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# FORBES

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# FORBES

JUNE 1, 1952 • VOL. 69, NO. 11

B. C. Forbes, Editor and Publisher

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**Street pieces**

EVERY so often a FORBES editor is assigned to write a "market piece," like the story on page 19 headed, "They." In our editorial rooms, a "market piece" is considered the toughest kind of article to turn out. It gives no investment advice, mentions no corporate names like the market columns signed by Messrs. Goodman, Hughes, Biel and Hooper. It tells no story of people and competition, like "NBC vs. CBS" on page 10. It conveys no hints of general trend, like our regular report from Wall Street on page 6. Such a piece is, in fact, more explanation than story.

During the last year, quite a number of these plainly-put explanations have appeared in FORBES. They have covered tax-exempt bonds (May 15), puts and calls (March 15), secondary issues (January 15), over-the-counter trading (October 1, 1951), how to rate a railroad (September 15, 1951), odd lot trading (September 1, 1951), and what a growth stock is (July 1, 1951).

The reason for these pieces, which to many of our readers must seem elementary, is rooted in American history, which has made the name "Wall Street" a synonym for financial juggling. To much of this country's population—and possibly to a goodly number of FORBES readers—the gentlemen of the Broadway Canyon are the legatees of the sort of monetary freebooting that went out with Jay Gould and Jim Fisk. In the same way, many Americans judge

all labor leaders in terms of the violent era; and some judge all businessmen in terms of child labor and sweatshops.

These impressions are subtly confirmed by the massive superstructure of government statutes which have outlawed stock-watering, the union organizer's truncheon, and the 72-hour week. These widely-known preventives, valuable as they are, tend to obscure the fact that self-regulating institutions are the necessary prerequisite to what we call "a free country."

In a market like the New York Stock Exchange, where the number of buyers and sellers is large, "cornering" and "rigging" becomes virtually impossible. This, of course, is Article I in the creed of a free or capitalistic economy. It stands between the lines of "They," which is this issue's market piece on the subject of short selling.

Briefly, the piece explains that selling short is a simple variation of the supply-demand equation; that in spite of the watchdogging that now goes with the short sale, it is not a crime against society; that today's short seller is no financial descendant of Dan'l Drew or Cornelius Vanderbilt for the simple reason that the Stock Exchange now has a large enough number of sellers and buyers to be self-regulating.

Like many another fact of life in Ticker Tape Alley, this one seems to be drowned out by the hissing and grinding of teeth whenever "They"—the short sellers—are mentioned. You'll see what we mean beginning on page 19.



Columbia to Mr. Vanderbilt—"THIS SMELLS PRETTY BAD, COMMODORE."

Bettman

## TWO-LINE EDITORIALS

Political graft stinks nauseatingly.

Let's have thoroughgoing housecleaning next November.

Gen. Eisenhower, when freed, should speak out freely.

W. Averell Harriman looks the best of the Democratic Presidential aspirants.

Make your sincere political convictions known as widely as possible.

Sometimes, silence isn't golden.

Economic conditions currently aren't changing radically.

Conservatism is the rule.

Prediction: Fewer homes will be built next year.

Secretary of Labor Tobin reveals himself a narrow politician, not a statesman of Cabinet calibre.

Keep near shore lest squalls blow up.

Unreasonable union demands are uniting public opposition.

This may be revealed Nov. 4.

Expect some price recessions, keen competition for the consumer's dollar.

Communism isn't conquering everywhere.

Five years hence—what?

Optimism rather than pessimism seems warranted.

Remember, production lost by strikes can rarely be recovered.

The most burdensome tax on America and Americans is taxes.

Selling by and by will call for more sweat.

Good stocks can still be purchased to yield good income.

Neither a bad break nor a boom is foreshadowed.

Harry Truman invariably favors hiking spending.

Has he forgotten that, when a businessman, he went broke?  
—B.C.F.

# THE BUSINESS PIPELINE

*"Friends, Romans, and countrymen, lend me your ears!"*

*(They were all of them fond of quotations: So they drank to his health, and they gave him three cheers, While he served out additional rations).*

—LEWIS CARROLL, Hunting of the Snark.

ACROSS from Selfridge's on London's Oxford Street last month a scruffy Cockney carried on a brisk, illicit trade. He peddled Wrigley's Juicy Fruit gum, "no points, one shilling sixpence [21c] the packette." For the bustling crowd on London's Fifth Avenue his overpriced wares were colorfully tempting and sweet, symbol of luxuries Americans have and the English have not. That the hawker was doing his bit to undermine Britain's strained economy, nobody seemed to care.

Of far more importance to 'Arry 'Awkins last month was Newcastle's 1-0 cup final football (soccer) victory over London Arsenal, the first in years. To the "Geordies" (Newcastle rooters) streaming from Wembley Stadium on their way to raising Cain in Piccadilly and Leicester Square, cheers were reserved for that government which will serve out additional rations of both bread and circuses. Along with their playing field fun, they had "womb to tomb" security, there were "fair shares for all." If prices had skyrocketed since Korea, more goods were on the market, the worker—with paycheck all but guaranteed by law—had never had it so good.

Was the nation really better off?

Ten days later, 3,000 miles away in Manhattan's towering RCA building, Laborite Hugh Gaitskill, a picture of pink-cheeked austerity in proper Oxford-grey, argued "yes." Inflation at home was leveling off, said he. In international trade, "the drain of dollars slowed in March and the situation will probably be somewhat further improved in the second quarter." His reasons: (1) The United Kingdom should receive some payments under the Mutual Security program which have been allotted but not yet collected. (2) Some

speculative movement of sterling from Britain has slowed and will probably swing back the other way. This favorable money shift came with the feeling that sterling will not be revalued downward again. (3) Effects of import cuts in dollar commodities will be more apparent in the second quarter than in the first.

About the question interesting U. S. business most, "when will sterling become freely convertible into dollars?" Gaitskill was less optimistic. Before that happens, "the United Kingdom must have far more than present gold reserves and a very real prospect of sterling-dollar balance." Neither of these conditions is likely enough to boost American hopes for the \$4 billion additional sales in Britain free exchange will produce.

Obviously tickled by Labor's gain of 546 local government seats in the past month, precise-accented Gaitskill declined to discuss England's domestic affairs. "When Mr. Eden and others were in opposition," the socialist recalled, "they kindly refrained from discussing the Government in America. It is only sporting that I return the compliment." But Gaitskill's admirable sense of fair play seems not to have penetrated his party in Commons. By threatening to undo all that Churchill can accomplish toward denationalizing steel and truck transport when they get back into office, Laborites have crippled the parliamentary process, tarred the Tories with a do-nothing name. Neither did the socialist sportsmen remind the crowded pressroom in New York that both confidence in sterling and tighter import controls have come with Churchill's precarious, six-month rule.

Far less inhibited toward politico-economic comment was Ministry of



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**SELFRIDGE'S:**

*the opposition kindly refrains from transatlantic criticism*



**THE PRIME:**

*Harris & Ewing*

Transport official Harold Brook. In his hilltop garden in Kent's flower-filled, industrial Dartford, the life-long Tory lamented the lack of honest effort from workers, to whose production Britain's eventual recovery is keyed. He told a story of what security has done for his dustman (garbage collector), who manages to fill his government-set quota by Friday at 10 a.m. After loafing on full pay for the rest of that day, he and his mate return to work on Saturday to maintain their truck, get six hours' pay for four hours' work. With this covert dishonesty repeated in job after job, Brook almost welcomes the unemployment from Lancashire's textile slump. "It might force workers to pull up their socks."

"The trouble," sighs disillusioned Leicester lawyer Donald Cooper, "is that socialism is too good for people." While the black-coated (white-collar) worker bears the same high-price, high-tax burden familiar to fixed-salaried men in the U. S., the coal miner and laborer is king. He lives in rent-controlled dwellings, eats tax-subsidized food, rides at a discount in public-supported transport. His high wages pay for under-the-counter extras or costly off-ration luxuries. To secure their edge, trade unions are currently demanding more pay, despite the pleas of Chancellor of the Exchequer "Rab" Butler for wage restraint.

Clearly taken by the belief that planners can play God with human nature, Gaitskill denies his countrymen circumvent controls, but there is evidence to overrule him. Though the normally law-abiding Englishman would no more go through a red light than murder his mother-in-law, however much he might want to, no one questions his neighbor's right to angle for additional tid-bits. In restriction-rimmed Britain, the symbol of society's fall is not so much a 5c apple as an off-ration egg.

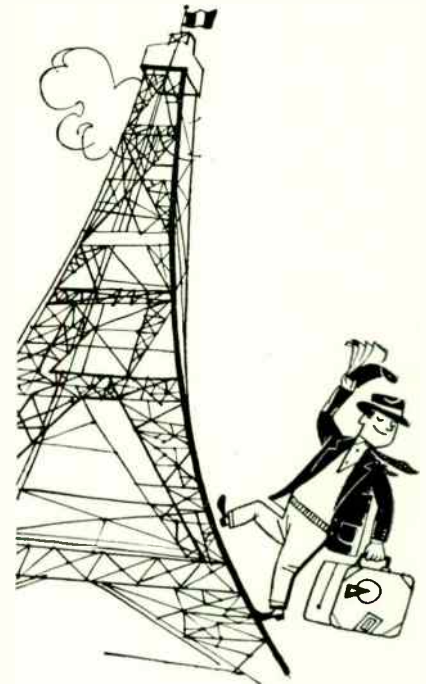
If Labor can point to a healthy, ade-

quately fed populace, a quick comparison shows bugs in British economy no government can exterminate by decree. One of them is that wages cannot continue to rise without causing a corresponding increase in the money supply, and a boost in prices. To offset this price boost, a reflection of the consumer desire to buy more goods with shrinking dollars, the Tories tightened credit this spring.

While New York Stock Exchange president G. Kieth Funston could predict last month that American stockholders "may become a force of vast importance" in political and labor-management affairs, little chance exists in England. Johnny Q. Investor here can boast his money and his know-how produced more goods this spring than ever before; his U.K. counterpart has lost his capacity to dream of big success. Socialism's boasts are all national. The Comet, world's first all-jet airliner was in government-owned B.O.A.C. service last month; government-owned British Railroads unveiled an advance jet-turbo locomotive; the government-financed Cunard Line announced plans for 11 new ocean-going ships.

But some proof that old-fashioned capitalism has boosters in Britain was given last month when the Government proposed TV commercials over the staid old BBC. And when materials are easier to get "provision should be made to permit some element of competition" among television stations.

There were bright spots for long-suffering British housewives: a soap-price war between Lever Brothers and Headley's, and the news that tea and meat rations will go up next month. But the general expectation is that prices will keep right on rising. Muttered commercial traveler Laurence Journeaux as he shelled out 3s 7d (49c) for 20 cigarettes: "The only things a penny is still good for under flippin' socialism are a platform ticket, a pay toilet and an Oxo cube."



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# WALL STREET

A FRESH shingle hangs on a Wall Street door—Baruch, Rothschild & Co., Inc. Inside, the fresh paint and bleached oak furniture are as bright and as forward-looking as the partners: Stock Exchange member Sailing P. Baruch, son of Sailing W., nephew of famed Bernard, and George F. Rothschild, the lineal descendent of the centuries-old financial family, son of the late Monroe Reese who founded the member firm Rothschild & Co.

Skilfully throwing the switchboard plugs in an already overburdened board, shirt-sleeved George Rothschild outlined the whys and wherefores of the company making its debut just as volume on the Big Board dragged and dragged and dragged.

"Despite taxes *et al.*," quipped the young financier, "we still see the possibility for capital gains. None of the Baruchs or the Rothschilds have ever complained, so how can we give up?"

No newcomers to the Street are these partners. Both carried sandwiches over at Henry Hentz. Both recall the gloomy days of '29. With time out for service in World War II, both have moved swiftly up the Wall Street ranks. Mr. Baruch's latest achievement was the

underwriting of his own Baruch Oil Company which last July had its initial offering oversubscribed. Mr. Rothschild more recently has acted as negotiator for the purchase and sale of varied business enterprises.

"The new firm," says Rothschild, "will be devoted primarily to the originating and underwriting of its own issues. We expect to have something pretty exciting to offer by the first of the year."

And, he says: "Ours will not be a promotional house, not a large operation. Its policies will be broad in scope but primarily we are interested in our own mining and oil issues."

These include, of course, Baruch Oil Company, which has an undivided interest in Louisiana gas properties operated by Isbrandtsen Co., and oil wells in Wyoming operated by Sinclair Oil Co. Also Kenilind Oil & Gas Co. and interests in Canadian copper mines.

## Charting financial seas

In panelled offices and book-lined cubicles there reside analysts and chartists who separately or together formulate the major portion of public opinion upon which rests the decision of in-

vestors small and large on when to buy or sell and at what price.

Among the chartists, Kenneth Ward, partner at Hayden Stone, plays a stellar role. Over teacups in his office we asked him to display his tools in the hope that we could somehow score as well as he does.

"Of course," warned Ward, "you can't always shoot par on the market's course. But, if you follow the charts, I think you can come closer to getting a good score than any other way."

Kenneth Ward believes that a picture is worth 10,000 words. At the same time he cautions: "Charts have many shortcomings."

"I'm as interested in public opinion as in the top secret stuff," says Kenneth Ward. "While research enables me to recognize value, after all it is the public's opinion that makes the price. The statistician," he says, "realizes that the preservation of capital is not achieved solely by the study of fundamental values but by fastening on to major price cycles which move in relation to those values."

Right now here's what he sees for the market as a whole:

A new high on the Dow-Jones averages this summer. "There are enough strong stocks in the D-J averages to accomplish this penetration," he points out. He doesn't think we have seen the beginning of a bear market. The reason: the wide price divergence of individual stocks and the market as a whole. As is popular among both chartists and analysts today, Ward also questions the current validity of the popular indices. And he points out that, in spite of 10 to 15% reduced earnings this year, there seems ample precedent in an election year, even if we should gain peace in Korea, for a higher market for the balance of the year, especially in many selective issues.

Mr. Ward thinks that later in the summer textiles, dry goods, liquors, and mail order issues will "bottom out."

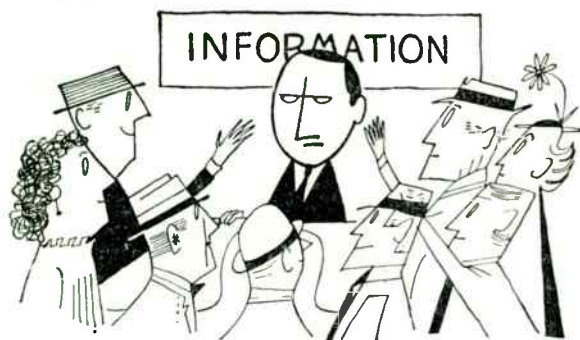
Auto equipment issues are perhaps not quite ready for a strong advance but should go higher. Ditto for rail equipments.

He doesn't think oils are on the bargain shelf even though demand will continue for some time. He wouldn't, however, disturb any investor's oil holdings. And he feels pretty much the same way about rubber issues, metals and chemicals.

Summing up his advice: "Don't sell too soon, perhaps not before October."

## Selectivity plus

While Wall Streeters talk about "selective buying" there is no apparent agreement upon selections. Walter Bernthal, Filor, Bullard & Smyth's special situations specialist, has a hankering



**Last year,** our Research Department answered questions from thousands of people—enough people in fact to form a queue from Newark to New York.

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for Southern Pacific. He likes this rail's real estate holdings which include oil lands, points out that the quarterly \$1.25 dividend may well be upped to \$1.50. Long a Climax Molybdenum fan, Bernthal sees "Molly" climbing again, this time on news that its chemical plant will, any day now, swing into production of oxides. . . .

To another analyst, Anchor Hocking Glass looks good about ten points below its high. . . .

American Car & Foundry also gets mention, especially in connection with its preferred selling at a considered low of \$75 in relation to present earnings and on the basis that this issue is now cumulative to the extent earned. You'll recall the company had its day in court on this particular subject. . . .

Chicago Pneumatic Tool's preferred is another oft-mentioned "I like" issue. The point made here is that the company's sales are bound to increase with its new Texas plant built to help meet the demand for oil drilling equipment. The preferred, convertible at the option of the stockholder into one and one-third shares of common, offers as much of a capital gain as can be acquired by ownership of the common, plus the additional safety factor.

What the Street can't seem to agree on are Department Store issues. One contention is that no better earnings can be expected this year in the face of a possible general wage rate hike. There are those who believe these issues are already selling on the basis of a hope for improvement over depressed 1951 results. Even the storemen themselves voice no expectation of higher profits. What's more, these issues have no EPT cushion or carryback credits to bolster '52 earnings. But then, there are those who hold that department store issues are available at sharp discounts from former highs and contend the environment for better earnings is a certainty. . . .

And, a turn-about in the rayon industry is cited as a result of the 4½% increase in viscose rayon and acetate shipments in April over March, thus projecting both American Viscose and Celanese into higher regard, despite their recent poor earnings. . . .

Also on "I like 'em" lists: bank stocks and finance companies. Both groups stand to gain from the easier credit now available to industry and consumers.

#### **Institutions prefer**

Wall Streeters keeping a jaded eye on the doings of institutional investors note a preference for preferreds over common stock issues, especially by the savings banks. What's more, it seems that some of the bankers are finding

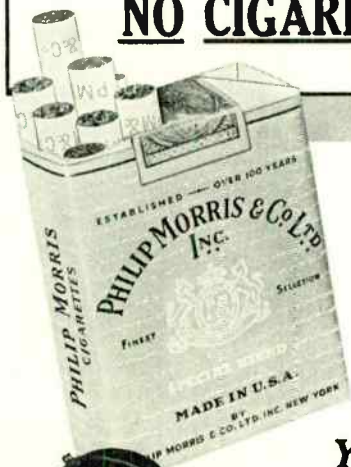
(CONTINUED ON PAGE 39)

June 1, 1952

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# No Cigarette Hangover *tomorrow!*

***Remember:* PHILIP MORRIS is made differently from any other leading brand. And that difference is your guarantee of everything you've ever wanted in a cigarette... tasty mildness, rich flavor, pleasant aroma... a clean, refreshing smoke that leaves**  
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# CALL FOR PHILIP MORRIS

# FACT AND COMMENT

by B. C. FORBES

## **TOO MUCH OFFICIAL DOMINATION HERE?**

“Believe it or not, a seat on the Toronto Stock Exchange is now worth more than a seat on the New York Stock Exchange,” says Joseph D. Goodman, able and analytical member of the N. Y. Stock Exchange, who has been writing for *FORBES* for over twenty years.

Extraordinary!

Why is a seat on the stock exchange of Toronto, a city of 1,000,000 population and in a country of less than 14,000,000, today worth more than membership on the New York Stock Exchange, in the foremost city in the world, the financial metropolis of the world?

The buying and selling of securities here has been increasingly “cabin’d, cribb’d, confined.”

You can buy a home on a down payment of not more than 10 per cent, but you must pay 75 per cent of the total value of a stock you purchase through the New York Stock Exchange. Why should stocks be so drastically discriminated against now that credit regulations have been either greatly relaxed or totally abolished in various fields? Investors should vociferously demand easing of margin requirements.

My suggestion is that not only the N. Y. Stock Exchange Governors and members, but the whole financial and investment world, launch a most vigorous campaign to relax the present unjustifiable straitjacket.

## **TRUMAN DOESN'T RETAIN BIG MEN**

One test of a really big man is ability to attract and surround himself with other big men and kindle them with enthusiasm for service. Harry Truman has fallen down deplorably in this respect. The latest industrial giant to sever company with him is Charles E. Wilson, former president of far-flung General Electric.

Truman has failed to gather around him recognized national giants, to retain some of the ablest whose services he did enlist. Today, sadly, he has at his beck and call mostly second-raters, obsequious me-too individuals, mostly nonentities, men who never attain the stature of giants.

Happily, Mr. Truman has eliminated himself from the monumental responsibility of directing the far-flung affairs of this nation for the next four years.

Nobody among the Democrats has thus far captured the imagination of the American people as a highly promising Chief Executive. In my opinion, W. Averell Harriman tops the list of Democratic Presidential aspirants. But national enthusiasm for him certainly is not red-hot.

Our preference is Dwight D. Eisenhower, notwithstanding that we have long been possessed of high regard for Senator Taft's ability—indeed, more admiration for his ability than his judgment on world questions. Frankly, we think he has been too isolationist, that he has failed to recognize

adequately the dominating role the United States plays and must play in the world at this fateful time. Should America shirk world leadership, Soviet Russia would eagerly take over.

God save us all from such a dismal, atheistic, tyrannical fate!

## **BAD MANNERS CAUSE AUTO ACCIDENTS**

One of the worst blights on America is the unconscionable number of fatal and other automobile accidents. They have taken a heavier toll of human life than war. Ponder that! After having driven and used automobiles in this country for over forty years, my definite conclusion is that far more accidents are caused by bad manners than by anything else. If every man and woman at the wheel of a car would simply exercise good manners, politeness, courtesy, the death toll would be cut by fully half.

Selfishness, hoggishness, inconsiderateness of others are mainly responsible for our daily awful holocaust.

*Noblesse oblige!*

★  
*Thinking triumphs.*  
★

## **WHAT'S YOUR BEST “SECURITY”?**

All of us want to have honest-to-goodness “security” in life, in our jobs. What constitutes the very best “security” any of us can enjoy? Robert Foster Moore, the learned author of a forthcoming *FORBES* book, “How Am I Doing?”, ends this volume with these words:

“So long as you are a person with something somebody else wants you have security.”

My own opinion of the soundest “security” any human being can enjoy is an outstanding reputation for superior ability, for conspicuous worth, for exceptional earning power.

Any man who has won universal acclaim as an invaluable executive has, in my opinion, the truest, most dependable “security.” He can count definitely upon being selected by some meritorious concern as a coveted acquisition to its executive force at a high salary. Unique merit in any field earns mounting reputation and insures higher offers.

Governmental “security” rewards are, at best, mediocre, whereas any executive who has achieved outstanding recognition can practically pick and choose fields of exceptional reward, compensation.

“How Am I Doing?”, our volume now in preparation, tells younger and other promising executives how to analyze how soundly they are moving in the right direction, what their prospects are for further growth, or whether they may perhaps be heading in a doubtful direction—and, if so, how to go about readjusting their course.

The man of exceptional talent and ability and achieve-



ment possesses the most priceless kind of "security." Political "security" is, in my opinion, the most undependable kind of "security" on which any aspiring human being can rely.

Earn "security" which does not depend upon governmental hand-outs.

★

*Shape your own destiny by your own serious pondering.*

★

### **LIFTING OF CREDIT CURBS WISE**

The United States was born through thirst for freedom. Most Americans today cherish freedom as much as did the founding forefathers. Since the advent of President Franklin D. Roosevelt, and continuing under President Harry Truman, our freedom to lead our own lives, to spend our own money as we wish, has been increasingly curbed.

Now our political overlords announce that they have graciously consented to permit us to use our own money somewhat more in accordance with our own wishes. Down payments on many purchases have been relaxed, released.

The powers-that-be apparently have finally sensed that the freedom-loving citizens of America have rebelled against arbitrary dictation by Washington.

I am increasingly hopeful that November 4 will usher in a new regime in the United States, the right of free-born Americans to carve out their own lives.

★

*To become "a big noise," work quietly but unremittingly.*

★

### **JAPANESE PROVED TRUSTWORTHY**

The trustworthiness, or untrustworthiness, of the Japanese has been animatedly discussed ever since they were brought into the world picture. One shiningly successful American business leader early reaped reason for having

faith in them, namely, John David Biggers, who has made Libbey-Owens-Ford Glass Company

#### **UNUSUAL INCIDENTS**

one of the world's foremost in its broad field. He writes:

"Here is an unusual incident which happened early in my business life and added greatly to my faith in human beings when their innate sense of integrity is challenged by the confidence of others. It also reflects credit on the Japanese, whose business ethics have been questioned by some Americans, perhaps unfairly.

"It was in the hottest days of summer. I, then in my mid-twenties, was Assistant Treasurer of the Owens Bottle Company. A senior official and I were negotiating with Japanese businessmen in Toledo for the sale of the Japanese patents on the Owens bottle machine which only had three years to run.

"After eight days of negotiation the Japanese still insisted that we guarantee the production of our machines. Never having done so elsewhere in the world, my senior associate declined, dropped the negotiations, and left for his summer home.

"I asked if I might continue. He said, 'Yes, the life of the patents is so short we have nothing to lose and little to gain.'

"Instead of refusing a guarantee, I whittled down their

### **DISHONEST AND DISASTROUS**

In his radio address following seizure of the steel plants, President Truman at his demagogic best—or worst—built virtually his entire case around the "excessive" profits of the industry, up some \$2.5 billion dollars, or 27%, compared with 1950—before tax deduction. In painting a lurid picture of these Greedy Capitalists whose refusal to grant substantial wage increases was threatening the lives of our boys in Korea, Truman neglected to mention the salient fact that after taxes, these profits were less than \$1 billion for the whole industry, down 12% from the previous year despite far greater volume.

The whole presentation was a perfect example of the kind of intellectual dishonesty that people have come to associate with politics and politicians.

Advocating increased wages on the basis of profits before taxes may appear to be a slick device to attract labor votes, but earners are not fools if they have the facts for arriving at a fair viewpoint. To meet higher wages after taxes, when profits are far lower than in prior years, a company can find the money in only three ways: by cutting or eliminating the dividends which attracted capital to create the company in the first place; by raising the price of what they make and sell, which would not only affect the additional purchasing power of the wage increase, but would further undermine the worth of savings; or by using money reserved for replacement and expansion, a course that soon would leave companies behind their competitors, and the workers eventually out of jobs.

The sooner companies could stop reporting as profits their net earnings before taxes, the better off we all would be. It is a figure as meaningless and as misleading as reporting figures on profits before deducting the cost of materials or the payroll. Industry should be empowered to mend its own ways of reporting, with the forlorn hope that maybe, eventually, politicians will stop the rotten deception practised by the President in presenting his case for seizing enterprises that don't obey his personal dictates.—MALCOLM FORBES.

demands until they accepted a figure which was easily attainable, and then I insisted that they, in fairness, pay us a premium if the production exceeded a certain maximum. To this they agreed.

"The plant was built and operations started under the direction of our American superintendent. A coal strike interfered with production during the test period. The machines exceeded the minimum but did not equal the maximum.

"In view of the unforeseen conditions, I cabled the Japanese asking if they would agree to an extended test period. They agreed, but our superintendent's wife refused to remain in Japan any longer. I suggested that the Japanese make the subsequent tests themselves without our aid or surveillance and that they account to us for the results attained.

"My more experienced associates thought I was worse than naive to expect favorable results under such an arrangement. However, the Japanese were complimented by the faith imposed in them. They operated our machines most efficiently, exceeded the maximum, and the production they reported to us resulted in their paying us a premium or bonus of \$13,750 above the stipulated price."

# NBC vs. CBS

*Their tug-of-war for talent obscures another rivalry in the air—radio vs. video*

IN THE PLUSH sanctums of broadcasting, gossip gallops these days. It touches three points of a romantic triangle between Mr. George Spelvin, American; radio, which has been whispering in his ear for 25 years; and television, a brashy, flashy new candidate for his affections. The question: who gets George?

This acute problem, long elaborated in song and soap opera, was the main concern last month of RCA's National Broadcasting Company and William Samuel Paley's Columbia Broadcasting System, rival giants of the ether. The competitors look daggers at each other across six blocks of priceless real estate in Manhattan. And for once their agreement is as serene as the spires of St. Patrick's Cathedral that stand between them. Neither network would have George Spelvin turn out radio to take in TV. Let him continue to be wooed, say they, by both.

By the time glamorous TV bid for attention in 1946, radio had grown in 20 years from a tantalizing toy to the greatest mass advertising medium ever known. Setting the boom underway in 1921 was short, bull-shouldered David Sarnoff, Napoleonic pilot of \$370 million Radio Corporation of America. Then general manager of newly-formed RCA, Sarnoff proved the nation's latent desire for a new plaything by broadcasting the Dempsey-Carpentier fight for the few thousand amateur fans who could listen.

The eager response first led RCA to wholesaling radio sets made by General Electric and Westinghouse, finally, in 1926, to forming NBC's Red Network to widen demand for receivers. Within two months the Blue Network went on the air. According to Owen D. Young, RCA's first chairman, broadcasting was dedicated to public service. Profits were to come through set sales and NBC had only to break even. In a year, however, NBC lost its solitary eminence when United Independent Broadcasting, Inc., was formed by a group headed by old-time mike enthusiast Major J. Andrew White. The major, once an RCA VP, has been dubbed "father of commercial radio." But United needed the money and courage of Bill Paley, who took it over in 1928 at 26 and gave birth to CBS. By 1929 Paley's venture grossed \$5 million, earned \$474,000; went on to take in \$8.7 million in 1930, \$14.5 million in 1931, \$19.3 million by 1934.

Meanwhile, NBC enjoyed a \$25.9 million income in 1931, earned \$2.3 million that year. As profits piled up, the theory of "public service only" went out the window. In this, as in more recent situations, CBS taunted its older rival how.

Says veteran CBS staffer Agnes Law, "Columbia had to succeed." While NBC's financial performance could hide in the complex catchall of RCA's consolidated income account, Paley's basket—until he entered the lucrative

what remained, Sarnoff tied together today's RCA, initials representing RCA Laboratories for research, RCA Victor, maker of almost anything electronic from microscopes to sonar gadgets, RCA International, RCA Communications, Radiomarine Corporation, RCA Institutes, and NBC.

Russian-born David Sarnoff, the short, stocky boss of this conglomerate, likes to be called "General," a rank earned in War II. He dresses with most meticulous care, lives in a six-story,



SKELTON:



BENNY:

*the transfer of funny faces to Columbia . . .*

phonograph record field in 1938—held a single egg: broadcasting. Along with Frank Stanton, a blond, six-foot Ohio State Ph.D. he hired for research in the depression and made president in 1946, Paley turned radio from a sedate, cultured medium to a high-stepping, loud-laughing jamboree. On the climb upward, Paley stomped hard on Sarnoff's toes, and in self defense music-loving NBC had to shift its feet. As he traveled, Sarnoff spread his talents.

To enter set manufacturing on his own in the late '20s, Sarnoff bought Victor Talking Machine for \$150 million in RCA stock. Profits soared. RCA common zoomed from 2½ to a 1929 peak of 549. In 1932 government trust-busters forced GE and Westinghouse, which had started the firm with United Fruit and American Marconi, to dump their 51% control. This liberated Sarnoff. A few years later RCA, on Federal Communications Commission orders, gave up the Blue Network, now the American Broadcasting Company. With

30-room Manhattan house, is said to have contempt for money—a whim he can afford on \$200,000 a year.

But for CBS' 1951 radio income—\$68 million gross vs. NBC's \$54 million—not even General Sarnoff has expressed contempt. While NBC spokesmen tend to peer down on Columbia as a come-lately upstart, success-puffed Columbians are ready with their repartee. To them, NBC is a muscle-bound bureaucracy, too snarled in red-tape to react to change. Neither view is quite accurate.

To earn radio leadership, Stanton started at War II's end. By expanding his programming department like nobody else's business, he has bagged a glittering bundle of top-rated "package" creations. Among them: *My Friend Irma*, *Arthur Godfrey's Talent Scouts*, *Our Miss Brooks*, *Life With Luigi*—all owned by the network. (Sponsors cannot buy shows, only shows and air time together.) Next, in 1948, dynamic Stanton beat RCA, which prides itself on



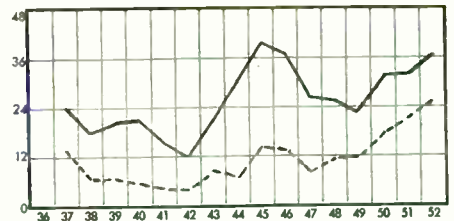
technical genius, to the market with a long-playing 33 1/3 rpm phonograph record. The move, long foreseen in the trade, took the edge off Sarnoff's long-in-preparation 45 1/3 rpm disc. The General later had to play along at 33 1/3 rpm in the spirit of "me too."

At the same time, CBS took Edgar Bergen, Jack Benny, Burns & Allen, Bing Crosby, Red Skelton and Amos 'n' Andy from under Sarnoff's very red face, packaged their programs for CBS listening. Before the talent raids, CBS-Radio president Adrian Murphy admits, his network was running far behind NBC, barely ahead of third-place ABC. To Stanton's foresight and the raids, Murphy credits 1950's record revenues, claims as many as 23 of 26 top shows.

While the networks battled for program plaudits, TV moved into focus,

argued CBS color was incompatible with existing black and white sets. To get reception, viewers would have to convert receivers at a cost of \$100 to \$150. Secondly, because of the clumsiness of a spinning wheel, screen size was limited to 12½ inches. RCA's tube easily fits any receiver and colored images sent by RCA transmitters can be picked up without conversion in conventional black and white. More recently, RCA has unveiled an improved tube, reputed to deliver clear, sharp pictures with all the conveniences claimed earlier. For round three CBS' process is improved too. But for the War II½ duration, color TV is a closed issue. No color sets can be made or marketed until NPA gives the word—which may come almost any day.

Sarnoff summed up the color hassle



**RCA AND COLUMBIA MARKET HISTORY:** Solid line shows yearly market midpoints of Columbia Broadcasting "B" stock; broken line shows yearly market midpoints of RCA common.

tions for new stations, radio was already looking to her laurels. In five years TV homes had increased to nearly 16 million vs. 42 million with radios. With the channel thaw offering outlets for 2,000 more stations, TV growth sees no limit. But the effect will not be felt fully for years. Since FCC regulations limit networks to control of only five stations or minority holdings in ten\* new outlets must come slowly from independent money. Moaned one Maine radioman at the thaw, "I can't decide whether to stay in radio only and go broke, or borrow money to get into TV and go broke."

His indecision matches the experts'. In CBS' lush new studios on 52nd Street, six floors above the mob clamoring to get into Godfrey's radio show, CBS Radio VP Lou Hausman frankly admits radio time selling has changed. "The days are gone," laments he, "when you could get a sponsor by flying him and his wife down to Miami to meet a big name star." He was echoed by NBC sales VP Jack Herbert: "Business is sort of in the doldrums right now." For the moment the glamor which sold radio for years is all TV's.\*

To meet this switch in favor and to exploit it, both networks have shuffled management. In the place of Niles Trammell, who edged up to NBC chairman, Sarnoff put Joseph M. McConnell in 1949. Tall, athletic, lawyer McConnell avoids limelight, quietly slipped into RCA's upper echelons as legal-financial VP, went from there to broadcasting. His first act realigned NBC top brass, put VPs over radio, television and owned stations, each to be independent of the other. In programming, he okayed Saturday night's *Show of Shows*, TV's costliest fling at \$150,000 a show, roped in Groucho Marx, Bob Hope, Kate Smith with tight NBC contracts. But the reshuffle of National's top lot is no once-and-for-all reassur-



**FREEMAN AND GOSDEN (AMOS 'N' ANDY):**  
... left the faces at National Broadcasting very red

gave Stanton his biggest job as president, and his biggest opening. Television had no sooner materialized than CBS filed for permission to telecast in color. Stanton's method: a spinning disc of colors placed before the cameras sends out pictures in three primary colors, red, blue and green. At the receiver another spinning disc turns each picture back into its original hue. The images come to TV screens so fast the eye remixes the colors.

After four years of FCC hearings CBS was voted superior to RCA's, much to the consternation of David Sarnoff. RCA's offer was color through an electronic tube. Growled the general: the decision is "scientifically unsound and against the public interest." Parried Stanton: "everybody knows CBS has been the leader in the long struggle to bring color television to the public, despite the persistent opposition of Mr. Sarnoff." RCA engineers (who had experimented with Columbia's whirling-disc method some ten years before)

in a black-and-white statement last February before the NPA. Said the General: "Now we come to a most important date—October 19, 1951 [the day NPA froze color]. CBS was hopelessly on the hook by this date. It wasn't broadcasting its color as Mr. Stanton had promised, the price of CBS color sets was about double what CBS witnesses had told the FCC it would be, the public was not buying CBS color sets, sponsors were not buying CBS color TV time, the CBS affiliated stations were accepting few color programs, expenses were mounting terrifically." Though Sarnoff has lost talent and business to his come-lately rival, he has made Stanton's engineers look amateurish alongside his beloved slip-stick men in their cream-colored Princeton laboratory.

But the rivalry continues on radio and black-and-white TV, may sharpen as ultra-high frequency TV comes in.

When FCC authorities unfroze TV channels in April and invited applica-





**McCONNELL:**



**BARRY:**



**HERBERT:**

*a trip to Miami is no longer a sales argument*

ance. Critics can still find flaws in their lavish way of doing business. Example: when rubber-faced Jerry Lester was keeping home videots awake with his Broadway Open House, NBC bought a 10-year option on his services, presumably at premium rates. Lester quickly dwindled to a lightweight, and NBC's "managerial foresight" looked suspiciously like lightheadedness.

CBS' new deal came in mid-1951 when Paley merged with Hytron Radio and Electronics Corporation, oldest TV tube maker, and entered the manufacturing race. Hytron's subsidiary, Air King Products Co., became CBS-Columbia, Inc. With the acquisitions, CBS took on an RCA look, split into six divisions—radio, records, TV, laboratories, electronics and CBS-Columbia.

TV is the area where CBS and NBC will bump heads most in the future. They will vie for shows, stars, sponsors and network affiliates. Stars and shows are usually always available at a price, although to date CBS has been more successful with both. Sponsors and key-area telecasting will become most important with future media expansion. With the freeze off, about 1,750 new commercial stations, UHF and VHF, can appear in the next decade. Due to the slow process of obtaining station approvals from the FCC, the network which lands first stations allotted in new television areas, picks up the marbles on a cost-per-viewer basis—the figure which most interests advertisers. While CBS has taken on an RCA appearance, the latter holds a wide future advantage in network extension, thanks to Sarnoffian diversification of the past: RCA makes much of the transmitting and station equipment needed by new stationeers. While timely delivery of needed broadcasting equipment is not a direct tie-in to network extension, it is sure to help. CBS network equipment manufacture is a poor third behind RCA and DuMont.

RCA's heavyweight in manufacturing

muddies the picture in which the television investor as such is interested. No matter how blazingly successful NBC might be, the tree-top can't support the trunk. The investor who believes in telecasting potential can see a closer correlation of broadcasting profits to dividend dollars in CBS. Although CBS has moved (in self-defense) toward RCA-ish diversification, broadcasting revenue is still its financial base.

As to the true financial picture of broadcasting, even the networks' best friends won't tell. And this is due to airmen's personalities and to the nature of the networks. Conditioned to view the world through rose-colored glasses, to speak well of competitors to strangers and to impress sponsors with the rightness of whatever medium they are currently paying for, network hirelings see good in all things. To persuade the public and studio visitors all's right with the world, both giants stable a half hundred publicists to pamper the press. Once stories are in print, broad-

casters tend to believe them themselves. Even office girls in NBC's song-filled, clattering newsroom seem chosen to give the department a handsome look.

NBC's finances have always been buried in RCA's consolidated statements, and CBS balance sheet is blurred by a mixture of network results and figures from other divisions.

Yet one thing is clear. While CBS led last year's radio billings with \$67.8 million to its rival's \$54.3 million, NBC headed the 1951 TV take with \$59.2 million to CBS' \$42.5 million. Altogether, CBS grossed \$129.6 million, earned \$6.4 million, \$3.10 on each of 2 million common shares. This compares with \$88 million gross in 1950, when earnings were \$4.1 million, \$2.39 on each of 1.7 million shares. Almost all of the increase came from TV.

At RCA, 1951 revenues were a whopping \$599 million vs. \$586.4 million the year before. Net skittered from \$46.3 million to \$31.2 million, from \$3.10 to \$2.02 a share. The slide, according to Sarnoff, came from soft TV set sales and conversion to defense work. NBC took in \$137.2 million or 22.9% of RCA's total last year, 15.8% in 1950. For the first time TV operations were in the black.

If television in 1951 lined network coffers with a promise of gold, the effect it was having on radio was somewhat less than salubrious. At CBS, radio income was off 4 to 5%, due largely to a 1951 10% cut in night rates. The slash made radio the only ad medium whose rates sank as circulation rose.

With TV threatening, NBC's big, extrovert salesman Herbert insists that for the first time radio must be sold on a facts-figures basis, rather than on emotional appeal. When the chips are



**TALULLAH BANKHEAD:**

INP

*a ninety-minute package was too bulky for radio . . .*



down, says he, Madison Avenue's ad agency row has an "electronic complex" blinding it to reality. Radio, claims salesman Herbert, is still the cheapest medium. On the basis of per thousand listeners on half-hour nighttime shows—the guiderule of advertising—CBS, by latest Heilsen rating figures, costs an average of \$2.39 for all people reached, NBC \$3.40. TV costs for all networks are \$5.77, \$3.33 for NBC, \$4.85 for CBS.

Armed with this fiscal persuasion, smooth-talking NBC VP for radio programs Charles C. "Bud" Barry has no fear that radio is on the way out. In his deep-carpeted, Rockefeller Center office, Barry keeps a shillelagh on his desk to beat off the lure of the "magic lantern," has faced radio's coming fight squarely. "In our time," philosophizes Bud, who chews a sponsor's gum while he smokes a sponsor's cigarettes, "TV will become America's biggest industry, second only to autos. But it will no more kill radio than radio killed poker."

He gives a hatful of reasons. (1) There is a high fatigue rate in TV. (2) Even new set owners spend part of their time with radio alone, because, as one televiewer put it, "all a woman can do while TV is on is shell peas." (3) Program troubles and costs will grow.

But, warns Bud, if advertisers foolishly sell radio short by turning to TV too soon, "radio will die by default." Right now, even if radio should lose all listening in the nation's 16 million TV homes, there would remain 26 million radio homes. "In coming years," predicts Barry, "programming may change radically until radio becomes a channel for news, music and information, leaving all other fields to the screen. But that time is at least five years away, and radio is not yet dead."



**CAESAR:**

... but a ninety-minute television package fills the billings

## WHICH TV NETWORK HAS THE EDGE?

Some insight is provided by TV time purchases of the five biggest sponsors (two soapers, Procter & Gamble, Colgate-Palmolive-Peet; two cigaret-makers, Reynolds, Liggett & Myers; and General Foods). Last year the five spent \$42 million on TV, or about one-third of all video billings.

Neither network shows a decided edge in the Tiffany trade, although CBS sells about 605 minutes per week to the Big Five, which were sponsoring about 540 minutes of NBC time as of April 15 of this year.

The 10-to-9 differential doesn't break down to make much sense. Procter & Gamble have four shows and part of another on CBS, two shows and a portion on NBC. The other soapmaker, Colgate, has two shows and a portion on NBC and only one ("Strike It Rich") with CBS. Liggett & Myers shows a decided leaning to NBC with four shows ("Dragnet," "Gangbusters," "Stork Club" and Perry Como) as against a part-sponsorship of CBS' Arthur Godfrey hour. Reynolds shows a slight preference for CBS, three shows to two. General Foods has five half-hour shows, all exclusively sponsored. Four are CBS presentations and only one (Roy Rogers) goes out over NBC. CBS hopes to rope in more movie names when its Hollywood Television City (below) is completed.



Counting them off, Barry numbers 105 million radios in the country, "20 million in cars, which will never have TV; and a secondary home-set distribution, which has never been properly tapped." Last year 14 million new radios were sold, and "these will not be used for doorstops."

Radio's pressing problem, analyzes Barry, is to gear itself to ad budgets reduced by the inroads of TV. This will mean cheaper talent, staff-written scripts.

One answer to CBS' more popular programs dreamed up by Barry was Tallulah Bankhead's *The Big Show*. More extravagant than anything ever tried on the air, Bankhead's Sunday night spectacle was pitched against Eve Arden's *Our Miss Brooks*, Jack Benny and *Amos 'n' Andy*, all on CBS, as well as that network's Edward R. Murrow and Gene Autry on TV. Sighs Barry wistfully, "that show had everything. Trade enthusiasm, conversation, smash reviews. Everything but a rating." After 30 weeks, having sold only two-thirds of the 90-minute production (to Reynolds Metals, Chesterfield, Whitehall Pharmacal and American Chicle), NBC dropped \$300,000 in costs. Through its run, high-priced Tallulah "dahling-ed" herself to death, will not be heard in the fall.

"The big show," gleefully puns Columbia's Murphy, "is finished on radio." He agrees that costs must shrink if the medium is to survive in solvency.

Like most good things, TV comes high. A half-hour radio show may run



**COCA:**





**VAN VOLKENBURG: HAUSMAN: MURPHY:**  
*the break-even points can be changed at will*

from \$4,000 to \$6,000, but television can take two to seven times that much, a dismal reality tending to spoil the fun. While TV set sales have slowed to a dribble, the trade notices that large sponsors are dropping video commitments. Among them: Pepsi-Cola, Faye Emerson backer on CBS. Her cost: \$43,000 a week. Paley's programmers have also lost Standard Brands and P&G's joint sponsorship of Garry Moore. And Manhattan Soap, angel for *One Man's Family*, bowed out from NBC on May 17. The advertisers' mood is one of re-evaluation. Admiral Corp., for example, which has trouble selling its own reviewers, dropped *Lights Out* to grab a chance to sponsor the presidential conventions over ABC.

Meanwhile, a slight awakening in radio may be due to its bargain rates per thousand. In April, P&G signed with NBC for an additional 2½ hours a week, brought its total time to 12½ hours. And Lou Hausman claims CBS sales for the fall are running ahead of any year he can remember. Is the price of TV scaring radio accounts back?

To discourage this and to remedy runaway rates NBC offers "magazine" sponsorship. It works this way. Few single companies are big enough to pick up a tab like the \$150,000 for Sid Caesar's *Show of Shows*, but by splitting time among many sponsors the cost to each comes within reach. In the case of Kate Smith's afternoon program, which is tagged at \$30,000 a week for talent alone, a time buyer may take 15 minutes a week of the total five hours for \$9,000 time rate, \$3,500 talent costs, or \$12,500 total. At the lower figure, he gets a chunk of a top-rated billing without committing himself to stratospheric charges. The same device is applied to Dave Garroway's *Today*, an early morning news-personality feature. Pieces of Garroway go in chunks as short as five-minute chunks at \$2,325 per chunk.

With this setup, NBC (CBS has

similar deals) takes the "blue chip gamble," explains NBC's TV VP Edward Madden. By selling a costly but good show to a handful of sponsors, the network attracts the most loyal audience, charges at pro-rated cost. (To keep Madden and staff keyed to TV's precarious position, Madden's gray-oak desk supports a miniature microphone labeled "radio.")

A more elaborate solution to costs by CBS TV President John L. Van Volkenburg will come when CBS Television City in Hollywood opens in October for coast-to-coast telecasting. The City aims to lower expenditures by rationalizing use of studios, cameras, sets, and labor. Designers William Pereira and Charlie Luckman (of Lever Brothers fame) claim the city "is as elastic as the new television medium itself. It provides efficiency and stability today and complete flexibility for tomorrow." However elastic TV might prove, one NBC staffer, whose company is planning a centralized West Coast factory too, thinks RCA is "too bureaucratic"

to act quickly enough in these matters.

Completed, says Von Volkenburg, who with his boss Frank Stanton shares the distinction of being the most handsome man in TV, CBS City will cover 25 acres, include a 13-story administration building of 600,000 square feet. And in Hollywood it will be poised to capture movie talent, on film of "live."

Any attempt to decide whether CBS' \$12 million investment in the first TV city unit will pay off is futile, for few financial yardsticks fit broadcasting. S. L. "Pat" Weaver, Jr., NBC's TV veep, confesses that nobody knows television's profit margin. In video as in radio fixed costs and breakeven points are flexible, change from program to program. "By varying promotion, advertising and talent spending," declares CBS' Adrian Murphy, "breakeven points can be changed almost at will."

From his starkly modern angular desk in a soft-toned hideout dominated by an amoeba-shaped, glass cocktail table, tall, 43-year-old Weaver points to another curiosity of the business. "Whenever a show loses a sponsor," laments Pat, "a network loses the time rate, but must also pick up the tab for a sustaining program to fill the space." So, in effect, the more time sold, the lower the break-even point and the higher net will be. Broadcasting, therefore, exerts a leverage on earnings entirely aside from its fixed charges, making it an attractive boom-time investment.

In judging radio shares as values, the investor—who got 63.5% of earnings in dividends from CBS and 37.7% from RCA in the last ten years—must decide whether advertising revenues will keep going up. For 1952's first two months, TV revenues exceeded radio's on the



**IRMA (MARIE WILSON):**



**LUIGI (J. CARROLL NAISH):**

*with the big radio show finished . . .*



Big Two. Furthermore, radio's losses to TV were more imagined than real, for both networks claim to be sold to within 10% of their potential. At recent prices RCA went for 13 times earnings, CBS for 11.

If investors find it difficult to judge broadcasting's virtues, the time buyer is equally baffled. Do radio and TV sell goods? Undoubtedly they do. But Lou Hausman at CBS is first to admit nobody knows to what extent, or what kind of goods sell best on which medium. Neither does anyone know whether a commercial pulls best if it is 30 seconds or 30 minutes long (actual maximum is 3 minutes, 20 seconds per half hour). Disagreeing, NBC's Pat Weaver claims the screen will sell anything better than radio.

In the long run, figures Hausman, it may well be that radio will be devoted to soaps, cigarets and headache remedies where the only apparent difference between goods is what the radio voice can make a shopper believe. TV, thinks he, will do best with high-priced, highly differentiated products like autos.

It may even be, muses the CBS VP, that in its efforts to hold George Spelvin's ear, alongside more romantic TV, radio will slim down to two networks. "In that event," predicts Lou, "CBS will be one of them." NBC feels exactly the same way.

## JOY RIDE

AS SECOND-RANKING soapmaker Lever Brothers focused bright limelight rays on its new Manhattan home—24 stories of gleaming glass and stainless steel—in the nation's dishpans last month, Cincinnati's Procter & Gamble was stirring up an even more potent lather. The



**GODFREY:**

... CBS bets on the one-man gang

suds-maker: P&G's liquid detergent Joy.

Liquid synthetic detergents have bilowed into a \$15 million business. That's 44 times their sales four short years ago. Last year alone sales hopped 70% and there is no telling yet how far the curve will climb before it levels. As usual, shrewd Neil McElroy (see *FORBES*, Sept. 1, 1951, p. 22) is there furthest with the mostest, this time with Joy. Meanwhile, like Lever's new building, both Colgate and Lever are standing aloof and stilted above the commotion; neither has an entry in the fast-moving field.

Second place spot instead goes to Glim, introduced first by General Aniline & Film and now owned by B. T. Babbitt. (Reportedly Babbitt paid more than a million for the sudser—which GAF still manufactures for it.) On the basis of a just-completed survey, Babbitt claims a 2-for-1 lead on the West Coast, a 6-for-1 advantage in Washington. In the scramble of other brands, mostly peddled locally, there's no picking the order of running.

First from the post after the war was Lehigh Chemical which uncorked its Anderol in 1944. Two years later GAF started bottling Glim in 4-ounce vials. Both had only moderate success—insufficient to push them into national sales or an unbeatable lead. P&G didn't take the plunge with Joy until 1948, and when it did it went slowly. Not until April, 1951 did McElroy attempt national coverage, and then only after he had plumbed the market thoroughly.

But once Neil McElroy did loose his flood, he backed it with a torrent of promotion similar to that which had already given P&G half the domestic soap market and a commanding lead (with Tide) in the solid detergents handicap. In the Midwest he jacked up Joy's sales with coupon deals, everywhere trumpeted its no-sneeze virtues.

Newest angle in the many-angled sweepstakes is Sinclair Company's Sprite, which sells in a 12-ounce bottle at the price of rival 6-ounce packs. Most competitors thus far have ignored it, have been able to do so because Sprite sells only in five Midwest states. Rivals argue that Sprite is twice as much for the money only because it is watered down. But cagey Neil McElroy, never one to argue with housewives' preferences, is feeling out Eastern markets with a 10½-ounce second brand, will be ready to catch the swing to larger sizes if it comes.

Having missed the boat again, Colgate and Lever may still enter late starters as they did with the solid detergents. But industry pundits, who have never known P&G to be passed from behind, don't believe either can catch up with high-riding Joy.

## PRICE PALAVER

THAT English lesson the U.S. Emergency Court of Appeals gave Senator Homer Capehart (Rep., Ind.) last month may prove balm to Safeway Stores, a bomb to OPS.

The \$341.8 million (assets) retail food chain prompted the lesson by claiming in court that OPS had wrongfully withheld from it the increased prices it was entitled to charge under the Capehart Amendment. OPS clamored that though the statute allowed manufacturers and processors the right to include increased post-Korea costs in their ceiling prices, wholesalers and retailers, by Congressional intent, did not have the same right.

Senator Capehart, himself, backed



**CAPEHART:**

his balm was not clearly labeled

up OPS, growled: "It was the intention of Congress that the Capehart Amendment apply to manufacturers and processors only." The Court disagreed on literary grounds, lectured: "... primary evidence of legislative intent is the language of the statute ..." The Amendment was "perfectly clear and unambiguous ... includes materials sold at wholesale or retail." OPS, caught in a squeeze of its own, plainted: "The ruling, if put in force, will tear down the entire structure of price regulation in the whole retailing field."

Safeway said nothing, looked hopeful. Though it had won a battle, final victory was nowhere in sight. OPS has



until the fourth of this month to file an appeal with the Supreme Court. Since the Court traditionally recesses for the summer on June 12, OPS hopes that hearings will be put off until fall. Given this breather, OPS could dig in before the expected tidal wave of price increase applications rolls in. It might also get an assist from the real culprit, Congress, which will soon begin hearings on a replacement to the Defense Production Act due to expire on June 30. The lawmakers can either square the language of the Capehart Amendment with their original intent or throw it out as the Administration has requested. If they do either, Safeway's case will be academic.

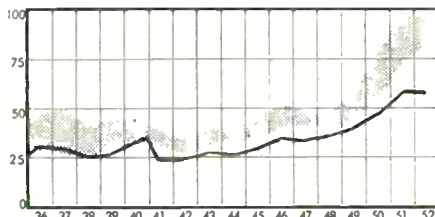
## CARBIDE'S CONVERSION

FOR MORE than a year, newsmen have known that big \$978.1 million (assets)\* Union Carbide and Carbon Corporation—the world's second largest chemical company—has been engaged in a mysterious, closely-guarded project in the hill country near Institute, West Virginia. Though it was big news, few had any hope of officially confirming rumors that Carbide, which until now has fed its petro-chemicals business on the region's abundant natural gas, was tinkering with the hydrogenation of even-more-plentiful coal.

They had good reason for shrugging off Carbide as an uncrackable nut. When Carbide was operating the Government's largest synthetic rubber plant at Institute during War II, press operatives' only smell of company news was the pungent atmosphere from outside the gates. Secretive Carbide had never invited them in, invariably responded to questions with a terse "no comment." The same is still largely true of Carbide's big Charleston chemicals plant eight miles away.

Therefore, when Carbide last month threw open the gates for press inspec-

\*Larger in assets: only \$2.1 billion duPont.



**UNION CARBIDE MARKET HISTORY:** Shaded area shows price range of combined common stocks of Du Pont, Dow Chemical, and Allied Chemical & Dye. Solid line shows yearly market mid-points of Union Carbide & Carbon.

tion of its new project (which, as rumored, involved a radical new process for converting coal into chemicals), it was a double-barreled piece of news. First was the project itself: an \$11 million pilot plant that is the first major investment of private funds to get chemicals from coal. Equally momentous was the fact that it seemed to be the start of a fundamental new departure for Carbide into a virtually unknown field: the so-called "aromatic" chemicals.†

But quite as revolutionary was publicity-shy Carbide's unprecedented willingness to tell all. For more than 25 years Carbide has worn the blue serge suit of close-mouthed conservatism, has developed an instinctive repugnance to "premature disclosure" of research developments and company affairs into a fantastic fetish for secrecy. Often only a slip by some Carbide brass hat would establish what such competitors as publicity-wise Monsanto would immediately have exploited from the rooftops.

Carbide's candor was all the more surprising because the \$11 million pilot plant is frankly a gamble which has yet to pay off. (Chairman Fred Haggerson thinks of it as "the biggest private chemical facility in the world that won't produce a pint of product for immediate outside sale.")

Carbide's traditionally cautious speech

†Whose name derives from the fruity, pleasant odor many exude.

is deceptive. Though it never bothered to tell the story, its unrivalled place in the petro-chemical field owes directly to its willingness to take just such spectacular gambles as its newest one in coal hydrogenation. It was in the early 1920s, while looking for a new way to make its then-basic product, acetylene, that Carbide researchers became engrossed in a tangential interest: the aliphatic\* (or "open chain") organic molecules found in petroleum and natural gas. Playing what was then only a hunch, Carbide launched into full-scale research.

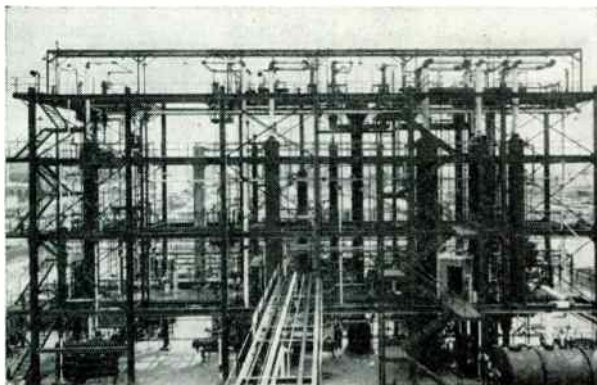
That the hunch paid off magnificently, everybody knows. Not only are petro-chemicals the most dynamic segment of the chemical industry, their output having doubled in the last five years, but to Carbide's \$927.5 million sales last year they contributed a whacking 46%.

Carbide's newest venture, into the organic aromatics (or "closed-chain") chemicals, involves at least as big a gamble as its pioneering work in aliphatics. New president Morse G. Dial, installed last April when Fred Haggerson decided to devote full time to the chairmanship, already talks of an eventual investment exceeding half a billion dollars. Like the earlier petro-chemical venture, this would mean that Carbide would have to display quite as much financial daring as research imagination. When Carbide first went test-tubing among the aliphatics there hadn't been any market to fill; the same is true of the relatively unknown aromatics. As before, Carbide will have to create it.

Stoop-shouldered research VP George Curme frankly admits Carbide has no concrete plans for commercial exploitation. But he's certain his team's research savvy will pay off at the cash register, and Fred Haggerson and Carbide's directors apparently are willing to back him to the hilt. On a probability basis, they aren't taking too big a chance. Since 1926, when Carbide began pioneering in petro-chemicals, Curme's researchers have averaged at least one new commercial chemical each month. From just the products and processes developed since 1939, Carbide derived one-third of its \$103.9 million net last year.

Mindful of Monsanto's recent use of research publicity to help raise new capital (See FORBES, Feb. 1, p. 19), Fred Haggerson has given Carbide another new process—press relations. To Carbide's publicity men, whose major chore until now has been to keep com-

\*From the Greek word meaning fat, since natural fats belong to this group. The simplest aliphatic chemical is marsh-gas or free-damp, technically known as methane.



**CARBIDE'S CURME:** after 25 years, the blue serge suit came off



pany secrets safely buttoned up, he gave the go-ahead to show off the newest prize petunia in Carbide's research garden. Chartering two Pullman cars, they took the New York press to see for itself the Rube Goldberg maze of towers and pipes Carbide had hunched together between the dogwood-covered slopes of West Virginia's narrow Kanawha Valley.

Gawking at the oily smudge belching out of the big pilot plant's pipe-thin stack, begrimed newsmen were also given a candid view of the uncertain economics of chemical production from pulverized coal paste. The only tangible fact newsmen could positively agree on was that Carbide's plant could certainly produce an impressive aroma.

The big question—which even Carbide can't answer yet—is whether it will produce the smell of money.

## MILK AND HONEY

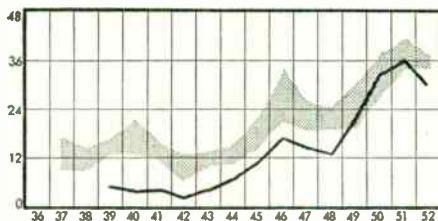
AFTER Charles W. "Chuck" Perelle put ACF-Brill's production house in order (see FORBES, Feb. 15, 1952, p. 21), he had but one complaint—excess capacity. To solve this brain buster, engineer Perelle did not have to look far. He went to one of his former board members, 58-year-old Paul E. Reinhold. Reinhold, head man at Foremost Dairies, wanted more of Perelle's "problem capacity."

Foremost's sales department, sporting seven-league boots, had jumped sales from \$12.8 million in 1945 to over \$53 million last year. And the growth is continuing. Two more companies—International Dairy Supply Co. and International Dairy Engineering Co.—have already been purchased this year. To continue his expansion, Foremost had either to float more securities or team up with a company well heeled in working capital. Reinhold took the latter course. With ACF-Brill's cash, Reinhold's market and Perelle's know-how, they hope to develop transportation and refrigeration equipment for dairy products. Brill already makes insulating rolling equipment, so the problems will not be completely new ones.

Not the least important consideration in the merger was taxes. Foremost was being milked by EPTaxes, while one Foremost official described Brill's invested capital base as "a honey." In any case, after eight years of walking in the wilderness, Brill hopes it is now entering the land of milk and honey.

## BREAD AND CIRCUSES

THERE'S a lot more to starting up a grocery store nowadays than putting cans on the shelves and clerks behind the counters. Last month publicity-conscious Lansing P. Shield, president of



**GRAND UNION MARKET HISTORY:** Shaded area shows price range of combined common stocks of Foodfair, Jewel Tea, and National Tea. Solid line shows yearly market midpoints of Grand Union.

the \$32.7 million Grand Union food chain, hit a new peak in "premieres." The formal opening of his new supermarket and corporation headquarters on Route 4 near Paterson, N. J., touched off a seven-day bacchanalia of free orchids, circuses, magicians, video rangers, singers, star cooks, strong men, and one helicopter-borne visitor (NBC's Jinx Falkenburg).

Though Grand Union is kingpin in the new two-block shopping center, eight other retailers bask in its reflected glory, glowed last month in the ten searchlights ("largest concentration of candlepower ever assembled for such an occasion") paid for by GU's hyperthyroid promotion men. According to a Paterson publisher, opening day drew 75,000 people from the "1,045,213-person 40-minute driving area" the new store hopes to magnetize. Said one of the 75,000, a harassed mother dragging her kicking child off the free merry-go-round: "I've never seen so many schmoes in all my life."

Toothy, beaming Shield manifested no such attitude, loved one and all—except for a nicotine addict who was caught pilfering cigars from a GU counter. Although the sales effect of the "Greatest Shopping Show on Earth" would be negligible, according to another GU executive, Shield had other fiscal cause for satisfaction. Says the 56-year-old supermarketier, who has the trim, tense look of a physical training instructor: "Space at our new head-

quarters costs \$1.60 per square foot as against \$4 in New York."

The new super, an aluminum, glass and red stone creation, has air conditioning, automatic elevators, conveyor belts for moving purchases to the parking lot and, in the words of one impressed suburbanite, "everything but radar-operated rest rooms." It houses a drug-storish jumble of non-food items like toilet lotion, dog collars, men's socks. Shield calls these "experimental"; because of their higher markup, they will be pushed to help offset the "1% after-tax profit margin" on groceries.

Shield owes his new location (there are three other supermarkets, one a Grand Union emporium) to last year's merger with Great Eastern, a 30-store chain taken over for 14,000 shares of GU common. It helps account for GU's 1951 sales increase of 11.4%. Minister's-son Shield, whose first gospel is growth (see FORBES, April 1, 1951, page 23), claims his company's sales have jumped 115% since 1946, compared with the "food industry's 59%." But the smaller super chains (Winn & Lovett, Colonial Stores, Jewel Tea) more nearly comparable with Grand Union, have been growing too. Their average sales increase for the five years: 125.4%.

For GU's growth, Shield credits the "loyalty, hard work and intelligent effort of employees." This loyalty is kept aflame with heavily publicized fringe benefits including a stock option plan and profit sharing. According to soft-spoken Secretary Moseley, store managers have participated in profits since the '30s and department managers have been cut in "recently." A year ago, one GU release had it that ". . . under Mr. Shield's leadership Grand Union has become a leader in the retail food industry in profit sharing . . . for employees at every income level."

But Shield's 1951 references to "the desirability of having the worker participate directly in the fruits of his labor" have borne little fruit below managerial rank. Says one of his aides:



**GU SUPERMARKET:**

"they should be smart enough to divide them equitably"



**GU'S SHIELD:**

"We tried it [for clerks] and were disappointed in the results." Said Shield last month on profit sharing at the lowest income level: nothing. He was "not ready" to talk about the original plan in which "some adjustments" have been made.

The new reticence was something of a letdown since last year, when Shield declared: "Commonly the excuse given for failure to use this means of distributing the rewards of the profit system more equitably is the difficulty of working out a plan that is practicable. Yet, if businessmen are smart enough to make profits, they should be smart enough to divide them equitably."

Grand Union's pretax profit last year: \$3,086,358.

## OIL LEAK

ONE DAY during last month's stock market slide, volume expanded in Union Oil of California, while its price inched up  $\frac{1}{2}$  to 41%. The following day, Union's volume soared to 19,800 shares, the price to 43%. The market continued weak. As Wall Street rubbed its well scratched head, rumors leaked into New York from Los Angeles' papers. Union Oil had struck pay dirt—lots of it. A week later, the rumor was confirmed by the company. The strike, a major one, was in Ventura County, northwest of Los Angeles. The oil sands were about 1,600 feet thick and the company held a 30,000-acre block of land at the site.

For Reese H. Taylor, Cornell and University of California-trained president of Union Oil, this was only one of the dividends from his vigorous drilling program. In 1949, Taylor, who looks more like a Los Angeles actor than oil executive, saw that his company suffered from a seriously unbalanced crude position. By the end of last year Union had increased its reserves to 481 million barrels, its net crude production to 67.6% of refinery runs. In barrels, crude production was up 18% over 1950. In addition, the company had developed large natural gas reserves, extensive shale oil lands in Colorado.

Union Oil's search has taken it into California, the Rocky Mountains, East Colorado, Nebraska, the Permian Basin in Texas, the Gulf Coast, Oklahoma, Canada, Costa Rica, and the Williston Basin (where Union Oil holds a 50% interest in about 3,500,000 acres and a 100% interest in 5,000 more near the Shell-Richey well).

Last year, despite heavy charges against income for depletion and depreciation, \$7.5 million flowed out of working capital—partly to pay taxes ("under inflation, an involuntary liquidation of capital assets," cracked Tay-

lor). To maintain his program, announced Taylor, he would probably be forced to issue convertible debentures. But further debt, he believes, is not the real solution. Snapped Taylor: "Unrealistic governmental ceiling prices seriously impair, if not destroy, incentive to find or produce more oil." If only in self-defense, however, Union Oil was finding and producing plenty.

## OIL SLICK

PEOPLE don't often buy gold mines these days: oil wells gush more golden promise. As new fields come in from Ventura County to the Williston Basin to Kuwait, the allure of bargain basement oil land is proving almost irresistible. The latest device is peddling government leases—real ones—on property near big-company holdings. After the original cost (\$100 per 40 acres) nothing more is paid for three years. The owner need only sit back and wait, it is implied, until Jersey Standard or Gulf comes abegging, drills a few feet, and punctures a 50-million-barrel deposit.

Last year, about 10,000 wildcat wells (costing \$50,000 to \$250,000 each) were drilled in this country. Meanwhile, most major companies scrambled to collect Williston Basin land. When the year ended, they each controlled one to three million acres. Other areas received attention in proportion to their promise. The approximate area under lease in the entire United States aggregated a whopping 200,000,000 acres. In any one year, each acre stands one chance in twenty thousand to be drilled, each well one chance in nine to produce. Thus even after it is leased by

\*Odds: 966 to 1 against, after proper geological work, says Frederic H. Lahee in "Explatory Drilling in 1951."



**WILLISTON WELL:**

9 to 1, 966 to 1, 20,000 to 1

the oilmen, any given acre holds a net petroleum probability of just one in 180,000. Most of America's new land speculators, says the law of averages, will learn that all that glitters is not oil.

## ALTON ALTERCATION

DERAILED by the Great Depression, the venerable Chicago & Alton Railroad hard-lucked its way to the auction block late in 1930. Though it still made money, like many another railroad after the 1929 market crash, the Alton skipped the track when interest fell due on a heavy load of senior securities.

Sensing a bargain, Manhattan's Kuhn, Loeb & Company shrewdly snapped up a junior bond issue cheap. Later K.L. repeddled it to the powerful Baltimore & Ohio Railroad for \$25 million, which promptly foreclosed. On sale day, the auctioneer's gavel knocked down the road, rechristened the Alton, to the B&O.

The Alton remained ignominiously coupled behind the B&O's caboose for 11 years. Then discouraged bondholders instituted bankruptcy proceedings to salvage what they could. While the case dragged in court, however, the Alton's fortunes improved. Heavy wartime traffic pounded over its strategic track (St. Louis to Chicago; St. Louis to Kansas City) and earnings piled up. So heavily, in fact, that the Alton caught the covetous eye of Railroad Salvageman Burton I. Tigrett of the fast-booming Gulf, Mobile and Ohio.

Tigrett calculated that the 654-mile Alton was just what he needed to give his north-south line trackage into pivotally important Chicago and so create a major rail system extending from the Gulf of Mexico to the Great Lakes. When he proposed a merger, the unhappy Alton bondholders gladly accepted a deal that gave them a \$500 income bond and 7½ common shares of the healthy GM&O for each original \$1,000 debenture. But they remained bitter about the B&O's eleven-years' custodianship, during which, they said, the Alton was "run into the ground."

The long-held bitterness finally spilled over last month in New York's Federal District Court. Acting for the Alton's former bondholders, Manhattan lawyer Louis Boehm slapped the B&O with a whopping \$45 million suit for alleged mismanagement of the road under B&O control. For one, charged Boehm, the B&O had diverted considerable traffic from the Alton to its own benefit. Meanwhile, alleged he, the Alton's rolling stock was allowed to fall into such frightful disrepair that it became practically worthless:

"Before B&O control, the Alton was a profitable road with goodwill value

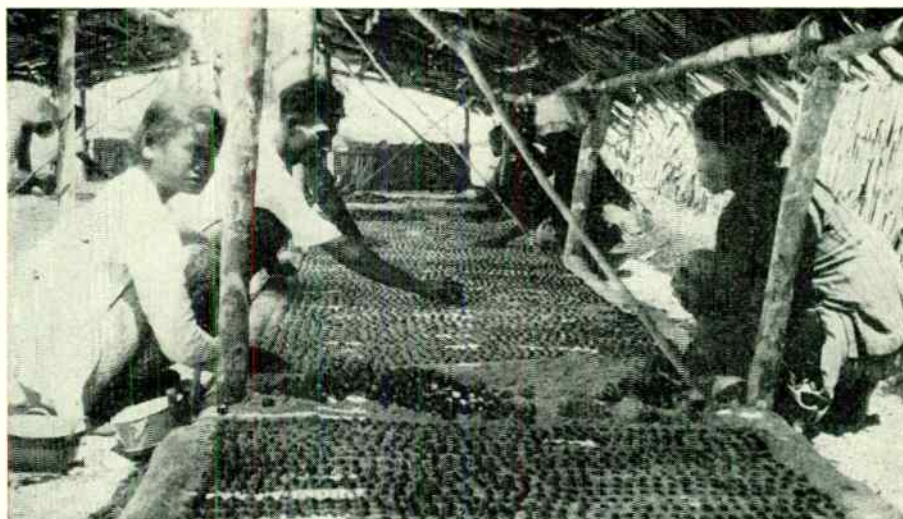


of over \$25 million. By the time it went into bankruptcy, however, it had only 3,000 pieces of equipment left out of approximately 14,000 when the B&O took over." It would have taken \$35 million, added he, to re-equip the Alton for return to independent operation after the war. "We didn't have it, and we couldn't borrow it. We had to sell."

If awarded anything like the \$45 million they ask, the Alton bondholders would have plenty of balm for their old wounds. But it would cost the B&O very dear: last year the B&O's net operating income was scarcely more than the amount claimed for damages; it carried only \$19.2 million down to net, nothing to common stockholders. Walloped for \$45 million, B&O, which has waited 20 years to pay a dividend on its common stock, might have to wait a lot longer.

## RUBBER LINEUP

TO CASE the rubber industry FORBES' calculating machines rang up 10-year company performance records in (1) asset growth; (2) ratio of current assets to liabilities; (3) net return on invested capital; (4) pretax profit on sales; (5) average profit deviation; (6) liberality of dividends. Table I shows raw scores in each respect. Table II converts them to composite rankings, aligns



**GOODYEAR SEED-PLANTERS IN BRAZIL:**

*in sound and in statistics Goodrich and Goodyear are close together*

them in order of price-earnings ratio.

In line with its perch atop the price-earnings heap, Goodyear comes out on top in the composite rankings. Though Goodyear, the industry's giant, makes the most attractive statistical showing, investors eased it to fourth place in price-earnings ratio, almost 30% below second ranking Goodrich.

While Goodrich and Goodyear are one-two in the profit percentages, Lee and U.S. Rubber are the big guns in

the payout department. Lee's 45% earnings payout (generous for rubber companies but not for industry generally) helps pull it out of the "Little Three" as far as the fiscal record is concerned. Investors recognize this by paying \$6.32 for every Lee-earned dollar, making the company the No. 2 market favorite. Investors ignore U.S. Rubber's poorer record in earning percentage and growth to make it their No. 3 favorite. Only in dividend "liberality" (41%) does hefty U.S. measure up; on a composite basis, it stacks up no better than sixth in the field of seven.

In the list's middle, General and Firestone jockey for fourth place. Firestone shines in earnings stability, boasts only average return on investment and profit margin on sales. General, below average in all other categories, sports a bigger growth than anyone else: 357%. Its 9.3 current ratio shows a cash cupboard not at all bare following aggressive plant expansion and diversification (radio-TV, jet engineering). General's aim: to escape complete dependence on tire sales.

Failure to do this may be one of the reasons for Seiberling's also-ran tag in composite ranking and investor favor. Almost 90% of its output is devoted to tire sales.

## "THEY"

*The bear is born to be baited:  
"They sold the country short."*

CONFIDENCE MEN have a maxim that runs "You can't trim a mark who hasn't already got larceny in his heart."

The same saw cuts deep in Wall Street. Take the sucker who has just been nicked on Moose Pasture Oil or Trans-Celestial Uranium. He is dead sure the market is a racket manipulated by insiders. When he wins, he chortles:

### I. RUBBER PERFORMANCES, BASED ON 1942-'51

	Asset Growth	Current Assets to Liabilities	Net Income on Book Value	Pretax Profit on Sales	Average Profit Deviation	Dividend Payout
Goodrich .....	154%	4.1	15.15%	13.24%	1.98%	29%
Lee .....	88	5.0	10.83	11.50	2.02	45
U. S. Rubber....	115	3.0	12.04	8.43	2.57	41
Goodyear .....	126	4.8	14.10	9.11	1.37	34
General .....	357	9.3	13.91	8.37	2.93	33
Firestone .....	74	3.2	13.90	9.01	1.65	29
Seiberling .....	175	3.51	9.81	6.01	2.40	23

Percentage figures in these columns represent each company's performance for 10 years. In Table II, these percentages are converted to rank-order numbers.

### II. RUBBER RANKING, BASED ON 1942-'51

	Asset Growth	Current Assets to Liabilities	Net Income on Book Value	Pretax Profit on Sales	Average Profit Deviation	Dividend Payout	Market Price per \$1 of Earnings	Composite Ranking
Goodrich .....	3	4	1	1	3	5	7.02	2
Lee .....	6	2	6	2	4	1	6.32	3
U. S. Rubber....	5	7	5	5	6	2	5.04	6
Goodyear .....	4	3	2	3	1	3	4.94	1
General .....	1	1	3	6	7	4	4.55	4
Firestone .....	7	6	4	4	2	6	4.16	5
Seiberling .....	2	5	7	7	5	7	3.26	7

Rank order numbers in the first six columns are based on performance figures in the corresponding columns of Table I. Column 7 shows price-earnings ratio of common stock, computed on the basis of last full year of earnings as reported or estimated. Column 8 averages the rankings in the first six columns to arrive at a "composite ranking."





**BEAR VICTORY ON BLACK FRIDAY, 1869: the "bull" is Jim Fisk**

Culver

"I got an inside tip!" When, as inevitably he must, he loses, it's: "They rigged the market and pulled the plug!"

Who are the mysterious *They*? Do *They* really exist, lurking somewhere behind the scenes waiting to lure "innocent" lambs to calculated slaughter?

The investor, buying sound stocks and sticking to them regardless of the teetering market, cannot testify. He can't be trimmed, so he couldn't know. But the "sure-thing" speculator can and does. He's certain *They* exist because *They* are just where he himself had hoped to be: "on the inside."

His notion takes on more conviction every time he gets burned. Larcenous in his own heart, his losses prove to him that some vicious opponent must have stacked the cards and profited. If there were no *They*, he would have to invent them to alibi his own poor judgment.

But if *They* exist, who are they?

First ranking suspect, by popular consensus, is the bear who "sells short." He has few friends. Obviously he cannot make money unless others lose it. Human nature being what it is, that is enough to condemn him. Men dislike others who profit from their errors, are quick to impute an evil motive to anyone who tries.

Thus the short seller gets a bad name. His evil reputation is further muddied by the nature of his game: he sells what he does not own in the hope of buying it later at a lower price. Embodying an element of paradox, his strategy mystifies the bull, himself by nature sanguine, credulous, an optimist. The bear is just the reverse: in bullish eyes, a person of gloomy mentality who "gives his entertainments in the

cemetery and postpones them if the weather chances to be fair."

The bull buys stock low on the theory that it will be tossed high. The bear's hope is that it will be tossed lower still. His kind are always a minority. Market greenhorns invariably adopt a bullish attitude; their optimism dies hard. When sharp losses and whittled margins one day sour them, most quit the market. Few remain to become professional pessimists. To the bullish, the bear's chronic pessimism is incomprehensible, somehow repugnant, and hence suspect.

History gives weight to the suspicion. In the great "bull raids" of the past, the short sale occupied first place in the gambler's bag of tricks. It furthered high-handed trading methods. It embellished the reputations of the rogues who practised them. Indeed, selling short earned a name as the prime instrument of perdition on the Big Board. As early as 1610 the Amsterdam Dutch banned it; in 1812 the New York State Legislature branded it an outlaw.

Is short selling vicious? Certainly it has been used viciously. Never more so than in the last century, beginning in the 1830s when the unscrupulous Jacob Little, the first market manipulator, invented the speculative short sale as applied to American securities. From his ingenuity proceeded an age in which gambling and manipulation of stocks became recognized parts of the broker's calling.

The orgy started in the fall of 1830 when Mohawk and Hudson, the first railroad stock, was admitted to dealings on the New York Stock Exchange. Before long the highway of speculation was newly paved with bushels of other

crisp railroad securities. Railroads were then spreading across the country like measles in a boarding school. Volume bounced; so did speculation as gamblers discovered ways of riding the rails on wheels of illicit profit.

Jacob Little cleverly used the convertible feature of railroad bonds. But he was a glutton. He overstayed the market and played the Erie short once too often. His sworn enemies, combining forces, crushed him beneath the rubble of a vicious corner. But Little's crafty schemes remained as excellent models for his even more unscrupulous successors who quickly outdid him in the enormity and ingenuity of their crimes.

Honing Jacob Little's tools to even sharper uses, Daniel Drew, abetted by "Jubilee Jim" Fisk and Jay Gould, brought chicanery to its fullest flower in the notorious Erie Ring. Soon the market's undisputed czars, this cagey trio enjoyed an era when judges and courts of law were not immune to coercion and bribery. Still operative, the law of 1812 was entirely ignored and eventually forgotten. Flouting every moral and legal restraint, they added new wrinkles to stock market legerdemain.

"What do I care about the law?" Commodore Vanderbilt once demanded. "Hain't I got the power?" The answer was obvious. Of course he did—\$100 million worth. His power prevailed: In 1858 the law curbing the short sale tactic was erased from the statute books, trampled to oblivion in the frenzy for speculation.

After the Civil War, all bars removed, high carnival broke loose on the Exchange. War had pushed bullish enthusiasm to dizzy heights and optimism was regarded as a patriotic duty.

The opportunities were boundless for rigging the market. The small capitalization of leading corporations made grand-scale manipulation easy. Intersympathetic reaction among stocks was remarkable. It became a simple matter for a small combine of determined bears to hammer the market half-a-dozen points at a time by focusing attack on selected key issues. Boosting stocks to dizzy heights, they smashed them down again with studied intent, culling huge profits on earlier short sales.

No wonder then that the attitude of the outsider has generally been hostile to short sellers ever since. Never more so than in depression periods when stocks wickedly declined instead of virtuously going up. Short sellers were credited with vicious motives. The public drums rolled for reform.

But efforts to curb short sales have invariably been futile. Excepting briefly in 1914 and 1931, short positions



have always been permissible on the New York Stock Exchange. Yet the call has been persistent.

The first such ban came with war in Europe, on July 31, 1914. On other world exchanges, trading had been suspended indefinitely. Wall Street bigwigs trembled lest liquidating European accounts, reckoned at \$2.4 billion of American securities, should avalanche on the New York market. When the market reopened on December 14, extraordinary precautions were taken to prevent panic or bear raiding. Prices were confined to a cash basis; minimums were established; short selling was banned. But the apprehensions proved groundless. Steady in tone from the first hour, the market fluctuated only slightly. Gradually restrictions were lifted and in April of the following

their lowest ebb; Depression was universal; the country was on the eve of a presidential election. The public mind was open to politics: Wall Street became the favorite whipping boy of campaign stumpers. But it was not until after the election, under the aegis of FDR, that Washington lowered the boom on the Street and short sellers in particular.

In the new regime's first days, Congress authorized a committee to investigate. Headed by Ferdinand Pecora, its aim was to probe the important interests in the financial community. Prominent bankers and brokers were subpoenaed to divulge, under oath, secrets which hitherto had been shrouded in private confidence. Adolf A. Berle, now a Columbia law professor, recalls:

"They sat around the room, stunned

such reports were required on a daily basis.

This move coincided with Britain's sudden departure from the gold standard. The news collapsed security prices in Europe and Stock Exchange officials were in a stew as to what measures would stop heavy selling in New York. Closing the Exchange was proposed, then rejected. Establishment of minimum prices met a similar fate. Suspension of the short sale seemed the logical alternative. By unanimous vote this was done as of September 21.

The folly of the move was soon apparent. Stocks firmed, then rallied. Short covering ballooned prices and volume expanded. Designed to stimulate buying, it worked too well: the likelihood of technical corners and wild price fluctuations was immensely en-



**DANIEL DREW:**



**CORNELIUS VANDERBILT:**

*Culver*



**JAY GOULD:**

*INP*

*would the old bear raiders return if the wraps were taken off the short sale?*

year normal trading practices, including short sales, resumed.

The short device suffered its most serious black eye in the Great Debacle of 1929. By 1931 the notion had gotten around that the depression was the work of malicious bear raiders, that recovery and prosperity were stymied by a growing flood of orders for the short account. Confidence was being "undermined" while the bears sold everything, the country included, down the drain.

The public screamed "Reform" and Mr. Hoover was receptive. Already suspecting that Wall Street bandits were brazenly torpedoing his plans and stratagems for halting the debacle, he declared war on the marauders. The first salvo was an order to investigate manipulative tactics on the Street.

The reform program simmered during early 1932. Stock prices were at

at the havoc, many with tears in their eyes as they saw the nation's banking power irrecoverably pass from Wall Street to the Capital."

Pool operations and manipulation "short" were the prime topics. The public was agog at the impressive list of witnesses, which included J. P. Morgan, Otto H. Kahn and other legendary names. Acid debate produced reams of testimony, from which numerous instances of corruption, chicanery and corporate dishonesty were smoked out. As a result, the Securities Acts of 1933 and 1934 were passed establishing the SEC as supreme policeman of the nation's trading centers.

But the Stock Exchange had beaten Washington to the draw. On May 5, 1931, circulars had gone out to member firms requesting information regarding their short position. By September

hanced. Where, on September 18, the short account comprised 4,241,000 shares, the bears "bought in" a staggering 1,078,000 shares during the two hectic days short selling was banned.

The Governing Committee of the Stock Exchange was rightfully alarmed. The most reliable market prop was on the point of self-exhaustion. The ticker was running on nerve alone. Liquidation was stemmed but not halted and long-pull investors were reluctant to take a hand. Fortunately the main force of the tornado was spent. When the London market reopened on the twenty-third, the Committee lifted the ban on short selling before the opening gong.

Under SEC regulation today, the short sale as a bludgeon in the hands of the speculator is entirely a reminiscence. Secrecy, the gambler's ace in



Wide World

**HOOVER:** he was receptive

the hole, is trumped by the rule that original selling orders must be clearly marked "long" or "short." Bear claws are also blunted by stiff margin and loan requirements, higher commission rates and the capital gains tax. But the principal deterrent to short-side raiding is the "% rule," promulgated by the SEC in 1938, regulating prices.

Less successful probably is monthly publication of short selling figures by the SEC. Long out of date, they have little value. Nevertheless, the fish-bowl openness they represent points to the fallacy in believing that quotations are rigged by a mysterious *They* who operate, ghoul-like, behind the scenes. The uncomfortable facts are more injurious to the "knowing" speculator's self esteem. Market swings stem from the mistakes, the ignorance and the speculative excesses of the great body of public traders to which the speculator himself belongs.

The short sale is still subject to energetic attack and violent defense. Few understand it. Even among those who do, a strong distaste often lingers on.

At its simplest, short selling is as commonplace to everyday life as any other kind of transaction. Whenever we pledge to deliver an article not yet actually available, we are party to a short sale. A farmer's contract to deliver produce from yet untilled fields is a short sale. So is a magazine subscription. Or the agreement for future delivery of an automobile. In fact, any transaction which creates a debt in terms of promised goods is called a short sale.

Yet it has been described as the most complicated of all ordinary commercial transactions. But it is as simple as the

propositions that (1) every buyer must find a seller—or *vice versa*—and (2) that not every buyer or seller has cash—or the commodity—to fulfill his part of the bargain.

As applied to stocks, short selling is but slightly different from purchase on margin. In a short sale, stock is sold and delivery made to the buyer with borrowed stock. In the margin purchase, stock is bought and payment made with borrowed money. If selling what isn't owned is wrong, so shouldn't buying something without being able to pay for it?

What is the short-trader's obligation under his contract? Primarily that some day he must "take in his line" (i.e., cover his commitment) by making an equivalent purchase in the market. Then he merely returns the stock he borrowed to "sell short."



Wide World

**PECORA:** he probed

No definite time limit is involved. A short position may remain such forever so long as margin requirements are fulfilled and the seller is able to borrow the stock on suitable terms. In effect, however, that is unlikely. For several factors operate to render a long-term short position untenable. A fee may be required for borrowing the stock. Dividends must be paid on it. Moreover, if the capitalization of the issue is small, or if the stock is closely held, the seller may have difficulty in borrowing the required shares. Finally, if the stock's market moves up instead of down, the short seller will be obliged to provide additional margin or be closed out at a loss.

Are short sellers always speculators? Not always. Much short selling is done to hedge against large price fluctuations. Sometimes this is referred to as

"selling against the box" (i.e., selling short against covering shares already in the seller's possession). This means that the hedging seller has both a long and a short position in the same number of shares of the same stock at the same time. Naturally no profit is possible, losses balancing gains. Formerly hedge sales could be effected against short-term profits for tax purposes, but the loophole has recently been plugged.

Hedge sales are important to the odd-lot dealer. Wishing to maintain availability in face of large variations in demand, he hedges to prevent large positions long or short. So, too, in the "put and call" market. There contracts are arranged which entitle the holder to deliver (put) or demand (call) a number of shares of stock at a specified price on or before a fixed date. Although not strictly regarded as short sales, hedge sales are so classified for legal purposes by the SEC.

Short sales have many uses in preserving a smooth market flow. Among such are contracts undertaken by the specialist who, as broker and dealer, must maintain a firm and continuous market in one or more securities. Another class are short positions assumed by the in-and-out floor trader. His rapid and frequent dealings on either side of the market contribute to closer, more stable prices.

Such short sales are merely constructive adjuncts to normal dealings. More often than not the specialist, and particularly the in-and-out trader, will "clean the book" (i.e., terminate all open contracts) by the end of each day. Of brief duration, such transactions exert little or no influence on security prices or trends.

Another kettle of fish entirely are the



Bettmann

**KAIN:** he was probed



short positions of the predatory bear. His object is profit solely.

What makes a bear sell short? Is there something wrong in doing so? Obviously the bear hopes for a decline and a profit. The bull buys with the same aim, although from a different hope. Since both contracts are assumed for profit, is there any reason why the seller should suffer more restriction than the buyer, unfair practices aside?

"No," say the bears. But the bulls have a contrary opinion. To them the market is a one-way street. Bears, they feel, travel in an unlawful direction.

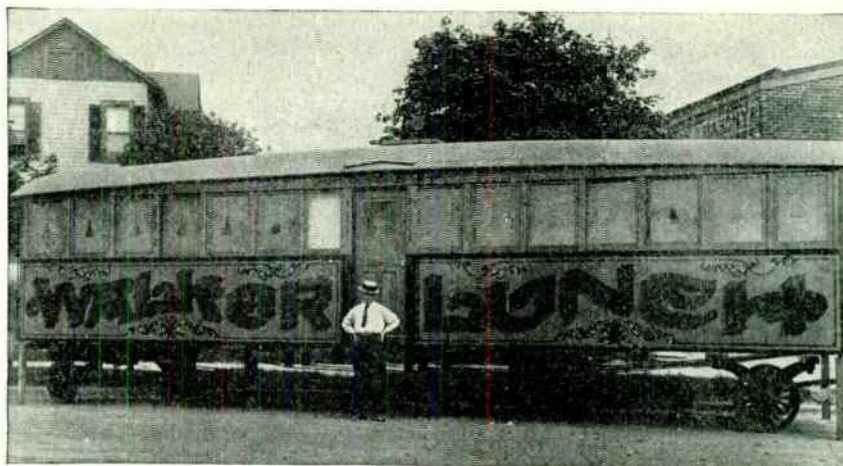
Although bulls outnumber bears ten to one, stocks always go down faster than they go up. Bull movements, contrariwise, are laborious and slow to mature. An advance, consuming months to achieve, may be cancelled by a day or two of brisk selling, a fact that does not sit well with frustrated bulls. The bulls charge the bears with "defeating the market." The bears, however, vehemently deny any responsibility for the 1929 market shambles or for major declines since 1931.

Statistical evidence supports the bears. Except under bygone conditions, the experts have been unable to make out a valid case against short selling. The most recent study, a Twentieth Century Fund compilation, states: "In the twenty years since May, 1931, there appears no conclusive evidence that short selling materially affected the extent of a major decline or a major advance in the market as a whole."

The short interest in 1928-29 is known to have been microscopically small. Stocks wended steadily upward after the 1921 bear market. So often were short sellers on the losing side during the boom's later stages that few had nerve enough to ply their trade. Repeatedly pessimists were snowed under by aggressive bull enthusiasm like that which pushed Radio Corporation up 61 points in four days. The short sale checked the advance not at all. Everyone was convinced that "the tree would grow right up to the sky."

But the tree was hollow, and when its roots gave way on October 23, 1929, 2,500,000 shares were dumped into the laps of the startled bulls in one frantic hour. The following day was worse. While offerings mushroomed, prices melted. Stop-loss orders were touched off. Mr. Rockefeller's assurance, "My son and I have been buying sound common stocks," was a waste of breath. Optimistic comment from the proud House of Morgan fell as flat as the market itself. Words wouldn't stop the holocaust.

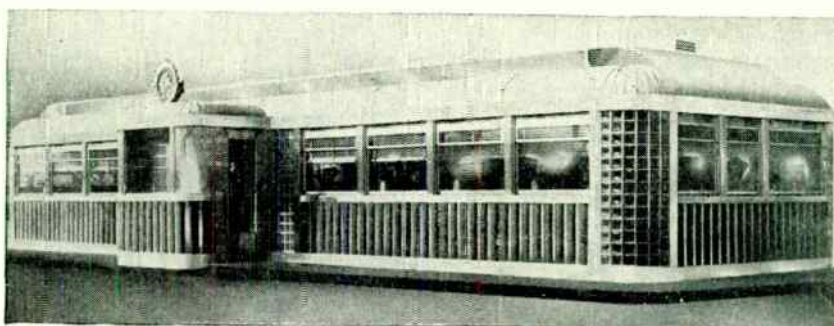
On the afternoon of October 24, a bankers' pool took noble action, dangling millions of dollars worth of sup-



*EARLY '20s: the lunch wagon was genuine rolling stock*



*1952: still portable, this Louisville diner was hauled off last January to become a flying C-54 on the Tokyo-Seattle route*



*1952: the modern diner looks fixed, but it's a self-contained package that can be moved to follow traffic*

## **THE GREASY SPOON—STILL ROLLING**

THE ORIGINAL lunch wagon was intended to resemble a railroad dining car and looked more like a caboose which railroad men call a "crummy." But even in 1910, it parked on Main Street to catch the fellows passing through in a hurry—railroad workers and later truck drivers.

Today's diner may measure 80 x 20 feet, cost \$100,000, and come fully fitted with booths and stools, kitchens, refrigerators and dishes. It can still be shifted as new highways shift the traffic stream, at a cost of \$1,000 or so.

The diner's mobility gives it an extra financial plus: it's classed as personal property, and is immune from real estate taxes.

The first "dog wagon" (frankfurters, hamburgers and coffee) is credited to Worcester, Mass. Early ones did most of their business at night, got into daytime use with the aid of prohibition. The WCTU bought three of them to set up in New York, served food and bland beverages to workmen.

One dinemaker, Jerry O'Mahoney, Inc., of Elizabeth, New Jersey, is planning movable gas stations and stores to roll from old highway to new route along with the chromium dog wagons.

porting bids before wild-eyed sellers. The rally soon ended, with stocks back on the toboggan again by the 29th when a 16,410,030-share steamroller crushed the market.

The bears were hibernating. Unable to check the boom in prices, they failed to cushion the break. If short selling prior to and during the crash had been nearly so prevalent, so vicious, as the cynics claim, the banking pool and Richard Whitney with his dramatic "Two hundred-and-five bid for 10,000 Steel" would not have failed.

Nevertheless, stories about "bear raiding" continued. Eventually they became so widespread that the Stock Exchange decided to probe the matter itself. An order went out requiring all members to report their position in stocks borrowed or loaned as of November 12, the day before the third liquidation wave skidded prices to new lows.

The date was timely, the data illuminating. Totaling 1,691,883 shares on that day, short interest was a mere .15% of the 1,110,419,105 shares listed on the Exchange. Only thirty-three issues showed a short interest greater than \$500,000: a total of 759,710 shares worth \$57,774,100 at prevailing prices. The 118,000,000-share bull account was nearly seventy times the bear interest.

Obviously, bulls and bears both were equally ignorant in the 1929 market. Blame for the calamity cannot rightly be nailed to the door of bruin's cave. It had been the bulls, after all, who produced the speculative orgy that had spiralled the market to the breaking point.

Is the bear psychology dangerous? The answer would seem to be "Yes—but primarily to the bear." Springing from disillusionment and a resolve to curb naive enthusiasms, it has its own pitfalls. It expands into the notion that the public is usually wrong, generally bullish, fated to lose money. The idea develops that the buying side is the losing side, the selling side the winning one.

The marketplace has been called an arena where profit and loss share equal chances. Probably this is incorrect. Fewer bears than bulls have scored substantial profits and kept them. Bears too often overstay the market. Bruin, a chronic pessimist, is a chronic loser. The natural improvement in values slowly works against him. Losses can be limitless: the market can go up and up. It also as frequently goes down; then the not-too-greedy bear feeds on honey.

When he does, the bull bellows. He rages that "insiders" have "pulled the plug." Occasionally it may still be true. But more often than not, the bull is

merely attributing his self-inflicted pain on a mythical, malignant *They* who exist only in his imagination.

Should selling short be outlawed? If experience has taught anything, no. More prudent means for assuring an orderly market than hamstringing the bear is SEC's tight regulation against speculative abuses. But bullish enthusiasm wouldn't like that, and the bear was born to be baited. His pessimism, a challenge to bullish hopes, has always been unpopular; hence he's just the right size to take the blame for bullish disasters.

## MONSANTO ACED

LAST WINTER's big news was Krilium, Monsanto Chemical Company's revolutionary new soil builder. While competitors napped, research-rabid Monsanto seemed to have scored a *coup*.

In making capital of the story, Mon-



PITTCOKE'S MARSHALL:

... no horsefeathers, please

santo's always adroit publicists excelled themselves. With marvelously shrewd spadework, they planted the news among pressmen, reaped a bumper crop of bouquets in public print. The *New York Times* front-paged a glowing feature story by Science Reporter William Laurence. He foresaw a day when Krilium applications would "make deserts bloom." Other newspaper notices were equally flowery. So much so that, among rival chemical men, the Krilium debut became something of a legend for all-out appreciative handling of a new product development. Thus last month when Pittsburgh Coke and Chemical took the wraps off a new venture of its own (*see page 28*), its President Marshall playfully begged newsmen to "Keep the horsefeathers off it, please!"

The enthusiastic stories aroused pub-

lic clamor, too. Shortly Monsanto was deluged with queries as to where Krilium could be purchased. But having staked out for itself exclusive rights in what seemed sure to be lush new sales pasture, Monsanto decided to go slow. Not until next spring, announced Prexy Charles Allen Thomas, would Krilium hit the market. By then Monsanto would have a new plant producing 250,000 to 500,000 pounds a year. In the meantime, Thomas thought it hardly possible for other chemical companies to beat him to the public with rival formulations.

But last month Charley Thomas heard some disturbing news. Tiny Wilson Organic Chemicals, Inc. (Sayreville, N. J.) had proved him wrong. Not only had it developed a soil conditioner of its own, but was already producing and selling it.

Started in 1947 by two ex-Dow men, Bob and Jim Wilson, Organics up until now has concentrated on dye-stuff intermediates, principally mono-aminophenol. But both had worked on agricultural chemicals at Dow, had seen the polyacrylate promise. Krilium's lavish publicity and Monsanto's complacent confidence paved the way to its production.

More serious than Wilson Organics' ability to get the drop on \$262.1 million Monsanto was the threat that others would, too. The Wilsons employ only about 40 people, are hardly liable to make much of a dent in Monsanto's sales bucket. What worried the now-doubting Thomas was the idea that other up-and-coming young chemists might climb aboard the hay wagon too.

Backing water last month, Thomas hoisted new signals: Monsanto would begin peddling Krilium immediately by mail order to the kitchen garden trade. But the switch in signals pulled Monsanto out of one cauldron into another, gave it a black eye with such influential gardening magazines as Doubleday's *Home Garden*. Having passed on the earlier gospel to his readers, Editor Ralph Bailey and other publishers became skeptical of Monsanto's type of news-seeders.

## NEW MAN FOR MEAD

IN OHIO's Scioto River valley at Chilli-cothe last month, Howard E. Whitaker climbed into the job he headed for from MIT 26 years ago. At 48, he became president of \$80 million Mead Corporation, replaced well-liked Charles Rutherford Van de Carr, Jr. President since 1948, inventor Van de Carr edged over to head Mead's burgeoning engineering-development staff.

The top-level shuffle was keyed to the firm's spurt of reorganization aimed



## LABOR RELATIONS

### Help wanted



Lawrence Stessin

to spark the century-old papermaker. From mills in Georgia, Ohio, Michigan, Tennessee, Massachusetts and Virginia, Mead pulps out products ranging from magazine covers to cigar boxes. But while 1951 sales soared to \$112 million, from \$93 million the year before and \$32.5 million in 1941, Mead common recently went for an unimpressive 4.65 times earnings. Other paper biggies brought seven to eight. While average pretax profit margins in the last decade's paper boom spread from Scott's 13.7% to Union Bag's 24%, the oldtimer from Ohio averaged no more than 10.6%. Last year's margin was 14.5%.

To cure the margin malady, Whitaker's boss, Chairman Sidney Ferguson (goaded by big-owner George Mead, who still holds the purse strings through control of the executive committee), started tightening up this year. Axed first was Mead's Manistique Division in Michigan. Bought in 1943 and found unprofitable, the power-paper plant was sold early this year. Profit: \$850,000. Next, in Chillicothe, Ferguson broke ground for a centralized research laboratory to keep Mead technically updated. Final touch came in April when he angled for a \$2.3 million bank loan for improvements.

But there was little improvement in first 12-weeks' results. Sales crept up, per share net was off to \$1.01 from 1951's \$1.45. Performance, says Ferguson, was "about in line with our previous estimates." The skid came from 22c a share higher costs, 14c more taxes.

Also hanging over the new executive is a \$20.5 million long-term debt and charges on 62,523 shares of \$4.25 cumulative preferred. With these, and a market threatened with normalcy, Meadman Whitaker will have plenty of climbing still to do.

### U. S. LINES' LOG

DAVE GIBBONS, treasurer of \$100.2 million United States Lines, claims to have "more figures than Heinz has pickles." Last month chunky, rumpled Gibbons came up with a couple of dillies in his annual report. Operating income was up 18% to \$97.1 million, earnings per share up 131% to \$4.94.

Though Gibbons closed the first quarter of 1951 with a sour earnings per share figure of \$0.02, at year's end he logged the best course since boom year 1947, when U. S. Lines waived operating subsidies, and notched earnings of \$6.79 per share, highest in its nine-year history. Last year's renaissance began when passenger bookings and cargo offerings, frozen as the cold war waxed hot in Korea, finally began to thaw. Cargo packed most of the flavor in Gibbons' earnings figure, ac-

ONE REVOLUTION that's good for this country is the upheaval of hiring practices in American industry. Time was not long ago when a worker seeking a job was treated like some outcast in need of benevolent charity. Hiring offices of some of the biggest corporations were hovels—ill-lit, ill-kempt, lined with wooden benches like medieval poorhouses. And the interviewers almost all looked and acted like retired guards from the state prison. All this is changing and its a welcome chore to report that the job hunter, white collar or factory, is being treated more and more like an acceptable member of the human race. Here are some notable improvements observed by this reporter on a FORBES cross-country assignment to cover the "new revolution."

- The hiring office is climbing out of the cellar. Virtually all new factory construction provides for the employment department to be on the street floor instead of the traditional basement. In Detroit, Woodall Industries has a separate street floor entrance for job applicants and the concrete walk approaching the hiring office is fringed with as pretty and scented a floral arrangement as you'll see (or smell) anywhere.

- Ford Motor has dropped the ubiquitous "No Help Wanted" sign. At Ford, as in a growing number of companies, every job hunter receives a personal interview even if it's: "We're sorry we have no vacancies today—please try us again."

- In the Cadillac plant of General Motors those waiting to be interviewed are entertained with a self-running film which shows how Cadillac cars are built.

- On the entertainment level, Macy's department store in New York came up with one which reveals how far "humanizing" has come. The employment office during the busy season sports a television set so the "waitee" will not be too bored. At Socony-Vacuum the hiring office is piped with Muzak and job seekers can fill out their applications to the strains of Chopin, Bach and Irving Berlin.

- Campbell Soup is no slouch on the "let's make you comfortable" approach. A job looker who comes in with a headache can ask the receptionist for a couple of aspirins. If he wants to while the time away and

write a letter, there's free stationery and pens that really work.

- SKF waiting rooms have visual layout of the company's products and if you're a gadget lover you can push-button the displays and they will light up.

- At Dr. Pepper's, the soft drink outfit, waiting for an interview has its pleasing moments. Policy of the company is "all the soft drinks you want"—for free. And at American Chicle, free chewing gum.

- About the last word in employment offices is the new layout just completed by Consolidated Edison of New York. Some features:

Individual desks for job seekers so when they're filling out their applications there isn't someone looking over their shoulders.

Drinking fountain and rest rooms. (Surprising how few of the old employment offices have facilities for either.)

Telephone booth with directories of all boroughs in case the applicants want to make a call.

Easy chairs to wait in—no benches. Decorations are the latest in decor. Photos of "employees at work" give applicants a visual of job chores.

- Several companies go further than the physical improvements of their employment offices. There are scores of outfits which send nice "Thank you" notes to persons who have applied for jobs but could not be hired for one reason or another.

- Courtesy and consideration doesn't stop at the hiring gate. Monroe Calculating will take a prospective employee into the plant, introduce him to some of the foremen, show him around—all to give the job hunter an opportunity to decide for himself whether or not he feels he could acclimate to the plant and the people.

It's easy to be cynical and say that management is going all out on the hiring front because of manpower shortages. Not so. There were manpower shortages during War I and in the boom times of the early '20s. Did employers then take steps to improve conditions? The simple answer is no, because top brass wasn't hep to this new thing called "human relations."

counted for 75% of gross operating income. A 10% cargo rate increase injected further sweetening.

Bookings on the *America*, U. S. Lines' only passenger ship, accounted for 12% of gross operating income. The new liner *United States*, to shove off on her maiden voyage next month, will boost passenger revenues, but probably "they will never reach more than 20% of gross operating income." Says Gibbons: "... proportionately there is very little profit in passengers, but it's part of our service as a subsidized operator and we have to provide it."

U. S. Lines last year also hauled bulk coal and grain shipments for ECA (1.35% of gross operating income), cargo for Military Sea Transportation Service (5.66% of gross operating income). For this business Gibbons also shows limp enthusiasm, but "... the Government needed help and we gave it to 'em." The trouble is not only "comparatively low profit margins," but paper work as well. Though his own dingy fifth-floor lair is strewn with papers that overflow from his desk to an auxiliary table behind him, Gibbons sees the Maritime Administration's General Agency Agreements as "a regular Chinese puzzle." Rates vary from 1% of freight revenue for ECA bulk cargo to \$25 per day on MSTs cargo ships, \$375 per day on passenger ships above 17,000 gross registered tons. In each case the Government pays all operating expenses, plus fueling, husbanding and stowage fees.

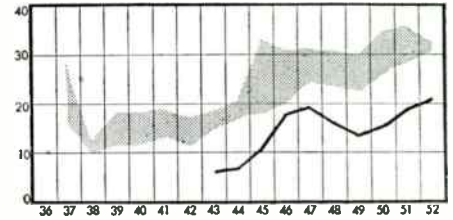
While Gibbons may rightly gripe about the contractual maze of GAA, his profit-polarized soul must have rejoiced over the reams of paper that had to be filed for the 46 ships (40 C-2's, six Victories) U. S. Lines bought under the Ship Sales Act of 1946. (see *FORBES*, *March* 15, 1950, p. 16.) Rang-

ing from six to nine years old, they comprise the entire U. S. Lines fleet (except for *America*), cost \$48,470,000 under Congressional price formulae, with an average markdown of 50% from original cost. To operate this fleet on a "par" with foreign operators, U. S. Lines last year got an estimated operating subsidy of \$7,962,758, less recapture of \$3,461,150.

Though Gibbons denies the operating differential guarantees U. S. Lines a profit, he says: "... without it last year we would have lost money." Part of the loss would have gone for taxes. But under the Merchant Marine Act of 1936, the company last year slushed \$11,980,000 into tax-exempt capital and special reserve funds. These suck in profits that exceed 10% of working capital, pay off future profits subject to recapture, provide a nest egg for construction of new ships. Though both funds last year saved U. S. Lines from dropping a tax bundle, it also lowered the boom on stockholders. Says Gibbons' 1951 annual report: "Dividends ... are restricted by law ... \$9,853,000 of the earnings ... are not available for dividends at this time."

Subsidy shoal water also foams white around the bow of the new ship *United States*. Conceived as a "prestige" ship, the 990-foot, 52,000-gross-ton craft will be the largest commercial ship ever built in this country—and the most expensive. Though U. S. Lines describe her as "built with the cooperation of the Maritime Administration," the company, as it now stands, will ante up only \$30 million of her estimated \$76 million cost. The Maritime Administration and Department of Defense will get up the rest—if USL is lucky.

Controller General Lindsay Warren's 1950 blast at such subsidy estimates as "guesswork" has charged up Congress,



**U. S. LINES MARKET HISTORY:** Shaded area shows price range of combined common stocks of Moore-MacCormack Lines, American Export Lines, and United Fruit. Solid line shows yearly market midpoints of U. S. Lines.

forced a redetermination of American Export Lines' cash contribution to the liners *Independence* and *Constitution*. Warren's fiscal lightning may scorch U. S. Lines' coffers too. Though the company is certain it has a binding contract which cannot be reopened, and though it is backed in this contention by Secretary of Commerce Sawyer, Warren stands adamant that the agreement is not "binding and unavoidable." It now seems that the issue will be ultimately bludgeoned out on Cabinet levels.

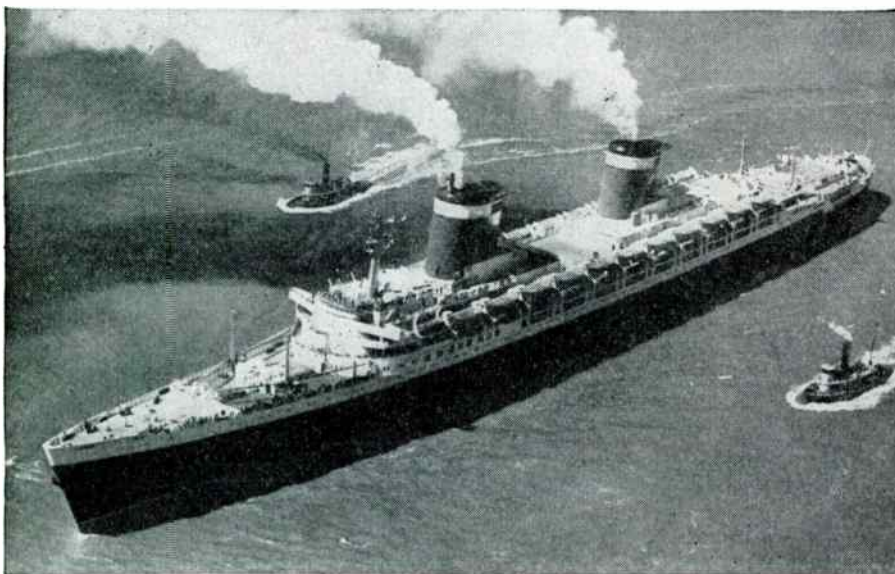
Despite this hubub, Dave Gibbons was quietly buried last month in his peck of pickled papers. Would a change of administration bother them? Says Gibbons, himself a 17-year veteran with the Maritime Commission and predecessor agencies: "... we've seen lots of new faces, they come and go ... so long as they don't change the law, it can't hurt us."

## SHARP RESEARCH

WITH ONE LEG casually draped over the arm of his chair, William L. Dempsey, round-faced president of Sharp and Dohme platitudinized: "Research is the life blood of any drug company." Last month, Sharp and Dohme, leader in production of blood plasma, gave itself a big transfusion. The company dedicated a new West Point, Pennsylvania, research center, whose \$4 million red brick and concrete buildings hold Sharp and Dohme's hopes for the future.

Ten years ago their Glenolden laboratories were opened and, in a bare two years, outgrown. In one decade, with generous shots of sulfa, blood plasma and many lesser drugs, sales tripled. Profits did even better. Typical of S & D research is Benemid, a radical new drug for the treatment of gout. Sales are expected to be good, but not phenomenal. Grandfather's big toe just is not as fractious as it once was.

Today, over half of S & D's sales volume comes from products developed in the last ten years. No single product accounts for over 5% of sales. Alone



**UNITED STATES ON SHAKEDOWN CRUISE:** a subsidy shakedown loomed



among the big drug houses, S & D does not possess an antibiotics processing plant. Cracked Princeton-educated Dempsey, who, like board chairman John S. Zinsser, came to S & D via Merck, "We could buy all the penicillin plants we want today." While other drug firms' profits have been dissolving in the acid of penicillin and streptomycin price wars, S & D increased earnings in the first quarter to \$1.10 from \$1 a share last year. Sales spurted 20% to \$14.6 million. The 10% of government business was relatively profitless. Thin-lipped Bill Dempsey, who thinks hard times are ahead, partly attributes this showing to a heavy hand on expenses.

But graying, well-spoken John Zinsser knows that some corners cannot be cut. Competitive drugs must be equalled or bettered. Observed Zinsser, "It requires men and money to stay in the game. We are spending large sums in this work." A \$4 million lab for a \$45 million company shows it is playing the game for keeps.

### DAMON'S DRIVE

FOR 54 years in America, aging William Shea hoped to revisit his Irish homeland. Last month he did. With his wife, the ruddy-faced, retired retailer from Winthrop, Mass., clambered aboard a four-engined Constellation in Boston. Fourteen hours later the plane lit lightly on Shannon's runway and the eager old man stared reverently at the old sod. He didn't know it, but his TWA plane was the first of ten international airlines to cross the Atlantic with a load of low-fare tourists. TWA President Ralph Damon had bitterly opposed Pan American's demands for transatlantic tourist service. Even as his remodeled Constellations began their Paris and London shuttles, reluctant Damon thought he was taking one of aviation's biggest gambles since Lindbergh's "Spirit of St. Louis" dropped down on France, 25 years before to the month. At stake was the future of cheap overseas travel that will pay royal returns or dunk TWA deeper into red ink.

To European economies, sky-coach promises bigger bundles of dollars. For the itchy-footed, round-trip prices were slashed from \$711 first class in peak season to \$486, bringing Continental tours within middle class grasp. To America's CAB any new money gives hope of setting mail rates without subsidy once and for all. If the plan benefits travelers, taxpayers and foreign treasuries, what's in it for TWA?

"There is no doubt," judges New Hampshire-bred Damon, "we are tapping new travel markets."

Yet the husky, cigar-smoking presi-



### PACKARD'S PAIR

LAST month Hugh Ferry, (*above left*) chief executive officer of Packard Motor Car Company, moved up to the long-vacant chairman's seat to make room in the president's office for James J. Nance (*above right*).

Nance is a 51-year-old merchandiser who has sold office equipment (for National Cash Register), refrigerators (for General Motors) and electrical appliances (for General Electric's Hotpoint, Inc.). He comes to a company which has been trading on a fine old name to crack the medium-priced car market. Although Packard's sales and assets have declined somewhat over ten years, its pretax profit margin—averaging 5.87%—has shown less year-to-year deviation than that of any other automaker. Undoubtedly Packard's profit margin, fifth among the eight public motor corporations, would improve considerably with a little more volume. This Jim Nance is expected to supply.

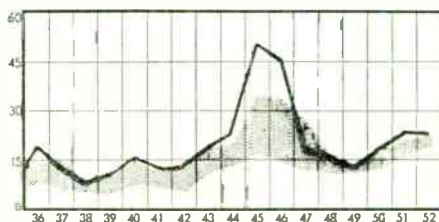
dent's optimism is tempered by a sad sequence of past TWA deficits, labor woe, and last summer's Midwestern floods, when even nature conspired to sour TWA's first really profitable post-war year.

To make money out of cut-rate ocean hops, Damon must fill 43 of 60 seats both ways, year 'round. (With fewer people, higher fares and heavier freight loads, first class pays off after 31 out of 47 seats are occupied.) Starting this month, TWA must lure 516 passengers

into 24 crossings a week just to break even. Jockeying for the same passengers are arch-rival Pan American, British Overseas, Air France, Scandinavian Airlines, Italy's LAI, Swissair, El Al Isreal, Belgium's SABENA, Holland's KLM and Trans Canada.

While the Sheas and people like them spend less to make merry in Dublin or Gay Paree, the Atlantic battle for Damon and TWA stockholders is no holiday game. Air-minded Damon wings 125,000 miles each year, exhorting each of his 12,000 employees to sharpen service, trim costs.

In three years since greying Damon accepted the bid of big-owner (74%) Howard Hughes to manage debt-ridden TWA, he has upped assets from \$81.8 million to \$117.4 million. From a \$1.3 million deficit in 1948, he jacked net to \$3.73 million his first year, \$8.51 million in 1951. While long-term debt is still about \$50 million, stockholders' equity swelled from \$9 million to more than \$36 million. Damon frankly admits, "TWA is not yet an 'investment.' It's a businessman's 'speculation.'" To make it more nearly an investment,



**TWA MARKET HISTORY:** Shaded area shows price range of combined common stocks of United Airlines, Pan American, Eastern Airlines, and American Airlines. Solid line shows yearly market midpoints of TWA.

Damon hopes to cut the 1.5 to 1 debt ratio to 1 to 2, pay dividends, now restricted by debt. "Any payout we might declare now," claims Damon, "would be an obvious attempt to sweeten the market for more financing." His New England conscience, says he, would allow no such move.

On the cost front, Damon's New England stubbornness is strained to its limit. American Airlines' per revenue-ton-mile costs soared in the first quarter to 47.77c, over last year's 40.25c; Eastern's and United's inched up in January and February from 41c to 46.56c and 44.72c to 47.44c, respectively. Damon's tightening rein cut costs from 52.2c to 52.14c in the first quarter. TWA costs are still too high in relation to others of the Big Four. Earningswise, the line rang up a familiar first-quarter deficit of 21c a share in a period when Damon normally expects to break even. He blames the loss on Newark Airport's shutdown.

A bigger problem for TWA is equipment for the future. With ten Super Constellations coming up, the president's next decision will be whether to go into turbo-props or pure jets when they land on the market. "Once I decide," says Damon grimly, "I'd better be right. If I buy the wrong plane, it'll be the end of TWA." All operators have been more aware of jets since BOAC's Comet roared to South Africa the same day Bill Shea touched down in Shannon. U.S. carriers must get to jets soon to compete with the British for the same reason Mrs. Shea decided to fly to Ireland. Her reason: "It's later than you think."

## BLACK DICK'S BLACK DEATH

AS STAR fullback of the University of Pennsylvania's champion 1912 team. Richard Mather Marshall played dead-earnest football. Partly for his wild black hair, partly for the havoc he created among opposing team's players, he won the nickname "Black Dick." The moniker paid tribute to his crushing tackles and to a piratical talent for snatching victory from defeat. With Pennsylvania trailing Michigan 20 to 21 and only 30 seconds left to play, young Marshall cut loose on a 60-yard sprint to the winning touchdown and campus immortality.

Now 40 years older and president of \$54.9 million (assets) Pittsburgh Coke and Chemical Company, Dick Marshall at 61 (see picture, page 24) is still a vigorous, barrel-chested man capable of throwing a lethal punch. Last month he showed he could concoct one too. The concoction: Systox, his company's newly unveiled systemic insecticide, the first such commercially available.

Sprayed on crop foliage or mixed with the soil, Systox is absorbed by growing plants. For a period of from four to six weeks, it makes plants highly toxic to destructive pests (though harmless to birds, animals and such beneficial insects as bees). Sucking or chewing insects literally eat to death.

Black Dick's black death is particularly effective against aphids and two-spotted mites, bane of U.S. cotton growers. Applied in a solution of two pounds per acre, two treatments last through the whole growing season. With conventional sprays (like DDT, which PC&C also makes) five or six are needed. Pondering these virtues, President Bill Haude of Pittsburgh Coke's four-year-old agricultural chemicals subsidiary calculates that Systox's sales potential is "fabulous." He hopes to build up a million dollar volume within a year.

Chemicals are not Pittsburgh Coke's main business, though Dick Marshall hopes one day they will be. PC&C is still very much in its old, traditional business: producing (1) coke, (2) pig iron and (3) cement.

It's a logical operation, built on the abundant coal of the Pittsburgh region. With all the company's plants—excepting only a blast furnace at Struthers, Ohio, operated for General Motors—on Neville Island, seven miles west of Pittsburgh in the Ohio River, transportation of water-borne raw materials is cheap. Inbound coal goes into a battery of 105 coke ovens, 35 of them completed just last year. Most of the coke in turn is bucketed into the two big blast furnaces which make the company the only merchant pig iron producer in the Pittsburgh area. Dick Marshall even has a use for the slag from that operation. It goes into an adjacent plant to be turned into bag cement and concrete products.

Ruddy, suntanned Dick Marshall, who stepped out of the Wharton School into his grandfather's iron works, describes himself simply as "a leathery old blast furnace man." Most of his top brass come from the same back-

ground. "After a lifetime in the basic, rugged activities we grew up with, it's hard for old gaffers like us to swing into meticulous chemistry. But that's where we're going." To signify the change, Marshall has had the company's trademark altered to emphasize "Chemicals" instead of "Coke."

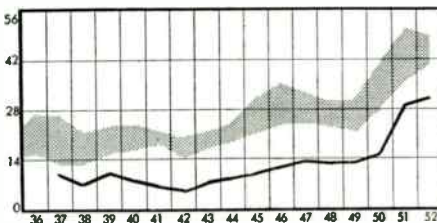
The prospect is beguiling. The by-product chemicals that can be squeezed out of the coking process—gas, tar, ammonia and such light oils as benzol, toluol and xylol—have greater possibilities than the coke itself. "So far we've just explored them in a blunt-fingered way," says Marshall, pointing to the creosote, phenol and plasticizers PC&C already produces. "When we get more subtle, we'll earn our name."

Anything but subtle is Pittsburgh Coke's muscular Quaker in planking down the wherewithal. Almost 56% of the \$12 million he has sluiced into new plant since 1947 has been shovelled into chemical processing facilities. Another 15% added new cells to the beehive of coke ovens on Neville Island, out of which come 895,000 tons of coke annually. Marshall's aim is to distill a far richer margin of profit from the coking residue than low-cost PC&C has won with its coke. He also wants to reduce the hazards of depending on the gyrating demand of U.S. industry for his big-tonnage products.

Marshall already has gotten a big slice of what he's after. In 1946, when the trail into chemicals started, PC&C's gross was only \$12 million, chemicals providing less than a quarter of it. In 1951, chemicals and byproducts produced nearly half of PC&C's \$48.7 million sales—the fifth consecutive year that sales have advanced. Net earnings were even more convincing, pushing from \$1.2 million to \$3.1 million.

With that to convince stockholders that missionary zeal pays off in lush grazing—dividends have risen from 50c in 1946 to \$1.25 last year—Marshall is again hitting the sawdust trail with a new \$18.5 million expansion program. One doorway into the green pastures he is sure lie ahead is agricultural chemicals. With Systox, that swung wide open. Now Marshall has his eye on petro-chemicals with a natural gas stripping operation.

Marshall emphasizes that he's not planning to pull Pittsburgh Coke and Chemical out of the coke and iron business. "That's in our blood." But he does think that PC&C has a big future in chemicals. "We're going places," he states positively, "and soon." The way to get the yardage PC&C needs to tally as an All-American industrial great though, thinks Black Dick, is to mix up new plays with the old ones into the line. "A pig iron man," says he, "needn't be pigheaded."



### PITTCHEM MARKET HISTORY:

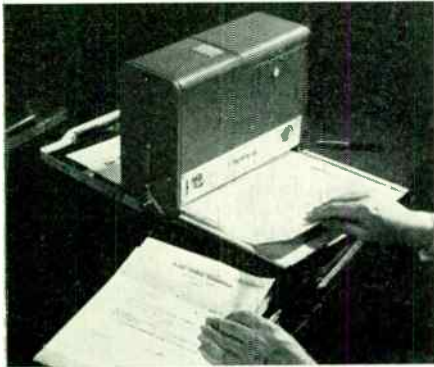
Shaded area shows price range of combined common stocks of Mathieson Chemical, Commercial Solvents, and Pennsylvania Salt Mfg. Solid line shows yearly market midpoints of Pittsburgh Coke & Chemical.



# NEW IDEAS

## Flofilm Microfilm

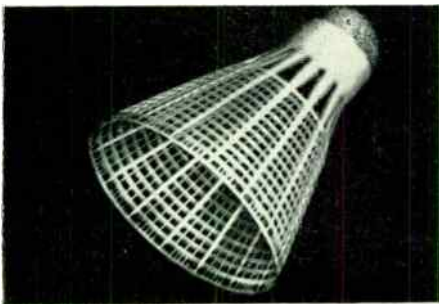
Now on the market is this new space, time, and money-saving device: a portable and motorized microfilming camera



said to be especially suitable for small business enterprises. Its film cartridge holds 50 ft. of 16 mm film, sufficient to copy 1,600 letter-size documents. Special attraction: unique magazine loading feature eliminating all loading, threading and film handling. No special skill essential for use (Flofilm Division, Diebold, Inc., Norwalk, Conn.).

## Plastic Birdie

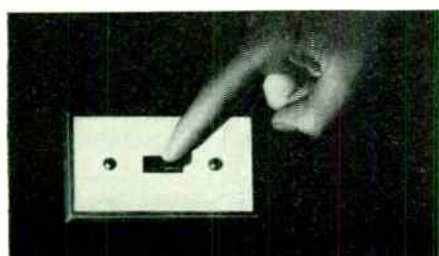
The last word for badminton champs comes from England: a plastic, standard-weight, moisture-proof shuttle cock,



claimed to outlast the feather cock four times, to be ideal for outdoor play and impervious to both disuse and abuse (Alex Taylor & Co., 22 East 42nd St., New York 17, N. Y.).

## Luminous Switch

Groping in the dark is both dangerous and unnecessary, say the makers of this new phosphorlite switch plate. Pro-



ducing a blue-white phosphorescent glow for eight to twelve hours when previously exposed to daylight for only one minute, the plate, which fits over any standard light switch plate, makes switch distinctly visible, eliminating hazardous search, painful falls, and finger-marked walls (Norco Mfg. Co., 392 Bleeker St., New York 14, N. Y.).

## Three-Legged Cane

Rugged and sturdy, yet allegedly light enough for a five-year-old to carry in one hand, is this new walking aid which stands waist high and has an 18-inch handle bar. Said to be particularly suited for convalescents from



broken hips, limbs and paralytic strokes. No danger of tipping or slipping. Made of tubular steel and hard wood, it is adjustable to flat unit for easy transport (The Anchor Mfg. Co., 505 Fifth Ave., New York 17, N. Y.).

## Putt Rut

A new device to facilitate the golfer's putting practice is a putter with two small mirrors embedded and protected



in a polished cast aluminum head, said to permit instant alignment of putter with flag pin. Each putter is factory targeted to insure accuracy (Alex Tay-

lor & Co., Inc., 22 East 42nd St., New York 17, N. Y.).

## TV Filter

A new supplementary screen for TV-viewers is claimed to give "practically



no reduction" in apparent viewing brilliance, yet results in softer pictures with clearer halftones. Made of sheer nylon fibers to fit over any popular-size glass screen (Robbins E.Z.C. Screen Co., 1932 Emerson Ave., South, Minneapolis, Minn.).

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*Southern California  
Edison Company*

**DIVIDENDS**

**ORIGINAL PREFERRED STOCK  
DIVIDEND NO. 172**

**CUMULATIVE PREFERRED STOCK  
4.32% SERIES  
DIVIDEND NO. 21**

The Board of Directors has authorized the payment of the following quarterly dividends:

50 cents per share on Original Preferred Stock;

27 cents per share on Cumulative Preferred Stock, 4.32% Series.

The above dividends are payable June 30, 1952, to stockholders of record June 5, 1952. Checks will be mailed from the Company's office in Los Angeles, June 30, 1952.

P. C. HALE, *Treasurer*

May 16, 1952

**PHILADELPHIA ELECTRIC  
COMPANY**

*Dividend Notice*

Dividends of 25 cents a share on the \$1 Dividend Preference Common Stock and 37½ cents a share on the Common Stock, have been declared, payable June 30, 1952, to stockholders of record at the close of business on June 2, 1952.

C. WINNER,  
*Treasurer*



**REEVES BROTHERS, INC.**

**DIVIDEND NOTICE**

A quarterly dividend of 30¢ per share has been declared, payable June 12, 1952, to stockholders of record at the close of business June 2, 1952. The transfer books of the Company will not be closed.

J. E. REEVES, *Treasurer*  
May 12, 1952.



**ROME CABLE**

*Corporation*  
ROME · NEW YORK

**53rd Consecutive Dividend**

The Board of Directors of Rome Cable Corporation has declared consecutive Dividend No. 53 for 25 cents per share on the Common Capital Stock of the Corporation, payable July 1, 1952, to holders of record at the close of business on June 10, 1952.

The Directors also declared Dividend No. 24 for 30 cents per share on the 4% Cumulative Convertible Preferred Stock of the Corporation, payable July 1, 1952, to holders of record at the close of business on June 10, 1952.

JOHN H. DYETT, *Secretary*  
Rome, N. Y., May 9, 1952

**PHELPS DODGE  
CORPORATION**

The Board of Directors has declared a quarterly dividend of Sixty-five cents (\$.65) per share on the capital stock of this Corporation, payable June 10, 1952 to stockholders of record May 23, 1952.

M. W. URQUHART,  
*Treasurer.*

May 7, 1952

**TEXAS GULF SULPHUR COMPANY**

The Board of Directors has declared a dividend of \$1.00 per share and an additional dividend of 75 cents per share on the Company's capital stock, payable June 10, 1952, to stockholders of record at the close of business May 26, 1952.

E. F. VANDERSTUCKEN, JR.,  
*Secretary*



**THE SAFETY CAR HEATING  
AND LIGHTING COMPANY, INC.**  
DIVIDEND NO. 220

The Board of Directors has declared a dividend of 25¢ per share on the outstanding Capital Stock of the Company of the par value of \$12.50 per share, payable July 1, 1952, to holders of record at the close of business June 10, 1952.

J. H. MICHAEL,  
*Treasurer*  
May 13, 1952



**TENNESSEE  
CORPORATION**

61 Broadway, New York 6, N. Y.

May 12, 1952

A dividend of fifty (50¢) cents per share has been declared, payable June 27, 1952, to stockholders of record at the close of business June 12, 1952.

JOHN G. GREENBURGH  
*Treasurer.*

**ELECTRIC BOND AND SHARE  
COMPANY**

TWO RECTOR ST., NEW YORK 6, N. Y.

**Common Stock Dividend**

The Board of Directors has declared a dividend, subject to the approval of the Securities and Exchange Commission, on the Common Stock, payable June 25, 1952, to stockholders of record at the close of business May 22, 1952. The dividend will be payable in shares of The Southern Company Common Stock at the rate of 4 shares for each 100 shares of Electric Bond and Share Company Common Stock. No scrip representing fractional shares of The Southern Company Common Stock will be issued to stockholders. The Company proposes to arrange for the Company's dividend agent to handle fractional share equivalents for the stockholders.

B. M. BETSCH,  
*Secretary and Treasurer*

May 14, 1952.

**THE FLINTKOTE COMPANY**

30 ROCKEFELLER  
PLAZA



NEW YORK 20,  
N. Y.

A quarterly dividend of \$1.00 per share has been declared on the \$4 Cumulative Preferred Stock payable June 16, 1952 to stockholders of record at the close of business May 29, 1952.

A quarterly dividend of \$.50 per share has been declared on the Common Stock payable June 10, 1952, to stockholders of record at the close of business May 27, 1952.

CLIFTON W. GREGG,  
*Vice-President and Treasurer*

May 7, 1952

**R. J. Reynolds Tobacco  
Company**

**Preferred Stock, 3.60% Series  
Preferred Stock, 4.50% Series**

Quarterly dividends of 90¢ per share on the Preferred Stock, 3.60% Series, and of \$1.12½ per share on the Preferred Stock, 4.50% Series, have been declared, payable July 1, 1952 to stockholders of record at the close of business June 10, 1952.

WINSTON-SALEM, N. C.  
May 8, 1952

W. J. CONRAD  
*Secretary*

**AMERICAN ZINC, LEAD AND SMELTING  
COMPANY**

**Convertible Prior Preferred Stock**

A quarterly cash dividend of \$1.25 per share has been declared on the Prior Preferred Stock of said Company for the calendar quarter ending June 30, 1952, payable August 1, 1952, to stockholders of record at the close of business July 3, 1952.

W. J. MATTHEWS, JR., *Secretary*



## *Ideal time for watchfulness*

SOMETIMES—fairly often—one can write with confidence, conviction, concerning the stock market and the general economic outlook.

At this moment, I prefer to publish the views and recommendations of our exceptionally able staff of experts rather than express any concrete conclusions of my own.

One fundamental, obvious fact is that to obtain income from investments one must own investments. Those of us who count upon deriving income from our invested savings therefore rarely, if ever, liquidate the major percentage of our dividend-yielding or interest-yielding securities.

Also, always what seem to be attractive opportunities for buying at least some stocks or bonds arise, so that one rarely remains totally inactive for very long.

The vigilant investor never sleeps. This assuredly is not a time to burrow one's head in the sand and become oblivious, indifferent to the daily national and international kaleidoscope.

There never has been a time—never will—when alert individuals or institutions have not stopped to seize and profit from opportunities either to buy or sell on the N. Y. Stock Exchange and other marts.

Personally, I am currently committed neither to general bullishness nor bearishness; but continue to purchase some additional securities or to liquidate certain others.

This is the only attitude I can conscientiously commend at this juncture.

### *Consumers Are Cautious*

Indisputably, a conservative wave has come across consumers.

Significant is it that the lifting of various credit controls and the unfreezing of different classes of merchandise and materials have not released spectacular, overwhelming buying.

The very opposite has been true to a rather astonishing extent. A countless number of individuals and families lately have displayed determination to hold on to their money, to strive to swell their savings rather than to splurge, go into debt.

My own view is that this cautious policy will continue, at least between now and November.

For one thing, fewer families in modest circum-

stances are starting the building of homes at present unprecedented costs.

My expectation is that not a few companies and corporations which authorized colossal construction programs will in some measure pull in their horns. Productive capacity already is sufficient to meet demand in an increasing number of industries. Indeed, retailers all over the land are strenuously seeking to reduce their inventories. Special sales at cut prices are multiplying.

Many, a great many, reports covering 1951 results reveal reduced net profits. So far, 1952 has provided evidences galore that this sobering state of affairs still exists.

### *Two Uncertainties*

While I have never felt that Russia would precipitate another World War this year, some of her recent actions have made me suspicious that she contemplates some extraordinary devilment.

Not only her never-ending stalling in Korea truce negotiations, but her wholly fantastic accusations against UN forces, create the uneasy impression that the Soviets may be preparing the world for the nearby launching of barbaric atrocities.

That constitutes Uncertainty No. 1.

Uncertainty No. 2, less acute, is what will happen politically on November 4.

The mounting strength of General Eisenhower encourages the reasoning that he will be the Republican Presidential nominee. However, Senator Taft's manifest strength cannot be ignored.

President Truman has loudly trumpeted that he will repeat, for the Democratic nominee, the whirlwind campaign he conducted up and down the country for his own election. While I don't believe, now that he is definitely going to get out of the White House, that his barnstorming will prove as effective as formerly, you never can tell, especially if a candidate be chosen who is acceptable both to the South and the North—perhaps W. Averell Harriman.

An ideal time for watchful waiting!



# 6 LISTS to GUIDE INVESTORS

Every individual has his own particular investment objectives and investment requirements. To cover a cross-section of the needs of a diversified group of individuals, we have drawn up six lists which will help serve as a guide in making your own specific commitments.

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Greenwich 15 Connecticut

# INVESTMENT POINTERS

by JOSEPH D. GOODMAN

## Comments on favored stocks

FROM time to time I have recommended *Montgomery Ward*. Many readers made substantial profits during the 1946 advance, when the stock went to 104. After the decline which followed, it recovered from 47 in 1949 to 75 last year, and is now around 59 to 60.

This company is the second-largest mail order enterprise and one of the largest retail distributors. There are 613 stores located in every state but Delaware and Massachusetts. About 543 units are of the junior department store type, featuring chiefly apparel, radio, household equipment and furnishings, hardware and auto supplies; 88 farm stores are operated. The company operates three factories as a partial source of supply for paint, varnish, fencing and farm equipment.

*During each of the last five years, sales have exceeded one billion dollars. Net working capital has increased sharply.*

At the end of the last fiscal year, January 31, of this year, current assets (including \$245 million cash items) amounted to \$642 million, compared with current liabilities of \$121 million. The resulting net working capital, \$521 million, was equal to \$77 per share on the common stock, after deducting the Class A stock. Total book value is \$85 per share. For the last five years, share-earnings have averaged more than \$9 per share, and while current earnings are not good, I think they will improve by the coming fall. Last year, a dividend of \$4 was paid. Should this dividend be maintained, the yield on the present price would be 6.6%.

As is well known, the management of *Montgomery Ward* has been criticized in recent years. Whether the policy is called ultra-cautious or gloomy, the fact remains that the company's financial condition is extraordinarily strong. Sooner or later, the current unsatisfactory retail trade will turn for the better, and possibly there may be a change in the management.

*It seems to me that the stock has reached an attractive buying zone, and purchases are recommended, with reserves maintained to make additional purchases just in case the stock should later decline to the low 50s.*

Inasmuch as this is a leading company, and considering the values as disclosed in the company's statement as here indicated, it is obvious that a purchaser in the 50s is getting something

for his money. It is my guess that when the next boom in retail-trade stocks occurs, *Montgomery* might again sell above 100.

About two years ago, this column recommended *Florida Power & Light* around 20. It has since increased its dividend from \$1.20 to \$1.40, with a further increase warranted by earnings, in my opinion. Since then, the stock advanced to 29. This company serves nearly one-half of Florida, and the growth factor is particularly noticeable in the Miami-Fort Lauderdale-Palm Beach area. I think this stock is attractive, even at its present price around 27.

I also recommend the stock of the *Florida Power Corporation*, which serves an area south from the Georgia-Florida line along the Gulf Coast to St. Petersburg, and through the central part of the state to Lake Placid. Georgia Power & Light, a wholly owned subsidiary, serves a population of about 250,000 in south Georgia. At its present price of 20, the stock yields 6% on its dividend of \$1.20. Earnings and outlook appear satisfactory.

*With price controls likely to be discontinued soon, Reynolds Tobacco stock should be distinctly attractive.*

The company is strong, excellently managed. Its advertising programs have increased the popularity of Camels. At around 34½, the stock yields about 6% on the \$2 dividend. On this basis, the stock should have great appeal to those seeking a good rate of return on a quality stock.

*Stokely-Van Camp* was recommended. I wish to comment on it further. It is still around 15½, compared with a peak of 39 in 1946. The company's products are well known in the food business. Financial condition is excellent, with net current assets equal to the stock's present price. For the fiscal year ended last May, earnings amounted to \$4.02 per share. For the present year, earnings are expected to be about half of that, but should improve from then on. The company's business is reported as progressing satisfactorily, considering the tax situation, higher increased costs, etc. Sales are currently running ahead of a year ago, most unusual among large food companies. Inventory and bank position are very favorable. *Stokely* has one of the finest organizations among the larger food companies, having established training

(CONTINUED ON PAGE 35)



# YES—THE 1952 GOLD STOCK BOOM SHOULD MAKE QUICK FORTUNES

In the development of personal economic security, we consider the stock market of primary importance. It may reasonably be looked upon as the shortcut to financial success. At least, it affords a direct way to affluence.

The experience of half a century has enabled us to work out a scientific formula for fortune building. Success over many years has proved that knowing what to buy and when to buy and sell is the secret of quick fortune building. It is far better to know the time to sell to the false optimists and the time to buy from the misguided pessimists than it is to be familiar with market theories.

Years of conspicuous success for clients has built us pre-eminent recognition for our long-term market profits. That is why worried investors write from many parts of America to get the "Stock Market Appraisements" we formerly syndicated nationally on financial pages under the heading, "ROYSTONE SAYS."

Our newspaper followers realized that when and what to buy and sell is about all one needs to know about the stock market. No wonder Wall Street is so anxious to keep in contact with our recommendations.

This demand from everywhere for our reliable guidance on when and what to buy forced us to publish our comments in inexpensive weekly bulletins.

To buy and hold long-term growth situations before the public recognizes their potential values largely eliminates the hazards of speculation. Now, thanks to the discovery made while evaluating fundamental psychological factors found in the Roystone Heavy Industry formula, we are enabled to detect the difference between distribution and accumulation, to tell the correct time to buy and sell. We follow the fundamentals that make for profits. Currently, we are preparing for the next gold stock boom sparked by the raise in the price of gold. We are exploring the field to uncover the issues that show the greatest fortune-building potentials for that event. We are amazed at the fortune-building potentials of gold stocks we are recommending.

Without such preparation for the future, the average investor never has a profit chance. Instead of building up a fortune in a few years, he sees his funds shrink. Unfortunately, investors and traders too often buy when they should sell and sell when they should buy. To prevent these errors, we developed our 27 Safety Rules for Investors and Traders.

Today, we realize we have reached a condition in our economy that puts too many investments under shrinkage pressure and so have no growth futures. Investors should not seek dividends at the expense of fortune-building growth values.

To protect our clients, we continually caution, "It is folly to gamble." We buy values, not the market averages. In order to protect clients from getting funds frozen in "stocks having excellent past dividend records" we select growth values in their infancy. Buying special situations, long-term growth possibilities independent of general conditions, makes all the difference between failure and fortune-building. Our being first to discover the growth prospects in Canada three years ago resulted in making fortunes for hundreds of our clients.

Naturally, the long trend turning points are essential to the investor. Knowing a "bull market" from a "bear market" is the one guarantee of security. Waiting and watching for growth values has built most of the large fortunes made in Wall Street. It would require pages of space to reprint the hundreds of letters of gratitude from longstanding clients now in our files.

There are thousands of smaller investors, intelligently accumulating fortunes, who welcome technical data and a diagnosis of our growth situations we recommend for substantial income and rapid growth. While we await opportunities like we now



W. H. ROYSTONE  
INVESTMENT ANALYST

Who, from devoting many years building fortunes for investors, wrote "America Tomorrow," called "the most far-seeing economic guide for the future," sent free to his personal clients with his "27 Safety Rules" for investors and traders.

see in the gold stocks they need instruction to protect them from the dangers of ill advised speculation.

## GROWTH FIRST—THEN DIVIDENDS

One of the most prevalent fallacies that distorts the judgment of the average investor is the idea he can buy at any time and be sure of a profit. He has slight knowledge of the economic and investment cycles. He knows next to nothing about growth values. He does not realize the great number of stocks listed that are in a natural stagnation. He does not know how few are impelled by special advantages such as will be the case in the gold stocks.

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# MARKET OUTLOOK

by JAMES F. HUGHES

## Some favorable developments

PERFORMANCE of the stock market during the last month included several developments that helped to increase optimism regarding the intermediate and longer-range outlook for equity prices. Among the items generally accepted as favorable omens were the rapid snap-back of the market from the early May lows, the fact that the industrial average again met support around the 255 level, and the new highs recorded by the rail average and by General Motors.

*Non-technical reasons for projecting an advance in stock prices involve an improvement in investment psychology based on political developments and a general expectation that the trend of industrial activity and corporate earnings will be toward higher levels in the second half of the year.*

In discussions of market prospects the present situation has been mentioned as being similar to 1949 and also to 1926-1927.

The constructive conclusion reached in these discussions is that a final phase of major advance, based on a revival of old-fashioned confidence in the political and economic future of the United States, will push equity prices to very much higher levels. The prices of common stocks will thus finally reflect the great increase in fundamental values of American corporations during the last ten years.

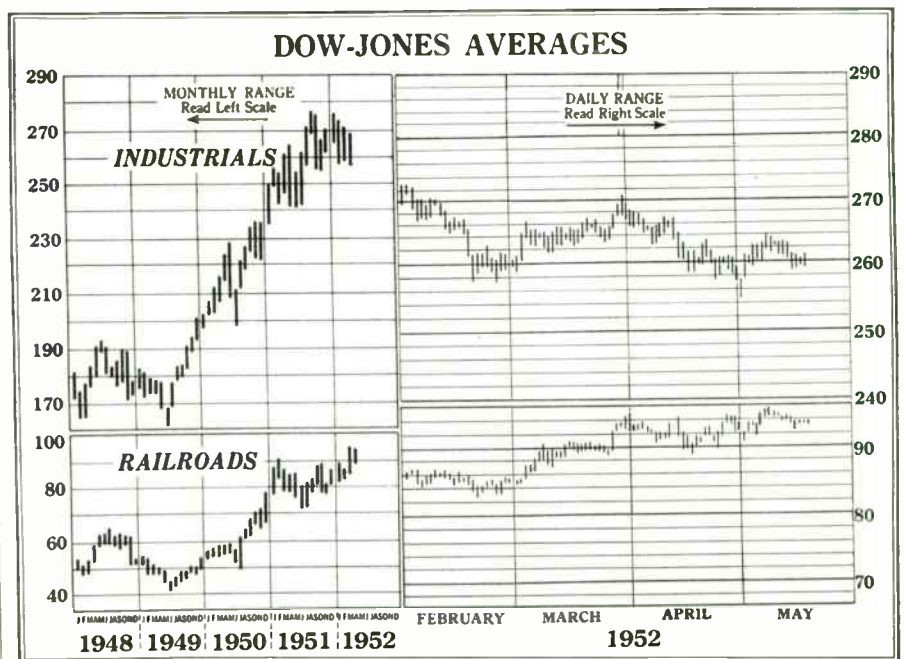
*While there is no question that under regulation American equities have been*

*consistently undervalued, I am not convinced that the recent performance of the market means that the average lows for 1952 have been recorded.*

Starting with the new highs in the rail average and General Motors, I would hesitate to interpret these highs as a dependable indication of guaranteed further advance in the market. In this connection it may be recalled that General Motors and the rail average established new bull market highs during the final week in March. A reaction started right from the beginning of April that carried the industrial average to new lows for 1952. This reaction was in keeping with the technical probabilities calling for a decline following attempts by the rail average to continue an advance all alone without confirmation by the industrial average or the breadth index. From an intermediate trading viewpoint divergence between the rails and industrials is on the unfavorable side.

The same thing may be said regarding the new high established by General Motors. Under regulation, GM on at least six occasions has reached new highs, unconfirmed by the industrial average, which have been followed by declines in the average running from one to five months.

Previous experience with protracted trading ranges, such as the eight per cent range in which the industrial average has been held for ten months, shows that it is not unusual for tem-





porary support to appear right around the lowest closing level of the range, which in this case is 255.95, established November 24. In the course of the preceding abnormally restricted trading range, from November, 1948, to May, 1949, the average closed at 171.20 on November 30, rallied to 181.50 in January, closed at 171.10 on February 25, recovered to 178.45 in March and did not break decisively through 171 until May 31. As in the present situation the market made two sustained attempts to rally out of the trading range before succumbing to further decline.

In connection with the rapid snap-back from the May 1 lows, this might be the beginning of a minor investment stampede, but the probabilities are against it. Similar post-climax performances have in the past been followed by the resumption of declining trends that carried the industrial average through the preceding climax low. In the present situation this would mean penetration of the 255 level.

*The combination of technical probabilities now visible would appear to justify waiting a little longer before reinstating intermediate trading positions in the CBM account.*

## NAMES

Benjamin F. Fairless, elected chairman of the board and chief executive officer of U. S. Steel Corp., succeeding Irving S. Olds, retired.

George M. Humphrey, elected chairman of the board and chief executive officer, and Joseph H. Thompson, elected president, of the M. A. Hanna Co.

Dr. Karl T. Compton, formerly president of Massachusetts Institute of Technology, elected a director of General Foods Corp.

John P. Mansfield, elected president of the Plymouth Motor Corp., subsidiary of the Chrysler Corporation.

## INVESTMENT POINTERS

(CONTINUED FROM PAGE 32)

programs. The sales organization is young, aggressive, doing an excellent job. I believe it likely that the \$1 cash dividend will be maintained, with an occasional stock dividend as in the past. The yield on the cash dividend is 6%.

*Little risk appears to be involved in the purchase of this stock.*

I believe there are prospects for moderate appreciation in the next few years.

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**MARKET COMMENT**

by LUCIEN O. HOOPER

**Market responding to the known and expected**

It is unusual for the stock market to respond violently to what is known or to what is expected. Larger moves in stock prices originate from previously little-thought-of developments, from surprise factors.

Such things as eased credit controls, long-discussed labor crises, lower-commodity prices, highly mixed earnings reports, and the replacing of shortages with abundance have developed gradually without "news shock incidence." The influence on stock prices is dull and measured.

Surprise elements now are needed to jar investors into any great activity. Without the surprise element, or the unexpected, stocks are likely to continue to move in dull trading in a narrow range with price changes in individual issues mixed and selective.

*The most obvious source of possible surprise is in the international situation.*

Most people have been thinking in terms of easing tensions, a "spread out" of the rearmament program, and perhaps even a truce in Korea. All this could prove to have been more wishful than realistic.

A sudden worsening in the international situation could cause a new stock selectivity, a fading of excess profits tax reduction hopes, different ideas about convention and election results, a trend back to economic controls instead of away from them, more private spending and less private saving, more inflation and less deflation, more "fears" and less complacency.

These are the things the market does not expect—the things which are not reflected and appraised in current equity evaluations.

I am not, of course, predicting a worsening of the chronic international situation. I simply wish to distinguish between the type of influence which makes for violent, or dynamic, price behavior and the type of environment which does not. I also wish to stress that some of the things the popular press has been treating as "positive" stock price change incentives (like the steel crisis) really are "neutral" so far as their immediate influence is concerned.

Assuming "more of the same" in the general news environment (which always is the easiest thing to do), it is probable that "the market," if there is any such thing in this new day of selective and sophisticated stock investment, probably will follow its average seasonal trend.

*The seasonal trend calls for some decline in April, May and often early June, followed by better prices during later June, July and August.*

Since the financial community is politically conscious in an election year, stocks may (probably mildly rather than violently) reflect investor emotions resulting from July convention decisions.

The most impressive thing about the Fifth Annual Convention of the National Federation of Financial Analyst Societies at San Francisco last month was the convincing evidence of the importance of the security analyst profession as a new influence in the investment world. There can be no doubt that the analysts now exert a great stabilizing effect on investor thinking, that they are making the market for stocks more selective and more sophisticated—that investors are leaning more heavily on professional investment opinion rather than on tips and hunches. Nor can there be any doubt that the influence of the profession will continue to grow.

Were the analysts "bullish" or "bearish"? The answer is that analysts, when they get together in serious conclave, don't talk that language. I heard no extreme market views at San Francisco. I heard a lot about the investment policies of mutual funds, pension funds, trustees, insurance companies and investment counsellors; about what should be done with "new" money; about broad bank credit policy; about technological developments in electronics, aviation, chemistry, railroading and public utility operation; about the broader aspects of petroleum supply and demand; about the problems of finding markets for our growing abundance of goods and commodities; and, of course, about the growth and possibilities of California and the Pacific Coast.

*You may be amazed, but I don't recall anyone giving me a "tip" on any stock!*

The TEXTILE SHARES, in my opinion, are getting more interesting. Time is running out on the long depression in this industry. The "bear market" in textile shares should bottom out ahead of improving industry conditions. The "green years" are not coming back. Profit margins won't be up in the stratosphere, in the 30% range, but well-managed outfits like *American Viscose, Celanese, Pepperell, J. P. Stevens, Rob-*



Lins Mills, West Point, Reeves Brothers and Lowenstein should be able to make money more of the time than they operate at a loss in spite of foreign competition.

The stocks just mentioned, and other good textiles, probably are in an accumulation area.

Once again I would like to suggest as good values a few stocks previously mentioned: American Seating, Clark Equipment, Gulf, Mobile & Ohio, Denver & Rio Grande Western, Continental Oil, Champion Paper and International Paper.

Dobeckmun Company (23) is a depressed "growth" stock which merits accumulation at these prices, off almost 40% from the 1951 top. Second-half profits should improve. . . Hoffman Radio's first-quarter profits were excellent; the company's net this year should exceed \$2.50 a share. The stock sells around 1 1/2 over-the-counter. . . The Rails continue to look like one of the best groups, and the Electronics issues still are interesting. . . In the latter group Motorola, Inc. remains my favorite.

A study of Standard & Poor's group averages shows that the stocks which have declined most since Korea are the Soft Drinks, the Rugs and Carpets, Brewers, Golds, Textiles, Tobaccos, Anthracite Coals, Meat Packers and Biscuit Makers, in that order. The stocks which have advanced most (in order of rise) have been the Oils, Tires, Fertilizers, Mines, War Issues, Railroads, Paints, and Bituminous Coals.

The excess profits tax took a big bite out of 1951 per share earnings of many companies. Assuming a 52% overall tax rate and no EPT, last year Borg-Warner would have earned \$11.72 a share instead of \$8.84, Caterpillar Tractor \$4.27 instead of \$3.85, Minnesota Mining \$2.35 instead of \$1.92, National Lead \$2.60 instead of \$2.05, Monsanto \$6.08 against \$4.70, Republic Steel \$13.75 and not \$9.03, U. S. Steel \$9.74 and not \$6.10, and General Electric \$6.92 instead of \$4.79.

The EPT expires by limitation, unless extended by law, on June 30, 1953.

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The Board also declared a dividend of one dollar nine and three-eighths cents (\$1.09375) per share on the \$4,375 Cumulative Preferred Stock of the Corporation, payable June 15, 1952, to Preferred stockholders of record at the close of business on May 31, 1952.

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# STOCK ANALYSIS

by HEINZ H. BIEL

## Time to sharpen pencils

THERE CAN be no doubt: the bloom is off the boom. America can be proud of its accomplishment. We have proven to ourselves and to the entire world that our economy is strong enough and resilient enough to produce both guns and butter. We have licked inflation, not by Government decree, but by the intelligent use of our vast resources of material wealth, manpower and management know-how.

Surely, there have been some aches and pains for almost everybody since the outbreak of hostilities in Korea almost two years ago. But only the men who again were called upon to lay down their lives for their country had to make a serious sacrifice. Most of us suffered nothing worse than higher taxes and temporary inconveniences resulting largely from Government efforts to regulate the American economy. More often than not, these efforts were neither necessary nor particularly successful.

In any event, we have succeeded in restoring a high degree of normality. Just about everything we may want is available in abundant quantities, even after meeting all the needs of the defense industries. Most of the controls and regulations imposed on us by the Government in order to give priority to military requirements or to prevent excessive credit inflation have been removed or will be removed in the near future.

Yet, instead of rejoicing over this splendid accomplishment, there is a widespread feeling of despondency. It may be a hangover from New Deal or Fair Deal days that many people firmly believe that this country cannot be prosperous without an artificial stimulant of some sort. This is not so, and unless we are ready to embrace socialism we had better stop looking to Washington in the hope that the bureaucrats will pull other rabbits out of their hats.

The American investor, on the whole, is showing good sense. Just as he refused to be carried away by the extraordinary and non-recurrent profits of 1950/51, so he is now resisting the temptation to dump his holdings of good stocks merely because the rate of earnings is returning to more normal levels. Despite widespread pessimism in financial circles and rather unfavorable conditions in some segments of the American economy there has been no general liquidation of common stocks of good investment quality. The fact that

selling tends to dry up when stock prices decline—and trading volume has fallen to the lowest level in over three years—is one of the best indications that investors have little desire to part with their holdings.

Yet, while the Dow-Jones average of industrial stocks is down only about 6% from its high, many individual issues have registered declines of as much as 50%. Such extreme losses have been confined, however, to more speculative stocks, particularly textiles and other highly volatile groups which are not generally held by conservative investors.

But even among investment-grade stocks there have been declines of sizable proportion, resulting largely from previous over-enthusiastic appraisals of future prospects. Stocks like *American Cyanamid*, *Merck & Co.*, *Chas. Pfizer*, and other chemical and pharmaceutical favorites are down anywhere from 20% to 30%. They are decidedly more attractive now and should begin to meet strong support from sophisticated, long-pull investors.

Various issues seem overly depressed as a result of new common stock financing which in some cases has not been well absorbed in recent months. This group includes *Monsanto Chemical* (down from 109½ to 93); *Food Machinery and Chemical* (from 56½ to 44½); *Marathon Corp.* (from 30½ to 24), and a host of other desirable growth stocks. Such issues should recover quickly from temporary setbacks of this sort.

Even more serious declines have occurred in various attractive growth stocks which are more speculative and not yet sufficiently seasoned to appeal to institutional investors. *Kaiser Aluminum & Chemical*, for instance, is down almost one-third from its high of 40%, as is *Pittsburgh Coke & Chemical*, and many others.

*Colgate-Palmolive-Peet* and *Glidden Co.* had to absorb inventory adjustments caused by the sharp decline in vegetable oil and other raw material prices. These two stocks also are down between 25% and 30%, or more than four times as much as the Dow-Jones industrial stock average.

No one can tell with certainty that all these stocks have made their lows for the year, but they have receded to levels where bargain hunters as well as astute investors are beginning to sharpen their pencils.



# 16 GROWTH STOCKS

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**STANDARD & POOR'S CORPORATION** 345 HUDSON STREET  
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A-393 172

## WALL STREET

(CONTINUED FROM PAGE 7)

newly offered preferreds exceptionally attractive and predict that if interest in these shares should continue to grow the arrangement of direct placements of new preferreds might benefit both banks and corporations. Of course, the bankers' interests lie chiefly in yield rather than in capital gains.

And, prying into the affairs of the big life insurance companies, it's noted that there has been a decided shift toward the purchase of public utility stocks, with the 40 major companies now holding about \$25.6 million in such issues as against \$15.1 million at this time last year. These companies have 29.4% of their total investments in mortgages now, compared with 25% a year ago; 1.1% in real estate, against 0.1% in '51; 67.7% in bonds, versus last year's 60.5%, and 1.8% in stocks, against 1.3% a year ago.

### Better than gold?

That's how natural gas issues are being rated by certain Wall Streeters. At any rate equities of these companies have been more than holding their own in the current doldrums that caused one the Street's most verbal verbalizers to exclaim: "Go 'way, I'm as dull as the market."

Reason for recent utilities' performances is due in part to the realization that perhaps we don't have "too much"

natural gas in relation to needs. Also, natural gas prices show a tendency to rise. The now huge network of natural gas pipelines are expected to take more and more gas from producers as the years go by. These issues also offer an important "tax shelter." This favor for natural gas has also helped focus attention upon those oil companies with big gas reserves, such as Phillips, Pure Oil and Cities Service.

Of course there are always those in the Broad & Wall vicinity who will still ride along with gold. Not harmful to gold issues is the recent Claims Court decision that Homestake, Idaho Maryland and Central Eureka can sue the Government for damages incurred when it forcibly closed the gold mines during World War II. Remember, on a similar claim the truckers have recently been awarded \$8.5 million to settle claims of six times that amount growing out of their World War II seizure.

### People, places and words

Applaud Richard M. Crooks, Thomson & McKinnin partner, re-elected Chairman of the Board of Governors of the NYSE. Three new Big Board governors newly elected are: Ralph Chapman, Farwell, Chapman & Co., Chicago; Albert O. Foster, Foster & Marshall, Seattle, and Buford Scott, Scott & Stringfellow, Richmond. . . .

The underwriting boys are the ones making the money these days, not the commission houses. . . .

Toronto will be the site of a celebration June 12 when Merrill Lynch, Pierce, Fenner & Beane opens its Canadian office with Gordon Crotty at the helm. . . .

Another new word: "Reflation." This one belongs to Dave McNight over at G. H. Walker who sees a "reflationary" trend in the expectation of wage increases, the increased allotments of metals for civilian use, the scrapping of credit controls, the TV unfreeze, DPA's blessing for large expansion of the oil industry and the approval of a program calling for the building of 296,000 new freight cars by July 1, 1954.

## Scientific Forecasting

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losses in the coming market . . .

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2100 Haig Ave. Dayton 9, Ohio

# Which Low-Priced Oils Should You "Buy", "Hold", "Sell"—NOW!

## Ratings on 40 Oil Stocks Selling Under \$15

**T**O HELP investors judge which low-priced oils have the most promise at this time, which are worth holding, which should be sold—the security analysts of the Investors Advisory Institute, subsidiary of 34-year-old B. C. Forbes & Sons Publishing Company, bring you a careful Analysis of Every Actively Traded Oil Stock Under \$15 with Specific "Buy," "Hold," or "Sell" Recommendations. This complete statistical run-down of 40 Low-Priced Oils covers every actively traded oil under \$15 listed on the Big Board, the Curb, the San Francisco and the Los Angeles Exchanges. Every Canadian oil under \$15 on the New York Curb Exchange is "rated."

Here are: (1) Many big-name oils selling at prices that will enable even the modest investor to diversify with economical 100 share round lots; (2) Up-and-coming, lesser-known, low-priced oils that are strongly financed for dynamic expansion; (3) Petroleum companies with sales and earnings at all-time peaks, yet with most dynamic stage of growth ahead; (4) Low-priced oils with extensive leaseholds in the Williston Basin or oil-rich Alberta, Canada; (5) Closely held oils that could provide substantial leverage in line with increased earnings; (6) Speculative "penny" oils as well as strong, young, well-financed companies with extensive interests in natural gas—in line for double profits!

Of the 40 low-priced oils in this Study, 4 command an outright "Buy" signal, 19 are rated "Hold" and 17 "Sell."

Every one of the 40 under \$15 Oils in this Study has been carefully x-rayed by our staff of analysts. Various factors affecting their value have been weighed with care. Hundreds of fine pin-point decisions have been reached on the merits of individual issues. Every stock carries a clear-cut comment by our analysts and a specific "Buy," "Hold," or "Sell" Potentiality Rating. You get the benefit of costly, time-consuming analysis by experienced security analysts and a specialist in "oils."

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## READERS SAY

### No Like

I don't like the American spirit of the East. You go on the assumption that you are going to have to save Europe to save yourselves. You are a week-kneed outfit. You have lost the great attribute of being a rugged individualist—of doing your own thinking.

. . . Corn is the largest crop grown in this country. If every bushel of corn raised in a single year was sold for \$2.00 per bushel, the gross return would not pay the interest on our national debt for that year. Does that interest you?

That, to me, is a sound reason for seeking a pilot who has some idea of the shoals we are now in, who has the demonstrated stamina and force coupled with knowledge of our many problems—that is why I am for Taft. That is why the Mississippi Valley will fight a last ditch fight in the Convention for Taft.

—LINCOLN SAND & GRAVEL CO.,  
Lincoln, Ill.

May I disagree with you about Eisenhower. I think it's time we should lean to a little "Isolation." How long can we continue to pour money into Europe? There will be bigger and better wars as long as we pay for them. I'm for Taft.

—JUSTIN PERKINS,  
Waterloo, Iowa.

Just what is it in your opinion that makes Eisenhower such a terrific magician? Where did he get his political knowledge or, for that matter, his statesmanship? Most of his admirers insist that it is his smile that makes him the winning candidate. I don't see what effect a perpetual laugh could have on our economy. If it can do the trick, why not hire a laughing hyena and put her in the White House?

I am glad to know that your endorsement of Eisenhower brought more criticism than commendation, and here is hoping that your activity in his behalf will be love's labor lost.

—LEO L. HEYN,  
Coronado, Calif.

### Like

In your May 1 issue you state that your endorsement of Eisenhower has brought you more criticism than commendation.

Please let me join those who commend you.

—J. VOGEL,  
Jackson Heights, N. Y.

In the May 1 issue, I note letters from readers complaining over your support for Eisenhower. No doubt many of FORBES readers are Taft supporters, because they are business executives, well-to-do investors, die-hard Republicans of the old school, etc.

Recently, I took a poll at the Phillies Baseball Park, at the University of Pennsylvania, and outside a large manufacturing plant. The question asked was: "Whom would you like to see as the next President?" The people polled were not asked whether they were Republicans or Demo-



crats. 75 per cent of the replies were "Eisenhower."

There is no doubt at all that Eisenhower will be the easiest man to elect.

—JANE ENSSLEN,  
Moorestown, N. J.

A military man is needed to cope with, anticipate and block the nefarious plans of the Kremlin. One capable of putting fear of God into the black hearts of Stalin, Molotov and Vishinsky; such a man is General Eisenhower. —EDWARD A. BUSE, Buffalo, N. Y.

I note your readers are panning you a bit about your reference to political aspirants.

Business and Finance is vitally affected by what is said and done (or not done) by the man in the White House.

I wish to ask your critics, "In what kind or type of magazine or periodical is it permissible to refer to potential presidential candidates?"

—O. K. STRIKE,  
Osceola, Iowa.

FORBES should be commended for its support of General Eisenhower. All you have to do is read those letters attacking the magazine's position that appeared in the May 1 issue and you can see why the Republican party went down the drain the last five times. Those stuff-shirts who wrote the letters are still living in the time before the war. It's about time we woke up. We need Ike because he will win and because he is a middle of the road Republican. What more can we ask in the way of a candidate?

—R. J. MACHELL,  
Middletown, Conn.

## Dividend Notice

### MIDDLE SOUTH UTILITIES, Inc.

The Board of Directors has this day declared a dividend of 32½¢ per share on the Common Stock, payable July 1, 1952, to stockholders of record at the close of business June 6, 1952.

H. F. SANDERS,  
Treasurer

New York 6, N. Y.  
May 16, 1952

*The Middle South*  
A World Of Opportunity

Utility service by tax-paying, publicly-regulated companies made this dividend possible.

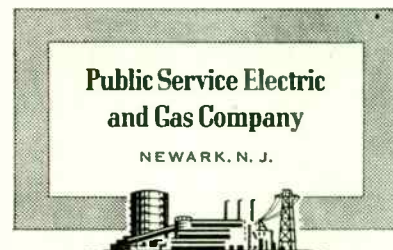


### The Board of Directors of PITTSBURGH CONSOLIDATION COAL COMPANY

at a meeting held today, declared a quarterly dividend of 75 cents per share on the Common Stock of the Company, payable on June 12, 1952, to shareholders of record at the close of business on May 29, 1952. Checks will be mailed.

CHARLES E. BEACHLEY,  
Secretary-Treasurer

May 19, 1952.



### QUARTERLY DIVIDENDS

Dividends of \$1.02 a share on the 4.08% Cumulative Preferred Stock, \$1.17½ a share on the 4.70% Cumulative Preferred Stock, 35 cents a share on the \$1.40 Dividend Preference Common Stock, and 40 cents a share on the Common Stock, have been declared for the quarter ending June 30, 1952, all payable on or before June 30, 1952 to holders of record at the close of business on June 2, 1952.

GEORGE H. BLAKE  
President



### UNITED CARBON COMPANY

#### DIVIDEND NOTICE

A quarterly dividend of 62½ cents per share has been declared on the Common Stock of said Company, payable June 10, 1952, to stockholders of record at three o'clock P.M. on May 26, 1952.

C. H. McHENRY, Secretary



### UNITED FRUIT COMPANY

212th

#### Consecutive Quarterly Dividend

A dividend of seventy-five cents per share on the capital stock of this Company has been declared payable July 15, 1952 to stockholders of record June 13, 1952.

EMERY N. LEONARD  
Secretary and Treasurer  
Boston, Massachusetts, May 19, 1952

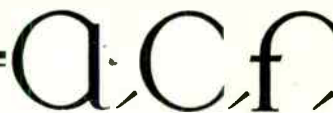
### KENNECOTT COPPER CORPORATION

161 East 42d Street New York 17, N.Y.

May 16, 1952

A cash distribution of One Dollar and Twenty-five Cents (\$1.25) a share has been declared today by Kennecott Copper Corporation, payable on June 27, 1952, to stockholders of record at the close of business on May 29, 1952.

ROBERT C. SULLIVAN, Secretary



### AMERICAN CAR AND FOUNDRY COMPANY

30 CHURCH STREET

NEW YORK 8, N. Y.

The Directors of American Car and Foundry Company today declared, out of the earnings for the fiscal year ended April 30, 1952, a dividend for the year of 7% upon the par amount of the preferred shares outstanding, payable in four installments, each of 1¾%, payable respectively, (1) Preferred dividend No. 180, on July 1, 1952 to stockholders of record at the close of business June 13, 1952; (2) Preferred dividend No. 181, on October 1, 1952 to stockholders of record at the close of business September 12, 1952; (3) Preferred dividend No. 182, on January 2, 1953 to stockholders of record at the close of business December 12, 1952 and (4) Preferred dividend No. 183, on April 1, 1953 to stockholders of record at the close of business March 13, 1953.

Checks will be mailed by the Guaranty Trust Company of New York. The transfer books will remain open.

C. ALLAN FEE, Secretary

May 15, 1952

# THOUGHTS

## ON THE BUSINESS OF LIFE

This is an age in which the struggle is for the minds of men; a struggle to create understanding and sympathy between peoples of different races, culture and history; a struggle in which all those who love freedom will do all they can to establish at least a powerful mental alliance amongst themselves against the forces of tyranny. Let us each—yourself and myself—all of us—work toward the goal that in the end we may live in peace and good will together. —PERCEY C. SPENDER.

Let all your views in life be directed to a solid, however moderate, independence; without it no man can be happy, nor even honest. —JUNIUS.

Not armies, not nations, have advanced the race; but here and there, in the course of the ages, an individual has stood up and cast his shadow over the world. —E. H. CHAPIN.

Live only for today, and you ruin tomorrow. —C. SIMMONS.

It is a very easy thing to devise good laws; the difficulty is to make them effective. The great mistake is that of looking upon men as virtuous, or thinking that they can be made so by laws; and consequently the greatest art of a politician is to render vices serviceable to the cause of virtue. —BOLINGBROKE.

He who is not liberal with what he has, does but deceive himself when he thinks he would be liberal if he had more. —W. S. PLUMER.

Life is a long lesson in humility. —JAMES M. BARRIE.

Nothing is a waste of time if you use the experience wisely. —AUGUSTE RODIN.

When wealth is lost, nothing is lost; when health is lost, something is lost; when character is lost, all is lost. —GERMAN MOTTO.

The world cannot deprive a man of his rectitude, the nobility of his soul or his belief in Almighty God; nor can the world give these riches to a man. Only within himself can he find them, these fragrant flowers of life. —SIR LOUIS BEALE.

To mobilize our strength for security in this age of crisis, we must establish so impregnable a moral position that everywhere men of goodwill may find in our objectives the fulfillment of their yearnings for peace, freedom and abundance. —W. AVERELL HARRIMAN.

The best of life is always ahead, always further on.

—SIR WILLIAM MULOCK (95).

When a bit of sunshine hits ye,  
After passing of a cloud,  
When a fit of laughter gits ye  
An' ye'r spine is feelin' proud,  
Don't forgit to up and sling it  
At a soul that's feelin' blue,  
For the minit that ye sling it  
It's a boomerang to you.

—CAPT. JACK CRAWFORD.

Let us . . . quietly accept our times, with the firm conviction that just as much good can be done today as at any time in the past, provided only that we have the will and the way to do it.

—ETIENNE GILSON.

Make yourself necessary to somebody. —EMERSON.

We must be united, we must be undaunted, we must be inflexible. Our qualities and deeds must burn and glow through the gloom of Europe until they become the veritable beacon of its salvation. —WINSTON CHURCHILL.

The free man is not he who defies the rules . . . but he who, recognizing the compulsions inherent in his being, seeks rather to read, mark, learn, and inwardly digest each day's experience. —BERNARD I. BELL.

A sense of the value of time—that is, of the best way to divide one's time into one's various activities—is an essential preliminary to efficient work; it is the only method of avoiding hurry.

—ARNOLD BENNETT.

The only power corporations have, whether they be large or small, is the right to stand in the market place and cry their wares. If the customers find those wares good, they will buy and the corporations will prosper. If they do not, the proprietor will soon be sitting on the curbstone, whether we are talking about a large manufacturer or a roadside market.

—CRAWFORD H. GREENEWALT.

Any kind of knowledge gives a certain amount of power. A knowledge of details has served in many a crisis. A knowledge of details has often caught an error before it became a catastrophe.

—AIMEE BUCHANAN.

Along this road of spending, the government either takes over, which is Socialism, or dictates institutional and economic life, which is Fascism.

—HERBERT HOOVER.

What men want is not talent, it is purpose; in other words, not the power to achieve, but will to labor. I believe that labor judiciously and continuously applied becomes genius. —BULWER.

The instinctive feeling of a great people is often wiser than its wisest men. —KOSSUTH.

If we mean to support the liberty and independence which have cost us so much blood and treasure to establish, we must drive far away the demon of party spirit and local reproach. —WASHINGTON.

There are two ways of spreading light: to be the candle or the mirror that reflects it. —EDITH WHARTON.

The education of the intellect is a great business; but an unconsecrated intellect is the saddest sight on which the sun looks down. —CHADWICK.

Great men are they who see that spiritual is stronger than material force, that thoughts rule the world. —EMERSON.

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## A Text . . .

Sent in by Robert Schays, Beloit, Wis. What's your favorite text? A Forbes book is presented to senders of texts used.

Charge them that are rich in this world, that they be not highminded, nor trust in uncertain riches, but in the living God, who giveth us richly all things to enjoy.

—I TIMOTHY 6:17



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**THOMAS J. WATSON'S** 2 words that he would banish from every salesman's vocabulary.

**WILLIAM ZECKENDORF'S** account of how he made a half-million-dollar profit on spending too much for a piece of New York real estate.

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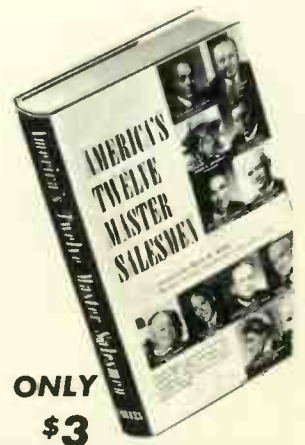
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# The "All-Round" Healthy Child

Great progress has been made in protecting the health of children, especially among those aged one to five. Since 1900, for example, the mortality rate for measles, whooping cough, scarlet fever, and diphtheria combined has been reduced more than 95 percent. In addition, methods of treatment for many

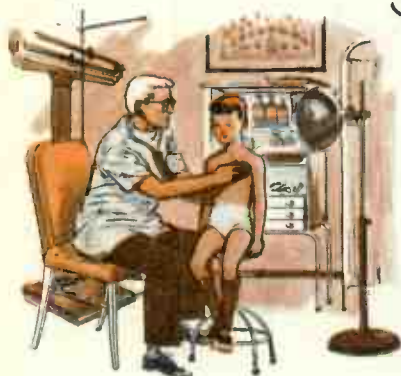
other illnesses have been improved so much that the years of childhood are safer today than ever before.

As a result of these advances, doctors and other specialists are now working toward a new goal—to bring *all-round health* to every child. This means more than protection against disease and cor-

rection of physical defects. It includes equal recognition of all the factors that will help the child achieve a healthy emotional life.

In order to give the child every opportunity to develop and maintain *all-round health*, authorities stress the importance of the suggestions given below.

## For the child's physical well-being



During the early years, good health habits can be developed that may be of benefit throughout life. Doctors believe that if the child is taught to eat the essential foods, and if plenty of sleep, rest, relaxation, and exercise are included in the daily routine, the child will be more resistant to certain illnesses that occur during the growing years.

Specialists also say that safeguards against communicable diseases must not be relaxed. Fortunately, most of the common child-

hood diseases are under control—thanks to various immunizations. However, since certain inoculations must be repeated at intervals, it is wise for parents to keep in touch with the doctor. In this way, the child's protection can be kept up to date.

Often a child's health is impaired by physical handicaps. If these are recognized early, it may be possible to correct them before they become serious.

## For the child's emotional well-being



A child's reactions—his fears, his resentments, his sorrows—play a vital part in his personality development.

In fact, specialists generally agree that a healthy adjustment to life often depends on how the child's emotional needs are met. They say that if the usual anxieties and conflicts of early life are dealt with patiently and sympathetically, the child will be better prepared to meet troublesome situations in later years in a mature way.

Of course, all children experience some of the emotional problems of growth. Usually they do not lead to lasting trouble. If, however, a *persistent* behavior problem develops, the help of a specialist may be advisable.

Periodic medical check-ups are also important in maintaining *all-round health* among very young children. These give the doctor a chance to detect both physical and emotional difficulties early, and to give treatment or advice when it will be most effective.

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