lee, W. E. Hutton & Co., President of the Bond Club. Mr. Jackson will talk on "Organization of National Intelligence."

With Hendrickson & Co.

John Carden has become associated with Hendrickson & Co., 115 Broadway, New York City, members of the New York Stock Exchange, as registered representative.

Washburn Appointed By Kidder, Peabody

Kidder, Peabody & Co., members of the New York Stock Exchange, announce the appointment of George Washburn as uptown sales manager of that firm's New York mutual fund department. Mr. Washburn, who joined Kidder, Peabody several years ago, was previously associated with Eastman Dillon & Co.

William S. Hernon

William S. Hernon, partner in the New York Stock Exchange firm of Hernon, Pearsall & Co., New York City, was killed in the crash of the American Airlines Convair at Elizabeth, N. J., Jan. 22. Mr. Hernon, who was 62, had been on a business trip to Rochester.

Dealer-Broker Investment Recommendations and Literature

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

Common Stocks and Cash Dividends—Brochure of common stocks on the New York Stock Exchange that have paid a cash dividend in every year for 20 to 104 years—New York Stock Exchange, 11 Wall Street, New York 5, N. Y.

Common Stocks for Investment—Tabulation—Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y.

Dow-Jones Stock Averages—Charts covering an 11-year period of the industrial averages and also a comparative graph of the industrials adjusted to the cost-of-living index issued by the Bureau of Labor Statistics of the U. S. Department of Labor—Oppenheimer, Vanden Broeck & Co., 40 Exchange Place, New York 5, N. Y. Also available are six graphs of U. S. Dollar circulation, total gross debt of the U. S. personal income, gross national product, bank deposits and market value of all listed shares compared to the "cost-of-living" dollars.

German Securities—Bulletin—Oppenheimer & Co., 25 Broad Street, New York 4, N. Y.

How Does A Stock Exchange Broker Earn His Living?—Discussion of the services offered by the broker—Bendix, Luitweiler & Co., 52 Wall Street, New York 5, N. Y.

Market—Bulletin with a comparison of Canadian Bond Prices and Yields—Western City Company, Ltd., 544 Howe Street, Vancouver, Canada.

New York City Bank Stocks—Comparative figures as of Dec. 31, 1951—The First Boston Corporation, 100 Broadway, New York 5, N. Y.

New York City Bank Stocks—Year-end comparison and analysis of 17 issues—Laird, Bissell & Meeds, 120 Broadway, 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.

Railroad Bond Exchange Suggestions—Bulletins No. 79 and 80—Smith, Barney & Co., 14 Wall Street, New York 5, N. Y.

Rails—Possible action—Walston, Hoffman & Goodwin, 35 Wall Street, New York 5, N. Y.

Taxability of Dividends Paid in 1951 on Investment Fund—Tabulation—Taussig, Day & Company, Inc., 316 North Eighth Street, St. Louis 1, Mo.

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

American Airlines, Inc.—Analysis—Sincere and Company, 231 South La Salle Street, Chicago 4, Ill.

American & Foreign Power—Review—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

American & Foreign Power Co.—Analysis—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y. Also available is a review of **Columbian Carbon Company.**

Anaconda Copper Mining Company—Analysis—Dayton & Gernon, 105 South La Salle Street, Chicago 3, Ill.

Argo Oil Corp.—Memorandum—Barclay Investment Co., 39 South La Salle Street, Chicago 3, Ill. Also available are memoranda on **Central Steel & Wire Co., Pickering Lumber Corp., Plywood, Robert Gair Co.,** and **Seismograph Service Corp.**

Canadian Investment Fund, Limited—Analysis—James Richardson & Sons, 173 Portage Avenue, East, Winnipeg, Man., Canada, and Royal Bank Building, Toronto, Ont., Canada.

Carlisle Corp.—Memorandum—Leason & Co., 39 South La Salle Street, Chicago 3, Ill. Also available are memoranda on **Churchill Downs, Firth Sterling Steel & Carbide Corp., Hialeah Race Course, Jessop Steel Co.** and **Narragansett Racing Association.**

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

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 American Transport Corporation—Analysis—Weinress & Co., 231 South La Salle Street, Chicago 4, Ill.

International Minerals & Chemical Corp.—Memorandum—Faroll & Co., 209 South La Salle Street, Chicago 4, Ill. Also available is a memorandum on **Poor & Co.**

Montana Power Company—Detailed progress report—Kidder, Peabody & Co., 17 Wall Srteet, New York 5, N. Y.

New York Central—Data—Stanley Heller & Co., 30 Pine Street, New York 5, N. Y. Also available is information on **Hercules Powder.**

North American Aviation, Inc.—Analysis—Dean Witter & Co., 14 Wall Street, New York 5, N. Y.

Public Service Electric & Gas Co.—Bulletin—Orvis Brothers & Co., 14 Wall Street, New York 5, N. Y. Also in the same bulletin is a brief analysis of **Sinclair Oil Corp.,** and a list of **40 Common Stocks** in eight industry groups with an attractive 1952 outlook.

Reeves Soundcraft—Report—Hecker & Co., Broad and Arch Streets, Philadelphia 7, Pa.

Security Banknote Company—Special report—Bonner & Bonner, Inc., 120 Broadway, New York 5, N. Y.

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

Struthers Wells Corporation—Analysis—H. M. Byllesby and Company, Inc., 111 Broadway, New York 6, N. Y.

Studebaker Corporation—Analysis—E. F. Hutton & Company, 61 Broadway, New York 6, N. Y.

Texas Pacific Coal & Oil—Bulletin—Bache & Co., 36 Wall Street, New York 5, N. Y. Also available are data on **Bethlehem Steel** and **Johns-Manville.**

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

Warner Brothers Pictures—Bulletin—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. Also available is a list of low priced stock suggestions and a list of 40 selected issues selling at discounts from the 1951-1952 highs.

Wyoming Gulf Sulphur Corporation—Circular—J. May & Company, Inc., 32 Broadway, New York 4, N. Y.

NSTA Notes

BOSTON SECURITY TRADERS ASSOCIATION

The Boston Security Traders Association will hold their 28th annual dinner at the Copley Plaza Hotel, Monday, Feb. 11. Preceding the dinner the usual luncheon will be held at 12:30 p.m. at the Hawthorne Room of the Parker House for all out of town guests.

Chairman of the Dinner Committee is Sumner Wolley of Coffin & Burr, Incorporated. Other members of the committee are John D'Arcy, F. L. Putnam & Co., Inc.; Lester Doucet, Salomon Bros. & Hutzler; Alexander Moore, J. Arthur Warner & Co., Inc.; and Wilfred Perham, Coburn & Middlebrook, Inc. (Boston).

Ticket reservations may be made with Edward Hines, Chace, Whiteside, West & Winslow, Inc.; room reservations with Calvin Clayton, Clayton Securities Corp.

Out of town reservations are in charge of Jack Hunt, Stroud & Co., Incorporated, Philadelphia, Ed. Russell, Edelmann & Capper, New York City, and Gordon Libby, Coburn & Middlebrook, Inc., Hartford.

SECURITY TRADERS ASSOCIATION OF NEW YORK

Security Traders Association of New York (STANY) Bowling League standing as of Jan. 17, 1952 are as follows:

TEAM	Points
Kumm (Capt.), Ghegan, R. Montanye, Krassowich, Manson	63
Goodman (Capt.), Weissman, Farrell, Valentine, Smith	51
Mewing (Capt.), G. Montanye, M. Meyer, LaPato, Klein	51
Bean (Capt.), Lax, H. Frankel, Werkmeister, Reid	50
Donadio (Capt.), Rappa, O'Connor, Whiting, Demaye	46
Serlen (Capt.), Gold, Krumholz, Young, Gersten	45
Krisam (Capt.), Gavin, Gannon, Jacobs, Murphy	44
Leone (Capt.), Tisch, O'Marra, Nieman, Bradley	43½
Hunter (Capt.), Craig, Fredericks, Weseman, Lytle	42
Burian (Capt.), Siepser, Gronick, Growney, Kaiser	35½
Greenberg (Capt.), Siegel, Cohen, Strauss, Voccoli	35
H. Meyer (Capt.), Swenson, A. Frankel, Wechsler, Murphy	34

200 Club

Ricky Goodman	214
Jack Manson	209
Cy Murphy	208
A. Burian	202
V. Lytle	200

5 Point Club

John Donadio
Walt Mewing
Willie Kumm

Carl H. Ollman With Lee Higginson Corp.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Carl H. Ollman has become associated with Lee Higginson Corporation, 231 South La Salle Street. Mr. Ollman was formerly with McDougal & Company and prior thereto was trading manager for Kebbon, McCormick & Co.

Gilbert Sharples With Raffensperger, Hughes

(Special to THE FINANCIAL CHRONICLE)

INDIANAPOLIS, Ind.—Gilbert M. Sharples is now with Raffensperger, Hughes & Co., Inc., 20 North Meridian Street, members of the Midwest Stock Exchange. Mr. Sharples in the past was with J. A. White & Company of Cincinnati.

COMING EVENTS

In Investment Field

Jan. 21, 1952 (Pittsburgh, Pa.)
Pittsburgh Securities Traders Association annual business meeting and mid-winter dinner at the Blue Room, Roosevelt Hotel.

Jan. 25, 1952 (Baltimore, Md.)
Baltimore Security Traders Association 17th Annual Winter Dinner at the Lord Baltimore Hotel.

Jan. 28, 1952 (Chicago, Ill.)
Bond Traders Club of Chicago annual midwinter party at the Furniture Club, 666 North Lake Shore Drive.

Jan. 28-30, 1952 (New Haven & Hartford, Conn.)
Association of Stock Exchange Firms winter meeting.

Jan. 30, 1952 (Chicago, Ill.)
Investment Analysts Club of Chicago and National Federation of Financial Analysts Societies Fourth Midwest Forum at the La Salle Hotel.

Feb. 8-9, 1952 (Chicago, Ill.)
Winter Meeting of Board of Governors of Investment Bankers Association at the Edgewater Beach Hotel.

Feb. 11, 1952 (Boston, Mass.)
Boston Securities Traders Association annual Winter dinner at the Copley Plaza Hotel.

April 18, 1952 (New York City)
Security Traders Association of New York annual dinner at the Waldorf Astoria.

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.

June 6, 1952 (New York City)
Bond Club of New York outing at Sleepy Hollow Country Club.

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.

Inflation, Money and the CIO

By EDMUND C. DIXON, Economist

Economist questions whether money supply was main prime mover in present U. S. inflation and whether control of money supply should be relied on as principal barrier to inflation. Indicates that increased wage rates, beginning in 1937, were closer to heart of inflation. Analyzes cases when wages should not rise with cost of living. Says current steelworkers' wage drive, if successful, would mainly syphon revenue from Treasury. Criticizes labor union position regarding profits and mentions advantages of different union policy.

Most speeches about the present price inflation in the United States blame it on the excessive increase in the quantity of money. To halt the price rise, they recommend a two- or three-part program to control the quantity of money—namely, prevent or severely limit further expansion of bank credit or perhaps reduce the present volume, balance the federal budget or achieve a surplus, and perhaps refinance some of the Treasury debt to get more of it out of commercial banks and into the hands of other investors.

Unquestionably increases in the quantity of money were the main cause of many general price rises in history and sometimes the only cause. And the increase in money probably was the direct cause of some of the U. S. rise of prices since 1940. But on further analysis, most of the price rise seems to have been either brought on, or made permanent, by a different driving force. Troublesome and inflammable though it was, the increase in money seems to have been partly a result of the second force just referred to. It was also largely what is sometimes called a conditioning cause, rather than the main precipitating cause, of the inflation.

Dieting to Reduce Prices

Concerning the monetary diet generally recommended, serious doubts arise about its feasibility and effectiveness under difficult conditions, and also about its manageabilty.

Its feasibility is doubtful, because the diet is so hard to follow during troubled times. After all, intensive efforts were made to finance the war according to this program—i.e., with as little bank borrowing as possible. Yet the government's bank borrowing which was found unavoidable between 1940 and 1946 accounts for virtually all of the increase in money during the decade of the 1940's.

The diet's current effectiveness, within reasonable limits, is uncertain, because the doctors don't really know how much monetary restraint is necessary to stop the wage-price spiral under present conditions: — of powerful unions demanding wage increases, of huge public holdings of money and Treasury securities, of taxes already jacked up as far as many people think they can go, of general insistence on maintaining high employment, and of the need for huge armament expenditures and foreign aid.

The U. S. postwar monetary record was surely strict enough under normal circumstances not to have caused the 50% price rise from 1946 to 1950. From 1946 to the attack on Korea, the federal budget had a small net surplus, in spite of the new burden of foreign aid. The quantity of money was steady. Commercial bank holdings of Government securities declined $28 billion from the end of 1945 to December 1948. Taxes remained high; in fact, so high in the case of personal income surtax rates, such as 50% at the $16,000 income level, and 91% at the $200,000 bracket, that normal private enterprise incentives are turned almost upside down.

It is mostly guesswork to try to tell what reasonable monetary controls, if any, could have stopped the wage-price spiral in a difficult period such as 1946-7, but monetary medicine would seem to have required a dangerously strong dose to have had a chance of controlling that price rise.

The country had about four times as much means of payment as it had before the war and a huge backlog of demand for goods. Within a few days of V-J Day the United Steel workers demanded a pay increase of about 20%, and the United Automobile Workers at General Motors a wage boost of 30% or such lower figure as the union should decide the company could afford after examining all the company's books. Both unions went on strike to enforce those demands. They finally settled for 18½c an hour in early 1946. Price ceilings had to be raised before the strikes could be settled. Those 18½c settlements launched the first postwar round of wage increases. After the end of price controls, a majority of prices shot upward. The resolution needed to curb the demand for goods by achieving a large Treasury surplus with which to retire debt, would have required converting the opinions of many people who feared the postwar boom would soon collapse.

Record of Monetary Controls

The diet's manageability is uncertain, because once it begins to take hold, it does not seem too easy to taper off again short of a depression and unemployment. In fact, the history of monetary controls in the U. S. shows far more croppers than victories.

Since 1946: a price rise of 67% in 5½ years. During the war: thoroughly abnormal conditions, including a huge increase in money which is now regarded as the root of the inflation, but which finally, by 1942, helped to end the depression and unemployment.

The decade of the 1930's: such appalling depression and unemployment it almost wrecked the private enterprise economic system and did help bring on the war in Europe through economic misery and impotence. Within the 1930's, in 1937: following some return toward orthodox finance, a precipitous relapse from a hard-won, incomplete recovery; and in 1933: collapse of the U. S. banking system following three years of increasing domestic bank failures and foreign currency devaluations and crises.

Late 1920's: stock market speculation which many advocates of monetary controls think brought on the depression, though some other writers say the efforts of monetary controls to check the stock speculation were what started the depression. In 1920-21: bad slump, especially in agriculture, which apparently took many years to repair. In 1919-1920: sharp inflation. 1916-18, war conditions again.

Perhaps the only period the believers in monetary controls can point to as a fairly successful example of their program was the few years between the recovery from the slump of 1920-21 and about 1927—5 years out of the last 35. Even that period included sizable business declines in 1924 and 1927. Whether the attempted diet, the outside complications, or the patient is to blame is too intricate a question to try to answer here.

Just how the monetary program is expected to work is also perplexing. How much unemployment will be necessary henceforth as a regular condition, through the effects of a tighter money policy, in order to stop the trade union demands for large annual rounds of wage increases and other fringe benefits? Or how much business slump will be necessary as a regular condition from tighter money before large corporations will balk at raising prices and will generally choose to take strikes rather than give in to demands for increased wages?

Finally, can we accept as satisfactory the apparent implication of the theory that the mass of U. S. consumers will, on the whole, spend so promptly any "excess" of money or savings they manage to get that it will cause inflation of prices, so that the only safe way to prevent inflation is never to let them have any "excess" of money or savings? (Consumption buying by people of wealth is obviously not limited by such monetary stinting since most of them always have cash or savings which they can spend when they choose.)

A Wages Explanation of Inflation

The main idea of this article is that there was another, independent force making for higher prices during the last 14 years, and that without it, the increase in money by itself, and given the other policies this country adopted, would have caused very much less of a price rise than we have had. Furthermore, without that second factor, the increase in money would itself have been much smaller.

That other factor is excessive increases in hourly rates of wages and salaries, supplemented by other additions to labor costs.

As will be discussed more fully later on, some of the wage increases did result from the increased level of demand for goods and for workers, which can to a large degree be traced back to the huge war-time increase in expenditure financed in part by increase in the quantity of money. But a great many other wage increases apparently came independently, i.e., from the demands of labor unions rather than from the demands for labor of employers responding to the demand for goods.

Except for those increases in wage rates generated by labor union demands and certain other wage policies, the price-control, budget, and credit policies since 1940 might well have been sufficient to keep the price-raising effects of war expenditures and postwar demand within bounds that would have been welcomed as a desirable degree of recovery from the Great Depression.

No claim is made that this wages explanation of our inflation accounts for every price rise. The more important types of price increases due to non-wage causes are mentioned in the discussion of cost-of-living wage increases below. And whatever help the Money School program can furnish toward the prevention of further inflation, provided it does not put the country into a monetary strait-jacket, will still be strongly desirable. But there seems to be an area where there are promising possibilities of keeping the economy functioning the way we would like it to if we make full use of this second explanation of inflation rather than rely on the monetary control program alone.

Effects on Demand and Supply

This explanation of inflation asserts that the higher wages have pressed irresistibly toward higher prices from both the side of the buying of goods and also from the side of the selling of goods. First, higher wage payments have caused the money demand for some kinds of goods — notably foods—to increase faster than the supply could be increased. This resulted in intense buyer competition and consequently higher prices. There had to be "rationing by the pocketbook." The rise in food prices has caused the most important increase in the cost of living for people with incomes under $5,000 or so.

Second, and more critically, the higher wages and salaries paid have also worked on prices by raising costs of production. In manufacturing, building, transportation, mining, communications, servicing, etc., producers have had to set higher prices on their products in order to cover these increased labor costs.

On a radio forum on Dec. 16, a high CIO official argued that wages, which presumably included salaries too, were only a small part of production costs—20%, he said without limiting it in any way. With wages and salaries around 65% of the national income before taxes and a larger percentage after taxes, it is nonsense to talk of wages being only a small part of production costs. They are by far the biggest cost, and they are the cost which has led the price rise.

The wages explanation of the present U. S. inflation has been suggested before and often criticized for one reason or another. But it is believed that the sections which follow fully answer all the criticisms.

Lead of Wage Rates

First of all let us look at the accompanying Chart I which shows in the top line the rise in average hourly earnings in U. S. manufacturing. Although wage and salary payments in manufacturing total only about a third of all such payments, and although their rate of pay is about 10% above the average, this BLS series seems to be the broadest hourly earnings series available. It rose from $0.556 an hour in 1936, which we have made equal to 100 on the chart, to $1.60 an hour in June, 1951.

The chart also shows three different price series, namely, the BLS wholesale price index, the BLS Index of Consumers' Prices, and the Workers' Cost of Living Index recently published by the United Electrical, Radio and Machine Workers (known as UE,

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Essentials of a New Foreign Policy

By HENRY R. LUCE*
Editor-in-Chief of "Time," "Life" and "Fortune"

Asserting U. S. is allowing itself to be subjected to double blackmail by global trap of Soviet Communism, prominent editor, after describing social collapse abroad since World War I, outlines as three primary things our Government should do: (1) revive international law and world-wide respect for it; (2) clear the way for world-wide activity of free men in building wealth and engaging in other lawful activities; and (3) transform State Department into a dynamic organization. Stresses need of re-establishing sound convertible currency on world-wide scale.

We are indeed in great trouble—all of us and our children. Our country is caught in a trap—the monstrous global trap of Soviet Communism, and experts would rather talk about anything than how to get out of it.


Henry R. Luce

One crazy idea is to stay in the trap for 20 or 30 years. This idea seems to be that if we keep thrashing around wildly enough, plunging from crisis to crisis, and if we keep on making bigger and better blunders for 30 years, the trap will get tired and wither away. Sure it will. But by then we'll all be dead. And not just us. Freedom will be dead and the American system of government and about everything else we hold dear.

At least, we should know by now what the nature of the trap is. It can be described in one word: blackmail. The United States is allowing itself to be subjected to a double-blackmail. We are being blackmailed by the threat of atomic war. We are also being blackmailed by world-wide threat of chaos; we are told in effect that if Uncle Sam doesn't make everybody happy, they will cut their own throats, they will jump from the frying pan of their own misery into the fire of Communism.

President Truman has announced that foreign affairs must be taken out of politics in 1952. Nothing could be more disastrous for our country and for the world. The man whose Administration allows the greatest country in history to remain a victim of blackmail needs to be brought to trial at the bar of the electorate. He needs to be dismissed for his incompetence and for his incoherence in foreign affairs.

The blackmailing threat of war is now somewhat reduced because of our rearmament. Our rearmament was late, irresponsibly so, and we have paid dearly in lives and money for that lateness, but our appropriations are enough at this stage to provide adequate military counter-threat to Communism—provided the money is used to put real guns into the hands of real soldiers and provided we operate correctly on the other half of the blackmail apparatus.

It is of this other half that I speak today—although, of course, both halves are diabolically triggered to each other.

We Are Confronted With a Lawless World

The United States today is confronted literally with a lawless world. That is both the essence and the scope of our problem.

People everywhere talk about American leadership. They implore it, they deplore it; they hail it, they rail at it. But very few either at home or abroad have any conception of what is required of this leadership.

It is in the perspective of history that we can best see what we are up against. Permit me, therefore, to take you back briefly to the summer of 1914. It was a beautiful summer. A great calm, undisturbed by any news, lay over most of the world. Everybody in Europe was on vacation. The house parties in England were never nicer. On the Continent the spas were filled with the rich and fashionable. An old aristocracy blended with a new plutocracy in a fine harmony of fun and relaxation. Millions of the middle class swarmed through the art galleries and up the green valleys of Switzerland. They feared no evil. And then, as history says, a shot was fired at Serajevo. War. It was incredible. It was a bad dream. It was a sudden insanity which would pass. But it didn't. In that beautiful summer of 1914, something **ended** forever—something very great and wonderful. That something has various names. You might call it the Nineteenth Century. Or you might call it the Age of Enlightened Evolution. Or you might just call it Europe, or perhaps more exactly, the European System. Anyway, it ended forever.

Two and a half years later, the President of the United States, Woodrow Wilson, sent a message to Congress asking for a declaration of war. "God helping us," he said, "we can do no other." Most thoughtful people felt that Wilson had kept God waiting long enough. Anyway at last he did it—on April 6th, 1917. And that day, something began that will never end until either a new world of freedom and justice is created or the whole of the existing world goes down into chaos.

That something—what was it, what is it? Again, you have a choice of names. You can call it Democracy. Or you can call it the Revolt of the Masses. Or, the Age of Unreason. Or the Age of Science and Technology. Or, with all these things, good or bad, as backdrop, you can just call it the United States — America, our America, entering upon the world scene, never to depart until her name wins the respect, if not the gratitude, of mankind.

Less than two years after Wilson sent that message to Congress, he, himself, went to Europe. No man ever stood on such a pinnacle as Wilson at that moment. Immense crowds went out in wintry weather to greet him—whole populations of famous cities. They wept for joy. Tears of hope poured out to wash away all the pain of the past. Cheers rang out to welcome a new era of democratic brotherhood. That was the greatest wave of promise and emotion that ever swept the Western World, and indeed it washed to the remote corners of Asia.

You know what happened, the failure, the disillusionment.

A quarter of a century later, another American President, Roosevelt, had the chance to be the greatest Peace-maker of all time. And he, too, failed.

In 1945 the power of the United States stood revealed as vastly greater than in Wilson's day. In fact, for the first time in history one nation had more military and economic power than all the rest of the world put together. And that nation was ours, America, a nation which we believed to be a moral nation, as sincerely devoted as any nation can be to the principles of justice and freedom. Hundreds of millions of people the world over believed it too.

Power, ample power, in the hands of a good nation failed. How come? However much blame may be ascribed to the leading actors on the stage, the meaning of the drama is obviously much deeper than the grease-paint of politicians.

Collapse of Social Structure Abroad

I have reminded you of this much history in order to emphasize one fact. In our lifetime, the social structure of practically the whole of humanity outside of the United States, collapsed. Even before the 20th Century opened, the civilizations of Asia had collapsed. Confucius was finished—he under whose moral authority a dozen brilliant dynasties had flowered. Hindu India lay impotent and is still today caught in a psychic dilemma of whether to go modern or to die. Islam, the warrior faith, had also become degraded: after a thousand years of conquest and survival, the Sultan had earned the title of "Sick Man of Europe." And then while all Asia was down and out, or perhaps just beginning an upward climb, Europe, Europe whose law was effectively the world's law, went down, tried to get up, went down again for the count.

Today the United States is the only political entity of global significance, able to defend itself, where law and custom, however threatened, are still coherently intact.

This United States is confronted literally with a lawless world. Too few have grasped what that means.

Winston Churchill is one of the few. I believe he has come here not primarily to beg. He has come here to search for some coherent principles of American policy with which to confront a lawless world. What can we tell him are those principles?

The other day, Geoffrey Crowther of the London "Economist" said, in effect, that Britain has no policy in the Middle East and that it is impossible for Britain to have any policy in the Middle East except one which is first of all an American policy. What shall we tell him?

I would begin by saying that American leadership can be successful — on one condition — namely that our activity in the world is in accord with the nature of the American nation.

The key to the nature of the American nation is the constitutional structure of our Federal Government. It is a Government of limited powers. American society is based on the wide diffusion of power. Power is diffused within the Federal Government and between it and the 48 states. Power is diffused between all Government on the one hand and, on the other, everything that is not Government, which is by far the biggest part of American life, and we intend to keep it that way. Government has already amassed too much power. We want less government, not more.

Applying this American instinct to the conduct of foreign affairs, we can state the global proposition in two terms. First, it is America's task to take the lead in establishing throughout the world conditions of freedom and order. Second, that task is to be done partly by the Federal Government but equally by the American people as people—with their unrivaled genius for successful non-governmental organization.

To be concrete, let me cite three things the Federal Government must do.

The first and foremost aim of our Government must be to establish in the world the rule of law. But the first thing we learn about International Law is that there isn't any—or hardly any. Therefore it has to be created. Recent efforts have been in terms of disarmament with international inspection. Disarmament proposals are weak in theory and illusory in practice. They may or may not be good propaganda.

I should like to propose a better—and more fundamental—way to apply the principle of international inspection. It is that the penal institutions of every country should be open to continuous international inspection.

Here is something which comes home to every man and woman in their daily life. Who may take you from your home and cast you into prison? And for what cause? For what cause may the State lay violent hands upon you, snatch away your property and/or your life?

It is not suggested that one common criminal law should be imposed upon mankind. Great are the varieties of social custom and inheritance; we both respect and we desire variety as well as commonality in human affairs.

Take for example, our good friend, Iban Saud of Saudi Arabia. Now I understand that the law in his country says that if a man is caught stealing, he shall have his hand cut off. Should the United States and Saudi Arabia get together on this criminal law so that in both our countries a thief will have his finger cut off? Obviously not. The present proposal is not to change any laws overnight; it is merely to invite all nations which claim to be lawful and law-abiding to make their law and its execution an open book. The only nations which could refuse are nations which are ashamed of their laws—or nations which are shameless in their lawlessness.

The consequence of such a proposal by the United States would be immense. It would set the whole world earnestly thinking about law—which is the only conceivable basis of any decent (let alone democratic) relationship between man and man. A serious concern for law would set a solid

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*An address by Mr. Luce before the Economic Club of New York, New York City, Dec. 15, 1952.

A Market Policy for 1952

By BRADBURY K. THURLOW
Partner, Talmage & Co.; Members, New York Stock Exchange

Mr. Thurlow, in commenting on a policy to be adapted to current stock market, points to minor swings in prices as indicating many investors have been induced at times to sell holdings for profit, and reinvest in "defensive" securities.

Looking back over the past year (a highly unsatisfactory one on balance for any price-conscious owner of securities who was not heavily invested in oils, metals, or wonder drugs) the correct market policy has been to make few changes, remain fully invested, collect dividends and wait. The experienced investor knows that this kind of waiting is perhaps the surest means of building a fortune, but by the same token, it is one of the most difficult disciplines of the human mind (which may explain why so many people who buy and sell securities do not end up with fortunes).


B. K. Thurlow

How many people we know who will look at a ten-year price record of some currently popular stock and lick their chops in pleasure over how many shares they would have bought back when the stock was down. They then mentally multiply their "original investment" by the rise in price which has since occurred and reap a vast harvest of pleasure in the thought, but usually little else, since this reasoning process is seldom carried to its practical conclusions. We mention this here because it proves that the correct method for making real money in a common stock (i.e., buy low, wait, and sell high) is generally recognized by a surprisingly large number of individuals, even though only by hindsight and after it is too late to do anything about it.

In actual practice, when a person is intelligent or fortunate enough to purchase some future market leader at a depressed price, he must, to make a substantial profit on his purchase, be willing to wait until it becomes popular. Having mastered this first obstacle, he may find himself confronted with a phenomenon like the 1951 stock market where his stock may show a good profit from his cost price, while speculative sentiment, hitherto invisible or dully pessimistic, suddenly flares into optimism only to reverse again overnight. The holder, with a good profit in his stock (and a very much better one in prospect if he can only hold on) is beset with continuing attacks on his position by a host of market services, some of which unfortunately appear to be irresponsible and make a business of attracting clients by publishing scare advertisements in the Sunday papers or changing their views whenever they think potential subscribers are bored with the status quo.

Unfortunately bull markets, in all but their final phases, are apt to be boring affairs. For every month of advancing prices, there seem to be two months of decline. Few will recall with pleasure the stalemate of autumn, 1925 to spring, 1927 which preceded the great final phase of the New Era Bull Market, or the dreary 1933-5 period ending in the rise which carried U. S. Steel in 24 months from under 30 to over 125 and Anaconda from 8 to 69⅝. More recently our 1943-4 market showed some of the same characteristics, while for investment grade stocks, even the 1946-9 period has proven to be one of consolidation for a further rise rather than one in which cash would have been the soundest investment.

In my opinion, those who predict nothing more than a duplication of last year in the market are merely following the line of least resistance and fail to see the significance of the backing and filling which has been going on now for practically a whole year, and which, in the language of speculative warfare, means this: A great many investors, who (in the late 40's) secured good positions at much lower prices in stocks which are destined to sell at much higher prices, have been induced during the past year to sell these and reinvest the money not in similar issues, but in "defensive" securities, which may, in addition to destroying their strategic advantage in the market, prove entirely inadequate to the function for which they were bought. In effect: "Having gotten in on the ground floor, they got out at the mezzanine."

The Investment Situation

By W. CARROLL MEAD*
Mead, Miller & Co., Baltimore
Members, New York Stock Exchange

Pointing out present investment situation is bound up with and encircled by inflationary trends, Baltimore investment banker advocates purchase of common stocks as best available hedge against inflation. Points out Dow-Jones Industrial Stock averages since 1951 has risen less than 40%, whereas commodity, real estate and farm land have each more than doubled in price. Concludes stock prices are not relatively high, and wider ownership of shares leads to more stability.

You have assigned to me the topic, "The Investment Situation," which to say the least is a complex subject, but as individual investors, you are doubtless most interested in common stocks. We, as individuals, are more concerned with the purchasing power of the dollar and the price level, say five years hence; so I will attempt to make a case for common stocks as the ideal investment media for most individual investors.


W. Carroll Mead

It is common knowledge that interest rates have been forced down by governmental action to finance the huge government borrowings. The government has fostered the so-called "easy money" policy. However, in the past few months, interest rates have firmed to a point where it may be roughly stated that good bonds yield 3%, good preferred stocks 4% plus, and good common stocks are available at 5%, 6% and 7%.

For banks, life insurance companies, and others having solely liabilities payable in dollars, government bonds are still the world's premier investment. The dollars will be paid punctually and promptly, but we, as individuals, face the problem of what the dollar will buy in terms of food, clothing, etc.

We have seen the purchasing power of the dollar decline until today it is worth only 52 cents compared to the 1939 dollar. In purchasing power, the dollar is worth less than anytime in our 163-year history. Our government is interested in taking corrective action in the erosion of our lands, but has paid little attention to the erosion of our savings and money.

Is the dollar to continue to lose purchasing power or can the decline be arrested? How can we, as individuals, protect ourselves?

My answer is: The trend is still inflationary, and a consequent further decline in the purchasing power of the dollar seems to be indicated. A number of reasons exist for this confident prophecy.

(1) **War and the Cold War:** We will live in a semi-war economy for the rest of our lives. We will still have the conflicts of the opposing ideologies. The struggle between the haves and have-nots will continue and may well worsen. An excellent example may be seen in Iran and Egypt. We may not have World War III, but we will continue spending billions to try to avoid this horrible catastrophe.

(2) **The Labor Situation and the Increasing Strength of Unions:** We have a labor force of 62,000,000 and a government which is committed to a full employment program. The government is pro-labor, and a working force of 62,000,000 is a potent political force.

(3) **The Tremendous Increase in the Cost of Government:** (a) The Defense Program. (b) The Veterans' Program. (c) Many other situations in our economy that are highly inflationary.

We hear it said that if we have a change in administration the cost of government will show a drastic decrease and that the Administration will be economical, but rarely has this pledge been carried out. I can only tell you that when the government expenditures have been built up to the magnitude now existing the pruning will be very thin in the overall budget picture. For fiscal 1953, the President asks Congress to approve a budget of $85 billion. The market value of all the stocks on the New York Stock Exchange is only a little over $100 billion.

To Deflate Is Political Suicide

We may just as well forget the good old days and recognize the fact that politically inflation is popular and to deflate is political suicide. The social scene has changed, and many of our younger generation look to Washington as the cure-all of every economic ill. Times have changed. We are the world's greatest power and have commitments all over the globe; so we must accept change and put our individual house in order.

As businessmen, we are deluged with appeals for contributions to the NAM, Freedoms Foundation, the Committee for the Adoption of the Hoover Report, etc. The Gas & Electric Company runs ads, telling the public of the growing encroachment of Federal Power projects. We write our Congressmen and Senators, urging economy and fiscal sanity. All these efforts are praiseworthy, but, gentlemen, the trend is still flowing towards spending more and more. We are in the hands of Washington and the world's economic ills.

If you accept the premise these conditions exist and are likely to continue, what steps can we and should we take to protect our savings and have a hedge against the increased cost of living.

Obviously, we have to abandon the old orthodox conception of having a preponderance of fixed interest obligations in our portfolio and concentrate more and more on equities or common stocks.

We recognize the fact that in all likelihood the tide of inflation is still running and will continue over the foreseeable future.

Hedges Against Inflation

How can we protect ourselves? Gold over the years has been the ideal hedge, but legally we cannot hold gold. That leaves us: (1) Real Estate; (2) Commodities; (3) Common Stocks.

I present the accompanying table for your consideration, and you can readily see of the various investment media. Common stocks appear to have lagged far behind. This might be partly due to the fact that the buyer of real estate has had little trouble borrowing the funds; whereas the borrowing to purchase stocks has been severally restricted by law.

Real estate, Commodities, and Common Stocks each have their merits and demerits. There is no perfect hedge, but of the various competing media, common stocks appear the most attractive for the average individual. They enjoy an active market. They are easy to handle. You can shift your position quickly. They pay good board and, if properly selected, appreciate in value.

On the New York Stock Exchange, the equities of some 1,100 corporations are listed. They represent the backbone and cream of our economy. From this list may be selected equities to fit any conceivable investment objective. You can pick your industry. You can pick your management. Some may prefer the utility industry because of its more stable characteristics. Others may prefer growth industries like the chemical companies. Some prefer the extractive industries with their obvious inflation hedge characteristics — lead, copper, aluminum, etc.

Every man's problem is different. Some can afford little risk; others a larger degree of risk. I say risk advisedly because risk is inherent in any investment. The risk, however, may be calculated.

Some of these companies have paid dividends for over 100 years. You can get a current income of 5, 6, or 7% and the hope the company will continue to grow and even be more successfully operated in the years ahead with a consequent increase in market value.

You may walk into my office or the office of any competent broker and get exhaustive statistical information on any company you might be interested in. You will be welcome regardless of the size of your investment—whether it be $100 or $100,000.

Market Not Too High

Some will tell you the market is historically high with the Dow-Jones Averages over 270. The averages do not take into consideration the 52c dollar. Billions have been plowed back through retained earnings over the past decade, measurably increasing the book values. Earnings have shown an enormous increase. Today, the Dow-Jones Average is about 11 times estimated earnings; whereas in 1929, the ratio was 19.2. The stock market would have to go considerably higher to equal the advance in Real Estate or Commodities.

The year of 1952 will be no different than other years, in that there will be many conflicting problems to be resolved. It is a Presidential year. We must always be alert for changes in the overall picture, both local and global changes.

Selection and timing as well are all important. Last year, the Dow-Jones Averages advanced approximately 14%.

Tire & Rubber Stocks	+51.6%
Radio & Television Stocks	+ 40%
Petroleum Stocks	+37.8%
Chemical Stocks	+28.3%
Steels	0
Railroad Stocks	— 2.3%
Cigarette Stocks	— 9.8%
Liquor Stocks	—14.6%
Textile Stocks	—17.5%

Comparison of Investment Values

Investment Media—	1937 High	—1951—		Percentage Increase
Farm Values per Acre (1935-1939=100)	102	248	(Nov.)	143%
Cost of 6-room House	$6,443	$15,971	(Dec.)	148%
Commodity Prices—USBLS (1926=100)	88.0	178.3	(Nov.)	103%
Dow Jones Industrial Stock Averages	194.40	271	(approx. Jan. 18)	39.4%
Dow Jones Industrial Earnings	11.49	24.32		111.66%

You have to own the right stocks. You have to be resourceful; use your imagination. It is visible to you that air transportation is increasing, that more natural gas is being used, that the use of oil is steadily increasing with the dieselization of the railroads, more automobiles on the road and more homes heated by oil. You gentlemen in the utility industry can see the growth in electric power output The kilowatt hour output for the week ending Jan. 19 was over 7,600,000,000; whereas for the comparable week a year ago, it was 6,980,000,000. We are growing and will continue to grow.

Few people appreciate our tremendous growth in population. We are growing at the rate of almost 3,000,000 per year. Since 1940, the population has grown by 24,000,000, and at the end of this year, the population will have grown by 27,000,000. This increase is more than double the entire population of Canada.

Common Stocks Widely Owned

Common Stocks are being bought by more and more people, who are seeking a higher rate of return and inflation protection. The pressure for increased income has drastically changed the investment procedures of many people and institutions. We see a trend to more institutional acceptance of common stocks as long-term investments. Many college endowment funds now have over 50% of their funds invested in a diversified list of common stocks. Pension funds are an enormous factor. The laws of New York State now permit trustees to buy common stocks. Banks and trust companies on the urgent and insistant plea of the beneficiaries of estates are buying more and more common stocks. Legislation has recently been

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*An address by Mr. Mead before the Engineers Club, Baltimore, Md., Jan. 23, 1952.

U.S. Responsibilities in Free World

By HANS A. EGGERSS*
President, Continental Can Co., Inc.

Prominent corporation executive lists as qualities which have contributed toward American world leadership: (1) natural resources and productive capacities; (2) initiative and responsibility; and (3) concern of average American for his fellow man. Says these qualities require dignity and moral responsibility of individual leaders and maintenance of strong and steady balance of nation's fundamental qualities. Denounces excessive government controls as leading to collapse or dictatorship, and as destroying essential incentives. Urges business share in nation's leadership.

Let us start with a statement that is pretty well recognized, I think: "The United States is now the leader of the free world." How has this come about? Why do we have the leadership of the free world — a leadership we have not sought deliberately? Whether we like it or not, the mantle of leadership has fallen upon our nation partly by default, because the strength of other nations has waned, but more importantly because of American qualities.


Hans A. Eggerss

*An address by Mr. Eggerss at the Inter-Industry Conference on Chemicals in Foods, sponsored by the Manufacturing Chemists' Association, New York City, Jan. 15, 1952.

First among these qualities are America's natural resources and productive capacities—or physical or material attributes. These physical characteristics give us stature and strength for which we are recognized everywhere.

Second among these qualities is American initiative and responsibility—which might better be described as keeness of mind or mental capacity. The United States has demonstrated unusual ability to solve problems in the realms of production, science, medicine, and government, as well as those resulting from regional and other differences among her people.

Third among these qualities is the concern of the average American for his fellow man, his desire to help others, his generosity, his willingness to serve in the quest of gains for all and not for the sake of selfish gains alone.

But this roll of leadership which confronts America is not easy. First and above all, it requires dignity and moral responsibility of leaders as individuals to whom others can look with pride and confidence.

Second, it is necessary for our nation as a whole to maintain a steady and strong balance of its fundamental qualities, its resources, its initiative and its willingness to serve humanity without selfish interest.

As the nation grows, and as the demands upon it for leadership increase, the complexity of its job increases. This means that the job of guiding our society along the right paths becomes tougher than ever before. The *balance* of qualities must be maintained. This again brings up the question: How? Will this be achieved by leadership of its citizens, or is the answer an unbalance in government controls? Here is where America can and should profit from history.

Controls Lead to Collapse

History has shown that controls which went too far resulted in the collapse of nations. The Roman Empire fell under the weight of its autocratic government. Other monarchies have gone down under the burden of their impositions.

In recent years we've seen the collapse of dictatorships which depended upon state controls. Government control can never endure when it destroys the quality of individual initiative, even though such controls momentarily may seem to be carrying the day in a difficult situation. But, again, on the other hand, freedom which goes to the extreme of anarchism cannot endure either, for this extreme, too, leads to destruction of men and resources. The French Revolution was a shining example of that extreme.

The original concept of the American way of imposing a democratic pattern as the single important control within which the individual freedom is held—that concept must be preserved. This is the only system which will work and endure. Rigid controls which restrict the individual too much will destroy the moral fibre on which this nation is built, will make its people feel frustrated and hopeless, and in the end destroy the great American desire to improve and grow.

Let us not forget that initiative has been "the catalyst" of our free enterprise system. If, in our desire to achieve individual security, we do it at the expense of individual initiative, we then destroy ourselves. This cannot, or rather must not, happen if America is to be the leader of a free world, and if our present way of living is to prevail.

Leadership to preserve and strengthen our American system is the primary need. This is a job in which all must share. Such leadership must come from all branches of our social and economic structure through the individuals in them. Maybe each of us can't do all that is necessary.

By the nature of our backgrounds or our work we are better qualified to contribute in some ways more than others. But, to whatever degree we can help, it is our profound duty to add our bricks to the great edifice of American leadership. Only through such leadership can we find the alternative to further extension of government controls, and of which there are far too many already. We have reached a danger point in our country's history. We can go onward toward more governmental regulation and, in fact, become ultimately like those who would destroy us, or we can find ourselves again and obtain a healthier balance of governmental activity. This, of course, means that we place more responsibility where it belongs—among all individuals who make up our democratic society.

Business Should Share in Leadership

To do this, we must draw on business to share its leadership. Business makes up an important, maybe the most important, segment of American life. Our national strength of today can be traced to our pioneering attitude, our willingness to risk in order to develop new things, our initiative to delve confidently into the realm of the unknown, and to build to a better standard of living for all. Business in its broadest sense possesses in great abundance the basic qualities which have made America great. Its leaders have achieved position through merit, through the ability to meet the challenges of public needs, and to persevere in the face of complications and competition. There is not one among you who cannot give a life story full of accomplishments, all in the interest of improving man's existence on this earth. These contributions are proof of the ability of businessmen. It is the basis upon which respect and confidence of the people has been earned, not only in this country but throughout the world

Through all these years business has demonstrated its capacity for leadership, and particularly has this been demonstrated and accepted in times of national crisis. Its acceptance of responsibility to its employees, its public and its stockholders is proof of its ability to face issues squarely, grow *with* instead of *against* changing times, and overcome obstacles with tact, combined with determination. It is business management that has supplied the leadership that has enabled our nation to translate dreams of the world's highest living standard into an accomplished fact. Will it continue to be a leader on that score?

Nobody, including the businessman, can rest on his laurels. This is no time to stand still, because if any of us do, somebody else in the world will turn things upside down around us. We need now, more than ever before, to maintain constant vigil to preserve the basic concepts of our society.

A great need of today is a deep and abiding patriotism, a determination to keep the things which made America great, and with that understanding to solve the problems of today. We can accomplish this far better by knowing what our aims are rather than by so much energy directed at what we are against. It is the responsibility of business to be positive about challenging activities which threaten our way of living, our progress in business as well as the fundamental precepts of our Constitution as originally written. New ideas must of course be welcome — in fact searched after—but in their evaluation, let us keep constantly in mind the best of our traditions.

It seems clear to me that leaders in the business world have not asserted an affirmative leadership to the degree that they can and must if we are to survive. This, too, may be a product of our increasingly complex society.

Businessmen Should Speak Out

Businessmen have jobs to do which keep them preoccupied and sometimes overburdened. They are keeping their thoughts, their leadership, confined to the realms of their offices, their laboratories, their factories, or their markets. The time has come when this leadership must be shared outside of these realms, or we must face the loss of the basic principles which made this country what it is today. So let's face the issue squarely in the days ahead. Let business leadership broaden its horizon by fitting its time and thinking into broader spheres. But let businessmen not make the mistake of putting their prestige alone into another field of work. Prestige in itself serves nothing. To be leaders outside the regular field of business, it takes preparation and an understanding of the problems which face us in preserving our society, but we still must take substantially the same approach as is used for making decisions in one's own field of business.

It is quite apparent that business must lose the fear of reprisals when speaking out. If proper preparation of a well-thought and unselfish plan has been made, then the possibility of reprisals will be greatly reduced, yes, even eliminated. We must be so prepared that whatever reaction there will be, will not be adverse, but will, above all, build confidence and understanding.

It has been said that business leaders hesitate to assert themselves because they don't know what people think — people in their industry, in their company. Such hesitation is not justified for there is a simple solution. Time and thought, devoted to a study of what the attitudes may be of those who are concerned with what we say, will let us speak with confidence and without fear of adverse effect.

Place before the people your explanation of what you feel will contribute to the nation's strength and well-being. Certain it is, there can be no disagreement or opposition to this approach if careful preparation and understanding are the foundation of your expressions. A primary task of leadership should be to stimulate and coordinate the activities of those who believe in a common cause.

Basic Pattern of Our Social Structure

The fundamental concept of the privilege of expression must be balanced by responsiblity, and in that way lies greater freedom. This is the basic pattern of the American social structure. The responsible people do not fill our jails. It is those who would ignore their responsibilities who end up in our jails. If we would not lose our freedom let us understand the broad meaning of responsibility which we owe to our forefathers for preserving the society they gave us.

And speaking further on expression, let us not forget our consideration must always be for the other fellow—the general public. Again, let me emphasize: Be sure we so prepare ourselves that the public cannot mistake what it is we are *for* and what we are *against*. Disregard of thought for others through poor leadership soon brings on warped thinking and, in turn, distrust, followed by the extreme of anger and resentment. The public then becomes prey for those who would destroy us and our society. It is not always easy to give consideration to the other person's position and point of view, but it is the safe way. This more difficult course generally results in achievements of greater import which are far more substantial.

With such careful consideration to the approach, leadership must be exerted on issues as they develop—not crisis leadership, after the fact, after trouble has occurred and issues have hit the headlines. Leadership like this is not easy when we are all so busy. But here much depends upon our attention to those issues on which each of us, on the basis of his experience, is most capable of judgment. The results to be obtained in turn will depend upon how affirmatively we assert ourselves and back our convictions. This pattern must apply whether it be in our homes, our offices,

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Impact of Military Production in 1952

By J. D. SMALL*
Chairman, Munitions Board, Department of Defense

Though pointing out year ahead is full of "ifs," Munitions Board's Chairman predicts, in terms of Gross National Product, military effort in current year will take about 18% as compared with 12% in 1951; and, in dollars, military expenditure will be more than $50 billion, as against $30 billion last year. Foresees some shortage of steel, copper, and aluminum, but says supplies are improving. Points out nation is partially dependent on imports of strategic materials, and stockpiles have reached only one-third of objectives. Cites increase in small firms' employees, particularly in metals.

My subject today is "The Impact of Military Production During 1952." That sounds like an easy subject, and one on which I, as Chairman of the Munitions Board, should be able to talk with considerable certainty.

J. D. Small

The fact is that I could talk to you with real assurance if I but new what the coming months hold for the world and for our country. I do not know, nor do you, nor does anyone know, except perhaps the men in the Kremlin, what sacrifice and struggle the free nations of the world may have to face in the year ahead.

The year ahead is full of "IF's." If the existing state of dangerous uneasy tension continues through the year and does not flare into sudden "all-out" war by accident, or by Soviet intention, then we would expect the military production programs to proceed as planned, and I can and will give you here today some idea of the resultant impact on the economy.

It is obvious that should the magnitude of shooting warfare increase, whether it becomes all-out or not, the impact of the military programs would also have to increase. It is equally obvious that should those who believe in "business as usual," and who would ignore the cold facts of national security, prevail in their contentions, some reduction in military programs might result. To that possibility, I say with all the sincerity at my command "God forbid."

Here let me say that the policy of limited mobilization adopted a year ago, in November, 1950, when the President proclaimed a national emergency, was fundamentally sound and, in my opinion, remains today fundamentally sound.

Simply stated, that policy of limited mobilization meant that our country would create a bare minimum of military strength; and, in so doing, would phase the short lead-time items with the long lead-time items so as to spread out, and minimize, the impact on the civilian economy; would not buy far in advance of needs; would not build up mountains of munitions which in many instances would rapidly become obsolete. Such a policy of limited mobilization involved a calculated risk, and today still involves a calculated risk.

Today there are those who say that this calculated risk is still too great a gamble and that we should move forward faster in the creation of military strength. Others, and they are increasingly vocal, say that we are moving too fast, that they do not think there is really much danger; that for the sake of "business as usual" we should take even greater risks and slow down our preparedness efforts.

In my opinion, both are rather extreme positions, and as is usually the case, the proper course is probably somewhere in between. I believe that we are now pursuing such a middle course and that we should continue on the course of limited mobilization as now charted.

A Prediction of Military Outlays

Assuming that we do continue on our present course, what will be the impact of the military programs during the year ahead?

There are several ways of measuring the impact. In terms of Gross National Product, the military effort will in 1952 take up about 18% as compared with about 12% in 1951. In terms of total dollars the military will spend in 1952 a little over $50 billion as compared with a little over $30 billion in 1951. It was only $13 billion in 1950.

Of their total dollar expenditures the portion going into military procurement of both hard and soft goods during calendar 1952 will probably be close to $40 billion as compared with $20 billion in 1951.

Expressing it in another way, total military expenditures during the month of December 1951, including pay, were a little over $3 billion and, a year later, in December, 1952, expenditures will probably be at a level of about $5 billion per month with the peak of monthly expenditures still ahead in 1953.

While military expenditures are an important measure of impact on the economy, it seems to me that an even more important measuring rod is the amount of materials, particularly metals, used for military production. Let me give you some figures on metals.

In the third calendar quarter of 1951 (July, August and September, 1951), the direct military take of carbon steel was about 1,400,000 tons. In the last quarter of 1951 the direct military take was about 1,500,000 tons. In the first quarter of calendar 1952 the take is about 2,000,000 tons and in the second quarter will be about 2,200,000 tons, or about 11% of the total supply of carbon steel. Present programs indicate that the military take will increase slightly in the third quarter of 1953, possibly to 2,400,000 tons, and should level off at about that level if world conditions do not get worse.

In fairness, it should be made clear that the direct military take of steel, and of other metals, is not a full measure of the military impact because military end-products include many so-called "B" products, such as nuts and bolts, nails, small motors, ball bearings, and the like. The civilian agencies estimate that for every ton of steel, directly taken by the military, a little over a third of a ton of steel would be needed in the form of "B" products. This is admittedly a "guess" figure, and is higher than World War II experience, but even if it is on the high side it would indicate that the total military take including "B" products during the second quarter of calendar 1952 will not exceed 15% of total supply of carbon steel and, if present plans carry through, should not exceed 20% during calendar 1952.

In the case of alloy steel the impact of military programs is heavier.

In the first quarter of calendar 1952 the direct military take is about 23% of supply; including the civilian agencies' estimate for "B" products the total take is about 32% of supply. In the second quarter of 1952 the military take including "B" products of alloy steel is slightly higher and in the third quarter is expected to level off at about 40% of supply. One reason for the high percentage of alloy steel needed by the military is the large amount needed for jet engines for aircraft. Jet engines operate at much higher temperatures than did the piston engines of the last war and hence require much larger quantities of high temperature alloy steels. The greatest users of alloy steel other than aircraft are tank-automotive (the largest user) weapons and ammunition.

Structural steel is in very short supply in the economy.

The military need for structural steel during the second quarter of calendar 1952 is about 20% of estimated supply. Since a major part of this is for expansion of air bases and creation of new air base facilities for the much heavier and much faster airplanes now desperately needed for the defense of our nation, the military need for about one-fifth of our structural steel supply does not seem to me to be exorbiant.

Copper presents a serious problem, primarily because of the fall-off in copper imports.

While the military take of copper products is not much higher, tonnage-wise, than was anticipated a year ago, it becomes a higher percentage of actual supply because of lower than expected imports. The direct military take of copper products during the second quarter of calender 1952 is about 23% of supply. Including "B" products, it amounts to about 31% of supply. The military take of copper products is expected to rise only slightly during the third quarter of 1952 and should level off at about that figure. The great bulk of the copper used by the military is for ammunition.

The military take of aluminum has the heaviest percentage impact on the civilian economy.

Aircraft is, of course, the heaviest user, with ammunition second. The two programs together account for about 70% of the military requirements. Fortunately, due to actions started by the government in 1950, and vigorously prosecuted ever since, the supply of aluminum is steadily increasing and by 1953 the supply available for civilian purposes should be much more adequate than now. In the first quarter of calendar 1952 the direct military take of aluminum is about 140,000 tons. It rises moderately in the second quarter and is expected to level-off at something under 200,000 tons a quarter. Including "B" products the current military take is running slightly above 50% of available supply of aluminum products.

A Brief Review

To review briefly for a moment. In the case of steel, we see ahead of us an increasing supply—almost, but not quite, keeping pace with the increase in the direct military take.

In the case of copper, some modest improvement in supply can be expected but the acute shortage will probably persist throughout the year and into 1953.

In the case of aluminum, supply is increasing but military demand will also continue rising until it levels off late in the year. An easing in the civilian supply of aluminum is not anticipated until 1953.

In summary, as to metals, the pinch is on. We can expect shortages of all three basic metals, steel, copper and aluminum, to continue for at least the first half-year and probably for the first nine months. Thereafter if world conditions have not worsened there should begin a gradual easing.

The key factor in 1952, and even beyond, is the availability of materials, which will absolutely determine the range of civilian output, and may, to some extent, control the military buildup.

I think we should all bear in mind the implications of this situation.

Dependent on Imports of Strategic Materials

America, long considered a "have" country, does not have, of itself, all that we need today to keep strong and economically healthy. We are dependent on our imports of strategic materials, which come from almost every corner of the world. We can no more even consider isolationism, if we wish to retain our

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*An address by Mr. Small before the Annual Forecaster's Conference, sponsored by the Chamber of Commerce of Greater Philadelphia, Philadelphia, Pa., Jan. 15, 1952.

The Business Outlook For 1952 and Beyond

By DEXTER M. KEEZER*
Director, Department of Economics
McGraw-Hill Publishing Company, Inc.

On premise of Cold War's continuation short of all-out war, Dr. Keezer predicts 1952's production will increase 4-5% over last year; prosperity will be highly selective; business as a whole will become increasingly competitive; price level's rise will be confined to 2-3%. Asserts toward end of year plant investment will decline, resulting in severe competition in capital goods industries. Expects later post-mobilization period to be free of severe depression.

As a nation we have become so rich that consumption of a large share of what is produced can be postponed without any direct personal inconvenience to those doing the postponing. I do not pretend to know with any degree of exactness how large a share of our total production is represented by this range of optional consumption, as it is sometimes called. But, if you made me do it I could come up with a plausible demonstration that consumption of somewhere in the neighborhood of 40% of everything that is produced in this country is optional. The percentage will obviously increase as the emergency draft on our production facilities for defense declines.

Dexter M. Keezer

It follows axiomatically that the difference between great prosperity and the deepest depression depends, at least in its inception, on our success in selling goods and services to people who are under no pressure of immediate necessity to buy. That is your business as sales executives.

I hope that it will not appear that I think I have discovered anything new in this element of optional consumption which gives you sales managers such great importance. Quite on the contrary, that monumental pessimist, the Reverend Thomas Malthus, had the same general idea in the year 1798. Then he wrote:

"In America, where the reward of labor is at present so liberal, the lower classes might retrench very considerably in a year of scarcity, without materially distressing themselves. A famine therefore seems almost impossible."

Malthus then went on, of course, to predict that in due course laborers would be much less liberally rewarded and we would probably manage to have a famine after all. In that he was as completely wrong as Karl Marx was in his forecast that capitalism would progressively submerge and degrade the laborer. But Malthus had the right idea about the importance of optional consumption in America over 150 years ago. It has become far more important since.

* * *

In discussing "the basic structure of our 1952 selling problems," there is one basic assumption—in fact the most basic assumption about this structure. It is that World War III is not in the immediate offing. On this subject I have absolutely no credentials as an authority. All I know is what I read in the papers and, in the nature of the Iron Curtain, I suspect a considerable part of that isn't true.

No Chance of Soviet Success

However, as I see it—primarily from an economic and industrial point of view — the Russians haven't one chance in a hundred (make it one in fifty if you prefer) of winning an all-out war with the West at any time soon. Under such circumstances I don't think they are going to start one. This seems to me particularly true since they obviously have lots of room to make headway against the West by a combination of internal subversion and external military pressures. It is my unhappy impression that they are now using this room quite effectively.

If I am right that World War III is not imminent but that anything which might plausibly be called peace is also remote, I think the basic structure of our 1952 selling problems will have these general characteristics:

(1) Business, as a whole, will carry on at a high level through the year. If you ask me to be specific about how high is high I'll say that, in physical terms, the sum total of everything produced in 1952 will be 4 or 5% larger than it was in 1951. Don't shoot me if it turns out to be 2 or 6%.

(2) A good many companies will be asking, "What is this prosperity we hear talked about? We have no part in it."

(3) Many segments of business —perhaps enough to be counted "business as a whole"—will become increasingly competitive as the year wears on.

(4) The price level as a whole won't go up much during the year. Again if you ask me how much is much I'll say not over 2 or 3%.

And in saying this, or anything else about the uncertain future so dogmatically, I'll toss a salute of recognition in the direction of that ancient wise man Aristotle who observed that "It is part of probability that the improbable will happen." Nonetheless, in handling both our personal and business affairs all of us are forced to make assumptions about the business outlook. What I am giving you is a set of guesses which, if they prove mistaken, will be at least studiously mistaken.

Bases for the General Predictions

Now I shall undertake briefly to justify the four generalizations about business in 1952 which I have made.

As all of you know, there are two major elements in the business situation which perpetuate the boom. Without them virtually all of you sales executives would be so busy scrambling for business that you might not even have time to attend meetings like this. These elements are:

(1) The defense mobilization touched off by the war in Korea.

(2) The program of capital investment by business which, in turn, was touched off in large part by the defense program.

Among professional business forecasters there is virtually unanimous agreement that the defense mobilization and capital investment by industry will be carried on at a pace which will sustain a very high level of business activity through the year 1952. In fact, the agreement is so unanimous that it is distinctly worrisome. It suggests that the forecasters have taken to running in a pack, and that is always dangerous.

Although I have worked hard at it, I cannot escape the same general conclusion. As I shall indicate a little later, I do expect business to encounter somewhat heavier going along toward the end of the year. But, as a whole, I still think it will be extremely good.

Cannot Discuss Business as a Whole

To talk about business as a whole, however, begs the issue a bit. You cannot eat a general average, even if it is very high. And we found during 1951 that it was possible for individual companies and indeed whole industries to have a lot of trouble right in the midst of a general boom. That was notably true of most of the textile industry, and a large segment of the industry which produces consumer durables.

These industries are now working their way out of the hole into which they got by producing a lot more than could be sold immediately.

A backing up of inventories is disappearing, and before 1952 is very far advanced there may well be shortages of some consumers' goods made of metal which were so abundant a few months ago as to be positively painful to their possessors.

Trouble for Residential Builders

It is a safe bet, however, that as industries which were in deep trouble in 1951 work their way out other industries or parts of them will take their place in the hole. Except in a very general way, I am not prepared at this time to nominate candidates for the 1952 trouble seat. But, just as an example, I should think that some companies which either build or furnish residential structures might find the going rather heavy. This is because shortage of key materials gives promise of forcing a substantial cut in residence construction.

Last year, the trouble in the industries I have mentioned was that they produced more than they could sell promptly, and, hence, had to cutback production while working off excessive inventories. This year, in contrast, the trouble is more likely to arise from the fact that they cannot get material enough to produce which they could sell. I anticipate that small companies will be particularly afflicted in this regard. But, even so, I do not expect the troubles to be general enough or to go deep enough to take anything like all of the bloom off the boom in 1952.

Now I come to the reasons why, contrary to many and probably most of those who concern themselves with the business outlook, I think business as a whole is going to get more competitive as the year wears on. They are my expectations that:

(1) Government expenditures for defense are not going to increase as much as most people think they are.

(2) Plant and equipment expenditures by industry will decline some toward the end of the year as the boom of such expenditures for defense plants passes its peak.

(3) Civilian consumers are going to be considerably more choosy than they have been most of the time during recent years.

It seems clear that for the year as a whole capital expenditures by industry will carry on at a very high level, perhaps even higher than the record breaking annual level of 1951. But there

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*A talk by Dr. Keezer before the Thirteenth New England Sales Management Conference, Boston, Mass., Jan. 11, 1952.

Truman Forecasts Huge Budget Deficits

In Annual Economic Report to Congress, Chief Executive indicates a deficiency of $8 billion for year ending June 30, 1952, and warns that 1953 fiscal year deficit may reach $16 billion unless taxes are increased quickly.

President Harry S. Truman, on Jan. 16, submitted his Annual Economic Report to Congress, along with the Annual Economic Review by his Council of Economic Advisers. The outstanding feature of the documents were the estimates made by the President and his advisers of the expected public expenditures for the coming fiscal year (which are in the neighborhood of $85 billion) together with recommendations for further legislation to increase Federal revenues by $5 billion.

President Truman

The portion of the President's Report dealing with this and kindred topics follows:

Requirements for Additional Taxation

Adequate taxation is essential, both to assure a sound fiscal position and to maintain economic stability. If the added Government spending for the defense program is not to lead to price inflation, private spending by consumers and business must be held in check. Taxation pays for the Government spending, and at the same time reduces funds available for private spending.

Three major tax laws have been enacted during the past 18 months. They have increased the annual yield of the Federal tax system by about $15 billion, or approximately by one-third. This is a good record. But it falls short of the amount of additional revenue needed.

Early last year, I asked for a minimum tax program to yield $10 billion or more. The bill enacted by the Congress came late in the calendar year, added only about one-half of this amount, and included a number of provisions which lost the Government revenue and reduced the equity of the tax system. A budget deficit of about $8 billion is expected for the current fiscal year ending June 30, 1952. This is expected to be followed by a budget deficit approaching twice this size for the fiscal year 1953, unless further vigorous action to raise taxes is taken very soon.

In view of this fiscal outlook, I urgently recommend that the Congress, as a minimum, provide additional revenues in the amount by which last year's legislation fell short of my recommendations. This can be achieved by eliminating loopholes and special privileges, and by some tax rate increases. While new tax legislation along these lines could scarcely affect the deficit for the current fiscal year, and would not restore a balanced budget in the fiscal year 1953, it would make a major contribution to the Government's budgetary position and to the stabilization program. The additional tax revenue will help to minimize borrowing by the Government from the banks. Borrowing from banks, more than borrowing from any other source, tends to enlarge the spending stream and thus to increase inflationary pressures.

With the tax system strengthened as I recommend, there should be sufficient revenue, under the security program now planned, to cover fully the Government's expenditures after the peak of the defense build-up has been passed, and defense expenditures have been adjusted downward. It is important that we return, as quickly as possible during the period of defense mobilization, to a current pay-as-we-go basis for Government financing.

Saving

If we are to hold down private spending to the level of available supply, while the national security programs are expanding, it is necessary also to promote a high level of saving. Dollars of income which are not spent by consumers or businesses do not add to inflationary demand.

During most of 1951, personal saving was at an unusually high rate. Relatively stable prices encouraged increased saving, and increased saving helped to stabilize prices. We must continue to maintain conditions which will favor both saving and stable prices.

Increasing the investment of private savings in Government securities will reduce the need for the Government to borrow from banks for the purpose of refunding maturing security issues and financing deficits. Buying United States savings bonds and other Government securities is a good method of saving, and it is also a good method of supplying the Government's borrowing requirements in a non-inflationary manner. Holders of maturing Series E savings bonds now have the privilege of maintaining their investment in these bonds for another ten years, during which the bonds will continue to earn interest at the same over-all rate. The efforts of the Treasury and other Government agencies will continue to be directed toward encouraging individuals to buy and hold savings bonds and other Government securities.

Credit Control

Since private borrowing can augment the spending power of individuals and businesses, and thus add funds to the aggregate spending stream, credit control is also being used to help stabilize the economy. This type of control cannot be used indiscriminately, since credit plays a vital role in the functioning and growth of the economy, especially now when rapid expansion in certain vital sectors of the economy is necessary.

Periodic reviews are being made, at my request, of the policies of the Government lending agencies, to make certain that they promote the objectives of the defense effort by restaining less essential lending. The Voluntary Credit Restraint Program, which operates under the sponsorship of the Board of Governors of the Federal Reserve System, continues to be helpful in discouraging loans for less essential purposes, although continuous care needs to be exercised not to discourage activities important for a strong defense economy.

Selective credit controls are particularly useful under current conditions, because they reduce borrowing and spending for some of the less necessary kinds of goods, particularly those which compete for scarce materials. The Board of Governors of the Federal Reserve System is using its powers under the Defense Production Act to limit borrowing for the purchase of durable consumers' goods and new housing. The Congress last year reduced

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From Washington Ahead of the News

By CARLISLE BARGERON

Your correspondent is frequently called upon to attend and make a talk to gatherings of businessmen assembled in meeting in what is wittingly referred to as the Capital of the Nation. Some times they are just fellows on a lark, fellows who have sold their home offices that the meeting is something for which the home office should pick up the tab.

Carlisle Bargeron

But mostly those meetings which I have in mind are made up of men really desirous of discussing kindred problems and picking up whatever information they can. They make notes with pencils and pads, listen attentively and ask questions.

What strikes me most about these meetings is that the speakers, except me, are from the Government to tell these fellows what is being done and what is to be done to them.

A meeting I have just attended serves as an example. They were a group of shipping men. First, a fellow from the Government whom you could tell was a natural born executive, in Government or out, because of the way he pursed his lips and smacked his teeth. He told the assemblage what he was doing to relieve their worries about dock space, allocation of government shipping, allotment of equipment for port improvements, etc. He was a representative of the whole people, he assured his auditors, dedicated to but one purpose, the winning of the cold war, and his auditors dutifully applauded; and there must be hardships but he was one firm enough man to see that these hardships were spread out equally.

When he sat down you got the impression his auditors had not necessarily been reassured but had become convinced here was a man, a Government official, with whom they must play ball.

Then there appeared another fellow, another Government official, who talked about how he, under the Point IV Program, was seeking to improve the harbors of South America. This elicited considerable interest from shipping men present who had shipping interests in South America; but gales of laughter swept around the table when a representative of a purely coastwise shipping interest asked if Point IV applied to American ports. This fellow, I learned later, was considered by his associates to be a card.

The greatest interest of all, however, seemed to be manifested in the Government official who said that undoubtedly his auditors had worried about the end of the war in Korea, "not that we don't all want it to end." Well, a survey just concluded by his office showed there would be needed more tonnage in the rehabilitation of South Korea than was now being used in fighting the war.

It so happened that the first speaker, the man who smacked his lips and pronounced his words firmly, had inadvertently mentioned that he was in the market for about three Point IV ambassadors; that is, fellows who would just knock around in South America and talk with the governmental officials about their needs; what they needed to improve their agriculture, their industry, their sanitation and electric power facilities.

I have a hunch he was just bragging and regretted it because when I left the meeting, seven American shipping men—men who are charged with keeping our maritime flag on the seven seas—had him buttonholed. They were not, I gather, Kurt Carlsens.

The main point that I have in all this, I suppose, is that here was a group of typical American businessmen, beefing like the rest of us about government intervention in business, high taxes and bureaucracy, but almost wholly dependent upon the government for their business and hopeful and anxious that the Government had ways and plans of manufacturing or creating more business.

When the meeting was over, some of them spoke to me with alarm about the Truman budget of $85 billion. How long can we stand this sort of stuff, they asked. I am sure I don't know the answer to that one, but this much you can say: It will continue so long as there are important groups such as I have mentioned who have become depended upon the Government for survival.

However, strangely enough it isn't the state of the budget that annoys me so much as such as this that happens when bureaucracy has reached its present hold over the people:

About two years ago Canadian and American officials met at Hyde Park in the atmosphere of Roosevelt the Great and decided that come World War III or police actions or the like, the resources of the two countries would be pooled — that which Canada could produce best it would produce for both countries, that which this country could turn out best it would for both countries.

When the police action came, Canada said it was in a good fix to supply us with aluminum and our defense officials prepared to take it. But up came private enterprises Reynolds and Henry Kaiser to insist that American aluminum producers should be helped instead of the Canadians.

The defense officials kicked the Canadians in the parts and decided to play along with free enterprisers Reynolds and Kaiser.

Today the shortage of aluminum is such that Britain is to give us aluminum, which Canada diverted to that country, in return for steel. Steel is in such short supply that Ohio, for example, couldn't get enough to build a thruway or super highway. European countries learning of the State's predicament, including Belgium, bid against each other with offers to sell the steel. Ohio, of course, is in the heart of this country's steel industry. Furthermore, it is my understanding that the steel offered by the European countries has the imprint of American steel firms.

The President's Budget Message

Submits to Congress 1953 Fiscal Year Estimates which indicate about $85 billion of expenditures, to be matched with estimated receipts of $71 billion, thus resulting in deficit of more than $14 billion.

On Jan. 21, President Harry S. Truman submitted to Congress the Federal Budget estimates for the Fiscal Year ending June 30, 1953. In the introductory part of his message, which accompanied the Budget estimates, the President stated:

To the Congress of the United States:

I transmit herewith my recommendations for the Budget of the United States for the fiscal year ending June 30, 1953.

President Truman

Expenditures are estimated at 85.4 billion dollars, an increase of 14.5 billion dollars over the current fiscal year, and 45.3 billion dollars over 1950, the last full fiscal year before the attack on Korea.

Receipts under present tax laws are estimated at 71.0 billion dollars, an increase of 8.3 billion dollars over the current fiscal year, and 34.0 billion dollars over 1950.

The increase in receipts will fall short of meeting the increase in expenditures. In the absence of new revenue legislation, a deficit of 14.4 billion dollars is in prospect for the fiscal year 1953, 6.2 billion dollars greater than the estimated deficit for the current fiscal year.

Eighteen months ago, the unprovoked attack upon the Republic of Korea made it clear that the Kremlin would not hesitate to resort to war in order to gain its ends. In the face of this grim evidence, this Nation and the other nations of the free world realized that they must rearm in order to survive.

Since then, we have made significant progress in rebuilding our defenses. We have more than doubled the strength of our armed forces. We have increased the number of our Army divisions from 10 to 18. We have returned to duty more than 160 combatant vessels from our "mothball" fleet. We have added more than 40 wings to our Air Force. We have greatly expanded our production of military equipment and our ability to mobilize for any emergency. We have provided our allies overseas with the critical margin of aid necessary to help them to grow stronger.

This Budget reflects the progress we have made thus far, and it lays the groundwork for future progress.

It reflects our progress to date in two ways. First, the high rate of expenditures for military equipment estimated for 1953 reflects the results of the tremendous effort that has been made during the past 18 months in getting the flow of production started. Second, the smaller amount of new obligational authority which I am recommending indicates the substantial portion of the financial requirements for our military build-up that has been met in the appropriations already made by the Congress.

This Budget lays the groundwork for further progress by providing for additional increases in the strength of our armed forces, additional deliveries of arms to our allies overseas, continued requirements of our atomic energy program, and further development of our economic strength. By the end of the fiscal year 1953, we will have reached or passed the peak production rates for all of our major military items except some of the newer model aircraft and some weapons not yet in production.

This Budget calls for the largest expenditures in any year since World War II. It will involve a heavy burden for our taxpayers, because the job of building the strength we need to safeguard the security of this Nation is enormously expensive.

Despite its size, this is not a Budget for all-out mobilization. It is a Budget carefully planned to carry us a long way forward on the road to security—at a pace which is not only within our present economic capacity, but which will enable us to grow stronger in the years to come.

If new international tensions do not develop, and if no further aggressions are attempted, I hope we will be able to reduce Budget expenditures after the fiscal year 1954. By then we should have completed most of our currently planned military expansion.

Budget Expenditures

More than three-fourths of the total expenditures included in this Budget are for major national security programs—military services, international security and foreign relations, the development of atomic energy, the promotion of defense production and economic stabilization, civil defense, and merchant marine activities. Major national security programs not only dominate this Budget but also account for practically all of the increase in total Budget expenditures since the attack on Korea. As the accompanying table indicates, expenditures for all other Government programs have declined 9% since the fiscal year 1950. This decline has occurred during the period when the costs of goods and services which the Government buys have been rising.

For the fiscal year 1953, expenditures for all other government programs will be nearly a billion dollars below the level of the present fiscal year. Within this net decrease, some programs have been reduced, others have

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BUDGET TOTALS

[Fiscal years. In billions]

	1950 Actual	1951 Actual	1952 Estimated	1953 Estimated
Recepits (under existing tax laws)	$37.0	$48.1	$62.7	$71.0
Expenditures	40.1	44.6	70.9	85.4
Deficit (—) or surplus (+)	—3.1	+3.5	—8.2	—14.4

BUDGET EXPENDITURES

[Fiscal years. Amounts in billions]

	1950 Actual	1951 Actual	1952 Est.	1953 Est.	% Inc. or Dec. (—) 1953 over 1950
Expend. for major natl. security programs	$17.8	$26.4	$49.7	$65.1	266
Expend. for all other govern. programs	22.3	18.2	21.2	20.3	—9
Total Budget expenditures	40.1	44.6	70.9	85.4	133

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The Investment Situation

enacted in New York State, permitting life insurance companies to invest a small portion of their assets in common stocks. Common stocks have become legal investments for certain savings banks in the New England states, and we see pressure being exerted and legislation proposed to permit savings banks in New York to make limited common stock investments. The type of investors who are becoming increasingly interested in common stocks may be said to be long-term investors. They are buying common stocks for long-term investment, and many stocks are permanently being taken out of the market and locked up in strong boxes. This makes for thin markets. The stock market is after all simply an auction market controlled by the age-old law of supply and demand. It is one of the greatest free markets of the world.

In recent years, we have had an enormous increase in the growth of the Mutual Funds. Over a million investors have invested over $3 billion in Mutual Funds. This growth is continuing at a rapid rate and is an excellent thing because more and more small investors are finding this an ideal way to invest their funds and to have a stake in the American free enterprise system. Through these mutual funds, plans have been set up for the small periodic investments of, say $100 a month. It is possible to build a substantial investment fund by investing a $100 a month and letting the dividends compound. Over a 10-year period, the results are little short of astounding.

The managements of our great corporations seem to have tremendous faith in our future. Witness the expansion plans of Union Carbide & Carbon $300,000,000. Westinghouse Electric Co. $300,000,000; Aluminum Co. of America $250,000,000; American Gas & Electric $300,000,000; a billion dollars for the Telephone Company in 1952 if they can get the materials. This is a vote of confidence in our future by some of America's greatest corporate brains. You can have faith in our future. Think of this country 10 years hence with 30,000,000 more people to be fed and clothed.

It is estimated that there are some 85,000,000 people holding life insurance policies in this country. The beneficiaries of these policies will collect a given number of dollars on the death of the insured. However, with our liabilities in the terms of goods, we, likewise, need living insurance—inflation insurance, and I think a good term for common stocks at this point in the cycle might be "inflation insurance."

The New York Stock Exchange is now conducting a poll to try to accurately determine the number of shareowners in America. The estimate goes from 6,000,000 to as high as 15,000,000, and the investment banking business is now making a most strenuous effort to increase the number of shareowners, to point out the advantages of stock ownership, and invariably when a man becomes a stockholder and feels he has a stake in the free enterprise system, in the American way of life, he becomes a better citizen. He takes a great interest in political affairs, both local and national, for the good of the country. It is my feeling that good stocks are the cheapest thing the dollar will buy.

Buy a stake in this promising future. Become a shareowner. Buy stocks for investment. Buy them with an idea of long-term investment. Buy them as inflation insurance.

America is still a land of opportunity, and big rewards await those who are resourceful; the ones with faith in the future.

World Conditions

In closing, let me go back to world conditions.

Behind the Iron Curtain, the business of the day is a grim, ruthless, buildup of a relentless pressure against us; a pressure designed to engulf us eventually, whether it be by an ordeal of nerves, or blood, or both. Every passing day, every signpost along our path, points to this terrible danger of our times and warns us to take heed—or be defeated by default.

Ever since World War II, we have been pressured by indirect and direct attacks, like in Greece in 1947, where the Communists hoped to capture the Mediterranean in a cheap and easy fight; the Berlin blockade, where the pressure was pinpointed in an effort to force us from the city and thence from all of Europe; Korea, where all of Asia was to be tossed into the communist orbit by a contemptuous victory over our ally, the Republic of Korea.

These direct assaults have each led to a stiffening of Western determination to resist and stop the aggressor. The indirect assaults have been much harder to detect, and thus harder to oppose.

But one thing we do know, that the fanatic Soviet intention to dominate the free world with communism has not altered nor abated. All around their vast periphery they have been looking, and still look, for soft spots at which to probe and perhaps increase the area of their dominion.

A cease-fire in Korea will not give peace to the world. To the Soviets, Korea is just an incident in a war which they are determined to win.

Gentlemen, God has given us precious time, since Korea, in which to prepare. Whether 1952 will be a further period of grace, no man can say today, unless it be the Soviet rulers. If we continue to build up our strength, the result will be the creation of power so potent that no enemy system or combination will dare to attack us or our allies. Peace in our time can then finally become reality.

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Impact of Military Production in 1952

national leadership and strength. We are vitally concerned with what happens in remote areas of this earth. World stability is very much our business.

One of the means of coping with this absolute need for materials is stockpiling, which also happens to be in some measure one of the areas of responsibility of the Munitions Board. It is a mean job, believe me. The program was plagued with lack of funds when materials were plentiful, but takes a back seat when the materials pinch is on. Indeed tremendous pressures are applied to bleed the stockpile even now, and in some instances, withdrawals have already been made.

Of stockpile objectives valued at $9 billion, only $3 billion worth is now in the stockpile.

In thinking about this vital program it should be remembered that it is a national stockpile, not a military one. It can best be likened to a national bloodbank of materials, ready for use in dire emergency.

Unquestionably tremendous pressures will develop throughout the year for the further withdrawal and diversion of materials from the stockpile. These pressures must be fought off unless it is conclusively shown that every alternative has been explored and none offers relief, and that all steps possible have been taken to rectify the conditions causing the shortages, and that the need is absolutely essential.

Many people have asked me about the impact of the military programs upon small business.

The military have already done, and are continuing to do a very great deal of work to help small business. They have done far more, I am sure, than was accomplished during the last war. In spite of the fact that small business as such (under 500 employees) cannot build the major items of equipment—airplanes, tanks, ships, heavy guns, etc., which take up the bulk of the procurement dollar—they have been getting a substantial share of the procurement dollar in the form of both prime and sub-contracts.

One convincing measure of the impact of the armament program on small business is the record of what has happened to employment in metal working firms since Korea.

Since Korea, small metal working firms employing less than 100 persons have expanded their employment by 26%; firms employing from 100 to 500 persons have expanded employment by 23%; firms employing over 500 persons have expanded their employment by only 10%.

Midwest Exch. Members

CHICAGO, Ill.—The Executive Committee of the Midwest Stock Exchange has elected to membership: Harold F. Laun, F. S. Moseley & Co., Chicago, Ill.; William F. Rowley, Daniel F. Rice & Co., Chicago, Ill.; John P. Frost, Frost, Read & Simons, Inc., Charleston, S. C.; Charles M. Baxter, Jr., Baxter, Williams & Co., Cleveland, Ohio; Arthur Metzenbaum, Will S. Halle & Co., Cleveland, Ohio.

With Renyx, Field

(Special to The Financial Chronicle)

NEW ORLEANS, La. — James E. Barrett, Ross B. Hamsher, James A. Lindsay and Clarence H. Wagner have become associated with Renyx, Field & Co., Inc. Mr. Lindsay was formerly with Woolfolk & Shober. Mr. Wagner was divisional manager for Slayton & Company, Inc., with which firm Mr. Hamsher was also associated.

With Reinholdt & Gardner

(Special to The Financial Chronicle)

ST. LOUIS, Mo. — Walter N. George, Jr. and Lawrence D. Sheppard have become associated with Reinholdt & Gardner, 400 Locust Street, members of the New York and Midwest Stock Exchanges. Both were formerly with Walter N. George & Co. and Hamilton Management Corporation in Springfield, Mo.

Harry Simmons Opens

FLUSHING, N. Y. — Harry Simmons is engaging in a securities business from offices at 188-35A Sixty-ninth Avenue.

Declining Profit Margins A Threat to Free Economy!

David F. Austin, Executive Vice-President of U. S. Steel Corp., says a free economy cannot operate long and remain sound under taxes that absorb bulk of profits.

David F. Austin, Executive Vice-President of United States Steel Corp., in an address before the Birmingham Chapter of the National Association of Cost Accountants at Birmingham, Ala., on Jan. 22 warned a free economy can maintain its operations only if its rate of profit is high enough to produce the constant increase in productive capital that is necessary to provide a steady increase in productivity, in wages, and in national income.

David F. Austin

"My business, the steel business, has not been a notably well-to-do offspring of the free enterprise system," Mr. Austin said. "Except for a few financial windfalls in the early years, our lot has been that of an enormously hard-working, enormously productive, but financially very middle-class citizen.

"Between 1926 and 1929, years of great prosperity, the relationship of steel industry net income to net assets was 7.7%. This was in the happy days when savings accounts paid 4%, bonds started at 5½%, and the income tax was ten cents on the dollar. The profit ratio for all manufacturing industries during that period was 11.1%. Ratios as high as 25% were recorded in this period for two industries—soft drinks and automobiles.

"In the depression years 1931 through 1934, the performance of the steel industry was relatively even worse. Net income was minus 1.7% of net assets. In a list of 45 main industries surveyed by the National City Bank of New York —an impartial source if there ever was one—only 8 industries scored a larger minus figure than steel did," Mr. Austin continued.

"Since 1945 our industrial expansion has been carried on at a phenomenal rate. More than $100 billion in all have been spent on new and improved plant and equipment since V-J Day. Normally, industry would have financed such expansion largely by raising new equity capital by sale of securities. The rate of profit prevailing in these years, however, has been too low to attract the risk capital that business has needed for its expansion. It has had to depend, therefore, on savings out of corporate profit to finance about 80% of its plant expansion, new equipment, and increased working capital.

"American industry is now engaged in a further postwar expansion surge that dwarfs anything that has gone before it. Our expenditures for new plant and equipment have been running at an all-time record high, totaling more than $23 billion last year. More significant than that, we probably are at present putting a greater percentage of our gross national product into capital expansion than ever before in our history.

"Despite the extraordinary demands thus being made on U. S. industry . . . despite the fact that this expansion is being largely financed out of retained earnings . . . we are following the perilous course of cutting the profits of industry. We are now taxing up to 88% of the individual income of the men who run the companies, and up to 70% of the earnings of the companies themselves. Last year we introduced the retroactive tax into the picture. It is obvious, I think, that a free economy cannot operate for many years and remain healthy, sound, and free under taxes and tax policy of that kind."

Mr. Austin noted that the steel industry, like all manufacturing enterprises, during the postwar years, has had higher and more rigid production costs, a higher break-even point, and a worsened profit ratio. "The immediate most pressing problem of the industry is to improve its earning ratio," he declared. "To meet this, all departments of the business will be called upon to contribute in a major fashion, the engineers, and raw materials experts, the operating departments, and the legal, industrial relations, research and finance people. All will share a basic common responsibility," he said. "We must look to the cost accountants to provide rigid objective appraisals of such improvements as are made," he declared.

R. A. Cunningham With Ernst & Co.

R. A. Cunningham

Ernst & Co., 120 Broadway, New York City, members of the New York Stock Exchange, announce that Richard A. Cunningham has become associated with them as manager of their municipal bond department. Mr. Cunningham was formerly manager of the municipal bond department of the New York office of Laird & Company.

With D. T. Moore & Sons

(Special to The Financial Chronicle)

BIDDEFORD, Maine — William W. Rawlinson has joined the staff of D. T. Moore & Sons, 5 Washington Street.

H. M. Payson Co. Adds

(Special to The Financial Chronicle)

PORTLAND, Maine—Arthur H. Newcomb has been added to the staff of H. M. Payson & Co., 93 Exchange Street, members of the Boston Stock Exchange.

With F. L. Putnam Co.

(Special to The Financial Chronicle)

PORTLAND, Maine — Goodwin W. Wiseman is now associated with F. L. Putnam & Co., 97 Exchange Street.

B. D'Armand Co.

Bert D'Armand is engaging in a securities business from offices at 111 Broadway, New York City under the firm name of B. D'Armand Co.

The British Gold Drain

By PAUL EINZIG

Dr. Einzig, in pointing out serious danger of exhaustion of Britain's gold reserve before end of year, reviews measures adopted and likely to be adopted to reduce British adverse trade balance and restore world confidence in sterling. Says administrative measures will not be sufficient, and predicts tighter money conditions as indispensable remedy.

LONDON, Eng.—The announcement of the British gold reserve figure for the end of 1951 disposed of the widely entertained hopes that the change of government in October might check or even reverse the outward flow of gold. Such anticipations were expressed even by ex-Chancellor Gaitskell, who in a speech in the House of Commons on Nov. 7 warned his successor, Mr. Butler, not to allow himself to be influenced excessively by the heavy gold drain in October. His argument was that, as on previous occasions, a speculative pressure on sterling causing an exaggerated drain on the gold reserve was liable to be followed by a reaction. In reality, although speculation against sterling abated somewhat after the change of government there was no sign of any turn in the trend. There is no reason to suppose that during November and December there was much covering of short positions in sterling. No relief came from that direction.

Dr. Paul Einzig

Nor were the emergency measures adopted by the government in November able to make themselves felt to any noteworthy extent before the turn of the year. Imports declined during December, but not sufficiently to check the outflow of gold, especially as exports to the Dollar Area were also far from satisfactory. As a result, the gold drain continued during November and December, even if its extent was not quite so large as it was during October.

On the basis of the outflow during the last quarter, it is feared that, unless effective steps are taken to check the drain, the gold reserve would become exhausted before the end of this year. These fears are likely to weaken resistance to the drastic measures Mr. Butler is expected to announce shortly.

The measures will be directed partly towards the reduction of the adverse trade balance and partly towards the restoration of confidence in sterling. The same measures will be calculated to serve both purposes. Any cuts in imports and measures tending to increase exports will strengthen confidence in sterling at the same time as reducing the import surplus. Any hard-money measures, though primarily intended for strengthening confidence in sterling, would also tend to improve the balance of payments, in that they would reduce the demand for goods, whether home-produced or imported.

Mr. Butler's administrative measures in defense of the gold reserve will include restrictions on the domestic use of goods produced largely with the aid of imported raw materials, such as metals. He is expected to be ruthless in cutting down any capital investment schemes that would involve the large-scale use of such materials, and in reducing their allocation for the production of consumer goods for the domestic markets. His measures will necessitate the reintroduction of controls, much as the Conservative Party is opposed to them in principle.

Administrative measures in themselves are not considered sufficient, however, to achieve the desired end. Tighter money conditions are considered by the government as indispensable for curtailing the excessive domestic demand and securing thereby an increase in the exportable surplus at the same time as satisfying the growing requirments of rearmament. Already under the Socialist Government, Mr. Gaitskell envisaged the possibility of the use of the weapons of monetary policy. In this respect, as in various other respects, the difference between the Conservative and Socialist attitude is one of degree rather than one of kind. The slight tightening of money market resources during December, 1951 provided a foretaste of things to come. Judging by the bank figures, it was unable even to prevent a further expansion of credit. Mr. Butler may administer a further dose of the same remedy.

The need for a hard money policy has come to be recognized in many quarters which, until recently, swore by the soft money policy pursued since 1931 and more especially since 1939. Representative industrial quarters such as the Federation of British Industries have come out emphatically in favor of hard money. This in spite of the fact that industrial firms are likely to pay a heavy price for it, in the form of higher interest charges, greater difficulty in securing overdrafts and in floating capital issues, and decline in consumers' demand for their manufactures. Industrialists appear to have realized, however, that the alternative of these unpleasant changes would be an exhaustion of the gold reserve, which would result in a crisis of first-rate magnitude.

The popular misconception that the internal and external economic problems of Britain are two virtually watertight compartments, isolated from each other by a system of controls, has given way to the widespread realization that they are entirely interlocked. Exchange restrictions may effectively prevent speculation against sterling in the prewar sense of the term. There can now be no gold drain through a bear raid on the foreign exchange market. All the same, speculative anticipation of a fall in sterling resulting from an exhaustion of the gold reserve produces the same effect, because it tends to discourage the purchase of British goods in anticipation of a fall in sterling; it tends to delay payment for British goods purchased; and it induces foreign banks and others to reduce to a minimum their sterling balances and to use their sterling acceptance credit facilities to the utmost limit. In so far as Mr. Butler succeeds, through a display of determination to adopt hard money measures, in strengthening confidence in sterling, this speculative pressure would become reversed. Mr. Gaitskell was right in assuming that in October there was a heavy short position in sterling. In order to induce those concerned to cover their short positions, however, it is essential for the British their unpopularity in many quarters.

Increase Voters' "Take Home Pay": Rukeyser

Columnist advocates replacing "bread and circuses" with drastic cuts in unessential expenditures, materially cutting the citizen's tax bill. Asserts New Deal has reached dead-end in vote-catching through soaking-the-rich.

CLEVELAND, O.—Both major parties in this Presidential year face the hazard of offering obsolete, depression-bred ideology in a boom period.

This warning was given here Jan. 19 by Merryle Stanley Rukeyser, economic commentator for the Hearst newspapers and the International News Service, in an address under the auspices of the Cleveland City Club.

Merryle S. Rukeyser

"Instead of trying to win by saying 'me too' the candidates," Mr. Rukeyser, who is author of "Financial Security in a Changing World" declared, "would be well advised to revise governmental operating principles in line with significant trends at home and abroad. Thus, as an alternative to 'bread and circuses,' which have led to inflation and back-breaking taxes, a sensible fresh appeal would be to offer voters an increase in 'take home pay.'

"This could be accomplished by drastic reductions in unessential Federal expenditures, and these benefits in time could be translated into tax savings, which would automatically stretch the spendable income or savings of citizens.

"The old bag of political tricks of the depression years belongs in the limbo of forgotten things. The new demand is for common honesty and common sense in the administration of the affairs of government. The biggest boom would be to work out a formula for peace with honor in a world terrified by the initiative of gangster leaders behind the iron curtain. Once military balance has been restored through rearmament in the West, the objective should be to regain the initiative from the Communist racketeers."

Mr. Rukeyser presented statistical data to indicate that the historic role of the New Deal program had run its course. The speaker pointed out that the New Deal had gotten some economic lift through redistributing wealth and income, but argued that it was now at the end of the road on that. He further stated that in its early stages monetary inflation had economic lifting power, but declared that the country was now at a juncture where further inflation might have the reverse effect. On taxation, he charged that the New Deal had reached a dead end in its vote-catching scheme of financing governmental benefits through soaking the rich. He revealed that three-fourths of the remaining untaxable personal income was in the lower brackets, and that henceforth government costs would fall heavily on numerically large and politically articulate groups including workingmen, farmers, small business and professional persons, civil servants, and others.

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Essentials of a New Foreign Policy

base for constructive efforts in all other fields. Soon, at the international level, a new importance would attach to a World Court, and soon we would restore some meaning to that now shattered phrase: "the sanctity of treaties."

If undertaken at all, this effort to restore respect for law should be undertaken earnestly—and not as a propaganda gag. But in this propaganda-conscious age, an American appeal to law would do more than anything else to convey to the peoples of the world what we Americans are driving at —which is neither domination nor privilege nor suicide, but liberty under law. And it would help to clarify our own minds, too — which most Americans agree are more than ordinarily confused.

Secondly, the task of the American Government is to clear the way for the world-wide activity of people—of the American people and of all people in all their lawful pursuits.

The prime example of this is Business. We Americans know what we mean by Business. We are almost the only people who have any rational conception of Business in the 20th Century.

By Business we mean the creation of wealth on the colossal scale of this age and its universal distribution. Wealth, we know, is not created by governments but by people. Accordingly the American-Government must make clear that it in itself does not know how to build wealth, and even if it did, the American people will not tolerate their Uncle Sam cavorting about the world in the role of global Businessman or planetary planned economist.

A Sound and Stable Currency Required

However, in our American tradition, the Government is charged with a few very specific responsibilities. Under our Constitution, our Government is directed to provide a sound and stable currency.

It is now twenty years since gold ceased to be the recognized international currency. By virtue of gold and a strong British pound, nearly everybody in the world could freely convert his own money into the money of any other country. In those days, as Oliver Lyttleton remarked, convertibility in a currency was like virtue in a lady—part of the definition.

While Hitler and Dr. Schacht were completing the destruction of this system of stable currencies, the United States Government cursed them regularly and gave much verbal support to the idea of convertible currencies as the only basis for healthy world trade. During and after the war our Government continued this lip service. We wrote it into the Lend-Lease agreements, into the Bretton Woods agreements, into the British loan agreement, into the ECA agreements. On paper, it was the nearest thing to a consistent policy the United States had. And if it could have been achieved by milking the American taxpayer, Mr. Truman would have achieved it.

But despite all his lavish "donation diplomacy," the world is farther from having a stable currency than any time since the collapse of money began, twenty years ago. Nearly every nation in the West now imposes on its citizens that most sinister of all economic controls, the direct rationing of foreign exchange. The British have carried exchange control to lengths Hitler never dreamed of. The feeble protests of our Government have proven utterly ineffective. While being lavish with our money, our Government has completely failed in its first economic duty to the world.

There are many things the United States Government should have done and still must do to help other countries free themselves from exchange control. It must bring unremitting pressure on their governments. It must do much more than it has to enable them to earn American dollars and so remove the excuse for giving them away. This may mean the encouragement of imports into the United States to the point where we no longer have an excessive export surplus. Another thing it may mean is the revival of a healthy capital market in Wall Street, a market so healthy that foreign countries will seek to attract investment funds from it by internal reforms of their own. The ways and means to achieve a general convertibility of currencies are manifold and extremely difficult, and I have not the time or knowledge to list them all here.

But this much is certain: that a sound and stable money system should be the foremost aim of the United States in all its economic dealings. If this goal is neglected, as recently Washington has neglected it, nothing else will be achieved. There is no substitute for a sound currency. It is fundamental and it brings other economic benefits in its train. Let us call upon the United States Government to make a sound money system the first order of business in the economic sphere.

Overhaul the State Department

The third thing our Government must do is to overhaul the State Department. By all means, eliminate Communists or other eccentrics. But there is another question: Is the State Department ineffectual, anemic, devitalized—or in cartoon language, is it a striped-pants and cookie-pushing outfit? Individually, most of the people of the State Department are not cookie-pushers. Yet the phrase has truth in it. The atmosphere, the morale of the State Department is striped-panted and cookie-pushing. In other words, the State Department lacks a sense of dynamic purpose and drive.

By contrast, one example of purpose and drive was given by John Foster Dulles. In September 1950 he persuaded the President to give him a job of making a Peace Treaty with Japan. Exactly one year later, over every conceivable obstacle, the job was done. It is the only success American Diplomacy has had in three years.

At the very same time that Mr. Dulles set out on his mission, our Government was put on notice that the situation in Iran had to be fixed. I know of my own knowledge in detail, from businessmen and others who lived with the problem, that it was a quite manageable one—infinitely simpler than Japan. The State Department made a few footling gestures and got nowhere. Why? Because it utterly lacked the will to perform.

In 57 countries of the non-Soviet world, there is a job for the American Ambassador to do. The job takes brains and guts and a 60-hour week. Of our 57 Ambassadors, how many would get passing marks on this standard? There are good people in the State Department at home and abroad. I have seen fine younger men, eager to serve, yet leading lives of quiet desperation. The leadership they get is bad, it is frustrating, incoherent leadership.

Here then are three primary things for the Government to do.

First, get going on international law beginning with a world-wide revival of respect for Law itself. Second, clear the way for the world-wide activity of free men in the building of wealth and in whatever other lawful activities they may wish to pursue. Third, transform the State Department into a dynamic organization.

What would the American people do, as they effect these major changes in their Government's policy and action? My time is nearly up and even if I had all day in which to talk, I could not begin to list them all. For what the people are to do is nothing less than the whole catalogue of all the ways by which the American people enjoy life, realize liberty and pursue happiness. I mean, first of all, very simple things. Let the people travel. Let them travel not only to Europe but everywhere, for fun, for culture, and for learning. Let them climb mountains, explore nature and make pilgrimages to holy shrines. There is no substitute for personal observation and experience. If Americans are going to operate in the world, to do business in the world, to understand the world—indeed if they are going to live in a livable world as well as in a home-town, then they must get about in the world.

Travel is not trivial, but, of course, it is only a sort of prelude or background to all else. There is everywhere poverty and ignorance—then, let those Americans whose hearts are touched by the needs of others go out as true Samaritans to a needy world. If poverty is mainly to be overcome by building wealth, let the Americans go forth as the greatest wealth-builders of all time. And let every American profession and group and occupation get into the job of creating a world of tolerable justice and liberty—lawyers, doctors, scientists, ministers of the gospel, businessmen, engineers, oil men, cattlemen, farmers, labor leaders, educators, students, and just plain people.

The energies of the American people are not effectively geared into this task today. We need all their energies and their skills and inventiveness and human enthusiasm and understanding. There is one supreme test of a President of the United States and of other top leaders in this epoch. That test is whether they can call forth the full energies of the American people and bring their great qualities to bear upon the world. That test has not yet been met. Pray God that we may have leaders who will meet that test before dire catastrophe forces us to heroic heights.

Freedom and Order, the Objective

Freedom and Order—the whole of political science, the whole business of the organization of human societies, revolves around those two words. In the famous exordium of the philosopher: "Give us that Freedom which without Order is a delusion and that Order which without Freedom is a snare."

The American mission in the world is to be the effective leader in establishing Freedom and Order, or, as our Founding Fathers put it, Freedom under Law. It is a huge undertaking and it may well invoke in us a prayerful humility. But let us never forget that from its very beginnings, our country has had laid upon it a great burden of hope. America is uniquely the land of great expectations. Hopes not only for the El Dorados of material success. Hopes equally and more for the good society, for freedom under law.

Back in 1868, after the bitter test of civil war, and in our first era of industrial expansion, Walt Whitman, the singer of America, wrote that we were only just beginning. Here is how he said it:

"Our New World, I consider far less important for what it has done, or what it is, than for results to come. Sole among nationalities, these States have assumed the task to put in forms of lasting practicality and on areas of amplitude rivaling the physical cosmos, the moral political speculation of the ages, the democratic republican principle . . ."

In the last few months, there has once again walked among us a great American, General Douglas MacArthur.

After noting with distress our faults and weaknesses which are indeed many and grave, nevertheless Douglas MacArthur tells us this about ourselves:

"This great nation of ours was never more powerful—never more prepared to extend a dynamic and courageous leadership to guide the world through the morass of . . . timidity, complexity and indecision. Our country was never more able to meet the exacting tests of leadership in peace or in war. Its history still lies ahead. Our finest hours are yet to come."

My thesis today stands or falls on Whitman's prophetic hope in America and on MacArthur's abiding faith in the same.

Robert J. Fenton to Be Partner in Roberts Co.

Robert J. Fenton will acquire membership in the New York Stock Exchange, and on Feb. 1 will become a partner in Roberts & Co., 488 Madison Avenue, New York City, members of the Exchange.

Mutual Funds

By ROBERT R. RICH

Mutual Funds Have Biggest Year in 1951

Mutual funds in 1951 had their biggest year as total assets, number of shareholders, distributions to shareholders, gross sales, net sales and repurchases topped previous high water marks.

Total assets, which have increased in every year since 1941, totaled $3,129,629,000 on Dec. 31, 1951, an increase of $599,000,000 over Dec. 31, 1950, according to figures compiled by the National Association of Investment Companies.

Number of shareholders for the first time are over one million, totalling 1,110,432, compared with 939,000 a year earlier. Sales of new shares during 1951 amounted to $675,000,000, compared with $519,000,000 in 1950, while net sales, after redemptions, were $353,000,000 and $238,000,000 in the respective years. Dividend distributions to shareholders in 1951 exceeded $237,000,000, compared with $151,000,000 in 1950.

There is even good news for the mutual fund sponsors. Repurchases, although they increased from $281,000,000 in 1950 to $322,000,000 in 1951, showed nothing of the hair-raising increase that occurred in 1949-1950, when they jumped 162% from $107,000,000 to $280,000,000.

Perhaps more important, repurchases as a percent of total assets declined sharply in the fourth quarter of 1951 for the "all funds" group as well as the common stock, balanced fund and bond and specialty fund groups.

For all funds, repurchases as a percent of total assets declined from 2.75% in the third quarter of 1951 to a fourth quarter figure of 1.99%. It was 3.92% in the first quarter, 1951.

Comparable common stock fund figures declined from 2.84% in the third quarter to 1.92% in the fourth.

Balanced fund repurchases, consistently the lowest of all classes, dropped to 1.24% of total assets in the fourth quarter from 1.76% in the third. The current repurchases figure is regarded near the absolute minimum for the balanced fund class.

Bond and specialty fund repurchases were 3.34%, down from 3.99% in the third quarter of 1951 and 9.2% in the first quarter, 1951.

Mutual Funds' Repurchases as Percent of Assets

by quarters

January 1, 1950 to December 31, 1951

(Total Repurchases as Percent of Total Assets)

	No. of Funds in Group	4th Qtr. 1951	3rd Qtr. 1951	2nd Qtr. 1951	1st Qtr. 1951	4th Qtr. 1950	3rd Qtr. 1950	2nd Qtr. 1950	1st Qtr. 1950
All Funds	103	1.99%	2.75%	2.62%	3.92%	3.27%	2.70%	3.71%	2.64%

(Fund Group Repurchases as Percent of Group Assets)

	No. of Funds in Group	4th Qtr. 1951	3rd Qtr. 1951	2nd Qtr. 1951	1st Qtr. 1951	4th Qtr. 1950	3rd Qtr. 1950	2nd Qtr. 1950	1st Qtr. 1950
Common Stock	45	1.92%	2.84%	2.03%	2.77%	2.32%	2.16%	3.54%	2.31%
Balanced Fund	32	1.24	1.76	1.59	1.93	1.82	1.44	2.26	1.76
Bond & Specialty	26	3.34	3.99	5.56	9.20	7.09	5.30	5.76	4.33

Examining the repurchases figures as a percent of gross sales, the news is still good. The figures drop in all cases significantly and are the lowest for the last two years.

Most remarkable is the recovery made by the bond and specialty fund group. This group, with total assets now of $596,027,000 was "under water" for the last two quarters of 1950 and the first two quarters of 1951, when repurchases were as much as 141% of gross sales. In the third quarter of 1951, repurchases were down to 86% of sales and in the fourth quarter dropped to 67%. Although net sales in the last quarter were positive for bond and specialty funds total net assets declined from $601,937 on Sept. 30 to $596,027 on Dec. 31 chiefly because of the performance record factor.

Mutual Funds' Repurchases as Percent of Gross Sales

by quarters

January 1, 1950 to December 31, 1951

Fund Group:	Number of Funds	4th Qtr. 1951	3rd Qtr. 1951	2nd Qtr. 1951	1st Qtr. 1951	4th Qtr. 1950	3rd Qtr. 1950	2nd Qtr. 1950	1st Qtr. 1950
All Funds	103	32%	50%	53%	59%	61%	53%	64%	40%
Common Stock	45	29	52	49	48	50	47	75	39
Balanced	32	19	28	26	26	27	23	32	22
Bond & Specialty	26	67	86	108	121	141	112	91	68

OPEN-END INVESTMENT COMPANY STATISTICS

For the period ending December 31, 1951

103 Open-End Funds

(000's omitted)

Total Net Assets	Dec. 31, 1951	Sept. 30, 1951	Dec. 30, 1950
45 Common Stock Funds	$1,591,515	$1,543,560	$1,221,697
32 Balanced Funds	942,087	900,210	727,679
26 Bond & Specialty Funds	596,027	601,937	581,187
103 Total	$3,129,629	$3,045,707	$2,530,563
Sales	4th Qtr. 1951	3rd Qtr. 1951	12 Months 1951
45 Common Stock Funds	$104,327	$83,754	$320,615
32 Balanced Funds	60,203	55,618	223,436
26 Bond & Specialty Funds	29,509	27,928	130,559
103 Total	$194,509	$167,300	$674,610
Repurchases	4th Qtr. 1951	3rd Qtr. 1951	12 Months 1951
45 Common Stock Funds	$30,589	$43,797	$138,121
32 Balanced Funds	11,667	15,821	55,368
26 Bond & Specialty Funds	19,894	24,050	128,061
103 Total	$62,150	$83,668	$321,550
Net Sales	4th Qtr. 1951	3rd Qtr. 1951	12 Months 1951
45 Common Stock Funds	$73,738	$39,957	$182,494
32 Balanced Funds	48,536	39,797	168,068
26 Bond & Specialty Funds	9,615	3,878	2,498
103 Total	$117,655	$83,632	$353,060

This table was prepared by "The Commercial & Financial Chronicle" from figures compiled by National Association of Investment Companies

The MUTUAL FUND RETAILER

By BENTON G. CARR

In direct mail, as in other businesses, details are like bricks. Handle them carefully, pay them close respect and you can build a mighty strong wall. Ignore them and you will be stumbling whichever way you turn.

To the layman, the coupon at the bottom of an advertisement may seem to be a trivial consideration. To the direct mail expert it means a difference of 20% or more in his replies. And similarly with enclosed business reply envelopes, "bill me later" offers and the like.

The primary consideration—the principle rule—in working over these details in direct mail is "Make it easy." If you are asking a prospect to fill in a request card for literature on mutual funds, you will increase your replies substantially if you enclose a business reply self-addressed envelope. If, in addition, the reply envelope is postpaid, your replies will be even greater. All because you have made it easier for the prospect to do what you want him to do — send back the request card.

Of course, if you enclose a reply envelope with a three-cent stamp, the cost may be ruinous in large mailings, since only a fraction of your prospects will reply—and the other three-cent stamps will be lost. This is why, of course, large mailers use a first class permit, because then they only pay postage for the envelopes actually sent to them by the replying prospect.

Since most of your mailing activities are probably confined to the individual sales letter, individually typed, we can confine our discussions to them for a few weeks.

And, since details are so important, it's best we start with the smallest of them and work up.

First, the mechanical details — the size of the letter sheet, the letter head, margins and the like.

Two sizes of letter sheet seem necessary for a practical and a psychological reason. The standard 8½ x 11 sheet, in good quality bond, is preferred to the somewhat smaller "monarch" size, because it gives you good working space for your sales letters. These letters, usually the first ones to your prospects, may of necessity be somewhat long and the 8½x11 size helps give the illusion to the prospect that the letter isn't "too long to read." It's all really an illusion of margins and spacing.

The second size letter sheet, about 5½x8½, seems to make good psychological sense. It's more informal and friendly than the standard sheet and can be used for confirmations and for notes thanking prospects for an appointment.

It is not contrary to experience to state that the use of this informal note paper will help a salesman, after he has talked to or met the prospect, to establish a better rapport, simply because the size of the letter sheet is more friendly.

Of course, it might seem unnecessary to stress the details of legibility and neatness. At least, we thought so until we examined a few letters sent to us by mutual fund dealers for our suggestions. Some of the letters could hardly be read, even in a strong light, because the typewriter ribbons were so worn. And there were other typical faults — smeared ink, finger prints and the like . . . some on the letters of "name" Wall Street houses who certainly ought to know better. In one case, the left-hand margin was one-half inch, about a third too small.

You and we have been promised more space for this column next week. We'll finish the discussions of mechanical details — letter head and so forth, and start on "copy" or writing techniques.

ANY FORECAST of what lies ahead in the coming twelve months must rely upon the upward trend of defense expenditures as a powerful sustaining force in our economy, it is pointed out by Calvin Bullock in a review of 1951 and some observations on 1952.

"The scheduled pattern of the defense program looks for a rise in delivery of military items from a $2 billion monthly rate at the end of 1951 to a peak of $4 billion in 1952," the company states, "This difference does not represent a net addition to the gross national product since there is a substantial sum already going into the pipeline which is still in the form of unfinished goods, and in the construction facilities, expendtures for which will taper off as the program becomes more advanced.

"Nevertheless, the level of defense expenditures is of such a magnitude that it is difficult to foresee other than a high level of industrial activity during 1952."

Barring the outbreak of a new war involving the United States, the company continues, "it is probable that corporate tax rates are now at about their peak. Some further squeeze on profit margins by higher costs moving against controlled prices seems indicated. Thus the outlook for a further decline in general corporate profits, but the effect among individual industries will be quite diverse.

"Some industries, for example, will benefit from an increased volume of war work; others may not repeat their inventory losses of last year and will benefit from the carryover of the unused portion of their excess profit credit. . . . In general, one may look forward to the market continuing to display the highly selective pattern that it has been showing during past months."

Other observations by the firm on the coming 1952 scene include: the gross national product, as an indicator of overall economic activity, will probably show a moderate gain during the year and, despite higher taxes, consumer disposable income should increase in 1952. . . . Despite the rather deflationary behavior of commodity prices last year, it would be unwise to disregard the potential force of inflationary pressures that lurk under the surface of our economy.

NET ASSETS of National Investors Corporation increased to $12.36 a share at the year-end from $10.79 at the beginning of the year, according to the 15th annual report. Adding back the distribution to shareholders of 90 cents a share made in December from realized gain on investments, the increase in asset value amounted to 22.9% for the year 1951. Unrealized appreciation was equivalent to $5.14 a share on Dec. 31, 1951 as compared with $3.85 a year earlier.

Due primarily to appreciation in the market value of portfolio investments, total net assets of

Continued on page 36

Exchange House Wins Award for Best Advertising

The first annual Advertising In Action Award for the best sales promotion and advertising campaign of the year in the investment field, established by Standard & Poor's Corporation, was presented Friday, Jan. 18, to Jack Dreyfus, senior partner of Dreyfus & Co., New York Stock Exchange firm. The award was made at a one-day conference on promotion and advertising for the investment business held at the Waldorf-Astoria.

The gold trophy was presented by Paul T. Babson, chairman of the board of Standard & Poor's Corporation, who cited Dreyfus & Co., for sponsoring an advertising campaign that operates for the mutual benefit of all the members of the investment community.

For the past year Dreyfus has been sponsoring a series of unusual institutional cartoon advertisements which single out the pitfalls investors commonly place in their own path. The advertisements, which have been running in metropolitan New York newspapers and magazines, were created by Mr. Dreyfus and his advertising agency, Doyle, Dane, Bernbach of New York.

Designed for the express purpose of educating customers by pointing out the human frailties which can mean the difference between success and failure in investing, the ads did not solicit new customers for the firm. In spite of this, Dreyfus & Co.'s share of the total stock exchange volume for 1951 increased 32% over the previous year, while the total trade on the Stock Exchange itself declined 15%. Although part of the firm's increased volume was due to added personnel, the effectiveness of the educational advertising campaign is indicated by the fact that Dreyfus & Co.'s individual customers' brokers had an everage volume increase of 20% over the previous year.

Explaining the reason behind his institutional campaign, Mr. Dreyfus said, "We felt that we didn't have to bore people in order to get over a serious thought. Although our ads are light in approach they are serious in content, one of our basic themes being that the average investor has to control his emotions to get the best results in investing. If he doesn't, the most intelligent and up-to-date methods of market analysis and research will be defeated."

In making the presentation, John T. McKenzie, editor of Advertising In Action, stated: "When the light touch of the Dreyfus & Co. cartoon ads first appeared in the financial pages many thought them too frivolous. The initial reaction of doubt and surprise in Wall Street community has given way to admiration and outright flattery by imitation as other firms have taken up the cartoon approach.

"They are an indication of how investment firms have broken away from the tombstone tradition which one characterized financial advertising. Seen collectively the series of Dreyfus ads stand out as a sound public relations job for the securities business and also shape up as an instructive manual for investors, both new and old."

With First of Michigan

(Special to THE FINANCIAL CHRONICLE)

BATTLE CREEK, Mich. — Joseph J. Aalbregtse has joined the staff of the First Michigan Corporation, Security Bank Arcade. In the past he was with Braun, Bosworth & Co.

Inflation and the Rising Costs of States and Cities

By THOMAS I. PARKINSON*

President, Equitable Life Assurance Society of U. S.

Dr. Parkinson, in pointing out adverse effects of our currency depreciation on finances of municipalities, calls attention to heavily increased costs of state and local government administration. Says this leads to appeals for Federal aid and centralization of power in National Government. Concludes it is high time that State Governors and Mayors join financial institutions and others in fight to put brakes on printing paper money.

We hear a lot about the inflation of our money supply and the consequent depreciation of the purchasing value of the dollar. Usually the effect of inflation and the hardship which it involves are illustrated by the position of life insurance policyholders and the probable inadequacy of their insurance to meet the need for which it was intended. The life policy taken by a father to provide a college education for his son, adequate when it was taken some years ago, is now enough to take the boy, at most, through the sophomore year.

T. I. Parkinson

But there are many other situations where expectations are subject to similar disappointment because of the decreasing purchasing value of the dollar. Our Federal Government, which through the Treasury and the Federal Reserve Board is now responsible for our dollar and its value, is finding these days that defense preparation as well as all other Government activities are costing about twice as much for goods and services as such things cost ten years ago.

It is not, however, so well recognized that the financial officials of our cities and other local governments are also confronted with the financial problems resulting from inadequate income and growing costs. The budget of expenditures of the average city is more than twice its total of a few years ago. Of course, a part of this increase is due to increases in population, expansions of old and development of new functions of local government; but above all, a large part of the increase is due to the decreased value of the dollar in terms of wages and goods.

The managers of local government are, in this matter of inflationary costs, in as bad a position if not a worse one than the managers of private business, including the managers of a life insurance company. The managers of some businesses can increase their revenue by passing on to their customers the higher prices which they pay for goods and services, but that is difficult for the managers of a life insurance company, whose ordinary life premiums are fixed for a long period; and it is likewise difficult for the managers of local governments whose revenues are principally derived from taxation which is often limited by constitutional provisions.

For example, the great city of New York is prevented by constitutional provision from taxing real estate, its principal source of tax revenue, at a rate higher than 2% of assessed value. The administrators of the Federal Government have some advantage over all the rest of us, including local governments, in that it is the function of the Federal Government to regulate money and fix its value. The Federal Government can, by its own monetary policies, increase its revenues as its costs increase. Indeed, as its monetary policies inflate the money supply, the national income in dollars is increased, and the income tax take of the Federal Government is incidentally increased. But the local governments, like private business and the housewife, have to take the money which is provided by the Federal monetary authorities and do the best they can with it in the purchase of what they need.

Neither the States nor their subsidiaries, counties, cities, towns and villages, can issue any money or affect the purchasing value of the money provided by the Federal Government. The administrators of local government are, therefore, in the same position as the managers of private business. They must stop the inflation or they will be engulfed by it. Bad as this would be for private business management, it would be much worse for the management of local government.

Local government plays a highly important part in the organization and administration of democratic or representative government. The provisions in our Federal Constitution intended to preserve the rights of the State and the provisions in State constitutions guaranteeing home rule to local governments were not a matter of accident or convenience; they are fundamental in the preservation of individual freedom which it was the purpose of constitutions to establish.

Representative government is more likely to endure in the smaller governmental divisions than in central governments. The Hitlerites saw this and moved quietly to abolish local government and transfer its functions to the central government. Once that was done, it was comparatively easy to transfer all government from the representatives of the people to a dictator.

We have been seeing the same thing in this country. The trend has been and still is, to transfer the powers of State and local governments to the Federal Government in Washington. I object because centralized government is "expert" government, and "expert" government is not representative government, and freedom of the individual is dependent on representative government.

What we need more and more to do is to strengthen our local governments so that there will be less justification for the suggestion of further resort to Washington. One of the surest causes of appeal to Washington in the future will be the financial difficulties of local governments, and they will be due to the squeeze provided by the deficiency of local tax revenues and the inescapable increasing costs to local government of goods and services essential to the performance of their functions.

That is why I think it is so important that local government officials should be as alert as life insurance officials ought to be in avoiding further inflation of the money supply of this country. Presently, we have more than $190 billions available to our people. Before the war it was $60 billions and a year ago it was $180 billions. This is not the place to explain the reason why it has grown $10 billions in one year; it is enough to emphasize the fact that at this rate of adulteration of the dollar, we can only look forward to higher and higher costs of living, not only for the individual and for private business, but also for State and local government.

It is high time that Governors, Mayors and other local officials joined with bankers, life insurance executives and housewives in a real fight on inflation and a demand that our Federal fiscal and monetary authorities—the Treasury and the Federal Reserve—promptly put the brakes on the printing of paper money camouflaged as expansion of bank credit.

*Statement of Mr. Parkinson released by Continental Press Syndicate, Brightwaters, N. Y., Jan. 17, 1952.

W. Rex Cromwell Forms Own Company

W. Rex Cromwell

DALLAS, Tex.—W. Rex Cromwell has formed Cromwell & Co. with offices in the Kirby Building to engage in the securities business. Mr. Cromwell was formerly Vice-President of Dallas Rupe & Son in charge of the syndicate and wholesale departments.

Kitchen, Fowler With R. Emmet Byrne Co.

W. T. Kitchen

ST. LOUIS, Mo. — William T. Kitchen and Sharron R. Fowler have become associated with R. Emmet Byrne & Co., Railway Exchange Building. Both were formerly associated with Dempsey-Tegeler & Co.

Farrell & Co. to Admit S. N. Sears, Jr.

Seymour N. Sears, Jr., member of the New York Stock Exchange, will become a partner in Farrell & Co., 52 Wall Street, New York City, members of the New York Stock Exchange, on Feb. 1. On the same date Mary E. Uniacke will become a limited partner in the firm.

Mr. Sears has recently been active as an individual floor broker. Prior thereto he was a partner in B. L. Taylor, III, & Co.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week — Bank Stocks

The problem of Federal income taxes including the excess profits tax levy has been the subject of considerable comment in the annual reports of commercial banks issued during the past three weeks.

There are a number of factors to be taken into consideration in this connection. The net result, however, is that under present conditions the impact of taxes is extremely burdensome upon the banks.

The excess profits tax seems to be particularly inequitable in its application to banking operations. Whereas, the postwar years of 1946 to 1949 were a period of general prosperity for most industry, the banks did not participate in the tremendous gains shown by the manufacturing, mining, oil or other related companies.

Industrial companies in order to satisfy the war deferred demands of consumers expanded production and were able to increase prices to more than compensate for increases in costs. Banks, however, did not participate in this gain and earnings which for many banks reached a peak in 1945 were actually lower in subsequent years.

To a considerable extent this condition was the result of governmental monetary policies which kept interest rates controlled.

Thus when the excess profits tax was imposed most industries were able to use the average earnings base of the best three years between 1946 and 1949. The banks, however, had not enjoyed the prosperity of those years and in the case of most of the major institutions adopted the invested capital base.

Even in this, however, there was a certain amount of inequality. Most corporations using the invested capital base have a large amount of debt outstanding, 75% of which they are able to use in computing their invested capital base. Banks, with a few exceptions, such as Federal funds, do not borrow money to be used in their normal operations. Rather they rely solely on the stockholders' capital.

Using the invested capital base, the banks as a general proposition are permitted to earn 12% on the first $5,000,000 of capital, 10% on the next $5,000,000 and 8% on all capital over $10,000,000.

Thus, a bank with $100,000,000 of capital could earn $8,300,000 before becoming subject to an excess profits tax levy and before paying the 52% normal and surtax.

After paying the 52% tax on the $8,300,000, the net earnings would be $3,984,000. In other words a bank with $100,000,000 of capital is permitted to earn a return of only 3.98% on its capital before being subject to an excess profits tax. Since when is a rate of return of 3.98% excessive? On larger banks the rate of return would, of course, be lower.

Under the present tax law earnings over and above the base are taxable at the excess profits tax rate of 30% or a total rate of 82% up to a maximum overall rate of 70%.

Banks are one of the few groups using the invested capital base, which do not receive some special consideration with respect to excess profits tax. The most notable instance is the regulated public utilities which are allowed to earn 6% on their invested capital, including an allowance for debt before incurring excess profits taxes. If banks were allowed a similar rate of return, there would be few institutions that would have to pay an excess profits tax.

Obviously, there are inequities in the present tax law. They seem to be generally recognized by the banking community. It is encouraging to see that some of the supervisory officials are taking an interest in the matter by acquiring the factual information necessary for a study of the problem of taxation as it effects banks.

Of course, they are conscious that current taxes make it difficult for banks to raise the necessary capital either in the public market or by retained earnings which is desirable. The increase in risk assets over the past year makes it necessary that banks have adequate capital for the protection of depositors. With present tax laws, however, the incentive to provide new capital which will earn less than 4% before being subject to an excess profits levy is not great.

It is hoped that the current study by the Federal Reserve authorities will be successful in providing an answer to this problem and in leading to a more equitable tax for banks.

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following firm changes:

Transfer of the Exchange membership of John S. Williams to Alexander D. Read will be considered by the Exchange on Jan. 31.

John S. Bauman will retire from partnership in William Blair & Company, Jan. 31.

John G. Preller will withdraw from McGinnis & Co. Jan. 31.

Irving H. Silberfeld will retire from partnership in Simon, Strauss & Himme Jan. 31.

Price of Bungling

"The over-all outlook is for a tightening in labor supply as seasonal forces expand job opportunities this spring and summer and as defense production gains momentum. As additional billions in defense procurement contracts are let and new facilities and plants constructed, job opportunities will expand rapidly.

Maurice J. Tobin

"The extent to which we will be able to alleviate unemployment in areas with substantial labor surpluses will depend, however, upon the success achieved by Government and industry in effecting a more even distribution of defense job opportunities through placing more new contracts and facilities in areas were labor is available.

"Vigorous efforts are now being taken by the Government to ease the conversion from civilian to military production in areas which have been or will be hit by material shortages. The Director of Defense Mobilization has arranged for the establishment of a task force, headed by the administrator of the defense production agency, to deal specifically with problems peculiar to distressed areas such as Detroit.

"Detroit will be the first area to be visited by the task force where a broad Government effort will be made to relieve joblessness by creating more defense jobs in the area."—Maurice J. Tobin, Secretary of Labor.

All this sounds well enough—to the naive.

The truth is, we suspect, that we are now paying for almost incredible bungling at the top.

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The Business Outlook For 1952 and Beyond

are also preliminary indications that toward the end of the year a substantial part of new plant and equipment installations called for by the defense mobilization will be completed, and at least the first wave of the strictly defense boom in plant and equipment expenditures will be passed. If that proves to be the case the same sort of rugged competition we have been having in many branches of the textile and consumer durable business will begin permeating the capital goods industries by next New Year.

Level of Defense Expenditures

Now about defense expenditures—here there seem to me to be two key questions. One is: How high are these expenditures going to be? The other is: How high are defense expenditures going to be compared with what is expected?

There is considerable disagreement about the first question. Most people who study the question seem to think that by the end of the year defense expenditures will hit the rate of $65 billion a year which has been generally proclaimed as the prospect.

I personally do not expect to see that happen—for two reasons. Without new taxes, a rate of expenditure like that would be opening up a really frightening Federal deficit as the Presidential candidates go into the home stretch of the campaign. I think the Administration now in power will want to avoid even the idea of new taxes and also the charge of incurring an alarming deficit. A lower rate of defense expenditure—say a rate of $55 billion—would accomplish both purposes and still be high enough to keep business booming. Also, the military might not object because such a course would reduce its risks of building up great parks of tanks and airplanes which would be doing nothing but getting obsolete—fast. Given this general prospect, I expect defense expenditures to be kept lower by some billions this year than most people do. That, as I see it, means more competition in the civilian part of our economy.

Cutting-Down of Defense Expenditures

Probably an even more cogent reason for expecting business to become more competitive as the year wears on is to be found in the answer to the second question—how high are defense expenditures going to be compared with what has been expected? Short of a major move toward war I can find virtually no disagreement that these expenditures cannot be expected to attain the altitude records originally expected of them, or to be sustained at a high level as long as was orginally anticipated.

What this seems to me to mean in terms of the business outlook is that many companies which had come to expect the defense program to keep an enormous forced draft under the economy indefinitely are in for a rough awakening. And those legions of consumers who rushed to buy in anticipation of long-lasting shortages are going to get increasing assurance that they can safely be somewhat more leisurely about their shopping.

Since the attack on South Korea, many business decisions have been made on the assumption that even if they were a little hastily made, any adverse effects would be washed out over the next decade or two by a continuing defense boom. Over the same period there have been two stampedes of consumers touched off by the fear that they might not have another chance to buy many things for a long time.

No Buyers' Rush

This year consumers will be financially equipped to stage another big buyers' rush if they see fit. But will they do it? It does not seem likely if, as now seems the prospect, it becomes increasingly clear that defense expenditures are not going to keep on soaring and chopping away at supplies of consumer goods. Consumers can be expected to be much more deliberate in their buying than they have been frequently at times since mid-1950. And business decisions can be expected to be more carefully made than many were when the defense boom seemed to be stretching off into the future indefinitely. All of which, as I see it, adds up to a generally more competitive business situation as the year 1952 rolls along.

You may well wonder how I manage to conclude that business is going to get more competitive in 1952 and still the price level is going to keep on going up some. Isn't it simply a matter of elementary economics, you may ask, that more strenuous competition means lower prices? To that I shall reply that you have reference to the old fashioned, prewar brand of economics. Nowadays, we have national "rounds" of wage increases by which wage rates and costs (and hence prices) often are pushed up without very direct reference to the state of competition in the industries involved. I expect that process, which is already underway in the steel industry, will continue this year, and, hence, that we may have more competition and somewhat higher prices going along hand in hand.

Since this is a Presidential campaign year I should, I suppose, at least tip my hat to the bearing of politics on the business outlook. A lot of people regard it as of decisive importance. For the long pull, I can see how it might be—particularly if the campaign developed some major differences between the two principal candidates. It is not clear now that it will.

For the short run, however—and that is what I am dealing with here—I do not expect the campaign politics to make any decisive difference. As I see it, things are already set to provide a high level of general business activity through the year. And that's about where I would expect the present Administration which will be running things through the year to leave them.

If, however, you prefer a fatalistic approach to the business outlook in a Presidential year, I can offer one that is comforting. The records disclose no case where a major business set-back has gotten underway in the second half of a Presidential campaign year. I expect 1952 to run true to form.

There will be some of the beginnings of the transition from defense mobilization to a period of defense readiness which may last a generation. There is quite a school of opinion, I find, that holds that our economy cannot complete that transition without having a severe business recession of even a depression. In my opinion, there is no reason except that provided by a sort of congenital pessimism for accepting that defeatist point of view.

$159 Million Triborough Bridge Bonds Offered

Part of $215 million financing negotiated by syndicate headed by Dillon, Read & Co., Inc., effect of which is consolidation of all of the Authority's funded debt. Balance of $56 million bonds taken by banks.

The largest public offering of a revenue bond issue has been arranged by Triborough Bridge and Tunnel Authority through a nationwide investment banking group headed by Dillon, Read & Co., Inc. Of a total issue of $215,000,000 1⅝% to 2⅛% general revenue bonds, series A maturing semi-annually from July 1, 1957 to July 1, 1969, $159,000,000 are being publicly offered by the 279 members of the underwriting group at prices to yield from 1.45% to 2.20%. The remaining $56,000,000 of the bonds are being purchased from the Authority by certain banks through negotiation by Dillon, Read & Co., Inc. and are not included in the bonds being offered by the underwriters.

This financing consolidates all of the Authority's funded debt and pools the revenues of all its present facilities as security therefor. The Authority's vehicular toll facilities comprise five bridges and two tunnels in the City of New York which have previously secured two separate issues of bridge and tunnel bonds. The proceeds to the Authority from the new bonds and other available funds are being used to retire all of the Authority's $211,620,000 present funded debt and to create an initial reserve of $18,000,000, which is to be increased after Jan. 1, 1957 to two times annual debt service.

For the 12 months ended Nov. 30, 1951, total traffic on the Authority's facilities amounted to 111,778,000 toll vehicles, total revenues of the Authority were $26,535,000 and net operating revenues were $22,662,000. The Authority announced that for the calendar year 1951 and subject to audit the total traffic was 113,046,000 toll vehicles, total revenues were $27,042,000, and net revenues after deducting current operating expenses were $23,377,000.

Among those associated with Dillon, Read & Co., Inc. in the underwriting are: Lehman Brothers; The First Boston Corporation; Blyth & Co., Inc.; Kuhn, Loeb & Co.; Lazard Freres & Co.; Harriman Ripley & Co., Incorporated; Smith, Barney & Co.; Blair, Rollins & Co., Incorporated; Eastman, Dillon & Co.; Glore, Forgan & Co.; Goldman, Sachs & Co.; Kidder, Peabody & Co.; Ladenburg, Thalmann & Co.; W. C. Langley & Co.; Stone & Webster Securities Corporation; Union Securities Corporation; White, Weld & Co.; C. J. Devine & Co.; Drexel & Co.; Hemphill, Noyes, Graham, Parsons & Co.; Merrill Lynch, Pierce, Fenner & Beane; Phelps, Fenn & Co

Salomon Bros. & Hutzler; Shields & Company; Barr Brothers & Co.; A. C. Allyn and Company, Incorporated; Alex. Brown & Sons; Equitable Securities Corporation; R. W. Pressprich & Co.; Reynolds & Co.; L. F. Rothschild & Co., and B. J. Van Ingen & Co., Inc.

Hyder to Conduct Columbia Course on Small Investor

"The Small Investor," a practical course for the layman in the fundamentals of security investment, will be given by Carl T. Hyder, of Pyne, Kendall and Hollister, at Columbia University under the auspices of the Institute of Arts and Sciences.

Carl T. Hyder

The whole investment field will be surveyed, with emphasis on the present situation and possible trends. Bonds, preferred stocks, and tax-exempt securities are considered, but attention is concentrated on common stocks as the type of security investment which meets the need of a much larger proportion of general investors. Recognized specialists in such fields as industrials, railroads, public utilities, oils, chemicals, etc., will serve as guest speakers during the course. This is a "Short Course," which carries no credit and for which there are no entrance requirements.

The weekly evening classes will begin on Tuesday, Feb. 5, and continue for ten meetings. Further information may be secured from the Institute of Arts and Sciences of Columbia University.

The fee for the course is $15.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The Government market continues to follow the same pattern, with the best tone and the largest volume still in the short-term riskless obligations. The higher income more distant maturities have not developed much more of a following despite the ability to rally from the low levels of the year. Buyers of these securities are not yet inclined to get very far away from short, even though commitments are being increased here and there as prices tend to soften. Sellers have not been too aggressive, and this is not an unfavorable factor, because it does tend to relieve the pressure from time to time. Sustained rallies, it is believed, would bring about a change in this policy.

The improved action of the corporate bond market which has been in evidence since the start of the year has had no appreciable influence upon the longer-term Treasuries. This raises the question as to whether the non-Government obligations will continue to hold their gains after some of the new year demand has been satisfied.

Market for Long Bonds Erratic

The somewhat improved tone that has been in evidence in the longer end of the Treasury list is being attributed to technical conditions rather than to a change in attitude on the part of private investors. The market for these securities is still very much on the thin side, despite slightly more volume, which makes quotations of these obligations susceptible to rather fast and sharp movements in both directions from time to time. This has been the case for sometime now, and it is quite likely to continue that way until some of the uncertainties surrounding these issues have been cleared up.

It was reported that a fairly sizable amount of the higher income bonds were in the market for sale, but by the process of a little buying here and there, they were being whittled down gradually, at prices near the lows of the year. All of a sudden the sellers pulled the balance of these offerings, and this left the market rather high and dry temporarily. A rally was the result of this change in attitude on the part of the liquidators. There was an upward price movement, in the sense that quotations were pushed ahead with very few bonds changing hands because the buyers were not inclined to follow through on the incline in order to obtain these securities. Until there is a desire and need to chase prices up in order to acquire the merchandise, there is not likely to be more than spurts, here and there, with no sustained trend. Likewise, unless there is a change in the feeling of buyers towards the long-term Government obligations there is not likely to be any substantial increase in volume and activity.

Short-Terms in Continuous Demand

The short-term obligations continue to be the features of the money markets and, despite some tightening from time to time, there is no let-up in the demand for these securities. Treasury bills are back to the levels of early December and this represents considerable improvement over what was witnessed in the interim period. Banks and corporations are still vying with each other for Treasury bills, certificates and notes with some of them even going into the near-term bonds. Liquidity and its attendant risklessness seem to have as strong a hold on the short-term market as ever, and no immediate changes are looked for in this attitude.

The restricted obligations have been getting somewhat more attention, but it should be remembered this volume is still very small as far as more normal standards are concerned. Private pension funds, it is indicated, have been slightly more aggressive in their buying of these bonds, at or just above the lows of the year. These investors have nonetheless been keeping a fair amount of funds in shorts, in order to go into non-Government obligations when the opportunity presents itself. Private trust accounts have also been making a few more purchases of the tap bonds, with the dollar averaging idea evidently very much in mind. It is being pointed out that when prices recede they may be inclined to step-up their commitments in these obligations. Switching has also been a bit more prominent in these bonds recently, with no definite trend discernible, because there has been about as much moving from the long taps as from the short ones. Income is more important to some, with the approaching eligibility holding the appeal for others.

Middle West and New York commercial banks, it is reported, have been pecking away at the 2¼s and the 2½s of 1956, as well as the longest eligible bond. The 1952/54s have also been among the issues these banks have been buying.

The longer maturities of the partially exempts, namely the 1958/63s and the 1960/65s, have been going into strong hands, with the large and small deposit banks competing for these securities.

Crowell, Weedon Co. Celebrates 20 Years

LOS ANGELES, Calif.—Crowell, Weedon & Co., prominent Southern California investment firm is celebrating its 20th anniversary. Established Jan. 18, 1932, during the depth of the depression, the firm gradually expanded its scope of operations, and today consists of a well integrated organization conducting active units in practically all phases of the investment and brokerage service, including an investment supervisory department and municipal bond improvement department. The firm maintains a direct private wire to New York.

From an original unit of a single office, Crowell, Weedon & Co. is starting its 20th year with two memberships on the Los Angeles Stock Exchange and with branch offices in Long Beach, Pasadena, Laguna Beach and San Diego.

The identity and partnership of the firm has not changed since its formation. Warren H. Crowell, a native Californian, has been active in the investment business for 25 years. He is active in corporate affairs and a member of the board of directors of several corporations. He was just recently elected chairman of the board of governors of the Los Angeles Stock Exchange. George W. Weedon, Jr., has been actively associated with the securities business since 1927. He is a former member of the governing board of the Los Angeles Stock Exchange, and is currently a member of the board of directors of several corporations.

Los Angeles S. E. Elects Officers

Warren H. Crowell, partner of Crowell, Weedon & Co., was elected Chairman of the governing board of the Los Angeles Stock Exchange at the institution's annual meeting of members. Mr. Crowell succeeded to the Chairman post held for the last three years by Phelps Witter, partner of Dean Witter & Co.

Warren H. Crowell

Also elected to the Exchange's governing board were George M. Forrest (partner, Paine, Webber, Jackson & Curtis); Frank E. Naley (partner, E. F. Hutton & Co.), and Murray Ward (President, Hill Richards & Co.), to serve three-year terms.

Reid President of Commodity Exchange

William Reid was elected President of Commodity Exchange, Inc., at its organizational meeting Jan. 21.

A partner since 1936 of Bache & Co., members of the New York Stock Exchange and other leading stock and commodity exchanges, Mr. Reid is also a director of the Wool Associates of the New York Cotton Exchange and of the New York Coffee and Sugar Exchange.

Joseph Fischer of Joseph Fischer & Co. was elected Treasurer.

The following Vice Presidents were also elected: Theodore A. Lauer of E. F. Hutton & Co., George Elbogen of Geo. Elbogen & Co., Inc., David D. Haldane of Littlejohn & Co. Inc., Hans A. Vogelstein of American Metal Co. Ltd.

Small Investors Real Estate Plan Formed

The Small Investors Real Estate Plan, Inc., has been formed with offices at 157 West 42nd Street, New York City, to act as distributors of certificates of mutual ownership in real estate properties. Officers are Albert Mintzer, President; Mario J. Cefalo, Vice-President, and Edna Gough, Secretary and Treasurer.

Canadian Securities

By WILLIAM J. McKAY

An important foundation stone of Canada's rapid economic growth has been a continuous rising scale of capital investment, both private and government. Mr. S. M. Webb, President of the Canadian Bank of Commerce, estimates that since the end of open warfare in 1945, capital investment in Canada, government and private, has been over 20% of the national income each year. This year investment by all agencies is now estimated at around $4,500 million, indicating a trend of continued expansion and a relatively high rate of capital formation.

But, not all this growth in capital formation has come from Canada's own resources. United States capital has been flowing into its northern neighbor's territory at an accelerated rate.

An indication of this gigantic flow of capital is that more than $1,250,000,000 has been added to the investment in Canada by U. S. life insurance companies in the past ten years. The present total of U. S. life insurance funds at work north of the border is nearly $2,500,000,000, according to the Institute of Life Insurance. The investment in Canada of U. S. life insurance dollars is divided as follows: $900,000,000 is in Canadian Government bonds; $600,000,000 is in Provincial and local government bonds; $750,000,000 is in Canadian corporate bonds, and $150,000,000 is in mortgages.

As Canada and the United States have come to work more closely together, both in World War II and more recently in the defense production job, the flow of funds into that country has grown steadily. The present aggregate is more than double that of pre-World War II days.

The rapid growth of investment in the business and industry of Canada is expected to be sustained in the period ahead, the Institute says. The present total of Canadian corporate bonds in life insurance portfolios this side of the border is three times that of ten years ago and large additional amounts are now being added. Just this past year a $100,000,000 commitment for investment in iron ore development was made.

Another index of greater participation of United States investors in Canada's industrial and agricultural development is the growing number of Canadian securities listed on American exchanges.

Within the past few months, investors in the United States have been able to participate in new developments in Canada's natural resources to a greater extent than they have been in recent years through the listing of several more Canadian companies on the New York Curb Market.

A partial list of such companies includes Anacon Lead Mines, Ltd., Calvan Consolidated Oil & Gas, Canadian Atlantic Oils, Central Explorers, Ltd., Jupiter Oils, Ltd., National Petroleums, and Trans-Empire Oils, Ltd. Another company, Sapphire Petroleums, Ltd., has been approved for listing and the shares will be traded in a short while.

In their early stages, when the stocks were selling at much lower figures, purchase of the shares by U. S. residents was frowned upon by the Securities and Exchange Commission for technical reasons even though the companies were being directed and guided by reputable Canadian business men. Thus, Canadian stock brokers could not offer the shares for sale in the United States and U. S. brokers could not accept buying orders from residents in that country.

This did not prevent those with a desire to take part in the development of these companies from placing orders directly with Canadian stock brokers and many did so.

With American interest in the development of Canada's western oil fields rising rapidly through the discovery of oil by big American companies who have been active in the area for many years, local financial circles feel that numerous other Canadian stocks will be admitted to trading on the exchange or over-the-counter in New York this year.

With increased listings of Canadian securities in U. S. markets, it should be expected that securities transactions between Canada and other countries would increase in volume. The Canadian Government's Bureau of Statistics attempts to keep a record of these transactions. Its latest figures, covering October's trade show purchases from all countries in that month at $96,700,000, against $46,400,000 a year earlier, bringing the total for the first 10 months of the year to $464,300,000, against $252,700,000. Sales in the month were $66,500,000, against $63,700,000, and in the January-October period were $477,500,000, against $489,300,000.

Purchases of securities from the U. S. in October amounted to $93,100,000 compared with $40,200,000 in the corresponding month of 1950, while sales to the country totaled $61,700,000, against $60,700,000. In the first 10 months of 1951, the purchases aggregated $436,900,000, against $222,600,000 and the sales amounted to $433,100,000, against $474,800,000.

In October, purchases from the United Kingdom were valued at $1,900,000, against $5,000,000 and the sales totalled $1,900,000 against $800,000. Ten-month purchases were valued at $15,400,000, against $25,100,000 and sales $7,400,000, against $4,100,000.

Purchases from other countries in October were valued at $1,600,000, against $1,200,000 and the sales totalled $2,800,000, against $2,300,000. In the 10 months, purchases aggregated $12,000,000, against $5,200,000 and the sales $37,000,000, against $10,400,000.

Continued from first page

Today's New Type Inflation And Its Tragic Implications

The football season is over but basketball and prizefights are still on; winter vacations are about to begin and when they stop, it will be about time to go shooting and fishing. Then the baseball season will come on; the golf season will start, etc.

In the meanwhile, there are bridge games, movies, radio, video, etc., so that one barely has time to occasionally "god - damn" Roosevelt, grouse about taxes, and thoroughly "god-damn" those foreigners who are taking so much of our money.

Of course, we do support a large and ever increasing number of organizations with euphonic titles, highly paid secretaries and staffs who send us regularly a lot of brochures containing what they know we like to hear; that everything is all wrong and must be stopped, also telling us what great men we are, etc.

We attend dinners and meetings gotten up by professional promoters where we talk to ourselves and solemnly assure one another that everything is all wrong and can't go on like this. When the national campaign comes around, we are going to cure the whole business by sending large contributions to the Republican National Committee and then comfortably relax as we sit down in front of the radio and confidently listen to the election returns—**until ! !**

In the meanwhile, the AFL, CIO, UMW, Farmer's Alliance and organizations of that kind are conducting year round, year in and year out, day and night, grassroots campaigns telling the people that the high cost of living is due to the atrocious profits of the villainous corporations and that the doubling and quadrupling of wages, pensions, vacation pay, etc., etc., etc., has nothing whatsoever to do with the rising prices of commodities; and that wages must go higher and higher to keep up with the rising cost of living, etc. And the average voter whom *we* never reach firmly believes that today.

Rome advanced to a very high state of prosperity and culture, but it was finally smashed, due, in the last analysis, to its leaders becoming luxury-loving aristocrats who looked superciliously down their noses at the rottenness within their walls and the barbarians gathering without. It isn't within the scope of my subject to cover the myriad of ills now troubling the world but in order to grasp the urgency of the situation let's look at only one or two imminent matters.

The British Empire—the mightiest and richest empire that ever existed — has disintegrated — the mother country—proud England, bankrupt and dependent upon our aid, while the former constituent parts are floundering about trying to fit themselves into the chaotic jig-saw puzzle created by the last war.

A barbarian horde—Russia and her satellites—has arisen and is gathering strength—far exceeding even now in relative strength that of the barbarian hordes which sacked Rome and destroyed the then world's highest form of culture and civilization. And remember that when they did that they stopped the progress of civilization for more than a thousand years. A noted historian described the disaster in these words, i.e.: "There was once a night of a thousand years."

Bear in mind the Russian barbarians' idea of civilization is as different from ours as was the ancient barbarians' idea different from that of the Romans, and should the Russian barbarians be successful in destroying our civilization of individual freedom and substitute theirs, it would inevitably set back human progress for hundreds of years.

Many pooh-pooh the danger of Russia's conquest, forgetting that modern methods of aggression are not necessarily or even likely to be confined to war or military measures. Undermining and ideological boring from within are as effective as military assault from without. Abraham Lincoln once said, "If this Nation is ever destroyed, it will be from *within*—not from *without*."

Russia has evidently embarked upon a policy of using a mixture of both methods—harassing and weakening us and our allies by the assaults of her satellites, and boring from within by various forms of exceedingly clever propaganda of Marxian philosophy, each adapted to the conditions of the country they attack.

While I fully realize the necessity of our armament program and firmly believe that the only way to avert World III is to be so strong that the 14 thugs in the Kremlin dare not risk their necks by declaring open warfare, we must at the same time be alive to the danger of our home structure being undermined and collapsing on our heads.

It is obviously impossible to cover all the ills brought upon our domestic economy by the creeping Marxism of the past 18 years and the crack-pot measures that came along with it and I shall confine myself to but one disease—the cancer which I consider most important—*INFLATION.*

I have little patience with many of our verbose economists who are forever splitting hairs and debating what is and what is not technically inflation; seeking its cause in all sorts of mystical directions; supporting their fine-spun theories with bales of statistics and all the while overlooking the most important fact, that this inflation is different from any the world has ever known before.

For the first time in history we have inflation coming FROM THE BOTTOM UP instead of FROM THE TOP DOWN. In all previous inflation periods, inflation was initiated by the entrepreneur, speculator and consumer at the TOP, buying and driving up prices. The bottom layer of society, the working man and the rest of the common people in general, were the sufferers. Their wages and income trailed far behind rising prices. Today it is the reverse.

I made a special trip to Germany during their inflation episode of the early 20's and studied its working at first hand. The motivating causes all came from the top. Governmental deficits necessitated inflation of currency and credit. Entrepreneurs, speculators and consumers, realizing the situation and its implications, rushed into the markets and prices went up in an ascending spiral until the mark reached the astronomic level of a trillion to one.

While prices were thus skyrocketing, workmen's wages and pay generally trailed far behind and naturally there was a tremendous amount of dissatisfaction amongst the masses. Practically everybody, except the speculators, was opposed to this inflation and I must say for the Germans, that had it been within their power, the course of their inflation would have been halted long before it reached the final bursting point.

However, their Government was a prisoner of the Versailles Treaty and there wasn't much they could do about it. A complete explosion was necessary to wake up the Allies to the fact that you can't squeeze more out of a nation than is in it; and even after that explosion, it required all the machinations of Schacht and the other German sleight-of-hand bankers to keep their economy at least in working condition.

There is no question in my mind but what these events were a very important factor in bringing Hitlerism to Germany and that is an important matter to keep in mind when pondering over what might happen here.

Our book-taught economists and the public in general, having always seen inflation come from the top, have been trying to stem inflation by credit regulation, price-fixing, etc. In doing so, they are trying to change the effect without changing the cause. Wage raises never were the major cause or even a materially contributory cause to inflations of the past, and for this reason these economists are so wrong in proposing the old remedies for the present inflation. Credit restrictions, price-fixing, etc., will never stop the present inflation—that's like trying to keep down the level of water in a bucket by putting a lid on it while water is being forced in through the bottom.

The old form of inflation rarely (usually only in times of war or post-war) got out of control. So long as the causes of inflation were the usual superabundance of credit, printing press money, or simply the boom spirit of the populace, a tremendous majority of the public, consisting of all the working classes, salaried workers, etc., suffered because their pay trailed behind the rise in prices. Thus, inflation always was very unpopular with the masses and this sooner or later brought about corrective measures. In the German case which I described it was beyond the power of the Germans to do anything until their masters, the Allies, were aroused to action.

There can be no doubt that our Government's huge borrowings and spending have been a contributory cause that would be corrected in time, just as it was after World War I; but today quite a different picture presents itself.

Let's take a look at it and see just how the new form of inflation operates. After all, in our form of free economy—what does the price of an article consist of? If we get away from narrowly construing "WAGES" as the only form of PAY we find that the price of an article consists almost entirely of the sum total of the PAY of everyone who helped to plan, produce, transport and store it, plus the tax load. You will notice that I used the word PAY instead of WAGES. Starting out with the infinitesimal PAY of a man who owns the forest, or the mine, or the field where the raw materials originate, we add the PAY of those who form, transport and merchandise the finished article.

WAGES are the PAY of only one part of the people who produced the article; there are also those who did the planning; who furnished the tools with which it was made or transported; people who carried it on their shelves until it was purchased by the final consumer, and all these are entitled to PAY just as the man who cuts, hammers or bends it into shape.

In present day inflation the cycle starts—just as it is starting this very moment—by the strongest union demanding additional pay in one form or another. The employers may haggle, bargain and squirm but under present laws and conditions what can they do about it in the end? After all labor unions have today a complete monopoly and are in position to raise their pay to almost any levels. As the unions raise their PAY, prices of course must go up and this ultimately brings about a demand for PAY increases by all the other members of our economic structure.

A pay increase acts like throwing a stone into the middle of our economic pond. The first wave is that of highly unionized labor, then follows the wave of the next best unionized, and so follows each successive wave, including those of the indirect contributors to our economy, such as physicians, lawyers, teachers, barbers, house servants, etc., until the whole economic pond has been affected. Everybody raises his income as much as he is able and the forgotten men are the poor devils living on a fixed income—including the provident working man who is trying to live on his life savings, the retired physician, merchant, teacher, etc.

After the wave has reached the end of the pond, prices having naturally risen up to include all the added costs, the unions start another hue and cry about a raise in the cost of living and off we go on another round. I don't know which politicians realize all this and are dishonest about it, and what percentage of them are just too stupid to see through it. At any rate, whether stupid or crooked, *all* politicians are afraid, because there are too many votes at stake, to do anything about stopping the beginning of the cycle, the raise in wages, the initial cause of inflation.

However, I am convinced that the heads of our larger labor organization are well aware of the facts. In the first place they are very intelligent and able men and they have large staffs of well-trained economists and research men. They must know how this inflation spiral works. Reading the various labor publications, I am struck by the effective way in which their editors are handling the situation. They have adopted Hitler's tactics of accusing the other fellow of doing what they themselves are doing and shouting louder than he does. Every issue of the labor organs devotes a large portion of its space to decrying and deploring inflation and blaming it all on the greedy capitalist and "his huge profits." They point to the "millions of profits" of this corporation and that without mentioning the fact that profits are only a very small percentage of the total cost, and this of course has a tremendous effect upon the mind of the poor uninformed working man. They also never point out to him that these so-called "profits" constitute in fact, the pay of the planners and the hire of the tools of production. They never point out to him that to tools is due the credit for about 90% of our production and that labor contributes barely 10%.

To prove this, let's look back 150 years. At that time, the productivity of the nation was the result of about 90% human effort and 10% tools. Our standard of living has gone up since then directly in proportion with the mechanization of our industrial effort. While the planners and owners of the tools have during this period benefited in some degree, by far the greatest benefit has gone to the manual worker.

When the working man 150 years ago was producing with only his naked hands, he lived in a one-room hovel and lived on a proportionately low scale. Today, having the benefit of the tools furnished by the investor, he produces so much more that he is able to live on his present scale; in a comfortable house with all modern conveniences, an automobile, video, movies, vacations, etc.

Yet the tool owners get only a very small percentage of the total product while workers' pay represents the bulk of it. The historian of the future will wonder how the labor leaders could soberly ask for these repeated increases in wages. They must know that if everybody other than the tool owners, who contributes his part to production received a 10% increase in pay, it would not only wipe out the entire PAY of the tool owners, but prices would have to be jacked up merely to break even.

However, even if one of the labor leaders wished to do something about it and enlighten his followers on the futility and harm of the wage-price spiral, he couldn't afford to do so. The top leader knows that the next leader is gunning for his job—another below that is gunning for his job and so on down the line on to the president of the local union who knows that certain other factions in his local are looking for a chance to denounce him as having "sold out to the bosses" and oust him from his desirable position. Labor leadership has become a highly lucrative calling and these men naturally want to hold their jobs and have no alternative except to lead their sheep onward in their mad rush.

All sound-thnking business men today recognize the right of labor to collective bargaining. Unions are an absolute necessity. We have seen in the past, before the advent of unions, labor shamefully exploited by short-sighted greedy employers. We want no return of that. But what labor needs today is wiser and more far-sighted leadership to avoid making the mistakes employers made when they were in the saddle.

Sometimes, I try to disassociate myself from my own personal interests and look at this situation objectively. I ask myself how far will this go—how will it end? This episode will make very interesting reading for some research economist about a 100 years from now. Here we have inflation for the first time coming up from the bottom at a time when democracy is, for the first time in the world's history, really coming into power. The labor leaders and the politicians in order to remain in power are both compelled to fan the flames of inflation and apparently will continue to do so until the common man comprehends the facts. And the hell of it is, that when the common man finally does at least partially comprehend the facts, he still slyly thinks that he will "get his" ahead of the other fellow and keeps rushing along the same path.

I am afraid that under all these circumstances this thing may go on for quite a long time—it may be momentarily halted at times by some temporary cause but then another surge will follow, etc. Only as public knowledge spreads, will the halts become longer and more effective, but at present public enlightenment is progressing very slowly and I shudder to think how far this thing may go unless we all pitch in and do everything in our power to stop it.

There, gentlemen, you have the situation—and I can sense your mental inquiry—Well, what can we do about it?

There is only one sure way to first slow down and eventually stop this rising tide of inflation, and that is—enlightenment of the voters. You can't do that by sending pamphlets to one another—or by sending a check to some secretary—you must do something that gets the information to the man in the workshop—the farmer—the truck driver—you must go where the voters "are at." There has been a terrific waste of money by those who have been taken in by numerous "associations" and "bureaus" which have only one real purpose — to support their paid personnel.

There are a few institutions, however, that are doing really effective work—one of the best is the American Economic Foundation, fathered by Fred G. Clark and his associates. Write them for their material and a description of their methods. I am sure you will find it very helpful, not only in explaining the situation but in disseminating the information where it will do the most good. Explain to everyone whom you can approach inflation's devastating effects—not only on business and banking; that it is like a conflagration that spreads and grows; and if permitted to continue, consumes the entire civilized structure.

Lenin—a Machiavellian genius — thoroughly appreciated the truth of this and since a thorough destruction of the whole social and political structure was his goal, he told his followers that inflation was one of the most effective tools of revolution. When he took power in Russia he first confiscated all the large tangible properties such as railroads, banks, factories, etc., and then used inflation as a tool for mopping up the rest. And an effective tool it was indeed—when the process was finished the Government had in their power everything except the rags on the muzhik's back and even for these the muzhik from time to time has to come in for replacements.

Having spent nearly all my time on describing the fallacy of trying to cure our today's new form of inflation by the methods used to cure the old forms, I don't want to leave you thinking that I consider the wage-price spiral to be the sole disease of our economic body. Within the limited time allotted to me, I preferred to get one idea across clearly rather than give you a smattering of many. And there are many, indeed too many.

Unquestionably unnecessary spending by our government is also a potent factor of inflation, particularly while we have an unbalanced budget.

The rapidly progressing concentration of power in Washington — the emasculation of states' rights—the twisting, bending and stretching of our Constitution all in the direction of making the government the master instead of the servant of the people is a matter of tremendous importance.

But all of these points have been ably expounded by others—particularly Ed Hutton, who deserves great credit for his unselfish and able efforts. I believe that while much remains to be done to inform the general public — you are well informed on most of these subjects and I can only add —remember that you can't change things by inaction—you can't accomplish anything in this situation by push button methods and you can't buy safety by sending somebody a check for a few dollars.

Individuals and corporations must do all in their power to bring enlightenment to the ultimate source of political power—the average voter.

Everything you have — your wealth and your very liberty is in jeopardy — get to work — it's very, very late.

Dean Witter to Admit Washer to Partnership

Dean Witter & Co., 14 Wall Street, New York City, members of the New York Stock Exchange, will admit Herbert R. Washer, member of the Exchange, to partnership on Feb. 1. Mr. Washer will retire from partnership in Roberts & Co. on Jan. 31.

Railroad Securities

Santa Fe

Santa Fe common came to life last week, with speculative interest stimulated by announcement of developments in the uranium field. It was announced that the Atomic Energy Commission had signed a contract to buy uranium from Anaconda Copper Mining Co., processed in a plant to be built near Grants, New Mexico. The exploration work leading to this decision had been carried on jointly by Anaconda and Santa Fe. In the meantime, Santa Fe has formed a wholly owned subsidiary, Haystack Mountain Development Co., to mine the uranium ore that had been discovered on the railroad's property in 1950.

It is, of course, much too early even to attempt to guess just what this new factor will mean to Santa Fe in dollars and cents or how long it will be before anything is realized. Earlier reports, when the discoveries were first made, were highly encouraging as to the quality of the ores. Obviously, subsequent exploration has done nothing to negate the early findings. Also, unless the indicated extent of the deposits had been favorable there would presumably not have been any incentive to go ahead with plans for the new plant. The AEC contract to purchase the uranium is reported to run for five years.

While the prospects for the proposed development must be accepted as nebulous for the time being, there can be no question but that the potentialities are substantial. Not only must the direct income possibilities of the ore be considered but, also, it is quite likely that a development of this nature will bring with it, over the long run, appreciable new traffic sources. It is an important new plus to add to a situation which is also considered to have large unexploited oil potentialities. The interesting part is that most railroad analysts are convinced that even without these outside activities, Santa Fe common is attractive purely as a sound equity of a railroad operating property.

There are few railroads that can point to so impressive a long-term record as can Santa Fe. In the long history of the present company, dating back to before the turn of the century, there has been no year in which a net loss has been sustained. Net income has been reported in every year which, incidentally, is more than can be said of many of our major industrial corporations whose stocks are now in such demand by various fiduciaries. Moreover, in only three years since 1900 has the company failed to pay dividends on its common stock. The omissions were in 1933 and 1938-1939. There was some disappointment last fall over the conservative dividend policy adopted after the 2-for-1 stock split, but this may well be corrected over the reasonable future. As it is, the indicated \$4.50 rate (\$1 quarterly and the \$0.50 year-end extra) affords a return of 5.7%.

Another strong feature of the Santa Fe picture is its extremely conservative capital structure. Even though the road had the long unbroken record of net profits, the management has followed a consistent policy of debt reduction. All maturing bonds, and all bonds that were callable, were paid off. This left the company as of the end of 1950 with less than \$200.5 million of non-equipment debt outstanding, represented by the General Mortgage and Adjustment Mortgage 4s, 1995. Probably the company reduced these at least moderately last year through open market operations. Moreover, practically all equipment has been purchased outright rather than through issuance of equipment trust certificates or conditional sales contracts.

Not only has the company been a consistent earner, but, also, the earning power on the common stock has been high. Adjusted for last year's 2-for-1 split, earnings on the common stock averaged \$9.58 for the 10 years 1941-1950, inclusive. The best showing for the period was in 1950 when \$15.64 a share was reported. Less than a third of these earnings was distributed as dividends with the result that the company's finances are particularly strong. This is another reason for the fairly general feeling that dividends will eventually be liberalized. Earnings last year presumably did not match those of the preceding year when there were more substantial extraordinary adjustments. Nevertheless, by any other standards they were unquestionably excellent. The present estimate is about \$13.50-\$14.00 per common share.

John J. Laver Joins Seligman, Lubetkin Co.

John J. Laver

Seligman, Lubetkin & Co., 30 Pine Street, New York City, members of the New York Stock Exchange, announce that John J. Laver is now associated with the firm.

Mr. Laver was formerly with Edward A. Purcell & Co., and prior thereto was a partner in R. F. Gladwin & Co.

June S. Jones Co. New Partnership

PORTLAND, Ore.—June S. Jones & Co., a new partnership, has been formed with offices in the U. S. Bank Building, to succeed Atkinson-Jones & Co. Partners are June S. Jones, Roberta D. Jones, Edward T. Parry, and J. Sheldon Jones, Jr.

Business and Finance Speaks After the Turn of the Year

Continued from page 6

W. H. EDWARDS

President, Lehigh and New England Railroad Company

The tonnage handled by the Lehigh and New England Railroad during the first 11 months of 1951 exceeded the tonnage handled in the comparable period of 1950 by approximately 2%. Approximately 67% of this tonnage originates on the line of the Lehigh and New England. Forty-three per cent of the tonnage handled is prepared anthracite, 15% bituminous coal, 25% cement and the remaining 17% other commodities. Not one of the three major commodities handled, namely, anthracite, bituminous coal and cement, has varied over 2% in the first 11 months of 1951 when compared with the first 11 months of 1950. We have, naturally, contacted our shippers and receivers in order to ascertain what business we might expect in the calendar year 1952. In analyzing the responses received we are of the opinion that the tonnages handled in 1952 will not vary more than 2% or 3% from the tonnages handled in the other years mentioned. In other words, from a tonnage standpoint, both considered as a whole and considered by relatively important commodities, we expect to handle approximately the same business in 1952 as in 1951. So much for tonnage expectancy.

W. H. Edwards

Our net income expectancy is another matter entirely. In 1950 our net income was $2,060,775, while our estimated net income for 1951 is approximately $1,635,000. The decrease has resulted from the fact that increased costs, due to increased wage rates and increased costs of materials, has far exceeded increased revenues resulting from increased freight rates and, of course, the increased tax rates. Not knowing what the future has in store for us in this connection I am not prepared to furnish the net income for 1952.

Our Operating Ratio for 1950 was 56.28 while our Operating Ratio for the first 11 months of 1951 was 59.2, 3.9% greater than the Ratio of Operating Expenses to Operating Revenues in the comparable period of 1950. Our increased Operating Ratio in 1951 over 1950 reflects rather closely, the experience of the railroads taken as a whole in the United States, reflecting the facts mentioned herein before, namely, that costs have increased more than revenues.

WIRT FRANKLIN

Oil Producer, Ardmore, Oklahoma

The proper recognition of the domestic oil industry's position in the nation's defense program will be necessary to insure the industry's fullest participation in 1952 in maintaining the national security.

Wirt Franklin

Given the proper incentives of an adequate price for its products, a continued equitable tax program commensurate with the risks involved, together with a proportionate share of materials, the domestic oil industry foresees no obstacles in meeting successfully an anticipated record demand for its products in 1952.

In addition to the record demand forecast, defense authorities have recommended the domestic excess oil-producing capacity be increased to 1,000,000 barrels daily over the amount to meet current demand.

An adequate price for crude oil will provide the finances necessary to carry out the needed expanded exploration and refining program.

The continuation of a fair program of taxation will provide the incentive to incur the risks and hazards incidental to increase development and expansion of refining facilities.

The allocation of sufficient steel will insure the successful completion of the domestic oil industry's program for 1952.

In 1951, the oil industry added $3,000,000,000 to its capital investments, the largest single year's expenditure. A proportionate rate of investment will be necessary in 1952.

A large number of exploratory or "wildcat" wells will have to be drilled. Development of fields already discovered must continue without abatement.

If the oil industry is allotted materials in proportion to the industry's importance in the defense program, the goal set for 1952 can be reached.

The overcoming of difficulties is traditional to the American oil industry. Year after year it has provided a constantly improved product to its consumers at a cost far below that of other nations.

This resourcefulness assumes added importance as the industry undertakes even greater obligations and responsibilities which must be discharged under the handicaps of the present controlled economy.

The industry has demonstrated ably that no system of governmental direction or control can be substituted successfully for individual initiative and private enterprise.

The normal play of forces under the competitive system has resulted in the finding of oil by the venturesome oil explorer in areas which theretofore had been considered unproductive.

Under the competitive system the industry has progressed in the finding and production of crude oil. It opened the big East Texas field. More lately, it has accounted for the opening of the Anadarko Basin of Oklahoma, Texas and Kansas; the Denver-Julesburg basin of Eastern Colorado and Nebraska and the Williston Basin of North Dakota and Montana.

Under the private enterprise system the domestic oil producer built up a margin of oil reserves readily available to be produced and used in the defense of the nation.

This was the case in World War I and again in World War II when the oil fields of the United States supplied 85% of the petroleum products used by the free nations of the world.

The impact on the domestic oil industry of the unsettled international situation, particularly in the Middle and Near East, cannot be defined at this time.

The muddled situation, however, emphasizes one point. It clearly indicates the necessity for the maintenance of a sound, healthy domestic oil industry to free the United States from any vital dependency upon uncertain and insecure foreign sources of oil.

The national security must not be jeopardized by failure of the defense administration to recognize that it is the oil within the continental boundaries of North America that is readily available for production and use in time of emergency.

JOHN HOLMES

President, Swift & Company

Prospects for meat-hungry Americans in 1952 at present are favorable. Livestock production is on the upswing and that means more meat.

The U. S. Department of Agriculture forecasts a 10% increase in beef and veal supplies in 1952. Actually the potential is much greater than this because of the large build-up of cattle numbers on farms and ranches last year. If cattle numbers are kept at current levels, the processing of cattle and calves in 1952 could increase as much as 25 to 30% over 1951. Lamb supplies are expected to remain at about the same levels as last year. Pork supplies may decline slightly.

John Holmes

What about prices? The U. S. Department of Agriculture expects both beef and pork to be selling below present ceilings a good part of this year. Actually, meat prices will be governed by the amount of meat in the nation's meat cases and the money in the hands of consumers on the other side of the counter.

With large meat supplies in prospect, the most effective brake on prices is the indirect controls on purchasing power, such as taxes and credit restrictions. These indirect controls, modified as needed, should be relied upon to prevent inflated prices.

This is on the brighter side. And it all adds up to a rather pleasant outlook for food supplies for 1952.

Unfortunately, these prospects are complicated by various factors directly and indirectly affecting feed and food production.

For the last several years we have been blessed with generally favorable growing conditions and good crops. Unfavorable weather in 1952 would put a serious crimp in production. This factor is extremely important now because the nation's stock of feed grains is decreasing appreciably. The probable shortage of farm fertilizers is another important factor in the food production picture for 1952. If more sulphur is made available the fertilizer situation would be eased.

Production of farm machinery and equipment has been curtailed by steel restrictions. The draft and defense plant demands are cutting into the farm labor supply.

In citing these factors I do not wish to cast any gloom on future food production. As a matter of fact I am optimistic. However, these possible developments should be borne in mind in looking ahead.

The tense international situation and government policies and programs may also assert a strong influence on food supplies for civilian use.

Our past experience—with OPS controls during the past year and with OPA in 1945 and 1946—warns us that artificial price fixing results in unstable markets, disrupted distribution of meat, and inefficient operations. There is also the danger that government edicts may have a depressing effect on future agricultural production. We need fewer controls by government—not more.

There was no need for the livestock and meat controls which were imposed a year ago. There is even less need for them now. They have again proved to be impractical, inflexible and discriminatory.

Livestock and meat price controls, with their negative results, and tremendous cost to taxpayers and law-abiding operators, should be terminated.

CHARLES W. HOFF

President, Union Trust Company of Maryland, Baltimore, Md.

The year 1952 promises to be a decisive one in the history of our country. Not only is it an election year, but there are grave issues, both foreign and domestic, which must be decided one way or the other. There is a prevailing expectant feeling that we are approaching the dividing road, and that we must soon choose the way we shall follow.

Charles W. Hoff

The uneasiness over the foreign situation has lessened to some degree, and with the prospect of cessation of hostilities in Korea there is hope that another World War can be avoided. This does not mean that we can modify our policy to maintain a strong military defense establishment, as indeed this costly program is essential in our efforts to be spared further armed conflict.

At the same time, however, it is incumbent upon all thoughtful citizens to use every means at their command to persuade their Congressional leaders to reduce as far as possible unnecessary expenditures and try to bring back economy in government.

Under the circumstances, business faces the New Year with justifiable caution. The immediate outlook is encouraging for the continuance of profitable operations before taxes in most lines of endeavor. There is full employment at good wages, and with comparatively few exceptions most enterprises, especially the heavy industries, are operating at close to capacity. Retail inventories are high but not too excessive, farm income is good, and there are no great shortages in materials for civilian use. Defense goods will reach greater production than in 1951, and new plant construction will be large. However, activity and "busyness" are not enough. Employment and higher wages and shorter hours are not the final solution. The reduced purchasing power of the dollar and higher taxes leave the individual with comparatively little to retain in the form of savings after living expenses. We must bring about a wider margin of real value as an incentive to personal effort. Otherwise we drift towards a Welfare State administered by a self-perpetuating government.

The firming of money rates in recent months will give banks in general an income equal to or above that of 1951. Against this income must be charged the increased operating expenses and higher taxes with the result that the net profits of banks may well be below that of the previous year. These higher expenses which banks in industrial centers and large cities are incurring at present may pose a problem which will have to be dealt with in the future when interest rates recede and business activity lessens. Bankers will have this in mind in endeavoring to maintain a high degree of operating efficiency and to obtain a fair remuneration for their services.

AUGUST IHLEFELD

President, Savings Banks Trust Company, New York City

Mutual savings banks have reason to expect the largest deposit gain since 1946 this year. Investment outlets in the financing of home building and industrial expansion for defense promise to be more than adequate, especially in the first half of the year.

Federal taxation of additions to surplus for the first time in 1952 injects a new influence that will affect investment policies of many savings banks.

August Ihlefeld

The trend of deposits in mutual savings banks has not yet reflected national prosperity because of withdrawals by many depositors to pay for consumer goods purchased during the scare buying waves late in 1950 and early in 1951. Should consumer buying this year continue in about normal volume, as was the case in the last half of 1951, savings are bound to reflect the stimulus of rising personal incomes.

In the last three quarters of 1951, deposits in the mutual savings banks of the country increased at an annual rate of over a billion dollars. The last year in which deposits rose by more than $1,000,000,000 was 1946. Should savings banks in New York State be permitted to credit dividends at rates higher than 2%, as some of them have requested, the deposit gain may be further stimulated by such action, as has been the case in other states.

In 1951, the savings banks of the country added approximately $1¾ billion to their mortgage holdings. With the declining trend in new building, the supply of mortgages will probably be smaller. But since the pressure for accumulating new mortgage loans has moderated for institutional investors as a whole, the mutual savings banks may encounter no great difficulty in satisfying their mortgage loan requirements in 1952. The sharp rise in corporate borrowing and the higher yields available on corporate bonds will provide other opportunities attractive for mutual savings bank's investment.

Taxation of additions to surplus by mutual savings banks, where surplus exceeds 12% of deposits, will cause some increase in holdings of tax-exempt obligations, despite low yields prevalent thereon. Should the New York State law be modified to permit mutual savings banks to invest their surplus in preferred and common stocks, such investments will prove especially attractive because of the relatively low tax rate applicable to income from dividends received by corporations.

The year 1952 thus offers mutual savings banks an opportunity to achieve new records of service to the nation in the promotion of thrift and in the financing of home building and essential industry.

D. S. KENNEDY

President, Oklahoma Gas and Electric Company

The gain in weekly output of electrical energy in the South Central region of the United States, which includes Oklahoma, continued to lead the Nation during 1951. The output for Oklahoma Gas and Electric Company in 1951 was 17½% above the previous year. This gain in our company was due to the growth of diversified small industries, larger usage by all major classes of business, and an average gain of approximately 10,000 new customers during the year. The company does not serve any large defense industries.

Donald S. Kennedy

Construction expenditures for Oklahoma Gas and Electric Company during 1951 amounted to about $11,000,000. The construction program for 1952 calls for approximately $15,000,000 on new plants and lines. This expenditure will be affected by the availability of material. The second 50,000 kw unit of the company's new 100,000 kw generating station near Oklahoma City was placed in operation during 1951. A new 70,000 kw plant is now being constructed in Southern Oklahoma to help serve the growing load in that area. Fuel costs are low because of the availability of natural gas from local fields.

Company forecasts indicate a slowing down in the rate of growth during 1952. We anticipate an average gain of about 9,000 new customers with a gain of about 11% in kwh sales. Revenues for 1951 were up 12%. The forecast for 1952 is about 7½%. Home building is expected to decline somewhat in our territory; however, a number of new residential developments are planned for the year and it is anticipated that the rate of growth in this type of construction in our area will be above the National trend. Sales to the petroleum industry, including interstate pipe lines, are expected to increase substantially during 1952.

Oklahoma is in the heart of the great Southwest which is a rapidly developing progressive area. The abundant natural resources of this territory, with a competent labor supply, offers many new opportunities to industry. A very favorable climate is an added asset. Therefore, we anticipate the continuation of a satisfactory rate of growth in this relatively new section of the country during 1952.

CLIFFORD W. MICHEL

President, Dome Mines Limited

In 1952 the Gold Mining Industry in Canada prepares itself to face again the adversary it has struggled against continuously for more than 10 years. This adversary is inflation, with its concurrent rising material and labor costs. Where other industries defend themselves by raising the selling price of the article produced, the gold miner, in the hard currency areas, has not had this right and the selling price of his product today is little changed since 1934. The only defense left to the industry has been to seek continuously new cost saving methods in the attempt to stop a shrinking profit margin from becoming a deficit.

Clifford W. Michel

The Canadian Government has long recognized the industry's problem, just as it recognizes the country's need to keep the industry alive, for gold mining in Canada not only produces the product which backs the Canadian dollar to make it a good one, but it also supports the frontier communities from which the search for new mineral resources proceeds. To this end, the government instituted several years ago, a form of subsidy, commonly known as COST AID. To the extent that the cost of producing an ounce of gold exceeds a minimum figure established by the government, the gold mine is reimbursed for a portion of its costs on the excess on a part of its production. The government has recently announced that this program will be continued through 1953.

In addition, and what may eventually become far more important, the Canadian Government has at last obtained the approval of the International Monetary Fund to permit the industry, if it so desires, to sell gold in industrial form into the free markets of the world where gold commands a premium over the official price of $35 per ounce maintained by the United States Treasury. At present, this premium is in the order of 10% above the official price, and as such may not be of benefit to the marginal producer as compared with the Cost Aid program. However, the Canadian Government has given to the Mining Industry the option to accept Cost Aid or sell into the premium markets, depending on whichever is more advantageous to each company. Hence, as long as inflationary monetary policies are pursued, and the people of the world run from poor paper money to gold, the Canadian Mining Industry will have an opportunity to obtain the resultant premium prices for its production.

R. L. MINCKLER

President, General Petroleum Corporation

The Pacific Coast oil industry enters the year 1952 with crude oil production at capacity, demand in excess of production, and inventories at very low levels.

During 1951, our industry has experienced increased demands for the Korean War and to replace oil in markets formerly supplied from Iran, but the importance of these factors is not as great as is commonly believed. Military liftings were up over 1949 by about 40,000 barrels per day and commercial offshore shipments by about 35,000 barrels per day, so only about 75,000 barrels per day of demand can be assigned to the troubles in Korea and Iran. These extraordinary demands have been met, in large part, by an increase in receipts from other areas, principally Borneo and the Rocky Mountains, of 25,000 barrels per day and by withdrawals from inventories of 35,000 barrels per day. California supply has been about in balance with normal demand.

R. L. Minckler

For 1952, we can expect a further increase in normal demand and a smaller increase in local supply which will result in a tight supply situation. This will probably be corrected by shifting military and offshore demand to other sources of supply, which can be done at added costs.

A sensible way to increase supply in California would be to open up the Elk Hills Naval Reserve, but this wonderful field seems to be condemned to a continuation of its unbroken history of complete uselessness, producing only a dribble of oil and using critical materials which could be better used elsewhere.

Capital expenditures in the producing and refining branches of the business will be at high levels in 1952, limited more by inability to get steel than by any other factor. Exploratory effort to find new oil fields will be aggressively carried on.

Pacific Coast oil companies' earnings for 1952 will probably be somewhat lower than in 1951 as a result of higher costs and frozen prices, but they should be at reasonably satisfactory levels.

Since the 1948 strike, the Pacific Coast oil industry has been free of serious labor troubles and relations with employees are very good. If logic prevails, this will continue throughout 1952, but this is a field in which logic does not always prevail.

The anti-trust division of the Department of Justice has brought a suit against the California oil industry. We believe the suit is without foundation, but should the prayer for relief be granted the industry would be adversely affected to a very serious degree. There is little prospect that the suit will come to trial in 1952.

HENRY S. MITCHELL

President, Duluth, South Shore and Atlantic R. R. Co.

If wages and prices of materials and supplies continue to rise and other industries continue to pass on the resulting increases in their production costs by increasing the prices of their products, and if the railroads are prevented in 1952 as in recent years from increasing their freight and passenger rates in amounts sufficient to cover past and future increases in their costs, many of them will be unable to meet the demands of the shipping and traveling public for constantly improved and modernized transportation service and facilities.

Henry S. Mitchell

True, the Interstate Commerce Commission has allowed some increases in rates. But they have been so long delayed and so small—for example one-quarter of a cent a pound on beef from Omaha to Detroit and four cents on a pair of shoes from St. Louis to Detroit—that they have covered only a fraction of what the railroads have had to pay to others for increases in wages and prices of materials and supplies.

The insufficiency of the rate increases is probably attributable to a desire on the part of the Interstate Commerce Commission to check the inflationary spiral. It seems obvious, however, that inflation cannot be stopped by regulating one segment of the national economy on a principle which is not enforced against the other segments. That being true, the only result of continuing to refuse to allow the railroads to recoup themselves for their increased costs will be to impair their ability to finance the heavy expenditures of capital which are necessary in order to meet the requirements of the national economy for constantly improved service in the transportation of goods and passengers.

THOMAS SMALL

Treasurer, Allied Kid Company

There are certain economic facts about the shoe and leather industry which stand out. The estimated shoe production for 1951 is 460,000,000 pair as compared with 491,000,000 pair in 1950. The consumption of shoes, however, shows a slight increase—486,000,000 pair in 1951 against 483,000,000 in 1950.

One of the steadiest economic factors is the per capita consumption. For the five prewar years, 1936-1940, the average was 3.16 pair with a low of 3.13 and a high of 3.25. In the four postwar years the high was 3.16 and the low 3.13. These facts are summarized in the following table:

	Production Per Capita	Consumption Per Capita
1936-1940 (prewar average)	3.14	3.16
1948	3.27	3.15
1949	3.17	3.11
1950	3.21	3.16
1951 (estimated)	2.97	3.13
1951 compared to prewar aver.	5.4% less	1% less

While the per capita production in 1951 was 5.4% less than the prewar average, the consumption was less than 1% below prewar. From the above it seems probable that the shoe consumption in 1952 will be close to 490,000,000 pair. It is unlikely that the disparity between production and consumption which took place in 1951 will recur in 1952 so that it is reasonable to expect a production close to the consumption figure; a further substantial reduction in shoe inventories seems unlikely.

Although inventories of leather in most categories are still somewhat above optimum quantities in relation to sales, they are considerably reduced from the high points, and all indications are that further reductions are being made currently. These facts combined with a more rational price structure than prevailed a year ago, give promise for a fairly steady production during the balance of the year. The raw materials of leather making are a by-product of meat consumption. The large quantity of cattle on feed and good supplies abroad of animals, such as goatskins, should provide ample raw materials for all leather requirements, and thus prevent any material rise in hide and skin prices. In recent months most tanners found it impossible to sell their leathers at a profit over replacement. The improved demand for leather resulting from the expected increase in shoe production plus steadier hide and skin prices should tend to correct this situation.

All of this, of course, presupposes that there will be no unforeseeable international complications.

JAMES H. RAND

President, Remington Rand, Inc.

Continued upward trends in sales of business machines, particularly in foreign markets, and a marked increase in the use of business machines and systems to speed up the administrative control of industrial production, were outstanding developments in the office equipment industry during 1951.

James H. Rand

The question whether there will be a continued advance during 1952 will depend to some extent on whether the international situation materially changes world economic conditions, and also upon whether taxes become more burdensome.

Remington Rand's booked orders in 1951 were running 37% better than the previous year, although government restrictions on certain materials curtailed manufacturing operations to some extent.

Net income showed an increase over 1950, even though added taxes restricted earnings considerably. Remington Rand's net income for the first eight months of the company's fiscal year, which ends March 31, 1952, totaled $9,836,491, equal to $1.92 per share of common stock after giving effect to the stock dividend to be issued Jan. 29, 1952, and after providing for income and excess profits taxes in accordance with the new laws.

These provisions for taxes amounted to $16,281,500 for the eight-month period, an increase of 123% over the corresponding period in 1950.

The company's sales during the eight months' period ended Nov. 30, 1951, amounted to $146,851,151, an increase of 33% over the same period for 1950.

With no prospect of decreases in basic costs of labor and materials, improvement in administrative and production techniques through the increased use of business machines and systems should offer one of the principal opportunities for economies in the operation of all businesses.

This should be reflected not only in increased sales, but also in improvements and new developments in types of business machines, saving time and manpower, and in the acceleration of production schedules.

One of our great achievements during 1951 was the completion and delivery of the first UNIVAC, the world's most advanced electronic computer, which was turned over to the United States Census Bureau last June for use in the compilation of the 1950 census tabulations.

This new electronic computer, capable of reducing the most intricate calculations to fractions of seconds, was built by the Eckert-Mauchly division of Remington Rand in Philadelphia. Additional UNIVAC systems will be delivered early in 1952 to the U. S. Government, and later to private companies.

Remington Rand is also developing several types of special purpose electronic and mechanical business machines and control systems for handling figures and data required for commercial operations.

Expansion of foreign sales and operations was one of the high-lights of the company's progress during 1951, and should continue in 1952.

Combined exports and foreign production of the company increased more than 50% over the output during 1950. Remington Rand's foreign distribution has increased approximately two and a half times over the company's prewar foreign business.

Public Utility Securities

By OWEN ELY

Southern Natural Gas Company

Southern Natural Gas Company's common stock has had a good "growth" record, as indicated in the accompanying table—though much of the eight-fold increase in price from the 1937 low seems due to reappraisal of the company's position, and increase in the price-earnings ratio. However, these figures do not tell the whole story, since the company in 1947 distributed to its stockholders one share of Southern Production Company for each share of its own outstanding. This stock is currently quoted around 35, which added to the current price of 50 for Southern Natural Gas makes an overall value of 85, as compared with the 1937 low of 6½. Despite this bonanza, the company's earning-power increased steadily from the 1946 level. Following is the record:

Year Ended Dec. 31	Gross Revenues (mill.)	Earned Per Share	Common Dividends	Price Range Common
1951	-----	$4.34	$2.50	51 -35¾
1950	$37.19	3.82	2.15	40 -30½
1949	32.07	3.27	2.00	36⅝-28¼
1948	26.76	3.15	1.75	30⅜-20⅛
1947	22.05	2.66	*1.50	28⅛-22
1946	19.26	2.44	1.37½	33¾-22⅛
1945	17.54	2.70	1.25	24⅝-17
1944	14.70	2.91	1.25	17¼-13⅛
1943	14.54	1.84	1.25	14⅞-10¾
1942	13.74	1.68	1.15	12⅛- 9¼
1941	11.74	2.35	1.00	13½-10
1940	9.95	3.17	1.25	19½-12
1939	8.27	2.55	1.25	19¼-15¾
1937	7.10	†2.01	1.06	18 - 6½

* Plus one share of Southern Production.
† Adjusted for 1939 recapitalization.

At a recent talk before the New York Society of Security Analysts, Chairman C. T. Chenery of Southern Natural Gas reported that the company's 1951 earnings approximated $4.34 a share compared with $3.82 in 1950. He did not make any definite forecast for 1952, but indicated that there would probably be no substantial change. The upward trend of sales might be offset by a slight lag in obtaining rate increases necessary to adjust for higher field costs of gas. The latter are estimated at 1½c per mcf or a total increase in cost of about $3 million per annum (some 84c a share after allowance for taxes). However, the lag in obtaining higher rates will be less serious for this company than for most others, because of its large proportion of direct industrial sales, rates for which do not require approval by the FPC.

Southern's cost of gas for the 12 months ended Nov. 30, 1951, was 6.53 cents per mcf and the price paid to different suppliers during this period varied from 4.62 cents to 11.90 cents. "We expect our average cost of gas to increase to 8 cents in 1952, to 10½ cents in 1953 and to 11 cents in 1954," Mr. Chenery stated. "We will be pleasantly surprised if we can buy well-located gas for future delivery at a price within gun-shot of this latter figure. Southern's average sales price is 18¾c per mcf for all of its gas. The cost to it of such gas is about 6½c so that it receives approximately 12¼c per mcf for its services in transporting gas from the wellhead to the area in which it is consumed. Of this, approximately 4c is paid in taxes so that Southern has left 8¼c per mcf to cover all of its operations, including a return on its approximately $100 million investment. It is therefore apparent that any increase in the price of gas in the field has to be passed along to the ultimate consumer and that such field price in our case in the future will exceed the cost of transporting the gas to the market."

Southern Natural hopes to achieve in two steps an increase in gas sales prices to offset the climbing field price, first by filing an increase for direct industrial sales of about 50 billion cubic feet annually, or 25% of the volume of gas which it expects to transport in 1952. Such increase does not require Federal Power Commission approval. The exact amount of increase to be posted on this classification of sales has not been determined; but it is under study and is expected to provide a substantial sum.

Sales of 78 billion cubic feet annually to distributors for resale to industrial customers (or 39% of 1952 expected volume) are believed to be in this same category by reason of the wording of the Natural Gas Act. As a result Southern may be able to increase rates on 64% of its sales volume without Commission action.

As the second step the company will file for increases in rates for general service—representing 36% of the total—coincident with the increase in the field price. Increases in this category are subject to FPC approval, but since rate increase applications for more than $100 million a year now are waiting Commission action, such increase may have to be put in effect under bond six months after the application is made and thus be subject not only to delay but also possibly to partial refund when the Commission finally passes on the application.

"We do not foresee any situation which would seem to endanger the present dividend of $2.50 per share," Mr. Chenery assured his listeners. "Neither do we think it wise to adopt the suggestion made of increasing the dividend to $3 per share while our rate situation is still unsettled."

Southern has increased its gas output 50% over the past two years. Reserves (mostly leased, since Southern Production Co. stock was distributed to stockholders) have been increased 1.8 trillion feet to 5.2 trillion feet in the past year, and the company is actively negotiating for an additional 700 billion feet. The company does not expect to issue any common stock this year, but may sell about 170,000 shares in 1953, particularly if a heavy expansion program is carried through.

Kidder, Peabody & Co. Admit Three Partners

Sherlock Hibbs

Robert C. Johnson

F. J. Cunningham

Kidder, Peabody & Co., 17 Wall Street, New York City, members of the New York Stock Exchange, announce today that Sherlock Hibbs, Robert C. Johnson and Francis J. Cunningham have been admitted as general partners in that firm.

Formerly associated with Brundage, Story and Rose, investment counsellors, Mr. Hibbs has been with Kidder, Peabody since 1946. Mr. Johnson, general sales manager of the firm, has been associated with Kidder, Peabody 14 years, and Mr. Cunningham, who is manager of its corporate trading department, joined the firm in 1936.

Admission of the new partners was previously reported in the "Chronicle" of Jan. 10.

Continued from page 3

Overpriced Commodities, The Stock Market and Business

(2) by a decrease in the supply of goods, or (3) both.

Checking these factors against the present situation, we find first of all that there has been no material increase in the money supply since 1946. At the end of that year, the supply of money in this country, as measured by demand deposits plus currency outside the banks, totaled $110 billion. By the end of 1947, it had increased slightly to $113.6 billion, at the end of 1950, it was up a little more, at $117.7 billion, and the latest figure is around $120 billion. A rise in the money supply of about 10% in five years is not the sort of background which precedes dangerous inflations. Throughout world history in other countries where inflation has gone beyond control, a money-supply expansion of several hundred per cent in a period of three years or less has always accompanied the lack of confidence in the currency which led up to the dynamic stages of the inflation.

On the other side of the inflationary equation, on all sides there is evidence that the increase in productive capacity and the huge total of available goods which the American wheels of production have turned out has far outstripped the increase in money supply. In 1950, for instance, this country produced and moved into consumer channels the following stupendous total of goods (see Table I):

Sixty-five million net tons of pig iron (exceeded in 1951); 9.7 million tons of steel ingots (a new high record; exceeded in 1951); over 2 billion barrels of petroleum (a new high record; exceeded in 1951; 1.27 million short tons of copper (a new high record); almost 40 billion board feet of lumber (a new high record); 6.3 million tons of newsprint (a new high record; exceeded in 1951); 8 million automobiles (a new high record); 1.4 million non-farm dwelling units (a new high record); 6.2 million electric refrigerators (a new high record); 4.2 million electric washing machines (a new high record), and approximately 10 million radios and 7 million television sets. What an outpouring of products! It is small wonder that even with defense demands high, just about the only visible shortages these days, outside of a few critical items which the government has been stock-piling, are (1) a shortage of "warehouse space," and (2) a shortage of cash customers.

Inventories Up Almost One-Third Since Korea

To digress for a moment, let's look a little deeper into what has happened to the inventory picture. Just before Korea, at the end of May, 1950, manufacturers' inventories as reported by the Office of Business Economics of the Department of Commerce, totaled $29.5 billion, wholesalers' inventories were $9.3 billion and retailers' inventories were $14.5 billion, for a grand total of $53,-300,000,000. This was well over twice the $24,000,000,000 total in 1929, a year when inventories proved to be too high for comfort. But then immediately after the outbreak of the Korean War a hysterical mass-purchasing stampede swept the nation. Remembering the deprivations caused by inability to obtain goods during World War II, manufacturers rushed to produce more, wholesalers bought ahead to beat the predicted shortages, retailers ordered and received more of most everything, and the public went out and stocked up at an unprecedented rate. By the Spring of last year, when shortages failed to appear and easy credit terms were stiffened, inventory pipelines at all levels were bulging with a veritable "glut of available goods." By the end of July, inventories had gained 32% or $17 billion above pre-Korean levels, to an all-time high total of $70,300,000,-000. The increase in inventories alone in one year's time was two-thirds as much as the entire total of inventories in 1929. Since July, even though bargain sales have been increasingly numerous, business inventory totals have leveled off around $70 billion, but have not been reduced significantly.

The Department of Commerce unforunately has no way of measuring or reporting on the inventories in the hands of the consuming public. But if you think shelves of the average citizen aren't loaded, you'd better look around you. Not only have the people bought up most of the huge total of consumer durable goods produced in the past few years (see Table I), but they have been busily hocking their future earings to do so. At the end of 1951, consumer indebtedness as reported by the Federal Reserve Board stood at about $20 billion up from $5.6 billion at the end o 1945 and $6.3 billion in 1929 Mortgage debts on non-farn houses were $44 billion, as agains $19.2 in 1945 and $19.5 billion ii 1929. The Institute of Life In surances estimates that betweer 1945 and 1950, total individua debt in the United States rose from $34.7 billion to $79.4 billion Never before, on a per capit basis, has the populace of an country, at any time, "owned" more or "owed" more.

You may argue that individua savings have increased, too, s that there is still plenty of mone to buy more goods, if the peopl want more. But the samplin tests made by the Federal Re serve Board surveys of consume finances indicate that the distri bution of savings is bad. By an large, those who have the mone have most of the possessions the need, and cannot be counted o to spend much more, wherea those who want more simply d not have the wherewithal to bu at present high commodity price (see Table II). Many are so muc in debt already that not onl their present income, but thei future incomes for months ahead are pledged to pay for "pay-as you-use" past purchases. Thes people, much as they would lik to buy more, are financially be hind the eight-ball and are no going to be able to help over stocked retailers get rid of thei wares.

Coming back to the inflationar picture, if the two basic back ground requisites of real infla tion, namely, increase in mone supply and shortage of goods, ar not present, what has cause prices to rise? The third and in tangible ingredient of price rise is the **velocity** or turnover o money supply; the speed at whic peoplie spend money. Turnove of demand deposits outside Nev York City has risen from 16. times in 1945 and 18.7 times i 1949 to better than 21 times i 1951. This turnover of mone factor is largely psychological i origin, based on "fear" of short ages rather than actual shortage The war in Korea, the highl publicized and admittedly sizabl defense program on which ou country has embarked, the con stant harping by government an other officials on the threats o inflation, and the expectation o "shortages to come," caused th mad rush to turn over money an convert it to tangible, usabl "things" before tangible usabl things were no longer available

Price rises based on the psychological or turnover factor of inflation, and not supported b either of the two basic backgroun factors of inflation, are transitor in nature and incapable of bein sustained. Inevitably, by the law of supply and demand, such pric rises **must be deflated.** The tim for such a readjustment now appears to be at hand.

How Do Commodity Price Change Affect Stocks and Business?

A study of American Financia history from 1860 to date show that, whereas stocks and commodities frequently move in opposit directions, there have been fa more months and years in whic they have moved in the same direction. The main reason for thi tendency toward parallel directio is not the effect stocks have o commodities or vice versa, but i due to the fact that large swing in the economy, upward or downward, are generally caused by outside forces, such as changes i money supply or changes in buying habits and business conditions which affect both stocks and commodities in the same direction a approximately the same time.

Rising commodity prices tend t limit rises in stocks for rather obvious reasons. As prices rise, an the purchasing power of incomes is reduced, people's pocketbooks become pinched, they need extra money to defray living costs, they cash in their bonds, sell their stocks or fail to buy more stocks, and have to borrow. The rising commodity prices, competing with stocks for people's savings, thereby prevent stocks from gaining as much as high earnings and dividends would otherwise justify. Stocks for the same reason, tend to turn down ahead of commodities, as in 1864, 1919-20, 1946-48. The fact that today commodities appear to have turned down a bit ahead of stocks emphasizes the vulnerable, over-priced level to which commodity prices have soared.

Good or bad times for all businesses and stocks, to a large extent, are tied in with and dependent upon changes in the commodity price structure. For some types of companies the trend of prices is of paramount importance. On the raw material side, copper and other mining companies, oils, rubber and lumber companies are strongly affected. All along the line, semi-finished processors, such as steel companies, textiles, construction companies, agricultural equipment, electrical equipment, automotive accessory companies and food processors are also extremely dependent on price trends, and, at the consumer level, retail stores, automobile manufacturers and dealers, food chains, beverage companies, real estate dealers, radio and television dealers, etc., will prosper or suffer, depending on which way prices are moving. Just a few companies listed on the New York Stock Exchange selected at random for vulnerability to commodity price changes are: American Sugar Refining Co.; American Woolen Co.; Armour & Co.; J. I. Case; Colgate - Palmolive - Peet; General Mills; Kennecott Copper; National Dairy Products; Schenley Distillers; Standard Oil of N. J.; U. S. Rubber, and U. S. Steel.

Rapidly Moving Commodity Prices—Up or Down—Are Less Favorable to Business or Stocks Than Price Stability

It stands to reason that business is on a more even, more profitable keel when the background of prices is steady, rather than fluctuating rapidly. When businessmen can plan their expansion moves and project their profit margins with some assurance that big changes in the price level won't upset their calculations, profits and prosperity are encouraged. The exceptional prosperity of 1923-1929 was aided by the fact that commodity prices were steady with a slight down drift.

Of the other two alternatives, rapidly rising commodity prices or rapidly falling commodity prices, business and stocks are apt to do considerably better in the rising period—not quite as well as in the price stability period—but not too badly. Prices rise partly because the public has money and the demand for goods is high. A general feeling of prosperity prevails, and while the prices are rising, companies enjoy extra inventory profits. But in every rising price cycle, there comes a time when the increased costs cannot be passed on to the consumer. Rising prices invariably lead to the point where the public can't afford to buy as much as before, and then consumption falls off. In that way rising prices, when not supported by sharply increasing money supply or acute shortages of goods, tend to choke off consumption, thereby sowing the seeds of ultimate decline. Under certain conditions, as in the past year or two, the time when the consumption peak is passed and prices turn downward can be postponed but not averted, by (1) liberal credit terms, (2) war threats, (3) defense spending, and (4) other purchase-promoting, price-propping stimulants.

Another reason a rising price period is better for business than a falling period is that in a rising period manufacturers, wholesalers, and retailers, faced with higher raw material and labor costs, find it easier to pass these costs on to the next man with normal **percentage** profit margins added. Consequently, actual dollar profits go up even without inventory gains. And when prices level off at the top, it is seldom the manufacturer or the wholesaler who first starts to reduce prices. In this situation, the consumer calls the turns—usually involuntarily. When he is so bought up or financially strapped that he stops buying from the retailer, then the retailer has to reduce prices and accept lower profits, or losses, to stay in business. Meanwhile, because his wares are moving slowly, he cuts down on his orders from the wholesaler, who, in turn, has to lower prices to move merchandise. Finally, the manufacturer lowers his prices — generally before his labor costs and material costs decline. Thus, all along the line, profit margins are squeezed or eliminated, and lower profits, or losses, begin to replace earnings. This backfiring of merchandise, once it starts, can snow-ball swiftly. For as soon as the people who can't afford to buy at high prices anyway, get the idea prices are going to be lower, they pull in their purchasing horns altogether, and then prices really crumble. Inventory losses mount up faster than inventory gains did on the way up, and since volume of sales is falling off at the same time, business profits don't decline just a little, they tend to disappear, and in many instances substantial net losses occur. A surprisingly large number of citizens can't remember what a real bear market is like. Just as a whole new generation has grown up without knowing what it's like to have anyone but a New Deal Democrat[1] in the White House, so the majority of investors have forgotten the havoc the inventory declines of 1937 and the depression trends of 1929-32 created. In those sad days profits were replaced by deficits so fast that investors were left gaping. Dividends were reduced and/or omitted, and the complacent sense of security which investors enjoy most of the time gave way to hardships and lost fortunes. Such conditions not only can happen in America again, but the economic maladjustments which lead to vicious devastating price declines are present today.

But Stocks Are Cheap, Aren't They, in Terms of Earnings and Dividend Income?

Don't fool yourself! The argument you hear advanced on all sides by those who believe stocks should be bought, or at least held, runs something like this. "Stocks are very reasonably priced based on their earnings. As of Dec. 31, 1951, the price-earnings ratio of market average stocks was only 9.7. This is much lower than price-earnings ratios at other market tops such as, 1929, 1937, and 1946. Indeed, the present low prices of stocks in terms of 1951 compare favorably with past periods when stocks were on the bargain counter." And the other half of the fallacious argument goes "Look at the high yields good stocks can provide. As of Dec. 27, 1951, the average income yield on Dow Jones 30 industrial leaders was 5.72%. Although about 1% lower than a year ago, this is still a generous return, is much higher than at previous market tops (for instance 1929, 1937, and 1946) and compares favorably with income yields at stock market low points. Therefore, you should hold your good stocks for income and appreciation; in fact, you might buy more." These arguments positively do not hold water. It is well understood by deep students of economic history that (1) there is a pronounced inverse correlation between price - earnings ratios and commodity price levels, and (2) there is a pronounced positive correlation between stock market yields and commodity prices. In simpler layman's language, this means that, when commodity prices are low, stocks tend to sell at high prices based on earnings, and yields tend to be low. But when commodity prices are way up in the skies, as after the Civil War, in 1919-20, after World War I, and now, high earnings are viewed in the market place to be transient, price - earnings ratios tend to be low even at market tops, and yields, based on dividends paid out of earnings which are bloated by commodity price rises, tend to be high even at market tops. In Table III below, it will be seen that low price-earnings ratios in 1919-20, and high yields at the same time, did not mean stocks were cheap. In fact, as commodity prices fell back to more normal levels, stocks quickly forfeited about 30% in value. According to all indications, conditions in the commodity market and in the stock market are alarmingly similar right now. This is clearly a time to reduce business risks, sell stocks, pay off debts, and hold on to cash for the bargains which lie ahead.

But What About the Huge Defense Spending Program?

For several reasons the current defense program, in spite of its size, is not very inflationary. For one thing, even at a $50-70 billion annual rate, which it may reach for a short time at its height, it accounts for only about 15-20% of gross national product. The other 80-85% of goods produced and available for consumption is more than enough to supply all needs—still with surpluses. Secondly, all but a small amount of the program is being financed by increased taxes, and the balance is supposed to be met by sale of bonds to individuals. It is the sale of bonds to banks, which by present flexible laws can use the bonds as backing for loans, which is inflationary. No sale of bonds to banks is currently contemplated. Furthermore, it took Federal deficits of more than $20 billion for two fiscal years 1942 and 1943 before much inflationary price rise appeared in the World War II period. In contrast, the fiscal year ended June 30, 1950, showed a surplus of $7 billion not a deficit, and the deficit for the current fiscal year is not expected to be much over $5 billion and even the 1953 deficit projected in the President's free-spending budget, if not cut, will not exceed $15 billion. Finally, the defense program will eventually be completed, at which time the let down will be terrific. As I see it, the current defense program will hardly offset the indicated decline in consumer spending, to say nothing of raising prices further.

But Will the Government Let Prices Decline in an Election Year?

My answers to the political aspects of the economic picture run as follows: First of all, the government, strong as it is, is not all powerful. The underlying forces working toward deflation, as measured by bank-debit, bank-loan ratios and other monetary yardsticks, have proceeded far enough so that from here on it will not be easy to hold the price line. The Administration realizing how hard it would be to keep prices up all the way to election, would probably rather see a moderate slump take place in the January to June period, then give the faltering economy a few remaining price-propping shots to bring about a summer recovery and try to ride back in on the theory that the slump was temporary and had been successfully weathered. The Republicans, if they are to take over the reins, would also prefer to see some weakness develop before election so that blame can be placed where it belongs on the distortions created by the free spending Fair Deal regime. Neither party will care much about what happens in the November, 1952 to January, 1953 period after the election is over and before the new Administration can get its program into full swing. Therefore, logically, a slump in the first and early second quarters, a partial recovery into the third quarter, and a deeper slump in the fourth quarter would be a pretty good guess. The heavy tax payments in the next few months, causing lower consumer purchasing power, and a deflationary government operating surplus could be the extra factor to bring about the near-term drop. A belated success in the protracted Korean peace parleys could also cause a temporary let down. Commodities and stocks, both, have ended 1952 on a relatively weak recovery of a previous warning-type drop. The commodity markets, in my opinion, may start dropping again any day, and the stock market, as measured by the Dow Jones 30 industrials, indicates a drop to at least as low as 220, and possibly as low as 180, with an average expectation of around 200 within the coming 12 to 18 months.

Conclusion

Without question, the rise in prices of the past few years, in stocks and commodities, and especially that segment of inflation caused by psychological rather than basic reasons—must be deflated. But just as prices rose higher than conditions justified, **the price pendulum generally swings further than warranted in both directions.** If the deflationary correction in business stocks and commodities had been permitted to take place in 1947-48-49 or 1950—before the public's war created needs had been fulfilled—we might have witnessed only a mild corrective recession. Now, however, with the supporting props and cushions largely exhausted, the slump can surprise every one (except those who have been warned and who take heed in time) by its speed, its depth, and its duration.

1 No association is intended or implied between Democratic Presidents and good times.

TABLE I

Production Totals Are Enormous

Product and Unit—	1929	1950	1951†	5-year total 1947-51
Steel Ingots (100 net tons)	63,205	96,840	105,000	553,352
Petroleum (million bbls.)	1,007	2,072	2,200	9,989
Non-Farm Dwellings (1000)	509	1,396	1,100	5.302
Newsprint (1000 tons)	----	6,282	6,660	30,140
Whiskey (million gals.)	----	17,448	15,500	76,472
Automobiles (1000)	5,358	7,987	6,900	21,232
Refrigerators (1000)	778	6,200	4,075	22,891
Washing Machines (1000)	956	4,212	3,533	16,663
Ranges (1000)	153	1,830	1,400	6,596
Home Freezers (1000)	----	890	1,050	3,722
Vacuum Cleaners (1000)	1,253	3,500	2,865	16,217
Radios (1000)	4,438	9,750	7,975	56,065
Television Sets (1000)	----	7,464	5,100	16,718

†Partly estimated.
Source: Standard & Poors—Electrical Merchandising.

TABLE II

Why Living Costs Are So Hard to Meet

Commodity	Description	Unit	Price* 1939 Aver.	Price* Recent	Increase
Wheat	#2 Hard, Kansas City	Bu.	$ .78	$2.52	223%
Corn	#3 Yellow, Chicago	Bu.	.50	1.78	256%
Oats	#3 White, Chicago	Bu.	.33	.92	179%
Rye	#2 Minneapolis	Bu.	.49	1.82	272%
Flour	Winter Straits KC	100 lbs.	1.98	5.55	179%
Butter	92 Scored N. Y.	lb.	.26	.71	173%
Beef Steers	Chicago	100 lbs.	9.75	36.75	277%
Hogs	Av. all grades, Chicago	100 lbs.	6.57	20.09	206%
Lard	Ref. Chicago	lb.	.08	.21	162%
Fluid Milk	Dealers' Standard	100 lbs.	2.17	5.30	144%
Cocoa	Accra, N. Y.	lb.	.05	.32	540%
Coffee	Santos #4, N. Y.	lb.	.075	.545	627%
Sugar	Raw, Wholesale, N. Y.	lb.	.030	.059	97%
Copper	Electrolytic, N. Y.	lb.	.110	.242	120%
Lead	Pig Desilverized, N. Y.	lb.	.05	.19	280%
Zinc	Prime Western, St. Louis	lb.	.051	.195	282%
Pig Iron	Composite	Long ton	21.75	53.67	147%
Steel	Composite finished	lb.	.0264	.0471	78%
Steel Scrap	Heavy melted, Pittsburgh	Long ton	17.21	44.75	160%
Coal	Bituminous Retail	Short ton	8.52	17.01	100%
Petroleum	Crude, Kansas-Okla at wells	bbl.	.95	2.57	170%
Cotton	Middling 15/16 aver. 10 mkts.	lb.	.10	.42	320%
Print Cloth	18½ inch 64 x 60	yd.	.047	.151	221%
Rayon	Yarn 150 denier 1st quality	lb.	.052	.078	50%
Wool	Raw territory 64s, 70s, Boston	lb.	.830	1.98	127%
Lumber	Southern Pine, Board #2 common	14 bd. ft.	27.54	79.40	188%
Hides	Steers Packer, heavy native	lb.	.123	.304	147%
Shoes	Men's Black, Calf Oxford	pair	4.02	8.11	102%
Dress Goods	Women's Flannel	yard	1.31	2.77	111%
Newsprint	Rolls, N. Y.	Short ton	50.00	116.00	132%
Rubber	Smoked Sheets, N. Y.	lb.	.176	.529	201%
Rosin Gum	High grade	100 lbs.	2.23	9.07	307%

*Wholesale unless otherwise stated.

TABLE III

Back in 1920, Price-Earnings Ratios Were Low, Dividends Were High, But Stocks Fell Sharply

Stock	Price 6/30/20	Earnings 1920	Price-Earnings Ratio 1920	Dividend 1920	Yield 1920	Low 1920-21	Decline
Am. Locomotive	97¾	$21.40	4.6	$6.00	6.1%	73½	25%
Corn Products	94¼	21.44	4.4	6.00	6.4%	59	36%
Republic Steel	92	21.55	4.3	6.00	6.5%	41⅛	55%
Studebaker	70¾	15.20	4.6	7.00	9.9%	37¾	47%
Texas Corp.	45½	5.44	8.4	3.00	6.6%	29	36%
U. S. Rubber	94¾	15.40	6.1	8.75	9.2%	40½	57%
Dow Jones Industrial Stock Average	90.05	12.62†	7.1	6.07	6.74%	63.90	29%

†Excluding American Sugar and Central Leather which had heavy inventory losses and ran deficits in 1920.

Wall Street Cashiers Elect New Officers

At the annual meeting of The Cashiers Association of Wall Street, Inc., Raymond Brode of The National City Bank was elected president; John J. Boyen of L. F. Rothschild & Co. was elected first vice president; and Walter F. Sullivan of Fitzgerald & Co. Inc. became second vice president. Howard W. Sumner of Halsey, Stuart & Co. Inc., was elected secretary and Sam Minsky of Hardy & Co., treasurer. Edward H. Devlin of Green, Ellis & Anderson, and Harold L. Cereghino of Troster, Singer & Co., were made assistant secretary and assistant treasurer, respectively.

New Williston Branch

MIAMI BEACH, Fla.—J. R. Williston & Co., Members New York Stock Exchange, announce the opening of a branch office at 411 Seventy-first Street under the management of Richard R. White. Mr. White was previously with Blair F. Claybaugh & Co.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

Guaranty Trust Company of New York announced on Jan. 17 the appointment as Vice-Presidents of Ellsworth C Bissell, Banking Department, and Philip F. Swart, Foreign Department. Other promotions announced are those of Carl V. E. Brandebury, John H. Schwoon, and Donald A. Stoddard, as Second Vice-Presidents; Gregory Korte as Assistant Trust Officer; Thomas J. Crean as Assistant Auditor; and Charles C. Adams, William E. Bensel, Paul J. O'Neill, Charles G. Schmidt, and Frank P. Smeal as Assistant Treasurers.

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Irving Trust Company of New York announces the promotion of Edward J. Bray from Assistant Vice-President to Vice-President. He is associated with the company's Consumer Finance Division at 100 East 42nd Street. Announcement has also been made by the Irving Trust of the appointment of Arthur J. Crimmins and Herbert C. Young as Assistant Secretaries of the company.

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Henry C. Brunie, President of **Empire Trust Company of New York** announced on Jan. 15 the promotion from Assistant Secretary to Assistant Vice-President of William J. Anderson, George F. Gorman, Earle Marshall and Alan T. Schumacher, and Jack M. Elliott from Assistant Auditor to Auditor; also the appointment to Assistant Vice-President of Norman F. Lovett and to Assistant Secretary of Anthony A. Bernabei, Alan T. Dimelow, William H. McElnea and Lincoln Paige.

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At the regular meeting of the Executive Committee of **City Bank Farmers Trust Co. of New York** held on Jan. 15 Frank A. McGlynn was appointed Assistant Secretary.

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Herbert G. Zilliakus has been elected an Assistant Secretary of the **Union Dime Savings Bank of New York**, it was announced on Jan. 16 by J. Wilbur Lewis, President of the bank. Mr. Zilliakus became associated with the Union Dime in 1916 as a new account clerk. He later became Auditor and then supervisor on the banking floor. He is a past President of the bank's 25-Year Club.

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Frederick B. Haggerty, Assistant Vice-President of the **Corn Exchange Bank Trust Company of New York** has been promoted to Vice-President, the bank announces.

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At the annual meeting of stockholders of **Savings Banks Trust Company of New York**, held on Jan. 16, Robert A. Barnet, President of Irving Savings Bank, and Harry F. Smith, President of Newburgh Savings Bank, were elected directors. The following were re-elected directors: Robert M. Catharine, member of the Banking Board of the State of New York and President of Dollar Savings Bank of the City of New York; Eugene A. Colligan, Vice-President of Long Island City Savings Bank; August Ihlefeld, President of Savings Banks Trust Company; Albert O. Johnson, Executive Vice-President of Savings Bank Trust Company; George M. Penney, President of Oswego City Savings Bank, and Horace Reed, President of Buffalo Savings Bank.

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Horace C. Flanigan, President of **Manufacturers Trust Company of New York**, announced on Jan. 14 that Andrew K. Scharps has been appointed a Vice-President of the bank. He will be connected with the Securities Department and will assist the Employees' Pension Committee in the administration of the bank's pension fund. Mr. Scharps is a graduate of Princeton University and the Harvard Graduate School of Business Administration.

Manutacturers Trust Co. has advanced one of its women officers in rank and added two new ones. Mrs. Ann Henry Fallon of the main office, who has been with the bank since 1937, has been promoted from Assistant Manager to Assistant Secretary. At the same time Misses Margaret E. O'Donnell of the Fourth Avenue office and Madeline Mieschberger of the main office have been named Assistant Managers. Manufacturers Trust now has a total of ten women on its official staff.

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Earl B. Schwulst was elected Chairman of the Board of Trustees and re-elected President of **The Bowery Savings Bank of New York** at the annual meeting on Jan. 14. Henry Bruere resigned as Chairman of the Board, the office which he has held since 1949. Provisions have been made to appoint Mr. Bruere Honorary Chairman of the Board. Mr. Schwulst came to The Bowery as First Vice-President in 1936 and was elected President in 1949. He is President of the Savings Banks Association of the State of New York and a director of the Savings Banks Trust Company and Institutional Securities Corporation. Among other current activities, he is President of The Greater New York Fund, a director of the Regional Plan Association and a trustee of the Teachers Insurance and Annuity Association. Mr. Schwulst is a past President of the National Association of Mutual Savings Banks.

On Jan. 16 the Board of Trustees of The Bowery Savings Bank appointed Chester W. Schmidt, Assistant Vice-President, and George H. Whiteside, Principal Executive Assistant. Mr. Schmidt was promoted from Assistant Treasurer.

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Thomas Riggs Cox, President of the **Broadway Savings Bank of New York**, has announced the election of Walter P. Lantz, Executive Assistant to the President of the Products Division of Bristol-Myers Company, to the Board of Trustees of the bank.

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Joseph A. Broderick, President of the **East River Savings Bank of New York**, was elected Chairman of the Board of Trustees at the annual meeting on Jan. 10. He was succeeded as President and Chief Executive Officer by George O. Nodyne, a member of the Board of Trustees, and Executive Vice-President. Mr. Broderick, elected President Oct. 1, 1937, to succeed the late Darwin R. James, had been a Governor of the Board of the Federal Reserve System in Washington, D. C., from February, 1936, to the time of his election as President of the East River. Mr. Broderick served with the State Trust Company and Morton Trust Company of New York for 14 years, successively as Clerk, Auditor and Assistant Secretary. He was Bank Examiner of the State of New York from 1910 to 1914, and then served as Chief Examiner of the Federal Reserve Board from 1914 to 1918, and as Secretary from 1918 to 1919. From 1919 to 1928 he served as Vice-President of the National Bank of Commerce of New York. He was Superintendent of Banks of the State of New York from 1929 to 1934. Mr. Nodyne, the 10th President of the East River Savings Bank, which is now entering its 104th year, has the distinction of being the first member of the staff to be elected to the office of President. In 1922 Mr. Nodyne joined the staff as bookkeeper. His appointments followed as Chief Clerk, Assistant Secretary, Assistant Vice-President and Vice-President.

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At the January meeting of the Board of Trustees of the **Fulton Savings Bank of Kings County, Brooklyn, N. Y.**, James G. Maher and Timothy A. Murphy were appointed Assistant Vice-President and Assistant Secretary respectively. Both men joined the bank in 1934. Mr. Maher had previously served as Assistant Secretary and Mr. Murphy was Supervisor of the Mortgage Department.

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At its annual meeting of stockholders, and then at its organization meeting held on Jan. 14, **Kings County Trust Company of Brooklyn, N. Y.**, re-elected Trustees Robert A. Drysdale, Jr., Hollis K. Thayer, William J. Wason, Jr., and Nelson H. Wray for a term of three years. Also at the meeting William J. Wason, Jr., announced his resignation as President of the trust company, after 57 years of continuous service, the last 18 of which were served as President of the bank. At the meeting of the Board of Trustees, Mr. Wason was elected to the newly-created position of Chairman of the Board. Chester A. Allen was elected President. His post in charge of the Trust Department will be taken by George Gray, who was elected a Vice-President in December. Leonard D. O'Brien was elected a Vice-President and re-elected as Secretary, to serve in both capacities.

Throughout Mr. Wason's Presidency he has continuously rendered full-time devotion and attendance at the bank, and has continually promoted its prestige by participation in the management of leading civic, charitable, financial and industrial corporations in Brooklyn. During Mr. Wason's Presidency the trust company's assets, deposits, undivided profits and surplus have greatly increased, and the regular annual dividend has always been continued at $80 per share. As Chairman of the Board, Mr. Wason will continue his long services to the trust company in the field of advice, promotion and community relations. Mr. Allen, who succeeds Mr. Wason as President of the company, served with counsel for the trust company as a Certified Public Accountant. Later, and in 1925, he joined the office of counsel, which was then the firm of Brower, Brower & Brower. He entered the service of the trust company in 1931, becoming Vice-President in 1933, and a trustee in June, 1940. Mr. Allen is President of Corporate Fiduciaries Association of New York City, a member of the Executive Committee of the Kings County Bankers Association and of the Bankers Club of Brooklyn.

George Gray, elected in December as a Vice-President of the trust company, will succeed to Mr. Allen's responsibilities in charge of the Trust Department. Carl J. Mehldau continues as Vice-President, responsible for operations of the Banking Department. Leonard D. O'Brien was elected as a Vice-President and re-elected as Secretary, to serve in both capacities. Harold W. Schaefer serves as Comptroller for the trust company.

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Directors of the **Lafayette National Bank of Brooklyn in New York** have declared a dividend of $1 a share, payable Feb. 15 to shareholders of record Jan. 31. This action places the dividend on a $2 annual basis, compared with $1.25 in 1951.

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Louis M. Timblin, Treasurer and director of Chas. Pfizer & Co., Inc., and Joseph A. Igoe, Vice-President and director of Igoe Brothers, Inc., have been elected directors of Lafayette National Bank, according to an announcement by Walter Jeffreys Carlin, President of the bank. Mr. Timblin is a member of the Drug & Chemist Club, National Association of Cost Accountants, Comptroller's Institute of America, Federal Tax Reform, and a certified public accountant.

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The death occurred on Jan. 9 of Lewis W. Francis, President of the Long Island Historical Society, and Vice-President in charge of the Brooklyn office of the **Corn Exchange Bank Trust Company of New York.** In the Brooklyn "Eagle" of Jan. 10 it was stated that Mr. Francis, who was 86 years of age, was graduated from Williams College in 1888 and was associated early in life with Witherbee, Sherman & Co., iron ore mining concern of Port Henry, founded by his grandfather, Silas H. Witherbee. The "Eagle" added in part:

"For ten years he served as its President, during which period he was active in the American Institute of Mining Engineers and the Iron and Steel Institute. He had been with the Corn Exchange Bank since 1927 and was named Vice-President in 1937. From 1919 to 1948 he was a director of the Taylor Wharton Iron and Steel Company.

"Since 1921 Mr. Francis had been a trustee of the Brooklyn Savings Bank, and had served also as a member of its Executive Committee."

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John W. Hooper, President of the **Lincoln Savings Bank of Brooklyn, N. Y.**, has announced that at a meeting of the Board of Trustees, held in December, the following promotions were approved: Fred Fertig, Auditor; Arthur C. Fox, Vice-President; John Heinrich, Vice-President; Charles J. Kipp, Assistant Vice-President, and Edwin P. McGuirk, Assistant Cashier. In addition to other assignments, Mr. Heinrich and Mr. Fox will continue as Managers of the Bay Ridge and Brighton Beach offices, respectively. Raymond I. Bundrick will be in charge of the main office depositors' department.

The "25 Year Club" of the Lincoln Savings Bank announces as follows its new officers for the current year: Honorary President, Frederick Gretsch, Chairman of the Board; President, Fred Honold; Vice-President, Charles J. Kipp and Secretary-Treasurer, Alfred A. Hoerdher. The Club has 45 members, which includes nine who are now retired.

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The annual meeting of the shareholders of **The First National Bank of Jersey City, N. J.**, was held on Jan. 8. Kelley Graham, Chairman of the Board, presided. He reported substantial progress in growth and profits. All the former directors were re-elected with the exception of Ellis L. Spray, who, because of business reasons, desired to withdraw from the Board. In his place William T. Golden was elected a member of the Board. He has also been a director of Woodward Iron Company of Birmingham, Ala., since 1937 and serves on the boards of other corporations.

Donald C. Luce, Vice-President in charge of combined operations and a director of Public Service Electric & Gas Co. and subsidiary companies, was elected to the Board of Directors of **The Plainfield Trust Company of Plainfield, N. J.**, at the annual meeting of the stockholders. A graduate of Lehigh University, Mr. Luce started with Public Service in the company's electric operating department in 1924 as a cadet engineer. After various assignments he was made General Superintendent of electric generation and later General Manager of the company's electric operating department. In 1948 he became Vice-President in charge of electric operation and two years later was promoted to his present position.

On Jan. 15 Richard Whitenack was appointed Assistant Treasurer and Donald D. Carpenter was appointed Assistant Trust Officer at the annual organization meeting of the directors of The Plainfield Trust Company. Mr. Whitenack, who joined the bank in 1927, has been head note teller since 1948. Mr. Carpenter became associated with the bank in 1946 as Assistant to the Vice-President in charge of the investment division of the trust department. Prior to World War II he was with the Central Hanover Bank & Trust Co. (now The Hanover Bank), New York City.

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At the organization meeting of the Board of Directors of **Industrial Trust Company of Philadelphia**, Elmer S. Carll was elected President and Frank S. Lynn was elected Executive Vice-President. J. Edw. Schneider, who has been associated with the trust company for more than 52 years and its President since 1927, was elected Chairman of the Board. Caspar Drueding was made Vice-Chairman. Mr. Carll was formerly Vice-President and director of **Frankford Trust Company, also of Philadelphia**, having been associated with that institution since 1922. Mr. Lynn has been a Vice-President and director of Industrial Trust since 1948.

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Announcement is made of the death on Dec. 29 of Major Ralph A. Gregory, Chairman of the Board of the **Third National Bank and Trust Company of Scranton, Pennsylvania.**

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Following the action taken on Jan. 2 by the directors of the **Calvert Bank** and the **Fidelity Trust Company**, both of **Baltimore, Md.**, recommending a merger of the two institutions, meetings of the stockholders of the two institutions will be held on Jan. 29 to act on the proposal. If approved, the merger would be effected under the name of the Fidelity Trust Co. Reporting on the proposal, J. S. Armstrong, Financial Editor of the Baltimore "Sun," had the following to say in the Jan. 3 issue of the "Sun":

"Thomas G. Young, President of the Calvert Bank, is to become Chairman of the Board of the Fidelity Trust Company, a newly created position, and W. Bladen Lowndes is to continue as President of the Fidelity. Under the terms of the merger agreement, Calvert Bank's stockholders will receive two shares of the capital stock of the Fidelity Trust Company ($25 par) for each share of Calvert common stock ($50 par). The Calvert Bank was incorporated in 1900 with a capital of $100,000 and paid-in surplus of $20,000. William C. Page was the first President, and James H. Preston the initial Vice-President and General Counsel.

"At the close of 1951 the Calvert Bank has outstanding 12,000 shares of common stock. Its capital and surplus amounted to

$1,700,000 and deposits totaled $30,109,891.

"The Fidelity Trust Company had its inception in 1890 as the Fidelity Loan and Trust Company of Baltimore City. The name was later changed to the Fidelity and Deposit Company of Maryland. In 1904 a charter was issued to the Fidelity Trust Company and it continued the banking, trust and safe deposit business of the old corporation.

"As of last Dec. 31, the Fidelity Trust Company had outstanding 49,250 shares of common stock, and its capital assets were in excess of $3,000,000. Deposits of the Fidelity Trust Company at the end of 1951 exceeded $76,000,000 and its total resources were more than $80,000,000. It operates seven branches in addition to its main office at Charles and Lexington Streets."

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Morton M. Prentis has retired as Vice-Chairman of the Board of the **First National Bank of Baltimore, Md.,** following 33 years as a banker. He will continue to serve as a director. At the same time the bank announced the election of Charles F. Reese as Vice-President and Cashier and H. Graham Wood as Vice-President and Trust Officer. Jesse Umberger, J. Milton Brown, Andrew T. Reiter 3d, and T. Courtenay Whedbee were named Assistant Cashiers.

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Ray E. Caudle, formerly Secretary and Treasurer of the **Peninsula Bank and Trust Company of Williamsburg, Va.,** has been elected an Assistant Vice-President of **The Bank of Virginia** with assignment in the bank's South Richmond office. He began his new duties Jan. 15. Mr. Caudle is a native of South Richmond and formerly with The Bank of Virginia for eight years in **Richmond,** Petersburg and Norfolk. He also served for three years with the Federal Reserve Bank in Richmond.

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The Board of Directors of **The Indiana National Bank of Indianapolis, Ind.,** announced on Jan. 8 the election of Russell L. White as Chairman of the Board, William P. Flynn as President and Wilson Mothershead as Executive Vice-President.

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Howard F. Baer, President of A. S. Aloe Company (surgical supply company), was elected a member of the Board of Directors of **First National Bank in St. Louis** at the bank's annual meeting of stockholders on Jan. 8. Mr. Baer has been a civic and business leader in St. Louis for many years. He is Vice-Chairman of the Board of Directors of the St. Louis Chamber of Commerce and a director of the St. Louis Union Trust Company, etc. He was General Chairman of the Greater St. Louis Community Chest campaign in 1948. During World War II Mr. Baer served with the Surgeon General's office, U. S. Army, and was discharged with the rank of Colonel. He now serves as a special consultant to the Surgeon General.

Now Harold H. Helme Co.

OMAHA, Neb.—The investment business formerly conducted by Harold H. Helme from offices in the First National Bank Building, will henceforth be conducted under the firm name of Harold H. Helme & Co.

Now Bingham, Walter & Hurry, Inc.

LOS ANGELES, Calif.—Bingham, Walter & Hurry, 621 South Spring Street, is now doing business as Bingham, Walter & Hurry, Inc.

Continued from page 12

U. S. Responsibilities in Free World

our factories, our industries, our nation or the world.

The times cry for enlightened, aggressive, honest, moral and far-sighted leadership. All of us must contribute as we can. This is our alternative to further governmental control.

Now I have been exploring ideas with you—not in terms only for the chemist or the food technologist or the toxicologist or the lawyer, but rather in terms for all of us, I think, as citizens. And, of course, it will be all of us plus a great many more, as citizens, who will, or at least who can, have the final say on the subject you are discussing today—"Chemicals in Foods."

I am positive that everyone would like to have better quality foods in greater abundance at lower price. Say, that's a vote-getting slogan, isn't it? Yet in the kind of world in which we are presently living, this is likely to come about in only one way—by increasing advances in our technological resolution. But these advances just don't happen, as you are all so well aware.

Our agricultural and industrial progress—as in other fields—results from research programs, development programs, production programs and also a sober evaluation of the chances of making an honest return on each and every dollar invested. In all of this there are risks at every point. But so far the rewards have justified the gamble. There has been incentive enough to keep the wheels of progress well greased. But what would happen to future developments concerning our food supply if this incentive should diminish appreciably? How much of this whole story is generally known?

There is also the question of responsibility to the public welfare which has been brought into the chemicals in foods controversy. Some writers—hitting the bylines and whose own sense of responsibility seems quite open to doubt—these writers indicate a wide variety of maladies may be resulting from the improper use of chemicals in foods. This is, in effect, an indictment of a lot of people, including particularly members of the food and chemical industries as well as certain government agencies. How much of the real story of their responsibility over many years has been told where it should be?

Don't Look to Government Agency for Remedy

What is the remedy from industry's view? Is it to pass the whole thing to some government agency for remedy? That might get industry out of the headline crossfire, but the price tag might well be greater control than necessary with its resultant effect on initiative, on incentive. Wouldn't it be better to get the record understood properly and work affirmatively toward the solution of any obvious problems with those who are concerned—and this does include government?

Various agencies of the Federal Government do have jurisdiction, we know, in vast areas where the use of chemicals might affect foods. You in those industries so affected have years of experience with these agencies. You should be among those best qualified to judge the adequacy of present laws to protect the public interest. How much have you thought this one out in view of your knowledge of technological changes past, present and contemplated?

The extent of government control over chemicals in foods is an important question as I have said at the outset. Not only may this affect our food supply with all that this implies for the free world, but it can be another important step in this big question of the place of government in our daily lives. From the largest viewpoint, how is the public interest—the needs of each of us as citizens—to be best served? To answer this question—and you notice I have only been asking questions lately—is a real opportunity as well as a challenge of leadership.

And I am sure that a meeting like this one today is most important in obtaining an understanding of these and many other questions as a basis for the leadership I hope each of you personally will exert. It is also necessary that many others from your ranks be recruited for this job.

Whether it is the question of chemicals in foods or the preservation of the free world—and these can be related as are many other problems to the larger question—it is time that people in business give more of their time and effort beyond the immediate demands of their jobs.

Leaders of a free world are faced with a great challenge of keeping civilization alive and progressing. The entire foundation and the strenuous work of those who went before us to build our civilization is being threatened. No one can rightfully be excused from the job of doing his part to produce sanity and goodwill. Every contribution—no matter by how few it is made or how small it is—makes a positive addition to the general good. Plato, in the days of the oxcart, showed how a nation is nothing more than a collection of individuals. If he were abroad in this age of universal quick communication, he would no doubt say the same thing today about the world, and he would be right.

We in America have many ideals which we must live up to if our democracy is to remain strong and our leadership in the world is to prevail. Democracy depends upon self-disciplined will of the individual to conform within a framework best for the majority. Our survival depends upon maintaining the freedom and dignity of the individual. These must be never-changing standards. They are standards we can and must continue to show to the world with pride and confidence. They must be evident not only in the conduct of our foreign affairs, but in all phases of our conduct within our borders.

We have the attributes with which to do the job. Within our nation, within our social structure, and within our industries we have the potential to do things well and to do them right. If we can live up to the unique flavor of our traditional ideals and the strength of our dynamic resources—spiritual, political and material—we can truly be the hope of the free world as it faces the test of survival.

We all have a common purpose, a purpose expressed many centuries ago by King Solomon: "With all thy getting, get understanding." If you are able to get understanding of those who are dependent on you in your home, your club, your business and your community, then you have gone a long way to make men's hearts as strong as their intellect.

In closing, may I repeat that the giving of your prestige is not enough. We must, by our positive action, meet the challenge of leadership. We must let all people know we are interested in them and in what they think and that we are indeed interested in the growth of the best in our way of living.

Securities Salesman's Corner

By JOHN DUTTON

The other evening I attended a lecture, that for but one mistake would have been most enjoyable and educational. What could have been an inspiring talk, turned into just an average address. Although I did not notice that any of the three hundred people in the lecture hall fell asleep, the audience became restless, and you could almost feel the agitation that filled the room. The talk was timely—the subject was of interest to the audience—the pitch of the speaker's voice was pleasant, and he knew his subject. Yet, he lost control of his listeners.

Don't Ramble

I noticed that he would take up a topic, or a sub-topic, and begin to develop it. Then when you were expecting the conclusion to be reached he would go right off into another phase of his address. Sometimes these tangents were related to the main subject but you waited in vain for the lecturer to go back and clear up his first point, before he went ahead to the next. Other listeners reacted the same way. Instead of carrying along in a simple and direct manner, with a well organized presentation of his material, **the speaker assumed that his audience was thinking along with him.** This was a fatal mistake.

The mind wishes to be logical. We build up to a climax even in our learning and our memory process. We must not assume that others are thinking with us when we are explaining even the most elementary of matters. Did you ever ask a pedestrian in a strange town for directions and receive this sort of an answer. "You take the road over there, then you go about half a mile and you turn right, then it is somewhere near old man Hasting's place, you'll see the road, it's the one in the middle." Of course, you can't make head or tail out of that, but the fellow who gave you the muddle sees it all in his mind's eye so clearly that he assumes you have the same mental picture before you.

When you start a sentence your listener desires to hear it end. When you raise a question he requires the answer. When you relate facts to someone who is trying to understand your explanation, your listener's mind is naturally following along. It will not be possible for him to jump around as you skip from place to place, without causing a lack of interest, and finally you will lose your audience entirely. Attention can be achieved by stating a fact—or even by an expression on your face. Attention can only be maintained for a short period of time at best. Gestures, raising and lowering the voice, choice of words, subject matter—all these are important tools if you are lecturing to a group or talking with another person. If you ramble and you are not concise, despite all the other props that you can use, attention will lag.

Used Effectively Diversion Can Retain Interest

There is one time that the use of a diversionary approach to a topic, or sub-topic, can create interest and assist you in emphasizing a point. But it should be used sparingly, and only when you purposely leave your listner up in the air. For example, when you almost finish a subject and then explain, "I want to come back to this point; but before I do I would like to take just a moment to tell you etc." This will leave your listener in suspense. He wants you to come back and finish up. Make your diversion just long enough to cause some anxiety in his mind that you won't come back—then go back and finish your first topic. If this is done well it can be very effective.

For many years there have been arguments, both pro and con among those who have studied intangible selling as to whether or not a canned sales talk is helpful in closing business. It is certainly true that those who remind you of an old fashioned victrola don't get very far with this procedure. However, it is a fact that **knowing** what you wish to say, and doing so in the **shortest,** most interesting, and DIRECT manner, will be helpful in maintaining interest. Without the undivided attention of your prospect it is almost impossible to create a desire for your product.

H. Hiter Harris, Prominent Southern Banker, Dies

Richmond, Va., and the banking world of the country have lost a bank President who was the personification of the best in his profession when H. Hiter Harris expired at his home at the age of 58, on Jan. 13. A rugged individualist who never forgot his "ashheap days," this American started his banking career in the old Merchants National Bank of Richmond, Va., as a clerk, sans "pull," sans college education, sans resources, but he had a will to work a little longer, harder and better than the next fellow. This country boy, who came from Louisa County, Va., rose by merit in slow degrees to Auditor, Assistant Cashier, and Cashier, and when the Merchants National Bank consolidated with the First National Bank in 1926 he was successively Assistant Vice-President and Vice-President, attaining the Presidency of his bank in 1939. Serving his bank, and city, Mr. Harris was a director in the Richmond, Fredericksburg & Potomac RR., The Life Insurance Co. of Va., The Virginia Fire & Marine Insurance Co., Lawyers Title Insurance Co., General Baking Co., Commonwealth Natural Gas Corporation, Tredegar Co. and Virginia-Carolina Chemical Corporation.

H. Hiter Harris

This Virginian gentleman was throughout life a typical country banker and his help and services constantly sought by his city, state and church in various civic capacities. It was only a week or so before his demise that Mr. Harris expressed his views to this paper regarding the business outlook for 1952. His mature and hopeful approximation of prospective conditions appeared on page 52 of the Jan. 17 issue of "The Chronicle."

Sonnenberg Now With Walston, Hoffman Co.

Walston, Hoffman & Goodwin, members of the New York Stock Exchange and other leading stock and commodity exchanges, announce that Hudson B. Sonnenberg has become associated with the firm in its office at The Waldorf-Astoria. For the past three years, Mr. Sonnenberg had been an account executive with Merrill Lynch, Pierce, Fenner & Beane, prior to which he had been with Craigmyle, Pinney & Co. Mr. Sonnenberg served with the U S. Air Force during 1943 and 1944.

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As We See It

path we so frequently and so smugly insist that we continue to tread faithfully.

Exponent of Nonsense

There is no more outspoken, or more suave, exponent of most of the modern economic and social nonsense than the Chairman of the President's Council of Economic Advisers. It is obvious that he dominates the Council. All in all, it is probably in his extra-curricula utterances, however, that we get the best glimpse of what Mr. Keyserling personally believes. It so happens that almost simultaneously with the appearance of the Council's annual report to the President this year, there appears in the New York "Times" a rather revealing exposition by the Chairman of the Council. From this article we take the liberty of extracting the following passage:

"We must in self-protection achieve enough stability of purpose and policy to counteract the dangers of excessive uncertainty itself. In view of the long pull confronting us, we could not afford to be up in the air about too many things. We must maintain a sense of direction, however imperfect, and seek to clarify many issues even if they cannot become crystal-clear.

"The answers we seek, however, are not sought in a vacuum; they are sought within the environment of our general thinking. For economics to make its full contribution to the stability and clarity of purpose which the world situation requires, three shifts of emphasis in economic thinking seem highly desirable.

"*First*, instead of preoccupation with a quick succession of adjustments to meet every temporary nuance in the very short-run economic outlook, we should try to take a reasonably longer-range view and shape private and public policy accordingly. *Second*, instead of assuming that our economic fate is determined largely by impersonal forces behaving willy-nilly, against which we can only set up tardy and defensive counter-measures, we should infuse economic thought and policy with a more affirmative effort to achieve positive results. And *third*, instead of being satisfied to do well a variety of separate and independent programs, we should try to look at these undertakings in broader perspective, so as to examine their consistency, weigh their relative priority, appraise how many of them our total resources will support, and bring them into a common focus which promotes popular understanding and national unity."

It seems to us that we have here a set of poisonous ideas expressed with a thin veneer of plausibility and of common sense. It is this manner of presentation, this clever use of current confusion in Washington to bolster thoroughly unsound ideas, that makes it all so damnably dangerous. Not very many will realize, we are afraid, that what we are being told by implication is that in order to combat the advance of totalitarianism (particularly as embodied in the Russian system of so-called communism) we must ourselves go part way, perhaps half way, perhaps even more than half way, over to this same totalitarianism. Few may stop to consider that beneath the cunningly turned phrases, the President's chief economic adviser (or so he is credited with being) is assuming the desirability of a fully planned and managed economy.

Yet that is precisely what he is doing. Otherwise, what he has to say makes no sense at all. He complains not that government is today intermeddling with virtually everything it can get its hands upon, assuming responsibility for the behavior of business enterprise, and making decisions which the business should and indeed must make, but that it is doing a poor job of it. It does not look far enough ahead. It should not have hastily cooked up "emergency" policies, but carefully worked out five-year plans, or perhaps 20-year plans to go the Kremlin one better.

Inference Plain

This is not mere inference—though the inference is plain and unescapable. It is almost stated in so many words in the second suggestion of Mr. Keyserling. *"Instead of assuming that our economic fate is determined largely by impersonal forces behaving willy-nilly, against which we can only set up tardy and defensive counter-measures, we should infuse economic thought and policy with a more affirmative effort to achieve possible results."* If these glowing phrases have any meaning at all, this lawyer turned economist (and we might add social and political philosopher) is saying that the American system under which we have grown to the preeminent position we now hold in world economic affairs must now be discarded for one in which government must henceforth take the helm—since the *"impersonal forces"* which have permitted and stimulated individuals to achieve economic miracles during the past century and a half are less effective than schemes devised by the politicians and their advisers. The third and last suggestion merely insists that a government undertaking to manage the economy must be coordinated and self-consistent.

Mr. Keyserling is a clever man; he must be a power before a jury, or would be if he were inclined to use his talents in that way. Of course, he takes pains to deny, or at least to appear to deny, any such ideas as we have found in his words. But the fact remains these implications are there if his words mean anything.

Continued from first page

Recent Developments in Medicinal Chemistry

nationally known and these 11 do a large part of the business. These groups serve close to 200,000 doctors and more than 50,000 pharmacies.

The annual medical market has reached the amazing proportion of $2 billion—which averages about $14 per person. Antibiotics and the sulfas account for more than 50% of the medicinal market in dollar sales. The actual quantity of penicillin produced seems fantastic; 1950 penicillin production amounted to 429,000 pounds; streptomycin, including dihydrostreptomycin, climbed to 203,000 pounds. The figures for Chloromycetin, Aureomycin, and Terramycin are, no doubt, equally impressive.

In this field it is quite apparent that new advances are being made at an ever increasing rate. A survey in 1947 revealed that approximately 90% of the drugs in use at that time were less than 20 years old.

Some of you may wonder just how new drugs are discovered. There is a principle called serendipity which plays a vital role in making new discoveries. Serendipity is the ability to find something valuable when you are looking for someting else. Charles Kettering tells a story which well illustrates this phenomenon. According to Kettering, a gentleman had come from a Y. M. C. A. meeting one night, and as he got out of the taxi, he reached in his inside coat pocket, took out his pocketbook, and paid the driver. In putting it back, he evidently missed the pocket and he lost his pocketbook. He was searching around under the lamppost with a cane—it was in the fall of the year and the leaves were all over the ground—and he was pushing the leaves around when a man came up and said, "Did you lose something, my friend?"

He said, "Yes, I lost my pocketbook."

The fellow said, "How did you come to lose it?"

"Well," he said, "I came from a meeting at the Y. M. C. A. and I paid the tax driver and put my hand back in my pocket and missed my pocket and lost my pocketbook."

The other man asked, "Where were you when you paid the taxi driver?"

"I was right down there under that tree."

His friend said, "Well, why are you looking up here under this lamppost?"

And the man answered, "Well, the light is much better up here."

The Sucaryl Story

It so frequently happens that the usefulness of drugs is discovered by accident. The penicillin story of Fleming—the open window and the greenish-blue mold that blew in on his uncovered petri dish of bacteria—is a well-known example. A more recent story is that connected with the discovery of the new sweetening agent that you will find on your druggist's shelf under the name of Sucaryl. The Sucaryl story began in the fall of 1937 when the initial discovery was made by Michael Sveda, a chemist working for his doctor's degree under Professor Audrieth at the University of Illinois. Sveda was carrying out research on certain organic compounds of sulfamic acid. It was more or less an academic problem for which there was no known immediate application. However, one day while working in the laboratory, Sveda noticed the strange sweet taste on his cigarette. Curious to find out what had caused it, he promptly tasted all of the compounds on his laboratory bench and found the source of the sweetness to be sodium cyclohexylsulfamate, a new compound which he had just synthesized. Apparently, this was the substance that had gotten onto his fingers, and from there, onto his cigarette. During the following year, Sveda paid particular attention to the synthesis of cyclohexylsulfamates and to their potential value as sweetening agents. Early in 1939 after receiving his doctor's degree, Sveda became a research chemist for a branch of the du Pont Company and learned there that research was being carried out on certain sulfamic acids. He mentioned his discovery that he had made earlier to the technical director of his company. Then in order that the discovery might be developed, Dr. Sveda and Professor Audrieth filed application for a patent. This patent was issued on March 3, 1942—five years after the original discovery. However, this was just the beginning. The role of Abbott Laboratories in the development of the sweetener was assumed when Dr. Volwiler—then Director of Research and now President of Abbott Laboratories—became interested in the compound for its use in diabetic diets. Dr. Volwiler obtained samples for study and evaluation; then later, Abbott Laboratories was granted a license under the Audrieth-Sveda patent. Little was done with the compound, however, until after the war because of the pressure of war research and production. With the end of the hostilities, Abbott once again focused its attention on the sweetening agent, and a long series of pharmacological experiments, clinical studies, and other research was begun. These exhaustive tests carried on over a period of years proved the compound to be extremely well tolerated with no harmful side effects. It was soon realized, too, that Sucaryl had outstanding advantages in the way of no bitter after taste when used in the ordinary amounts. Equally important was its stability in the presence of heat, meaning that for the first time the diabetic could have foods sweetened during the cooking process. The product was introduced on the market in 1950—13 years after its discovery in the University of Illinois laboratory.

This development has one interesting corollary in connection with a "taste panel" which we use in the preparation of more elegant pharmaceuticals. This panel is made up of a series of experts whose taste has been "calibrated," so to speak. They are experts in being able to detect, with accuracy, very small concentrations of sweetness, sourness, bitterness, and saltiness. After a period of training, these men are used to determine the acceptance of different products that are to be taken by mouth.

The Discovery of Sulfas

I mentioned earlier that medicinal chemistry has only recently come into its own and the amazing speedup is largely due to advances in new drug discovery. The discovery of the sulfas in the middle '30s reopened the science of chemo-therapy, a science that had been particularly quiescent since Erlich's work on the arsenic compounds for the treatment of syphilis. Then in a few years came penicillin, followed by other antibiotics such as Streptomycin, Chloromycetin, Aureomycin and Terramycin.

A classic point is what these drugs have done to pneumonia. Because of them, the victim of pneumonia today has better than a 25-to-1 chance of recovery, compared with little better than 3-to-1 a generation ago. An oft-told medical joke is about the doctor who tells his patient, "I can't do anything for your cold, but if it develops into pneumonia, I can cure you."

World War II and Advances in Medicinal Chemistry

It has been stated by a number of people that the development of penicillin would not have been possible without World War II. The crying need, the intense effort, the huge expenditure of funds for research and plants to develop a medicinal that originally occurred in insignificant quantities, were factors that could have been powered only by war. Robert Burlingham in "The Odyssey of Modern Drug Research" states that war is precisely what Sherman said it was, but it is not bad medicine. Certainly the six years of World War II marked, by far, the greatest medical progress of any comparable period in history. In fact, it can be said that—barring another general, atomic war—the benefits conferred on this and succeeding generations by the World War II medical developments will outweigh the death and destruction of the war itself. The prime instance is, of course, the penicillin development. This accomplishment is an example of the value of American ingenuity and of the technique of American industrial production in being able to bring penicillin manufacture to practical fruition. Let us consider for just a moment a few of the pertinent dates of the penicillin history.

It was in September, 1928, that Dr. Fleming found the accidental contamination on an agar plate, on which staphylococcus germs were being grown, by a greenish, brush-like mold—belonging to the family Penicillium—which destroyed all of the germs in its vicinity.

From the years 1928 to 1939, there is almost a total blank from the standpoint of general scientific and medical interest in Fleming's discovery. His reports and papers on penicillin were lost in the shuffle of other papers at scientific meetings and by the time World War II broke out, penicillin seemed on the verge of oblivion. Then in 1939, Dr. Florey and his team at Oxford University became inspired by the original papers by Fleming, and, by intensive effort, learned how to purify the drug, then developed its pharmacology in animals, and finally made the first encouraging clinical trials in man.

Two years later, in 1941, Dr. Florey and his associate, Dr. Heatley, journeyed from bombed England to the United States to enlist American interest in the production of enough penicillin for adequate clinical trials, and, ultimately, to supply Allied military needs. They quickly sold the importance of their problem to American pharmaceutical and medical manufacturers and to top government officials who agreed to pool their research and development resources in order to speed up this production. The next four years moved quickly and, with them, came the work of Dr. Robert Coghill and his associates at the U. S. Agriculture Department's Northern Regional Research Laboratory. They made a tremendous contribution in the development of the deep vat fermentation process for penicillin from a new mold which could produce many times the concentration of penicillin originally found by Fleming. This discovery laid the groundwork for large-scale production and by June of 1945, production had increased 2,500 times in the two years since the all out effort had started in this country. Not only did penicillin become available in quantity, but this large-scale production enabled the pharmaceutical industry to reduce the price from a figure of $20 for 100,000 units in 1943 to less than 5c in 1950.

New Drugs "Around the Corner"

As to the future of antibiotics, one can state that there are many new drugs just around the corner. Certainly we have not seen the last of new antibiotics. The future of them is limited only by the unseen world of plant and animal life and by the number of infectious diseases that still remain to be brought under effective control. We may not see many new antibiotics of the so-called broad spectrum type, which are typified by Penicillin, Aureomycin, Chloromycetin, and Terramycin. The big gaps in antibiotic therapy today do not lie there, but rather in the fields of virus and mycotic diseases. Some authorities believe that in the next 10 to 15 years, there will be an antibiotic for every infectious condition including the virus diseases.

One of the war-time problems for which there is great urgency concerns our need for a better supply of blood for the wounded man. Blood and blood plasma investigations—linked to the tremendous blood donor program of the American Red Cross—has resulted in the countless savings of lives on the battlefield. Beyond that, the work on the preparation and study of such blood components as serum albumin, gamma globulin, and fibrinogen may prove to have as great a long-range significance in medicine as penicillin and other war developments. Today there is a considerable concern in this country over the failure of our citizens to supply the necessary amount of blood through the Red Cross service. To supplement this need for blood, much research is being devoted to the work on blood substitutes, commonly called plasma extenders. Among those that have been developed, the ones which seem to show the most promise are Dextran, and a synthetic compound called PVP. Solutions of these substances can be injected directly into the vein of the patient and will, in most cases, prolong life for a time. They are, at best, only susbtitutes and in cases of severe loss of blood, the patient will eventually need to receive whole blood or blood plasma.

Food Substitutes

We have spoken of the importance of blood itself. Another important problem is that of feeding the patient who cannot take food by mouth. The use of intravenous sugar solutions, namely dextrose, has been accepted practice for many years. More recent has been the development of protein hydrolysates that also can be given by vein. The term "protein hydrolysates" refers to commonly known proteins, such as casein or blood fibrin, that have been broken down chemically into smaller fractions that can be tolerated when injected directly into the blood stream. The use of these two foods, carbohydrate and protein, will supply the recommended intake of sugar and essential amino acids and also furnish sufficient amounts of other amino acids to meet ordinary metabolic needs. Next, a mixture of vitamins may be made available and added directly to the carbohydrate solution. By the use of potassium phosphate and sodium chloride, included in the above solutions, it is also possible to supply intravenously to the patient some of the essential minerals. At the present time, we can say, then, that we are in a position to feed the patient protein, carbohydrate, vitamins, and minerals intravenously in the amounts that would be deemed adequate in most oral diets.

However, there is one important nutrient that is lacking. This is fat. Fat is regarded as important here, because of its high caloric density. This means that a given weight of fat can furnish more calories to the patient than the same weight of protein or carbohydrate. If fat could be successfully incorporated into an intravenous product containing the other nutrients mentioned above, it would undoubtedly do much toward maintaining the convalescent patient. For the first time, it would be feasible to supply the entire caloric needs of the patient. One liter of 15% fat emulsion would provide 1,500 calories and would be equal in caloric value to 4½ liters of 10% dextrose solution. A considerable amount of research is being conducted in an effort to produce a practical fat emulsion for injection. Many problems still confront the biochemist in this development and it will undoubtedly be some time before the product becomes a reality.

Drugs for Cardiovascular Disease

We shall turn now to a different kind of medical problem. The seriousness of hypertension and cardiovascular disease seems to be well appreciated today. Certainly the magnitude of the problem is borne out by the figures that our of a total of 1½ million deaths in the U. S. in 1948, more than 500,000 were due to cardiovascular disease and probably the immediate cause of at least half the deaths in the latter group was thrombosis or embolism. Coronary thrombosis claims 200,000 lives each year, and blood vessel diseases of the brain more than 125,000. It is estimated that 33,000 persons die annually from pulmonary blood clots and that 5% of all post-operative deaths are due to embolism.

Fortunately, several remarkable drugs have already solved parts of the problem and their further development and more general use will doubtless continue to improve the situation. These are the so-called anticoagulants of which Heparin and Dicumarol are now used routinely by many cardiologists in the treatment of thrombosis and embolism, and also by many surgeons for the prevention of post-operative complications of this nature. Other anticoagulant drugs are currently in the process of development and clinical trial, and it seems likely that improved anticoagulant therapy will bring new advances in the treatment of cardiovascular disease.

The problems of hypertension and arteriosclerosis are, no doubt, related to each other and these are problems for which there is still no ideal answer. More and more is research being directed at these two unknowns and better groundwork is being laid for the understanding and evaluation for these two diseases.

Cortisone and ACTH

The remarkable effects of Cortisone and ACTH (now more properly referred to as Corticotropin) in relieving arthritis, rheumatic fever and certain allergic states has focused public attention on two hormones whose physiological properties have been under investigation for 15 years. As long ago as 1936, Dr. Kendall and his associates at the Mayo Clinic isolated Cortisone from the adrenal gland. ACTH was separated from sheep pituitaries in 1942. Since the important physiological property of ACTH is its capacity to stimulate the adrenal cortex, resulting in secretion by the adrenal of Cortisone and allied compounds, it was soon recognized that the effects of the injection of ACTH would be similar to those produced by the administration of Cortisone.

The actual credit for the first use of Cortisone in arthritic patients goes to Dr. Phillip Hench and his collaborators at the Mayo Clinic. The date was 1948, and the fact that Cortisone had not been used earlier was due to the lack of an adequate amount to treat even one human being. Through the efforts of chemists at the Mayo Clinic and Merck and Co., a procedure was developed for the preparation of Cortisone from bile, and adequate amounts were produced finally for the experimental trial of the material.

The rest of the story is well known to all of you—the miraculous relief of cases of rheumatoid arthritis when either Cortisone or ACTH was used—the disheartening finding that the relief is not followed by permanent cure and that in most cases the remission is only temporary. The patient's symptoms, in most cases of arthritis, are relieved only so long as the drug is being given. We should point out, on the other hand, that in many cases of severe arthritis, even this temporary relief is a godsend. Still, on the other hand, it must be emphasized that Cortisone and ACTH should be administered with great care. Serious side reactions resulting from long periods of treatment at high dosage may result.

The future of these adrenal and pituitary hormones is promising and there are still many things to learn. Particularly promising is the use of them in the treatment of certain disorders where the time of administration can be short. To mention a few of these: acute rheumatic fever, serum sickness, inflammations of the eye, and certain mental disturbances are relieved.

Use of Radioactive Isotopes

I am glad we can say that atomic research has brought one thing better than the atomic bomb. This is the use of radioactive istopes in medicine. Remarkable have been the developments in this field since 1947 and a small line of radio isope pharmaceuticals is now actually being produced and marketed. These materials are used in three broad categories: first, to investigate by tracer technique the behavior of drugs within the body. Secondly, to assist in the diagnosis of disease. For instance, there are radioactive compounds available today that concentrate primarily in cancerous tissue. When such a drug is given, it is then possible to accurately determine by means of a Geiger counter the exact location of the suspected tumor.

Finally, radioactive isotopes are used in the treatment of cancer. Many reports are now appearing which summarize the clinical study of 100 or more isotopically treated cases of cancer. Radioactive colloidal gold has become an especially useful tool in this connection, particularly in the treatment of inoperative tumors of the ovary, and of the uterus. To reach other parts of the human body, radioactive compounds of phosphorus, iodine, and iodine-tagged serum albumin have now been made available. This line of "Radiotopes," as we call them, will—I predict—play an increasingly important role in the diagnosis and treatment of malignant tumors and certain other pathological conditions.

We shall close now with a comment on malaria. In the field of tropical diseases, malaria still ranks higher in incidence in other parts of the world than the United States. Malaria in our own country, except for the returning G. I.'s, has ceased to be a problem. The elimination of malaria here has been brought about by very effective control measures, both against the mosquito and against the disease in human beings. However, this is not so in many other parts of the world, and to the soldier in Korea, malaria has become a very serious problem, since 10% to 30% of the returning veterans may be infected with a form of malaria capable of spreading again in the temperate zone.

Primaquine

Because of the effectiveness of the suppressive antimalarial, chloroquine, it is possible to prevent the development of the active state of the disease by simply administering one to two tablets per week. Curiously enough, in this malaria called *vivax* malaria, the disease is only suppressed while the chloroquine is being taken. After the drug is withdrawn, the symptoms of malaria may break out in just as severe a form as would have occurred at the beginning.

In order to completely cure vivax malaria, it is necessary to use a drug that will destroy those malaria parasites that probably hide out—not in the blood stream, but in the tissue cells. Now, research has made a real advance in this direction. During and since the last World War, a group of governmental and pharmaceutical laboratories made an effort to find an effective curative antimalarial. From this work, and particularly through the efforts of the groups at Columbia University, Christ Hospital in Cincinnati, and the University of Chicago, has come the drug called "primaquine." After the experimental trial of primaquine on articially induced malaria, the University of Chicago group took primaquine to Korea to initiate the use of the drug on returning veterans. As a result of these tests, the Army has embarked on a medically unique experiment of treating all returning veterans with primaquine. The evidence so far indicates that the drug can be taken in the necessary dose without harmful side effects and with a 14-day treatment, the malaria patient will be cured.

As we in medical research look into the future, we gather strength to continue our fight against those unsolved mysteries—cancer, hypertension, arteriosclerosis—and still we have to mention the common cold. And to even these, the eventual solution will be found!

Halsey, Stuart Offers Public Utility Notes

A group headed by Halsey, Stuart & Co. Inc. is offering $6,000,000 3¼% serial notes, due 1956-67, of Indiana & Michigan Electric Co. at prices to yield 2.75% to 3.20% according to maturity. The group won award of the notes at competitive sale on Jan. 22, 1952, on its bid of 100.4629%.

A total of $10,000,000 of the proceeds from the sale of the notes, from the sale of first mortgage bonds and other funds will be applied to the prepayment, without premium, of a like aggregate principal amount of notes payable to banks, issued for construction purposes. The balance will be used to pay for the cost of extensions, additions and improvements to the properties of the company.

The serial notes are redeemable in the inverse order of their maturities at prices ranging from 102⅝% to par.

Indiana & Michigan Electric Co. is engaged in the generation, purchase, transmission, distribution and sale of electric energy to the public and the supplying of electric energy at wholesale to other electric utility companies and municipalities throughout an area in the northern half of Indiana and the southwestern part of Michigan. The company serves 148 communities in an area having an estimated population of 1,072,000.

Halsey, Stuart Group Offers Equip. Tr. Ctfs.

Halsey Stuart & Co. Inc. and associates are offering today $8,850,000 New York Central RR. 3⅜% equipment trust certificates equipment trust of 1952, maturing annually Feb. 1, 1953 to 1967, inclusive at prices to yield from 2.40% to 3.45% according to maturity. Issued under the Philadelphia Plan, the certificates are secured by the following new standard-gauge railroad equipment estimated to cost $11,912,000: 35 diesel road switching locomotives and 60 diesel switching locomotives.

Offering is being made subject to approval of the Interstate Commerce Commission.

Also associated in the offering are: R. W. Pressprich & Co.; Bear, Stearns & Co.; Equitable Securities Corp.; L. F. Rothschild & Co.; The Illinois Co.; Wm. E. Pollock & Co., Inc.; First of Michigan Corp.; Freeman & Co.; Gregory & Son Incorporated; Ira Haupt & Co.; Hayden, Miller & Co.; William Blair & Co.; McCormick & Co.; McMaster Hutchinson & Co.; Mullaney, Wells & Co.; and F. S. Yantis & Co. Inc.

Young With R. Hawkins

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Frank L. Young, II has become associated with Robert Hawkins & Co., Incorporated, 10 Post Office Square. He was formerly with du Pont, Homsey & Company and prior thereto with R. W. Pressprich & Co.

With R. L. Day & Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Clayton P. White has become associated with R. L. Day & Co., 111 Devonshire Street, members of the New York and Boston Stock Exchanges. He was formerly with Jackson & Company, Inc.

Richard Buck Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—S. Peter Klapper has become associated with Richard J. Buck & Co., 8 Newbury Street. He was formerly with Perkins & Co.

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Inflation, Money and the CIO

which was expelled from the CIO for being too left-wing). All the lines have been put onto a basis of 1936=100. The UE index only goes back to 1939, but it would probably differ only slightly from the BLS Consumers' Price Index during the year 1936 to 1939.

Average hourly earnings in manufacturing started up in 1937 and have kept on rising further and faster than any of the price indexes. They have gone up much more than wholesale prices, still more than consumers' prices at retail as measured by the BLS, but only a little more than the UE Index of the Cost of Living.

An allowance for an increase of productivity of about 2% a year would almost exactly account for the degree to which the rise in the wholesale price index has lagged behind the rise in hourly wages between 1936 and 1950.

On the whole, the general similarity of movement between the line showing hourly earnings and those showing prices is a lot closer than the parallelism between the quantity of money and prices. However, such a demonstration does not prove a causal relationship. Furthermore, only a rough parallel, with various periods of deviation, should be expected in order to be consistent with this wages explanation of the price rise.

Timing of Effects

Many discussions of the relation between wage increases and price increases have taken a much too short-run view of it. Although some wage increases have resulted promptly in price increases from the cost-of-production or supply side, quite a few have probably taken years—sometimes as many as 9 or 10—to exert their full price-raising effects. The added costs of production from higher wages paid to labor employed in existing plants, may sometimes be absorbed out of their profits, with or without reducing them to an inadquate level. But when the need to expand capacity by building new plants is reached, then the market prices of the products have to rise high enough to cover the direct wages in the new plants, plus the higher costs of new buildings, machinery, and materials, plus the higher costs of transportation, wholesaling, retailing, and taxes, plus a fair profit, or there will be no incentive to private business to build the new plants.

The full price-raising effects of wage increases from the buying-power-pressure or demand side are probably exerted fairly promptly, under normal conditions. However, under price controls or in a period when there is unemployment and sluggish demand, like the 1930's, and to a moderate degree, like the business decline in 1949, the demand-increasing effects may be spread over several years. They continue to increase demand so long as employment is rising. Furthermore, part of the consumer buying power used to finance the post-Korea buying boom was presumably the savings that had been accumulated during the war and postwar years.

Level of Wage Incomes

Even if increased wages and salaries were the main cause of the inflation, average wage rates were far from making the average worker's income luxurious either before, during, or after the war. The National Income figures of the Department of Commerce (Table 26 in the 1951 edition) set the average annual earnings per full-time employee in all private industries in the U S. (not just manufacturing) at $1,408 in 1929, $1,181 in 1936, $2,259 in 1945, and $3,020 in 1950. Actual average earnings of individuals were lower than those figures, owing to unemployment.

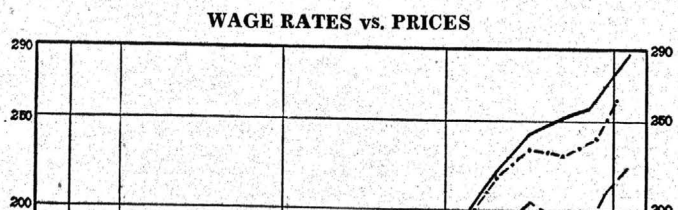
Even the fact that a great many workers are either single or have other members of their family working also (totalling more than half of all workers, according to some estimates), still leaves budgets of tens of millions of wage-earners a matter of relatively severe economy. The visible non-essential expenditures of many lower-income families are probably made in part at the expense of neglecting some "essentials."

Those average income figures are presumably the highest ever reached by any such large number of people anywhere, both in money and in real purchasing power over goods and services. They are almost embarrassingly higher than average incomes in many other countries. Unfortunately, however, the increases in the dollar earnings per year since before the War do not mean an equal increase in purchasing power.

From 1936 to 1950 the increase in dollars was 155%. But if we deflate that increase by the increase in the BLS Index of Consumers' Prices, we find that the increase in purchasing power was only about 50%.

If the UE Index of the Cost of Living, of which by 1950 over 20 points was due to increased payroll and income taxes, is a true measure of the position of wage-earners, the absolute gain in the purchasing power of wages after taxes has been about zero, except for the gain by 1939 and the gain from higher employment since the depression. Since then, if this index is correct, there has only been a lot of changing of numbers on price tags and on pay envelopes, each to about the same extent.

WAGE RATES vs. PRICES



Solid Line: Average hourly earnings in manufacturing, Bureau of Labor Statistics series; annual figures; 1936 ($.556)=100.

Dot-dash Line: Workers' Cost of Living—United Electrical, Radio, and Machine Workers of America (UE) index; annual figures; 1939=100.

Dashed Line: Wholesale prices—Bureau of Labor Statistics index; annual figures; converted from original 1926 base to 1936 (80.8)=100.

Dotted Line: Consumers' prices—Bureau of Labor Statistics index; annual figures; 1936-39=100.

Fringe benefits, however, such as paid vacations, insurance, pensions, etc., have meant gains for workers which are not reflected in the usual series of annual, weekly, or hourly earnings figures. For some leading companies these have been worth more than 25c per hour, as of 1950.

These fringe costs should also be added to hourly wage rates in order to measure the full increase of labor costs to employers.

Efforts to Increase Incomes

In view of the small size of average worker earnings relative to all the things one thinks belong in the American Standard of Living, and with tens of millions of workers receiving less than those average figures, it is certainly understandable that friends of labor should want to increase workers' incomes, and try with all their might to do it.

One of the main conclusions of this article, however, is that on the average, much of the deliberate effort to raise real wages by increasing wage rates during the last 12 years—and particularly the last six years—including the strikes, the tense bargaining and endless agitation, and the wage rate increases actually obtained—has only inflation to show for it.

Having now stated the central part of this wages explanation of the present U. S. inflation, we must take up at least three more sides of the problem: (1) a survey of what kinds of wage increases are both inflationary and economically avoidable; (2) a review of the theory that wage rates ought to be increased whenever consumer prices go up; and (3) the union assertion—especially by the CIO—that only corporations' refusal to absorb the wage increases out of their bulging profits caused the price increases.

Varieties of Wage Increases

Many different sorts of wage increases are averaged into the BLS hourly earnings figures shown in the chart. Some began and ended well below the average; others were always in the labor aristocracy brackets; others were in between. Some increases represented still relatively low pay for very hard, or unpleasant, or injurious, or skillful work; others represented modified forms of rackets. Some increases were due to shifting of workers to better-paid jobs; some to the offsetting efforts of other employers to keep their workers satisfied or to retain enough workers to operate their plants. Other increases were forced on employers only by strikes or threats of strikes, even though they were already paying top wages. Some were given as "cost-of-living wage increases"; some as premiums for special shifts, or overtime, or holidays and weekends, etc. Some were the result of various piece-rate, profit-sharing, and other incentive wage plans.

For purposes of applying this wages explanation of inflation to the problem of trying to prevent inflation, the wage increases since 1936 which were economically both necessary and desirable would have had to be distinguished from those which seem to have been merely inflationary and economically avoidable. But whether economically necessary or avoidable, practically all of them probably had at least some price-raising effect.

Necessary vs. Avoidable Wage Increases

In this article the phrase, economically necessary wage increase, is meant to refer to those which employers had to grant in order to keep too many of their workers from moving to other jobs. The phrase, avoidable wage increase, on the other hand, is meant to refer to those that were forced on employers by union demands for higher pay with threats of a strike or actual strikes, and especially those in industries which were already paying above-average wages for each particular grade of job or degree of skill and scarcity of ability. Wage increases forced by threats of strikes in low-paid industries, even though the workers mostly could not have gotten better-paid jobs elsewhere at the time (e.g., some southern textile plants in the 1930's), will not be put in either group here.

Increases given to match others already given elsewhere though not absolutely needed to keep workers from leaving, will also be left in the middle, but closer to the necessary than the avoidable.

Substandard wages is a phrase used frequently in this article, just as it has been in wage discussions for years, even though its exact meaning has not been defined. The raising of such wages either in the '30's or during the war, is the main body here classed as economically necessary increases. They were largely unavoidable as soon as fairly full employment, and chances to get better-paid work elsewhere, materialized.

A fine example of an increase of substandard wages is the average pay of hired farm workers. It rose, according to Department of Agriculture figures, from $1.45 a day in 1936 to $5.40 a day in 1948. Since it did not include board, that rate may still be substandard. No fair-minded American should object if the price of his food goes up enough to cover paying good average annual earnings to farm workers.

The rise of substandard wages during the war apparently was also a major factor in making the price of clothing rise so much. Some, but not all, of that price rise is regarded here as desirable economic progress instead of as undesirable inflation.

Avoidable Wage Increases

The first example of avoidable wage increase within the scope of this article seems to be the round among higher paid industries in 1937, such as the 10 to 14c per hour in steel. Even though some industries did not share in that 1937 round of increases for several years, average hourly earnings in manufacturing rose to $.624 in 1937 from $.556 in 1936. The figure had been $.566 in 1929. The cost of living had dropped about 20% from 1929 to 1936-37, so the level of money wages meant there had been a sizable increase in real wages per hour over 1929. Short-time weeks for many workers, however, and total unemployment for millions more, kept their actual earnings depressed.

The wage increases which started that round were in industries which were already paying among the highest wage rates for each kind of job. They were apparently won by aggressive unions acting at least in part on the plausible but mistaken and eventually inflationary idea that raising wage rates and increasing the share of the national income then going to labor, would help end the depression. The price of iron and steel was also raised in 1937, to higher than it had been in the prosperous years of 1927-1929. There seems to have been no chance to have absorbed that wage increase out of profits, because typical steel companies were earning a very modest return in 1937 after five or six years of losses, and they fell back into the red in 1938 and '39. Most of them paid no dividend or only a very small one in 1937 on the large value of assets represented by the common stock, and paid nothing in 1938 and '39. The prices of many other industrial products were also raised in 1937 after labor costs were increased. The renewed slump in industrial production and in agricultural prices, however, made price indexes decline in 1938-39.

That 1937 wage and price increase in steel and other similar industries added billions of dollars to the total of prices that the government and civilians had to pay during the war.

That wage increase also put the pay level in those industries even farther ahead of rates for comparable jobs in low-paid industries and other depressed parts of the U. S. and world economy, including the 14 or 15 million unemployed. In order to make progress in catching up to the average, the substandard-wage industries then had further to go than before.

Because of the way that so many employers must sooner or later match a raise which puts a big union out in front of the rest of the line, the union which starts a new round of wage increases is chiefly responsible for most of the ensuing wage and price increases.

Powerful unions led off several new rounds of inflationary and avoidable wage increases in 1940-42 and in every year since the war. Fringe benefits are of course in the same class with wage rates. Another big round of increases is hanging in the balance to-day.

Cost-of-Living Wage Boosts

The second type of avoidable and inflationary wage increases to be suggested in this article is rounds of wage increases to cover increases in the cost of living which are due to any one of six conditions. Three of the six involve abnormal decreases of supply:

(1) A crop shortage, when there simply is less food or other farm products to go round. The U. S. had a glimpse of one in 1947-48, beginning with a short corn crop and later affecting meats, dairy products, poultry, and hides.

(2) Wartime or other temporary shortages of consumer supplies.

(3) Exhaustion or destruction of accustomed sources of supply and reaching the limits of cheap raw materials.

In all three of the above kinds of events, some rise of prices is generally a fair and useful adjustment, until normal supplies are restored. Such price rises encourage postponement of purchasing and resort to more plentiful substitutes, stimulate additional production and importation from more distant areas, and tap higher-cost production capacities.

Getting wage increases to offset such price increases is acting as if wage-earners had a perfect right to consume as much as ever of the scarce goods in spite of the national shortage. If this really worked out as the escalator idea implies it should, it would mean that the rest of the population must not only cut down their consumption of the short items by the average per capita amount of the shortage, but they must in addition cut down their consumption by enough more than the average to spare the wage-earners from any reduction whatever from their normal. Since labor and their families make up something like two-thirds of the population, the reduction of consumption for the rest of the community—the people on pensions and living on savings, farmers, storekeepers, independent workers, professional people, fishermen, civil servants, etc.—would be extremely large. If he understands that, will the average American wage-earner think that is fair?

In the same category belong the postwar price increases of some U. S. products, especially foods, which were purchased and exported in extraordinary quantities to foreign countries desperately short of food and other essential goods.

Most of these emergency increases in prices would have been sure to disappear after the emergency. Granting wage increases based on the temporary price increases helped raise prices more during the emergency, started a self-perpetuating spiral of cost-of-living wage demands, and made it impossible for the price level to return to the pre-emergency level after the initial shortage ended.

Mobilization Shortages

Wartime and rearmament shortages present some special problems. There may be Government price controls, but it is often impossible for them to hold all prices down to the peace-time level.

For one thing, plants unable to work at full capacity because of shortages of materials or labor have higher costs of production for each unit of output. This same situation is arising again to-day in automobiles and other goods containing metals in short supply.

Secondly, manufacturers may have to use some substitute materials which cost more, or materials prices may have risen, or they may have to pay higher wages to keep their workers. Except for possible offsetting economies, there seems no good reason why these higher costs should not be passed on to consumers. Otherwise some producers won't bother with the extra struggle of trying to keep some supplies moving to consumers.

The other three kinds of price increases for which new rounds of offsetting wage increases are economically unjustified and inflationary are those due to the raising of substandard wages, higher taxes, and waves of consumer or producer buying. These will be discussed separately.

Raising Substandard Wages

(4) Substandard wages had to be raised as wartime job opportunities developed for all, for reasons already described, and the prices of many products formerly made with low-paid labor had to be raised enough to cover the higher wage costs.

For those who were already among the high-paid then to demand wage increases to cover those higher prices, really meant that they demanded that they be served by labor paid less than they themselves were paid.

No one in any income group has a moral right to a wage increase whenever and to the extent that substandard wages catch up to his. No one has a right to buy food for example, or clothing, at prices dependent on their being produced by labor paid less than he is.

Besides various domestic products, a number of imported materials rose in price during and after the war partly because of the raising of substandard wage rates and the overcoming of badly depressed conditions among producers. Of course not all import price increases were of this sort.

The same general principle applies to price increases needed to bring the compensation of entrepreneurs, including farmers, landlords, individual businesses, and corporations, up to competitive levels. Many corporations, for example, had profits so low in 1936-39 that if that was all the reward the investors could expect, they would never have been started.

In 1940-42, unions in the highest-paid industries whose wage rates were already 30 or 40% higher than in 1929, demanded and received "cost-of-living wage boosts" when food prices started to rise from 30% below their predepression level. By 1945 when the CIO and AFL were insisting that large additional cost-of-living increases were long overdue, food prices and indeed the whole consumers' price index were only 5% above their 1929 level, although average hourly wage rates in manufacturing were 80% above their 1929 and 1936 level.

Increased Taxes

(5) A good-sized fraction of the rise of prices from 1940 to 1945 was due to increased excise and sales taxes. The OPA did not allow increases of price ceilings to cover increases in corporation income taxes, but new taxes or increases of old ones, on tobacco, liquor, gasoline, automobiles, tires, electric power, toilet articles, luggage and other manufacturers' and retailers' excise taxes, telephone and telegraph, transportation, admissions, use of motor vehicles, sugar, etc., etc., mostly showed up in higher prices. They were counted in the indexes of consumers' prices and cost of living.

The idea of giving wokers increases in pay to offset all the increases in taxes which Congress and state governments found it necessary to levy on all citizens alike, whether directly in income taxes or indirectly through excise taxes that result in higher prices, is a perfect example of a demand for an inflationary wage policy.

It is true that there are loopholes in the tax laws by which some people and corporations escape part of the tax burden that others in their class pay. It is true also that a relatively small number of people have large incomes and large capital, and that sometimes the market value of some capital goes up. In this article we shall not try to judge how much equalizing of wealth and incomes by taxation is possible without maiming a private enterprise economy. But if the almost irresistible power of labor unions is used to exact wage increases for tens of millions of workers as their retaliation for the failure of Congress to fulfill unions' demands for still greater reduction of upper bracket incomes, then the result will probably be, not success in obtaining those tax policy demands, but perpetual inflation of prices.

Buying Flurries

(6) Especially during the last eight years or so the American public, supplemented by foreigners with dollar balances, have continuously held a greater total of money and other highly liquid assets than the sales value of all the finished goods and services available at any one time. And whenever more than a very few billions of those two or three hundred billions of dollars of savings from the past, try to crowd into markets to buy goods in any short period of time, on top of the regular spending of currently-earned income, the excess of demand over supply will be able to exhaust the supplies and start bidding prices up.

Such waves of consumer and producer buying occurred three times in the last 12 years: before and in the early part of World War II, after the end of the war—especially after the death of OPA in the second half of 1946—and the latter part of 1950, after the attack on Korea.

To grant wage increases in those conditions in order to keep wages rising just as fast as prices, only worsens the excessive buying and makes a temporary inflation permanent. The further increasing of costs of production through those wage increases makes more and more people realize that postponing buying is a pretty sure way to lose money, for prices are almost sure to be higher if one waits to buy later. So more and more join the stampede.

Some of the early post-Korea prise rise in consumer goods was liquidated in the selling off of excessive inventories in 1951. Much more, but not all, of the late 1950 price rise probably would have been retraced if wage increases had not made costs permanently higher and added to consumer demand. Some of the post-Korea price rise, however, was prices catching up with 1949 increases in wage costs, which had not been passed on earlier, because of slack demand.

In the last two buying sprees, undoubtedly a lot of the consumer buying was done by wage earners and their families. That group is too large a part of the total of consumers for a real buying wave to arise with wage earners left out. Under those circumstances the main consuming group is really asking for pay increases to compensate it for what it at least partly is doing to itself.

Our economy may or may not need new methods for moderating the buying waves, caused either by consumers or by producers. The country may be able to work out practical methods of doing it, or it may prove to be a minor, unavoidable disadvantage of a free-market, consumers-choice economic system. But to start wages chasing prices up the buying side of the waves only makes the waves higher. On the downward side of the waves there will still be periods of slack buying and unemployment, unless new and larger doses of inflation are injected in each lull to keep prices rising more or less forever, in fits and starts.

That completes our list of six conditions in which it seems very doubtful that rounds of wage rate increases are justified even if prices do rise — crop shortages, wartime or other emergency dislocations, destruction or exhaustion and coming up against the limits of important productive capacity, raising of substandard wages, increased taxes, and waves of consumer or producer buying. For labor to fight back at them by forcing increases in wages just means that prices will go up more and stay higher than before. Almost all net advantages which labor gains from wage increases in these situations come from injustice to other groups.

Excessive Premium Rates

The third and last type of avoidable and inflationary wage increase to be mentioned operated especially during the war. That is, insistence on paying premium rates—time-and-a-half or double time or extra pay of various dimensions — on every conceivable pretext.

In peacetime making an employer pay premium wages for asking a man to work more than 40 hours a week at a tiring job, or for interrupting his Sundays and holidays, seems desirable, on balance. Paying extra for night work and other special shifts, if they are unpopular, also seems a natural economic arrangement.

But during the war insistence on premium rates for such a great deal of work appears to have been a case of riding a good horse too hard at a wrong time. When millions of people on salaries, and including the millions in uniform, were working much longer than 8-hour days six and seven days a week with little and often no pay at all for the extra hours, it was reasonable to expect American workers to work five and a half or six 8-hour days on straight-time hourly rates, and to cut the top premium rates to time and a half instead of double time, until the righting stopped. Still less need be said about the more extreme cases where some groups of workers — one hopes they were very small in the total—somehow arranged to do little or no work on straight-time pay but almost all of their work on overtime rates.

The wartime premium rates were not necessary to keep employers from getting too rich. Taxes were the way to do that. Nor were such large premiums necessary "to keep up workers' morale." Long hours are tiring, of course, and accidents increase. But it seems an insult to American wage-earners to argue that they alone of the working population of the country could not work on Saturdays without getting paid at least time and a half, when their country was in peril and men were dying to protect it.

Multiplying Inflation

These three types of wage increase which we here call avoidable—the union-made increases in the already better paid industries, the rounds of cost-of-living wage increases, and the failure to relax peacetime requirements on premium rates—added to the wartime and postwar inflation in several ways. As already stated, they increased the excessive demand for goods during and after the war, through giving workers bigger incomes to spend, and also increased the production costs which selling prices had to cover. Two more inflationary influences deserve emphasis:

First, the wage increases which were passed on in higher prices not only increased prices paid by consumers but also increased the armament bills which the government had to pay by tens of billions of dollars. The extra government expenditures caused by the increased wage rates added dollar for dollar to the Treasury deficits of those years. The deficits had to be covered by increased Treasury borrowing of the same amount, much of it unavoidably, from banks, which increased by that amount the quantity of deposit money outstanding. This is why we have argued that much of the increase in money supply was due to rising wage rates and not vice versa.

Second, those wage increases which were absorbed out of company profits without raising prices cut down by additional billions of dollars the government's tax collections from corporations. Not paying the wage increases which actually were paid would have shifted that much income from the pay envelopes of workers to the profits before taxes of the employing corporations. The government would have captured probably 80 to 90% and in many cases 95% of the increase, first in taxes on the corporation's income, including the excess profits tax, and then at the level of individual income taxes on dividend payments. With tax rates at the wartime level, pay raises absorbed out of corporate profits were paid almost entirely at the expense of the U. S. Treasury.

The government collected some taxes on the increased wage payments but at a much lower average rate than if the same amount had been added to corporation earnings before taxes.

This loss of revenue added further billions to the deficits and the inflationary government borrowing.

If wage rates had not been raised so much during the war, wage earners would not have had so many scores of billions of dollars worth of currency, deposits, and Savings Bonds. They were unable to spend all their wages during the war, because of the shortages of civilian goods, and impatiently used too much of them to bid for still-scarce goods too early in the reconversion period.

One of the basic objectives of the wage moderation program advocated in this article is to enable workers to receive the largest possible earnings and to accumulate more savings without inflation of prices. Its adoption at any time should have greatly eased the inflationary pressures both before and after V-J Day. However, this program is not claimed to be a cure-all. Reconversion would undoubtedly still have been a troubled period.

Wages vs. Profits

Let us turn, finally, to the argument heard often in the public statements of CIO officials and other speakers, that wage increases should have been paid without passing on the higher labor costs of production in higher prices. Corporations' greed for excessive profits, they say, and charging all that the traffic would bear, have been the real cause of inflation.

Before coming to the issues uppermost in January 1952, let us note briefly six points about the price rise and profits in the reconversion period, 1946-48.

(a) Most of the rise in consumers' prices came not from the industrial products which corporations typically fix the prices of, but from prices of meat and other food, and, to a lesser degree, from other agricultural raw materials going into clothing, such as cotton and leather, and also from lumber. Some agricultural blocs were unpublic-spirited and avaricious in hastening the breakdown of price controls. But once price controls were abandoned, prices of the chief agricultural commodities were mostly set by the free play of supply and demand in auction markets. Nothing that industrial corporations could have done about absorbing wage increases out of profits without raising prices of industrial products, would have been able to counterbalance the rise of farm product prices so as to prevent the average of all consumers' prices from going up sharply in 1946-48.

(b) The way grey market prices developed after the end of OPA — for automobiles, steel, other metals, newsprint, some building supplies, etc.—showed that many leading companies were not charging all that the traffic would bear. Besides the industries just mentioned, leading oil companies, most retailers, and a great many other businesses, clearly tried hard to hold their prices down in spite of the overflowing demand for their products. Many of them seem to have just fixed their prices according to their usual pricing formulas, based largely on costs, and held to them.

(c) When demand for a product at the going price exceeds supply, some producers and distributors can set up waiting lists of customers for their products. For other types of products and methods of marketing, a *temporary* rise of prices was perhaps the best way available to ration some supplies. It would have penalized those who insisted on buying at once, encouraged everyone to wait longer, and stimulated greater production. Competition would have brought prices back to a normal relation to costs of production within a reasonable time. The wage increases were what killed the chance of prices returning to their old level.

Modest Dividend Growth

(d) The demanded wage increases could not fairly have been paid by reducing corporate dividends. Total corporate dividends remained modest. According to Department of Commerce estimates they were $5.8 billion in 1929, $4.6 billion in 1936, $4.7 billion in 1945, and $7.2 billion in 1948.

Probably around 80 billion dollars were added to stockholders' investment in U. S. corporations between 1936 and 1948 from new stock issues sold for cash or exchanged for assets or services, from stock issued in place of reorganized bonds and convertible bonds, and from reinvested earnings of corporations. The total from the last source alone exceeded $65 billion. In addition, a

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Inflation, Money and the CIO

growth of dividends should have been expected from recovery from the lingering depression in many industries in the prewar years, and from the increased value and replacement cost of companies' assets underlying the stock ownership.

According to national income estimates of the Department of Commerce (1951 edition, Table 12), total wages and salaries, plus supplements to wages and salaries of the employees of business corporations (excluding compensation of corporate officers) rose from a total of $22.9 billion in 1936 to $59 billion in 1945, and to $83.3 billion in 1948. The increase to 1945 was $36.1 billion, or 2½ times the 1936 level. Dividends, on the other hand, increased 2%—by only $100 million, or 1/360th as much as the increase in wages and salaries.

From 1936 to 1948 corporations' payments to their workers increased $60 billion and their payments to their stockholders increased $2.6 billion.

The aggregate cost of the increases in hourly wage rates in 1946 and in 1937 considerably exceeded total corporate dividends in each of those years.

Furnishing New Capital

(e) After-tax corporation profits kept in the business have been the main source of new capital for financing larger and more costly inventories and building new plants and improving old ones since 1929. Sales of new issues of common stock have been relatively minor.

After recognizing (in 1948) that the market prices of common stocks were depressed and unreceptive to new flotations, CIO spokesmen testified that if corporations only paid out more of their earnings in cash dividends, then they could sell all the stock necessary to finance expansion. In this way they hoped to prevent the steady increase in size of giant corporations and to stimulate the development of more small and middle-size ones.

Admittedly, the idea of corporation's furnishing most of their own new capital out of retained earnings is not the orthodox expectation of how capitalism should work. However, American capitalism probably has depended for its growth on this method more than has been generally supposed.

Also, since a company's "needs" for such new capital might have almost no limit at any one time, they should not be considered part of normal production costs in pricing products. The danger of this happening is limited, because the ability of corporations to earn excessively from sales in competitive markets has many natural curbs.

On the other hand, the idea that merely by paying out more of their earnings in dividends, companies could sell enough new stock to raise most of the ten to thirteen billion dollars a year which they have been plowing back out of earnings, has many holes. For tremendously powerful unions to base their huge wage demands on such a misguided and untested notion is indeed tragic. Unfortunately, however, most of the capitalist explanations of how the present system works seem unlikely to correct the unions' mistakes.

Meanwhile, the unions should be glad the present method of supplying capital is working as well as it is, imperfect though it may be.

For trade union members and other workers would of course be the first to feel the hardships of a shortage of capital for industry and agriculture—in lack of expansion of jobs to employ the steadily growing working population, in shortages of consumers' goods and of industrial materials, and inescapably, in rising prices for the scarce goods.

Adequate Profits After Taxes

(f) Despite all the declamation about the excessive size of profits after taxes, the crucial factual questions about profits to measure their adequacy have generally been ignored. The first question should be: What rate of profits after taxes can be earned in each industry on additional plant capacity (and the necessary sales facilities) built at today's prices? And second: Is that rate high enough and sufficiently permanent-looking to motivate new companies to enter the industry and old companies to expand in it?

Among other things, if a producer has to "steal" some of the profits from facilities bought long ago at much lower prices, in order to cover the depreciation charges on new facilities bought at the current much higher prices, then there is no reason why he should expand or why new companies should go into that business.

Oratory about exorbitant profits in 1945-48 was loudest from the Steelworkers-CIO. Their arguments were punctured, however, in an article in the February 1948 issue of "Harper's" by a former official of the CIO who became a Vice-President of a steel company. He stated that the then-level of steel prices did not cover the cost of building new steel capacity at current costs. The main point of the article was that the way to get big enough steel capacity was to raise steel prices.

That price and profit deficiency in steel may or may not have been corrected by now, but it would not have been if the Steelworkers' Union had had their way. It would no doubt be reversed again if the current wage demands were paid out of profits, which have already been reduced sharply in 1951 by increased taxes.

CIO spokesmen seem generally to insist that most of the steel company profits after taxes be used four or five times over: first, to pay wage increases and other benefits to union members; second, to pay higher corporation taxes; a third time to cut prices; a fourth time to pay larger dividends; and perhaps a fifth time to build for more steel-making capacity.

The impression that profits after taxes are excessive is best fostered by three favorite forms of misleading statistics: — measuring an increase from a specially depressed period to a temporary peak and taking no account of long periods of losses and low earnings; comparing the increase in aggregate profits with the increase in wage rates per hour (instead of aggregate wages of all workers); and selecting a specially profitable sample of companies or industries. Also, the use of percentages will hide the fact that aggregate wages and salaries of corporation employees are four or five times bigger than profits after taxes.

Even though such a comparison proves nothing much, it seems an interesting coincidence that in 1951, aggregate wages and salaries (plus supplements to wages) paid by corporations—about $96 billion after excluding pay of corporation officers—were 4.2 times their 1936 level; and corporation profits after taxes—$18 billion—were also 4.2 times their 1936 level.

The Issues Today

The present Steelworker demands would not only start a new round of wage increases and higher prices. But, at least for the wage increase itself, aside from the many little-publicized fringe demands, they have no valid grounds.

It seems to rest on only two arguments, the increase in the cost of living and the steel industry's capacity to pay an increase.

Some specially chosen starting-point is needed to make a case for the first, but the whole cost-of-living justification in national emergencies like the present has been rejected above for workers already getting top rates of wages. The union members should take what price increases occur along with the rest of the country, though doing anything within reason to advance their opinions on how prices should be restrained.

The second grounds, capacity to pay, is arguable at all only if it uses capacity before taxes. Claiming the right to wage increases on that ground today is claiming the right to raid the U. S. Treasury. Most steel companies are probably in the top excess profits tax bracket, so 82% of any wage increases they pay out of those before-tax profits will come out of their tax bill.

The wage package demanded by the Steelworkers includes a 15 or 18½c per hour wage increase and many other benefits. A steel company official has said it would cost 50c per hour. The union has called that an exaggeration. If it cost only half that, 25c an hour, and if all corporation wage and salary workers got it, most of whom have the same grounds for asking it as the Steelworkers, it would cost about $15 billion a year.

If that $15 billion all came out of corporation profits before taxes, it would probably cost the Treasury around $11 billion in lost corporation taxes. Only a small part of it would be recovered in increased taxes from the workers. The Treasury already faces a deficit in fiscal 1953 which a CIO official has said calls for about $8 billion more tax revenue. The CIO are on record as favoring a balanced budget. Yet nationwide acceptance of their wage demands will blow sky high what they regard as a proper and necessary national financial policy.

Furthermore, besides greatly worsening the inflation problem, forcefully claiming the right to start a new round of wage increases on the ground of "capacity to pay" is dishonest, monopolistic, and illegitimate. Unions, however, should not be expected to see this before a great many other people do and before more economic sense about inflation is common knowledge.

A claim for a wage increase on that ground is dishonest, because, in addition to the fact that the Treasury and the taxpayers will in effect do most of the paying, the new increase will have to be matched by countless businesses with inadequate profits. Picking out some companies with moderate or large profits is no basis for a wage policy.

Such a claim is monopolistic, because only a monopoly can tell a buyer, "You buy all your this or that from us at our price, or you don't get any of it, and that means you stop producing because we control the entire supply of this essential item." Being in that position is the essence of monopoly, whether the seller is a business, an industrial union, or a craft union. When an industry even approaches getting in that position toward the public, it is usually subjected to government control. A union using its monopolistic position to enforce wage demands determined on the basis of its customers' capacity to pay, is indeed "charging what the traffic will bear," which union spokesmen constantly assert is intolerable if anyone else tries to do it.

It is illegitimate, because carried even a short way, it makes nonsense of the basis and purpose of a private enterprise economy: "Whenever you, Mr. Employer, become more efficient that other firms, or are unusually profitable because you planned your products and plants unusually well, we will even things up by making you pay higher wages than your competitors."

For more than one reason, wise management would seem well advised to install more profit-sharing plans to satisfy the human feeling that all members of a firm should benefit somewhat if its earnings are especially good in some period. Those extra payments, unlike wage increases, would decline if the firm's results declined. But in any case, unions should not force by threat of strike the acceptance of their idea of where "capacity to pay more" exists. This is doubly true in a time of emergency when Congress, for better or worse, has chosen to get so much of the national revenue from corporation income taxes.

The Next Step

At this stage the problem seems less one of persuading unions to change their policies than one of getting business, financial, economic, and government leaders to start barking up the right inflation tree. So long as most speeches and articles on inflation and wage policies of major companies and perhaps even government stabilization agencies, imply that inflation is mainly something for the government to fix up with monetary controls, why should union leaders feel responsible for rising prices?

If public understanding of inflation gets on what this article considers the right track, unions may in time recognize that adopting a different wage policy may improve the position of workers more effectively than unions' present bulldozing tactics. For a program involving direct wage-rate moderation seems to provide the best and perhaps the only chance of maintaining full employment without inflation, of getting capital to work for smaller profit margins (as it already does in the public utility industry), of getting this country through the years of dangerous financial strain immediately ahead, and of helping workers acquire and keep old-age pensions and poverty-ending savings without their value being gradually wiped out later by continually rising prices.

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Mutual Funds

the fund rose to $27,150,752, or by 21.7%, from the $22,312,783 at the beginning of the year.

National Investors differs from most investment companies in that it has long followed a policy of investing its funds primarily in the common stocks of "growth companies," according to Francis F. Randolph, Chairman of the Board and President.

Mr. Randolph defined "growth companies" as those that, with interim interruptions, are believed able, over a period of years, to increase their sales and earnings at a greater rate than the rising trend of American business as a whole.

He emphasized that the growth stock policy is long range in concept and that while the Fund's results for 1951 were favorable, the only real measure of its progress is the long term record. National Investors shares have gained 97.8% in asset value, adjusted for distributions from realized gains on investments, since the company became a mutual fund early in 1937.

Dividends paid from investment income totaled 47 cents a share in 1951, which was the second largest amount in the company's history and compares with payments of 51 cents in 1950 and 40 cents in 1949.

Common stocks accounted for 97.39% of net assets on Dec. 31, 1951 and represented an interest in 56 different companies in more than 15 different industries. Oil stocks accounted for 20.44% of net assets and were the largest industry holding. Chemical stocks were second at 10.50% of net assets. During the fourth quarter, 13,000 Gulf Oil and 7,500 Union Carbide were introduced into the portfolio. Republic Natural Gas was increased by 4,500. Stocks eliminated were 6,000 American Republics, 15,500 Halliburton Oil Well Cementing and 2,500 Outboard Marine and Manufacturing. Reductions in holdings included 30,000 American Airlines, 4,500 Eastern Air Lines and 8,400 Affiliated Gas & Electric.

NET ASSETS of Broad Street Investing Corporation totaled a record $24,250,467 on Dec. 31, 1951, according to its 22nd annual report.

At this level, net assets were up 42.3% over the $17,045,241 a year earlier and almost double the $12,-274,764 reported two years previously.

Dividends paid by Broad Street Investing from investment income in 1951 totalled $1.10 a share to equal the peak first reached in 1950. This payment compares with 89 cents a share in 1949. Dividends from investment income have been paid in each of the 88 quarters since the Fund's organization and payments have been increased in 7 of the last 8 years.

The report emphasizes that these increases have been more than enough to offset the rise in the cost of living during this period, thereby protecting the purchasing power of income from investments in Broad Street Investing.

THE SNOWDEN BILL, Pennsylvania's "Prudent Man" Bill which would permit trustees to invest in mutual funds, was vetoed by Governor John S. Fine at one minute before midnight on Monday, Jan. 21.

The only comment that the Governor would make is that the bill required further study before enactment into law.

It was reported, however, that one of the important factors in the Governor's decision was the strong opposition to the Snowden Bill presented by the Governor's Banking Department and the Pennsylvania banking community.

Earlier in this current session, the State Legislature passed the Berger Bill, a partial "Prudent Man" law which permits trustees to invest in common stocks meeting certain specifications. Investment in mutual funds under this law is prohibited because their shares are not listed on the Stock Exchange.

It will be necessary for proponents of the Prudent Man bill to wait until the next legislative session, beginning January, 1953, before they can again introduce a complete "Prudent Man" bill into the State Legislature.

NET ASSETS of Whitehall Fund reached a new high of $2,215,740 on Dec. 31, 1951, a 54.1% above the $1,437,427 reported a year earlier and more than doubled $1,-

062,838 at the end of 1949. Continued sale of new shares was an important factor in the Fund's growth last year.

The asset value of the Fund's shares increased during 1951 to $18.89 from $18.20 despite a distribution of $1 a share from realized gain on investments. Adding back that distribution, per share asset value increased 9.3% during the year.

Dividends paid from investment income in 1951 totaled 80 cents a share as compared with 84 cents in 1950 and 73 cents in 1949.

Whitehall Fund began operations on March 31, 1947, according to Francis F. Randolph, Chairman of the Board and President, with the objective of providing in one security a rounded investment program embracing bonds, preferred stocks and common stocks. Diversification of assets between these types of securities is governed by the fundamental policy — which can be changed only by majority vote of the shareholders—that at least 25% of the market value of gross assets must at all times be in cash, bonds and/or preferred stocks.

In the Fund's 4¾-year history, net assets have been about evenly distributed between senior holdings and common stocks. During this period, per share asset value, adjusted for distributions from realized gain on investments, has shown an overall growth of 37.2%.

It was pointed out that Whitehall Fund's operating expense ratio to the average value of assets in 1951 of 51/100ths of 1% is low among investment companies. By virtue of its participation with other investment companies in an arrangement whereby the extensive research and administrative facilities of Union Service Corporation are available at cost pro-rated according to assets, the company has access to facilities that are substantially greater than would be possible if it maintained its own research and administrative organization.

THE PRESIDENT of Affiliated Fund, Harry I. Prankard, 2nd, announced at the annual meeting of stockholders last Friday that at Dec. 31, 1951 the Company had net assets of $169,605,753 as compared with $116,758,350 a year ago and that net asset value of the stock was $4.76 a share compared with $4.66 a share a year earlier. During the year the Company distributed 44 cents a share of net realized security profits. Shareholders increased from 57,703 at the end of 1950 to 81,204 on Dec. 31, 1951.

NET ASSETS of Natural Resources Fund have crossed the $3,000,000 mark and are now $3,075,000, the highest in the Fund's history, Frank L. Valenta, President announced. Mr. Valenta said that this new record represented an increase of $514,634 over the $2,560,366 at the close of the Fund's fiscal year on Nov. 30, 1951.

Number of shareholders has increased to 1,800—also a new high. The Fund now has investments in 74 companies operating in 12 different natural resources fields.

NET ASSETS of Shareholders' Trust of Boston were approximately $6,800,000 at Dec. 31, 1951, an increase of approximately $1,000,000 from $6,807,000 at the 1950 year-end.

Part of this increase is accounted for by an increased value of the shares from $24.07 on Dec. 31, 1950 to $25.90 at Dec. 31, 1951.

The Trust, which began operations on May 14, 1948 with net assets of $20 per share, did not commence continuous offering until May 29, 1951. The increase of 22,569 shares represents net sales of 19,323 shares since that time and 3,246 shares issued to shareholders under an option to take the capital gains distribution in shares or cash.

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The State of Trade and Industry

eering changes and tardy tool deliveries have slowed the full impact of military orders and considerable tonnage delivered for military use is piling up in inventory.

Demand for conversion ingots has improved. Auto companies, who were the biggest sheet converters, started dropping out of the picture several months ago, but others have taken up the slack, concludes "The Iron Age."

Automotive production rose again the past week for the third consecutive time with car output up approximately 7% over the previous week. It was, however, about 45% under the like period of 1951, according to "Ward's Automotive Reports."

Steel Output Scheduled to Gain 0.7 of a Point This Week

Relief from the steel shortage may be just around the corner, says "Steel," the weekly magazine of metalworking, the current week. The end of the shortage in the last half of 1952 has been predicted repeatedly in the last several months by high officials in the nation's steel companies. Now from coast to coast come reports of a slight easing here and a slight easing there, this trade paper notes.

At Chicago, shops which fabricate structural steel report new inquiry is off. Also at Chicago, the demand for cold-rolled carbon steel sheets is noticeably easier. At Seattle, merchant bar demand is slow. At Los Angeles, warehouses say inquiries are depressed and that the "heat is off" fabricators' demand for steel. At San Francisco, warehouses report competition is increasing on some items and price concessions are being made. At Pittsburgh, most warehouses report stocks are becoming better daily. At Boston, carbon steel sheet and strip are easier, notably cold-rolled strip for which mills have some space open for second quarter, according to "Steel."

In contrast to these instances you can cite dozens of cases where consumers are definitely not getting all of the steel they want or need, and orders placed some weeks ago are sufficient to keep steel mills running at capacity for all of the present quarter and probably through the second quarter, this trade paper adds.

But don't let that high rate of operations be your only guide, it cautions. Since government controls on steel went into effect the rate of mill operations at any given time have been determined by the volume of orders placed six weeks or more earlier. So to get a clue as to the rate of mill operations and the availability of steel in the next few months, keep a close watch on the volume of orders actually being placed now.

Even in structural steel, currently one of the tightest spots, there's an indication that the second half of the year will bring an easing, this trade weekly asserts. Pittsburgh mills, where structural shapes are still in very heavy demand, think they will be looking for business in the last half of 1952 unless the government increases allocations for new building programs, concludes "Steel."

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 99.4% of capacity for the week beginning Jan. 21, 1952, equivalent to 2,065,000 tons of ingots and steel for castings, an increase of 0.7 of a point above last week's production of 2,051,000 tons, or 98.7% of rated capacity which recently was revised upward.

The industry's new rated capacity is 2,077,040 tons a week, or 108,537,670 tons a year. A month ago output stood at 101.4%, or 2,027,000 tons. A year ago production stood at 100.9%, or 2,017,000 tons.

Electric Output Eases in Latest Week

The amount of electric energy distributed by the electric light and power industry for the week ended Jan. 19, 1952, was estimated at 7,539,879,000 kwh., according to the Edison Electric Institute.

The current total was 125,764,000 kwh. less than that of the preceding week. It was 631,061,000 kwh., or 9.1% above the total output for the week ended Jan. 20, 1951 and 1,498,721,000 kwh. in excess of the output reported for the corresponding period two years ago.

Carloadings Show Further Gains in Latest Week

Loadings of revenue freight for the week ending Jan. 12, 1952, totaled 742,757 cars, according to the Association of American Railroads, representing an increase of 129,977 cars, or 21.2% above the preceding New Year's holiday week.

The week's total represented a decrease of 40,258 cars, or 5.1% below the corresponding week a year ago, but a rise of 113,214 cars, or 18% above the comparable period two years ago, when loadings were reduced by restricted operations in the coal fields.

Automotive Output in U. S. Advances for Third Successive Week

Motor vehicle production in the United States the past week, according to "Ward's Automotive Reports," rose to 91,744 units, compared with the previous week's total of 85,630 (revised) units, and 152,783 units in the like week a year ago.

Passenger car production in the United States rose last week for the third successive time for a gain of close to 7% above the previous week, but it was still about 45% below the like week of 1951.

Total output for the current week was made up of 67,288 cars and 24,456 trucks built in the United States, against 62,590 cars and 23,040 trucks last week and 123,118 cars and 29,665 trucks in the comparable period a year ago.

Canadian output last week declined to 3,792 cars and 2,911 trucks, against 3,995 cars and 3,116 trucks in the preceding week and 6,602 cars and 2,482 trucks in the similar period of a year ago.

Business Failures Dip Slightly

Commercial and industrial failures dipped to 158 in the week ended Jan. 17 from 184 in the preceding week, Dun & Bradstreet, Inc., reports. While casualties were only slightly lower than a year ago when 167 occurred, they were down 32% from 231 in the comparable week of 1950 and 57% from the prewar total of 367 in 1939.

Wholesale Food Price Index Continues Decline of Previous Week

Continued easiness in some of the leading wholesale food markets resulted in a decline of 4 cents in the Dun & Bradstreet wholesale food price index last week. The index for Jan. 15 fell to $6.57, the lowest since Nov. 7, 1950, when it stood at $6.52. It compared with $6.61 a week ago, and marked a drop of 6.7% from the year-ago figure of $7.04.

The index represents the sum total of the price per pound of 31 foods in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Declines 3.9% Below Like Week of 1951

Movements were irregular last week with a downward pressure noted in many principal wholesale markets. The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., declined to 308.39 on Jan. 15, from 310.66 the week before. It compared with 320.92 on the like date a year ago or a drop of 3.9%.

Grain markets as a whole moved lower despite some bullish factors. Wheat declined in less active trading due in large part to the failure of export business to expand as expected after the turn of the new year. Marketings of wheat at principal western terminals showed a mild increase last week. Corn was unsettled with prices depressed as the result of liberal receipts and prospects for continued heavy shipments from producing areas. Most of the current receipts are reported of high moisture content and selling at widening discounts.

Export trade was light and shipping demand was only fair. Primary market receipts increased sharply over a week ago.

Stocks of corn on farms on Jan. 1 were reported at 1,919,000,000 bushels, or about 187,000,000 bushels less than a year ago at this time. Trading in oats was more active with prices influenced largely by the action in wheat and corn. Trading in grain futures on the Chicago Board of Trade dropped moderately the past week to a daily average of 39,000,000 bushels, compared to 43,000,000 the previous week, and about 40,000,000 a year ago.

The domestic flour market was featured by heavy purchases of hard Winter wheat flours by a leading chain baker at the week-end. Aside from this, buying was cautious with a strong resistance to forward commitments. Business in roasted and green coffees broadened considerably last week. Demand was accelerated by the threat of another dock strike in New York. Spot coffee quotations scored substantial gains, reflecting a tightening statistical position due to revised estimates of the Brazilian crop. Cocoa values declined, following early firmness, to close slightly lower for the week.

Domestic raw sugar prices displayed an easier trend as the world contract dropped to new lows for the season.

Lard was mostly steady in moderate trading. Live hog prices were quite firm with receipts holding about equal to a year ago.

Cotton was irregular. Declines in the latter part of the week resulted largely from profit-taking and a technical reaction from recent advances as well as continued slowness in the gray goods market. Spot sales in the ten southern markets expanded sharply last week to a total of 225,100 bales. This was more than double the year-ago volume of 104,600 bales, and slightly above the 223,900 in the same week a year ago. Consumption of cotton during the December period, as estimated by the New York Cotton Exchange, totaled 675,000 bales, compared to 731,000 the previous month, and 785,000 in December a year ago.

Trade Volume Aided by Promotional Sales Holds at Previous Week's High Level

As merchants conducted forceful promotional sales in many parts of the nation, retail trade in the period ended on Wednesday of last week, was sustained at the high level of the prior week, according to Dun & Bradstreet, Inc., current trade summary. However, it failed to equal the unusually high level of a year ago when sales volume, boosted by scare-buying, set a new record. Shoppers generally responded quite avidly to substantial reductions of standard merchandise.

Total retail dollar volume in the period ended on Wednesday was estimated to be from even with to 4% below a year ago. Regional estimates varied from the levels of a year ago by these percentages:

New England, East, and South 0 to —4; Midwest —3 to —5; Southwest —1 to —5; Northwest and Pacific Coast +2 to —2.

In preparation for the Spring season, wholesale buyers placed an increased volume of orders in the week. The total dollar volume of wholesale orders continued to be slightly higher than that of a year earlier. Commitments for defense needs helped to bolster volume. More buyers were in attendance at wholesale markets than in either the preceding week or the comparable week in 1951.

Department store sales on a countrywide basis, as taken from the Federal Reserve Board's index for the week ended Jan. 12, 1952, declined 13% from the like period of last year. In the preceding week a decrease of 21% was registered below the like period a year ago, but for the four weeks ended Jan. 12, 1952, sales declined 4%. For the year 1951, department store sales registered an advance of 3% above the preceding year.

Retail trade in New York last week was considered normal by trade observers, but when contrasted with the like 1951 period, when scare buying held sway, an estimated decline of close to 16% was recorded.

According to Federal Reserve Board's index, department store sales in New York City for the weekly period ended Jan. 12, 1952, decreased 19% below the like period of last year. In the preceding week a decrease of 25% was recorded below the similar week of 1951, while for the four weeks ended Jan. 12, 1952, a decrease of 7% was registered below the level of a year ago. For the year 1951 volume advanced 4% above the like period of the preceding year.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

I had hardly taken the paper out of the typewriter last Tuesday (that's when this column is written—Tuesdays) when the market started up, thereby changing the psychological picture which is such an important market factor.

* * *

The Presidential budget of $85 billion will be the subject of much heated debate inside and outside Congressional halls. There's little point in my entering it; there'll be better and louder spokesmen pounding it in the weeks to come.

* * *

The hat-in-the-Presidential-ring department will be another choice morsel that'll be chewed and rechewed in the months ahead. From where I sit, I can't see what difference there will be who the next President will be, or who will be the official choices of their parties. It seems to me that the proper Congressmen would be the more important. However, all these and other things will be heatedly discussed by everybody from Washington to the barber shop.

* * *

What about the market in all this, is the question we'll have to face sooner or later. Last week I closed the column with the statement that "I think the market is in for a rally." When that was written the market sentiment was bearish.

* * *

Now the market is up. Both averages have advanced to new highs for the move. Instead of a mass following which, under such circumstances, would be attracted to the market, the general feeling is confusion. I believe such confusion will continue for probably another week or so. What will come out of it is another thing. Once a new trend has been started the chances are it will continue. In effect, this means the market will probably go higher. It might be pertinent to remind readers, however, that present day markets are a law unto themselves. Just as soon as everybody starts feeling that the market is a one-way street the chances are the street will run into a cul-de-sac, turn around on itself and come back.

* * *

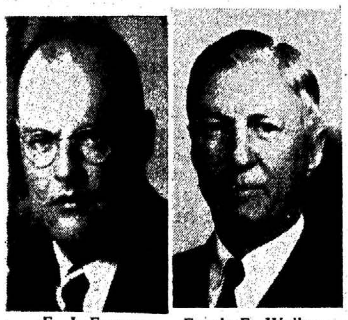
Put into more simple language, I think the present market will advance more and then, for no apparent reason (though there may be news) it will turn around and react.

* * *

I won't repeat the stocks I've mentioned here from time to time as the ones I believe will do more than the market in any advance. By groups these are the amusements, non-ferrous metals and oils.

[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.]

NASD District No. 2 Elects Evans, Walker



E. J. Evans Frank F. Walker

SAN FRANCISCO, Calif.—E. J. Evans of First California Company and Frank F. Walker of Dean Witter and Co. were elected chairman and co-chairman respectively of the National Association of Securities Dealers, District 2, which includes all of California and Nevada.

Howard Brooks Opens

BIRMINGHAM, Ala.—Howard L. Brooks is engaging in the securities business from offices at 1660 Valley Avenue.

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Truman Forecasts Huge Budget Deficits

the authority to control these forms of credit. I recommend restoration of full administrative discretion in setting these credit terms.

During the months ahead, we may face considerable pressure for excessive expansion of bank credit. I repeat my earlier recommendations that the powers of the Board of Governors of the Federal Reserve System to impose reserve requirements be enlarged.

A related problem is control of margins for trading on commodity exchanges. The Congress has not acted upon the recommendation that the Secretary of Agriculture be authorized to regulate margins, in order to head off excessive speculative trading on the commodity exchanges. Fortunately, we have had no runaway commodity markets recently, but it is desirable to grant this authority in advance of any such situation.

Price Control

The relative stability of prices during most of 1951 was encouraging. But this does not mean that we can now afford to relax price controls. In many important areas, prices are straining at the ceilings. In others, softness exists which cannot be counted on to persist for long. Greater pressures loom ahead. At this stage of the mobilization program, it is more prudent to strengthen controls than to weaken them.

We must continue the effort to hold the price line. Prices and profits are, in general, high enough to provide ample incentives to producers, and to permit considerable absorption of cost increases. The Office of Price Stabilization has made great progress during the past year toward a balanced price structure which can be held firmly. It is developing simple, enforceable regulations to cover individual industries and commodities.

But if we are to hold the price line, adequate legislative authority must be granted. When the Defense Production Act was renewed last summer, the power to control prices, instead of being strengthened, was seriously weakened.

One weakening amendment permits any producer or seller of services, regardless of his need, to pass on all increases in all costs incurred from the first half of 1950 to July 26, 1951.

Another weakening amendment requires the maintenance of customary percentage margins for distributors, thus virtually guaranteeing that every dollar in cost increase will become much more than a dollar in the price paid by the consumer.

Still another weakening amendment forbids the establishment of slaughtering quotas. Slaughtering quotas were a strong bulwark of the beef ceilings by providing a fair distribution of the available supply of cattle among slaughterers and areas, thus helping to avoid black markets in meat. Last fall, this amendment upset the distribution pattern, forced very high cattle prices, and endangered the continuance of the beef ceilings. Temporarily, the situation has improved, but we cannot afford to take another chance.

To achieve our stabilization objectives, these defects in price control legislation should be corrected and the law should be strengthened when it is extended. We cannot afford to gamble further with inflation.

Rent Control

Although rent controls cover only a part of the total rental housing in the country, they are of great importance in stabilizing rents in many major industrial areas, and should be continued. Vigorous use is being made of the authority provided last July by the Congress to reinstitute rent controls, where necessary, in critical defense housing areas, including areas around military posts. Thus far, full rent control has been, or is about to be, reimposed in 96 of these areas, and will be reimposed in other areas as needed.

Wage Stabilization

Wage stabilization, like price control, cuts the inflationary spiral and limits the rise of prices and costs, and should be continued. It also helps to prevent buying power from rising too far above the available supply of civilian goods. The policies of the Wage Stabilization Board are designed to put a brake upon excessive wage adjustments, while at the same time recognizing that some adjustments in a free and dynamic economy are essential from the viewpoint both of equity and of incentives. Adjustments to take account of increases in the cost of living are a matter of simple equity, because price inflation is not a fair way to impose the burden of national defense. The fair way to impose the burden of national defense is by taxation and other restraints which can be equitably imposed. Wage adjustments to allow for increases in productivity, if carefully limited and firmly administered, can provide incentives which outweigh any possible inflationary effect. There are a few other specialized problems with which the Wage Stabilization Board must deal.

To avoid inflation, we must maintain a firm price policy and a firm wage policy throughout the peak of the defense effort, and we must maintain a fair relationship between the two.

Equality of Sacrifice

Where sacrifices are necessary—and many are—they must be equitably imposed, so as not to inflict public hardship in order to support private gain. That is a main purpose of a strong anti-inflation program. Special attention is also being directed toward the problems of small business and those who are unemployed in local areas, so that a limited segment of the population shall not be made to bear an excessive part of the burden of national defense.

The year 1952 is not going to be an easy year for the economy. It is going to be a year of strain. We must expect this, and prepare to bear some inconveniences and hardships. For most of us, the hardships will be minor. There will be plenty of food and other essential commodities, and the highest civilian employment in our history. As the economy becomes adjusted to the new conditions and grows in size, and especially when defense expenditures decline, we may confidently look forward to the relaxation and removal of many kinds of controls and restrictions. In the meantime, all of us must join in the vast effort to safeguard our national security.

Summary of Legislative Recommendations

I summarize below the legislative recommendations contained in this Economic Report, to promote the defense effort, strengthen the economy, and maintain economic stability.

(1) Renew the Defense Production Act for two more years, and strengthen its provisions, particularly those relating to production expansion and to the control of prices and credit.

(2) Provide continued military and economic aid to free nations; and, as a step toward removing trade barriers, repeal Section 104 of the Defense Production Act which restricts our imports of certain goods which European and other countries could export to us on mutually advantageous terms.

(3) Aid small business by providing the necessary funds for the Small Defense Plants Administration.

(4) Provide for certain urgently needed development projects, particularly the St. Lawrence seaway and power project.

(5) Provide for the construction of needed housing and community facilities in defense areas.

(6) Revise the basic legislation concerning labor-management relations, so that it will not hamper sound and healthy labor relations and uninterrupted production.

(7) Repeal the sliding scale provisions in existing agricultural price support legislation; provide a workable support program for perishable commodities; and modify the tax on unallocated reserves of farmer cooperatives.

(8) Provide at least enough additional revenues to reach the revenue goal proposed last year by eliminating loopholes and special privileges, and by tax rate increases.

(9) Provide powers to the Board of Governors of the Federal Reserve System to impose additional bank reserve requirements and provide authority to control margins for trading on commodity exchanges.

(10) Raise the level of benefit payments, and make other improvements in our system of old-age and survivors insurance; and strengthen the Federal-State unemployment insurance system.

(11) Authorize Federal aid to help meet school operating costs and increase aid for school construction and operation in critical defense areas.

(12) Authorize Federal aid to assist medical education and provide for strengthening local public health services.

Int. Resistance Stock Offer Oversubscribed

The public offering on Jan. 18 of 325,000 shares of common stock of International Resistance Co. at $5 per share by F. Eberstadt & Co. Inc. and Zuckerman, Smith & Co. was oversubscribed and the books closed. International is a leading manufacturer of resistors used in electronic and electrical devices.

The offering included 250,000 shares being sold for the account of the company and 75,000 shares being sold for the account of three stockholders.

Proceeds from the sale of the shares being sold by the company will be used to the extent of $500,000 to retire short term bank loans and the balance will be added to working capital.

Capitalization following completion of the offering will consist of 1,317,163 shares of common stock. The company's shares are traded in the over-the-counter market.

Net income after taxes for the 42 weeks ended Oct. 21, 1951 amounted to $655,345 on sales of $10,860,594. Current assets as of Oct. 21, 1951 amounted to $4,836,553 and current liabilities amounted to $3,206,836, indicating net current assets of $1,629,717. In 1951 the company paid dividends of 40c per share on its common stock.

Now Maloney & Co.

LOS ANGELES, Calif.—The firm name of Maloney & Wells, Inc., 650 South Spring Street, has been changed to Maloney & Co., Inc.

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The President's Budget Message

been held to current levels, and still others have been expanded.

I have sharply reduced expenditures for those programs which can be deferred or eliminated, even though these programs bring clear benefits to the Nation and would be highly desirable in normal times. For example, many long-range programs for the development of our natural resources are being deferred in order to place greater emphasis on meeting current defense requirements. This Budget contains funds for only half as many general flood-control projects as my Budget of two years ago. New starts on flood control, reclamation, and river and harbor works have been limited to urgently needed power projects, flood-control projects in the Kansas-Missouri area, and emergency rehabilitation work which cannot be deferred. The Federal-aid highway program will remain below the authorized level of $500 million, and major emphasis is being placed on improving the network of roads most essential to defense and civilian traffic. Expenditures for rural electrification and rural telephones have been reduced. All major programs for housing and community development outside critical defense housing areas will be held substantially below the levels authorized by basic legislation.

Many other programs, which are necessary for preserving the basic strength of this Nation, have been maintained at approximately their present levels. Finally, a number of programs contributing directly to the defense effort have been expanded—such as defense housing, aid for schools in defense areas, projects for expansion of electric power generation, and the port securiy program of the Coast Guard.

A Budget of the scope and size that I am recommending makes it imperative that each department and agency of the Government enforce every possible economy in spending the money for which it is responsible. The Department of Defense, in particular, must continue to place the greatest emphasis upon efficiency in the administration of the military programs. In the past year, many improvements have been made in the management of the Government's affairs. Some of these improvements are outlined in the final section of this Message.

New Obligational Authority

To provide for further progress toward reaching our national objectives, I am recommending in this Budget a total of 84.3 billion dollars in new obligational authority for the fiscal year 1953. This is 9.2 billion dollars less than the amount of new obligational authority available for the current fiscal year.

This Budget also includes 3.2 billion dollars of appropriations to liquidate prior year contract authorizations.

The obligational authority either already enacted or recommended in this Budget will have an important effect on expenditures in future fiscal years. Under the expanding security program, there is an extended time lag between the enactment of obligational authority and actual expenditures. Many months elapse between the time the Congress authorizes expenditures for ships, planes, tanks and other items of military equipment and the time when these items are produced, delivered, and completely paid for. Under these circumstances, the new funds authorized in one fiscal year may not be entirely spent until several years later. For example, of the new obligational authority recommended for 1953, nearly half will be spent in later years. By the end of the fiscal year 1953, virtually all of this authority will have been obligated, in the form of contracts for necessary goods and services for which delivery and payment cannot be made until fiscal year 1954 or later.

According to present indications, total Budget expenditures will continue to be high in the fiscal year 1954, even though new obligational authority may decline further.

Budget Receipts

The following table shows the source of estimated Budget receipts for the fiscal year 1953, based on existing tax legislation, compared to revised estimates of receipts for the current fiscal year and actual receipts for the fiscal year 1951.

Financing the Security Effort

When we embarked on the defense program to keep our country strong, I stated that sound financial policy required us to pay for the increased defense costs by current taxation, and that we should avoid adding substantially to the public debt. This policy is important to the preservation of the financial strength of our Government, to the success of the stabilization program, and to the sharing of defense costs fairly.

To carry out this policy, I proposed to the Congress two separate tax measures during the latter half of 1950 and another early in 1951. The Congress responded promptly to my earlier recommendations but enacted only part of the proposals I made last year.

I recommended last year that the Congress provide at least 10 billion dollars of additional revenue and laid stress on the importance of improving the equity of the tax system. The legislation enacted by the Congress late last year will contribute little more than half of the amount I recommended.

Since then, the needs of adequate defense have become clearer. For the fiscal year 1952, total Budget expenditures are estimated at about 71 billion dollars, and they are expected to rise nearly 15 billion dollars in the fiscal year 1953.

While revenues under present tax laws are expected to rise, they will still fall short of meeting expenditures by a substantial amount in 1952 and an even larger amount in 1953.

A pay-as-we-go tax policy is difficult to regain once we fall behind.

We cannot now undertake, on a strict pay-as-we-go basis, the dual job of making up for the inadequate revenue legislation last year and meeting the increases in expenditures immediately ahead. However, there is still time to insure more nearly adequate financing for the defense program as a whole. In my judgment this calls, at the very least, for the amount of additional revenue by which last year's legislation fell short of my recommendations.

The need for improving the equity of the tax system gives me as much concern as the need for revenue. The tax laws should not be used as a means of granting special favors or hiding special subsidies. Glaring injustices in our tax laws should be eliminated before those with modest means are asked to shoulder additional burdens.

The Congress has made some progress in this direction, but unhappily it has also added new loopholes, as I stated at the time I signed the Revenue Act of 1951. When the Congress practices favoritism in writing tax laws, it encourages self-seekers to try to gain favored treatment.

The attainment of the revenue objectives I have outlined would not fully resolve our revenue problem this year or next. The Congress should be clear about the risks involved in this course. But economic growth will continue to increase the productivity of the tax system in future years. Moreover, I hope that world conditions and the build-up of our defensive strength will permit a reduction in Federal expenditures after the fiscal year 1954. Thus, the problem of financing defense should be eased once the build-up of our defensive strength has been attained.

How we meet the situation in the meantime will depend greatly on the reaction of producers and consumers in the face of unavoidable shortages and the rise in incomes stemming from Government expenditures. One of the key factors will be the adequacy of savings to restrain demand and to meet the investment requirements of business.

We cannot, however, be complacent. It is cause for grave concern that, partly as a result of inadequate revenue legislation last year, we are now confronted with the impracticability of financing Government expenditures currently out of taxes for the next year or two.

Prudence demands that we return to a pay-as-we-go policy as quickly as practicable. In the meanwhile, we must be continually alert to threats to economic stability and be prepared to deal with the situation as it develops.

Miscellaneous Receipts

The Bureau of the Budget, in cooperation with the other Federal departments and agencies, has undertaken a comprehensive study of the fees charged by Government agencies for services to private individuals and groups. The objective of this study is to place these services on a self-supporting basis wherever practicable, in accordance with the policy I first stated in my 1948 Budget Message and with the provisions of Title V of Public Law 137, enacted in the first session of this Congress. Some of these results are reflected in this Budget, in the form of an additional 37 million dollars in reimbursements to appropriations and miscellaneous receipts. Some of the more significant adjustments in fee schedules, however, cannot be made without legislative authority. The legislative proposals to effect these adjustments will be submitted to the Congress as they are prepared.

Borrowing and the Public Debt

On the basis of present tax rates, it is estimated that the public debt will increase from 225 billion dollars at the beginning of the current fiscal year to 260 billion dollars by June 30, 1952, and 275 billion dollars by June 30, 1953—the present statutory limit.

The prospective debt increase makes it essential that the Government continue to follow policies in the new financing and the refunding of maturing issues which reinforce the economic stabilization program. The American people can help the stabilization program by continuing to purchase savings bonds and by taking other steps to increase new savings. The millions of people who own savings bonds maturing in the near future can also help to combat inflation by keeping their bonds and allowing them to continue accumulating interest, rather than cashing them in at this time. Legislation enacted last year permits the holders of these bonds to earn interest on them for another 10 years without the necessity of exchanging them for new bonds.

Expenditures and Authorizations By Major Function

The following table shows estimated expenditures and recommended new obligational authority for the fiscal year 1953, classified by major function. It also compares, by major function, estimated expenditures in the fiscal year 1953 with revised estimates for the current fiscal year and with actual expenditures in 1951.

BUDGET RECEIPTS
[Fiscal years. In millions]

Source	1951 Actual	1952 Estimated	1953 Estimated
Direct taxes on individuals:			
Individual income taxes	$23,365	$29,324	$32,235
Estate and gift taxes	730	740	770
Direct taxes on corporations:			
Income and excess profits taxes	14,388	22.900	27,800
Excises	8,693	9,046	9,744
Customs	624	575	575
Employment taxes:			
Federal Insurance Contributions Act	3,120	3,850	4,030
Federal Unemployment Tax Act	233	257	269
Railroad Retirement Tax Act	577	740	690
Railroad Unemployment Ins. Act	10	10	11
Miscellaneous receipts:			
Existing legislation	1,629	1,598	1,598
Proposed legislation	----	----	15
Deduct:			
Appropriation to Federal old-age and survivors insurance trust fund	—3,120	—3.850	—4,030
Refunds of receipts	—2,106	—2,510	—2,709
Budget receipts	48,143	62,680	70,998

NOTE—Estimated receipts for 1953 exclude new tax proposals.

EXPENDITURES AND AUTHORIZATIONS BY MAJOR FUNCTION
[Fiscal years. In millions]

Function	Expenditures 1951 Actual	Expenditures 1952 Est.	Expenditures 1953 Est.	Recom. new oblig. auth. for 1953
Military services	$20,462	$39,753	$51,163	$52,359
International security and foreign relations	4,727	7,196	10,844	8,238
Finance, commerce and industry	176	751	833	1,171
Transportation and communication	1,685	2,152	1,643	1,521
Natural resources	2,051	3,082	3,237	2,694
Agriculture and agricultural resources	650	1,408	1,478	1,327
Labor	228	240	246	259
Housing and community development	602	881	678	1,421
Education and general research	115	238	624	688
Social security, welfare and health	2,380	2.680	2,662	2,578
Veterans' services and benefits	5,339	5,166	4,197	4,181
General government	1,209	1,353	1,484	1,443
Interest	5,714	5,955	6,255	6,255
Reserve for contingenices	----	25	100	125
Adjustment in daily Treasury statement	—705	----	----	----
Total	44,633	70,881	85,444	84,260

Pittsburgh Exchange Elects Fauset Pres.

PITTSBURGH, Pa.—The Pittsburgh Stock Exchange has elected the following officers:

Joseph Fauset

President: Joseph H. Fauset, Fauset, Steele & Co.

Vice-President: Charles McK. Lynch, Jr., Moore, Leonard & Lynch.

Treasurer: William J. Bauer, John B. Barbour & Co.

Directors: Addison W. Arthurs, Arthurs Lestrange & Co.; Leslie W. Young, A. E. Masten & Co.; and Eugene Lear, Reed, Lear & Co., all for three-year terms. Frank M. Tiernan, Preston, Watt & Schoyer has been elected to serve the balance of the unexpired term of the late Clyde A. Buzza, McKelvy & Co.

Kansas City Utility Offerings Underwritten

Holders of common stock of Kansas City Power & Light Co. are being issued rights to purchase 317,792 additional common shares at $26.50 per share on the basis of one new share for each six shares held of record at the close of business on Jan. 22, 1952. Concurrently, a banking group jointly headed by The First Boston Corp. and Blyth & Co., Inc. is offering publicly 100,000 shares of 4.50% cumulative preferred stock at $100 per share. The same group will purchase from the utility any of the additional shares of common stock not subscribed for by the stockholders at the close of the subscription period on Feb. 6, 1952.

Proceeds from the financing will be used in part to retire $15,956,000 in short-term bank loans incurred for 1951 construction expenditures; in part to reimburse the company's treasury for additional construction expenditures and in part to meet a portion o the cost of future property additions. The utility estimates tha expansion of its facilities in 195 will cost approximately $22,000,000 of which $12,000,000 will b obtained through the sale of additional first mortgage bonds.

The new preferred stock is initially redeemable at $103.50 per share and at prices scaling down to 101 on and after 10 years plus accrued dividends. Dividends of 40 cents per share have been paid quarterly on the common shares since first public distribution of the stock in 1950.

The company supplies electric service in Missouri and Kansas, including Kansas City, Mo., and in northern Iowa in an area which includes Mason City. The Kansas City area is experiencing continual growth in importance as a manufacturing and distribution center for large western trading areas. A rail and air transportation center, it serves as a natural gateway to the west and southwest.

Operating revenues of the utility, which aggregated $35,042,000 in the 12 months ended Oct. 31, 1951, are expected to be favorably affected in the future by higher electric and steam rates which were authorized in the latter part of 1951. In addition, the increased generating capacity of the company's system will result in additional income to the company under a Power Pool Agreement with three other utilities in the area.

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)	Jan. 27	99.4	98.7	101.4	100.9
Equivalent to—					
Steel ingots and castings (net tons)	Jan. 27	2,065,000	2,065,000	2,027,000	2,017,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output — daily average (bbls. of 42 gallons each)	Jan. 12	6,178,400	6,186,700	6,225,200	5,761,510
Crude runs to stills—daily average (bbls.)	Jan. 12	‡6,625,000	6,802,000	6,553,000	6,370,000
Gasoline output (bbls.)	Jan. 12	22,113,000	22,354,000	22,276,000	20,815,000
Kerosene output (bbls.)	Jan. 12	3,045,000	2,865,000	2,523,000	2,652,000
Distillate fuel oil output (bbls.)	Jan. 12	9,891,000	10,478,000	10,270,000	10,062,000
Residual fuel oil output (bbls.)	Jan. 12	9,585,000	9,598,000	8,763,000	9,786,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Jan. 12	128,333,000	125,209,000	114,812,000	121,209,000
Kerosene (bbls.) at	Jan. 12	22,628,000	24,172,000	28,434,000	18,027,000
Distillate fuel oil (bbls.) at	Jan. 12	75,586,000	79,386,000	91,649,000	64,557,000
Residual fuel oil (bbls.) at	Jan. 12	40,944,000	41,857,000	44,157,000	40,574,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Jan. 12	742,757	612,780	753,194	783,015
Revenue freight received from connections (number of cars)	Jan. 12	648,220	564,068	668,914	689,458
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Jan. 17	$249,214,000	$280,707,000	$139,005,000	$391,606,000
Private construction	Jan. 17	166,473,000	138,400,000	66,734,000	242,146,000
Public construction	Jan. 17	82,741,000	142,307,000	72,271,000	149,460,000
State and municipal	Jan. 17	58,677,000	91,511,000	48,027,000	50,495,000
Federal	Jan. 17	24,064,000	50,796,000	24,244,000	98,965,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Jan. 12	11,760,000	*9,195,000	11,470,000	11,820,000
Pennsylvania anthracite (tons)	Jan. 12	950,000	730,000	935,000	952,000
Beehive coke (tons)	Jan. 12	151,400	*136,100	158,700	158,600
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE = 100	Jan. 12	266	*224	613	305
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Jan. 19	7,539,879	7,665,643	7,823,731	6,908,818
FAILURES (COMMERCIAL AND INDUSTRIAL)—DUN & BRADSTREET, INC.	Jan. 17	158	164	117	167
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Jan. 15	4.131c	4.131c	4.131c	4.131c
Pig iron (per gross ton)	Jan. 15	$52.72	$52.72	$52.72	$52.69
Scrap steel (per gross ton)	Jan. 15	$42.00	$42.00	$42.00	$46.08
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Jan. 16	24.200c	24.200c	24.200c	24.200c
Export refinery at	Jan. 16	27.425c	27.425c	27.425c	24.425c
Straits tin (New York) at	Jan. 16	103.000c	103.000c	103.000c	175.000c
Lead (New York) at	Jan. 16	19.000c	19.000c	19.000c	17.000c
Lead (St. Louis) at	Jan. 16	18.800c	18.800c	18.800c	16.800c
Zinc (East St. Louis) at	Jan. 16	19.500c	19.500c	19.500c	17.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Jan. 22	96.42	96.25	96.49	101.52
Average corporate	Jan. 22	108.88	108.52	108.52	116.02
Aaa	Jan. 22	113.70	113.31	112.75	120.02
Aa	Jan. 22	112.19	111.81	112.00	118.80
A	Jan. 22	107.44	107.27	107.80	115.43
Baa	Jan. 22	102.63	102.46	101.97	109.97
Railroad Group	Jan. 22	104.66	104.48	103.97	112.75
Public Utilities Group	Jan. 22	108.88	108.70	108.70	116.02
Industrials Group	Jan. 22	113.12	112.93	113.12	119.20
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Jan. 22	2.74	2.75	2.74	2.38
Average corporate	Jan. 22	3.23	3.25	3.25	2.85
Aaa	Jan. 22	2.97	2.99	3.02	2.65
Aa	Jan. 22	3.05	3.07	3.06	2.71
A	Jan. 22	3.31	3.32	3.29	2.88
Baa	Jan. 22	3.59	3.60	3.63	3.17
Railroad Group	Jan. 22	3.47	3.48	3.51	3.02
Public Utilities Group	Jan. 22	3.23	3.24	3.24	2.85
Industrials Group	Jan. 22	3.00	3.01	3.00	2.69
MOODY'S COMMODITY INDEX	Jan. 22	456.6	458.3	460.5	530.7
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Jan. 12	195,092	§149,591	169,359	262,530
Production (tons)	Jan. 12	210,349	§82,568	200,151	241,472
Percentage of activity	Jan. 12	86	§64	86	106
Unfilled orders (tons) at end of period	Jan. 12	405,521	§422,412	387,000	746,287
OIL, PAINT AND DRUG REPORTER PRICE INDEX — 1926-36 AVERAGE = 100	Jan. 18	146.6	146.9	147.1	151.5
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	Jan. 5	27,695	23,777	31,030	41,954
Number of shares	Jan. 5	756,011	669,151	896,086	1,271,860
Dollar value	Jan. 5	$35,709,466	$30,372,989	$40,201,080	$52,861,134
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Jan. 5	18,712	18,589	25,382	36,895
Customers' short sales	Jan. 5	120	91	268	415
Customers' other sales	Jan. 5	18,592	18,498	25,114	36,480
Number of shares—Total sales	Jan. 5	511,331	545,268	713,267	1,075,006
Customers' short sales	Jan. 5	4,222	3,230	8,301	15,981
Customers' other sales	Jan. 5	507,109	542,038	704,966	1,059,025
Dollar value	Jan. 5	$21,071,800	$22,433,856	$28,900,779	$41,367,877
Round-lot sales by dealers—					
Number of shares—Total sales	Jan. 5	133,850	159,420	199,240	298,860
Short sales	Jan. 5	------	------	------	------
Other sales	Jan. 5	133,850	159,420	199,240	298,860
Round-lot purchases by dealers—					
Number of shares	Jan. 5	350,770	268,460	384,250	469,420
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR—1926 = 100:					
All commodities	Jan. 15	176.5	177.2	177.0	179.9
Farm products	Jan. 15	192.0	193.9	193.2	192.6
Grains	Jan. 15	194.0	198.1	198.9	183.9
Livestock	Jan. 15	232.8	236.5	231.2	249.5
Foods	Jan. 15	187.5	188.8	188.9	181.1
Meats	Jan. 15	165.2	268.7	265.4	281.6
All commodities other than farm and foods	Jan. 15	165.2	165.3	165.6	170.5
Textile products	Jan. 15	159.2	159.5	160.1	179.6
Fuel and lighting materials	Jan. 15	138.8	138.8	138.8	136.3
Metals and metal products	Jan. 15	190.8	190.8	190.8	187.4
Building materials	Jan. 15	223.6	223.5	224.7	226.6
Lumber	Jan. 15	346.1	346.1	347.9	‡
Chemicals and allied products	Jan. 15	137.5	137.6	138.2	145.7

*Revised. ‡Not available. ‡Includes 425,000 barrels of foreign crude runs. §Five days ended Jan. 5.

	Latest Month	Previous Month	Year Ago
BANKERS' DOLLAR ACCEPTANCES OUTSTANDING — FEDERAL RESERVE BANK OF NEW YORK—As of December 31:			
Imports	$224,756,000	$227,309,000	$244,939,000
Exports	133,001,000	116,357,000	87,019,000
Domestic shipments	7,439,000	7,333,000	10,101,000
Domestic warehouse credits	47,718,000	38,701,000	18,222,000
Dollar exchange	23,230,000	5,100,000	1,637,000
Based on goods stored and shipped between foreign countries	44,232,000	42,539,000	31,544,000
Total	$490,376,000	$437,339,000	$393,522,000
CASH DIVIDENDS — PUBLICLY REPORTED BY U. S. CORPORATIONS — U. S. DEPARTMENT OF COMMERCE — Month of November (000 omitted)	$224,000	$532,900	$242,100
COMMERCIAL PAPER OUTSTANDING—FEDERAL RESERVE BANK OF NEW YORK— As of Dec. 31 (000's omitted)	$434,000	$435,000	$303,000
CONSUMER PRICE INDEX FOR MODERATE INCOME FAMILIES IN LARGE CITIES—1935-39 = 100—Adjusted as of Nov. 15:			
All items	188.6	187.4	176.4
All foods	231.4	229.2	210.8
Cereals and bakery products	190.2	189.4	177.6
Meats	278.6	281.0	249.6
Dairy products	210.4	207.9	192.8
Eggs	241.8	243.4	205.4
Fruits and vegetables	223.5	210.8	195.7
Beverages	346.6	345.8	325.3
Fats and oils	158.5	160.6	152.9
Sugar and sweets	186.7	187.0	184.6
Clothing	207.6	208.9	194.3
Rent	138.9	138.2	132.5
Fuel, electricity and refrigerators	144.8	144.6	142.5
Gas and electricity	97.4	97.4	96.8
Other fuels	206.3	205.8	200.8
Ice	156.3	156.3	151.3
House furnishings	210.8	210.4	201.1
Miscellaneous	168.4	166.6	159.2
COTTON AND LINTERS — DEPT. OF COMMERCE — RUNNING BALES:			
Lint—Consumed month of December	672,715	730,817	784,636
In consuming establishments as of Dec. 29	1,575,566	1,439,702	2,033,770
In public storage as of Dec. 29	5,691,222	5,934,682	6,656,641
Linters—Consumed month of December	116,720	130,755	111,041
In consuming establishments as of Dec. 29	270,785	233,570	299,568
In public storage as of Dec. 29	67,995	52,627	116,756
Cotton spindles active as of Dec. 29	20,264,000	20,519,000	20,748,000
COTTON SPINNING (DEPT. OF COMMERCE):			
Spinning spindles in place on Dec. 1	23,124,000	23,182,000	23,119,000
Spinning spindles active on Dec. 1	20,519,000	20,394,000	20,751,000
Active spindle hours, (000's omitted) Nov.	8,486,000	10,721,000	12,171,000
Active spindle hrs. per spindle in place Nov.	464.1	460.3	529.8
EMPLOYMENT AND PAYROLLS—U. S. DEPT. OF LABOR—REVISED SERIES—Month of October:			
All manufacturing (production workers)	12,991,000	13,083,000	13,133,000
Durable goods	7,292,000	7,282,000	7,181,000
Nondurable goods	5,699,000	5,801,000	5,952,000
Employment indexes—			
All manufacturing	158.6	159.7	160.3
Payroll indexes—			
All manufacturing	432.7	437.4	415.8
Estimated number of employees in manufacturing industries—			
All manufacturing	15,940,000	16,020,000	15,827,000
Durable goods	8,922,000	8,902,000	8,618,000
Nondurable goods	7,018,000	7,118,000	7,209,000
MONEY IN CIRCULATION—TREASURY DEPT. —As of Oct. 31 (000's omitted)	$28,410,000	$28,288,000	$27,228,000
MOODY'S WEIGHTED AVERAGE YIELD OF 200 COMMON STOCKS — Month of Dec.:			
Industrial (125)	5.56	5.86	6.89
Railroad (25)	6.38	6.45	6.03
‡Utilities (24)	5.61	5.71	6.00
Banks (15)	4.45	4.64	4.71
Insurance (10)	3.47	3.47	3.43
Average (200)	5.55	5.78	6.57
NEW CAPITAL ISSUES IN GREAT BRITAIN—MIDLAND BANK, LTD.—Month of December:	£21,993,000	£34,085,000	£13,524,000
PERSONAL INCOME IN THE UNITED STATES (DEPARTMENT OF COMMERCE)—Month of October (in billions):			
Total personal income	$257.5	*$253.6	$234.1
Wage and salary receipts, total	169.9	*168.3	152.4
Total employer disbursements	173.5	*171.7	155.6
Commodity producing industries	74.9	*75.0	69.3
Distributive industries	46.6	*46.4	43.1
Service industries	20.5	20.3	19.3
Government	31.5	*30.0	23.9
Less employee contributions for social insurance	3.6	3.4	3.2
Other labor income	3.8	3.8	3.6
Proprietors and rental income	50.2	*48.3	46.3
Personal interest income and dividends	20.8	20.7	19.7
Total transfer payments	12.8	12.5	12.1
Total nonagricultural income	234.5	*232.1	214.3
PRICES RECEIVED BY FARMERS — INDEX NUMBER — U. S. DEPT. OF AGRICULTURE — August, 1909-July, 1914=100—As of October 15:			
Unadjusted—			
All farm products	296	291	268
Crops	247	239	238
Food grain	239	238	219
Feed grain and hay	219	216	188
Tobacco	445	423	426
Cotton	304	283	327
Fruit	188	201	207
Truck crops	171	161	138
Oil-bearing crops	296	288	300
Livestock and products	340	337	298
Meat animals	410	411	358
Dairy products	294	283	261
Poultry and eggs	247	247	201
TREASURY MARKET TRANSACTIONS IN DIRECT AND GUARANTEED SECURITIES OF U. S. A.—Month of December:			
Net sales	------	$3,634,000	------
Net purchases	$26,968,100	------	$6,956,400
UNITED STATES EXPORTS AND IMPORTS—BUREAU OF CENSUS—Month of November (000's omitted):			
Exports	$1,386,000	$1,155,000	$978,000
Imports	818,400	833,100	854,150

‡Amer. Tel. & Tel. excluded.

Securities Now in Registration

★ **INDICATES ADDITIONS SINCE PREVIOUS ISSUE**

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.

Aluminum Co. of America, Pittsburgh, Pa. (1/29)
Jan. 10 filed $125,000,000 of sinking fund debentures due Feb. 1, 1964. **Price**—to be supplied by amendment. **Underwriter**—The First Boston Corp., New York. **Proceeds**—For expansion program.

American Airlines, Inc., New York
Dec. 5 filed 740,750 shares of common stock (par $1), of which 135,750 shares are to be offered to executive employees through outstanding options at $11.70 per share, and 605,000 shares are to be offered to employees through above options. **Underwriter** — None. **Proceeds** — For working capital.

American-Canadian Uranium Co., Ltd., N. Y.
Dec. 28 filed 850,000 shares of common stock (par 10c). Company will offer stockholders who purchased 10,327 shares under an earlier registration statement at $3.50 per share who desire to rescind the transaction, to cancel the transaction and refund $3.50 per share, or to refund $1.50 per share to those desiring to retain the stock. **Price**—$2 per share. **Underwriter**—None. **Proceeds**—To repay loans and other liabilities and for exploration expenses.

American Fire & Casualty Co., Orlando, Fla.
Dec. 19 (letter of notification) 11,100 shares of common stock (par $10). **Price** — $27 per share. **Underwriter** — Guardian Credit Corp., Orlando, Fla. **Proceed** — For purchase of securities. **Office** — American Building, Orlando, Fla.

Amurex Oil Development Co. (1/31)
Jan. 11 filed 500,000 shares of class A common stock (par $5), of which 100,000 shares are to be offered in Canada. **Price** — To be supplied by amendment (expected at $10 per share). **Underwriters**—A. G. Becker & Co., Inc., Chicago and New York, and Dominion Securities Corp., Ltd. **Proceeds**—To be added to general funds.

Arizona Flour Mills Co., Phoenix, Ariz.
Dec. 24 (letter of notification) 20,000 shares of capital stock (par $10) being offered initially to stockholders of record about Jan. 15, with an oversubscription privilege. **Price**—$15 per share. **Underwriter**—Refsnes, Ely, Beck & Co., Phoenix, Ariz. **Proceeds**—To retire promissory notes and for working capital. **Company's Address**—P. O. Box 2510, Phoenix, Ariz.

Arizona Mining Corp. (Del.)
Dec. 28 (letter of notification) 294,000 shares of class A capital stock, of which 194,000 shares will be sold by company and 100,000 shares by New Jersey Loan Co. **Price**—At par ($1 per share). **Underwriter**—W. C. Doehler Co., Jersey City, N. J. **Proceeds**—For new mill, tunneling and core-drilling expenses and working capital.

Basalt Rock Co., Inc., Napa, Calif.
Jan. 10 (letter of notification) 12,000 shares of common stock (par $1). **Price**—$8.25 per share. **Underwriter**—Dean Witter & Co., San Francisco, Calif. **Proceeds**—To A. G. Streblow, the selling stockholder. **Office**—Eighth and River Sts., Napa, Calif.

Basic Refractories, Inc., Cleveland, Ohio
Jan. 2 filed 63,585 shares of common stock (par $1) to be offered to common stockholders at rate of one share for each five shares held. **Price**—$10 per share. **Underwriter**—None. **Proceeds**—To H. P. Eells, Jr., President, who is the selling stockholder.

★ **Baton Rouge Land & Mineral Corp.**
Jan. 18 (letter of notification) 100,000 shares of preferred stock and 5,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For investment. **Address**—P. O. Box 303, Baton Rouge, La. **Underwriter**—None.

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 first to stockholders and 75,000 shares offered publicly. **Price**—$3 per share. **Underwriter**—None, but Davies & Co., San Francisco, Calif., acts as agent. **Proceeds**—To retire debt and for working capital. **Office**—1285 Rollins Road, Burlingame, Calif.

Brooks & Perkins, Inc., Detroit, Mich.
Jan. 2 (letter of notification) 25,511 shares of common stock (par $1). **Price**—$4.25 per share. **Underwriter**—Watling, Lerchen & Co., Detroit, Mich. **Proceeds** — To construct and equip a magnesium rolling mill. **Office**—1950 West Fort St., Detroit 16, Mich.

Builders Iron Foundry, Providence, R. I.
Jan. 11 (letter of notification) $100,000 of 10-year 4% debentures due Feb. 1, 1962 (to be offered in denominations of $50, $100 and $500 each). **Underwriter**—None. **Proceeds**—For working capital. **Office**—345 Harris Ave., Providence, R. I.

Burlington Mills Corp.
March 5, 1951, filed 300,000 shares of convertible preferred stock (par $100). **Price**—To be supplied by amendment. **Underwriter**—Kidder, Peabody & Co., New York. **Proceeds**—For additions and improvements to plant and equipment. Offering date postponed.

Carolina Power & Light Co.
Dec. 14 filed 33,000 shares of $5 cumulative preferred stock (no par) being offered in exchange for $1.35 cumulative preferred stock (par $25) of Tide Water Power Co. on basis of one $5 preferred share for each 4 shares of Tide Water preferred, in connection with proposed merger of the two companies. **Underwriter**—None. Statement effective Jan. 4.

★ **Central Illinois Electric & Gas Co. (2/8)**
Jan. 18 filed 64,000 shares of common stock (par $15) to be offered to common stockholders of record about Feb. 8 at rate of one share for each 10 shares held with an oversubscription privilege; rights to expire about Feb. 21. **Price**—To be supplied by amendment. **Dealer—Managers**—Stone & Webster Securities Corp. and Allen & Co., both of New York. **Proceeds**—For new construction and to repay bank loans.

★ **Central Illinois Electric & Gas Co., Rockford, Ill.**
Jan. 23 filed $4,000,000 of first mortgage bonds, series due 1982. **Proceeds**—For construction program and to repay bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp., Central Republic Co. (Inc.) and Harris, Hall & Co. (Inc.) (jointly); Smith, Barney & Co., Harriman Ripley & Co., Inc.

Central Illinois Public Service Co. (1/29)
Dec. 28 filed $5,000,000 of first mortgage bonds, series D, due Feb. 1, 1982. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc., Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Kuhn, Loeb & Co. and A. C. Allyn & Co., Inc. (jointly); Lehman Brothers and Bear, Stearns & Co. (jointly); Salomon Bros. & Hutzler; The First Boston Corp. and Central Republic Co. (jointly); Glore, Forgan & Co. **Proceeds**—For new construction. **Bids**—To be received up to 11:30 a.m. (CST) on Jan. 29 at company's office, 20 No. Wacker Drive, Room 2154, Chicago 6, Ill.

★ **Cessna Aircraft Co., Wichita, Kansas.**
Jan. 14 (letter of notification) 31,128 shares of common stock (par $1) to be offered in exchange for outstanding 3,866 shares of Seibel Helicopter Co., Inc., class A preferred stock, and class A common and class B common stocks, for which purpose, Cessna stock is valued at $1.12½ per share, Seibel preferred stock at $100 per share and Seibel class A and class B common stock at $35 per share. **Underwriter**—None. **Office**—5,800 Pawnee Road.

Coastal Commercial Corp.
Jan. 10 (letter of notification) $200,000 of debentures (in denominations of $300 and $1,000 each). **Price**—80% of principal amount. **Underwriter**—Israel & Co., New York. **Proceeds**—For working capital. **Office**—1440 Broadway, New York, N. Y.

★ **Coastal Finance Corp., Silver Spring, Md.**
Jan. 14 (letter of notification) $150,000 of 6% 10-year subordinated debentures (in denominations of $500 and $1,000 each); and 2,700 shares of class A common stock (par $10) and 5,400 shares of 6% cumulative preferred stock (par $10) to be issued in units of two shares of preferred and one share of class A common stock. **Price**—Debentures at par and stock units at $35 each. **Underwriter**—Rouse, Brewer & Becker, Washington, D. C. **Proceeds**—To increase loans. **Office**—321 Eig Bldg., 8641 Colesville Road, Silver Spring, Md.

★ **Colonial Acceptance Corp., Chicago, Ill.**
Jan. 18 (letter of notification) 2,000 shares of class A common stock (par $1). **Price**—At market (approximately $4.25 to $5 per share). **Proceeds**—To David J. Gradman, the selling stockholder. **Underwriter**—Stein Bros. & Boyce, Baltimore, Md.

Colonial Acceptance Corp., Chicago, Ill.
Jan. 7 (letter of notification) 5,000 shares of class A common stock (par $1). **Price**—At market (approximately $4.25 to $5 per share). **Underwriter**—Stein Bros. & Boyce, Baltimore, Md. **Proceeds**—To David Gradman, President of company. **Office**—208 So. LaSalle St., Chicago, Ill.

Columbia Pictures Corp., New York
Dec. 26 filed 1,359 shares of common stock (no par). **Price**—At market (about $12.75 per share). **Underwriter**—None. **Proceeds**—To certain selling stockholders.

Consolidated Grocers Corp.
Dec. 29 filed 200,000 shares of cumulative convertible preferred stock (par $50). **Price**—To be supplied by amendment. **Underwriters** — Kuhn, Loeb & Co. New York, A. C. Allyn & Co., Inc., Chicago, Ill. **Proceeds**—To retire 21,307 shares of $100 par value 5% cumulative preferred stock and for additional working capital.

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NEW ISSUE CALENDAR

January 25, 1952

Herbert Helmus-Hardware Corp.____Com. & Pfd.
(No underwriter)

January 28, 1952

Pioneer Air Lines, Inc.____Common
(Cruttenden & Co.)

Southern California Petroleum Corp.____Preferred
(First California Co.)

United Canadian Oil Corp.____Common
(Aigeltinger & Co.)

January 29, 1952

Aluminum Co. of America____Debentures
(First Boston Corp.)

Central Illinois Public Service Co.____Bonds
(Bids 11:30 a.m. CST)

Dayton Power & Light Co.____Bonds & Pfd.
(Morgan Stanley & Co.; W. E. Hutton & Co.)

United Gas Corp.____Bonds
(Bids 11.30 a.m. EST)

January 30, 1952

Lehmann (J. M.) Co., Inc.____Common
(Bids 11 a.m. EST)

West Penn Electric Co.____Common
(Bids 11 a.m. EST)

January 31, 1952

Amurex Oil Development Co.____Common
(A. G. Becker & Co., Inc.; Dominion Securities Corp., Ltd.)

Chicago & Eastern Illinois RR.____Eq. Trust Ctfs.
(Bids noon CST)

Erie Forge & Steel Corp.____Common
(Lee Higginson Corp.; P. W. Brooks & Co.)

February 1, 1952

Southwestern Public Service Co.____Common
(Dillon, Read & Co.)

February 4, 1952

Kansas-Nebraska Natural Gas Co., Inc.____Common
(First Trust Co. of Lincoln, Neb.; Cruttenden & Co.)

Maine Public Service Co.____Common
(Merrill Lynch, Pierce, Fenner & Beane; Kidder, Peabody & Co.)

Monsanto Chemical Co.____Common
(Smith, Barney & Co.)

Raytheon Manufacturing Co.____Common
(Hornblower & Weeks; Paine, Webber, Jackson & Curtis)

Servomechanisms, Inc.____Common
(Van Alstyne Noel Corp.)

Texas Industries, Inc.____Debentures
(Rauscher, Pierce & Co.)

February 5, 1952

Illinois Central RR.____Equip. Trust Ctfs.
(Bids noon CST)

Louisville Gas & Electric Co.____Bonds
(Bids to be invited)

Marathon Corp.____Common
(Lee Higginson Corp.)

Merritt-Chapman & Scott Corp.____Preferred
(Carl M. Loeb, Rhoades & Co.)

Pennsylvania Power Co.____Bonds
(Bids 11 a.m. EST)

February 7, 1952

Owens-Corning Fiberglas Corp.____Common
(Goldman, Sachs & Co.; Lazard Freres & Co.; White, Weld & Co.)

February 8, 1952

Central Illinois Electric & Gas Co.____Common
(Stone & Webster Securities Corp.; Allen & Co.)

February 13, 1952

Oliver Corp.____Common
(Blyth & Co., Inc.)

February 20, 1952

Southern Ry.____Equip. Trust Ctfs.
(Bids to be invited)

February 28, 1952

Chicago, Milwaukee, St. Paul & Pacific RR.____Equip. Trust Ctfs.
(Bids to be invited)

March 4, 1952

Central Power & Light Co.____Bonds
(Bids to be invited)

March 18, 1952

Interstate Power Co.____Bonds & Common
(Bids to be invited)

Metropolitan Edison Co.____Bonds & Preferred
(Bids noon CST)

April 1, 1952

West Penn Power Co.____Bonds
(Bids to be invited)

Continued from page 41

★ Conway Heating & Air Conditioning Co., Inc.
Jan. 14 (letter of notification) 500 shares of 5% non-cumulative preferred stock and 500 shares of common stock. **Price**—At par ($100 per share). **Underwriter**—None. **Proceeds**—To purchase office equipment and for working capital. **Office**—1016-18 Belmont Ave., Charlotte, N. C.

Cooperative Grange League Federation Exchange, Inc., Ithaca, N. Y.
Dec. 21 filed 100,000 shares of 4% cumulative preferred stock (par $100) and 1,000,000 shares of common stock (par $5), the preferred to be offered to farmer and non-farmer GLF patrons, and the common stock to farmer patrons only. **Price**—At par. **Underwriter**—None. **Proceeds**—To repay bank loans and working capital. Statement effective Jan. 15.

Cream Valley Telephone Co., Hawkins, Wis.
Dec. 21 (letter of notification) 1,000 shares of common stock (par $25). **Underwriter** — None. **Proceeds** — For construction costs.

★ Crookes Laboratories, Inc., N. Y.
Jan. 17 (letter of notification) 4,751 shares of capital stock (par $1), to be offered to stockholders of record Jan. 24 at rate of 1 new share for each 20 shares held; rights to expire on Feb. 25. **Price**—$3.75 per share. **Underwriter**—None. **Proceeds**—For working capital. **Office**—305 East 45th St., New York 17, N. Y.

★ Crusader Corp., Denver, Colo.
Jan. 16 (letter of notification) 2,000,000 shares of capital stock. **Price**—15 cents per share. **Underwriter**—J. W. Hicks & Co., Denver Colo. **Proceeds**—For drilling and development. **Office**—1717 East Colfax Ave., Denver 6, Colorado.

Dayton Power & Light Co. (1/29)
Jan. 8 filed 256,007 shares of common stock (par $7) and a new series of $15,000,000 first mortgage bonds due in 1982. The stock will be formally offered to common stockholders on Jan. 28 on basis of one share for each nine shares held; rights to expire on Feb. 15. The offering price of the bonds and the interest rate will be announced by the company about Jan. 29. **Underwriters**—Morgan Stanley & Co. and W. E. Hutton & Co. **Proceeds**—To repay $12,000,000 bank loans and for construction program. **Offering**—Formally expected on Jan. 29.

Diesel Power Corp., Pittsburgh, Pa.
Jan. 10 filed 475,000 shares of common stock to be offered first to holders of preferential rights for a limited time. **Price** — At par ($1 per share). **Underwriter** — Graham & Co., Pittsburgh, Pa. **Proceeds**—For development costs and working capital.

Dow Chemical Co., Midland, Mich.
Nov. 16 filed 180,000 shares of common stock (par $15) of which about 133,202 shares are 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 also 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.

★ Eagleton Development Co., Inc. (Pa.)
Jan. 14 (letter of notification) 2,500 shares of capital stock. **Price**—At par ($100 per share). **Underwriter**—None. **Proceeds**—For development of natural gas and oil resources. **Office**—523 So. Fairview St. (Edwin D. Tyndale, Secretary), Lock Haven, Pa.

Erie Forge & Steel Corp., Erie, Pa. (1/31)
Jan. 11 filed 150,000 shares of common stock (par 10 cents). **Price**—To be supplied by amendment. **Underwriters**—Lee Higginson Corp. and P. W. Brooks & Co., Inc., both of New York. **Proceeds**—To retire outstanding 5% first preferred stock at par ($100 per share) and for general corporate purposes.

Essex County Newspapers, Inc., Boston, Mass.
Dec. 21 (letter of notification) $300,000 of first mortgage bonds due 1972 (in denominations of $1,000 each). **Underwriter**—None. **Proceeds**—For newspaper plant and equipment. **Address**—c/o Withington, Cross, Park & McCann, 73 Tremont St., Boston 8, 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. No general public offering planned.

★ Family Housing, Inc., Landover, Md.
Jan. 11 (letter of notification) 500 shares of investors common stock (no par), 500 shares of members common stock (par $50), 3,000 shares of members preferred stock (par $50) and 1,150 shares of investors preferred stock (par $100). **Price**—For members common stock, $5 per share, and for all others at par. **Underwriter**—None. **Proceeds**—To invest in lots and erect dwellings. **Address**—P. O. Box 1, Landover, Md.

★ Financial Fund, Inc., Seattle, Wash.
Jan. 22 filed 25,000 shares of common stock. **Price**—At market. **Proceeds**—For investment. **Undewriter**—Financial Management Corp., Seattle, Wash.

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.

★ Flowood Corp., Jackson, Miss.
Jan. 10 (letter of notification) 11,000 shares of capital stock. **Price**—At par ($25 per share). **Underwriter**—None. **Proceeds**—To erect buildings, houses and a motel. **Address**—P. O. Box 900, Jackson, Miss.

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.

Form Moulding, Inc., Marion, Ind.
Dec. 17 (letter of notification) 31,740 shares of class B stock (par 10 cents), of which 20,000 shares will be issued to holders of class A stock in ratio of one-fifth share of class B to each share of class A held, with a value for each share of $1.25. The balance of 11,740 shares will be offered publicly. **Price**—To public, $1.15 per share. **Underwriter**—American Shares Corp., New York, and Young & Co., Pittsburgh, Pa. **Proceeds**—To clear up dividend arrearages on class A stock.

Fuelgas Corp., Chester, N. Y.
Jan. 9 (letter of notification) 30,000 shares of preferred stock. **Price**—At par ($10 per share). **Underwriter**—None. **Proceeds**—For operating capital and expansion.

General Credit Corp., Miami, Fla.
Dec. 29 (letter of notification) 75,000 shares of common stock (par $1). **Price** — $4 per share. **Underwriter**—George R. Holland Associates, Miami, Fla. **Proceeds**—For use in small loan subsidiary branches. **Office**—440 Biscayne Blvd., Miami, Fla.

Given Manufacturing Co., Los Angeles, Calif.
Jan. 7 (letter of notification) 30,000 shares of 6% cumulative convertible preferred stock, series A. **Price**—At par ($10 per share). **Underwriter**—First Investment Co., Los Angeles, Calif. **Proceeds**—For working capital. **Office**—3301 Fruitland Road, Los Angeles 58, Calif.

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**—$28.03 per share. **Underwriter** — None. **Proceeds**—For general corporate purposes. **Office** — 50 Church St., New York. Statement effective Jan. 14.

★ Gyrodyne Co. of America, Inc., New York
Jan. 17 (letter of notification) 25,680 shares of 6% convertible preferred stock, to be offered first to common stockholders of record Jan. 24 at rate of 1 preferred share for each 10 class A common shares held, with an oversubscription privilege; rights expire on Feb. 4. **Price**—At par ($5 per share). **Underwriter**—Company and Jackson & Co., Inc., Boston, Mass. **Proceeds**—To finance military contracts and for working capital.

★ Hamilton Fund, Denver, Colo.
Jan. 21 filed 1,000,000 shares of series H-C7 "High-grade certificates. **Underwriter**—Hamilton Management Corp., Denver, Colo. **Business**—Unit-type investment company.

★ Hamilton Funds, Inc., Denver, Colo.
Jan. 21 filed 1,000,000 shares of series H-C7 "High-grade Common Stock Fund" and 1,000,000 shares of series H-DA "High-grade Common Stock Fund." **Price**—At market. **Underwriter** — Hamilton Management Corp., Denver, Colo. **Proceeds** — For investment. **Business** — Open-end investment company.

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.

★ Hecla Mining Co., Wallace, Ida.
Jan. 17 (letter of notification) 3,000 shares of capital stock (par 25 cents). **Price**—At market (approximately $18 per share). **Proceeds**—To Mrs. M. K. Pollard, the selling stockholder. **Underwriter**—Thomson & McKinnon, New York.

★ Herbert Helmus-Hardware Corp. (1/25)
Jan. 17 (letter of notification) 7,600 shares of class A common stock, 20,000 shares of class B common stock and 20,000 shares of preferred stock. **Price**—At par ($5 per share). **Underwriter**—None. **Proceeds**—For expansion and working capital. **Office**—1621 Nostrand Ave., Brooklyn, N. Y.

Hoover Co., No. Canton, O.
Oct. 22 (letter of notification) 4,000 shares of common stock (par $2.50). **Price**—$18 per share. **Underwriter**—Hornblower & Weeks, New York. **Proceeds**—To William W. Steele, the selling stockholder.

Ideal Cement Co., Denver, Colo.
Nov. 9 filed 250,000 shares of capital stock (par $10) 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. Up to and including Dec. 31 over 80% of Pacific's stock was deposited, thus consummating the exchange offer. 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**—Extended to Jan. 31. Statement effective Nov. 29.

★ Independent Exploration Co., Bakersfield, Calif.
Jan. 17 (letter of notification) 114,000 shares of common stock (par 33⅓ cents). **Price**—At market. **Proceeds**—To L. W. Saunders and L. R. Seaman, two selling stockholders. **Office**—531 California Ave., Bakersfield, Calif. **Underwriter**—None.

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.

Kankakee Water Co., Portland, Me.
Oct. 29 (letter of notification) 2,186 shares of 5½% cumulative preferred stock (par $100) offered by company to residents of Kankakee, Ill. **Price**—$105 per share. **Underwriter**—H. M. Payson & Co., Portland Me. **Proceeds**—For additions and improvements. **Office**—95 Exchange Street, Portland 6, Me. **Offering**—Public offering expected late in January.

Kansas City Power & Light Co.
Jan. 3 filed 317,792 shares of common stock (no par), being offered for subscription by common stockholders at rate of one share for each six common shares held on Jan. 22, rights to expire on Feb. 6. **Price**—$26.50 per share. **Underwriters**—The First Boston Corp. and Blyth & Co., Inc., New York. **Proceeds**—To repay bank loans and for construction.

Kansas-Nebraska Natural Gas Co., Inc. (2/4)
Jan. 14 filed 77,355 shares of common stock (par $5) to be offered first to common stockholders at rate of one share for each 10 shares held. **Price**—$20 per share. **Undewriters**—The First Trust Co. of Lincoln, Neb., and Cruttenden & Co., Chicago, Ill. **Proceeds**—For new construction and to retire bank loans.

Kearney & Trecker Corp., West Allis, Wis.
Dec. 26 (letter of notification) 5,800 shares of common stock (par $3). **Price**—$17 per share. **Underwriters**—Blyth & Co., Inc., and Robert W. Baird & Co., Inc. **Proceeds**—To Francis J. Trecker, the selling stockholder. **Office**—6784 W. National Ave., West Allis 14, Wis.

★ King Oil, Inc., Wichita Falls, Tex.
Jan. 17 (letter of notification) 200,000 shares of common stock. **Price**—$1 per share. **Proceeds**—To develop properties. **Office**—500 First National Bank Bldg., Wichita Falls, Texas. **Underwriter**—None.

★ Kings County Lighting Co., Brooklyn, N. Y.
Jan. 18 (letter of notification) 550 shares of common stock (no par). **Price**—$9 per share. **Underwriter**—None. Shares will be sold on New York Curb Exchange. **Proceeds**—To reimburse treasury for cost of acquisition of said securities. **Office**—6740 Fourth Ave., Brooklyn 20, N. Y.

★ Lakewood Plaza Eight, Inc., Norwalk, Calif.
Jan. 17 (letter of notification) 2,950 shares of preferred stock (par $100) and 875 shares of common stock (no par). **Price**—Of preferred, at par, and of common, at $5 per share. **Proceeds**—To purchase property. **Office**—13421 San Antonio Drive, Norwalk, Calif. **Underwriter**—None.

★ Lakewood Plaza Seven, Inc., Norwalk, Calif.
Jan. 17 (letter of notification) 2,750 shares of preferred stock (par $100) and 700 shares of common stock (no par). **Price**—Of preferred, at par, and of common, at $5 per share. **Proceeds**—To purchase property. **Office**—13421 San Antonio Drive, Norwalk, Calif. **Underwriter**—None.

★ Lakewood Plaza Six, Inc., Norwalk, Calif.
Jan. 17 (letter of notification) 280 shares of preferred stock (par $100) and 700 shares of common stock (no par). **Price**—Preferred, at par, and common, at $5 per share. **Proceeds**—To purchase real property for investment. **Office**—13421 San Antonio Drive, Norwalk, Calif. **Underwriter**—None.

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.

Louisville Gas & Electric Co. (Ky.) (2/5)
Jan. 9 filed $12,000,000 of first mortgage bonds due Feb. 1, 1982. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Blyth & Co., Inc. (jointly); The First Boston Corp. **Proceeds**—For property additions.

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.

Maine Public Service Co. (2/4)
Jan. 15 filed 35,000 shares of common stock (par $10) to be offered first to common stockholders at rate of one share for each five shares held on or about Feb. 4, with oversubscription privileges; rights to expire about Feb. 25. **Price**—To be supplied by amendment. **Underwriters** — Merrill Lynch, Pierce, Fenner & Beane, and Kidder, Peabody & Co., both of New York. **Proceeds**—To repay bank loans and for new construction.

Marathon Corp., Rothschild, Wis. (2/5)
Jan. 15 filed 400,000 shares of common stock (par $6.25). **Price**—To be supplied by amendment. **Underwriter**—Lee Higginson Corp., New York. **Proceeds**—To be added to general funds to be used for expansion. **Business**—Manufacturer of paper and paper machines.

Marshall Field & Co., Chicago, Ill.
Dec. 19 filed 150,000 shares of 4½% 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. **Offering**—Indefinitely postponed.

★ **Massachusetts Investors Second Fund, Inc., Boston, Mass.**
Jan. 21 filed 832,582 shares of capital stock. **Price**—At market. **Underwriter**—None. **Proceeds**—For investment.

★ **McKay Machine Co., Youngstown, Ohio**
Jan. 14 (letter of notification) 6,399 shares of common stock (no par). **Price**—$25 per share. **Underwriter**—None. **Proceeds**—To pay for plant expansion and new equipment. **Office**—767 West Federal St., Youngstown, Ohio.

Merchants Petroleum Co., Inc.
Dec. 17 (letter of notification) 4,000 shares of common stock (par $1). **Price** — At market (approximately 65 cents per share). **Underwriter**—Akin-Lambert & Co., Los Angeles, Calif. **Proceeds**—To R. Wayne Hudelson, the selling stockholder. **Office**—639 So. Spring Street, Los Angeles 14, Calif.

Merritt-Chapman & Scott Corp. (2/5)
Jan. 15 filed 100,000 shares of cumulative convertible preferred stock (par $50). **Price**—To be supplied by amendment. **Underwriter**—Carl M. Loeb, Rhoades & Co., New York. **Proceeds**—For expansion program.

Metals & Chemicals Corp., Dallas, Tex.
Nov. 26 (letter of notification) 100,000 shares of common stock (par 10 cents). **Price**—$3 per share. **Underwriter**—Beer & Co. and Binford, Dunlap & Reed, both of Dallas, Tex.; Carlson & Co., Birmingham, Ala., and Stuart Wyeth & Co. of Philadelphia, Pa. **Proceeds**—To purchase and install mill and for mining equipment and working capital. **Offering**—Originally scheduled for Dec. 5, but deferred temporarily. Corporation is considering increasing its financing and is now preparing a full registration statement. Offering now expected about middle of Feb.

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.

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.

Monsanto Chemical Co., St. Louis, Mo. (2/4-5)
Jan. 16 filed 400,000 shares of common stock (par $5). **Price**—To be supplied by amendment. **Underwriter**—Smith, Barney & Co., New York. **Proceeds**—To be added to general funds to be used for expansion of plant facilities. **Offering**—Expected early in February.

Moore Drop Forging Co., Springfield, Mass.
Jan. 8 (letter of notification) 9,000 shares of common stock (par $1). **Price**—At market (approximately $11 per share). **Underwriters**—G. H. Walker & Co., New York, and Blunt Ellis & Simmons, Chicago, Ill. **Proceeds**—To Alfred H. Chapin, a director of the company.

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. **Offering**—Expected in January.

★ **Moshannon Valley Gas & Oil Co., Inc.**
Jan. 18 (letter of notification) 6,000 shares of class A common stock. **Price**—At par ($50 per share). **Underwriter**—None. **Proceeds**—For lease exploration and development of gas and oil wells. **Office**—19 Water St., Philipsburg, Pa.

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.

★ **Nelson Finance Co., Downingtown, Pa.**
Jan. 17 (letter of notification) not less than $300,000 of debenture bonds. **Price**—At par (in units of $100 each). **Underwriter** — None. **Proceeds** — For working capital.

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.

Nevada Uranium Co., Lovelock, Nev.
Dec. 24 (letter of notification) 230,160 shares of capital stock. **Price**—At par ($1 per share). **Underwriter**—None. **Proceeds**—For machinery and equipment. **Address**—P. O. Box 653, Lovelock, Nev.

New Britain Machine Co.
Jan. 2 filed 70,000 shares of common sthock (no par) being offered to common stockholders of record Jan. 18 at rate of one share for each two shares held; rights expire on Feb. 29. **Price**—$20 per share. **Underwriter**—None. **Proceeds**—For working capital. **Business**—Manufacture of multiple spindle automatic screw machines, etc.

★ **Niagara Mohawk Power Corp.**
Jan. 17 filed 20,196.1 shares of class A stock (no par). **Price**—At current market prices on the New York Stock Exchange. **Underwriter** — None. **Proceeds** — To United Corp., 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.

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.

★ **Owens-Corning Fiberglas Corp. (2/7)**
Jan. 18 filed 630,000 shares of common stock (par $5), of which 450,000 shares to be issued by the company and 180,000 shares are to be sold in equal amounts by Owens-Illinois Glass Co. and Corning Glass Works. **Price**—To be supplied by amendment. **Underwriters** — Goldman, Sachs & Co.; Lazard Freres & Co.; and White, Weld & Co. **Proceeds**—For working capital, capital expenditures and other corporate purposes.

Pacific Gas & Electric Co.
Dec. 26 filed 163,986 shares of 5% redeemable first preferred stock, series A (par $25) to be offered to employees. **Price**—$24.50 per share, of which $23.50 per share is to be paid through payroll deductions under the Employees' Stock Purchase Plan. **Underwriter**—None. **Proceeds**—For new construction.

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.

Pennsylvania Power Co. (2/5)
Jan. 4 filed $6,000,000 of first mortgage bonds Feb. 1, 1982. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; Carl M. Loeb, Rhoades & Co. and Blair, Rollins Co., Inc. (jointly); Salomon Bros. & Hutzler; Equitable Securities Corp. and R. W. Pressprich & Co. (jointly); Stroud & Co., Inc. and Drexel & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane. **Proceeds**—From sale of bonds, and from sale to parent, Ohio Edison Co., of 80,000 shares of common stock for $2,400,000, to be used for Pennsylvania's construction program. **Bids**—To be received up to 11 a.m. (EST) on Feb. 5 at office of Commonwealth Services, Inc., 20 Pine St., New York 5, N. Y.

Peoples Finance Corp., Montgomery, Ala.
Dec. 19 (letter of notification) 15,000 shares of common stock (par $1). **Price**—$3 per share. **Underwriter**—Carlson & Co., Birmingham, Ala. **Proceeds**—To expand business. **Office**—5 South Court St., Montgomery, Ala.

★ **Peoples Loan & Finance Corp.**
Jan. 18 (letter of notification) 2,500 shares of class B 6% cumulative convertible preferred stock. **Price**—At par ($100 per share). **Proceeds**—For working capital. **Office**—110 Atlanta St., Marietta, Ga. **Underwriter**—None.

★ **Phillips Packing Co., Inc., Cambridge, Md.**
Jan. 10 (letter of notification) 1,000 shares of common stock (no par). **Price**—At market (approximately $8.37½ per share). **Underwriter**—Alex. Brown & Sons, Baltimore, Md. **Proceeds**—To Albanus Phillips, Jr., the selling stockholder.

Pioneer Air Lines, Inc., Dallas, Tex. (1/28)
Nov. 29 filed 120,000 shares of common stock (par $1). **Price**—$12 per share. **Underwriter**—Cruttenden & Co., Chicago, Ill. **Proceeds**—To purchase new equipment. **Offering**—Expected some time in January.

★ **Pratt & Lambert, Inc., New York**
Jan. 11 (letter of notification) 6,099 shares of capital stock (no par) to be issued in exchange for 1,000 outstanding shares of capital stock of Salt Lake Glass & Paint Co. (Utah). Of the 6,099 shares, the new holders propose to sell 2,050 shares on the New York Curb Exchange or by private sale. **Price**—At market. **Underwriter**—None. **Office**—75 Tonawanda St., Buffalo 7, New York.

★ **Public Telephone Co., Blair, Neb.**
Jan. 18 (letter of notification) $80,000 of 4½% first mortgage bonds, series A, due Feb. 1, 1972 (in denominations of $1,000 each). **Price**—At 102%. **Proceeds**—For construction and corporate purposes. **Underwriter**—Wachob-Bender Corp., Omaha, Neb.

★ **Raytheon Manufacturing Co. (2/4)**
Jan. 17 filed 434,189 shares of common stock (par $5) to be offered first to common stockholders of record about Feb. 4 on a basis of one new share for each four shares held; with a 14-day standby. **Price**—To be supplied by amendment. **Underwriters** — Hornblower & Weeks and Paine, Webber, Jackson & Curtis. **Proceeds**—To be added to working capital and used for general corporate purposes. **Business**—Manufacture and sale of electronic tubes and equipment.

Rhode Island Insurance Co., Providence, R. I.
Jan. 11 (letter of notification) 92,942 shares of common stock (par $1). **Price**—19 cents per share. **Underwriter**—Siegel & Co., New York. **Proceeds**—To selling stockholders.

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.

Robinson (J. W.) Co., Los Angeles, Calif.
Jan. 4 filed 100,000 shares of capital stock to be offered on a pro rata basis to stockholders of record Nov. 23, 1951 (approximately 33 in number) for a 30-day period, with an oversubscription privilege. Unsubscribed shares to be sold privately to individuals selected by company. **Price**—At par ($10 per share). **Underwriter**—None. **Proceeds** — For working capital. **Business** — Department store.

★ **Schering Corp., Bloomfield, N. J.**
Jan. 18 filed 440,000 shares of common stock (no par). **Underwriter**—None. Entire issue to be offered by the Attorney General of the U. S. as an entirety. Probable bidders: A. G. Becker & Co. Inc., Union Securities Corp. and Ladenburg, Thalmann & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co. and Drexel & Co. (jointly); F. Eberstadt & Co. Inc.; Allen & Co.; a new company to be formed by United States & International Securities Corp.; Dillon, Read & Co. Inc.; F. S. Moseley & Co.; Riter & Co. **Proceeds**—To the Attorney General of the U. S., the owner of the shares. **Business**—Manufactures and sells pharmaceutical and cosmetic products. **Bids**—Expected to be received in first or second week of March by Office of Alien Property, 120 Broadway, New York, N. Y.

★ **Schooley Printing & Stationery Co.**
Jan. 18 (letter of notification) 4,000 shares of 5% cumulative preferred stock, series A. **Price**—At par ($50 per share). **Proceeds**—For working capital. **Office**—1434 Walnut St., Kansas City, Mo. **Underwriter**—Prescott-Wright, Snider Co., Kansas City, Mo.

Scott Paper Co.
Dec. 28 filed 6,000 memberships in the company's Employees' Stock Purchase Plan for 1952 together with 25,263 shares of common stock (no par) to be purchased under the plan.

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.

Servomechanisms, Inc. (2/4-5)
Dec. 26 filed 350,000 shares of common stock (par 20 cents), of which 250,000 shares are for the account of the company and 100,000 shares for selling stockholders. **Price**—To be supplied by amendment (expected at around $5 per share). **Underwriter**—Van Alstyne Noel Corp., New York. **Proceeds**—For expansion program and working capital.

Silver Buckie Mining Co., Wallace, Ida.
Sept. 25 (letter of notification) 290,000 shares of common stock (par 10 cents). **Price**—32½ cents per share. **Underwriter**—Standard Securities Corp., Spokane, Wash., and Kellogg, Idaho. **Proceeds** — To six selling stockholders. **Address**—Box 469, Wallace, Idaho.

Southern California Petroleum Corp. (1/28-29)
Dec. 28 filed 112,000 shares of 6% cumulative convertible preferred stock. **Price**—At par ($25 per share). **Underwriter**—The First California Co., Inc., San Francisco, Calif. **Proceeds**—To purchase outstanding stock of Culberton & Irwin, Inc., independent oil producer, and for working capital.

Southwestern Public Service Co. (2/1)
Jan. 11 filed 251,540 shares of common stock (par $1) to be first offered for subscription by common stockholders about Feb. 1 at rate of one new share for each 13 shares held; rights to expire Feb. 14. **Price**—To be supplied by amendment. **Underwriter**—Dillon, Read & Co. Inc., New York. **Proceeds**—From sale of stock, together with funds from private sale of $10,000,000 new 3¾% first mortgage bonds due 1982, to be used to pay for property additions and to retire bank loans.

Soya Corp. of America
Dec. 29 (letter of notification) 60,000 shares of common stock (par 1 cent). **Price**—At market. **Underwriter**—None. **Proceeds**—To recondition factory equipment. **Office**—30 Rockefeller Plaza, New York 20, N. Y.

Spear & Co., New York
Dec. 31 filed 9,026 shares of $5 cumulative convertible second preferred stock, (no par), of which 7,526 shares are to be offered to common stockholders for subscription on or before Feb. 29, and 1,500 shares to be sold to a selected group. **Price**—$105 per share. **Underwriter**—None. **Proceeds**—To A. M. Kahn and A. J. Kaminsky, two selling stockholders. **Business** — Furniture store chain.

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.

★ **Sun Valley Lead-Silver Mines, Inc., Ketchum, Idaho**
Jan. 9 (letter of notification) 500,000 shares of capital stock (par 10 cents). **Price**—25 cents per share. **Underwriter** — None. **Proceeds** — For development of mine. **Address**—P. O. Box 57, Ketchum, Idaho.

★ **Tele-Trip Policy Co., Inc.**
Jan. 16 (letter of notification) 7,000 shares of capital stock (par 10 cents). **Price**—$2.75 per share. **Under-**

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writer—None, but certain NASD members will act as brokers. **Proceeds**—To John M. Shasheen, President, who is the selling stockholder. **Office**—420 Lexington Ave., New York 17, N. Y.

Texas Industries, Inc., Dallas, Texas (2/4-9)
Jan. 11 filed $1,000,000 of 15-year 6% convertible debentures due Jan. 15, 1967. **Price**—To be supplied by amendment. **Underwriter**—Rauscher, Pierce & Co., Dallas, Tex. **Proceeds**—To be added to general funds. **Business**—Produces and sells lightweight expanded clay or shale aggregate under the trade name "Haydite" and manufactures and sells lightweight concrete masonry units, etc. **Offering**—Expected week of Feb. 4.

★ **Trans-American Television Corp.**
Jan. 17 (letter of notification) 30,000 shares of common stock (no par). **Price**—$10 per share. **Proceeds**—For television transmitter and other equipment. **Office**—122 So. Fourth St., Las Vegas, Nev. **Underwriter**—None.

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.

★ **Tri-State Telecasting Corp., Chattanooga, Tenn.**
Jan. 22 filed 20,000 shares of common stock (no par) and 2,000 shares of 5% cumulative preferred stock (par $100) (common stock to be sold only on basis of ten shares for each preferred share purchased). **Price**—Of common, $10 per share, and of preferred, $100 per share. **Underwriter**—None. **Proceeds**—For new equipment and working capital.

Unexcelled Chemical Corp., N. Y.
Jan. 2 (letter of notification) 5,000 shares of capital stock (par $5). **Price**—At market (last sale price $6.12½ on Dec. 31, 1951). **Underwriter**—Auchincloss, Parker & Redpath, New York, who are the selling stockholders. **Offering**—Withdrawn.

United Canadian Oil Corp., Washington, D. C. (1/28-29).
July 31 filed 1,000,000 shares of common stock (par $1). **Price**—At par. **Underwriter**—Aigeltinger & Co., New York (by amendment Jan. 8, 1952). **Proceeds**—For completion of well, for acquisitions, for drilling expenses, etc. and working capital. Statement effective Oct. 8.

★ **United Cities Utilities Co., Chicago, Ill.**
Jan. 16 (letter of notification) $165,000 of collateral 5% notes due Jan. 1, 1955. **Price**—At par (in denominations of $1,000 each). **Underwriter**—None. **Proceeds**—To repay bank loans and for construction of natural gas pipeline by the Georgia Gas Co. **Office**—Merchandise Mart, Chicago 54, Ill.

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 Gas Corp. (1/29)
Dec. 20 filed $50,000,000 first mortgage and collateral trust bonds due 1972. **Underwriters**—To be determined by competitive bidding. Probable bidders: 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**—To finance in part the 1951-52 construction program of corporation and its subsidiary, United Gas Pipe Line Co. **Bids**—Tentatively scheduled to be received up to 11:30 a.m. (EST) on Jan. 29. Statement effective Jan. 16.

U. S. Oil & Gas Corp., Houston, Tex.
Dec. 20 (letter of notification) 600,000 shares of common stock (par 10 cents). **Price**—50 cents per share. **Underwriter**—None. **Proceeds**—For working capital. **Office**—612 M & M Bldg., Houston, Texas.

U. S. Vitamin Corp.
Jan. 9 filed voting trust certificate for 15,000 shares of common stock (par $1).

Van Norman Co., Springfield, Mass.
Nov. 21 filed $2,400,000 of 4¾% convertible sinking fund debentures due Dec. 1, 1969. **Price**—100% and accrued interest. **Underwriter**—Paine, Webber, Jackson & Curtis, Boston, Mass. **Proceeds**—For machinery and working capital. **Withdrawal**—Request filed Jan. 17 to withdraw statement.

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.

Warner-Hudnut, Inc.
Dec. 12 filed 293,960 shares of common stock (par $1) being offered in exchange for 146,980 shares of Maltine Co. on a two-for-one basis; offer expires on Jan. 29, subject to a 15 days' extension. **Underwriter**—None. (F. Eberstadt & Co. is financial consultant for Warner-Hudnut, Inc.) Statement effective Dec. 28.

West Penn Electric Co. (1/30)
Dec. 28 filed 440,000 shares of common stock (no par) to be offered for subscription by common stockholders of record Jan. 31 at rate of one share for each eight shares held; rights to expire on Feb. 18. **Price**—To be supplied by amendment. **Underwriters**—To be determined by competitive bidding. Probable bidders: Harriman Ripley & Co. Inc.; W. C. Langley & Co. and The First Boston Corp. (jointly); Lehman Brothers and Goldman, Sachs & Co. (jointly). **Proceeds**—To be invested in common stocks of three subsidiaries. **Bids**—Expected 11 a.m. (EST) Jan 30.

★ **Western Metalcraft, Inc., Olympia, Wash.**
Jan. 14 (letter of notification) $270,000 of class A convertible debentures. **Price**—At par (in denominations of $100 each). **Proceeds**—To retire indebtedness. **Address**—P. O. Box 657, Olympia, Wash. **Underwriter**—None.

★ **Woodbury Telephone Co., Woodbury, Conn.**
Jan. 14 (letter of notification) 1,325 shares of capital stock. **Price**—At par ($25 per share). **Underwriter**—None. **Proceeds**—To repay outstanding 4% demand notes.

Prospective Offerings

Aeroquip Corp.
Jan. 4, Don T. McKone, Chairman, announced that consideration was being given to the possibility of equity financing. On Feb. 18, stockholders will vote on increasing authorized common stock to 1,000,000 from 750,000 shares, and on issuance of 37,500 shares as a 5% stock dividend. **Underwriter**—Watling Lerchen & Co., Detroit Mich. **Proceeds**—For additional working capital.

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.

American Can Co.
Jan. 9, it was announced company has under consideration various plans of financing to raise approximately $50,000,000 of new money to provide in part the funds required for the proposed expansion of its plant facilities, and for additional working capital. No determination has been made as to whether these funds would be raised through borrowing or equity financing. **Probable Underwriters**—Morgan Stanley & Co., Clark, Dodge & Co. and F. S. Moseley & Co. Stockholders on April 29 will vote on approving a four-for-one split-up of the preferred and common stocks which in effect will be a 100% stock dividend on the common stock.

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.

Armstrong Rubber Co.
Jan. 7 it was reported that the company is understood to be discussing additional financing. **Traditional Underwriter**: F. Eberstadt & Co. Inc., New York.

★ **Atlantic City Electric Co.**
Jan. 21, B. L. England, President, stated that the company expects to issue and sell $5,000,000 of first mortgage bonds during the first half of 1952, and $4,000,000 of preferred stock in the last half of the year. **Underwriters**—For bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Drexel & Co. (jointly); Union Securities Corp. and Smith, Barney & Co. (jointly); Lehman Brothers; White, Weld & Co. and Shields & Co. (jointly). Previous preferred stock financing was done privately through Union Securities Corp. and Smith, Barney & Co. **Proceeds**—For construction program.

Bell Telephone Co. of Canada
Jan. 15 it was announced stockholders will vote Feb. 28 on authorizing an issue of not exceeding $50,000,000 in new debt securities.

Bell Telephone Co. of Pennsylvania
Jan. 2 it was announced that company's construction program for next three years calls for the expenditure of $247,000,000 of which about $81,700,000 will be spent in 1952. **Underwriters**—For bonds to be decided by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and Lazard Freres & Co. (jointly); Morgan Stanley & Co.; White, Weld & Co. and Union Securities Corp. (jointly); The First Boston Corp.

★ **Bridgeport Hydraulic Co., Bridgeport, Conn.**
Jan. 15 it was announced that company plans to offer to common stockholders 44,000 additional shares of common stock. **Price**—Between $24 and $26.75 per share. **Underwriter**—Smith, Ramsey & Co., Bridgeport, Conn. **Proceeds**—To finance improvements and additions and to liquidate short term bank loans. **Offering**—Expected in March.

California Electric Power Co.
Jan. 17 the FPC granted the company authority to issue $9,000,000 promissory notes during 1952 to Bank of America, N. T. & S. A., to mature in 12 months. The proceeds would be used as interim financing for a new steam electric generating plant and other additions to property. Permanent financing not expected until late this year or early in 1953. Probable bidders for bonds and/or debentures: Halsey, Stuart & Co. Inc. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Salomon Bros. & Hutzler. Latest preferred stock issue was placed privately through Merrill Lynch, Pierce, Fenner & Beane.

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.

Central Maine Power Co.
Dec. 31, W. C. Wyman, President, announced that "additional requirements for 1952, estimated at about $6,000,000, are expected to be obtained by short term bank loans, pending further permanent financing."

Central Power & Light Co. (3/4)
Jan. 10 it was stated company plans issuance and sale of $10,000,000 first mortgage bonds, series D, about March 4. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co., A. C. Allyn & Co., Inc. and Bear, Stearns & Co. (jointly); Blyth & Co., Inc., Harriman Ripley & Co., Inc. and Stone & Webster Securities Corp. (jointly); Kidder, Peabody & Co.; The First Boston Corp.; Carl M. Loeb, Rhoades & Co.; Lehman Brothers and Glore, Forgan & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane and Salomon Bros. & Hutzler (jointly); Union Securities Corp. **Proceeds**—For new construction.

★ **Chicago & Eastern Illinois RR. (1/31)**
Bids will be received up to noon (CST) on Jan. 31 at the company's office in Chicago, Ill., for the purchase from the company of $2,100,000 equipment trust certificates, series I, to be dated Feb. 1, 1952 and due $70,000 semi-annually from Aug. 1, 1952 to Feb. 1, 1967, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

★ **Chicago, Milwaukee, St. Paul & Pacific RR. (2/28)**
Jan. 16 it was reported company plans sale of $2,400,000 equipment trust certificates, series 00 to mature semi-annually over a period of 15 years. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler. **Bids**—Expected to be received on Feb. 28.

Chicago & Western Indiana RR.
Jan. 23 company sought ICC permission to issue $52,500,000 of first and refunding mortgage bonds without competitive bidding. The bonds will be dated not earlier than March 1, 1952 and mature not later than Sept. 1, 1962. **Proceeds**—To pay at maturity $49,988,000 of 4% non-callable consolidated first mortgage bonds due July 1, 1952, and the remainder used for capital improvements.

Cincinnati Gas & Electric Co.
April 7 it was reported company expects to market 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.

★ **Cinerama, Inc.**
Jan. 11 it was reported that early registration of $1,000,000 convertible debentures is expected with Gearhart, Kinnard & Otis, Inc., New York, underwriting. Offering probably in February.

Colorado Interstate Gas Co.
Dec. 26 SEC approved a plan filed by Mission Oil Co. and its holding company subsidiary, Southwestern Development Co. designed to effectuate compliance with the Holding Company Act. This development is expected to result in early registration of Colorado Interstate Gas Co. common stock, with Union Securities Corp. as probable underwriter.

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.

Columbus & Southern Ohio Electric Co.
Dec. 21 it was announced company contemplates expenditures of at least an additional $50,000,000 through 1953 to meet the demand for electric service. Further financing is planned.

Consolidated Edison Co. of New York, Inc.
Jan. 2 company announced its plans to spend about $105,000,000 for new construction during 1952, of which it is proposed to raise $65,000,000 from new financing. It is presently borrowing $31,000,000 from banks. **Underwriters**—For bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp.

Consolidated Engineering Corp.
Dec 27 it was reported company may do some additional financing in 1952. Blyth & Co., Inc. underwrote common stock offering last December.

Consolidated Gas, Electric Light & Power Co. of Baltimore
Dec. 24 it was stated that company plans to issue and sell both stocks and bonds during 1952 to an amount sufficient to raise approximately $22,000,000. **Underwriters**—For bonds to be determined by competitive bidding.

Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and The First Boston Corp. (jointly); Harriman Ripley & Co., Inc. and Alex. Brown & Sons (jointly). The First Boston Corp., Alex. Brown & Sons and John C. Legg & Co (jointly) handled latest common stock financing, while White, Weld & Co. handled last preferred stock sale. **Proceeds**—For new construction. **Offering**—Expected in March or April.

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.

★ Delaware Power & Light Co.
Jan. 22 it was reported that company expects to file a registration statement with SEC next week covering a proposed issue of $5,000,000 par value of preferred stock. **Underwriters**—To be determined by competitive bidding. Probable bidders: Lehman Brothers; W. C. Langley & Co.; White, Weld & Co. and Shields & Co. (jointly); Morgan Stanley & Co.; Blyth & Co., Inc. **Proceeds**—For construction program.

★ Detroit Steel Corp., Detroit, Mich.
Jan. 21 Max J. Zivian, President, announced that company plans to issue and sell 600,000 shares of new convertible preferred stock (par $25) and $25,000,000 of first mortgage bonds. **Price**—To be determined later. **Underwriters**—For preferred stock, Van Alstyne, Noel & Co.; and for bonds, Halsey, Stuart & Co. Inc. and Van Alstyne, Noel & Co. **Proceeds**—To retire $13,950,000 presently outstanding first mortgage bonds and for expansion program. **Meeting**—Stockholders will vote Feb. 19 on the financing proposals.

Eastern Stainless Steel Corp.
Oct. 25 the stockholders approved a proposal increasing the authorized capital stock to 750,000 shares from 500,000 shares, of which 420,000 shares are outstanding. Additional shares may be issued to stockholders, and the proceeds used for expansion. Traditional underwriter: J. Arthur Warner & Co. Inc., New York.

Florida Power Corp.
Jan. 11 it was announced that additional financing will be necessary to complete the company's construction program and it is contemplated that the balance of new capital needed will be obtained from the sale of common stock and first mortgage bonds. Company has borrowed $4,000,000 under a bank credit recently arranged which provides for short-term bank borrowings of not more than $10,000,000. Previous bond financing was done privately. Common stock may be offered to common stockholders, with Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane acting as agents.

Foote Bros. Gear & Machine Corp.
Oct. 25 it was reported that company may offer additional common stock early in 1952. Probable underwriter—A. C. Allyn & Co., Inc., Chicago, Ill.

Foote Mineral Co.
Dec. 24 it was announced company plans to increase authorized common stock from 300,000 shares (259,422 shares outstanding) to 500,000 shares of $2.50 par value. The company states that "there is no present plan of capital financing either of an equity type or loan." The directors, however, "are studying several plant expansion programs which may eventually require more capital." A group headed by Estabrook & Co. underwrote an issue of common stock to stockholders in April, 1951. Stockholders will meet Feb. 21.

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.
Jan. 18, T. E. Roach, President, announced that the company's present plans consist of the sale this year of about 225,000 additional shares of common stock (par $20), but no preferred stock. **Underwriters**—Latest common stock financing in April, 1949, was handled by Blyth & Co., Inc.; Lazard Freres & Co.; and Wegener & Daly Corp. **Proceeds**—To repay bank loans and for construction program.

Illinois Central RR. (2/5)
Bids for the purchase of $4,110,000 equipment trust certificates, series HH, to be dated Feb. 1, 1952 and to mature in 30 equal semi-annual instalments to and including Feb. 1, 1967, will be received at the office of the company, Room 301, 135 East 11th Place, Chicago 5, Ill., up to noon (CST) on Feb. 5. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

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.

Interstate Power Co. (3/18)
Jan. 18 it was disclosed that company plans to issue and sell $2,000,000 of first mortgage bonds and 350,000 shares of common stock. **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. **Proceeds**—For construction program. **Registration**—Expected on Feb. 18. **Bids**—Scheduled to be received on March 18.

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.

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. Approximately $200,000 of stock will be sold the first week in February and an additional $100,000 is slated after March 20. **Traditional Underwriter**—Blyth & Co., Inc.

Kansas City Power & Light Co.
Jan. 4 company announced that it plans to issue and sell in 1952 about $12,000,000 principal amount first mortgage bonds (this is in addition to present preferred and common stock financing. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Glore, Forgan & Co.; Blyth & Co., Inc. and Lazard Freres & Co. (jointly); The First Boston Corp.; White, Weld & Co. and Shields & Co. (jointly); Smith, Barney & Co.; Kuhn, Loeb & Co., Salomon Bros. & Hutzler and Union Securities Corp. (jointly); Equitable Securities Corp.; Lehman Brothers and Bear, Stearns & Co. (jointly); Harriman Ripley & Co., Inc. **Proceeds**—For new construction.

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).

Koppers Co., Inc., Pittsburgh Pa.
Jan. 10 it was reported company plans issuance and sale to public of 250,000 additional shares of common stock (par $10). **Traditional Underwriter**—The First Boston Corp., New York. **Proceeds**—For expansion program. **Registration**—Expected in February.

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.

Lehmann (J. M.) Co., Inc., N. J. (1/30)
Bids will be received up to 11 a.m. (EST) on Jan. 30 at the office of Alien Property, 120 Broadway, New York 5, N. Y., for the purchase from the Attorney General of the United States of 1,225 shares of capital stock (par $100) of this company. This constitutes 84.19% of the issued and outstanding capital stock.

★ Lincoln Telephone & Telegraph Co.
Jan. 22 it was announced stockholders on Feb. 5 will vote on a proposal to increase authorized long-term debt by $3,500,000. If approved, bonds will be sold as funds are needed. Previous debt financing was done privately.

Martin (Glenn L.) Co.
Jan. 10 company announced plan to sell an estimated $6,000,000 of convertible debentures to a group of private investors and additional common stock to common stockholders. **Underwriter**—Smith, Barney & Co., New York. **Proceeds**—From sale of debentures to help meet production programs, and from sale of stock to retire debentures within six months.

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.

Metropolitan Edison Co. (3/18)
Jan. 14 company filed an application with the SEC for authority to issue and sell $7,800,000 of first mortgage bonds, 40,000 shares of preferred stock (par $100) and 40,000 shares of common stock (the latter issue to be sold to parent, General Public Utilities Corp.). **Underwriters**—For bonds and preferred stock 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. **Bids**—Tentatively scheduled for noon (EST) March 18. **Registration**—Expected on January 29.

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.
Jan. 3, it was reported that this company formed by Equitable Securities Corp., has applied to the FPC for authority to purchase the natural gas properties of Mississippi Power & Light Co. for a basic purchase price of $11,151,128, and expects to issue and sell first mortgage bonds and common stock.

Narragansett Electric Co.
Jan. 7 it was announced company contemplates that $7,500,000 of note indebteness will be permanently financed with bonds in or about March, 1952. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Harriman Ripley & Co., Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.; The First Boston Corp.; Lehman Brothers; White, Weld & Co.

★ National Research Corp., Cambridge, Mass.
Jan. 21 it was announced stockholders will vote March 21 on increasing authorized capital stock from 125,000 shares to 600,000 shares, to provide, in part, for payment of a 200% stock dividend. It is also planned to make a public offering of a portion of the proposed authorized shares when market conditions are favorable. Latest financing in 1946 was made to common stockholders. Proceeds would be added to working capital.

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.
Dec. 12 company applied to SEC for authority to increase authorized bank borrowings from $12,000,000 to $16,000,000. A major portion of this indebtedness may be financed through issuance of common stock to parent (New England Electric System) and first mortgage bonds early in 1952. **Underwriters** — For bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Blyth & Co., Inc.; Equitable Securities Corp. and Blair, Rollins & Co. Inc. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Harriman Ripley & Co., Inc.; The First Boston Corp.; Kuhn, Loeb & Co., Union Securities Corp. and Salomon Bros. & Hutzler (jointly).

New England Power Co.
Sept. 6 it was reported that company plans to issue and sell about 50,000 shares of preferred stock. **Underwriters**—To be determined by competitive bidding. Probable bidders: Lehman Brothers; Equitable Securities Corp. and Carl M. Loeb, Rhoades & Co. (jointly); The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; Kidder, Peabody & Co.; The First Boston Corp.; W. C. Langley & Co.; Harriman Ripley & Co., Inc. **Proceeds**—To repay bank loans and for construction program.

New England Telephone & Telegraph Co.
Dec. 20, F. A. Cosgrove, Vice-President, said a permanent financing program will have to be undertaken in 1952 to repay about $43,000,000 short-term bank borrowings. **Underwriters**—For bonds may be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. In case of common stock financing there will be no underwriting.

New York State Electric & Gas Co.
Jan. 7 company applied to New York P. S. Commission for authority to issue and sell to private investors an issue of $10,000,000 of debentures.

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.)
Jan. 16, B. F. Braheney, President, announced that company will have to raise between $30,000,000 and $32,500,000 this year to finance its construction program. About two-thirds of the amount needed will be in the form of debt issues and the balance common stock (about 1,100,000 shares) the latter issued first to common stockholders. **Underwriters**—To be determined by competitive bidding. 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.

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Northwest Natural Gas Co.
Jan. 7 company filed amended application with FPC in connection with its plan to build a natural gas transmission system in the Pacific Northwest to transport gas from Canada to markets in Idaho, Washington and Oregon, with a portion to be returned to Canada for use in British Columbia. The estimated overall cost of the project is approximately $92,000,000. **Underwriter**—Morgan Stanley & Co., New York. **Financing**—Not expected until after Provincial elections in April.

★ **Oklahoma Gas & Electric Co.**
Jan. 21 it was reported that the company expects to be in the market with a $12,000,000 bond issue, probably in March. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); The First Boston Corp.; Equitable Securities Corp.; Lehman Brothers and Blyth & Co., Inc. (jointly); Harriman Ripley & Co., Inc. and Union Securities Corp. (jointly). **Proceeds**—For construction program. **Registration**—Expected by the end of January.

★ **Oliver Corp., Chicago, Ill. (2/13)**
Jan. 22 directors authorized the issuance of rights for common stockholders to subscribe to approximately 171,000 shares of additional common stock (par $1) on a basis of one new share for each five shares held on or about Feb. 13; rights to expire on Feb. 27. **Traditional Underwriters**—Blyth & Co., Inc.; Merrill Lynch, Pierce, Fenner & Beane; and Paine, Webber, Jackson & Curtis. **Proceeds**—To retire bank loans. **Business**—Manufacture and sale of farm equipment.

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.

Pacific Northwest Pipeline Corp.
Jan. 7 the company applied to the FPC for authority to build a 2,175-mile natural gas pipeline from southern Texas to the Pacific Northwest at an estimated cost of $174,186,602. The line is sponsored by Fish Engineering Corp. of Houston, Tex. Probable underwriters: White, Weld & Co. and Kidder, Peabody & Co., New York. (See also accompanying item on "Spokane Gas & Fuel Co.")

Pacific Power & Light Co.
Dec. 28 company applied to Federal Power Commission for authority to issue and sell $12,500,000 of first mortgage bonds to a group of institutional investors. Proceeds would be applied to construction program, including the Yale hydroelectric project on the Lewis River in Washington.

Penn Controls, Inc.
Jan. 11 it was reported company may file in February a revised financing proposal with SEC. The previous proposal to issue 100,000 shares of common stock (par $2.50) through F. S. Moseley & Co. was withdrawn on Dec. 21.

Pennsylvania Electric Co.
Jan. 5 it was announced that company plans to spend about $26,000,000 for expansion in 1952, to be financed, in part, by the sale of about $9,000,000 first mortgage bonds, $4,500,000 of preferred stock and $4,500,000 of common stock (the latter issue to parent, General Public Utilities Corp). **Underwriters**—For bonds and preferred stock to be determined by competitive bidding. Probable bidders: (1) for bonds—Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; Union Securities Corp. and White, Weld & Co. (jointly); Kuhn, Loeb & Co.; A. C. Allyn & Co., Inc.; Equitable Securities Corp.; Shields & Co. and R. W. Pressprich & Co. (jointly). (2) for preferred—Smith, Barney & Co. and Kidder, Peabody & Co. (jointly); W. C. Langley & Co. and Glore, Forgan & Co. (jointly); Kuhn, Loeb & Co.; Lehman Brothers and Salomon Bros. & Hutzler (jointly); Harriman Ripley & Co., Inc. **Offering**—Expected in mid-year.

Pennsylvania RR.
Jan. 7 it was stated that company may be in the market soon with substantial equipment trust certificate offerings. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

★ **Portland General Electric Co.**
Jan. 22, it was disclosed the company will soon announce plans for sale of new common stock, or bonds, or both. **Traditional Underwriter**—Blyth & Co., Inc. **Proceeds**—To refinance, all or in part $9,000,000 of bank loans which mature May 1, 1952.

Public Service Electric & Gas Co.
Jan. 17 stockholders approved a proposal to increase the 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.

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.
Jan. 16, it was stated that the company plans to issue and sell $6,000,000 of preferred stock in March and an equal amount of general mortgage bonds in September. An issue of about $8,000,000 common stock is also planned, probably for the Spring of 1953. **Underwriter**—For preferred issue may be The First Boston Corp., New York. Previous first mortgage bond financing was done privately. **Proceeds**—To pay for new construction.

San Diego Gas & Electric Co.
July 19, L. M. Klauber, Chairman, announced that the company plans to sell $10,000,000 of bonds early in 1952 **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Merrill Lynch, Pierce, Fenner & Beane; The First Boston Corp.; White, Weld & Co. and Shields & Co. (jointly); Lehman Brothers. **Proceeds**—For expansion program.

South Jersey Gas Co.
Dec. 21 the United Corp. asked for bids up to 11 a.m. (EST) on Jan. 10 for the purchase from it of its entire interest, amounting to 28.3%, or 154,231.8 shares of $5 par South Jersey common stock, with bidders to purchase the stock for investment and not for resale. No bids were submitted. United Corp. now reported to be considering filing registration statement and inviting competitive bidding for issue in the spring. Probable bidders: Lehman Brothers and Bear, Stearns & Co. (jointly); Allen & Co.

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 recently. The nature, amounts and timing of the new financing cannot now be determined, and will depend in part or market conditions existing from time to time and may include temporary bank loans.

★ **Southern California Gas Co.**
Jan. 18 it was reported that company plans to issue and sell $30,000,000 first mortgage bonds, series A. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane and Harris, Hall & Co. Inc. (jointly); White, Weld & Co.; Blyth & Co., Inc. **Proceeds**—For construction program. **Registration**—Expected to be made in February.

Southern Ry. (2/20)
Bids will be received on Feb. 20 for the purchase from the company of $6,000,000 equipment trust certificates to be dated March 15, 1952 and due in 30 equal semi-annual installments from Sept. 15, 1952 to March 15, 1967, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harriman Ripley & Co. Inc. and Lehman Brothers (jointly).

Southern Union Gas Co.
Dec. 19 it was reported company is expected to do some equity financing before June 30, 1952. Traditional underwriter: Blair, Rollins & Co.

★ **Southwestern Gas & Electric Co.**
Jan. 18 it was reported company is planning to issue and sell $5,000,000 to $6,000,000 of new 30-year first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Salomon Bros. & Hutzler; Merrill Lynch, Pierce, Fenner & Beane and Union Securities Corp. (jointly); Lehman Brothers; White, Weld & Co.; Harriman Ripley & Co., Inc.; The First Boston Corp. **Proceeds**—For 1952 construction program. **Bids**—Expected in March.

Spokane Gas & Fuel Co.
Jan. 7 it was announced that the entire outstanding issue of 10,000 shares of common stock of this company has been sold by Cities Service Co. to Ray C. Fish and associates of Houston, Tex. The new owners plan to spend about $6,000,000 to expand the Spokane firm's distribution system, contingent upon natural gas being piped into eastern Washington.

★ **Superior Separator Co., Minneapolis, Minn.**
Jan. 21 it was announced company plans to issue and sell early in February 13,950 shares of 6% convertible preferred stock (par $20). **Price**—To be announced later. **Underwriter**—J. M. Dain & Co., Minneapolis, Minn. **Proceeds**—For working capital.

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.**
Jan. 16 it was reported that company and its subsidiaries may have to raise about $95,000,000 through the sale of securities within the next two years to help finance a $125,000,000 expansion program. Including the Texas Utilities Co., the following subsidiaries may do some financing: Dallas Power & Light Co., Texas Power & Light Co.; and Texas Electric Service Co. Information as to types of securities to be sold and timing of the offerings is not available at present.

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.

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.

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).

★ **Washington Gas Light Co.**
Jan. 12 reported that company is considering plans to raise about $4,500,000 from the sale of additional common stock to its stockholders (there are presently outstanding 734,400 shares). **Underwriters**—The First Boston Corp. and Johnston, Lemon & Co. handled the offering last year to stockholders. **Proceeds**—Together with bank loans and other funds to take care of proposed $6,000,000 expansion program.

Washington Water Power Co.
Jan. 9 company applied to the SEC for authority to make bank borrowings of $40,000,000, the proceeds to be used to finance contemporarily, in part, the company's construction program. Permanent financing expected later this year. Probable bidders: (1) For stock or bonds: Blyth & Co., Inc.; Smith, Barney & Co. and White, Weld & Co. (jointly); W. C. Langley & Co. and The First Boston Corp. (jointly); (2) for bonds only: Halsey, Stuart & Co. Inc.

West Penn Power Co. (4/1)
Dec. 28 it was announced company plans to offer $12,000,000 of first mortgage bonds early in 1952, probably in March. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; Lehman Brothers; Blyth & Co., Inc.; W. C. Langley & Co.; The First Boston Corp. **Proceeds**—For construction program. **Registration**—Tentatively scheduled for Feb. 28. **Bids**—Expected to be opened April 1.

Wisconsin Public Service Corp.
Sept. 4 C. E. Kohlepp, President, announced company plans to build a $12,000,000 steam turbine power plant in Marathon County, Wis. Method of permanent financing has not yet been determined. If bonds, probable bidders may include: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Harris, Hall & Co. (Inc.); Kidder, Peabody & Co.; Carl M. Loeb, Rhoades & Co.; Salomon Bros. & Hutzler; Union Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane; Shields & Co.

Our Reporter's Report

With the Triborough Bridge and Tunnel Authority's huge consolidation loan now out of the way, underwriters turned their attention to the forthcoming Aluminum Co. of America, and United Gas Corp., projects which together will aggregate $175,000,000.

These undertakings are due to reach market early next week, with United Gas $50,000,000 of first and collateral trust bonds slated for competitive bidding on Tuesday. This would mean that actual reoffering probably would materialize on Wednesday or Thursday, depending upon the speed with which the Securities and Exchange Commission clears the business.

Meanwhile the major interest naturally centers in Aluminum Co.'s contemplated $125,000,000 issue of debentures which will set the peak in size for the corporate field this year, and which is being done on a negotiated basis.

Market observers are convinced that only proper pricing is needed to assure the success of this vast undertaking. Reports indicate a widespread interest on the part of large investors, including pension funds.

Indications are that this issue, if terms meet ideas of prospective buyers, could wind up with the sponsors finding themselves forced to allot debentures against a sizable oversubscription.

Indiana & Michigan

Indiana & Michigan Electric Co.'s $17,000,000 of bonds and $6,000,000 of serial notes brought out lively bidding on Tuesday with five groups seeking the bonds and four others bidding for the notes.

The bonds brought a top bid of 100.589 for 3¼s and were priced for reoffering at 101¼ to yield 3.185%, while the notes brought a top bid of 100.4629 also for a 3¼% coupon, and were reoffered at prices to yield 2.75% for the 1956 maturity to 3.20% for the 1967 series.

Getting away to a slow start the bonds later were reported to have attracted large-scale orders from insurance companies and one state pension fund and thereafter were moving briskly.

Small Issues Projected

Two utility companies have disclosed plans for marketing of small issues in the near future. Portland General Electric Co. expects to file shortly with SEC to issue new common stock or bonds, or possibly both.

The purpose would be to refinance some $9,000,000 of short-term debt which has been incurred in financing new construction. The company has a $9,000,000 promissory note which comes due for payment on May 1 next.

Meanwhile Delaware Power & Light Co. proposes to offer for competing bids $5,000,000 of new preferred with the proceeds to be applied toward financing construction planned in the next three years.

Equipment Trust Notes

New York Central System's offering of $8,850,000 of new equipment trust certificates on which bids were opened yesterday, found the market in a rather receptive mood.

For a while, around the year-end, this market was a bit on the slow side along with other segments of the new money picture and there was some backing up of new issues.

But conditions have undergone a marked change in the last fortnight and dealers' shelves at the moment were relatively clear.

At the start of the week it was indicated that remnants of recent offerings had dwindled to about $4,670,000, which meant that there had been a slash of some $3,500,000 in the backlog within the week.

W. Robbins Rejoins Ball, Burge & Kraus

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — William T. Robbins has rejoined Ball, Burge & Kraus, Union Commerce Building, members of the New York and Midwest Stock Exchanges. Mr. Robbins formerly conducted his own investment business in Cleveland and in the past was trading manager for Ball, Burge & Kraus.

Wm. T. Robbins

Fitzgerald With Courts

(Special to THE FINANCIAL CHRONICLE)

HIGH POINT, N. C.—John A. Fitzgerald has become associated with Courts & Co., members of the New York Stock Exchange. He was formerly representative in High Point for R. S. Dickson & Co., Inc.

Joins Jaffe, Siegler

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Bernard S. Haffner has been added to the staff of Jaffe, Siegler and Company, Union Commerce Arcade, members of the Midwest Stock Exchange.

Edward Mansbach Opens

Edward L. Mansbach is engaging in the securities business from offices at 221 West 82nd Street, New York City.

With Cunningham Co.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Ivan V. Smith has become connected with Cunningham & Co., Union Commerce Building, members of the Midwest Stock Exchange. Mr. Smith was formerly with the First Cleveland Corporation.

Joins Bramman-Schmidt

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—Anthony B. Effrein has become associated with Bramman-Schmidt-Busch, Inc. Boatmen's Bank Building. Mr. Effrein was formerly for a number of years with Barrett-Herrick & Co.

Baker, Simonds Adds

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — William A. Benjamin has been added to the staff of Baker, Simonds & Co., Buhl Building, members of the Detroit Stock Exchange.

Bankers Offer Central Illinois PS Pfd. Stk.

Blyth & Co., Inc., and The First Boston Corp. headed an underwriting group which on Jan. 23 offered for public sale 50,000 shares of Central Illinois Public Service Co. new 5¼% cumulative preferred stock at par ($100 per share).

Proceeds of the sale and from the proposed sale of $5,000,000 of new bonds will be applied to the company's construction program which for the period Nov. 1, 1951-Dec. 31, 1953, is estimated to cost $45,000,000. The principal expenditures will be for new electric generating equipment and additional transmission and distribution facilities.

The new preferred stock is redeemable at $104 per share through Dec. 31, 1955, and thereafter at prices decreasing to $101.

The company supplies electricity to about 217,900 customers in 500 communities and adjacent rural areas in central and southern Illinois. It also distributes and sells natural gas to 38,500 customers in 20 communities within the territory. For the 12 months ended Oct. 31, 1951, the company reported total operating revenues of $27,207,463 and net income of $4,878,143.

On Titus-Miller Staff

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Harold D. Beadle has joined the staff of Titus-Miller & Company, Penobscot Building, members of the Detroit and Midwest Stock Exchanges.

With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Carl W. Backlund is now with Merrill Lynch, Pierce, Fenner & Beane, 1003 Walnut Street.

Joins Kidder, Peabody

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — James W. Pilcher has been added to the staff of Kidder, Peabody & Co., 75 Federal Street.

Russell McConnell Opens

DORSET, Ohio—Russell McConnell is engaging in a securities business from offices in Dorset. Grant W. McConnell is associated with him.

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

HAMILTON, Ohio — Robert W. Breidenthal is now with Waddell & Reed, Inc., of Kansas City.

Gisinger & Lydic Open

MILLERSBURG, Ohio—Robert G. Gisinger and William J. Lydic have formed a partnership to engage in the securities business.

With Calhoun & Co.

(Special to THE FINANCIAL CHRONICLE)

SPARTANBURG, S. C.—H. Kendall Hobbs has become associated with Calhoun & Company, 124½ Morgan Square.

Harvey Burton Opens

SALISBURY, Md. — Harvey L. Burton is engaging in the securities business from offices in the Apex Building.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—President Truman's proposed Federal budget for the fiscal year 1953 brings into sharp relief not only what a road the Federal Government has traveled but how far it has moved down that road, since the President impulsively initiated the "police action" to counter the Red invasion of South Korea at the end of June, 1950.

Mr. Truman on Jan. 3, 1949, submitted the proposed budget for the fiscal year 1950 — the year which ended with the Korean war. In that budget of three years ago the President proposed the expenditure of $13,219 million for national defense.

"The military forces recommended in this budget are the most powerful this nation has ever maintained in peacetime," the President said three years ago. "The principal objective we should have in mind in planning for our national defense at this time is to build a foundation of military strength which can be sustained for a period of years without excessive strain on our productive resources, and which will permit rapid expansion should the need arise. The recommendations in this budget move toward this objective. I believe that they will permit this nation to maintain a proper military preparedness in the present uncertain period."

Three years later, or on last Monday, the President submitted a budget calling for the expenditure of $51,163 million for the military services of the United States alone. This is just slightly less than **four times** the military expenditures proposed by the President three years ago.

And, the avowed purpose of the current $51.1 billion is precisely the stated purpose of the $13.2 billion of three years ago: To provide a "short of war" and "deterrent to war" military establishment which would constitute the base for an enormous expansion in case of an "all-out" war.

"Despite its size," said Mr. Truman on Jan. 21, 1952, "this is not a budget for all-out mobilization. It is a budget carefully planned to carry us a long way forward on the road to security—at a pace which is not only within our present economic capacity, but which will enable us to grow stronger in the years to come."

From Korea (fiscal '50) total Federal expenditures have risen from $37 billion to $85.4 billion, an increase of 130.8%. In fiscal '50, revenues aggregated $40.1 billion. For fiscal '53, they are estimated at $71 billion, up nearly $30 billion or about 77%. In '50 corporation income tax payments totaled a little less than $14.4 billion. By '53 they will run to $27.8 billion of combined income and excess profits taxes, or a rise approaching 100%.

* * *

Four years ago Mr. Truman asked for $7 billion for various foreign aid programs with an "its not debatable" air. It was the beginning of the Marshall Plan.

"The new international program is our answer to an unprecedented challenge," Mr. Truman declared four years ago.

"The budgetary implications of failure to achieve recovery in Europe and other crucial areas deserves additional emphasis. Should failure of these programs result in a further extension of totalitarian rule, we would have to reexamine our security position and take whatever steps might be necessary under the circumstances. The costs of added military strength, if Europe should succumb to totalitarian rule, would far exceed the costs of the program of economic aid now before the Congress."

This, it is repeated, was $7 billion which Mr. Truman was four years ago asking for, the price of its refusal being, in Mr. Truman's formal opinion, added costs for U. S. military strength.

For the most part, Congress provided the funds demanded for Marshall Plan aid. Europe has had an admittedly large economic recovery. The Communists have not overrun Europe.

Nevertheless, the $7 billion sought four years ago has not avoided a request by the President for fiscal '53 of more than **seven times** that $7 billion sum for military costs. And the total of "all security" programs proposed by the President for '53 is $65.1 billion, or more than **nine times** what the timely investment of $7 billion by Congress four years ago was supposed to avoid.

* * *

If Mr. Truman a few years ago seemed to have large confidence about the future security of the free world under the Marshall Plan, and the adequacy of U. S. military forces in the then "uncertain period," he appears by contrast to have a little less confidence this January 1952 about future broad trends.

In abondoning budget-balancing, the President did not put a time limit on when deficit financing, in its turn, can be abandoned. "A pay-as-we-go tax policy is difficult to regain, once we fall behind," he said. He said that abandoning budget - balancing presented Congress "with dangers." In his opinion, "prudence demands that we return to a pay-as-we-go policy as quick as practicable." He expressed the hope that the expanding economy would boost the return from taxes in future years.

While the former prediction of the "tapering off" in defense spending has been variously postponed from 1953 until "after 1954," the latter being in the budget message, the President now hedges that also considerably.

"If new international tensions do not develop, and if no further aggressions are attempted, I hope we will be able to reduce budget expenditures after the fiscal year 1954. By then we should have completed our currently planned military expansion," he asserted.

* * *

Mr. Truman indicated in his latest budget message that he would submit a special message to Congress asking for a new foreign aid program of $7.9 billion.

Until he submits that message, and unless that message is far clearer on the subject of foreign aid than the budget message, the Congress if not the Red enemy is totally confused as to what the President has in mind in this field for fiscal 1953.

The President was unclear on amounts. He indicated that foreign aid of all types would result in aggregate expenditures of $10.5 billion plus during the fiscal year 1953, of which $3.4 billion would come out of the new appropriation request.

This has the appearance of being a strategem. It appears not to ask for a materially larger figure than the $7,250 million approved by Congress for the current foreign aid program. On the other hand, if $3.4 billion is to be spent in one fiscal year this would leave only $4.5 billion for an ensuing year. This would seem to indicate that the President, provided he is reelected next November, will ask for a much larger "second bite" foreign aid request a year from now.

The President indicates that foreign assistance will consist of four kinds: (1) foreign arms assistance, (2) economic assistance, (3) "off-shore" or foreign purchases of arms, and (4) Point IV "technical assistance to backward areas."

It does not appear that the President reveals how much he will spend for each of these objectives, although he does hint that $8 billion of the $10.5 billion will either be for arms or "off-shore" purchases.

The Pentagon is naturally skeptical of "off-shore" or foreign arms purchases. To the extent that they provide weapons quickly where they could not be produced in the U. S., they relieve the shortage on U. S. materials and expedite the delivery of equipment. The previous understanding was that out of military assistance appropriations, the Administration would contract for only $500 million of such purchases in the current year and $1 billion in fiscal 1953.

Military men are skeptical of foreign purchases because they could have the effect of lessening European expenditures and merely provide indirect economic aid. Under "off-shore purchases, the U. S. could buy rifles from Britain and give them to France, buy them from France and give them to Italy, and so on.

The President, however, stressed a growing importance of these foreign purchases. "To an increasing extent, the equipment we provide will be procured in Europe. This will lighten the production burden on this country, and by stimulating European military production will help to bring nearer the day when Europe will be able to maintain her forces without further assistance from us," the President said.

Mr. Truman likewise gave no break-down of estimates for purely economic aid, but emphasized the U. S. will have to expedite deliveries under economic aid.

* * *

There were a number of miscellaneous facets to the budget message:

(1) Although the President predicted that the present statutory debt limit would be reached at $275 billion June 30, 1953, the President did not ask Congress to raise the debt limit. He apparently will duck that until next January or, if defeated, leave that to his successor.

(2) The pay increase for the military of $832 million, now going through Congress, was included in the estimates. So was $290 million for aid to education, doubtful of enactment.

(3) By fiscal 1953 housing starts will be limited to 850,000 units "or less." In the coming 18 months 400,000 housing units will be built in "critical defense areas," or only where the Government commands, at prices and sizes of houses the Government determines, for rentals and sales prices fixed by regulatory decree.

(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

"B. O. had it made to order!"

Midwest Forum of National Analysts

CHICAGO, Ill. — The Fourth Midwest Forum of the National Federation of Financial Analysts Societies will be held Wednesday, Jan. 30, at the La Salle Hotel under the auspices of the Investment Analysts Club of Chicago.

From 4:00 to 5:30 p.m. various panel discussions will be held with Joseph R. Bentert speaking on Synthetic Fibres; Dr. R. S. Dean on new metals; George M. Lewis on Meat Packing, and Paul V. Galvin on Electronics.

The dinner meeting itself will be held at 6:45 p.m. Gordon Buck of Foote, Cone & Belding will address the gathering on "Fitting Advertising into a Business Appraisal."

Meetings are open to guests as well as members. Tickets are $6.60 per person and reservations should be made by Jan. 25 with Russell J. Eddy, Brown Brothers, Harriman & Co., Chicago.

Univ. of Saskatchewan Investment Course

REGINA, Sask., Canada—The Extension Department of the University of Saskatchewan is offering in collaboration with The Investment Dealers' Association of Canada, a short course on investments.

The course will run from Monday, Jan. 21, to Monday, Feb. 25. Prof. K. W. Gordon, Assistant Director, Department of Extension, is acting as collaborator.

The lecturers are as follows: R. M. Forrest, James Richardson & Sons; W. V. Warner, James Richardson & Sons; W. Dakin, Nay & James; R. Beale, Wood, Gundy & Co. Ltd.; N. R. Edwards, James Richardson & Sons; F. Poutney, Houston, Willoughby & Co. Ltd.