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INVESTMENT BANKERS ASSOCIATION CONVENTION ISSUE

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 174 Number 5072 New York, N. Y., Thursday, December 13, 1951 Price 40 Cents a Copy

EDITORIAL

As We See It

It is becoming increasingly evident with each passing day that the corruption-in-office issue will be a live and dangerous one in the 1952 elections. The President is giving every indication that he has become aware of the fact. Revelations, growing constantly in number and often in degree of seriousness, are repeatedly shocking saner elements in the population. The President has begun a sort of housecleaning, which doubtless he hopes will redeem his party, politically speaking, before next November, and he has from time to time tentatively undertaken a sort of counter offensive as in the case of his allegations against the Taft campaign last year. What all this may come to in terms of political effectiveness remains for the future to disclose. Judged by other standards it is weak and impotent—almost pitifully so—up to the present moment.

It is now distressingly evident that we have here a situation strongly reminiscent of the Grant and Harding administrations. Grant was reelected despite revelations. Harding died prematurely, and Calvin Coolidge took more convincing steps than any that President Truman has yet taken—and was elected in his own right by a large margin in 1924. Corruption (it is difficult to think of a more suitable term for it) in private circles during the latter half of the 'Twenties, condoned and even encouraged by public policies, did not prevent a sweeping Republican victory in 1928. By 1932 depression and all that goes with it so dominated the political as well as the economic scene that it is impossible to be certain what part the moral laxity of the 'Twenties had

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The SEC and the Securities Industry

By HARRY A. McDONALD*

Chairman, Securities and Exchange Commission

SEC Chairman defends integrity of his organization's staff and denies any animosity against securities industry, which he praises as essential to our economic system. Says Commission would support effort to compel registration of privately placed securities but that initiative in that direction must be taken by securities industry itself. Sees changes needed in SEC statutes, particularly those relating to the prospectus, "tombstone" advertising, proxy rules, insider trading, investment trust supervision, and investment advisors. Urges care in selection and supervision of personnel by securities industry.

First, I want to pay tribute to this great organization, the Investment Bankers Association of America. You have done a great work. You still have a lot of work to do. I was interested in the report which we just heard. I think I could add a little to that if you give me time, but might I say that in this organization you have great people and fortunately you have had great leaders. It has been my privilege to know a lot of them.

Harry A. McDonald

I wouldn't take anything for my friendship with "Mr. Philadelphia"—Mr. Hopkinson, Mr. Julien Collins, Mr. Whipple, Mr. Armitage who traveled with me on the Circuit last year, and Hal Dewar. I haven't seen Hal this trip. But our genial President, on my left, tells the best stories and makes a great hit wherever he goes. He says he hasn't yet told you the one about Mayor Hylan of New York, so I think I shall tell it.

You know, when I was a kid of about 17, I used to

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*Stenographic report of a talk by Mr. McDonald before the 40th Annual Convention of the Investment Bankers Association of America, Hollywood, Fla., Nov. 28, 1951.

The Investment Bankers Association of America Holds 40th Annual Convention

Meeting at Hollywood Beach Hotel, Hollywood, Fla., Nov. 25-30, addressed by retiring President Laurence M. Marks and by incoming President, Joseph T. Johnson. Addresses also by Geoffrey Crowther, Harry A. McDonald, and G. Keith Funston. Text of these addresses, also Committee Reports and convention resolutions, given in this issue.

The 40th Annual Convention of the Investment Bankers Association of America was held at Hollywood Beach Hotel, Hollywood, Fla., from Nov. 25 to Nov. 30, inclusive. The Association elected as President for the ensuing year, Joseph T. Johnson, President of the Milwaukee Company, Milwaukee, Wisc., who succeeds Laurence M. Marks of Laurence M. Marks & Co., New York City. The Vice-Presidents elected were Ewing T. Boles of the Ohio Company, Columbus, O.; Walter W. Craigie, F. W. Craigie & Co., Richmond, Va.; George W. Davis, Davis, Skaggs & Co., San Francisco, Calif.; Walter A. Schmidt, Schmidt, Poole & Co., Philadelphia, Pa., and Norman Smith, of Merrill Lynch, Pierce, Fenner & Beane, New York City.

Joseph T. Johnson

The principal speakers at the convention, in addition to Laurence M. Marks, the retiring President, and Joseph T. Johnson, the incoming President, were Geoffrey Crowther, Editor, "The Economist," London; Harry A. McDonald, Chairman, Securities and Exchange Commission, Washington, and G. Keith Funston, President of the New York Stock Exchange. The various committees submitted their reports to the Convention during the course of the meetings. (The texts of most of these reports are given elsewhere in this issue of the "Chronicle.")

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IBA PICTORIAL SECTION—Pictures of incoming Officers and Governors of the Investment Bankers Association of America, also candid shots taken during course of the Association's recent Annual Convention at Hollywood, Fla., appear on pages 49 to 64, incl.

The Security I Like Best

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

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

This Week's Forum Participants and Their Selections

First York Corporation—Albert H. Deuble, Oppenheimer & Co., N. Y. City. (P. 2)

Pittsburgh Steel — F. M. Stern, Gruntal & Co., N. Y. City. (P. 2)

ALBERT H. DEUBLE

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

First York Corporation $2 Div. Cum. Pfd. Stock

The ideal defensive issue is a security with practically no risk and good possibilities on the upside. At the present time those desiring a high yield but unwilling to risk safety of principal are greatly limited in their choice of investments. Rarely today does a good grade investment offer a fixed return yield of over 6%. However, there is at least one security which has high earning power, excellent asset protection, a chance of considerable price enhancement and a return of about 6.6%.

Albert H. Deuble

This exceptional stock is First York $2 Dividend Cumulative Preferred Stock (callable at $52.50 per share and accumulated dividends), traded on the New York Curb Exchange. For smaller accounts it may be of particular advantage that its trading unit is only 25 shares, so that the purchaser can save the additional odd lot charge.

First York Corporation is a closed-end investment company leaning heavily on special situations but nevertheless owning a substantial amount of good grade marketable securities and government bonds. Its capitalization is extremely simple: no funded debt, 98,141 preferred shares and 3,276,128 common shares (traded actively on the Curb at around 3⅛). Total assets are about $17½ million.

As of September 30, 1951, the net asset value of each preferred share was $175.16. It is generally recognized that a closed-end investment trust preferred should have overall asset coverage of 300% to be of good quality. First York's is almost 400%.

Since Sept. 30, asset values have increased substantially due to the fact that First York controls Bell Aircraft. Recently, this stock (traded on the New York Stock Exchange) has made new highs due to an impending split-up. First York owns 213,938 shares of Bell or 49.03% of its total capital (no bonds or preferred are outstanding).

The stockholders of First York have been informed that it is the intention of the management to make purchases of the Corporation's $2 Dividend Cumulative Preferred and Common Stock in the open market from time to time. This is added protection against market declines and at the same time should cause the stock to sell closer to its call price of $52.50. Dividends have been earned and paid regularly on the preferred stock since its issuance.

First York Preferred appears decidedly attractive. There are no bank loans or prior obligations. The asset protection is about 500% over the market price and income protection is more than 400%. This stock offers, in my opinion, an excellent opportunity to enjoy a ride with practically no risk on the downside and a splendid chance for profits.

FREDERICK M. STERN

Partner, Gruntal & Co., N. Y. City
Members, New York Stock Exchange

Pittsburgh Steel 5½% Prior Pfd. Stock

When a company has installed a new and vigorous management, rearranged its financial structure, taken important steps to integrate its operations and to add to its earnings, and when at that time its senior security is obtainable at an abnormally low price and high yield, it qualifies for inclusion in "The Security I Like Best" forum.

Frederick M. Stern

An unusual market condition is responsible for Pittsburgh Steel 5½% prior preferred stock being available on the New York Stock Exchange at a price close to the year's low and a yield in excess of 7% per annum. As of Sept. 30, 1951, the company has issued 127,430 additional shares ($100 par) of this issue in connection with acquisition of The Thomas Steel Company. Many owners of the latter's shares as well as arbitrageurs have been selling out the securities which they received in the exchange. A substantial rebound in the price level seems a reasonable prospect when this pressure is lifted—and perhaps by the end of the traditional "tax selling season."

The junior 5% class A preferred stock ($100 par) of which 45,102 shares are outstanding, is quoted only slightly below the price of the 5½% prior preferred, thus confirming the writer's opinion that the latter is currently available at an abnormally low and attractive price. At this writing, the **junior** 5% preferred is trading at 71½ to yield 7% per annum, whereas the **senior** 5½% prior preferred at 73½ yields 7½%, which is certainly not a normal situation. Earlier this year the prior preferred shares were traded as high as 98, and only recently declined to the low of 73. A level midway between these prices would be my expectation for its proper valuation.

The nation's 14th largest steel producer, Pittsburgh Steel Co. has spent approximately $35 million in the past decade for modernizing and integrating its facilities. It has undertaken an additional expansion program related to the national defense needs involving an expenditure of about $56 million of which some $7 million have already been expended from retained earnings. A new blooming-slabbing mill has been completed to replace obsolete equipment and provide capacity to roll all the steel produced. It is scheduled to increase pre-tax income by $3.7 million at full operation. A new hot-rolled sheet mill, a new blast furnace and a new open-hearth are to be finished by the latter part of 1952, and a new cold-rolled sheet mill in 1953.

Pittsburgh Steel gained an outlet for its large excess semi-finished steel capacity through acquisition of the Thomas Steel Co., producing specialty grades of cold-rolled steel strip, alloy strip and high-carbon spring steel, none of which had previously been manufactured. Thomas Steel has last year installed a new cold-rolled steel mill the capacity of which has only been partially used due to shortages of supplies and could be doubled when Pittsburgh will have the steel available. When the additional plant construction is finished, Pittsburgh will have increased its ingot capacity by about 50% to 1,560,000 tons a year and will be in position to convert all of its semi-finished steel into a flexible product mix of better balance, roughly consisting of 52% flat-rolled steel, 27% tubular, and 21% wire products.

The $56 million expansion is covered by certificates of necessity totaling some $38 million, permitting accelerated amortization of about $2.5 million in 1952, over $7 million a year in 1953-56, and some $5 million in 1957. This is in addition to normal depreciation estimated over $2.5 million annually.

The company has arranged for $40 million new financing through sale to an insurance company of $25 million 20-year 3¾% bonds, a $5 million 3% bank loan and $10 million 3% notes to be sold, if needed, to two motor car companies in return for a 5-year sales contract for sheet steel. Present funded debt is only $217,000.

Stockholders have been asked to increase the authorized number of prior preferred stock from 225,927 to 400,000 shares and the common stock from 1,500,000 to 2,500,000. There is no indication that the management contemplates selling any of the new preferred shares. However, they may be used to acquire other independent small steel companies, if obtainable under advantageous conditions, to further strengthen and diversify operations.

Consolidated earnings for the first nine months 1951, including only one month of the Thomas Strip Division, amounted to $4,937,457 after provision for Federal normal surtax and excess profits taxes based on The Revenue Act of 1951. This is equal to $25.09 on the 196,841 outstanding shares of prior preferred stock, or six times the accumulated dividend. Nonconsolidated earnings of Thomas Steel during the first eight months of this year are estimated to increase this ample coverage by about 20%. In 1950, Thomas alone earned more than Pittsburgh's total dividend requirements including the shares issued in the former's acquisition. Earnings for the full year 1951 are expected to continue the favorable showing made in the first nine months when net of $4,937,457 was reported as compared to $3,655,942 in the comparable period of 1950. This 35% increase is better than the industry average. Beginning about the second quarter of 1952, further substantial improvement should derive from installation of the new blooming-slabbing mill, after the changeover is completed and certain incidental cuts in operation are restored.

Investors looking for high return on their capital with minimum risk should note the great betterment taking place in the company's status and its changing about one-third of its product mix from normally unprofitable semi-finished steel to the more lucrative sheet steel business. Thanks to the new management, which has only been in office some two years, Pittsburgh Steel Co. is no longer the marginal producer which it used to be, and I am confident that the market valuation of the 5½% prior preferred stock will not remain at its current depressed level but will eventually reflect this basic improvement.

A Neglected Facet of Inflation

By MELCHIOR PALYI

Pointing to the rapid growth of indebtedness, both public and private, Dr. Palyi contends our liabilities grow at much faster rate than physical volume of productive assets, and thus constitute a neglected facet of inflation. Says Federal debt is understated, and gives data relating to total public and private indebtedness. Holds present inventory loans constitute most vulnerable factor in the private debt structure. Concludes growth of our real wealth is outmatched by growth of our real liabilities.

Dynamic is the word we like to use to describe our economy. It implies continuous growth in production, efficiency, standards of living. It means the expansion of our assets in physical volume as well as in value.

Dr. Melchior Palyi

What we are less concerned with, or forget altogether, is the fact that our liabilities grow at a very much faster rate than does the physical volume of productive (tangible) assets that constitute the foundation of our wealth.

In the main, if debt is discussed, the reference is made to the Federal debt. But that debt, while vitally important, only tells a part of the story. The over-all debt is a factor of greater immediate and direct significance to the business picture.

It has been little noticed, and scarcely discussed, that in 1950 the net indebtedness of business, individuals and municipalities, skyrocketed by over $38 billion, or by almost 18%. The private sector of the economy incurred liabilities to the tune of $36 billion in a single year; the municipalities took the rest.

This was a unique performance; it comes close to the $42.5 billion increase of private and local debts in the entire period 1925-1929. The debt accumulation of those five years carried the biggest boom in all history previous to World War II; and it broke for that very reason: for having accumulated (in five years' time, mind you) such a huge volume of indebtedness. Presently, we do as well in little more than one year. Even in terms of a constant dollar, this sort of dynamism is a very serious matter.

A Statistical Fallacy

A few words about the nature of the statistics at stake. The annual data of the Department of Commerce distinguish between gross and net debts; in the latter, duplications are eliminated. If, for example, a city has $10 million obligations outstanding and $1 million government bonds in its portfolio, its net debt is $9 million.

In one instance, however, the official "net" figures are misleading: bonds held by Federal agencies and trust funds (postal savings system, social security, etc.) are not counted as part of the net Federal debt—as if those bonds would belong to the Treasury, with no strings attached. This curious trick makes the net national debt appear at present about $39 billion smaller than it is in reality.

In the following we use the corrected net data, unless otherwise indicated, dividing them in two basic categories: the political (federal) obligations and the economic debts. The latter include the outstanding municipal (state and local) as well as the private (business, real estate, consumer) debt.

Economic Debts

The economic (private and municipal) indebtedness reached in 1929 the peak of nearly $175 billion. It hit the bottom at the end of 1938 with $140.3 billion—which was still nearly double the 1916 level. In the following seven years to 1945, it climbed slowly and hesitatingly, at an average annual rate of $2 billion, almost entirely in the shape of short-term corporate debts. By 1946, things began to happen. The private debt alone jumped by:

$14.7 billion in 1946
26.3 billion in 1947
20.8 billion in 1948
6.3 billion in 1949
36.0 billion in 1950

Thus it will be noted that private debt has shown an average annual rise of more than $20 billion over the postwar quinquennium. State and local obligations started to move, too; after having been deflated by $3 billion from a boom-time record of $16.7 billion in 1933, they came up with a new high of $20.4 billion at the end of last year.

After 15 years of decline and virtual stagnation, we, the people, (disregarding for the moment the national government) are plunging into debt by leaps and bounds. It could be pointed out that prices, national income and output, etc., have also been "jumping" in these last five years. But what do such statistical comparisons mean? The trouble with an over-grown debt-structure is that it stays with us even if commodity prices, disposable incomes and physical output decline. Such decline, as a matter of fact, is what brings about the process of debt liquidations, which in turn constitutes the very core of a depression.

The price — one price—we pay for rising living standards and enhanced industrial productivity consists in mortgaging the consumer's and entrepreneur's property and income, this on top of the mortgage on all of us represented by the national debt. A progres-

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Published Twice Weekly

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Patent Office

WILLIAM B. DANA COMPANY, Publishers
25 Park Place, New York 7, N. Y.
REctor 2-9570 to 9576

HERBERT D. SEIBERT, Editor & Publisher
WILLIAM DANA SEIBERT, President
WILLIAM D. RIGGS, Business Manager

Thursday, December 13, 1951

Every Thursday (general news and advertising issue) and every Monday (complete statistical issue — market quotation records, corporation news, bank clearings, state and city news, etc.).

Other Offices: 135 South La Salle St., Chicago 3, Ill. (Telephone: STate 2-0613); 1 Drapers' Gardens, London, E. C., England, c/o Edwards & Smith.

Reentered as second-class matter February 25, 1942, at the post office at New York, N. Y., under the Act of March 8, 1879.

Subscription Rates

Subscriptions in United States, U. S. Possessions, Territories and Members of Pan-American Union, $45.00 per year; in Dominion of Canada, $48.00 per year. Other Countries, $52.00 per year.

Other Publications

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

Note—On account of the fluctuations in the rate of exchange, remittances for foreign subscriptions and advertisements must be made in New York funds.

Some Perspectives of 1952—and Beyond

By NEIL H. JACOBY*

Dean, College of Business Administration
University of California, Los Angeles, Calif.

Among the perspectives of 1952 mentioned by Dr. Jacoby are: (1) domination of international situation; (2) renewal of inflationary pressures; (3) continuation of high rate of private savings; (4) decline in new plant investment, except in defense industries; (5) increase in U. S. foreign investment; (6) firming of money rates; (7) decline in corporate earnings; and (8) significant reduction in home construction. Foresees lessening of world tensions over longer term and replacement of military spending by public works, social welfare and foreign aid.

You have asked me to present my views about the future, especially probable developments in construction and mortgage lending. I confess that my crystal ball is even cloudier than usual, but I shall do my best to peer into it and tell you what I see. In the kind of world in which we live today, pure economic analysis has limited forecasting value. He who wishes to forecast the future should also be an historian, a political scientist, a military strategist, and a social psychologist. It might even help if he were a psychiatrist! Any economist who is not all these things will approach the task humbly and tentatively, knowing that he may be wrong because his basic premises prove incorrect although his economic logic is impeccable. With your permission, I shall first present some perspectives of the coming year, 1952. Following this, I shall take a longer view of the decade of the 1950's as a whole.

Neil H. Jacoby

International Affairs Will Dominate Domestic Business in 1952

The dominant single factor in the economic outlook for 1952 will be the state of international affairs. Never before in "peacetime" has the state of international affairs been so important an influence upon American business. This is true because the expenditure of our Federal Government for military purposes has become the most important dynamic element of spending in the economy, and the rate of defense expenditures will be determined by the prospects of war or peace, of rearmament or disarmament, of mounting or relaxing international tensions. It is also true because the rate of private expenditure by American businesses and consumers is currently dominated by the state of international affairs.

Suppose that international developments should create general expectations of early world-wide peace, relaxed international tensions, and greatly reduced armaments. Is it not rather obvious that American businessmen would then sell down inventories to a working basis and reduce expenditures for new plants; that consumers would adopt an attitude of restraint toward spending until prices came down or new and better models appeared; and that the rate of expenditure by government for military purposes would fall drastically? On this assumption, is it not clear that the total rate of spending in the economy would decline, for a number of months at least? If we assume the contrary state of international relations, namely, a continuance of the present era of "cold war" or "hot peace," of military engagements in limited areas, of high tensions, and of an accelerating armament race between the big nations, it is obvious that we arrive at much different conclusions about the probable amount of spending in the American economy. Our view of the economic future becomes totally different. In this case one may well expect further strong inflationary pressure.

*An address by Dr. Jacoby before the Southern California Mortgage Bankers Association, Los Angeles, Dec. 5, 1951.

Federal, Business and Consumer Spending in 1952 Will Again Exert Inflationary Pressure

I venture to assume that the nature of foreign and international events during 1952 is likely to restrain the rate of increase in spending, both by government and by private businesses and households. I am inclined to think that total spending will suffice to create some inflationary pressure on prices, but that this pressure will be moderate. Inflationary pressure will not be as strong as appeared likely six months ago, when the present defense mobilization program was first announced.

During 1952 we shall probably be faced with a series of "peace offensives" by Russia and her satelites. In all likelihood there will be further proposals for disarmament or arms limitation, and international conferences looking toward a peaceful settlement of world problems. The men in the Kremlin may wish to create an impression that they seek peace. Whether or not they are sincere is not so important as the fact that their action will probably lead to feelings of less urgency about defense mobilization among the Western powers. I am persuaded, however, that the American people will not come to believe so strongly in peace or disarmament as to abandon the current defense mobilization program. This program will be pursued, although the pace may be reduced.

Consumers Will Continue to Save at a High Rate

Let us be more specific by directing attention to the major components of expenditure that make up total value of gross national production, namely, personal consumption expenditure, private investment expenditure, net foreign investment, and government expenditure. What will be the probable movement of each of these items, on the basic assumption that has been made about the state of international affairs in 1952?

One of the remarkable recent developments has been sharp reduction in the percentage of personal income spent on consumption, and the rise in the fraction of personal income that is being saved. During the first quarter of 1951 our economy was generating national production at an annual rate of $319 billion, and personal consumption expenditures were running at an annual rate of $208 billion. During the third quarter of 1951 the rate of gross national production rose to $328 billion, but personal consumption expenditures fell to a rate of $202 billion. The build-up in military outlays during 1952 will assuredly add to national income and result in an increase in personal consumption expenditure. But it seems likely that consumers will continue to exercise restraint in their attitude toward spending. The principal reasons are: first, relatively high inventories of durable goods in consumers' hands; second, progressive elimination of deferred demand; third, the continued effect of credit controls; and, fourth, anticipation of newer models, better quality and lower prices. All these factors will probably prevent a runaway buying spree by consumers during 1952. Personal consumption expenditures may therefore be expected to rise moderately to an annual rate of around $215 billion during the last quarter of 1952.

Plant Investment Will Decline, Except in Defense Industries

The second major category of spending is private investment in new construction, producers' equipment and business inventories. Gross private domestic investment has proceeded at the unprecedented annual rate of $60 billion during the first three quarters of 1951, although it fell to $55.7 billion during the third quarter. A substantial part of this high investment took the form of increases in inventories, which rose both in physical quantity and in dollar value. Business inventories rose about $11 billion during the year ended Sept. 30, 1951.

The prospect is that the rate of private investment will decline

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Observations . . .

By A. WILFRED MAY

Our Method for Determining Common Stock Value

It seems appropriate now, following the suggestion of a number of our readers, to "nail down" with a synopsis, including concrete examples of method, our *value* approach and technique for evaluating common stocks.

Fundamentally, our philosophy is based on the invalidity of picturing the market as a whole, as well as of attempts to time movements of the market or individual issues either by "technical tools" or "by ear." It is premised on disapproval of concentration on market "liquidity" and changes in price.


A. Wilfred May

Affirmatively, we maintain pervasive emphasis on *value* criteria (specified below) in lieu of attempts to time fluctuations. We assume that market *price* tends to depart from *value*, creating in this "spread" continuing investment opportunities. Disregarding the historical background of the price level, we believe that the general market will "take care of itself" following the proper evaluation of individual issues—with the overall conclusion that *any* time is a good time to buy a good value, and *no* time a good time to buy a bad value.

We believe that illogical attitudes of the investor constitute a major component of the risk of investing.

More concretely, our methodology, which satisfies the need for realism concerning the concept of yield and multiplier*, rests on the "hard boiled" common sense assumption that the money-use and risk elements of one's capital investment should be compensated for in the buying price; that the price should be such that the buyer can foresee the probability of recouping his principal-with-interest over a reasonable period plus retaining a continuing equity "as gravy." In stocks, as there occurs in real estate, our buying price should provide for annual amortizations from out of dividend payments sufficient to recoup the invested capital within a reasonable time.

Specifically, we capitalize the expected long-term dividend receipts at a rate embodying the pure rental value of our money plus an amount of annual reserve sufficient to amortize our investment during a period of time is adjusted to the estimated risk. Thus, a price giving a 6½% dividend yield would in 25 years completely amortize the capital invested after compensating for the use of the money (annual 2½% of rental value plus 4% in amortization), leaving the equity remaining at the amortization period's termination as profit. The company's balance sheet strength importantly influences the determination of the length of the interval devoted to the complete amortization of the investment.

As an alternative interpretation:—with a 6½% dividend yield, one can conclude that he gains fair rental value for his money plus an indeterminable increment ranging around the remaining 4%—perhaps less, perhaps more.

Representative Calculations

We follow with specific examples of value-appraisal calculation of five representative companies: a heavy industry leader (U. S. Steel); a retail distribution company with potential growth elements (Montgomery Ward); a cyclical commodity stock (Kennecott Copper); a heavily capitalized stable utility (American Telephone); and a "Red Chip" off-the-beaten-track high net-quick, liquidating-value company (Manhattan Shirt):

Issue	U. S. Steel	Montgomery Ward	Kennecott	Telephone	Manhattan Shirt
(1) Est'd future ave. earns.	$5	$8	$6.50	$10	$3
(2) Est'd future ave. divs.	$2.75	$5	$4.50	$8.50	$1.75
(3) Rental val. of cap. inv.	2½%	2½%	2½%	2½%	2½%
(4) Ann. amortization res.	5%	4%	4%	4%	4%
(5) Ann. deduct. (3) + (4)	7½%	6½%	6½%	6½%	6½%
(6) Capitalization of div. (2) at rate of (5) gives the advantageous buying price as	$37	$77	$70	$130	$27

Our estimate of future earnings is based on a number of varied factors including potential economic elements (inflation) as they will affect the respective company, as well as the past record. Our dividend expectation takes into account evidences of management's policy in this regard as well as the backlog of financial strength.

Five percent is the annual amortization reserve apportioned in the case of Steel resulting from our estimate of 20 years as the proper "run" of our investment, because of this company's heavy capitalization combined with some uncertainty concerning its status over the very long-term. In the case of Telephone, while we likewise have a heavy prior capitalization, that drawback is offset by the apparent permanence of the enterprise. The other three issues represent companies with enormously strong balance sheets; two of them—Montgomery Ward and Manhattan Shirt—having a "net quick liquidating value" in excess of the price quotation. Hence, in the case of all four issues excepting Steel, we are willing to let the amortization period run for 25 years.

Our technique of valuation results in *an advantageous buying price* (rather than an appraisal furnishing a hard-and-fast dividing line between continuing buying and selling).

Decisions for Buying or Selling Action

In selling an owned security, as well as in buying, the decision as to the degree of over- or under-valuation necessary to prompt market action depends importantly on the instant constitution of the portfolio—that is its over-all balance, diversification, etc. Of course, buying and selling every time a security sells under or over its *advantageous buying price* is not suggested.

Fundamentally our continuing decisions for action in buying or in liquidating are also dependent on the following surrounding framework of over-all investing policy:

(1) *Continually* explore individual situations via value criteria;

(2) Secondarily, maintain limits on the total of purchases of sales in accordance with pre-determined proportions between fixed-interest and equity securities. Thus, 66⅔% might be the portfolio's proportion of common stocks constituting the ceiling on purchases, and 20% the floor under disposals.

(3) This formula is always to be maintained strictly secondary to the individual issues' valuation by our above-specified criteria.

Another limitation on hard-and-fast following of individual valuation procedure with purchases and sales is the subjective element of one's particular individual income tax bracket, since this directly and inescapably determines his net "take-home" dividend pay. (Partial offsets to the tax-levy is the qualitative one of the furnishing of the inflation-hedge gratis, and the quantitative one of the investor's partial possession of the amortization fund during its term.)

In estimating the worth of our approach and technique, it is fully realized that some unavoidable forecasting imponderables (as those connected with earnings-and-dividend projections) exist here too, but they are far less decisive than those arising in other speculative-investment approaches.

*I. e., That number by which the annual earnings or dividends are multiplied to result in the price.

Business Man's Bookshelf

America's Biggest Stock Market—William J. Hudson, Jr.—Monumental Press, 32nd and Elm Ave., Baltimore 11, Md.—paper—$1.00 (lower prices on quantity orders).

Foreign Exchange Regulations in Great Britain, 5th Supplement—Monetary and Economic Department, Bank for International Settlements, Basle, Switzerland—14.00 Swiss francs (plus postage).

Health Progress Among Industrial Policyholders 1946 to 1950—Louis Dublin and Mortimer Spiegelman—reprinted from Society of Actuaries Transactions—paper.

Price of Controls, The—A Report of the Committee on Economic Policy—Chamber of Commerce of the United States, Washington 6, D. C.—Paper—50¢ (lower rates in quantity).

Survey of Economic Education—Foremanship Foundation, Dayton, Ohio—Paper.

Wages Are Going Lower!—William J. Baxter—International Economic Research Bureau, New York 5, N. Y.—Paper—$1.00.

Carpenter, Berman Joins Courts & Co.

(Special to THE FINANCIAL CHRONICLE)

CHARLOTTE, N. C.—Courts & Co., members of the New York Stock Exchange, have opened a branch office in the Liberty Life Building under the direction of Miles S. Carpenter & Michael E. Berman. Both were formerly officers of R. S. Dickson & Co., Inc.

Joins Aigeltinger Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Henry G. Vickers is with Aigeltinger & Co., of New York City.

The Federal Reserve: Bulwark Of Our Private Economy

By ALLAN SPROUL*
President, Federal Reserve Bank of New York

Mr. Sproul reviews Federal Reserve policies and points out difficulties experienced in attempting to balance sound national credit policy with Treasury's fiscal and debt management ideas. Upholds independence of Federal Reserve, but says it must conform to national economic policy. Says Treasury should not be subordinated to Federal Reserve, and opposes replacement of Federal Reserve Board by single administrator or officer of Cabinet rank. Stresses credit policy should not be sacrificed on altar of cheap money, and upholds present structure of Federal Reserve System.

Not many years ago a speaker at a meeting such as this, who chose to speak on some aspects of the operations of the Federal Reserve System, would have had to begin by telling you what the Federal Reserve System is, how it is organized, and how it performs the functions which have been delegated to it by Congress. I assume that is no longer necessary. The circumstances of the war and postwar years have brought the Federal Reserve System and the life insurance companies in close touch with one another, even if only indirectly. You have been concerned particularly with our open market operations in Government securities, and with the generality of our credit policies. We have been concerned with your purchases and sales of Government securities, and with your widespread activities in the field of term loans, direct purchases of capital issues, and mortgage financing.

Allan Sproul

It remains true, of course, that our primary and direct concern is with the commercial banks of the country, most of which in terms of assets and about half of which in terms of numbers are our member banks. This is so because the principal function of the Federal Reserve System is to exercise an influence upon the availability and cost of bank credit, so that inflationary pressures may be restrained and deflationary pressures may be moderated. And it is only the commercial banks of deposit which can increase or decrease the supply of bank credit, and of money in the form of bank deposits, based on reserves provided by the Federal Reserve System. This simplified picture has been scrambled somewhat, however, by the fact that we have taken it upon ourselves to maintain and preserve orderly conditions in the market for Government securities, extending this prescription, at times in the past, to the actual pegging of market prices. Right there we became pretty directly involved with the operations of life insurance companies and other institutional investors, who are among the largest holders of and traders in Government securities.

The most critical aspect of this relationship in recent years has grown out of the fact that the market was not always able to come close to clearing the amount of long-term Government securities which you wished to sell, at prices and yields which would conform to our ideas of an orderly market, or our ideas of the lowest desirable price for the longest term issues. To make our policies effective meant purchasing, through the dealer machinery, the securities you could not sell in the market. This put reserve funds into the banking system almost as if we had made the purchases direct from the banks and provided the basis for a possible multiple increase of bank loans and investments. And because inflationary tendencies have been present more often than not, during the postwar years, these support operations usually ran counter to our desire to restrain unnecessary expansion of bank credit.

It is true that we were able, through sales and redemptions of short-term or maturing securities, to offset a large part of the addition to bank reserves resulting from our bond support operations, and from gold inflows and a decline in currency circulation as well. Nevertheless, we did provide some net addition to bank reserves during the postwar period.

Preserving Order in Government Bond Market

The Federal Reserve System has been severely criticized for assuming the secondary obligation of preserving order in the market for Government securities. The more severe and doctrinaire critics have challenged us to show any authority from the Congress for the performance of this function. It is my own opinion that the great growth of the Federal debt over the past 10 or 15 years, its dominant position in the whole debt structure of the country, both public and private, and the importance which the instruments of Federal debt have assumed in the money and capital markets, are ample warrant for our concern and our action.

The more modern critics, including some from your own ranks, have criticized the way in which we have attempted to carry out the task of maintaining orderly conditions in the Government security market, and more particularly the pegging of prices of the longest term securities which we engaged in from time to time. It is not my purpose here to rake over the embers of old controversy, nor to try to justify everything we did, the way we did it, and the timing of our actions. I do want to touch on one or two aspects of this experience, however, which perhaps contain a lesson for the life insurance companies as well as for the Federal Reserve System.

The lesson for the life insurance companies might be that you should not try to eat your cake and have it. During the war years the life insurance companies were among the largest purchasers of long-term Government securities This was not wholly a patriotic demonstration of support of the war effort. The steadily increasing flow of funds into the life insurance companies and the war-time lack of other investment outlets, as well as the safety of the Government's obligations, made most of these purchases a pleasant necessity. At the end of the war the life insurance companies, on the basis of previous standards, had an overbalanced portfolio position in Government securities. And with the appearance of a strong private demand for capital funds in the postwar years, your companies proceeded to redress the balance. They did this by committing new funds to other assets, and by large net sales of Government securities.

Taking all life insurance companies together, this seems to have been an almost continuous process. There were wide variations among you in the amount of Government securities sold and in the method of sale, but many of you gave the impression of feeling that you had the Federal Reserve System over a barrel and could whack it at will. Taking advantage of our market support, Government bonds were treated as short-term investments bearing long-term rates of interest. They were treated as investments which could be held profitably and disposed of readily, in large amounts, when more attractive outlets for funds developed. They were even made the basis, in effect, for entering into future commitments for large scale financing.

You may say that this is a normal aspect of your investment operations. You may say that this is an evidence of the free enterprise system at work. Or you may say that the blame, if any, was ours for supporting the market, and giving assurances of support even though these assurances were only applicable to "existing conditions" and for the "foreseeable future." That is all right as far as it goes, but I would introduce a note of caution. Many of you have become so big, and the operations of all of you are so charged with a public interest, as to inhibit your recourse to the market practices of investors with smaller aggregates of capital funds and with no public responsibilities. A wise degree of business statesmanship is needed to chart a course between the Scylla of increased public regulation and the Charybdis of falling behind your competitors in the race for business and profits.

It is true that you could not promise to hold forever the Government securities which you purchased during the war or after the war. No one, I believe, expected you to remain frozen into a disproportionate holding of Government securities. Looking at it from my side of the fence, however, you might have been expected not to use long-term Government securities as if they were short-term investments. You might have been expected not to try to unload long-term securities in chunks of five, ten, fifteen, twenty millions, or more, on short notice whenever you wished. Such shifts in holdings, as some of you recognized, require time and marketing. Reliance on such heavy liquidation of long-term securities to meet immediate or near-term cash needs, meant that the monetary authorities felt forced to intervene to preserve order in the market, or even to peg prices in order to avoid the risks of a possible temporary panic in capital values and a temporary cessation of capital financing. And it also suggests that some of you were probably relying on this action of the monetary authorities to enable you to continue, with safety, drawing long-term rates of interest on what were being treated as short-term investments. That is trying to eat your cake and have it, too.

Some revision of ideas concerning the proportion of your assets which might be held in Government securities under present day conditions, a better marketing approach to the liquidation of Government securities when you felt you had to sell, and a little less haste in reaching for the higher returns of corporate obligations, direct placements, and mortgage financing during periods of strain upon our economic resources, might have been becoming to your industry and good for the economy. And I say this recognizing that one of your aims was to reduce the premium cost to your policyholders. As you have so often and so well emphasized, no one has a greater stake in the prevention of inflation than the holder of a life insurance policy. If practices which contribute to a reduction of premiums also contribute to inflation, the policyholder gains at the spigot but loses at the bung.

Difficulties in Balancing Credit Policy with Pegging Government Bond Prices

As for the Federal Reserve System, during the postwar years, it had a harsh and thorough lesson in the difficulties of combining an effective credit policy with the maintenance of Government security prices, and a chastening experience with the problems of "letting go" once you have resorted to pegging a market.

I do not mean by this to agree with those who argued then, and argue now with an "I told you so" inflection, that we should have addressed ourselves solely to reducing the money supply after the war, come what might in the Government security market, or elsewhere in the economy. The financing of the war almost trebled the money supply of the country, and public holdings of liquid assets increased tremendously when incomes were high and civilian goods and services were lacking. These were the inevitable inflationary factors in war financing and in a war-time economy. The inflationary pressures thus generated were held in check but not removed by rationing, price and material controls, and other direct measures. When the war ended, and as direct controls were removed, our job was not and could not be to try to reduce drastically the war-swollen money supply. The most that could be attempted, by way of credit policy, was to prevent increases in bank credit from adding unnecessarily to the money supply, and to avoid creating fears or expectations which would stimulate the increased use—or velocity—of the money which was already in existence.

What this country chiefly had to do in those postwar years was to grow up to the increase in the money supply generated by the war, as quickly and with as little dislocation as possible. I still do not believe that we could have or should have resorted to a drastic policy of deflation. We did try to follow, with disheartening delays in application, a modest policy of restraint on unnecessary credit expansion, while facilitating a rapid strengthening of our productive capacity to meet accumulated domestic demands, and the needs of reconstruction among our friends and allies abroad. But the only final and constructive answer

*An address by Mr. Sproul before the 45th Annual Meeting of the Life Insurance Association of America, New York City, Dec. 12, 1951.

to the lack of balance between the supply of goods and services and the supply of money, inherited from the war, was an increased supply of goods and services growing out of increased production — out of increased efficiency of men and machines. That was the only way we could adjust to the increase in costs which had already taken place in our economy, without the hardships and suffering and the economic losses of widespread depression and unemployment.

If the banks had been placed under severe pressure by a drastic credit policy, they would have had to follow a much more restrictive course in financing business and trade. If prices of Government securities had had a bad fall in the immediate postwar years, the supply of capital for business might have come forward hesitantly and in less than adequate amounts. It is extremely doubtful, in my opinion, that drastic action could have been taken to reduce the money supply in the years following the end of the war, without seriously hampering the necessay expansion of production.

Where we fell short, in the modest program of credit restraint which we did attempt, was not in our arithmetic; it was not in our additions to and substractions from the reserves available to the banking system, nor in holding down the money supply. Our failure, to the extent that we failed, was a failure to gain sufficient understanding and acceptance for our policies. The influence of a central bank depends a lot on tradition—on the belief that its actions will be wise and timely and effective. The Federal Reserve System has had little enough time to build up such a tradition, and you may question whether it has made the best use of the little time it has had. In any case, our policy of modest credit restraint, following the war, was tardy in application, due to differences with the Treasury, and seemed inconsistent and ineffective to many bankers and businessmen and to the public, because of our involvement with the Government security market. We were not able, except occasionally, to create the atmosphere of credit restraint. We did not do the job we might have done.

More Coordination of Credit Restraint and Debt Management Needed

In 1950 and 1951, we have had to face a very different situation than that which we faced in the years following the war. By 1950 this nation had achieved a tremendous expansion of its productive facilities and of housing and had, in fact, gone a long way toward "growing up" to the war-generated money supply. So far as the Government security market was concerned, the longer term debt was better fitted into investor portfolios and better held than it had been earlier. Interest rates at short-term had already moved upward, so that static rates and fixed prices were no longer the only features of the market landscape to which traders and investors were accustomed. It had become practicable to try to enforce more severe general credit restraints by a coordinated program of credit policy and debt management.

The outbreak of the war in Korea made it imperative to put this program to the test. Strong inflationary forces had regained the ascendency. An insistent large-scale demand for bank credit reappeared. Consumers were led to believe that a period of scarcity of goods and increases in prices lay ahead and they acted accordingly. Business plans for improvement and expansion of plant and equipment were revised upward, and inventory accumulation proceeded rapidly. The residential building boom, which had been deliberately encouraged by very liberal financing terms, was accentuated. Deficits in the Federal budget were widely predicted. There was a rapid expansion of the money supply growing out of increased private financing—not out of defense financing — and, equally important, an increase in the willingness of the public to spend. It was certainly high time for the Federal Reserve System to get wholly out of the business of pegging market prices of Government securities, and to step up its program of restraint on the availability of credit.

This was ultimately worked out with the Treasury; an accord was reached last March. A final attempt was made to remove the supply of long-term Government securities overhanging the market by means of a conversion offering, and by Federal Reserve and Treasury purchases of securities from those who still wanted cash. The Government security market was then set free except for the maintenance of orderly day-to-day conditions, and the Federal Reserve regained, more completely than for a decade past, the initiative with respect to the availability and cost of reserve funds. And this freedom has been buttressed by a voluntary credit restraint program which enlisted the enthusiastic and effective support of all groups of principal lenders, including your own. On this occasion we have been operating in an atmosphere favorable to credit restraint and with widespread un-

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Canada's Astounding Industrial Advancement

By H. A. STEVENSON*
President, Barclays Bank (Canada)

Prominent Canadian bank executive reviews economic and financial situation in his country, and stresses rapid industrial and agricultural advancement in recent years. Points out growth of Canada's foreign trade and its close link to American and British economy. Explains Britain's economic plight, and its impact on Canada. Says "world is astoundingly bullish on Canada," as evidenced by inflow of foreign capital. Sees world-wide inflation threat and calls for international economic cooperation as best remedy. Outlines rearmament program.

As one looks back at the year under review, feelings of great disappointment prevail at the lack of success which has attended the efforts of the democratic powers to bring an end to the war in Korea and to armed strife in other parts of the globe. On occasion, there has been apparently good reason to anticipate that through the United Nations a measure of conciliation between conflicting ideologies might be achieved and the path to establishment of more peaceful international relationships broadened, but hopes have not materialized. We have to be grateful for the courage and perseverance with which the United Nations have been dealing with their enormous task in the face of ever-increasing difficulties. Trouble has been blowing in from all quarters and it is indeed regrettable to see that, recently, a strong wave of extreme nationalism and insurgency has been overrunning several countries of the Orient and has widened the breach between the East and the West in a somewhat ominous way. The tension which has been spreading abroad has added greatly to the burden of the peacemakers, and has also naturally intensified the apprehensions of the democratic powers and furthered the necessity for their rapid military rearmament. The scale on which this has to be continued must involve an expenditure and a segregation of material resources which can but redound to the serious detriment of economic welfare the world over.

H. A. Stevenson

Canada's Continuing Growth

Since the end of the World War II, Canada has made astounding industrial advancement: each year's accomplishments have progressively outstripped those of the previous years in remarkable fashion and this year is no exception. It has been a period of great national economic expansion and of intense activity in every line of business endeavor, and this year's volume of national production has reached levels unprecedented in the country's history. The Bureau of Statistics index of industrial production, based on volumes and using the period 1935-39 to equal 100, registered production at 109.3 in the year 1939 and 198.8 in 1944. In 1946 on peacetime reaction it dropped to 159.2, but at May this year it stood at the remarkable figure of 223.4 and is running slightly lower now.

It is not surprising as a consequence that unemployment has been almost negligible, and that the latest labor survey shows that all but 1.8% of the country's entire labor has been gainfully engaged, and that total industrial and service employment has risen by nearly 7% above that of a year ago. Attendant upon this intensified employment, total Canadian labor income for the first seven months of this year is recorded as having surpassed that of the same period last year by almost a billion dollars. All the industrial groups showed gains and the total for the seven-month period ending July 31 figures at approximately $5,460,000,000, a 17.2% advance over the same period in 1950; and the upward trend continues.

Backing up this virile and highly remunerative industrial condition is a strong agricultural position, and farmers have been enjoying high rewards for their labors. For the first half of the year payments for the sale of farm products was approximately $1,246 million as compared with $887 million for the parallel period in 1950, and since farm cash income is invariably greater in the second six months than in the first it can be confidently predicted that total 1951 income will surpass any previously received. Harvesting is practically completed and the largest wheat crop in history is confidently anticipated. A yield of about 580,000,000 bushels is expected, which is approximately 118,000,000 bushels in excess of last year's crop. Grading is also likely to prove superior to last year's.

*Address of Mr. Stevenson at the Annual Shareholders Meeting of the Barclay's Bank (Canada), Montreal, Can., Nov. 20, 1951.

Canada's Expanding Foreign Trade

Looking at the whole picture of internal production, Canada has never put up a more completely satisfactory performance, but, as our country's economic welfare is becoming yearly more dependent on markets abroad for the disposal of its production, the course of our international trade, from which 35% of our population directly or indirectly derive their livelihood, is worthy of remark. For the first seven months of this year, the turnover of foreign trade at $4,614 million surpassed that for the similar period last year by 35%, a very heavy increase indeed but one which nevertheless resulted in a balance of trade deficit of $332 million, as compared with a deficit of only $7.7 million for the same period last year—a rather notable difference.

Our seven months total trade with the United Kingdom amounted to $596.2 million — an increase of $103.9 million over the previous year's first seven months —with a resultant favorable trade balance of $60.4 million compared to one of $52.6 million for the same period in 1950.

Overall trade with the United States for the first seven months of the year was $3,037.6 million. This, against $2,262.9 million last year for the same period, showed a striking increase of approximately 34.24%. Our balance of trade deficit, however, mounted quite substantially and reached $373.9 million as compared with $87.5 million for the corresponding period in 1950.

Importance of U. S. Market

The proportional distribution of Canada's entire trade for the first seven months was 66% with the United States, 13% with the United Kingdom and 21% with the rest of the world. The percentage of transactions with the United Kingdom has declined and the tendency noticeable in recent years for Canada to veer away from the old traditional pattern of trade and to become increasingly reliant on the United States as a market for her products continues —and strongly. The economies of Canada and the United States are becoming more interwoven and interdependent and it seems that the influence exercised on Canada's affairs by our powerful neighbor to the south is binding our fortunes and destiny still more closely to theirs.

It is seen that an ever-increasing proportion of our total inter-

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Dealer-Broker Investment Recommendations and Literature

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

America's Biggest Stock Market—William J. Hudson, Jr.—Monumental Press, 32nd and Elm Avenue, Baltimore 11, Md. —$1.00 (lower prices for quantities.

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

Canada—Monthly business review—Bank of Montreal, Montreal, Que., Canada.

Defense Program and the Outlook for the Government Bond Market—Brochure—J. G. White & Company, Inc., 37 Wall Street, New York 5, N. Y.

Deflation in Canada and the Decline in the Bond Market—Analysis—Saunders, King Limited, Montreal Trust Building, Toronto 1, Ont., Canada.

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

Portfolio for Profit—Suggestions—Ross, Knowles & Co., 330 Bay Street, Toronto 1, Ont., Canada.

Potentialities in Tax Savings—Bulletin—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y.

Public Utility Common Stocks—Comparative figures—G. A. Saxton & Co., Inc., 70 Pine Street, New York 5, N. Y.

Securities Outlook—January issue assessing business prospects for the new year, with a selected list of securities with attractive investment possibilities for 1952—Ask for Copy C—G. H. Walker & Co., 1 Wall Street, New York 5, N. Y.

Strategic Metals—Analysis—Rittenhouse & Company, 226 Bay Street, Toronto, Ont., Canada.

Transfer Tax Rates—Booklet setting forth current Federal and State stock original issue and transfer tax rates—Registrar and Transfer Company, 50 Church Street, New York 7, N. Y.

* * *

Acme Steel Company—Bulletin—Faroll & Company, 209 South La Salle Street, Chicago 4, Ill. In the same bulletin is a brief analysis of **Southern Company.**

Admiral Corporation—Analysis—Dempsey & Company, 135 South La Salle Street, Chicago 3, Ill.

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

Allied Stores—Data—A. M. Kidder & Co., 1 Wall Street, New York 5, N. Y. Also available are data on **American Brake Shoe** and **United Airlines.**

American Metal Co., Ltd.—Memorandum—Oppenheimer, Vanbroeck & Co., 40 Exchange Place, New York 5, N. Y. Also available are memoranda on **Anaconda Copper Mining Co., El Paso Natural Gas, Gulf Oil Corp.,** and **Texas Gulf Producing Co.**

Bucyris-Erie Company—Analysis—Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y.

Caspers Tin Plate Co.—Memorandum—Dayton & Gernon, 105 South La Salle Street, Chicago 3, Ill.

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

Chase National Bank of the City of New York—Circular—Remer, Mitchell & Reitzel, Inc., 208 South La Salle Street, Chicago 4, Ill.

Consolidated Edison—Review—Dean Witter & Co., 14 Wall Street, New York 5, N. Y.

Consolidated Railroads of Cuba—Analysis—Bruns, Nordeman & Co., 321-323 Broadway, New York 7, N. Y.

Cornell-Dubilier Electric—Circular—Hirsch & Co., 25 Broad Street, New York 4, N. Y.

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COMING EVENTS
In Investment Field

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

Jan. 28, 1952 (Chicago, Ill.)
Bond Traders Club of Chicago annual dinner at the Furniture Club.

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

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

May 14-17, 1952 (White Sulphur Springs, W. Va.)
Spring Meeting of the Board of Governors of the Investment Bankers Association.

Sept. 28-Oct. 1, 1952 (Atlantic City, N. J.)
American Bankers Association Annual Convention.

Oct. 19, 1952 (Miami, Fla.)
National Security Traders Association Convention at the Roney Plaza Hotel.

Nov. 30-Dec. 5, 1952 (Hollywood, Fla.)
Investment Bankers Association Annual Convention at the Hollywood Beach Hotel.

Stedman to Be Partner In C. M. Loeb, Rhoades

Carl M. Loeb, Rhoades & Co., 42 Wall Street, New York City, members of the New York Stock Exchange, will admit Samuel L. Stedman to partnership on Jan. 1. Mr. Stedman is Manager of the firm's institutional department.

Gross & Co. Admit

Gross & Co., 509 Fifth Avenue, New York City, members of the New York Stock Exchange, on Jan. 2 will admit Mabel Bleich to partnership in the firm.

On Dec. 31, Charles H. Gross, member of the Exchange, will withdraw from the firm.

Two With Harris, Upham

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Charles F. Dean and Henry C. Flory have become associated with Harris, Upham & Co., 136 Federal Street. Mr. Dean was previously with L. F. Rothschild & Co. and Mr. Flory was with Goodbody & Co.

With Mutual Fund Assoc.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Ewing Harper is now with Mutual Fund Associates, 127 Montgomery Street. He was formerly with Paul C. Rudolph & Company.

With Hamilton Managem't

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Donald A. Lundberg and William C. Willing are now connected with Hamilton Management Corporation, 445 Grant Street.

With Gibbs & Coe

(Special to THE FINANCIAL CHRONICLE)

WORCESTER, Mass.—Frank W. Harding, Jr. is now affiliated with Gibbs & Coe, 507 Main Street.

Joins Bache Staff

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Peter J. Rosenthal is now affiliated with Bache & Co., 21 Congress Street.

"New Economics For New Problems"

By LEON H. KEYSERLING*
Chairman, Council of Economic Advisers

Asserting we need for these times a new economics, differing from the "moribund" economics of the 1930's, chief of President's Economic Advisers holds "old economics" did not look enough ahead and lacked purpose and planning. Favors long range approach in meeting current inflationary problem, but holds solving basic production problems is more significant than control of inflation. Forecasts increasing manpower difficulties, and expresses view rate of productive growth could be doubled in next two years. Urges more emphasis on increased production and less on savings and individual sacrifice.

If I can do anything useful among planners, it is to try to define what from my viewpoint are the salient characteristics of planning in an economy such as that of the United States under the world conditions which we now face, and will face for a long time in my belief.

Leon H. Keyserling

I shall try to define these salient characteristics of planning, and then relate them to specific problems of national policy, as follows: first, planning means trying to look ahead—as far and as clearly as we can reasonably see; second, planning means having a purpose—as clear and as courageous as we can make it; and, third, planning means recognizing the responsibility to try to fit separate programs, specialized undertakings, into the framework of a unified and consistent over-all approach.

Now I think that some economists have been particularly derelict in not weaving into their work a sufficient amount of this kind of planning, as so defined; and I think that this omission has had a long-run effect upon national policy. I think that we need a new economics for these times; and by a "new economics" I do not mean the economics of the 1930s, which at one time was called "the new economics," but which I think is as moribund related to the present situation as the economics of 1900 was in 1933.

In the three important respects which I have mentioned, I think that some economists in their influence upon economic policy have tended to lag.

Our Economic Potentials Not Realized

And let me say this: The reason why I believe that this lag has been undesirable is that in the current world situation which we face we certainly have the highly developed natural resources, the highly advanced technology, the highly developed plant and equipment, the highly trained labor skills, and the highly efficient organizational abilities, to give us an overwhelming potential preponderance over the dark forces arrayed against us. If any sober and patriotic American citizen can have doubt even for a minute as to the certainty of our winning this struggle in the long run, it must be just because he doubts our ability to plan in the three aspects that I have mentioned. He may doubt our ability to look far enough ahead or want to look far enough ahead. He may doubt the tenacity of our purposes in adhering to the central task which we have set out for ourselves despite quick and superficial oscillations in what seem to be conditions throughout the world; and he may doubt our ability, with all our special skills and all our special competences, to weld those together both at home and abroad into a sufficiently consistent and unified and therefore dynamic and effective undertaking as a whole.

I do not share these doubts. I think that we have made—and will continue to make—enormous progress in the task that we have set. But the better we do, the better we should seek to do. Let me say, here and now, that I believe very strongly that those in charge of operations under the great effort we are now making have done a superlatively fine job, testifying to their high fortitude and capacity—and I am not on this operational line.

Yet I have always believed that the function of a public servant was not solely to be a traveling salesman, and that candid self-criticism has a place within responsible free government as well as outside of the government. Therefore, what I am going to say, realizing as I do the great accomplishments, will of necessity try to point the way to further progress, will of necessity identify some broad areas in which I think we as a nation and we as a government have not done quite as well as our very best, and consequently must seek to do even better.

"Old Economics" Did Not Look Enough Ahead

In the first place, a heritage which has come from the old economics is the unwillingness or the lack of desire to look far enough ahead, which I have called the first basic element in democratic planning in a free country. The old economics tended for the most part to describe and analyze the past. Insofar as it looked ahead, it mostly contented itself—and you will see here by the old economics I include some of the economics of today—it contented itself with the very interesting parlor game of making very short-range forecasts of the economic situation, making guesses—and they can be no more than guesses—as to the precise timing and direction of price trends and production trends over the next few weeks or months.

Now this has in my judgment a cramping effect even in normal times, and more so in an emergency like this, upon national economic policies. This kind of very short-range forecasts, while they may be valuable to the single businessman insofar as they have competence—I mean insofar as the forecasts have competence; the businessman certainly does have—nonetheless they are not of much value to a great nation seeking to

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*Partial transcript of an address by Mr. Keyserling at the National Planning Association Meeting, Washington, D. C., December 4, 1951.

Productivity—Key to Prosperity And Peace

By C. E. WILSON*
President of General Motors

Mr. Wilson lists as essentials of our American industrial system: (1) acceptance of competition; (2) careful engineering design, tooling and processing; and (3) full recognition of dual role of workman both as consumers and producers. Points out mass production cannot be achieved without mass consumption, and an ever expanding economy has contributed to America's productive capacity. Urges other nations understand and apply U. S. discoveries and political precepts and meet their problems without losing their freedoms.

It as a pleasure and a privilege to participate in this First International Conference of Manufacturers. I hope that those of you who have come from other countries are enjoying your visit here, that you are finding the exchange of ideas with Americans to be stimulating and that when you return home you will do so with ideas that will help you in your businesses, and thus not only improve your businesses but improve the economies of your countries.

C. E. Wilson

We have sent to each of our visitors an envelope containing booklets dealing with General Motors labor contracts, personnel policies, organization responsibilities, production and economic policies. These booklets contain many details I do not have time to discuss today. I hope that they will help you understand the fundamentals of our productivity.

I know that many of you have visited the automotive plants in the Detroit area and have inspected many other American industrial plants. Too frequently visitors to America are overly impressed by our assembly lines and our progressive mass production manufacturing methods and are inclined to think that the physical organization of the work is the essence of our American production system. They will be confusing the form with the substance if they believe that simply by installing assembly lines and progressive manufacturing they will automatically get the same efficient production and low cost that American industry achieves. If they do not understand and apply the other fundamentals of our system at the same time, they will be greatly disappointed with the results they get. We have many successful, efficient enterprises in the United States in which the inflexibility of large scale progressive manufacturing and assembly line production does not fit. Important as it is to have the sequence of operations logically laid out so that the material flows from the receiving dock to the shipping department with a minimum of rehandling, there is much more than this to our American mass production system.

*A talk by Mr. Wilson at the First International Conference of Manufacturers, New York City, Dec. 3, 1951.

Essentials of American Industrial System

The first essential of our American industrial system is the acceptance by Americans of competition. The responsibility for individual competition as well as competition between companies and business organizations stimulates the millions of Americans to contribute to better ways of doing things and to accomplish more with the same amount of human effort.

Another essential of our efficient production system is careful engineering design, accurate drawings, tooling and processing so that parts can be produced by machines in the same manner that newspapers are printed on printing presses. Dr. Kettering likes to say we publish automobiles. Mass production also requires a careful balancing and utilization of capacity for the production of all items required and for doing all the other things that are necessary to promptly deliver quality products to customers. Another essential is the willing cooperation of hundreds of people—and in many cases of thousands of people—in a common effort to deliver good products at low cost.

Still another essential of our American system is the full recognition of the dual role of workmen as consumers as well as producers. Mass production and its accompanying low cost cannot be achieved without mass consumption. In an industrial society the workmen constitute an important part of the mass market for most consumer goods. Products must be designed and produced to sell at prices which this mass market can afford. By employers sharing with workmen through the medium of increasing real wages part of the new values achieved through greater productivity, American workmen have acquired not only the desire but the ability to buy the products of industry. Employers must recognize on their part the necessity of being progressive and of providing better tools and more horsepower per worker and of ever striving to find better ways of doing things. The workmen on their part must completely cooperate in this activity.

Workers Should Share in Increased Productivity

During the last 40 years workmen in all manufacturing in the United States have had on the average an improvement in real income of 2½% over the previous year. This has meant that each generation of workmen has had twice as much as their fathers. If the results of increased productivity had not been shared with workmen and their real wages had been held down to the level of 40 years ago, we would now be producing automobiles by the thousands instead of by the millions and radios and television sets would be a rarity. The farms of our nation would not be mechanized as they now are and additional millions of the population would have to be engaged in farming to produce our food supply. In addition, we would not have been able to replace 12 million or 15 million horses and mules with tractors, and millions more of our people would be required to produce feed for these animals. It is worth noting that four human beings can be sup-

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Trends in the American Economy

By JULIAN D. WEISS
First Investment Co., Los Angeles, Calif.
Investment Counsellors

West Coast investment counsellor, in sizing up trends in business affecting the investor, reviews basic changes in the economy, comprising (1) growth of big business; (2) inflationary price structure; and (3) impact of the international situation. Sees high level of economic activity in 1952, leading to a peak year, excepting only for corporate profits and divs.

In light of the current extreme uncertainties, the present time is a most propitious one for an analysis and evaluation of the major long-term trends in our society and their implications for the future. It is particularly important to stress the long-term approach in that it provides important perspective as to what has been going on in our economy for many years.

Julian D. Weiss

Perhaps the most important single trend has been that of increased concentration of powers in the Federal government. This great expansion of powers in the Federal government has profoundly affected our political, social and economic structure. Some of the major implications to be derived from this are:

Boom Due to Government Credit

The present boom period stems from a huge credit expansion financed by government. In large part it resulted from the expansion of bank deposits that occurred as a result of wartime deficit financing by the government. This has been reflected in a great rise in bank deposits which constitute the bulk of money supply. As the money was spent, it wound up in the hands of private individuals and thus has been frozen into the economic structure.

It is important to differentiate between a privately financed boom and one that results from expansion stemming from government. Previous booms, which were privately financed, were made possible by expansion of bank loans. Bank loans have been traditionally contractible. As bankers became less optimistic on the outlook, they would call loans and initiate a deflationary spiral.

With government spending (and control of the credit mechanism) so dominant, a completely different situation results. No government in history has been contraction minded. No government has wanted deflation—least of all the present Administration. While their words are of an anti-inflationary character, their deeds in the form of encouraging higher labor costs, in supporting farm prices, etc., all have an inflationary bias.

Keynes' Concepts Prevail

Since the Roosevelt days, our administrations have been addicted to the John Maynard Keynes concept of compensatory spending, i.e., that when private expenditures tend to fall, the government should promptly step in and spend sufficient money to keep purchasing power at high levels; and, conversely, when the economy is at peak levels and private spending is large, the government should operate on a budgetary surplus and, thus, impart some anti-inflationary aspects to our economy. In practice this has tended (and for obvious political reasons will tend) to work in only one way. When things are not good, the government spends at a high rate and thus stimulates the economy. However, when things are good and private spending is high, the government nonetheless keeps thinking up ways and means of expanding the scope of its services and activities.

There can be no better illustration of this point than the current period. Thus far, the increase in budgetary requirements continues apace. Secretary Snyder recently estimated that in the current fiscal year, to end June 30, 1952, Federal expenditures would approximate $70 billion and there would be a deficit of $7.5 billion. They now project expenditures of $80 billion for the next fiscal year, and another substantial deficit.

Since taxes already are at the back-breaking point, it would appear that even government bureaucrats would recognize that it is possible "to kill the goose that lays the golden eggs." Yet there is no indication from Washington of any real desire to pare non-essential expenditures. Government bureaucrats, regardless of party affiliation, simply do not think in those terms.

Pressure Groups Protected

The third development stemming from increased government powers relates to the political aspects. The Administration, which admittedly shows political astuteness, recognizes that its voting strength is predicated in large part on the farm and labor groups. These strongly entrenched segments of our economy have certain vested interests which are continuously being observed. More and more farm products have come to enjoy price supports. It can be assumed that the ceiling prices will give the farmers a very lovely income and that food prices, which have again started to advance, are likely to edge up further in the year to come.

As to labor—the wage ceilings look very nice on paper. However, the present time affords another concrete illustration of the fact that so-called government controls can only diminish the extent of a trend, but cannot eliminate it where there are strong underlying forces at work. By way of example, the steel unions undoubtedly will receive another increase that will lift them above the present wage ceilings.

It by now is quite obvious to all, that taxation is no longer purely for revenue raising purposes. The social aspects (and, of

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The State of Trade and Industry

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

In an effort to meet both defense requirements and increasing consumer demand, total industrial production for the country at large reflected a moderate rise last week, in the wake of the downtrend in the prior holiday-shortened week. It continued to be perceptibly higher than that of a year ago. However it was still close to 10% below the record level attained during World War II. Although there were scattered reports of layoffs due to conversion difficulties, total joblessness was well under that of last year.

Steel ingot output was off less than one-half point to 103.6% of capacity from the all-time high reached in the week ended Dec. 1.

A shortage of steel mill cranes has already hurt the nation's steel expansion program, according to "The Iron Age," national metalworking weekly. Vitally-needed ingot production has been lost. And it appears too late to avert further losses, although the industry is hopeful that National Production Authority will help keep losses from mushrooming by giving it a better rating so that it can get needed materials, including steel.

"The Iron Age" states that in an effort to minimize steel production losses for lack of cranes, NPA is reviewing the order books of builders with the intention of proposing changes to match deliveries with scheduled start of new facilities. The crane makers are promising delivery in 24 to 30 months. That is, if they can obtain the needed materials.

According to this trade journal, steel officials who have visited Detroit are convinced that demand for cold-rolled sheets is definitely down. Some high auto executives have admitted this to them. But the big question still unanswered is—To what extent is this caused by government restrictions on civilian production?

Greater steel production shows more promise of making CMP run smoothly than alterations in the controls themselves.

Criticisms of Government Distribution Policies

Government steel distribution policies are meeting growing criticism, says "Steel," the weekly magazine of metalworking. With military requirements taking only a relatively small percentage of total output, less than 15%, the Controlled Materials Plan is under increasing attack. Both producers and consumers of steel are displaying more annoyance over government regulations which, it is claimed, are contributing to shortages, hampering scheduling and production, and forcing manufacturing curtailments.

According to this trade magazine majority opinion in the industry, it appears, favors limiting controls to military requirements, thus relinquishing the bulk of output for distribution without strings by the separate producers. While it is conceded certain products are in acutely short supply, some trade authorities feel the overall steel scarcity is not actual in the truest sense of the word.

Steel industry authorities, looking ahead, see surpluses on the way. Some think supply is catching up with demand with CMP distribution distorting the market picture. Before long, they fear, with larger production scheduled for 1952, the industry will be beating the bushes for orders. Currently, some excess tonnage is begging for buyers for the reason authorized CMP tickets are lacking to permit sales to prospective purchasers. David Austin, Executive Vice-President of U. S. Steel, thinks there will be a surplus of steel within five years at the rate steel capacity is being expanded.

Steel is pouring from a steadily increasing number of new facilities as the industry's expansion program begins to materialize. Substantial new ingot capacity has been placed in operation over recent weeks, especially at Pittsburgh and Cleveland, adding thousands of tons to the industry's production potential. Currently, facilities are being pushed to the limit of availability. Short scrap supply continues the chief threat to continued overcapacity operations through the winter, barring, of course, interruptions due to work stoppages stemming from failure to satisfactorily settle wage differences now in negotiation, concludes "Steel."

The American Iron and Steel Institute announced this week that the operating rate of steel companies having 93% of the steel-making capacity for the entire industry will be 104.1% of capacity for the week beginning Dec. 10, 1951, equivalent to 2,081,000 tons of ingots and steel for castings a rise of a half a point over last week

Last week's operating rate is equivalent to 2,071,000 tons of steel ingots and castings for the entire industry, compared to 104%, or 2,071,000 tons a week ago. A year ago production stood at 1,953,800 tons.

Steel Output Sets New Record

The greatest production of steel in history, in the United States in 1951, will reach and quickly surpass one hundred million

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Defense Output Forging Ahead

By CHARLES E. WILSON*

Director of Defense Mobilization

Addressing foreign industrial representatives, mobilization chief reveals defense production has tripled in year, and orders are now given out at rate of $1 billion per week, while deliveries are at rate of $2 billion per month. Says by 1953 peak of $50 billion per year outlay will be reached, but warns goal can be obtained only by "pinching" civilian production. Denies U. S. is "sponging up" world's raw materials, and expresses optimism that increased production capacity, when arms output declines, can be absorbed by increased civilian production.

I am very glad to be able to tell you gentlemen about the progress being made in the defense mobilization of the United States—and to tell you, too, of some of the problems we face. Your presence in this country emphasizes the interdependence of the Free World in the great task of containing Soviet Communism and preserving the principles of freedom and justice. I am sure the result of your visit will be an improvement in the cooperation among our various countries that is so vitally necessary to insure maximum productivity. You are fully aware that there is room for such improvement.

Charles E. Wilson

It is not quite a year and a half since the Republic of Korea was ruthlessly invaded and a year since the intervention of Communist China gave the war a new and grimmer meaning. These circumstances made it clear to all of our people that the Free World was facing a savage and determined enemy who must be stopped at all costs. Since the end of World War II, we had illusions of peace—but these illusions were swept away in the Korean gunfire.

If that war were to be localized, if its repercussions were to be prevented from enveloping the world in the holocaust of a third major war, it was necessary for all free men to gird their loins. To put it in another way—and this is the point of view that sustains me in this critical time—it was necessary for the Free World to wage peace. It cannot wage peace through weakness; it must wage peace through strength.

We have set about resolutely to build a platform of strength, and its foundations are now well laid. It is a five-sided job: We must provide the troops in Korea with everything they need, and this is being done. We must supply our growing army, navy and air force with everything from clothing to the most modern types of weapons, and we must likewise assist our allies. We must develop additional production lines for defense equipment so that we could swing into all-out production if required. We must expand our entire industrial base—steel, aluminum, electric power, chemicals, oil drilling and refining, and so on. Finally, we must provide for the needs of our civilian economy.

We have been spending the time since Korea in placing the great economic forces of the United States into motion. Aside from the immediate needs of the armed forces, it has been a period of gestation. As a foremost American industrialist said in a similar period during World War II, when complaints were heard that volume production had not begun: It still takes nine months to make a baby." Well, the baby has been born. From now on you can watch him grow.

Orders At Rate of $1 Billion Per Week

Since the first of this year, we have been placing orders at the stupendous rate of nearly $1 billion per week. At the same time we have been drawing blueprints, writing specifications, organizing manpower and tooling up our factories—a massive preparation for a massive job.

And now the result of this preparation is becoming evident as the end-items begin to flow from our production lines. This flow is now a stream which is ever-widening and will become in time a torrent.

It is a fact that in certain essential weapons we are behind schedule. But bear in mind that schedules, particularly of the newer weapons, were often at the beginning only a gleam in the eye of an expert. And bear in mind also that we are constantly changing design—which affects production but gives us higher performance. Finally bear in mind that we could have produced more weapons were it not for the efforts we have expended in the two other phases of our program—the installation of standby production lines, and the expansion of our basic production of metals, electricity, petroleum, and the like.

The fact is that the actual deliveries of military end-items now total nearly $2 billion worth per month—which is three times what it was this time last year. These items have included heavy and medium bombers, light and medium tanks, guns of all kinds, fire-control systems, radar equipment, various types of missiles, rockets, modernized warships and, of course, the products of atomic energy which, as you all know, are now being successfully tested in the deserts of the West.

From now on there will be a steady rise in production, to a peak of about $4 billion a month in 1953. You gentlemen witnessed American production miracles in the last war. You are about to witness another performance of the same phenomenon. We are going to produce not only everything that is needed to supply our current forces, as well as to ship arms to our allies, but we are going to establish standby facili-

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*An address by Mr. Wilson at the International Management Productivity Mission Luncheon, Washington, D. C., Nov. 30, 1951.

Consequences of a Wage Policy Based on Automatic Escalation

By LEO WOLMAN*
Professor of Economics, Columbia University

Dr. Wolman, asserting if a wage increase is general, costs will most likely rise just as fast and as much as wages, and will surely raise prices. Points out automatic escalation, under wage contracts, intensifies price increase trend. Holds higher wages based on increased labor productivity may also result in higher prices, and points to "fringe benefits" as an additional cost factor. Foresees breakdown of both escalator and productivity principles of wage adjustments under present conditions.

This formidable title is not as difficult as it seems. It raises a number of clear and well-defined questions. The central question is: What effect under prevailing conditions, does tying wages to the cost of living and an annual improvement factor have on prices?

Prof. Leo Wolman

Put in this form, it is hard to see why anyone should have any difficulty answering the question. Wage increases, under present circumstances, will surely raise prices, however the way increases are arrived at. In this respect, wage increases tied to living costs and an annual productivity increment will behave like any other pure and simple wage increase of equal amount. Wage increases of either type raise prices because they increase costs and increase the total income of the group that receives by all odds the largest share of the country's income. These two consequences, taken together are a powerful influence for lifting prices. No one can or would deny this. The government, in its so-called anti-inflationary policies, recognizes the potency of these influences. It is constantly demanding higher taxes in order to reduce, not raise, the available income of individuals. It, also, insists that some, if not all, wage increases, do not increase costs. But this is a specious argument for the government knows very well that swiftly rising wages are an important cause of swiftly rising costs. The increase in costs may not be exactly equal to the increase in wages, but, if the wage increase is general, costs will most likely rise just about as fast and as much as wages.

Automatic Escalation Intensifies Wage Rises

A related question, though one not so easy to answer, is whether the automatic type of wage adjustment is likely, in these times, to raise wages, and, hence, costs and prices faster than they would otherwise rise. This would not be the effect of the improvement factor, since this adjustment is in general made once a year, and in a period when wages and prices are rising, under inflationary influences, it is by no means uncommon for wages to be changed within the course of a year. Escalator adjustments are, however, by their nature more frequent. If large numbers are working under escalator arrangements, there may thus be a tendency for wages, so to speak, to jump the gun and for the wage movement to be accelerated.

What has been said has little, if anything, to do with the wisdom or unwisdom of an employer's policy which provides for automatic wage adjustments under a long-term contract. The motives which lead to a wage settlement are usually mixed. In recent years a prime consideration has been the pressing desire for as long a period as possible of industrial peace. Many businesses have been willing to pay a high — perhaps too high — price for peace in labor relations because they know how costly long stoppages are and because they hope that a spell of years, relatively free of demands and negotiation, will promote quiet, harmony, and cooperation—all very valuable assets in running a business. Anyhow this is the risk men have taken and will continue to take and it is not an adequate, nor entirely fair, criticism of their policies to say that the terms on which they have settled may violate certain accepted economic principles.

Important and practical as these considerations are, it is equally important to recognize and admit what the expected economic consequences of a wage policy are. Nothing is gained, and much confusion may result, by claiming for a wage policy more than it deserves, or by attributing to it virtues which other policies are said not to possess.

Wages and Increased Productivity

There has, for example, been a lot of loose talk around about the availability of increased productivity as the source of rising wages. Wage rises credited to this source are commonly believed to be costless and are, therefore, to be encouraged or even promoted. Obviously many will favor wage increases that do not require price increases. It is true, of course, that in the long run rising wages and advancing material standards of living depend on the increasing productivity, or efficiency, of industry. But this simple, and undeniable, fact does not make increased productivity, or manhour output, a piece of black magic by which substantial annual increases in wage rates can be made without generating commensurate increases in costs and prices.

On the average and in the very long run the annual increase in productivity has been moderate,

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*An address by Dr. Wolman at the 56th Congress of American Industry, sponsored by the National Association of Manufacturers, New York City, Dec. 6, 1951.

Bullish and Bearish Factors In the Stock Market

By GORDON Y. BILLARD
J. R. Williston & Co., Members, New York Stock Exchange

Stock market analyst lists bullish and bearish factors affecting current stock market movements, and though not expressing opinion as to market's trend, advises careful review of individual holdings at this time.

Numerous factors will shape investment sentiment during coming months. Some of these will materialize, others will not. The paramount factor is the U. S.-Russian relationship. There are two fundamentally different concepts for dealing with this problem.

Gordon Y. Billard

(a) The belief exists that the Soviet dictatorship is the center of a gigantic conspiracy to conquer the world and must and can only be destroyed by force through all-out war. Many prominent Americans argue that the Soviet dictatorship must soon be overthrown by force, if necessary, to guard our national safety. Since Red China's intervention in Korea, the influence of this group has undeniably increased. The widespread repercussions of all-out war defy accurate appraisal. Because of these uncertainties, outbreak of World War III would probably have immediate major bearish repercussions. Later on, if permitted, there would be mass flight from the dollar and all fixed-income obligations.

(b) The belief exists that the Soviet dictatorship is already vastly over-extended and that in recent years Russia has done more to discredit Bolshevism than anything the United States has done or can do. Many support this point of view and believe that the overexpanded Soviet empire will eventually fall of its own weight if local wars are fought to prevent further breakout beyond the existing perimeter. This concept would mean an indefinite prolongation of the cold war and would continue as a major bullish market factor.

Other bullish and bearish factors are summarized below.

Bullish

(1) The stock market has lagged behind the postwar inflation. Leading stocks on the New York Stock Exchange are up 100% from the 1939 average but gross national product has risen 259%. Corporate profits after taxes have risen 326% and dividends have risen 150%.

(2) Only about 7% or 8% of the 53,000,000 spending units in the United States own stock in corporations. The potentialities are very large for an "Invest in America" movement (common stocks).

(3) While high personal taxes offset the gross yield advantage of common stocks for wealthy investors, non-taxable funds (pension funds, trusts, etc.) are increasingly potent in the demand for sound investment stocks.

(4) The earnings and dividend outlook for 1952 is favorable.

(a) Incoming business orders on a weekly basis have been in an uptrend from mid-June.

(b) Corporations are still projecting record capital outlays.

(c) The excess profits tax will result in aggressive spending by corporations on research and other activities to avoid tax liabilities.

(d) Deliveries of goods to Armed Services will be substantially greater next year.

(5) The advantage offered by common stock yields as contrasted with bond yields.

	Dow-Jones Industrial Avg.	Yield	High Grade Bond Yield	Pct.-Point Advantage for Stocks
Sept., 1951	271	6.10%	2.93%	3.17
June, 1950	228	5.61	2.74	2.87
May, 1946	212	3.23	2.59	0.64
Mar., 1947	194	3.71	3.21	0.50
Sept., 1929	381	3.30	6.12	—2.82

(6) The relatively low capitalization of earnings and dividends.

	D-J Ind. Avg.	Times Earnings	D-J Ind. Yield	Pct.-Pt, Adv. for Stocks
Oct., 1951	275	10.2	6.10%	3.06
June, 1950	228	9.9	5.61	2.87
May, 1946	212	22.7	3.23	0.64
Sept., 1939	156	21.4	3.45	0.25
Mar., 1937	194	16.9	3.71	0.50
Sept., 1929	381	19.2	3.30	—2.82

(7) The inherently sound internal financial structure of stock market.

	D-J Ind. Avg.	Brokers' Loans (in millions)	Total Stock Value (in millions)	Ratio Loans to Stock Values
Sept., 1951	271	$667	$108,911	0.61%
Mar., 1937	194	1,075	62,618	1.72
Sept., 1929	381	7,882	89,668	8.79

(8) The privately held money supply rose $900 million during September to an all-time peak of $177.9 billion.

	Total Privately-Held Money Supply
1950	$170,000,000,000
1946	164,000,000,000
1939	63,300,000,000

(9) Individual income, after taxes, for the third quarter of 1951 reached an annual rate of $225.7 billion versus $207.1 billion in the same quarter of 1950.

(10) Farm income in September was at an annual rate of $21.5 billion versus $18.6 billion a year ago.

(11) The latest tax increase is the prelude to wage increase No. 7. This will shortly get under way with steel workers starting the trend. Other industries will follow suit. A further wage increase will be permanently frozen into the price structure, thereby adding to costs and consequently prices.

(12) History proves that when government takes in taxes more than 25% of the national income, the trend is to finance any deficit by inflationary borrowing. Taxes are now absorbing some 30% of the national income.

(13) Broadening income base. Latest figures show that 20% of American families had incomes of $5,000 or more, compared with 4½% 10 years ago, while nearly 32% had incomes of $3-$4,000, compared with 12% a decade ago.

(14) Personal savings increasing. For the past six months, personal savings have been double the rate for all of 1950. From April through November, personal saving has been running at a rate six times that of 1947.

	Personal Income After Taxes (in billions)	Personal Savings (in billions)	Consumer Spending (in billions)
1951–3rd qtr.	*$225.7	$21.7	$204.0
2nd qtr.	*222.8	21.1	201.7
1st qtr.	*217.8	9.3	208.2
1950	204.3	10.7	193.6
1949	186.4	6.2	180.2
1948	188.4	10.5	177.9
1947	169.5	3.9	165.6
1946	158.9	12.0	146.9

*Annual rate, seasonally adjusted.

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From Washington Ahead of The News

By CARLISLE BARGERON

The late Senator Borah made it a point never to visit Europe because he might catch globalitis. Once, in fact, he declined the offer of a national magazine of $50,000 to make a tour and write his impressions. He always liked to keep the visiting foreign statesmen at arm's length.

Carlisle Bargeron

It is doubtful if any of our present members of Congress hold to this attitude. You get the impression, instead, that a lot of them run for Congress in order to see the world. At least they scarcely get their seats warm before they cook up some excuse to go abroad.

In the present Congressional recess a good 200 will have visited Europe before Jan. 8, and you can bet your boots that they will return deeply impressed with what good the Marshall Plan has done, what the NATO has done and how necessary it is that we continue our aid to prevent Western Europe from collapsing. It is almost impossible for them to escape such an impression. From the time they step off the boat or plane they are taken in hand not only by busy bees from the foreign offices abroad, but from our foreign offices as well. What has been accomplished in the past and the great sunrise that lies just ahead if we just don't let up in our aid is drummed into them from morning until night, along with the wining, dining and dancing girls.

Occasionally one of them will get up the nerve to warn that these countries must help themselves, but he will be promptly assured that they are doing that. Thus he has done his duty by his constituents and he agrees that the aid must continue.

Two hundred members of Congress is more than a third of the legislative body. They will be back on the job next month, some of them flushed with the exciting recollections of their first trip and practically all of them imbued with the exotic beauty of Paris and with a touch of gay carelessness in their blood. They will have been tapped or re-tapped, as the case may be, with the Old World culture and the spending on Europe will not be curtailed but increased.

When these European governments made their first approaches for more money several months ago, there was some lifting of eyebrows among our global planners. There was a doubt in their minds as to whether they could get any more aid authorized.

But these doubts have been now erased. A good job has been done with the Congressional junkets; it was a record-breaking Congressional visitation, in fact, certainly in the brief period of time.

So it is being accepted as a certainty in political Washington that there will be more spending on Europe next year, not less.

Mr. Truman is to come up with another demand for taxes which he has no expectation of getting; there will be more talk about tighter controls and stronger efforts to hold the line against increasing inflation, but the only thing that will be accomplished will be the increased spending. If anything, Charlie Wilson will lose his fight to keep rearmament balanced with the civilian economy. More likely the scales will be tipped in favor of stepping up rearmament and further tightening up on civilian goods.

For that matter there is a growing agitation from segments of industry and from organized labor that the present balanced program is causing unemployment and a dwindling of profits. Let's have faster rearmament spending, they demand. Wilson and those of his school of thought contend that if the balance is tipped we shall be pushed on to all-out rearmament. The year 1952 is likely to be quite fateful in this respect.

For the life of me, I can't understand why it is considered good politics for Mr. Truman to ask for more taxes when he knows he won't get them, or even if he knew he would. You would think that the very word at a time when the headlines shout new revelations in corruption would make him wince.

But the theory is that he will have an issue for the campaign, an issue that he is trying to "make the rich pay" and the reactionaries in Congress, the Harry Byrds and Tafts, *et al*, won't let him. The tax bill he will submit will be pitched to this tune: more corporation taxes, more taxes from the higher brackets. In the meantime, the labor leaders will have gotten wage increases to offset the increased tax deductions from the workers' pay envelopes. You haven't had to pay any of the increased taxation, they will be told. It's a great game as long as it lasts.

Melville Investment Co.

TWIN FALLS, Idaho—John F. Melville has formed the Melville Investment Co. with offices in the Twin Falls Bank & Trust Building, to engage in the securities business. He was formerly with E. W. McRoberts & Co.

W. G. Oliver Opens

SONOMA, Cal.—W. G. Oliver has opened offices here to engage in the securities business.

Hettleman Co. to Admit Daniel Cowin

Hettleman & Co., 1 Wall Street, New York City, on Jan. 2 will admit Daniel Cowin to partnership. Mr. Cowin has been with the firm for some time.

Joins Frank D. Newman

(Special to The Financial Chronicle)

MIAMI, Fla.—William V. Barnstone has become associated with Frank D. Newman and Co., Ingraham Building.

Across the Dominion of Canada—By Land, Water and Air

By IRA U. COBLEIGH

Author of "Expanding Your Income"

In the last ten days Canadian Pacific, the stock, has been all over the ticker tape, in much the same way as Canadian Pacific, the company, is all over Canada. Taking its cue from Northern Pacific, south of the border, it has encouraged investors to forget such prosaic items as locomotives and box cars, and to switch their headlights to golden visions of a future profitability based on mineral bearing real estate. Well, let's see, in our brief report today, just what it is that has been causing CP to be cutting these Canadian Capers in the canyons of finance.

Ira U. Cobleigh

Since the word "railway" appears in its corporate name, we ought to talk about that phase first. CP now owns or controls 20,875 miles of railway in Canada and the United States (against around 14,000 for Atchison). Its transcontinental main line, running from St. John, New Brunswick, in the East to Vancouver, British Columbia, in the West, is the longest privately owned railway on this planet. If you care for a few figures, railway assets show up on the books at a net value of $1,100 million; and include 1,880 steam and diesel-electric locomotives, 77,300 freight cars and 2,800 passenger cars. CP differs from most U. S. roads in that it chugs for hundreds of miles through sparsely settled country. It thus combines long hauls with light traffic density; and it has not dieselized to nearly the extent of the average U. S. line.

Along with this railway, it provides communications galore — a telegraph line, overseas cable, long distance Trans-Canada telephone, teletype, and radio transmission service; plus world wide wireless connections. Add to this an express company grossing $8,500,000 a year.

If you favor water travel CP can supply that too. Has 40 ocean going, coastal, or inland steamships with gross tonnage of nearly a quarter of a million tons. Its ocean fleet includes the luxurious Empress of Scotland, Empress of Canada and Empress of France. And these are not used as just feeders —the steamship division netted $3,159,592 in 1950.

If you're resort conscious, CP owns some of the finest hotels anywhere — 14 in all — including the Chateau Frontenac, and such exquisite hostelries as the Banff Springs, and Chateau Lake Louise, with their alpine scenic grandeurs (perhaps this accounts for reported heavy buying in CP by Swiss interests recently!).

And, oh yes, airways. Canadian Pacific Air Lines, Limited, operates a transcontinental and international air service—at a profit.

Getting away from transportation, CP gleans its most valuable net reserves (apart from railroad operations) from its 51% ownership in Consolidated Mining and Smelting Company. This holding is a honey. At the 1950 year-end it stood on the books at $17,046,-561; yet in the same year it paid dividends into CP of $15,983,750! Cominco is one of the world's largest producers of lead, zinc and silver; and added to this, it is now building chemical and fertilizer production of great magnitude. You perhaps noticed that just last week Cominco announced a five-for-one split of its common stock. This is of interest for two reasons. First, it places a value of about $36 on the new shares—suggesting the possibility of offering minority holders CP common on a share-for-share basis. The second reason is a personal one. In an article in these columns, July 26, 1951, entitled "Stocks With Split Personalities," I predicted a split (my guess was 3-for-1) in Cominco before July 4, 1952. Seems I gave myself too much leeway!

Now let's talk about real estate. Like many another road, CP received a whacking land grant from the government when it started out laying ties—25 million acres to be exact. To colonize and develop the wide open western spaces, CP sold off a lot of land to settlers—so much so that at Dec. 31, 1950, owned land consisted of but 953,831 acres of farm and pasture land, plus 609,718 acres of timber land and town sites. That doesn't seem very much left, out of an original inventory of 25 million acres, but there's a gimmick. 11,384,000 acres were sold with rights to minerals retained by Canadian Pacific; and of this over 8 million acres are in Alberta—deep in the heart of what people are calling the "Texas of the North." If the rosiest predictions as to the magnitude of this Western Canada (plus Montana and North Dakota) oil field come true, CP is in for some fancy intake on its customary ⅛th royalty interest. At the moment, of all this vast stretch of soil, only 55,000 acres are under lease to oil companies (actually bringing in oil). The rest is under what is called "reservation for exploration," and it should, in any event, be frankly recognized that only a small percentage of land held will probably prove importantly oil bearing. But other minerals besides oil may be located, too.

Actually some CP land has proved to be pay dirt in seven present sectional oil fields, and a new one called Armenia just oozed in last week. If you like romance in your investments CP should satisfy you.

These, then, are the various assets on which to predicate the future earning power of Canadian Pacific Like its United States counterparts, however, CP has the standard railroad problem of higher labor costs, and it, too, goes to a government agency for approval of higher rates. Recently there has been a feeling that CP could make a better case for the necessity of rate increases if it were not so embarrassed by lush income from other sources. Hence the various rumors about placing the trains in one corporate pie; and the land, the Smelting company, the hotels, plus the ships, in another investment-type company. It does not appear logical, however, that possibilities of corporate fission here should be the dominant cause of an upward surge in CP common. In 1950 railroad earnings alone produced more than 50% of total net.

So far, nothing has been said about a factor vital to the success of any project—management. Well you ought to look at that board of directors of Canadian Pacific! It's doubtful if, in any management echelon, you'll find such an elegant roster of the economic elite as is contained in the CP directorate. Among other names are the Presidents of the Bank of Montreal and the Royal Bank of Canada, the Presidents of Canadian General Electric, and the Chairmen of the Steel Company of Canada, General Motors of Canada, and the Port of London Authority. If you like cushy, top brass in your security holdings, brother you've got it here.

Another interesting sidelight is the fact that this mammoth private enterprise shares the Canadian rail transport assignment with Canadian National Railways, a government owned and operated system!

It has long been fashionable to seek diversification in any investment program, but frankly you'll go a long way before you find so much diversification — geographical and industrial—as is wrapped up in this single package labeled Canadian Pacific. It's a call on the future of all Canada, a land area 20% greater than our 48 states, yet containing a total population about even with that of New York State alone—14 million. Commitment in this one company offers, to the dreamy, a horizon of growth in population, development of natural resources, and potential earnings, comparable to the opening of our own West in earlier times.

Something surely should be said about finances. Well, they've been sound all along, but great improvement has been recorded in the past 12 years. For instance, in 1938 annual fixed charges stood at $26,853,757. Today they are a little over $13 million. Also it is not incorrect to conclude that balance sheet assets have been importantly understated. Mention was made a while back, that the Consolidated Mining investment was booked at $17 million; yet it's worth, at today's market prices, over $300 million! How conservative can you get? And Consolidated is growing, with a present expansion program of $64 million including $30 million for 205,000 horse-power in new electric power generation.

As far as your personal investment entry into this picture is concerned, there are two mediums that might be suggested. First, of course, is the 13,400,000 shares of "ordinary stock," quotations on which will flash before your eyes about every 45 seconds, the next time you sit down in a broker's board room. The price was 37¾ when this account was penned. Among other inducements to your purchase of CP common, are probable per share earnings of above $3.50 and 1951 cash dividends of $1.50.

If you want a parlay, take a look at Canadian Pacific Convertible Fifteen Year 3½% Collateral Trust Bonds due Oct. 1, 1966. Between April 1, 1952 and April 1, 1959 these carriage-trade obligations are convertible into CP common—29 shares for each $1,000 bond. Currently selling at 110 these 3½'s give you a quality bond (secured by $1,200 of Perpetual 4's) plus a seven year call on the stock. If you favor convertibles, you probably ought to favor this one.

The foregoing account, a rapid sort of newsreel summary of what's cooking in CP, is of course vastly incomplete. A number of brokerage houses have prepared quite extensive studies on this property, to which I humbly refer you. But even with what little is jotted down here, you must perceive some slight reasons for CP to be the most spectacular rail performer on the Exchange (with the possible exception of NP). Whether viewed as a railroad in a fast growing country, as a vast producer of minerals, or as possibly the British future source of oil to replace Iran, CP appeals to the imaginative. It's an across the board coverage of what's happening across Canada—by land, water and air.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

This is going to be one of those columns you can skip with little regrets. Maybe as I get into it, it'll become interesting. But right now I see little of immediate interest to anybody, particularly myself.

* * *

The chief reason is that the market is now between hay and grass. Last week's strength was the result of considerable cash buying. The fact that it was strong enough to carry averages up about five points was cheering to notice, assuming, of course, that you're bullish. It might be noted as an aside that no small part of the rally was fed by short interests covering.

* * *

From here on, however, there should be either a dull, dead market, or a decline. The reasons behind this belief are varied. Tax selling should increase between now and the end of the year. Such anticipations are no secret. It seems to me that if any additional important buying is to be done, the potential buyers would place their bids under the market (in some cases some distance under) rather than bid for them at the market.

* * *

Another reason is more fundamental than technical. It deals with a basic cause of our present economic structure which, in turn, is built on rearmament. I suggest you read your news despatches about proposed disarmament plans with care.

* * *

I wish I could understand all the diplomatic double talk that I read daily. On one hand I feel it doesn't make sense to arm and re-arm daily unless we intend to lead from strength in our dickerings with Russia. But if we are looking for increased strength then why sit down and talk about cutting down our arms production?

* * *

Major industry throughout the country seems to be equally confused. It has been told for months to cut down on civilian production and increase war production. A glance at various statistics, however, will show that the war orders have not come in as plans called for.

* * *

Some of these things have undoubtedly kept markets on tenterhooks. Morality and patriotism aside, one can't be prepared for a big dinner and then be asked to sit around indefinitely with a glass of water and some fancy dishes.

* * *

In any event some of these doubts added to the year-end tax selling will, in my opinion, be sufficient to stop any sustained advance for the time being. However, I think that recent purchases should be held intact.

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

Ten New Partners For Merrill Lynch

Ten new partners will be admitted to Merrill Lynch, Pierce, Fenner & Beane, 70 Pine Street, New York City, members of the New York Stock Exchange, it is announced by Winthrop H. Smith, managing partner of the nationwide investment firm.

The partnerships will become effective on Jan. 1, 1952.

The new partners in N. Y. are: John H. Moller, Manager of the firm's office at 575 Madison Avenue, who came to Wall Street immediately after graduation from Harvard in 1929. He joined E. A. Pierce and Co., one of the firms which later became part of the present firm, in 1931 as a messenger.

John F. Sullivan joined Merrill Lynch in 1945 as a security analyst and is now Manager of the pension department in the firm's security research division. He is a graduate of Yale University and served for many years as a trust officer in the Commercial National Bank and Trust Co.

James D. Corbett, Manager of the industry specialists' department, has been with the company for eight years. He attended Dartmouth College and holds a degree in business administration from New York University. Before joining Merrill Lynch he was a security analyst with Moody's Investors Service.

Austin A. Graham has been connected with the investment business since 1919, when he took his first job as a messenger with Spencer Trask and Co. He joined E. A. Pierce & Co. in 1929 as an order clerk and is now in the buying department of Merrill Lynch's underwriting division.

Kenneth H. Bitting joined the firm to become manager of the St. Louis office when it opened in 1948. He has been active in civic, charitable and financial circles in St. Louis since 1919, and before he came to Merrill Lynch was President of his own firm, Bitting, Jones & Co.

J. Lowell Driscoll has been with the firm since 1939, when he was hired as an account executive. He is a graduate of the University of Michigan and at one time held the office of State Treasurer for his native South Dakota. He is now managing the Minneapolis office.

Francis D. Willis has been in the brokerage business for over a quarter of a century and with Merrill Lynch since 1927. Born in Augusta, Ga., he attended Stanton Military Academy and the Citadel, and is now manager of the Atlanta office.

John C. B. Burch is a native of Tennessee and manages the Merrill Lynch office in Memphis. He attended Sewanee Military Academy and the University of the South. He has been with the firm since 1932.

John J. Gurian first entered the investment business when he joined Merrill Lynch as an account executive in 1934. He has spent most of his life in the Pacific Northwest and is now manager of the office in Portland, Ore.

George C. Thayer, is manager of the Philadelphia office. He graduated from the University of Pennsylvania, where he was All-American end and captain of his football team. Before he joined Merrill Lynch in 1946 he was Vice-President of Western Savings Fund Society.

Sound Analysis!

"The basic and correct concept of security is something that benefits everybody; that everyone should strive for, every one should have . . . and that one should achieve through one's own efforts and not at the expense of somebody else.

"In the name of security and through the expenditure of billions of money of all taxpayers, the economic planners have given our farmers the doubtful boon of price support for their products.

Gen. Somervell

"This is giving one group security at the expense of all others. In a nation capable of feeding its people generously we have artificial scarcity created by the most fantastic economic delusions . . . and our people are paying prices for food that they are less and less able to afford.

"Because of similar economic fallacies and policies based on political expediency, the security of other groups is being steadily undermined. The wage earner, benefited temporarily by necessary wage increases to keep pace with the rising cost of living, finds that this gain is illusory."—General Brehon B. Somervell.

All this seems so obvious that it is difficult to understand the hold this false security seems to have on so many.

We can only wish the General all success in arousing the people to their danger.

Joins Charles Parcells

(Special to The Financial Chronicle)

DETROIT, Mich.—Richard E. Schmansky is with Charles A. Parcells & Co., Penobscot Building, members of the Detriot Stock Exchange.

With Waddell & Reed

(Special to The Financial Chronicle)

DETROIT, Mich.—Mary J. Seymour is now associated with Waddell & Reed, Inc. Miss Seymour was previously with the Detroit Stock Exchange.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The government bond market appears to have stabilized, at least for an interim period, just slightly above the lows of the year. The pressure of selling, which has never been large, appears to have been lifted temporarily by the action of the monetary authorities in stepping in here and there and taking securities in order to keep the market orderly. The opinion seems to be gaining strength that the long-term Treasury obligations are establishing a stabilization area which should be a good buying opportunity for those that are interested in income and modest price betterment over a period of time. Nonetheless, it is going to take some time before the income-minded investor is going to put much more than limited amounts in these securities. However, as greater stability comes into prices (as many believe will be the case), the size of the commitments will no doubt be increased.

The short-term market is just about as vigorous as ever in spite of tighter money conditions, with the liquidity and riskless asset buyers as active as usual in these issues. Small out-of-town deposit banks are a new addition to this field, because of tax operations.

Tax-Loss Selling by Commercial Banks

Commercial banks, that is the smaller out-of-town institutions, have been and will continue to be more active in the Treasury market from now until the end of the year, according to reports. It is indicated these banks, which have not been doing very much in the government market, are taking losses for tax purposes or are in the process of preparing for this operation. The issues that are being bought in place of the obligations which are being disposed of by these banks, are bills, certificates and notes. It is reported that many of these smaller banks are in the excess-profit tax brackets and, in order to cut down the tax liability, are evidently willing now to dispose of some of the higher-income eligibles upon which they have fairly sizable losses. In most of these cases, the bonds that are being sold will be repurchased as soon as the 30-day period is over. A few of the banks, however, may be inclined to wait longer and take a chance on picking the time and spot in the market for repurchasing these securities. They feel that the market quotations are not going to register any important changes, as far as the higher-income eligibles are concerned, because of the influence the 1952 eligible tap issue will have upon the market trend of these obligations.

Short-Terms in Demand

Demand for the short-term issues is still very strong, despite tight money conditions. Switching by commercial banks into these securities from the higher-income obligations for tax purposes has added to the already sizable buying that has been going on in these securities. The fact that the smaller deposit banks have now entered this field has increased the competition somewhat more than was expected would take place, when, as and if they came in for tax purposes. Corporations continued to keep themselves well invested in the near-term obligations, with savings banks and life insurance companies also putting temporary funds into the short-term obligations. No let-up in purchases of these securities is in sight at the present time.

1952 Eligibles in Spotlight

The 1952 eligible tap bonds are in the center of the spotlight again with more than a passing amount of interest being shown in these issues. Although volume has not been too sizable in these bonds, it has nevertheless been larger than was the case recently. The principal issue in the 1952 eligible group is the 2½% due 1962/1967, with more institutions evidently liking this bond each day. There have been enough of these obligations around to keep quotations from advancing very much. However, it is indicated the supply is not too large and it is believed not too much more of the real investment buying would be needed to give this obligation a much improved market tone. The June 1959/1962s have been fairly well taken, but they do not have the same following as the 5/5/52 eligible obligation.

Market Briefs

Pension funds and certain charitable organizations have been sellers of the short-term obligations, with advices indicating these funds have been going into high-grade common stocks. These same institutions, according to reports, have also put some of this money into preferred stocks, with more funds likely to go into these stocks if prices drift lower, which has been the case in the past.

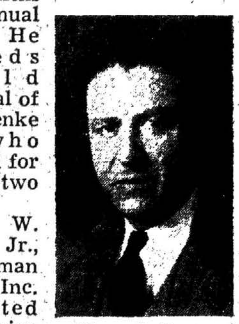
Fire insurance and casualty companies have been buyers of the last two maturities of the tap bonds. These purchases, although not very large, have been rather consistent. It seems as though it is much easier at this stage of the market to pick up bonds in small amounts. Accordingly, it appears to be better to go to the well more often, which is what a good many of these concerns are doing now.

The 2¾s due 1960/1965 continue to be getting a bit more than the usual amount of attention, especially from the mid-western banks, with the Cleveland institutions reportedly the largest buyers at this time.

Savings banks, it is believed in some quarters, will be fairly sizable sellers of governments after the turn of the year for tax loss and in order to get funds which will be used to pay for tax-exempt obligations. Some of these municipal purchases, it is reported, have been made on a delayed-delivery basis.

Baum Heads Chicago Exchange Firm Ass'n

CHICAGO, Ill.—Harry A. Baum, partner, Wayne Hummer & Co., was elected Chairman of the Chicago Association of Stock Exchange Firms at the annual meeting. He succeeds Harold Blumenthal of Swift, Henke & Co., who has served for the past two years.



Harry A. Baum

Fred W. Fairman, Jr., Sills, Fairman & Harris, Inc. was elected Vice-Chairman; Richard L. Kennedy, Jr., Harris, Upham & Co., was elected Treasurer.

Governors elected for three-year terms were: Mr. Baum, Mr. Fairman, Leonard J. Paider, Goodbody & Co., and Edward F. Thompson, Jr., Lamson Bros. &

Goodbody & Co. Will Admit Two Partners

Goodbody & Co., 115 Broadway, New York City, members of the New York Stock Exchange, on Jan. 1 will admit Frank W. Bryan to general partnership and John C. Goodbody to limited partnership in the firm.

Goldman, Sachs Co. To Admit Algyer

Goldman, Sachs & Co., 30 Pine Street, New York City, members of the New York Stock Exchange, on Jan. 1 will admit Durwin D. Algyer to partnership. Mr. Algyer is Manager of the firm's retail sales department.

Joins Renyx, Field

(Special to The Financial Chronicle)

DENVER, Colo. — John D. Menge is with Renyx, Field & Co., Inc., 2239 East Colfax.

Joins Schwanz Co.

(Special to The Financial Chronicle)

AURORA, Ill. — Hazel D. Hollister has joined the staff of Schwanz & Company, Inc., Merchants National Bank Building.

Pension Systems

By ROGER W. BABSON

Pointing out pension systems may improve labor relations, but can also result in colossal trouble, Mr. Babson stresses need of caution and research in setting up pension plans. Warns "all parties involved are sitting on a keg of dynamite" when investing money for thousands of wage earners.

A new and very important development is taking place in the investment and labor world in connection with employees' Pension Systems. It is of utmost importance to every employer and every reader of this column. Pension Systems may greatly improve labor relations, or can result in colossal trouble. At the present time they are not controlled by legislation and are usually unsupervised by the corporations and wageworkers enjoying them.

Roger W. Babson

What Is a Pension Plan?

There are various forms of Pension Plans and all should be "custom made" for each different corporation. Usually they provide for compulsory retirement at 65 years of age and optional retirement after 30 years of employment. Each wageworker receives a pension based upon his salary and number of years of service, less his Social Security Pension. A full pension usually averages about $150 a month for wageworkers, and up to $600 a month for executives.

For a new corporation without any back obligations, this is a very simple matter. Even for old corporations it is simple to care for new employees and to make **current appropriations** for old employees. But, when it comes to providing the money to take care of the back years of old employees, this requires heavy appropriations. To encourage corporations to adopt these Pension Systems, the Government allows (if definite rules are followed) the corporation to charge all such appropriations to EXPENSE. This means that Uncle Sam will pay about one-half of the bill. The corporation also can have the Trustee purchase some of its own stocks, which may be very advantageous to all concerned.

Method of Operation

The usual method of operation is to have a Committee appointed —one member representing the stockholders, one member representing the wageworkers, and one member representing the executives. This Committee selects a lawyer to draw up the proposed Pension Plan, an Actuary to determine the annual payments (unless an insurance company is used), and a bank to receive the funds for investment. If the Committee is wise, before any plan is adopted, it will first employ some impartial statistical organization to give independent advice in the interest of all parties.

Some Pension Plans are "contributory," in which case the wageworkers make a contribution, but in most cases the entire burden is carried by the corporation. After the above steps have been consummated, the work consists of an actuarial study each year to determine how much should be paid to the bank and **how the bank invests the money.** The payments to retiring employees are made by the bank.

Where Is the Dynamite?

The work of the Trust Departments of banks has heretofore been limited largely to handling Family Trust Funds, serving as Executors of Wills, and operating Agency Accounts. In these cases only a few beneficiaries are involved. If the bank then makes a mistake, only two or three children may be affected. When, however, a bank is investing this money for 1,000 wageworkers, whose families are depending almost solely thereon in their old age, the situation is very different. All parties involved are sitting on a keg of dynamite! Hence, the greatest care should be taken.

Some banks want to invest all the money in Government Bonds, forgetting this policy was followed by the big banks of Germany where these Pension Plans started. As a result, the money was entirely wiped out with a total loss to everybody. Other banks want to buy stocks now selling at an average of $270, forgetting that these stocks sold at only $42 in 1932 and may again. Other banks want to buy only corporation bonds, ignoring the continual decline in the value of the dollar, as do the Life Insurance Companies. Finally, there are banks which follow all three policies under the "shotgun" theory. The correct procedure is for the Committee, after employing outside independent advice, to consult with the bank about the policy, and inform the wageworkers quarterly thereon. This cannot be done by using an insurance company.

J. H. Brooks Admits

J. H. Brooks & Co., 25 Broad Street, New York City, members of the New York Stock Exchange, on Jan. 1 will admit Roland W. Nicholas, William W. Stahl, Walter P. Swan, Arthur J. Whitaker and William Henry Davis to partnership. Mr. Davis will be in the firm's New York office; Messrs. Nicholas and Stahl in Scranton, Mr. Swan in Wilkes-Barre and Mr. Whitaker in Hazleton.

Carlisle & Jacquelin Admit

John T. Winkhaus, Jr. and Bayard Dominick Stout, both members of the New York Stock Exchange, on Jan. 1 will become partners in Carlisle & Jacquelin, 120 Broadway, New York City, members of the New York Stock Exchange. Both have been active as individual floor brokers.

Farr & Co. to Admit

Farr & Co., 120 Wall Street, New York City, members of the New York Stock Exchange, on Jan. 1 will admit Lawrence Howland Dixon to partnership in the firm.

Looking Ahead 50 Years For Business and Industry

By LAWRENCE D. BELL*
President, Bell Aircraft Corporation

Prominent aircraft manufacturer, assuming we can avoid an annihilating war or a long period of high degree of preparedness and creeping paralysis of communism, contends we are on threshold of industrial and business developments that will create a better life both at home and abroad. Advocates aid to industrialization abroad and decries fears of overproduction.

In trying to look into the future certain basic factors must be considered before any clear vision is possible. For example, in what kind of climate is business and industry going to find itself in the future? Are we facing an all out annihilating, or near-annihilating war? Will it be necessary for us to maintain over a long period of time a high degree of preparedness in fear of war? Will we succumb to the creeping paralysis of communism that will destroy our individual freedoms and our private activities and institutions?

Lawrence D. Bell

Assuming that we can find a way to avoid these disastrous situations, I fully believe we are on the threshold of industrial and business developments in this country that can make enormous contributions to a better life, not only at home but throughout the world.

All of us in our 50's can well remember the progress we have made since the horse and buggy, the coal oil lamps, wood burning stoves and individual wells in the backyard. Already in this country we have progressed in many fields to the button pushing stage. Through science and technology and the production facilities to implement this progress, we will enjoy still greater conveniences and comforts in our every-day life.

We cannot, however, enjoy this to the fullest extent unless we help the people of the less progressive countries to share in our good fortune. Perhaps the greatest reason for the primitive life endured by many other nations is the lack of industrial and business development in those countries.

*Statement by Mr. Bell at the Niagara Frontier Convocation, Buffalo, N. Y., Dec. 8, 1951.

Along with our progress at home it is my opinion we must assist in every way possible to industrialize these other nations so that they can help themselves. They have no money to buy our goods and we cannot afford forever to give them the goods. It is comparable to supporting a family on welfare. What the breadwinner need is a job — not permanent charity—so that he can support his family in dignity.

Question of Over-Production

This brings us to the question of over-production. I do not believe there can be over-production until every one has the things he needs and that will never come because every one can always use more. It is hard to visualize over-production of shoes when one realizes that there are millions upon millions of people in the world who do not have shoes. Television was unheard of a few years ago and yet today in this country millions of sets are owned by people in all income brackets from high to the lowest.

If business and industry are to contribute the maximum to the welfare of mankind we must produce more and more of better and better things at lower costs. Unfortunately, the productivity of the American people, individually and collectively, has not kept pace with technological and mass production developments.

We are all familiar with the new frontiers throughout the world that have been developed to the benefit of all concerned. It is my opinion that the greatest frontier of all, and it still remains to be developed, is the determined passion of each individual to become more productive of the things everybody needs and wants. I am not speaking only of the workmen who operate automatic machines, but also of the executive and the white collar man who as a team are responsible for the production of more and better goods at less cost.

If this frontier of the unused capacity of all of us can be developed, more and better and cheaper goods will be produced in much less time with much higher remuneration to the producers, leaving much more leisure time for all of us in which to enjoy the fruits of our efforts. We must find a way to develop more and more producers and less and less drones.

We all know what has happened in history. We have seen empires rise and fall because the people became lazy, careless and decadent and were easy targets for any active aggressive race or virulent disease which came to conquer. Each of us needs to develop within ourselves a leadership that will preserve our heritage and further improve our standard of living which is today far superior to that of any other nation in the world.

P. E. Hoffman Joins NPA as Hearing Officer

Philip E. Hoffman, New York attorney noted for his philanthropic associations, has been appointed as a hearing commissioner for the National Production Authority in connection with its enforcement activities in the States of New York and New Jersey, John F. McKiernan, New York regional director for the U. S. Department of Commerce, announced.

Mr. Hoffman, whose home is in Orange, N. J., has a law office at 50 Broadway. In World War II he was assistant general counsel of the War Production Board and was in charge of the legal staff which serviced the Forest Products Bureau of the Board.

As a hearing commissioner, Mr. Hoffman will serve as the presiding officer at public hearings called by the NPA in the New York-New Jersey region in cases where the government seeks administrative action, such as suspension of priority privileges, against violators of NPA regulations.

Mr. Hoffman, a native New Yorker, is a graduate of Dartmouth College and the Yale Law School and is a member of Phi Beta Kappa. He is a founder of the United Jewish Appeal of Greater New York and is a member of the national council of the Joint Distribution Committee. For the past year, he has been President of the Essex County Chapter of the American Jewish Committee.

First of Iowa Corp. Formed in Des Moines

DES MOINES, Iowa—The First of Iowa Corporation has been formed with offices in the Equitable Building to act as underwriters and dealers in Iowa and general market municipals, underwriters and distributors of public utility, industrial and railroad securities, and mutual fund shares.

Officers are Roy W. Leriche, President and Treasurer, and Harry B. Graef, Vice-President and Secretary. Mr. Leriche was formerly a partner in Leriche, Allen & Company and prior thereto an officer of Wheelock & Cummins, Inc. Mr. Graef was proprietor of Graef & Company of Des Moines.

Bacon, Whipple to Admit Three Partners

CHICAGO, Ill.—Bacon, Whipple & Co., 135 South La Salle Street, members of the New York and Midwest Stock Exchanges, will admit Harold A. Bray, Joseph E. Rich and Leslie Wagner to partnership on Jan. 1. All have been associated with the firm for some time, Mr. Bray as manager of these Statistical Department and Mr. Wagner sales manager.

On Dec. 31, J. W. Marshall will withdraw from partnership in the firm.

NSTA Notes

SECURITY TRADERS ASSOCIATION OF NEW YORK

Harry L. Arnold, Goldman, Sachs & Company, has been elected President of The Security Traders Association of New York, Inc., for 1952. John J. Meyers, Jr. of Gordon Graves & Company was elected First Vice-President and Charles M. Zingraf of Laurence M. Marks & Company was elected Second Vice-President.

Harry L. Arnold

George V. Hunt of Starkweather & Company, was elected Treasurer and Alfred F. Tisch of Fitzgerald & Company, Inc. has been elected Secretary.

Directors elected for a two-year term were: Edward J. Kelly, Carl M. Loeb, Rhoades & Co.; Daniel Gordon Mullin, Tucker, Anthony & Co.; Henry Oetjen, McGinnis & Co.; and Lewis H. Serlen, Josephthal & Co.

Trustees of Gratuity Fund, elected for a two-year term, were: Samuel F. Colwell, W. E. Hutton & Co., and John Gahan, Schoellkopf, Hutton & Pomeroy, Inc.

National Committeemen elected were: Samuel Magid, Hill, Thompson & Co.; Edwin J. Markham, Wertheim & Co.; and Stanley L. Roggenburg, Roggenburg & Co. National Committeemen Alternates elected were: James F. Fitzgerald, W. L. Canady & Co., Inc.; Irving P. Grace, W. C. Pitfield & Co., Inc.; Cyril M. Murphy, John C. Legg & Co.; Barney Nieman, Carl Marks & Co., Inc.; and John J. O'Kane, Jr., John J. O'Kane, Jr. & Co.

About 350 members attended the annual meeting Dec. 7 at the Antlers Restaurant.

SECURITY TRADERS ASSOCIATION OF NEW YORK

The Security Traders Association of New York (STANY) Bowling League Standing as of Dec. 6, 1951 are as follows:

TEAM	Points
Kumm (Capt.), Ghegan, R. Montanye, Krassowich, Manson	41
Goodman (Capt.), Weissman, Farrell, Valentine, Smith	38
Serlen (Capt.), Gold, Krumholz, Young, Gersten	38
Mewing (Capt.), G. Montanye, M. Meyer, Lapaio, Klein	34
Leone (Capt.), Tisch, O'Marra, Nieman, Bradley	33½
Donadio (Capt.), Rappa, O'Connor, Whiting, Demaye	33
Krisam (Capt.), Gavin, Gannon, Jacobs, Murphy	32
Bean (Capt.), Lax, H. Frankel, Werkmeister, Ried	32
Burian (Capt.), Siepser, Gronick, Growney, Kaiser	30½
Hunter (Capt.), Craig, Fredericks, Weseman, Lytle	28
Greenberg (Capt.), Siegel, Cohen, Sullivan, Voccoli	27
H. Meyer (Capt.), Swenson, A. Frankel, Wechsler, King	23

200 Club — George Leone 243

5 Point Club — Joe Donadio

BOND CLUB OF DENVER

The following officers were elected at the annual meeting of the Bond Club of Denver:

Raymond Robinson

John H. Alff

Robert Kirchner

President—Raymond L. Robinson, Sidlo, Simons, Roberts & Co., succeeding George S. Writer, Peters, Writer & Christensen, Incorporated.

Vice-President—John Alff, Amos C. Sudler & Co.

Secretary—Robert M. Kirchner, Boettcher and Company.

Treasurer—Donald Campbell, J. A. Hogle & Co.

Directors in addition to the officers, are George Writer; Robert Crist, J. K. Mullen Investment Company; Neil King, First National Bank of Denver; and Orville C. Neely, Merrill Lynch, Pierce, Fenner & Beane.

National Committeemen elected were Mr. Robinson; Phillip J. Clark, Amos C. Sudler & Co.; Barnard Kennedy, Bosworth, Sullivan & Co.; and Lloyd Hammer, Coughlin & Company.

With Eisele King

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, Conn.—Frederick R. Shaw is associated with Eisele & King, Libaire, Stout & Co., members of the New York Stock Exchange. He was formerly with Shields & Co. and Walston, Hoffman & Goodwin. In the past he conducted his own investment business in Hartford.

Stewart J. Lee Suffers Heart Attack

Stewart J. Lee, head of Stewart J. Lee & Co., Security Dealers at 60 Wall Street, New York City suffered a heart attack in his office, Thursday, morning, Dec. 6, 1951. He was taken to Freeport Hospital in Freeport, L. I., in critical condition.

Inflation and Deflation in Britain

By PAUL EINZIG

Asserting present-day Britain provides striking instance of inflation and deflation running concurrently, Dr. Einzig points to new policy of British Government as producing deflationary effects, while higher wages and "over-employment" furnishes inflationary pressures. Foresees public indignation if tightening credit produces unemployment. Distinguishes between "full employment" and "over-employment."

LONDON, Eng. — Until quite recently writers on economic subjects were in the habit of over-simplifying their description of the monetary trends. According to their writings there was, during any given period, either inflation or deflation or equilibrium. It is only quite recently that the possibility of inflation and deflation running simultaneously in different spheres of the economic system came to be discovered. Even now very little attention is paid to the phenomenon of inflation and deflation running concurrently. Yet it is by no means a new phenomenon. Economic history provides many instances; outstanding amongst them is the instance of the decline of the Roman Empire. For centuries the inadequacy of the output of precious metals and the outflow of gold to Asia in payment for luxury imports had resulted in a deflationary trend. It was confined, however, to wholesale trade where payments were made largely in precious metals changing hands by weight. In retail trade payments were made in debased silver coins the silver content of which was gradually reduced to about 1% of their metallic value and the circulation of which was increased accordingly. There was therefore an inflationary rise in prices in spite of the deflationary scarcity of precious metals. The same phenomenon repeated itself on many occasions during subsequent centuries when various kings debased their coinage.

Dr. Paul Einzig

Present-day Britain provides a striking modern instance of inflation and deflation running concurrently. The new government is making an effort to curtail the volume of credit, or at any rate to prevent its further expansion. In view of the increase of prices, there is bound to be a shortage of credit unless its amount is allowed to adapt itself to the increased requirements due to rising prices and wages and to rearmament. Such a shortage will tend to produce deflationary effects in due course. This is what the government is aiming at when adopting a policy of credit restrictions. By means of credit deflation it is endeavoring to reduce over-full employment. The alternative method would be a discriminatory reduction of credit facilities to industries producing superfluous goods, or the adoption of physical restrictions of their output. Even the Socialist Government, with a declared policy favoring controls, did not seem to have produced very impressive results with discriminatory credit control. The banks told Mr. Gaitskell that it would be impracticable to fix officially the limit of particular categories of credit. That being so, the old-fashioned method of aiming at an indiscriminate reduction of the total of credits had to be resorted to.

In so far as the new policy of credit restrictions proves to be effective its result will be a reduction of industrial activity. Fewer new factories will be created and fewer existing factories will be expanded, owing to the difficulty of raising the funds required for the purpose. The shortage of credit will not prevent, however, a continued increase of prices due to the rising trend of wages. Since the advent of the new government and the adoption of its deflationary credit policy, cost inflation has been proceeding at an accelerated pace. Substanital wages demands have been conceded or are about to be conceded. Higher wages to coal miners and railway employees are about to give the vicious spiral of inflation new upward turns. It seems that the new credit policy is unable to prevent a further sharp increase in the cost of living. That is, it will be unable to do so if applied in moderation. The only possible chance for checking the upward movement of the vicious spiral would be through the administration of a sufficiently strong dose of deflation to bring over-full employment to an end.

The extent of over-full employment in Britain is not sufficiently realized. Indeed most people have not even realized that there is a difference between full employment and over-full employment. Yet in practice, and also in theory, the difference is fully as marked as that between full employment and large-scale unemployment. Full employment prevails when the number of employable unemployed is approximately equal to the number of vacancies to be filled. Unemployment prevails when the number of unemployed is larger than the number of vacancies. Over-full employment prevails when the number of vacancies is larger than that of the unemployed. According to official figures there were in October nearly two vacancies for each unemployed. In reality the proportion is much higher. Allowing for the unemployables in the figure of the unemployed, and for the large number of unregistered vacancies, it may be said without exaggeration that there must be at least 10 vacancies for each genuine unemployed. Conceivably the proportion is as high as 20 to one.

So long as such a state of over-full employment prevails wages demands are bound to wipe out the deflationary effect of credit restrictions. Even though credit restrictions reduce the extent of over-full employment, they would have to proceed very far before a state of equilibrium between the number of vacancies and that of unemployed is reached. Unless and until such a state is achieved labor remains in a strong bargaining position and continues to raise wages, costs of production and the cost of living. On the face of it this state of affairs suits the interests of the working classes. Since, however, they are consumers as well as employees, the rise in the cost of living wipes out from time to time the benefits gained by wages increases.

Even so, it is politically impossible for the present government to adopt a policy that is liable to be denounced by its opponents as a policy aiming at the return to large-scale unemployment. If the policy of credit restrictions should produce even partial results, and local unemployment should be created through the curtailment of the output by some industrial firms for lack of credit facilities, there is bound to be an outcry of indignation. Pressure would be brought to bear on the government to call a halt in the application of its policy the continuation of which would amount to political suicide.

The first step in the right direction would be the recognition of the difference between full employment and over-full employment. Most of those favoring a deflationary credit policy have failed to make this distinction. Their writings tend to discredit the government's policy of credit restrictions, because its opponents are enabled to denounce it as aiming at the restoration of mass unemployment. The government is denounced for having reversed the policy advocated by Lord Keynes. Yet Lord Keynes must have turned in his grave as a result of the misuse of his authority in defense of the policy aiming at the perpetuation of inflationary over-full employment. Were he alive he would undoubtedly have reinterpreted his principles in the light of the changed situation and he would have protested against the misuse of his arguments favoring full employment in defense of over-full employment.

Hooker & Fay Admit; Will Be NYSE Member

SAN FRANCISCO, Calif. — Hooker & Fay, 340 Pine Street, members of the San Francisco Stock Exchange, on January 1 will admit to partnership Hartley F. Hutchings; Dave H. Coddington, member of the New York Stock Exchange; Palmer C. Macauley, David C. Kuh, as general partners, and William W. Mein, a limited partner. On the same date the firm will acquire membership on the New York Stock Exchange.

Messrs, Macauley and Coddington were formerly partners in Davies & Co.

Keep Public Informed on Investment Banking

By JOSEPH T. JOHNSON*
Incoming President, Investment Bankers Association of America
President, The Milwaukee Company, Milwaukee, Wis.

In inaugural address as President of IBA, Mr. Johnson deplores lack of a positive approach by bankers in facing public problems and meeting public criticism. Urges members of the Association take action to keep people informed of nature and importance of investment banking business and advocates investment bankers assume responsibility of leadership in issues confronting their industry.

In assuming the duties that Larry (Laurence Marks) is relinquishing, I am mindful of the honor that has been accorded me. We all recognize that a business organization such as ours is but the lengthening shadow of a succession of administrations. Our Association throughout the years has always had able direction and I will do my utmost during the fortieth year of IBA history to carry on in the tradition of my predecessors in office.

Joseph T. Johnson

Fortunately the President of our Association does not stand alone. He shares the trust imposed in him with a cabinet of Vice Presidents and the Board of Governors and competent national committees who, together with the Group Officers and the individual member firms throughout the country, really carry on the work of the Association. The President is really just a catalyst. The men you have elected to serve with me as Vice Presidents have already agreed to form a working committee. Through our composite judgment and combined effort we hope to provide helpful guidance for the coordination of the various activities of our Association and will seek to extend the notable progress achieved under Larry and those who have worn the President's button before him. All of the incoming Vice Presidents have already adequately demonstrated their ability and their zeal in working for our industry welfare.

*Inaugural address of Mr. Johnson at the 40th Annual Convention of the Investment Bankers Association of America, Hollywood, Fla., Nov. 30, 1951.

The Great Lakes region is represented on the cabinet by Ewing Boles, who deserves credit for the inauguration last January of the Group Chairmen's meeting as part of the Winter Meeting of the Board of Governors. He has been a vitalizing force in indoctrinating Group Officers and in stimulating Group activity.

The South is represented by Walter Craigie, who distinguished himself as Chairman of the Municipal Securities Committee in 1950. Under his chairmanship notable progress was made in extending the recognition given to special revenue obligations.

George Davis represents the Far West. He ignores distance and has an enviable record for attendance at Association meetings. George made that talk on salesmanship that has blossomed out and reached full flower in a Manual.

Walter Schmidt, a Middlewesterner, who now makes Philadelphia his home, has long been active in IBA affairs. He served as Chairman of the important Federal Legislation Committee and more recently has been one of the moving spirits in establishing "Invest in America Week."

The Eastern Seaboard understandably has a second representative in the cabinet—Norm Smith. In the years that I have been active in this Association I have only rarely seen so much achieved by any one committee in so short a time as has been accomplished by the Education Committee under Norm's leadership.

What we accomplish at both the national and group levels depends to a very considerable degree on the smooth functioning and the efforts of our staff members in Washington and Chicago. We are most fortunate in having able and enthusiastic workers in Murray Hanson, Bob Stevenson, Dudley Smith, Erwin Boehmler, Gordon Calvert and their assistants. They make up a hard-working team.

The honor you have conferred upon me carries with it certain grave responsibilities, particularly in days such as these that try men's souls. I say that not in pessimism, but in realistic appraisal.

Bankers Must Have Positive Approach to Present Problems

In a recent talk that excited comment far beyond the circle of commercial bankers who heard him, Mr. Allan Sproul of the New York Federal Reserve Bank said:

"The banking community has left it to others to propose broad legislation programs . . . it has allowed itself to be cast in the role of opposition or resistance to change.

"A positive, affirmative approach . . . is the plain duty of the banking community. (It should give) the public the idea that banking stands for something besides its own special interests. I would expect banking to take its place with progressive industry and organized labor in trying to influence and mold public opinion on the critical economic issues of our times."

If Mr. Sproul's indictment of the commercial bankers generally be valid, I believe that we investment bankers too are subject to the same criticism.

I have said on frequent occasions during my almost thirty years in our industry—and this bears repeating as I assume my new duties—that our industry would stand in higher public esteem today if, during the past generation, or even during the last ten or twenty years, we had steadfastly pursued an intelligent and comprehensive program of informing the public about our business.

While many of us have been aware of the need, our particular industry has been one of the last of the essential groups in the financial community to move aggressively and to take positive and persistent corrective steps. Even those of you who share this conviction may not be willing to follow me in what I am going to propose. It is my belief that the job of **informing** the public—the public relations aspect of our business—is but half, and the less important half, of our problem. The other half calls for **leadership** of the public.

This responsibility of leadership is infinitely more difficult, for it implies that we ourselves have been educated; that we have asked ourselves such questions as these: "What is the larger purpose of our industry? Where does our industry stand with regard to the economy as a whole? What is the impact of our industry on the American people? What are

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Britain's Political and Economic Problems

By GEOFFREY CROWTHER*
Editor, "The Economist," London

Editor of leading English economic journal recounts current political and economic situation in Great Britain, particularly with reference to return to power of Conservative Party. Reveals personalities of leaders in British Cabinet, and predicts no drastic changes in British economic structure. Sees as chief interlocking problems for Britain today: (1) rearmament to meet international situation; and (2) restoring and maintaining balance in international payments.

In this session of reports, it is my job to give you some report on the political situation in England and in particular of the consequences that you can expect to result from the general election just a few weeks ago. We approached that election in the conviction that it was going to show a substantial change in the British political opinion. The preliminary forecast talked about a very considerable swing over of votes from the Labor party to the Conservative party. The results, therefore, were something of a disappointment.

Geoffrey Crowther

As has been known to happen elsewhere, the forecast of the political arithmeticians was disappointing. The actual direct turnover of votes from the Labor to the Conservative Party was less than half of 1%. The fact that the position in the House of Commons was just pushed over the watershed and that a microscopic Labor majority was turned into a hardly larger Conservative majority was simply and solely due to one circumstance, and that was that the Liberal Party, the third and smallest, which at the previous general election in 1950 had put up over 400 candidates, that time put up 100 or so; and in those 300 districts where there was this time no Liberal candidate and the frustrated Liberal voters were compelled to choose between the two major parties, they chose the Conservative in the proportion of about 2 to 1. That almost alone, was the change that the election showed.

It was a tedious business sitting up through the night of election day listening to the results as they came in. There are 625 seats in the House of Commons and of these, 597 showed no change, only the remaining 28 changed hands.

I think first I must try and give you some explanation of why the change was so slight. The campaign played some part in it. The accusation against Mr. Churchill of being a "war monger," by the unanimous testimony of those who were working in the districts played some part in the campaign. It's a monstrous charge and an untrue charge and one he has resented very deeply, but it does have this grain of — I wouldn't say truth—but of similitude in that Mr. Churchill is a great soldier. His great achievements are those of wartime and there is no doubt that it is in wartime that his gifts show to their best.

I don't think myself that this warmonger issue was really the major explanation of the stability of the vote. I think the major explanation is to be found, as, hazarding a guess, it was to be found in the equal stability of the vote in this country in the last political election, in that old adage of Al Smith's, that "No one ever shoots Santa Claus."

Situation of British Worker

No doubt, seen from here, economic affairs of Britain seem to be those of constant crises and austerity, but seen from inside England that is not so at all, at any rate, not as far as the ordinary working man is concerned.

He has steady employment, higher wages than he has ever had before and a higher standard of living than he has ever had before. As far as the famous austerity is concerned, it is restricted to a few items, of which food is perhaps the most important, and even so, as I stand before you, I can perhaps serve as visible proof that it can't be too bad.

The ordinary Englishman is pretty content with his lot and the recurrent crises that affect the national economy are, so far as he is concerned, newspaper stuff that appears in the headlines and does not affect the ordinary tenor of his way.

The Labor Government for six years deliberately tried to shield the British people from the consequences of these external crises, and the high vote they got in the general election of last month was their reward for their success in cushioning the British electorate against the realities of this cold and cruel world; not, one may surmise, a policy that can possibly be carried on indefinitely, but one that they managed to make work for six years or so.

Well, in any case, the election served its major purpose of giving us a new government and I think the general reaction to that was one of pleasure. If democracy is as it has been defined, a system of government by trial and error, then frequent change of administration is in itself a good thing. I realize that I am getting close to a delicate ground here.

I must ask you to believe that nothing I am saying is to be applied to any country other than my own; but certainly in England we believe that it's a bad thing for any one party to stay in office for too long. Therefore the change that we have had produces certain feelings of pleasure.

Personalities in New Government

I think you would like me to say a few words about the personalities of the new government. Of course, there is one personality that dominates the picture. That is the old gentleman himself.

Mr. Churchill will be 77 in a few days. He is in quite remarkable health and spirit and shows an astonishing energy for an old gentleman of that age who has never attempted to deny himself the pleasures of this world.

But he has taken on quite a burden. He is not only Prime Minister but also Minister of Defense. Translating this into American terms, he has taken on the jobs of the President, of the Secretary-Treasurer of Defense and quite a large part of the tasks of the majority leaders of both Houses of Congress. That is quite an assignment for a gentleman of his age. It must remain a question as to how long he can stand the pace.

The unchallenged second member of the administration is Mr. Anthony Eden, and he also carries a very heavy burden. He has taken on the job of Foreign Secretary and it always seems to me that to be in charge of the foreign affairs of a country involves details and an unremitting responsibility of a kind that is not reflected in other departments of government.

After all, in other government offices, it is to some degree, at any rate, a matter of hard work for a period, laying down policies, and then a relatively quiet period of sitting back while those policies are executed.

In foreign policies, that is not so. There is a constant inward and outward stream of telegrams and messages, any one of which may carry in it the seeds of a most important decision of policy and the man in charge of the foreign policy of any country must bear seven days a week an unremitting responsibility for which there is no parallel elsewhere. That, Mr. Eden has undertaken.

He also is Deputy Prime Minister, which means that he will have to do, or at least be present at the doing of, a large part of the central coordinating and leadership work of the government.

The third member of the government is Mr. Richard Justin Butler. Though it was obvious before it was formed that Mr. Churchill would be number one and Mr. Eden number two, it was not clear who was number three, and some political significance can be attached to the fact that Mr. Richard Justin Butler, the Chancellor of the Exchequer, is number three. He is a younger man than the other two, still in his 40's. One would have said of him until quite recently that he was a man whose intelligence was not doubted at all but one wasn't sure whether he had the firmness of character and resolution and moral courage necessary for high office.

I think that judgment now has to be modified. He started very well, first of all by insisting that within the Government he shall not merely be Chancellor of the Exchequer in the old fashioned sense, as the accountant who takes in revenue and pays out expenditure, but also shall be in the control of the economic policy of the Government. He fought that fight and won it. Secondly, he has already demonstrated that he is willing, perhaps not in the fullest degree one might have wished, but still in quite a considerable degree for a politician, to put forward unpopular measures if they are necessary for the solvency of the international economy.

These are the three main members of the Government, though of course, there are many other interesting personalities in it.

Predicted Changes in British Foreign Policy

I want very briefly to try to sketch for you some of the changes you will see in British Government policy as a result of this change of government, first of all, in foreign policy, and then in economic policy.

In foreign policy, Mr. Churchill has always made it quite clear that in his view, the very keystone of foreign policy for Great Britain lies in good relations with the United States, and the fact that he asked to be allowed to come to Washington in January

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*Stenographic report of an address by Mr. Crowther at the 40th Annual Convention of the Investment Bankers Association of America, Hollywood, Fla., Nov. 27, 1951.

IBA Activities During Past Year

By LAURENCE M. MARKS*

Retiring President of Investment Bankers Association of America, and President of Laurence M. Marks & Co., New York City

Reporting briefly on Association's activities during past 12 months, retiring President of IBA calls attention to success of efforts toward obtaining cooperation of all segments of financial community on legislation and other matters of mutual interest. Expresses pleasure at Government's decision to dismiss its suit against IBA, and pays tribute to work of organization's permanent staff.

Looking through an old volume of "Punch" recently, I came upon a cartoon captioned "Proposal a la mode." It depicted a young gentleman and lady, fashionably attired, standing in front of a confectioner's window in which reposed a huge wedding cake. He was pointing towards the cake with his cane and saying, "How about, it old thing?"

Laurence M. Marks

I think at the end of my year as President of the IBA you are asking me the same question. So I should like to report as briefly as possible on our activities during the past 12 months.

First of all, I am sure you are as pleased as I am that the Government saw fit on Nov. 19 to dismiss its suit against the IBA. I am sorry it did not see fit to do likewise with respect to the 17 defendant firms. The action however will obviously save the Association and its staff much time and expense, which in turn can be put to good advantage on the many constructive problems with which we have to deal.

Your Board of Governors has met twice.

Our first gathering was the Mid-Winter Meeting held in Chicago the last weekend in January. The value of holding this meeting in Chicago, with its central location, was proven by the fact that we had five men from the Coast and two from Denver, which is something of a record.

Meetings Productive

A further feature of this meeting, and an innovation, was the fact that at the suggestion of Ewing Boles, Chairman of the Group Chairmen's Committee, we had practically all of the Group Chairmen in attendance. They were thus informed of the plans of the Association for the year, what their predecessors in each Group had done last year, the projected activities of all national committees, and they were then better enabled to plan their activities for the year. It has definitely paid dividends.

The next Board meeting was the Spring Meeting held in White Sulphur Springs for four days in the middle of May. This meeting was highlighted by an excellent address by the Honorable Frank Pace, Secretary of the Army, and by several most interesting forums. We had an attendance of over 450 and a most enthusiastic and worthwhile meeting.

Another meeting which is worth mentioning was a joint meeting of the Conference and Executive Committees held in Washington Oct. 29 and 30, which was also attended by a number of the chairmen of the national committees.

This meeting consisted of a Monday morning meeting and lunch with top Treasury officials, an afternoon meeting with the Federal Reserve, followed by a joint meeting of the Executive and Conference Committees. That evening we had dinner with all five of the Securities and Exchange Commissioners.

On Tuesday morning we had a meeting and luncheon at the World Bank and in the afternoon a conference with the President's Council of Economic Advisers. At each of these gatherings we had excellent opportunities to exchange points of view and discuss common problems with the responsible public official dealing most directly with our business, and I can assure you it was not only pleasant but very much worthwhile in our common interests.

Importance of Regional Groups

The real work of the IBA, as I am sure you all realize, is carried on first, by the national committees and secondly by the committees of the eighteen regional Groups.

Regarding the work of the national committees, you will hear directly in these sessions reports from all the chairmen on the activities of their respective committees and their accomplishments. You will see that all of them have been active and forceful in fostering constructive development in our common interest in their respective fields.

Regarding the work of our eighteen Groups, and their local committees, all of them have functioned splendidly. Starting with a meeting of the Southwestern Group in Kansas City on March 6 and ending with two meetings of the Canadian Group in Toronto and Montreal on Nov. 14 and 15, Murray Hanson and I have attended meetings of every regional Group of the Association. We have thus heard a first-hand account of the activities of each Group, and although their interests and activities vary widely, one can't help but get the impression that collectively they have done a grand job for the industry. I think this is obviously due in large part to the ability and interest of our Group chairmen.

As you will remember, the 1949 convention (over which "Armie" presided) was keynoted by a call for unity of all segments of the financial community on such matters as education, regulation, legislation, and like matters where it is desirable to present a united front. Albert Armitage made great progress in effecting this sort of cooperation during his administration and I am glad to report that during the past year we have continued this type of cooperative team-work with the NASD, the New York Stock Exchange, the New York Curb Exchange and the Association of Stock Exchange Firms.

We have had over a dozen joint meetings with these organizations on problems that affect all of us and to me this makes an awful lot of sense. Benjamin Franklin said some 175 years ago, "If we don't hang together we'll hang individually." I am glad to be able to report that in my view, all segments of the industry are hanging together.

Educational Program Successful

As an example, we have continued the work of the joint education program with these organizations I have just mentioned and last summer the committee had a most successful three weeks' course in New York. As most of you know, this program consists of bringing certain professors from universities all over the country, active in the teaching of economics and finance, and certain students, to spend three weeks in the operating end of the security business. This course met with a most enthusiastic response and will, of course, be continued next year. Since its inception we have had 34 professors and 25 students participate in this course and I am sure these men have a much more realistic picture of our financial community as a result of this experience, and I feel equally certain that this is reflected in their teaching.

Other meetings of national organizations in which we participated were three meetings of the Conference of National Organizations held in Atlantic City in March and July and in Chicago in November.

Joe Johnson and members of his Public Education Committee also represented us at several meetings of the "Invest in America" program in Philadelphia, in which Walter Schmidt is one of the leaders.

Wharton School Seminar

While I propose, as I said previously, to have all the national committee chairmen report on the activities of their respective committees, I would like to comment on the Seminar held at the Wharton School of the University of Pennsylvania by the Education Committee under the able leadership of "Norm" Smith.

As you know, the American Bankers Association has held for a number of years a two weeks' course at Rutgers University. This year our Education Committee for the first time held a one week's refresher course at Pennsylvania—a combination of the theoretical contributed by various professors from the Wharton School and elsewhere, and the practical contributed by members of our own industry.

The course was an outstanding success. We had hoped for 90 students. We had an attendance of 106.

One of the criticisms of voluntary organizations is that they lack continuity due to steady

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*Remarks of Mr. Marks at Annual Convention of the Investment Bankers Association of America, Hollywood, Fla., Nov. 26, 1951.

Unity in the Securities Industry

By G. KEITH FUNSTON*

President, The New York Stock Exchange

Recently installed NYSE executive upholds honesty and integrity of securities industry, and stresses its importance in our economic system. Sees improved public attitude toward securities business, and urges all segments of the industry set up a united front to work out their differences and join in movement to spread ownership of equities as well as to get more protection for individual savers.

I am happy to be here and to meet the people of the Investment Banking profession and to try to find out some way in which the New York Stock Exchange can join hands with you in our important job of representing the Securities Industry to the public of this country.

G. Keith Funston

Now of course, it would be quite presumptuous and certainly not appropriate if I, the newest comer in the Securities business and much the junior among the Stock Exchange Presidents, were to try to say anything at this time except in the most general terms about our profession. I haven't even been in the Stock Exchange long enough, a little over two months, to do anything more than know what the problems are. I don't have any of the solutions but I think I am getting an idea of some of the problems.

I assume that in this group here, I don't need to belabor with you the importance of the Investment Banking profession or of the Security exchanges or of the over-the-counter markets—the importance of these institutions to our country.

I chose this business from a completely unrelated field because it seemed to me that the Securities industry offered a real opportunity to participate in a service vital to this country, a service which needs to be performed very ably. We all know of the need, if our private enterprise system is going to be maintained, of maintaining a free flow of equity capital, which is our primary responsibility.

It also seemed to me that the Securities industry was an honestly conducted one, where the ethics were high and where a man maintaining his ideals and his integrity, could have an expectation that those ideals would be fairly received. It also seemed to me that this Securities business of ours is a vitally sensitive area in this job we are trying to do to combat the foreign "isms."

After having been in the industry for two months, I have been reassured on these beliefs. In other words, I am sure our industry does provide a vital service. I don't believe the public has any idea of the high code of ethics and the self regulation that goes on in our business. I think that is a story we have to tell them.

Industry's Contribution to Democracy

I got a completely new vista of inspiration the other day with respect to the part that the Securities industry may play in this fight we are having, this worldwide fight with Communists, when the two Czechoslovakian trainmen, the engineer and the train dispatcher, who crashed through the barrier and came into the free Europe a couple of months ago, paid a visit to the Stock Exchange.

These two men have been hired and brought to this country by a corporation which has recently been listed on the Stock Exchange. They are going to work in the factory. They were brought to the Exchange by the officers of the company and we showed them around. At first it was rather difficult to talk to them because we had to do it mainly by gestures and through interpreters but as they stood out there and looked down on the floor and then walked away, the crowd clapped and cheered.

The men turned to me and said, "What are they doing?" I said, "They are cheering for you. Go up and take a bow."

They walked to the visitors' rostrum, stood there on the platform and waved their hands; the cheering grew even greater. Then as we walked off, one of them turned to me and through the interpreter said, "I don't understand it. The Communists have told us that Wall Street and these people here in this room in the Stock Exchange are our enemies, that they don't like us at all, they are against us, they are trying to take everything away from us," and he concluded, "And we come here, and this is the sort of reception we get."

Immediately they wanted to know, "Can anybody buy stock? Can people who aren't citizens buy stock?" They wanted to know how much it costs and I said, "Well, you can buy it for $15.00 or $20.00 in the company you are working for."

Well, it was an inspiration to see their reaction and it was an inspiration to me to know that I am engaged in a work where, if we once get the story across to others, it has that effect of reaffirming their faith in what our Government and what our economic system stands for.

All Industry Branches Interdependent

I assume also that in this group today I have no need to mention the fact that we are all dependent and interdependent, one with the other. Most of my experience having been in the manufacturing world, I tend to think at this point in terms of industrial relationships. In other words, I think of the Investment Banking profession as being one which manufactures securities and then distributes them in the primary market.

Then the over-the-counter market and the stock exchanges come along and provide for the secondary distribution of those securities. In other words, we are all together. You can't exist without us and the reverse is also true.

Now, let's review for a minute just where we stand at the present time, just what the recent past history has been, in the hopes that it may point where we should go in the future and how we should get there.

Do you remember Harry McDonald yesterday, in that delightful story told about how, on the Archives Building in Washington, there is a statement which says that the past is merely prologue. The past in our industry was marked by difficulties. About 20 years ago, we really had a tough time. The Securities industry was caught in this cataclysm of economic despair, not of our own making, some of it perhaps our own fault. The public reaction at the time was very bad and found response in government regulation. We are now a very tightly regulated industry.

Many of our leaders were attacked and some were discredited. Some of the attack was fair, some of it wasn't, but the point is, we caught it and we caught it in the neck. The rule of *caveat emptor* was done away with and the rule "Truth in Securities" was adopted in place.

The interest rate on bonds went from 6% to 2½% and such is the measure of the change. Our industry was punitively attacked. It was popular for demagogues to attack the Wall Street crowd.

Era of "Punitive Attack" Over

Well, maybe it is because I have come into it so recently, but it doesn't seem to me the general public has that impression anymore. There are a number of things which indicate that the era of punitive attack for us is over. For example, we have a very able, intelligent and cooperative administration of the Securities laws in Washington.

In this last Congress, for example, we made great headway in impressing the Congress with the fact that the capital gains tax should not be increased. It was increased a little bit but it was indicative of the interest of the Congress in our problem that the increase was so slight. Twenty years ago they might have slapped a big tax on us just because they thought it was good for our souls.

Legislation all over the country is permitting common stock investments. The public is entering the market. Government attorneys have found that in antitrust suits it is no longer possible to say anything against big business and have a judge take it without question. The Investment Bankers Association itself has recently been acquitted from the antitrust suit, which is all to the good.

The time is right, therefore, it seems to me, for our whole industry to move forward together in a public relations program. In other words, we have the chance now to sell our wares, if we have anything to sell. You probably remember the story about the bartender who was very conceited. He had been mixing drinks for a long time and he thought he knew all about it. He was bragging one night to a customer at the bar and the customer said, "Well, I don't think you know as much about this as you say you do. Let's test." So the bartender agreed. They blindfolded the bartender and they began to give him samples of all the different kinds of drinks.

They gave him some whiskey, some rye, and he identified it right away. They gave him Scotch and he guessed that. They gave him Bourbon and he said, "Bourbon." Then they gave him some wine to sample. He got them all, Port, Sherry and they even went to the cordials. He had all those.

And finally, in desperation, the man who was giving him the test gave him a glass of water. He took the water, put it in his mouth, swished it around and a puzzled look came on his face. He said, "Well, I don't know what it is, but I'm sure you'll never sell it."

Broaden Base of Securities Ownership

If we are going to influence people and win friends, we have to know what we are going to sell. I take it that all of us, the Investment Banking profession, the Securities exchange's the over-the-counter market, are all agreed that what we stand for is a broadening of the base of ownership in this country. We want to bring in new owners and we want to do it not only for ourselves and not only to provide the service to our customers, but because by so doing, we defend our private enterprise system. In other words, ownership speaks ever so much louder than oratory. If we can get most of the people in this country owning securities and interested in stock, then we will have accomplished the objectives of the Socialist Government ownership state without having to have the government run the businesses. The people of the country will own the businesses themselves and there will be no demand for government ownership.

So I take it that in that area, we are united and we must present a united front. Now before I came down here, I was warned that there were many irreconcilable groups on Wall Street, that it was impossible to get the industry together. Again, I don't believe that is true. The only conflicting influences that I have

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*Stenographic report of a talk by Mr. Funston before the 40th Annual Convention of the Investment Bankers Association of America, Hollywood, Fla., Nov. 29, 1951.

Sees More Underwriting in Years Ahead

Industrial Securities Committee of IBA, under Chairmanship of Chapin S. Newhard, of Newhard, Cook & Co., St. Louis, reviews investment market of past thirty years and concludes, despite obstructions and difficulties, there will be a larger and more profitable underwriting business during years ahead.

In this year's report to the Fortieth Annual Convention of the Investment Bankers Association, meeting at Hollywood, Fla., the Industrial Securities Committee, headed by Chapin S. Newhard, of Newhard, Cook & Co., St. Louis, Mo., widened the scope of its field and examined the over-all aspects of securities underwriting in the light of the experience of the last three decades. The Committee came to the conclusion that, despite obstructions, such as private placements and corporate financing from surplus funds, there is prospect for "a larger and more profitable underwriting business during the years ahead."

Chapin S. Newhard

The text of the report follows:

Unlike some of the other reports on securities of specific industries the scope of the Industrial Securities Committee seems to "cover the waterfront." Therefore it seems appropriate to examine some of the overall aspects of underwriting, with reference to the general economic framework that currently exists. As background let us trace a brief sketch of the securities markets and financing during the past 30 years.

A Reminder of the Past Thirty Years

1920-1928—Turning the pages of history back 30 years we read of the extended postwar period following World War I. That decade was marked by a growth of the United States as a nation of world power. Not only was the scope of American power broadened on the political plane, but its might as an industrial nation became pronounced. As an accompaniment, Net Private Capital Formation—which we define as the total cost of corporate construction and producers' durable equipment, plus changes in business inventories, less depreciation charges and foreign investment—progressed at a lively pace and the investing public eagerly sought the new securities issued to finance this program—in fact toward the latter half of the 1920's the demand for securities, particularly common equities, became so great that reason was disregarded.

1929—Then came the bust! During that fateful fall of 22 years ago the intemperance of speculation was revealed and the investing public was forcefully awakened in a shambles of its folly. Thus began the unwinding process that toppled our economy from unprecedented prosperity to the most serious depression of modern economic history.

1930-1940—The boisterous participation in the security financing during the 1920s was succeeded by a lethargy bordering upon abhorrence. All securities seemed to become a curse for awhile and capital formation virtually ceased to exist. It declined to a negative figure in the early 1930s when capital formation amounted to less than depreciation charges and only recovered slightly in 1937 and again in 1939. Capital financing during these years also declined sharply from an average monthly top of $719,953,000 of new capital in 1929, to a monthly average of only a little over $100,000,000 in 1936 and 1937, the best years of that decade.

During those lethargic years, from the security dealer's point of view, a vast change was occurring in the economy of this country. It was during those years that the New Deal introduced its socialistic program through progressively higher income taxes and the fostering of labor and farm demands. This process reduced the accumulation of savings by the wealthy to a negligible amount, while it increased the relative wages of the laborer and the farmer.

1941-1945—The redistribution of wealth begun during the 1930's was accelerated during the first half of the 1940's when the prosecution of World War II necessitated high taxes and provided full employment. This change, one of the most important developments in the economic history of America, has shifted the annual accumulation of liquid savings from the wealthy class to the farmer and laborer. Therefore a much larger proportion of the money supply is owned by the latter two groups.

1946-1950—Emerging from World War II industry was confronted with the problem of serving the accumulated consumer demand built up during the war and of accommodating the further demand based upon the huge money supply with an increasing velocity of turnover. This necessitated a hugh capital expansion—the first since the 1920's not financed by Government. Much of this capital formation could be financed through retained earnings as pointed out later in this report, but the capital markets were called upon to absorb the balance. However, the absorption qualities of the equity market has been severely squeezed through the gradual redistribution of wealth during the previous fifteen years. That is to say, the laboring man and the farmer were not acquainted with nor did they have any urge to place their savings in "wicked-capitalistic" stocks, and the man of wealth has less capital to invest.

And so, as stock offerings increased in 1946 to finance the new capital expansion, they were not readily absorbed—dealer inventories of unsold securities built up—the market experienced a sharp break that fall—and did not regain an important following until the summer of 1949.

Meanwhile the Stock Exchange and the Investment Bankers Association of America, noting this fundamental change in our economy of the redistribution of wealth, inaugurated an advertising campaign and a program of education for the uninitiated who now had the money to invest. It took those three years, from 1946 to 1949, for that program to reveal its effectiveness, but during the past two years the demand which formerly existed only in potential form has now been partially converted into an active demand for common equities and this has been a factor in the upward trend in stock prices.

Capital Expansion in Post-War Years

Net private capital formation reached a peak of $8,629 million in 1929, which was historically high up to that time. This figure was not again duplicated until just prior to the United States' entry into the war during the year 1941, when the total reached $11,307 million. However, during the active participation in the war by the United States private capital formation was supplanted by government capital formation and it was not until the conclusion of the war that industry was required to expand of itself. In 1946, Net Private Capital Formation jumped to $23,063 million, followed by $26,429 million in 1947, $29,615 million in 1948, $16,961 million in 1949, and $28,309 million in 1950.

In spite of this sustained capital formation at an annual rate of about three times the peak level established in 1929, corporate security flotations for new capital have run at a substantially lower monthly average volume during these postwar years than the rate established in 1929. During that fateful year corporate security quotations for new capital averaged $719,953,000 per month as compared with $297,237,000 per month in 1946, $402,587,000 per month in 1947, $522,002,000 per month in 1948, $430,052,000 per month in 1949, and $380,878,000 per month in 1950. During the first eight months of 1951 the average was $488,310,000 per month.

Too Much Cash

Thus it is noted that net private capital formation is currently running some three times greater than the peak reached in 1929. On the other hand, corporate security flotations for new capital are running at only 60% of the 1929 figure. The difference is being drawn from accumulated cash through retained earnings. Other evidences of this strong cash position of corporations are the balance sheets themselves; what was formerly regarded to be a strong financial position in the late 1920's would now be regarded as unusually weak by comparison. A current ratio of about two to one was regarded as being quite satisfactory some twenty-five years ago, and if cash was 25% of current liabilities the company was in a secure position. Now, however, a much higher current ration is a normal requirement for an industrial concern and if the company does not have cash or the equivalent at least equal to current liabilities, eyebrows might be raised and questions asked concerning a corporation's financial strength.

This strong cash position, however, will not last indefinitely. As capital formation progresses from year to year and accumulated cash is gradually used to finance a part of this expansion, those cash positions, which are now fortifying corporations extremely well, will be eroded and the investment analyst will again become content with cash ratios of less than one to one. This of course, presupposes that capital formation will continue at its present pace.

What's Your Guess?

Some observers may doubt that our economy will continue to

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In Attendance at IBA Convention

ABBE, CHARLES M.
Blyth & Co., Inc., Boston
ABRAMS, Jr., JAMES S.
Allen & Company, New York
ACHESON, A. GLEN*
Bache & Co., New York City
AHEARN, JOHN W.
Rockland Atlas National Bank, Boston
ALDEN, Jr., WILLIAM O.
O'Neal-Alden & Co., Inc., Louisville
ALDINGER, CYRUS B.
Fordon, Aldinger & Co., Detroit
ALDRICH, GEORGE D.*
The Parker Corporation, Boston
ALEXISSON, GUSTAVE A.
Granbery, Marache & Co., New York
ALLEMAN, F. MONROE
Leedy, Wheeler & Alleman, Inc., Orlando
ALLEN, E. RAY
E. Ray Allen & Company, Inc. Chicago
ALLEN, HERBERT
Allen & Company, New York City
ALLYN, ARTHUR C.
A. C. Allyn & Co., Chicago
ALLYN, JOHN W.
A. C. Allyn & Co., Chicago
ALTGELT, Jr., ERNEST J.*
Harris Trust & Savings Bank, New York
AMAZEEN, EDWARD S.*
Coffin & Burr, Incorporated, Boston
AMES, AMYAS
Kidder, Peabody & Co., New York
ANDERSEN, JONAS C.*
Kuhn, Loeb & Co., New York
ANDERSON, HERBERT R.
Distributors Group, Incorporated, New York
ANDERSON, Jr., WILLIAM J.
Equitable Securities Corporation, Nashville
ARMITAGE, ALBERT T.*
Coffin & Burr, Incorporated, Boston
ARMSTRONG, R. L.
Paul Frederick & Co., New York
ARNHOLD, HENRY H.*
Arnhold & S. Bleichroeder, Inc., New York

*Denotes Mr. & Mrs.

ARNOLD, H. WILSON*
Weil, Arnold & Crane, New Orleans
ATWILL, Jr., WILLIAM*
Atwill and Company, Miami Beach
AUCHINCLOSS, Jr., REGINALD L.
Courts & Co., New York
AUSTIN, J. HOLLIS*
J. W. Tindall & Company, Atlanta
BAKER, DUDLEY F.*
Bosworth, Sullivan & Co., Denver
BAKER, FRANK E.
Fulton, Reid & Co., Cleveland
BAKER, JOHN D.
Reynolds & Co., New York
BAKER, RALPH D.
James Richardson & Sons, Winnipeg
BANEY, ARTHUR L.
E. R. Jones & Co., Baltimore
BANKER, HOWARD H.
C. J. Devine & Co., Cincinnati
BARBOUR, PHILLIPS T.
The Bond Buyer, New York
BARCLAY, Jr., WILLIAM K.*
Stein Bros. & Boyce, Philadelphia
BARCUS, JAMES S.*
Barcus, Kindred & Co., Chicago
BARR, F. SEYMOUR*
Barr Brothers & Co., New York
BARRINGTON, CHARLES S.*
Harry Downs & Co., New York
BARRY, EUGENE P.*
Shields & Company, New York
BARTOW, CLARENCE W.*
Drexel & Co., New York
BARTOW, Jr., FRANCIS D.
Bartow Leeds Co., New York
BARTOW, PHILIP K.
Wood, Struthers & Co., New York
BASSETT, EARL K.
W. E. Hutton & Company, New York
BAXTER, DANA F.
Hayden, Miller & Co., Cleveland
BEAUBIEN, ANDREWS
L. G. Beaubien & Co., Montreal
BECKETT, THOMAS*
First Southwest Company, Dallas
BELL, ANDREA
Montreal
BELL, RUSSELL D.
Greenshields & Co., Inc., Montreal
BENDER, FRANK J.
Wachob-Bender Corporation

BENNETT, CHARLES R.
United States Investor, Boston
BERGMANN, CHARLES L.
R. W. Pressprich & Co., New York
BIANCHETTI, A. J.
Barr Brothers & Co., New York
BINGHAM, CURTIS H.*
Bingham, Walter & Hurry, Los Angeles
BIRR, H. THEODORE Jr.*
First California Company, San Francisco
BISCOE, Jr., HOWARD M.*
Whiting, Weeks & Stubbs, Boston
BIVINS, ROBERT A.
The Chase National Bank of the City of New York, New York
BLACKFORD, HENRY J.*
A. M. Law & Co., Spartanburg
BLAIR, EDWARD McCORMICK
William Blair & Company, Chicago
BLAKE, JOHN L.
Eaton & Howard, Incorporated, Boston
BLAKE, SIDNEY S.*
H. M. Byllesby and Company, Inc., Philadelphia
BLYTH, ROBERT B.
The National City Bank of Cleveland, Cleveland
BOEHMLER, ERWIN W.
Investment Bankers Association, Chicago
BOGERT, Jr., H. LAWRENCE
Eastman, Dillon & Co., New York
BOLES, EWING T.*
The Ohio Company, Columbus
BOLGER, JOHN F.*
Shillinglaw, Bolger & Co., Chicago
BOLTON, FREDERICK J.
H. V. Sattley & Co., Inc., Detroit
BONNER, DOUGLAS G.*
Bonner & Gregory, New York
BORKLAND, Jr., ERNEST W.*
Tucker, Anthony & Co., New York
BOWMAN, FRANCIS B.
The Chase National Bank of the City of New York, New York
BOYNTON, ELWOOD D.*
Hallgarten & Co., New York
BRADFORD, J. C.
J. C. Bradford & Co., Nashville
BRADLEY, MAHLON O.*
Paul H. Davis & Co., Chicago
BRADLEY, S. WHITNEY*
Eaton & Howard, Incorporated, Boston
BRAUN, FRED C., Jr.
F. S. Moseley & Co., New York
BRAYSHAW, DONALD B.*
Lord, Abbett & Co., Atlanta
BREWER, ORLANDO S.*
Phelps, Fenn & Co., New York
BROOKE, Jr., FRANCIS M.*
Brooke & Co., Philadelphia
BROOME, ROBERT E.*
Guaranty Trust Company of New York, New York
BROPHY, L. A.
Associated Press, New York
BROWN, DONALD F.*
Boettcher and Company, Denver
BROWN, HARRY
Salomon Bros. & Hutzler, Chicago
BROWN, J. FRED*
Boettcher and Company, Denver
BROWNE, ALAN K.
Bank of America, N. T. & S. A., San Francisco
BRUCHLOS, W. C.
The Bond Buyer, New York
BRYAN, JOHN E.
Cleveland Plain Dealer, Cleveland
BRYCE, T. JERROLD
Clark, Dodge & Co., New York
BUDD, Jr., JAMES S.
The Citizens and Southern National Bank, Atlanta
BUECHLER, RICHARD K.*
E. F. Hutton & Company, New York
BUHSE, HOWARD E.
National Association of Securities Dealers, Inc., Chicago
BULLOCK, HUGH*
Calvin Bullock, New York
BURKE, PAULEN E.
Burke & MacDonald, Kansas City
BURKHOLDER, III, JAMES R.
Holton, Farra Company, Lexington
BURNS, EDWARD
F. Eberstadt & Co. Inc., New York
BURNS, Jr., JAMES F.
Harris, Upham & Co., New York

BUSCAGLIA, RAFAEL
Government Development Bank, Puerto Rico
BUTCHER, W. W. KEAN*
Butcher & Sherrerd, Philadelphia
CALDWELL, DONALD
J. Barth & Co., New York
CAHN, Jr., WILLIAM M.*
Henry Herrman & Co., New York
CALLAGHAN, JOHN W.
Goldman, Sachs & Co., New York
CALLAWAY, Jr., DAVID H.*
First of Michigan Corporation, New York
CALVERT, GORDON L.
Investment Bankers Association, Washington
CANNON, FRANCIS A.*
The First Boston Corporation, New York
CAPEK, CHARLES A.
Lee Higginson Corporation, Chicago
CARDWELL, MARION H.*
J. J. B. Hilliard & Son, Louisville
CAREY, CHARLES A.*
Harris Trust & Savings Bank, Chicago
CARPENTER, FREDERICK B.
John Nuveen & Co., Chicago
CARR, FRANK C.
John Nuveen & Co., Chicago
CARROLL, LEE W.*
Lee W. Carroll & Co., Newark
CARTER, Jr., HUGH D.*
Courts & Co., Atlanta
CARTER, RUFUS LEE*
National Securities & Research Corporation, Los Angeles
CASEY, J. DOUGLAS
A. C. Allyn and Company, Incorporated, Chicago
CASSELL, CLAIR F.*
C. F. Cassell & Company, Inc., Charlottesville
CECIL, O. V.*
Merrill Lynch, Pierce, Fenner & Beane, New York
CHAMBERLAIN, M. P.
Chemical Bank & Trust Co., New York
CHANNER, Jr., GEORGE S.
[illegible] & Co., Chicago
CHAPMAN, R. C.
Fulton, Reid & Co., Cleveland
CLARK, GEORGE E.*
Adamex Securities Corporation, New York
CLARK, ROBERT E.*
Calvin Bullock, New York
CLARK, SYDNEY P.
E. W. Clark & Co., Philadelphia
CLARK, WILLIAM
Merrill, Turben & Co., Cleveland
CLARKE, Jr., HAGOOD*
Atwill and Company, Miami
CLARKE, JOHN W.
John W. Clarke & Co., Chicago
CLAYTON, C. COMSTOCK
Clayton Securities Corp., Boston
CLEAVE, WALTER C.
Blyth & Co., Inc., Chicago
CLUETT, W. SCOTT
Harriman Ripley & Co., Incorporated, New York
COBURN, MARY LOU
Investment Bankers Association, Chicago
COGGESHALL, GEORGE K.*
Schoellkopf, Hutton & Pomeroy, Inc., New York
COHEN, MORTIMER A.*
Sterne, Agee & Leach, Montgomery
COHU, HENRY WALLACE*
Cohu & Co., New York
COLE, WALTER I.*
Beecroft, Cole & Co., Topeka
COLEMAN, FRANCIS X.
Gregory & Son, Incorporated, New York
COLLIER, W. T. K.
Collier, Norris & Quinlan, Montreal
COLLINS, JULIEN H.*
Julien Collins & Company, Chicago
COLYER, CHARLES M.
Central National Bank of Cleveland, Cleveland
CONDON, J. P.
McDougal & Condon, Inc., Chicago
CONDON, RAYMOND V.
B. J. Van Ingen & Co., Inc., Chicago
CONWAY, POWHATAN M.*
The Bankers Bond Co., Inc., Louisville
COOK, A. HALSEY
The National City Bank of New York, New York

COOK, HAROLD H.*
Spencer Trask & Co., New York
COOK, ROBERT H.
B. J. Van Ingen & Co., Inc., Miami
CORRINGTON, JOHN W.*
Paine, Webber, Jackson & Curtis, Chicago
COUIG, J. DALTON
Hirsch & Co., New York
COURTS, MALON C.*
Courts & Co., Atlanta
COURTS, RICHARD W.
Courts & Co., Atlanta
COWLES, F. MORGAN, Jr.
Putnam & Co., Hartford
CRAFT, ROBERT H.*
Guaranty Trust Company of New York, New York
CRAIGIE, WALTER W.*
F. W. Craigie & Co., Richmond
CRANFORD, JAMES A.*
The Atlantic National Bank of Jacksonville, Jacksonville
CREELY, WALTER J.*
Goldman, Sachs & Co., St. Louis
CROSS, CALVIN M.
Hallgarten & Co., New York
CROSS, JOSEPH*
C. J. Devine & Co., New York
CROSS, MILTON C.
Harriman Ripley & Co., Incorporated, New York
CROUSE, CHARLES B.
Crouse & Company, Detroit
CROUTER, GORDON
DeHaven & Townsend, Crouter & Bodine, Philadelphia
CROWELL, WARREN H.*
Crowell, Weedon & Co., Los Angeles
CROWTHER, GEOFFREY
The Economist, London
CRUNKLETON, JOHN R.*
Mercantile Trust Co. of Baltimore, Baltimore
CULLEN, DANIEL J.*
Walston, Hoffman & Goodwin, San Francisco
CURRY, ANDREW G.
A. E. Ames & Co., Inc., New York
CUSACK, WILLIAM*
The Keystone Company of Boston
DALEY, LEO F.
F. S. Moseley & Co., Boston
DANIEL, ROBERT E.
Pacific Northwest Company, Seattle
DARDI, VIRGIL D.*
Blair, Rollins & Co. Incorporated, New York
DARLING, E. MERRILL*
Kidder, Peabody & Co., Boston
DAVIS, JOSEPH D.
Blair, Rollins & Co. Incorporated, New York
DAVIS, JOSHUA A.
Reynolds & Co., New York
DAY, JAMES E.
Midwest Stock Exchange, Chicago
DEAN, HOWARD B.
Harris, Upham & Co., New York
De BARY, MARQUETTE
F. S. Smithers & Co., New York
DECKER, O. PAUL*
American National Bank & Trust Co. of Chicago, Chicago
de JESUS, ROBERTO
Government Development Bank, Puerto Rico
DEMPSEY, L. WALTER*
B. J. Van Ingen & Co. Inc., New York
de NEUFVILLE, OTTO
Swiss American Corporation, New York
DITTMAR, ELMER A.
Dittmar & Company, San Antonio
DIXON, JOSEPH W.*
American Securities Corporation, New York
DOERGE, CARL H.*
Wm. J. Mericka & Co., Inc., Cleveland
DOMINICK, II, BAYARD*
Dominick & Dominick, New York
DONNALLY, JESSE P.*
Peoples National Bank, Charlottesville
DOOLITTLE, ROY W.*
Doolittle & Co., Buffalo
DORBRITZ, ERNEST O.
Moore, Leonard & Lynch, Pittsburgh
DOUGHERTY, A. WEBSTER
A. Webster Dougherty & Co., Philadelphia

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Petroleum Industry's Profits at Peak

Oil and Natural Gas Securities Committee of IBA, under Chairmanship of William S. Hughes, of Wagenseller & Durst, Inc., reveals every division of petroleum industry has established new records, and, as result, oil and gas company equities, on average, are at highest levels in history. Sees, however, problems arising from Middle East oil disruptions.

The Oil and Natural Gas Securities Committee of the IBA, whose Chairman was William Hughes of Wagenseller & Durst, Inc., of Los Angeles, Cal., in a report to the Association's 40th Annual Convention at Hollywood, Fla., revealed the accomplishments of the oil industry during the past year, indicating that all segments of the industry have established new records both in operations and in profits, despite a greatly augumented tax burden.

William S. Hughes

The full text of the report follows:

The accomplishments of the American petroleum industry in 1951 can be described only by the liberal use of superlatives. In every division of the industry—production, refining, exploration, development and marketing—new historic records are being established. Demand has kept pace with supply and, despite some narrowing of profit margins and a greatly augumented tax burden, net profits are expected to be larger than in any past year. The stock market has recognized these achievements and oil company equities, on average, have sold at the highest prices in history.

Despite this most favorable background, the industry is not without current problems. The most important of these, from the standpoint of its immediate impact, is the disruption of world oil markets caused by the cessation of Iranian operations. Since 1945 the center of gravity of the international oil market has been shifting from the Gulf ports to the Mediterranean, and the Middle East now holds the key position in world oil affairs. The Iranian dispute has emphasized the importance of Middle Eastern oil and, although United States properties are not involved directly, the controversy is of vital concern to Americans for two reasons: (a) the strain being placed on our domestic oil supply to replace Iranian output, and (b) possible political repercussions on American oil investments in other Middle East nations.

The importance of the Middle East in the world oil picture can be clearly seen from the summary in the accompanying Table.

As can be seen, from the data in the table, the Middle East is one of the two major oil producing areas in the world which has a supply substantially in excess of its own requirements. The data also show the degree to which Western Europe is dependent upon continued flow of Middle East petroleum. Another important facet of the world petroleum picture disclosed in the tabulation is the fact that the Middle East contains half of the total world oil reserves but accounts for only a little over 2% of demand.

While this area's oil production is far in excess of its internal requirements, its rank as a producer is far below its indicated reserve position since last year it accounted for only about one-sixth of total world output. However, production is on a steady up-trend which undoubtedly will continue unless disturbed by political interference. The Middle East so far is easily the most prolific of the world's three major oil producing regions, as can be seen from the fact that output per well averages approximately 5,000 barrels a day against a little over 200 B/D in Venezuela and only 12 B/D in this country.

The development of the Middle East into a major source of oil production has also had a major bearing on inter-continental oil flow, particularly as it affects Western Europe. In 1938, the last full year before the outbreak of World War II, over 75% of Europe's oil imports came from the Western Hemisphere with only 23% from the Middle East. Last year, however, 69% came from the Middle East and only 31% from the Western Hemisphere.

Iran accounted for about 35% of the 1950 Middle East crude output, its production amounting to 610,000 barrels per day. This comprised 150,000 B/D of crude and 460,000 B/D refined products from the famed Abadan refinery, the largest in the world. The Iranian crude has been replaced by an increase of 270,000 B/D from other Middle Eastern fields, the diversion of Middle Eastern crude previously exported to the United States for refining, and increased production from the Western Hemisphere. Refined products have been provided by the utilization of surplus European refinery capacity of about 200,000 B/D and by purchases from the United States. The PAD on Oct. 3 estimated that the United States was supplying 190,000 B/D of refined products and diverting to Europe about 90,000 B/D of crude previously imported from the Middle East.

Probably second to the Iranian nationalization move in its significance to the world oil industry has been the consummation of new financial arrangements for a 50-50 profits split between the oil operators and respective Middle Eastern governments. The two such arrangements so far negotiated (in Saudi Arabia and in Iraq) directly concern American companies and presumably have greatly strengthened their political positions in these nations. The principal American interests in Middle East oil are held by the five so-called international companies: Gulf Oil, Socony-Vacuum, Standard Oil Company of California, Standard Oil Company (New Jersey), and The Texas Company. The best known of these investments perhaps is the ownership of the Arabian American Oil Company (Aramco) by the last four named companies. Gulf Oil is represented primarily through a 50% interest (with the British-owned Anglo-Iranian Oil Company) in Kuwait, and "Jersey" and Socony also equally share an indirect 23¾% stock interest in the Iraq Petroleum Company and jointly have full ownership of the Standard-Vacuum Oil Company, which operates in the Far East. In addition to these investments, which largely involve production, the American companies have collateral interests in refining, marketing and pipe line facilities throughout the Eastern Hemisphere.

The relative importance of Eastern Hemisphere income to American companies in 1950 ranged from 7% for "Jersey" up to the approximate 25% net contribution to consolidated earnings received by The Texas Company in the form of dividends (net after taxes). These percentages take into account only dividends actually received from non-consolidated subsidiary and affiliated companies and in many cases the undistributed earnings of these enterprises were quite substantial.

Elsewhere in the world additional oil reserves have been located. Considerable publicity has been given to the indicated development of major oil reserves in Sumatra by a joint affiliate of Standard Oil of California and The Texas Company. While this area offers promise of substantial future output and worthwhile financial benefits to its American owners, it is a little early to appraise with any degree of certainty just how important this region will prove to be in world oil production. Investments in this area appear to be subject to even more political uncertainty than those in the Middle East, but one of the more important facets of this development is its proximity to rapidly expanding markets in Australasia, which will lessen the dependence of these Far Eastern markets on the availability of Middle Eastern crude oil.

Production and Demand

Domestic demand for petroleum products in 1951 is estimated at 7,055,000 barrels daily, a gain of 8.4% over the 1950 average. Production for the current year is estimated at an average of 6,150,000 barrels daily, or 14% greater than last year. The increased supply together with imports has not only been adequate to satisfy the enlarged demands and offset smaller net imports, but has resulted in a considerable build-up of stocks. Since the first quarter inventories of crude and refined products have been increased by some 85 million

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WORLD OIL — RESERVES, DEMAND, SUPPLY

Percentage distribution by Areas

	Estimated Reserves	1950 Demand	1950 Supply	Net Excess of Demand —Barrels Daily—	Net Excess of Supply —Barrels Daily—
United States	27.5%	59.1%	52.1%	591,000	
Other North America	2.6	4.8	2.7	239,000	
Total North America	30.1	63.9	54.8	830,000	
Total South America	11.2	6.3	16.9		1,072,000
Western Hemisphere	41.3	70.2	71.7		242,000
Europe (excl. U.S.S.R.)	0.8	13.2	1.6	1,236,000	
U.S.S.R.	5.8	7.0	7.0	25,000	
Africa	0.2	2.5	0.4	229,000	
Middle East	50.4	2.3	16.8		1,486,000
Far East—Oceania	1.5	4.7	2.5	250,000	
Eastern Hemisphere	58.7	29.7	28.3	254,000	
World Totals	100.0%	100.0%	100.0%	12,030	

Source: "World Oil," July 15, 1951, issue.

Warns Against Federal Tax Policies

Federal Taxation Committee of IBA, headed by James M. Hutton, Jr., of W. E. Hutton & Co., forecasts likelihood Treasury will again seek to increase Capital Gains Tax rate, and renew proposal to enact withholding tax on dividends and interest.

In a brief summary report of its activities, the Federal Taxation Committee of the IBA, under the Chairmanship of James M. Hutton, Jr. of W. E. Hutton & Co., Cincinnati, expressed the view that Secretary of the Treasury Snyder would at next session of Congress renew his recommendation that the capital gains tax rate be increased and that a withholding tax be levied on dividend and interest payments.

J. M. Hutton, Jr.

The text of the summary report of the Committee follows:

Many of you will recall that in our report to the Convention last November we outlined a rather ambitious program in the tax field in the light of then current and likely future conditions and it is something of a commentary on world and domestic developments in the interim when one considers the things we thought practicable, or at least worth working for, at that time. These included:

(1) A top limit on individual combined normal and surtax rates of not to exceed 50%;

(2) A reduction in the capital gains tax rate, a shortening of the holding period, and an increased deduction against other income for losses;

(3) Relief from present double taxation of corporate dividends;

(4) Support to the effort to limit Federal taxation in times of peace to 25% by constitutional amendment;

(5) Opposition to the passage of an excess profits tax.

Very shortly after our meeting here last year, events in Korea and elsewhere changed the whole picture, and instead of a lessening of the need for Federal tax revenues, we were faced with the necessity for additional revenues to cover the cost of a vast rearmament program, not only for ourselves but for our allies as well.

Thus we had recommendations from the President and the Secretary of the Treasury for vast new sums of money which, of course, made the plank in our platform for a top limit of 50% on individuals wholly unrealistic from a practical political point of view, even though it still might well have increased total revenues.

We decided, therefore, to concentrate our efforts on those phases of the tax proposals which were made to the Congress which most directly affected the securities business.

It will be recalled that Secretary Snyder, among other things, recommended that the then existing capital gains tax rate of 25% and the holding period of six months be increased to 37½% and one year, respectively. It was and is our considered opinion that a lower rate than 25 or 26% and a holding period shorter than six months would produce more revenue than existing law and that any increase in rate or holding period will reduce revenue. Going on the assumption that the principal purpose of tax legislation is to produce revenue, we thought it only appropriate to join others, both within and without the business, with like views, and to present these views to the members of the Congress as dispassionately and vigorously as we knew how. I think this effort was worthwhile and that the Senate Committee, particularly, was convinced that any increase in the rate and the holding period would produce less revenues, even though the Senate ultimately saw fit to go along with the final Conference Committee compromise to increase the rate to 26%.

Secretary Snyder also made a number of other recommendations very directly affecting the securities business which we had not anticipated last fall but which, after consideration, and for a variety of reasons, seemed to us unsound. We refer:

(1) to the proposal for the withholding of income tax on dividends and certain types of interest payments and royalties which he estimated would produce additional revenue of some $250 million annually; and

(2) to require related corporations in a controlled group to divide one surtax exemption among them and to reduce the excess profits tax credit of each related corporation to an amount equal to the surtax exemption of each such corporation.

Here again I am happy to report that many people in our business and others affected presented their views directly and vigorously to their Congressmen and Senators and neither of these proposals was enacted into law.

It is not practicable in a summary report of this sort to cover all of the provisions of the Revenue Act of 1951 which are of particular interest to the investment banking business, but we would like to call your attention to the fact that our Washington staff did prepare such a summary which was sent to all members of the IBA as "Washington Bulletin" No. 3, dated Oct. 23, 1951. You can find the story there.

Now what about the coming year? President Truman has already indicated that he will ask for additional new taxes, in spite of the fact that leaders in both the Senate and House have indicated that, in their view, short of an all-out war, we have reached the point of diminishing returns under our present tax structure. It is more than likely, however, that an effort will be made again to increase the capital gains tax rate and holding period, to withhold income taxes on dividends and interest, and of course there is considerable feeling, both within and without the government, that if we are to raise substantially more revenue we will have to come to some sort of broadly based consumption tax, although there is considerable disagreement as to just where this should be placed.

Unless we are directed otherwise by the Board of Governors or this Convention, we shall do our best and try to encourage the membership and others to oppose the three measures which we opposed this past year and any new ones which similarly seem to us unsound. We shall endeavor to keep the membership generally advised, through the "Washington Bulletin" or otherwise, of developments as they occur, and I can't urge you too strongly to get to know your Congressmen and Senators and to make your views known to them, whatever they may be. The more of you who do this, the better they will be informed, and the end result should be sounder tax legislation for us all.

The Committee feels very strongly that a top limitation on taxes in peacetime is necessary to the survival of our free enterprise system, and that the greatest possibility of securing such a limitation is through a constitutional amendment. To secure this will require a petition of 32 States to the Congress. At the present time 25 State Legislatures have already passed such resolutions and in several others resolutions have been passed in one legislative body but have been defeated in the other. In view of the fact that many State bodies will meet during the coming year, it is our recommendation that the members of the IBA cooperate as closely as possible with the American Taxpayers Association and Mr. Daniel E. Casey, its Executive Vice-President, in an effort to secure favorable action on such resolution wherever possible.

We also have a problem of public education in the tax field. This is a long range program involving a great deal of time, effort and money. The most important contribution you can make to it is the education of your customers. If everyone in the investment banking business could sell everyone of his customers a sound tax program, it would carry a tremendous amount of weight with Congress.

In closing, your Committee wishes to express its thanks and appreciation to Murray Hanson for the excellent job he has done on our behalf. During the past year he has given most generously of his time and energy in an effort to further our work.

Let us all hope that during the coming year conditions may be more favorable to the advancement of our basic program.

Respectfully submitted,

THE FEDERAL TAXATION COMMITTEE

James M. Hutton, Jr., Chairman
W. E. Hutton & Co., Cincinnati

James F. Burns, Jr.
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Rush S. Dickson
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John C. Hagan, Jr.
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Conrad, Bruce & Co., Seattle, Wash.

James E. Hogle
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Leverett F. Hooper
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Kirkpatrick-Pettis Co., Omaha, Neb.

John P. Labouisse
Howard, Weil, Labouisse, Friedrichs & Company, New Orleans

James C. Lancaster
Union Planters National Bank & Trust Co., Memphis, Tenn.

James H. Lemon
Johnson, Lemon & Co., Washington, D. C.

Frederic P. Mullins
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Ralph W. Simonds
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Carl N. Stutz
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Mark Sullivan, Jr.
Auchincloss, Parker & Redpath, Washington, D. C.

Gus B. Walton
Walton & Company, Inc., Little Rock, Ark.

Charles B. White
Chas. B. White & Co., Houston, Tex.

IBA Governors Set Dates of Winter and Spring Meetings

The Winter Meeting of the Board of Governors of the Investment Bankers Association will be held in Chicago, Feb. 8 and 9, at the Edgewater Beach Hotel.

The Spring Meeting is scheduled for White Sulphur Springs, West Virginia, May 14 and 17.

1952 IBA Convention Again in Hollywood

The 1952 annual convention of the Investment Bankers Association of America will be held at Hollywood, Florida, at the Hollywood Beach Hotel, from Nov. 30 to Dec. 5.

The Municipal Bond Market in 1951

IBA Municipal Securities Committee, headed by Lewis Miller, Assistant Vice-President of the First National Bank of Chicago, reports that trend of earlier years with respect to constant increase in volume of new financing and continual advance in prices will not be duplicated in current year. Says new Federal tax bill, coupled with drop in visible supply of new issues, points to further improvement in municipal bond price structure.

Lewis Miller

The Municipal Securities Committee of the Investment Bankers Association of America, under the Chairmanship of Lewis Miller, Assistant Vice-President of the First National Bank of Chicago, reported to the Convention at Hollywood, Fla., on Nov. 29 that the almost continuous increase in the volume of new municipal issues during the past decade is likely to show a decline in the current year. Says price structure, which reacted unfavorably after the unpegging of government bond prices by the Treasury in March, has in recent months showed renewed improvement and expects further gains as result of new Federal tax legislation and reduction in visible supply of new issues.

Following is the text of the report:

In our Annual Report of last year it was pointed out that each year for the past decade, with the exception of 1942, had been a record breaking year in the municipal field as to either price or volume. Each year, 1940 to 1946 inclusive (1942 excepted), record-high prices for municipal securities were reached. Then in each of the years 1947 to 1950 inclusive record-high figures in the amount of new municipal issues were reached.

While there is still a portion of 1951 remaining, it would appear that no record as to either volume of securities or prices will be set this year. The amount of new issues of long-term municipal bonds during the first 10 months was in the neighborhood of $2,703,400,000. This compared with about $3,128,-500,000 during the like period in 1950.

The largest sales this year in the municipal field were: (1) on July 14 $170,000,000 of bonds of 58 Local Housing Authorities, and (2) on Oct. 23 $156,700,000 bonds of 76 Local Housing Authorities.

Market

In our Interim Report, submitted to the Board of Governors last May, we called attention to the rapid price advance which developed in the municipal bond market after the opening of the Korean conflict in July, 1950. This advance continued until the early part of March of this year when it was reversed by the removal of the peg on government bond prices and the ensuing sharp decline in the market on those securities.

This decline continued until about June 21 when the "Bond Buyer's" index of average yields of bonds of 20 large municipal units showed a 2.23% basis. Since then there has been a substantial improvement in the market and the new tax bill, together with the drop in the visible supply of new issues, would appear to point to some further improvement as we go into a new year.

It is to be hoped, however, that a price level may be reached and maintained at some moderately higher point without running the risk of too rapid an advance. Experience would appear to indicate that the high levels of the past have resulted in a growing buyer resistance and precipitated costly adjustments in inventory.

Municipal Construction of Properties for Industrial Purposes

Our Committee is seriously concerned over a comparatively recent development in a few of our states which is also a matter of serious concern to local taxpayers and others interested in the general welfare of their state and in the future credit standing of their community. Furthermore, there is a growing fear that this practice may spread and carry with it an unhealthy effect on municipal credit in those states where the practice is indulged in.

This situation is the result of the enactment of legislation authorizing municipal construction of properties — industrial plants, etc.—to be operated by private companies or individuals under lease. Mississippi, Kentucky, Alabama, Tennessee and Illinois have done so.

Mississippi's authorization is for the issuance of general obligations by local governments for the purpose of constructing the plants. In the other states mentioned the security financing is to be payable solely from the revenues derived from the rentals. The Illinois law was enacted last summer. We understand from counsel that there is question as to its constitutionality. California is another state in which a somewhat similar practice is gaining momentum as a result of recent developments.

On Sept. 13 the Chairman wrote to the members of our Committee, Council and Special Committee on Revenue Bonds on the subject of this type of municipal financing. He pointed out that although these legislative authorizations have in the main received the approval of the courts as to legality in the respective states there are, however, a number of practical and other problems involved. He directed attention to various detrimental factors from the standpoint of credit and to other features, among which were that a continuation of this practice would most likely afford an increase in the arguments for taxation of the interest on municipal bonds, and encourage arguments for the regulation of municipals. He also directed attention to "Moody's" writeup on "Industrial Plant Revenue Bonds" in its Bond Survey of July 23 last under the heading "Not Recommended for Investment."

Operations of this character appear to us to be questionable municipal activities. We believe the use of municipal credit in aid of private industry is unwise. It may readily become injurious to municipal credit and detrimental to the best interests of the people of the respective municipalities.

In our opinion, and in that of qualified municipal bond counsel, this type of operation is neither an essential nor a desirable municipal function. Similar procedure in the past has invariably ended in confusion and in considerable municipal readjustment. This is clearly pointed out in an article by David M. Wood of Wood, King & Dawson, municipal bond attorneys of New York, "Public Aid to Private Interests Poor Policy, Record Shows," which appeared in the "Bond Buyer" daily of Oct. 31 and weekly of Nov. 3. Reprints of this article have been sent to our membership.

It would be well for each of our members to carefully screen all financing for possible relationship to this type of operation and to use their efforts in educating the parties involved to the possible effect of public financing of this character.

Your Committee strongly recommends to our Board of Governors that an appropriate resolution be adopted and made available to the entire membership and others interested, pointing out the inherent seriousness of this situation and recommending the adoption of such steps as may helpful in overcoming this unhealthy practice.

Our Federal and State Governments

There were several efforts made during the year to establish Federal power over the states and their governmental units. Among them were:

(1) The Office of Price Stabilization sought Congressional authorization of power to control rates charged by publicly owned utilities. Expressed briefly, the OPS proposed amendments to Section 402 of the Defense Act of 1950 which would:

(a) For rate making purposes bring the large bulk of municipally owned utility systems under Federal agency authority.

(b) Enlarge the jurisdiction of the Office of Price Stabilization by requiring these utilities to file notice with the Federal agency of any proposed rate increase.

Congress declined to subject the operations of local governments to Federal dictation.

(2) For a time, some officials of the Office of Price Stabilization sought to apply to local governments the regulations of that office for certain service charges, including municipally owned parking lots, parking meters, garages and turnpike tolls. It was reported that consideration was being given to including service charges for sewer rentals, garbage collections, etc.

Probably the most ridiculous procedure attempted in this connection was one reported in the June, 1951, issue of the "American Municipal News." We quote: "The *reductio ad absurdum* in the extension of price controls is, perhaps, the effort of the OPS office in St. Louis to prohibit the installation of parking meters by the city on the ground that parking in the areas of proposed meter installation was free during the base period, December 19, 1950, to January 25, 1951."

An infringement of power was finally recognized and the OPS issued on September 19th General Overriding Regulation 14, Amendment 2, which specified the exemption of our local governments.

(3) Efforts to amend the tax law to provide authority for the Federal government to levy a 3⅓% excise tax on the electric energy produced by projects owned by our local governments. However, the REA financed electric cooperatives were to be exempt. Congress rejected this proposed levy of Federal taxes

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Utilities Feel Impact of Taxes

Report of the Public Service Securities Committee of IBA, under Chairmanship of Willard A. Lynch of W. C. Langley & Co., says higher taxes are affecting utility companies' ability to earn a fair return, so as to finance extensions and thus aid in defense effort. Sees new utility construction this year less than planned, and reports aggregate net income of electric companies reduced in current year.

Willard A. Lynch

In its report to the 40th Annual Convention at Hollywood, Fla., the Public Service Securities Committee of the Investment Bankers Association of America called attention to the impact on utilities of higher taxes recently enacted by Congress, which may adversely affect their net earnings and their expansion program in aid of the national defense effort. The report also stressed the dangers of growth of public power projects to private utility operations.

The text of the report of the Committee, Chairman of which is Willard A. Lynch of W. C. Langley & Co., New York City, follows:

Since the start of the Korean War, the tax problem has again become of prime importance to the utility companies, as it affects their ability to earn a fair return, to finance extensions, and to aid the defense effort.

A new Federal tax law was passed early in 1951 and a second law was passed in October, 1951, making two tax increases enacted within a single year. Under the first law the combined normal and surtax on corporations was increased from 38% to 42% in 1950 and to 47% in 1951 and the excess profits tax was revived at the rate of 15% in 1950 and 30% in 1951. Under the October law the combined normal and surtax was increased to 50¾% in 1951 and 52% in 1952 while the excess profits tax was left at 30%. Inasmuch as most utility companies accrued normal and surtaxes during the first nine months of the current year at 47%, it will be necessary for these companies to make retroactive increases to Jan. 1, 1951.

On the other hand, the 3⅓% tax on domestic and commercial sales of electric energy was repealed as of Nov. 1, 1951. This tax was a highly discriminatory levy in that it did not apply to publicly owned or cooperative power agencies nor was a similar tax paid by any other type of privately owned utility company. Rather than extend this tax to public power sales, Congress eliminated it altogether. Another factor which probably influenced Congress was the strong testimony submitted by the private power industry that any further material increase in taxes would be followed by widespread applications for rate increases. While the electric companies were not exempted from higher income taxes, the blow was softened by repeal of the energy tax.

The total amount of energy tax paid by the electric companies in 1950 was $104,000,000 and the net saving (after deducting income taxes) due to its repeal will thus be over $50,000,000. A preliminary study indicates that for most of the companies the increase in income taxes from 47% to 52% will exceed in varying degrees the saving on the energy tax but that in case of a few of the companies the latter saving will exceed the increase in income taxes.

New Construction

Earlier this year it was estimated that the construction expenditures of the electric companies during the three years 1951-1953 would total about $7,000,000,000. Due to shortages of copper, steel and other materials, it is now believed that these construction expenditures will be less than the amount planned. According to a recent survey, the industry (including public as well as private plants) will come close to attaining its 75,000,000 kw. goal for 1951 but the target of 84,000,000 kw. for 1952 may be missed by about 4,000,000 kw. While the construction costs of the private companies for 1952 will thus be under the earlier estimates, the aggregate of these costs, as well as the financing required therefor, will nevertheless be substantial.

We would like to point out here that before the production of many vital war supplies can be started it is *first* necessary to have an adequate supply of electric power and that unless the utilities and the manufacturers of electric equipment are allotted the essential critical materials, the defense program will be slowed down all along the line.

Earnings

The condition of the utility industry is usually best indicated by its earnings. A brief summary of the earnings of all class A and class B electric companies for the first eight months of 1950 and 1951, tabulated from figures published by the Federal Power Commission, appears in table I.

These figures go as far as net income but to get a full picture it is necessary to follow through to common stock. Taking at random 10 companies which have published income accounts for the 12 months ended Sept. 30, 1951, the earnings per common share declined an average of 9.2% compared with the previous 12 months. This was due to reduced net income available for common stock as well as to the larger number of common shares outstanding (7 out of the 10 companies sold additional common stock during the period).

It can readily be seen that the increase in income taxes has been a major factor in the decline in profits during the current year. These increased taxes have not only prevented the companies from earning any return on the large amount of new capital invested but they have also reached in and taken away some of the earnings applicable to already outstanding securities.

As indicated previously in this memorandum, there will be a further heavy increase in Federal income taxes during the last quarter of 1951 and throughout 1952, to be offset in part by elimination of the 3⅓% Federal energy tax.

A number of the electric companies obtained rate increases this year but the earnings which are shown in table I reveal that the relief granted was entirely inadequate to overcome the mounting tax burden. While it is hoped that all or most of the higher taxes necessitated by the current defense program have already been seen, we urge utility companies to press vigorously for whatever rate increases may be required to keep them in a financially healthy condition.

Public Power

The present huge war and defense programs have given the public ownership group an added argument for increased government power plants. Of the many public projects which have been proposed, we will touch on two, one of which is steam-electric and the other hydro-electric.

Prior to the adjournment of Congress a bill was introduced in the House to authorize construction by the Department of Interior of eight steam-electric generating plants with a total capacity of 400,000 kw. in the Pacific Northwest. After four days of hearings this bill was favorably reported out of the House Public Works Committee by a 15 to 9 vote. During the last 10 years the Department of Interior has sought on six different occasions to build steam-electric plants, five times for the Central Valley project in California and once for the Southwestern Power Administration, but all of these requests were refused by Congress.

In a dissenting report signed by most of the members of the Committee who voted against the bill, it was questioned (a) whether the granting of FPC licenses to two hydro-electric projects of 580,000 kw. total capacity in the same area (one to be owned by a municipal system and the other by a private company) had been blocked by the Department of Interior even though these projects could be completed sooner than the Federal steam plants; (b) whether the Department of Interior had allocated additional aluminum production to the Pacific Northwest in the spring of 1951 for the purpose of later on showing the need for government steam plants (the request to Congress for these plants was not made until September 1951); and (c) whether the Department of Interior planned to use the requested authorization, if granted, as an entering wedge for the building of other steam-electric plants in the Southwestern states as well as in the Southeast and other parts of the country.

The second project which we will mention concerns the Niagara River in New York. During 1951 three bills were introduced in Congress for the further development of this river through the construction of over 1,000,000 kw. of hydro-electric generating ca-

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Table I—Earnings of Class A and B Electric Companies

First 8 months—	1950	1951	Change
Electric operating revs.	$3,110,604,000	$3,428,276,000	+10.2%
Federal income taxes*	280,343,000	382,394,000	+36.3%
Gross income	738,138,000	735,562,000	— 0.3%
Net income	553,517,000	534,878,000	— 3.4%

*Includes excess profits taxes of $156,000 in 1950 and $7,898,000 in 1951.

Canada's Economy Reaching New Highs

Canadian Committee of IBA, headed by J. A. Gairdner of Gairdner & Co., Ltd., of Toronto, commenting on rapid development of Canadian industry, reveals that $2\frac{1}{2}$ billion is being expended on projects now underway and scheduled to be completed within 4 years. Says these expenditures will produce substantial increases in capacity for copper, aluminum, crude oil, titanium ore, lead, primary steel and other materials. Cites role of capital from U. S. in financing expansion and says Canada today affords an unexcelled opportunity for profitable investment.

In its report to the Annual Convention of the Investment Bankers Association of America at Hollywood, Fla., the Canadian Committee of the IBA, headed by J. A. Gairdner of Gairdner & Co., Ltd., Toronto, presented a wealth of statistical data in support of the view that Canada is developing a leading role as a supplier of basic raw materials and manufactured products.

James A. Gairdner

Noting that capital expenditures of all kinds are currently equivalent to 22% of the nation's gross national product, the committee stated that over 2½ billion dollars is being expended by various industries on expansion programs scheduled for completion within the next four years. Canada, according to the report, "provides today, perhaps more than at any time in her history, an unexcelled opportunity for profitable investment."

Text of the report follows:

INTRODUCTION

In view of the keen interest displayed by the fraternity of investment dealers and private investors in the United States in Canadian investments, we propose in this, the third Annual Report of the Canadian Committee, to present the highlights of the rapid development which is now taking place in Canada and which is bringing our nation into a leading role as a supplier of basic raw materials and manufactured products.

The rapid growth of Canadian industry is such that capital expenditures of all kinds are currently equivalent to 22% of the gross national product. The largest proportion of the capital funds being invested is going into the soundest type of project—those which will develop our natural resources, of which oil and gas in Western Canada, iron ore in Quebec and Labrador, nickel in Ontario and Manitoba, and hydro-electric power for the production of aluminum in Quebec and British Columbia, are familiar examples.

Capital Projects in Progress

The Hon. C. D. Howe, Defense Production Minister of Canada, gave a report to Parliament toward the end of October which included some interesting estimates of the capital funds which various industries are employing in projects now under way and scheduled for completion within four years. The total is over $2½ billion of which $233 million will go into aluminum and $150 million into other base metals, exclusive of iron mining which will take $226 million. Petroleum and natural gas development, including exploration, drilling, pipeline construction and refineries, will absorb $513 million. Hydro-electric power installations will require $1,200 million. Chemical plants, including petro-chemicals, will cost $127 million and primary steel facilities a further $88 million.

These capital expenditures will produce increases in capacity ranging from between 8% and 27% for copper, nickel, lead, zinc and primary steel. Much larger percentage gains in capacity will result for iron ore, aluminum, crude oil, cobalt and ilmenite (titanium ore).[1]

Such projects as have been dealt with in the foregoing, totaling $2½ billion over four years, make up, of course, only one sector of total capital investment. The overall investment figure for Canada in 1951 is of the order of $4,561,000,000, which represents a record 22% of Canada's estimated gross national product for 1951. Deducting capital expenditures by governments, municipalities and certain other categories, the outlay by business is about $2,860,000,000.[2] Needless to say, a large part of this expansion is being made by defense industries or those supplying strategic raw materials. The federal government's procurement for defense is now running at an annual rate of over one billion dollars and is rising more quickly toward the goal set in the estimates last spring.

Finance—Available statistics are insufficient for us to estimate accurately the source of funds which are enabling this large investment to be effected, but it is quite evident that while the greater proportion is being provided internally the present rate of progress would be impossible of attainment were it not for the influx of funds from the great reservoir of capital which exists in the United States today.

We as Canadians realize the need for external financial assistance if our development is to be on a scale suited to the markets and the defense requirements of the Western World and we welcome the investment of your funds and the application of your know-how.

The exact amount of present investment of the United States in the natural resources and industry of Canada today is not available, but it is safe to say that the figure is very large relative to the size of our economy and becoming of ever increasing importance and it is expected that this movement will continue for the foreseeable future.

As far as the investment activities of the private United States citizen is concerned, this development does not pose any problem because he is mostly buying into situations already existent and in which there is already a substantial Canadian interest, but the United States corporation which enters Canada in the form of a subsidiary operation of the parent company does provide a problem.

A study of fifty of the largest United States manufacturing companies doing business in Canada through subsidiary companies reads like the "Who's Who" of United States business. These companies in their respective groups supply anywhere from 25% to 100% of the Canadian market in their field of endeavor. In only eight cases out of 50 has the Canadian public been given an opportunity of investing in the common shares of the Canadian subsidiary and in two of these cases the amount held by Canadians is so small as to be of no real moment—in all the total investment of Canadians in these ventures would not amount to a tiny fraction of the assets involved. In no instance whatever have shares of the parent companies been offered for investment in Canada, nor are the shares of any of the parent companies concerned listed on any stock exchange in Canada.

In the case of mining, oil, pulp and paper, and chemicals, the picture is somewhat brighter from the Canadian point of view. A number of the older companies controlled by U. S. interests have a reasonably large percentage of Canadian shareholders and in recent months several new issues made in connection with oil and chemical developments in Canada have been effected in such a manner as to provide for Canadian participation either in their senior securities or their equity financing.

This, in our opinion, is a method of procedure that is sound—economically and politically. Our citizens are intensely interested in the development of their natural resources and markets and while we realize fully that the amount of equity capital available in Canada compared to the amount available in the U.S.A. is limited, within the bracket of that limitation, and the bracket is constantly widening, there is a growing feeling that our citizens should be given an opportunity of participating either in the equity shares of subsidiaries of United States companies formed for the purpose of developing our natural resources or our markets, or of investing in the shares of the parent companies thereof.

Capital Projects in Progress

Although it is hardly possible in a review of this nature to cover effectively all those fields in which noteworthy capital expenditures are now taking place, a brief reference will be attempted to those of special interest which are in progress or planned:

Oil—It has been estimated that total expenditures for land acquisition, exploration and development in Western Canada will top $200 million for 1951. There are 140 geophysical crews in the field and 91 wildcat rigs at work and the number of both is increasing rapidly. Reserves are now placed at 1,350,000,000 barrels—up 23% over 1950. Production potential is up to nearly 200,000 barrels daily which, granted further means of transportation, places Canada half way toward self-sufficiency in its requirements for crude oil.

What will the next few years hold for Canada's future as an oil producer? John R. White, Executive Vice-President of Imperial Oil, drew attention in a recent address to the rising rate of oil and gas discoveries—17 in 1947, 43 in 1948, 58 in 1949, 69 in 1950 and 54 in the first seven months of 1951. He gave his opinion that the current production potential of 200,000 barrels daily could be doubled or trebled within the next few years.

Apart from crude oil consumed by the growing refinery capacity of the Prairie Provinces a large part of our western production finds its market in the refineries of Ontario, having been transported by the Interprovincial Pipe

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1 See Table V.
2 Mid-Year Survey, 1951, Private and Public Investment in Canada, Department of Trade and Commerce, Ottawa.

Praises Work of IBA Group Chairmen

Ewing T. Boles, Chairman of IBA Group Chairmen's Committee, calls the heads of the Association's regional groups "Iron Men," who have done an outstanding job.

In a brief report to the 40th Annual IBA Convention at Hollywood, Fla., Ewing T. Boles of the Ohio Company, Columbus, Ohio, the head of the Group Chairmen's Committee of the Association, praised the work of the 17 "Iron Men" who headed the regional groups during the past year.

Ewing Thomas Boles

In his report, Mr. Boles said:

Paul de-Kruif tells a very interesting story of seven iron men who discovered the great Messabi iron range. We want to tell you the story of the 17 iron men and of the great job they did in discovering and exploiting the pent-up interest in the 17 Groups of the IBA in the United States.

From the lips of our crusading President, Larry Marks, we have the testimony of the tremendous job that these 17 "lean-bellied" iron men have done throughout the length and breadth of this land in promoting not only interest and enthusiasm in the IBA, but bringing to their members a solid and savory diet which not only meant increased prestige and accomplishment for the industry in general, but bread-and-butter ideas that help them to increase the number of their clients who are holding securities in America's greatest enterprises.

Truly this has been a great year for the industry and some of the good work that has been done by these 17 iron men was in part forecast by what had been done by some of their predecessors. We have been accustomed, for a number of years, to certain of the Groups doing outstanding jobs, but it took the knowledge and enthusiasm, the background and training, of these 17 men to make these ideas really catch fire throughout the country.

We could go into great detail as to the outstanding accomplishments of each Group—the fine meetings they have held—the outstanding speakers they have had—the promotions they have carried on—in short the tremendous results they have achieved. But to chronicle these individual activities would take far more of your time than this occasion would permit.

This Board of Governors made a most wise decision here at Hollywood last year in inviting these 17 iron men to attend the Mid-Winter meeting of the Board in Chicago, where a special program was set up so that each and every chairman could know, not only what had been accomplished in other Groups, but the details of his duty, the workings of the IBA, and just what his responsibility and opportunities were. In addition to that, they sat in on the meetings of the Board and got first-hand information in detail of what was going on. The final result was they felt they were made an integral part of the IBA and that without their help and participation there could be no successful progress made by the Association.

We are sure that the Board will again want to invite all Group Chairmen to attend the Mid-Winter meeting of the Board and we hope this may become a tradition which may be followed down through the years.

We are listing here the names of the men who have done this outstanding job for you and your Association. We know you will give them the enthusiastic salutation which, because of their achievements, they so thoroughly deserve.

Michigan Group: William M. Adams, Braun, Bosworth & Co., Incorporated, Detroit.

New York Group: Amyas Ames, Kidder, Peabody & Co., New York.

Pacific Northwest Group: Willis H. Blakely, Blankenship, Gould & Blakely, Inc., Portland, Ore.

Northern Ohio Group: John S. Clark, Fahey, Clark & Co., Cleveland.

Rocky Mountain Group: Walter J. Coughlin, Coughlin and Company, Denver.

Eastern Pennsylvania Group: Gordon Crouter, DeHaven & Townsend, Crouter & Bodine, Philadelphia.

New England Group: Horace W. Frost, Tucker, Anthony & Co., Boston.

California Group: Robert L. Harter, Sutro & Co., San Francisco.

Ohio Valley Group: Campbell S. Johnston, W. E. Hutton & Co., Cincinnati.

Southeastern Group: W. Payton May, Investment Corporation of Norfolk, Norfolk, Va.

Minnesota Group: Donald E. McFarland, Kalman & Company, Inc., Minneapolis.

Southern Group: Ralph Owen, Equitable Securities Corporation, Nashville.

Central States Group: Charles R. Perrigo, Hornblower & Weeks, Chicago.

Southwestern Group: Philip J. Rhoads, First National Bank & Trust Company, Oklahoma City.

Texas Group: Lewis F. Rodgers, Central Investment Company of Texas, Dallas.

Mississippi Valley Group: Jerome F. Tegeler, Dempsey-Tegeler & Co., St. Louis.

Western Pennsylvania Group: L. Wainwright Voigt, Hemphill, Noyes, Graham, Parsons & Co., Pittsburgh.

Coming events cast their shadows before and we confidently believe the great upsurge of interest brought about by these chairmen will be a terrific challenge to their successors in office and that we may look forward to great leadership at the grass roots level in all the efforts of the IBA.

It is by this means and this means alone that our Association can really and truly become a great trade organization. Our industry has great and grave opportunities and responsibilities in these trying times of this our beloved America. We therefore, all the more need such continuing leadership from our Group Chairmen.

Golf and Tennis Tournament Winners At the Investment Bankers Assn. Convention

GOLF

Alden H. Little Trophy:
1st—Charles C. Glavin, First Boston Corporation, New York. (Albert R. Hughes, tied, lost toss)
2nd—Donald C. Lillis, Bear, Stearns & Co., New York.

Ladies Kickers Handicap:
1st—Mrs. Harry I. Prankard, New York.
2nd—Mrs. Wm. S. Hughes, Los Angeles.

Robert E. Christie, Jr. Memorial:
1st—F. D. Farrell, City National Bank, Kansas City.
2nd—James C. Ward, Third National Bank, Nashville.

18 Hole Handicap:
1st—Albert R. Hughes, Lord, Abbett & Co., New York.
2nd—Lawrence Wren, Allen & Co., New York.

Ladies 18 Hole Handicap:
1st—Mrs. J. Paul Woollomes, San Francisco.
2nd—Mrs. Allen C. DeBois, New York.

18 Hole Kickers Handicap
1st—Benjamin J. Levy, Salomon Bros. & Hutzler, New York.
2nd—Gerald P. Peters, Peters, Writer & Christensen, Denver.

Mixed Foursomes Tournament
1st—Mr. and Mrs. David B. McElroy, J. P. Morgan & Co., New York.
2nd—Mr. and Mrs. Theodore V. Low, Bear, Stearns & Co., New York.

Investment Bankers of Canada—Golf Championship:
1st—W. Neal Fulkerson, Bankers Trust Company, New York.
2nd—Andrew K. Marckwald, Discount Corporation, New York.
3rd—Theodore V. Low, Bear, Stearns & Co., New York.

Ladies Low Gross:
1st—Mrs. James P. Jamieson, Chicago.
2nd—Mrs. George J. Schaust, First National Bank, Minneapolis.

TENNIS

Men's Doubles:
First Prize—Malon C. Courts and Richard W. Courts, Courts & Co., Atlanta.
Second Prize—Henry W. Putnam, Assn. Stock Exchange Firms, New York; Jack R. Staples, Fulton, Reid & Co., Cleveland.

Mixed Doubles:
First Prize—Mrs. Laurence M. Marks; Malon C. Courts, Courts & Co., Atlanta.
Second Prize—Mr. and Mrs. George B. Kneass, Philadelphia National Bank, Philadelphia.

Railroads, the ICC and the Investor

Railroad Securities Committee of IBA, under direction of Charles L. Bergmann of R. W. Pressprich & Co., New York City, contends that problems of the carriers are product of unrealistic national transportation policy. Says adequacy of railroad earnings should be measured in terms of purchasing power rather than by "arbitrary and inflexible standard of rate of return on property investment." Although recognizing reasons for investor apathy toward rail securities generally, report nevertheless avers that low prices prevailing for many income bonds are not warranted. Contends large per share earnings in some instances merely reflect small capitalizations and recommends "false impressions" be corrected by share increases via stock dividends or split-ups.

In presenting its report at the Annual Convention of the Investment Bankers Association of America at Hollywood, Fla., the Railroad Securities Committee, whose Chairman is Charles L. Bergmann, of R. W. Pressprich & Co., New York City, asserted that "A complete overhauling of our national transportation policy is essential to avoid a deterioration of the railroads to the point where the public interest will require that they be taken over by the government." "Viewed superficially," the report stated, net income of the carriers is somewhat impressive, although "when measured in terms of purchasing power" the results compare unfavorably with net income of earlier years. Acknowledging investor apathy toward rail securities generally, the report, however, expressed the opinion that low prices prevailing for many railroad income bonds are unrealistic when consideration is given to their underlying strength.

Charles L. Bergmann

Text of the report herewith:

During 1951 the railroads of the United States will have spent nearly $1.5 billion for the purchase of new equipment and the construction of new facilities. As a part of the program of financing these huge expenditures approximately $275 million par value of equipment trust certificates will have been issued up to the date of this report and it is likely that the total of this type of financing may approximate $300 million for the full year. In addition, a substantial amount of conditional sales agreements has been negotiated with various banks, insurance companies and other investors. Complete information is not readily available on the volume of conditional sales financing, but it is estimated that the total may exceed $200 million. Because of changes in the tax laws and in the tax position of individual railroad companies the so-called "Equitable Plan," which was described in last year's Committee Report, has not been employed to any large extent since the early months of the year.

Long-term debt in the amount of $33,347,000 was issued for refunding purposes but no new money for capital improvements was raised in this manner. One railroad company raised about $5,000,000 by offering additional common shares to its stockholders. Except for this no new equity financing was undertaken. In short, it is evident that the industry has financed a relatively small part of its capital expenditures program, relying instead on earnings and depreciation for the greater part of the necessary funds.

Investor Apathy

The traditional types of equipment financing are practically the only devices by which railroads in need of funds can secure them at a reasonable cost. The disparity between the cost of other long-term money to railroads and to other types of industrial borrowers is well illustrated by the recent sale of $14,950,000 Western Maryland Railway Company mortgage bonds issued solely for refunding purposes and rated "A" by a well known rating agency. These bonds were sold at competitive bidding at an interest cost of 4.60% whereas similarly rated bonds of public utility companies could be sold at the same time at an interest cost of 3.60%, a disadvantage of a full 1% to the railroad borrower. This is a striking example of investor apathy toward railroad securities.

Another example of the lack of investor and speculator interest in railroad securities is to be found in the low prices at which many railroad income bonds sell in the open market. For the most part these are essentially sound securities issued in connection with drastic reorganizations of railroad companies that were bankrupted by the depression of the 1930s. In most instances the bankrupt railroads were practically rebuilt before termination of the bankruptcy proceedings and further large modernization programs have been continued since then. While some discrimination is necessary between companies, many of these reorganized carriers rank among the best in the industry when measured in terms of operating efficiency or rate of growth. In spite of this their income bonds sell at sharp discounts from their face value and offer a rate of return substantially greater than that offered by most other acceptable types of securities.

Reasons for Investor Indifference

Apathy toward railroad securities stems from two main causes:

(1) A conviction that the industry is beset by so many fundamental problems that it is not a good long-term risk.

(2) The failure of investors to recognize that in spite of the performance and problems of the industry as a whole, many individual companies are capable of above-average performance and are not subject to the full impact of the industry's problems.

At this time it would appear that railroad freight traffic for the year 1951 will be approximately 5% higher than the volume for 1950. In spite of this favorable traffic showing, estimated 1951 net income of $625,000,000 will be substantially less than the $783,000,000 of net income reported for 1950. Even if allowance is made for the fact that total revenue for 1950 included about $149,000,000 of back mail pay, only a part of which can properly be attributed to 1950 operations, it is evident that the level of railroad earnings has failed to keep pace with increased volume. Several factors are responsible.

In order to be properly prepared for the transport demands of our national defense program the industry spent unusually large sums for equipment maintenance in order to reduce the percentage of bad order cars to a minimum. Accelerated amortization privileges on account of certain equipment acquired and facilities constructed have further reduced the level of earnings which would have been reported under normal depreciation policies. This last factor requires further discussion.

The ICC and R. R. Earnings

The Interstate Commerce Commission is currently giving consideration to an order which would require the carriers to exclude from their official income accounts those amounts by which accelerated amortization of defense facilities exceeds the normal depreciation allowances. Such a procedure would have the effect of increasing reported net income. However, inasmuch as the full amount of accelerated amortization will be allowed as a deduction from net income for income tax purposes, the amount of such taxes the carriers will have to pay will be less than the amount they would have to pay on net income as reported under the contemplated ICC accounting procedure. Unless a tax equalization adjustment is made in the official income accounts, the reported earnings will be distorted upwards for five years and thereafter a reverse distortion will develop.

The most important reason for the decline in railroad income is the increase in operating expenses attributable to wages. Wage rates for many classes of railroad employees were increased early in the year and the operation of escalator clauses in wage contracts caused further subsequent increases.

To offset increased expenses the carriers early this year petitioned for a 15% increase in freight rates. The ICC granted a meager interim increase effective April 1st and late in August permitted final increases averaging about 6½% effective September 1st. The inadequacy of the increases and the delay in granting the full amount finally permitted are another reason why the carriers' earnings have declined this year.

Mail Pay Increase

On the more favorable side, a further increase in railway mail pay compensation was granted during November and made retroactive to January 1st. It is estimated that this will add about $75,000,000 to gross revenues, an amount not insignificant by itself but small by comparison with the amount of revenues lost because of the delay in securing a higher general level of freight rates.

Net Income Inadequate

Viewed superficially, net income of more than $600,000,000 does not appear to be wholly unsatisfactory. It compares favorably with the average annual net income of the preceding five years. It is several times greater than the average annual net income produced during the depression decade of the 1930s. It provides

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Sees More Underwriting In Years Ahead

expand, and it is not the intention of your committee to debate this question in this report. However, a few significant factors in our economy are called to your attention:

(1) The gold stock has expanded about 5.5 times since 1929.

(2) The active money supply—demand deposits and currency in circulation—has expanded about 4 times.

(3) The velocity in turnover of demand deposits has diminished to about 50% of the 1929 figure, and

(4) Consumer spending, as revealed by the figures of Gross National Product, amounts to only about $2.75 for every $1.00 of the active money supply as compared with about $3.60 average during the 1920's.

These are only a few "bench marks" but it might be suggested that they could point toward a much larger economy than we have yet experienced and such expansion must be accompanied by additional capital formation. If these figures are indicative, such expansion could continue for at least the next four or five years at the present rate, and possibly even longer.

If our economy develops in this manner, the use of corporation cash to finance capital expansion might diminish very substantially, and as it diminishes the investment banker will be called upon in an increasing manner to fill the gap through the issuance of corporate securities. And so our industry should be prepared to accommodate this growing demand for public financing.

Types of Financing

The following tabulation presents the percentage distribution of corporate security flotations among bonds, preferred stock and common stock during the somewhat comparable financing periods of 1925-1930 and 1945-1950:

	—Bonds— Long Term	Short Term	Pfd.	Com.
1925	63.3	7.2	15.5	14.0
1926	65.6	6.4	12.8	14.2
1927	67.0	5.0	16.5	11.5
1928	45.8	3.6	19.6	31.0
1929	27.1	2.4	18.9	51.6
1945	47.6	0.1	34.1	18.2
1946	57.4	1.0	20.8	20.6
1947	73.1	1.4	12.4	13.1
1948	85.4	0.1	6.9	7.6
1949	80.9	0.2	7.2	11.7
1950	70.3	2.8	12.4	14.5
*1951	75.6	0.1	7.5	16.8

*8 months.

It wil be noted from this tabulation that short-term bond financing constituted a more important segment of the total than it does today. This might be explained by the relatively low interest rates on long-term bonds at the present time as compared with the prevailing rates in the 1920's. It could be reasoned that corporate management realizes that the current period offers an opportunity to do long-term financing in the magnitude of 25 to 30 years maturity at historically low rates and thus insure relatively low interest requirements on the present financing for a rather long period of time. Taken together, however, it is worthy of note that the total percentage of bond offerings in 1925, 1926 and 1927 constituted about the same proportion that bond offerings did in 1950.

Private Placements

Bond financing lends itself to private placements. This form of competition has injected a new problem into our industry in this postwar period. Indeed, private placements since 1945 have averaged approximately 40% of all financing, and as last year's report pointed out the private placements of industrial issues alone have constituted some 60% to 70% of the total in recent years. From an objective point of view there are both favorable and unfavorable factors in the private placement of securities. For the sake of our industry and also the economy as a whole, some of the unfavorable factors should be considered by us and then be called to the attention of industrial management. To enumerate a few, your committee suggests:

(1) A few large institutional investors may become dictators of corporate fiscal policy.

(2) There is no free market to permit the purchase of bonds for sinking fund on certain occasions at prices below redemption prices.

(3) The evaluation of price by a free market for comparative purposes, is absent in the event of future financing, and

(4) Private placement does not develop the allies of investors in the event of management contentions with labor or the government.

The SEC of course, has powers to accelerate the effective date of a registration statement, but it is suggested that the "ground rules" should be modified concerning the 20-day waiting period and the burdening prospectus requirement. This would permit public offerings to be made more in the manner of private placements.

The preferred and common stock offerings during the first three years in the earlier period as presented in the above tabulation amounted to about the same proportions as they did last year. This may be of some significance inasmuch as it could make the present period somewhat comparable so far as the Stock Market's absorption of new common stock financing is concerned. That is to say, corporate management was not particularly eager to do common stock financing in the 1920's until such time as stock prices advanced in 1928 and 1929 to relatively high levels as compared with earnings and dividends. From this point of view the present market certainly seems comparable to the middle, rather than the later 1920's.

Convertibles in Limelight

An important feature of the equity financing in 1951 has been the amount of convertible preferred stocks which have been issued. This type of issue not only provides a combination of quality, coupled with common stock appreciation possibilities, but also reflects an awakening of management to the favorable characteristics of this type of issue. Rather than doing straight common stock financing at a slight discount below the existing market, management seems to have become aware that common stock in effect can be sold through a convertible preferred issue at some point above current market quotations.

Until such time as the general level of common stocks advances to the point where stock prices are selling on a much higher scale than current price-earnings ratios indicate, or on a much lower yield basis, it might be expected that an increasing amount of these convertible issues might be used rather than straight common stocks. We, in the investment business, may do well to gear our underwriting in accordance with this apparent trend.

Caution on Stand-by Commitments

Before terminating this report, a word of caution might be in order concerning stand-by commitments while stock rights are outstanding. Now that the stock market has advanced very substantially during the past two years or more, and during this time when our economy hangs in the balance between peace and war, sharp reactions could develop in the stock market. If such a decline should occur at a time when a stand-by commitment is in operation a substantial loss could develop to the underwriter. A few years ago this risk did not appear to be as great as it is at the present time and therefore the underwriting profit in such a transaction appeared commensurate with the risk. However, with the risk apparently enhanced, it would seem reasonable that a larger profit should be justified. The problem, of course, resolves itself into "making the profit (punishment in the words of Gilbert and Sullivan) fit the risk (crime)." Furthermore it might be pointed out that a relatively large standby commitment through the offering of rights on less than a four-to-one ratio increases the floating supply rather dangerously. This also shall be considered in evaluating the risk entailed.

A second caution is not to press the new-issue market to the point where it might collapse as it did in 1946. While, at the moment, dealer inventories seem to be in good shape, already there is evidence of securities being more difficult to place. "Selling" is beginning to replace "order taking." With the many new issues scheduled soon to be offered, indigestion could again set in.

Summary

In summary it might be observed that present corporate financing could be likened to the corporate financing of the mid-1920's when bonds dominated total offerings of new capital. We might expect this condition to remain thus for the next several years; and as long as it remains, the industry will be faced with the competition of private placement with institutional investors—an irritation, yes, even a strong complaint of our industry as presented in reports of previous years. However, there is a better side to which our industry might look in order to prepare itself for an increased volume of business. This improved outlook for our industry takes two forms: (1) as corporate cash is used up in capital financing, corporate security flotations will aggregate a larger proportion of private capital formation, and (2) when, as and if stock prices work considerably higher, common stock financing will play more of a dominant role, and private placement of this sort of financing should not be as easily accomplished as in the flotation of bonds. And so the report of the Industrial Securities Committee closes on the optimistic advice, "Prepare yourselves for a larger and more profitable underwriting business during the years ahead."

Respectfully submitted,

INDUSTRIAL SECURITIES COMMITTEE

Chapin S. Newhard, Chairman
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Earl K. Basset
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Eugene Treuhold
L. F. Rothschild & Co., New York City

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Hill Richards & Co., Los Angeles

Airline and Aircraft Manufacturing Industry

Aviation Securities Committee of IBA, chairmanned by Henry W. Cohu, of Cohu & Co., New York City, reviews progress and problems of aircraft manufacturers and the airlines. Recommends that consideration be given to development of program whereby investment bankers may participate in providing part of funds needed by both divisions of the industry. Says this may be achieved via suitable equipment trust issues.


Henry Wallace Cohu

In its annual report to the Investment Bankers Association of America Convention at Hollywood, Fla., on Nov. 29, the Aviation Securities Committee, headed by Henry W. Cohu, of Cohu & Co., New York City, contended that it was both dangerous and unwise for aircraft manufacturers and airline companies to virtually ignore the public securities market when they find it necessary to obtain new capital. The committee suggested that consideration be given by investment bankers to the possibility of achieving its objective via the equipment trust principle.

Following is the text of the report:

The year 1951 has been a good one for the Aviation Industry. The aircraft manufacturing division has been receiving an ever-increasing backlog of orders for military planes, with consequent expansion of production and indicated or actual improvement in earnings. The air transport division has been slowly building up its load factors from greater civilian travel. This has been accentuated by travel caused by the Korean war and rearmament and, as a result, load factors and earnings have been excellent.

However, in spite of the boom in both divisions of the Aviation Industry, the Investment Bankers have not been in a position to provide the industry with capital necessary to finance the expansion and the industry has had to seek its funds elsewhere. The aircraft manufacturers have been securing accommodation through bank loans. While the size of the amounts required to provide working capital to finance the production is such that only government action can provide it, the industry could have used Investment Bankers in cases where acquisition of plant and working capital are not beyond the normal business requirements. The dependence of the manufacturer on government assistance to the extent indicated may affect adversely the profits allowed and at the same time provide the Bureaucracy with a ready excuse to assume a greater control over the industry. The Air Transport Industry during the year has used its prosperity to pay off debt and to strengthen its position to acquire additional aircraft during the next couple of years.

In laying plans for further equipment purchases present thought runs to institutional term loans and bank credit rather than public financing. It is to be hoped that some method of participation in the financing can be developed by the Investment Bankers perhaps by developing an Equipment Trust device. As in the past years, the Committee's report will deal with each division of the Aviation Industry separately.

Manufacturing Division

The aircraft manufacturers in the year 1950 were engaged principally in filling orders placed prior to Korea for the modernization of the Air Force. The 1950 business reflected very little the large orders which were placed following the outbreak of Korean hostilities. As a result, sales in 1950 as represented by 12 major airplane manufacturers totalled $1,388 million, an increase of only 22% over the 1949 volume. Net profits (after taxes of $48.5 million) increased to $62.6 million from $36.1 million in 1949. The profit represented 4½% of sales.

By the end of the year, the postwar loss suffered by the industry was finally offset on a cumulative basis. This factor is of great significance. While most of U. S. industry in the postwar period was able to strengthen its financial position and improve and modernize its facilities by ploughing back earnings and raising new equity capital, the aircraft manufacturers did not have this opportunity and found themselves facing a war expansion without adequate finances or facilities. Year-end working capital totalled around $290 million with about 23% of current assets being in cash and securities. Plant Account was $84 million—up from $69 million in 1949—but the increase represented a considerable amount of purchases of government-owned facilities rather than new construction.

Following the Korean war outbreak the aircraft manufacturers have been receiving increasing orders to build up the Air Force, the Naval Air Arm and the NATO-Pact nations' air forces. The growth of orders from the Air Force can be gauged by the following expansion program:

Proposed Air Force Strength

Date—	No. of Groups
Prior to Korea	48
Dec. 31, 1950	58
Dec. 31, 1951	87
Oct. 30, 1952	95
As soon as possible	140

Backlog: As of Sept. 30, 1951, the aircraft manufacturers had a backlog of about $9.7 billion, excluding Letters of Intent, as against $5.5 billion total at the end of the year. The current Air Appropriation Bill passed in October carried a total of over $16 billion for procurment of airplanes and related equipment. A considerable part of this amount will be added to the Sept. 30, 1951 backlog. The indicated volume of business has reached levels which obviously cannot be filled within the indicated period, particularly for the engine and electronic equipment divisions. As a result, a more realistic production schedule will be worked out, which in effect will stretch out the present backlog for a longer period — perhaps for a year.

As of June 30, 1951, 576 units of commercial transport were on order. Since that time, announcements have been made for additional airline equipment. This backlog compares with the 1950 total of 120 planes and just about equals the production for the previous four years. The prospects of business with the airlines will be further discussed in that part of the report covering the airlines.

Such a volume of business requires the industry first to unscramble the cross subcontracting and then to organize for production. As a result, while the 1951 volume of sales may rise by 50% over last year as against 31% for the first half, earnings may even decline from those of 1950. The actual earnings for 1951 for individual companies will have wide differences in comparison with last year. It must be remembered that earnings for 1951 for individual companies will have wide differences in comparison with last year. It must be remembered that during the last war the aircraft manufacturing industry was principally an assembling business, with about 60% of manufactured parts being provided by subcontractors from other industries. To fill the proposed orders on time, the manufacturers will have to resort again to heavy subcontracting, perhaps to a 30-50% of manufactured parts level. To date the industry has been beset largely by shortages of materials, machine tools and engineering. It is likely, however, that by the end of 1951 most of these difficulties may be on the way to being solved and profits should reach the levels permitted by contracts in 1952.

Renegotiation: In May, 1951, Congress created a Committee to see that unreasonable profits are not made from war work. To date, the four members of the Committee who represent the Services have been appointed, but a Chairman from the Public has not been appointed as yet. While the Committee will be directly under Congress and therefore its policies will have to follow popular trends, it is likely to be a constructive Committee. Thus, the companies are likely to be compensated on a reasonable basis, which would seem to be similar to instructions given the renegotiation committees during the last war. A reasonable profit before taxes at that time turned out to have been between 6% and 8% for the airframe manufacturers, 8% to 12% for the machine shop people and somewhat higher for the specialties group.

Financing: The financing of the indicated volume of business has presented and will continue to present a problem from time to time. The working capital of $290 million available at the beginning of 1951 was inadequate to finance the production and expansion of facilities program. In approaching their financial problem, the majority of the manufacturers do not differentiate between needs for facilities expansion and for working capital. As a result, no efforts were made to capitalize the expansion program and it was handled as part of the working capital. Working capital needs were so great that normal credit facilities could not be used and Government had to provide accommodations. This was done in two ways:

(1) Through bank loans guaranteed up to a substantial percentage by Government Agencies and secured by a pledge of receivables.

(2) Advances and progress payments.

These bank loans were on a revolving fund basis and as of September 30th, only partial accommodations were taken out, with the remainder available for standby purposes. It seems likely that eventually these amounts may not be adequate and may have to be expanded further. The loans are to be made by the banks, with the Federal Reserve assuming responsibility for a portion of the loans and the loaning bank paying the Federal Reserve part of the interest received as an insurance premium. During the last war the record of such loans was excellent and losses suffered were infinitesimal in comparison with the total used. It must be remembered that at that time the loans financed a full wartime output and that the presently projected amounts would have to be increased many times in the event of a major war. Present aircraft models cost considerably more than the comparable equipment in the last war. Thus, if the same quantities of aircraft were ordered the dollar volume of busi-

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Keep Public Informed on Investment Banking

our responsibilities in a time of national crisis?"

To provide leadership we must be ready with answers that show we have faced up to the issues involved in an **intelligent, high-minded** and **realistic manner.**

Leadership of the public will not come out of our industry until we ourselves make an attempt to resolve these issues.

It is not my intension to advance specific answers to these specific questions. Rather I wish to counsel with you and see if we cannot reach the common conviction that the leaders within our ranks must be prepared to give time and effort and make a real contribution to the collective understanding of this country.

In the Fall of 1952 I was in Paris for the annual meeting of the International Bank. Although I had but little time, I did manage to exchange views with men from many countries. I came away with a very distinct impression: That the European situation was extremely critical, not so much as reflected in financial statements, but rather in terms of a pessimism growing out of physical weariness and material and spiritual exhaustion. There was a pervading anxiety about the very survival of Western civilization.

Quite recently I was able to observe conditions in the Far East—Japan, China and Formosa. My brief visit served to confirm what all of us have read—an altogether different problem than in Europe, but just as confused, just as confusing. There is a social and political unrest marking, as General MacArthur has said, the end of one era and the birthpangs of another, whose ultimate shape no man may yet discern.

"Standing in Dead Center of a Tornado"

Here in the United States we are like the man standing at dead-center of a tornado, who has but a limited time to take effective action. If this fellow just stood there and cried over his tough luck, wouldn't you call him a fool? Yet, too many of our business leaders are wringing their hands, bewailing their lot, and blaming everything on the Federal rainmakers. There are, of course, exceptions — the Paul Hoffmans, the Charles Wilsons and others who contributed so much to our tremendous national effort during World War II. But for the most part, American business is not providing the guidance we have the right to expect. Business executives are not taking a stand to mold public opinion and to shape policy. What a contrast in the last Presidential campaign! President Truman wrought a miracle by the simple means of pitching at the level of the average voter. He credited his Administration with being the protector of the common man against the "special interests" — businessmen, industrialists, b a n k e r s. Unfortunately, the average citizen identifies our industry as one of the "vested interests."

Business leaders, too, seem to be motivated by a philosophy of group distinctions. They are prone to see this country divided into three powerful but mutually hostile camps: Government, Labor, and Industry in its broadest sense, including Agriculture. In a time of national crisis such conflict is tragic. If the America we know and love is to survive, if we are to extend our way of life to other portions of the world, we must accept the challenge as a **united** America. As equal partners, government, labor and business can face the future with some measure of equanimity; as reluctant allies, their efforts will be spent in petty squabbles behind the lines.

What, then, are our responsibilities as an industry? A negative attitude has too long been prevalent. We are too inclined to say "The country is in a hell of a mess." That attitude represents a hopeless state of mind. We have been too lazy, too pessimistic, too indifferent to ask, "What can be **done?"** Sure, we all decry creeping socialism. But what have we done about it? We have fiddled and watched the fire.

The negative attitude that Mr. Sproul so rightly criticizes obviously provides no answer to the problem that faces us. Our too long continued pessimism must be replaced by an enlightened optimism. We investment bankers should recognize ourselves as the supreme optimists on the national scene today. We are the Underwriters of America's Future. We are, if I may say so, the bondsmen to the character and integrity of the American people.

Wall Street Is Main Street, U. S. A.

Just three years ago on this very platform Hal Dewar called attention to the fact that Wall Street is actually Main Street, U. S. A. His point was, of course, that our industry had long been tarred with the black brush of big business—that it was automatically associated in the public mind with the "big bad wolf." He charged us with the responsibility for correcting this erroneous impression. There is much that we have done, but the impression still persists in many places. Many of our larger offices are in Wall Street, La Salle Street and Montgomery Street—located, that is, in important business centers. But a truer picture of our role in the economy would be found in a chart showing the hundreds, yes, thousands of investment banking offices located on the streets of smaller cities and towns throughout the nation. These offices constitute a network of feeder creeks not unlike the great watershed system of North America, which carries the flow of a thousand rivulets and streams into the mighty Father of Waters.

It is in this sense that Wall Street is Main Street, U. S. A. We investment bankers channel the modest savings of Main Street into productive use by industry and governments throughout our land. It is this steady flow of investment funds that vitalizes our industrial plants and gives us the high level of goods and services that we enjoy. We have the greatest industrial organization ever created. During World War II we not only took care of our domestic and civilian needs and met the requirements of our military in various parts of the world — we also helped to feed, clothe and arm our allies. It is our industry which fuels and lubricates this vast mechanism.

If this is a valid statement of our role and significance in the over-all economy, then we are truly the Underwriters of America's Future. Unless we suppose an absolute cynicism on the part of our profession, we above all other members of the financial family are in a good sense optimists about the future and vitality of this country.

Everytime we receive from the farmer the profit on a wheat crop or accept the widow's mite—when we take this money and invest it to yield a return—we are backing more than our own competence as investment men. We are actually expressing our conviction that this nation and this free economy are basically sound. If we are not convinced of that, we are either knaves or fools. If we did not feel this profound confidence in the future of America, we ought ourselves (like the nobility of revolutionary France) to be buying diamonds, not securities!

Engaged in Calculated Risks

We investors are engaged in a series of what General Eisenhower has called "calculated risks" for which there are no actuarial tables. The present world situation is without parallel in history, but we place our investment dollar with an unshakable confidence that the forces which combined to make America a great nation have lost nothing of their original vigor; that our national character is sound; our economy healthy enough to meet even the incredible challenge of arming against war while sowing for peace; that our political institutions can stand up to the slave state with no loss to our essential liberties.

We are then, I say, the great optimists on the national scene. But optimism without intelligence is a poor, even a dangerous thing.

It is all too easy, even in the face of the present crisis, to reassure ourselves with the time-worn platitudes: "Oh, there have been crises before, and the human race has survived."—"The sun will continue to rise and set. Men will be born and die, life will go on." But what **kind** of life? None of us here would want to continue life in the misery of a slave state; it is not a heritage we could leave with any pride to the future generations of Americans; it is simply not worth fighting for.

No! We base our optimism on the conviction that America must survive as she is: a free country of free people working out their destinies in a free economy. And if this be our hope, then we must contribute the kind of leadership this country needs.

Enlightened self-interest, if no other sentiment, would dictate such a course. For our own industry in particular, the very possibility of existence within the framework of the socialist state—to say nothing of the slave state—is almost negligible. If in the dim future the obituary of free enterprise is written, and that of our industry along with it, then we, the responsible leaders of the investment banking industry at the present moment, shall have to bear a large portion of the blame.

Three Basic Affirmations

There are three basic affirmations which can, I hope, be accepted by the majority of you, and which may signalize to the country at large the fact that the investment bankers of America are not apathetic, entrenched defenders of "special interests."

(1) I affirm, firstly, that the investment industry should make public recognition of its responsibility for leadership in this time of national crisis. A more than representative proportion of the nation's intelligence and character is to be found in the ranks of industry, and within the larger industrial group our own business is well represented. Investment banking leaders then constitute a national potential, a national trust, which must be utilized to the public advantage. Government, labor and industry, instead of being mutually hostile, must recognize and respect the intelligence and character of the other partners in a joint enterprise.

(2) Secondly, I believe that the free enterprise economy is essentially sound and that capitalism is a necessary adjunct to the American concept of a free political economy. Here we must avoid two sorts of excess: excessive praise and excessive blame. As to the former, let us be frank enough to admit that the American form of capitalism has been vitiated in practice by some bad features. When I say I am convinced of the basic soundness of the capitalistic system I mean, of course, a capitalism purified by intelligent criticism from within industry itself.

I would like to hear more industrialists of the calibre of Mr. Hoffman come out ringingly in defense of our economic system. The time for hiding in the woodshed like an errant boy caught in some petty misdemeanor is long since past. Let us tell our own people and the people of the world at large just what the American system of free enterprise has accomplished to improve the material lot of the millions of us who are fortunate enough to enjoy it. Here, I repeat, is the proper task of that public education which our Association has stressed in recent years.

(3) And, lastly, I affirm that our industry is willing to sit down in conference with other responsible groups representing other segments of the national interest. Here we must accept the fact that government and labor, too, have men of intelligence and goodwill, who are as sincerely interested as we in safeguarding the national integrity.

If we business leaders will take the initiative in creating such an atmosphere of confidence, we shall inspire in government and labor a more disinterested attitude towards the common problems of the nation.

I wish to leave you with a sobering thought. As I stepped off the plane recently after three weeks in the Orient, I had indeed that sense of being at a sort of mid-point between a pessimistic, discouraged Europe and a restless, seething Orient. But there was another thought: that of profound gratitude for my American birthright, for my heritage as a free man living in the most liberal, the most stimulating political and economic society that human genius has devised. You share with me this tremendous heritage. Whatever its faults, America is—I say it reverently—the present hope of mankind.

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Petroleum Industry's Profits at Peak

barrels, or an average of about 470,000 B/D.

Lack of transportation facilities has backed up some 300,000 B/D of producible crude in the West Texas-New Mexico Basin and 100,000 B/D in the Rocky Mountain area. The latter production should be available in the near future as sufficient steel has been allocated to complete the Platte pipe line which will transport Rocky Mountain crude to Mid-West refining centers.

Since the shut down of Iranian output in July the United States has decreased its imports from the Middle East and exported refined products to Europe to help meet the deficiency. The PAD estimates that the industry can supply 280,000 B/D of crude oil and products for the remainder of the current quarter and close the year with inventories of crude and refined products of 522 million barrels (excluding natural gasoline and other products) which compares with inventories of 560 million barrels in October. Such a reduction would be equal to less than 40% of the increase in inventories in the second and third quarters. This agency also estimates that assuming a balance between refinery output and normal demands, the United States can provide Europe with 100,000 B/D through the first quarter of 1952 without endangering the domestic inventory position.

It is apparent that a settlement of the Iranian controversy and the resumption of full production would necessitate an important readjustment within the oil industry. However, production, both domestic and foreign, is subject to a substantial degree of regulation. South American, and to a lesser extent, Middle Eastern output is controlled by American concerns. As their primary interest is in the domestic market, it would be unrealistic of them to allow their own operations to threaten the domestic price structure. Texas accounts for over 45% of the total United States production and the Texas Railroad Commission has operated with marked success in adjusting output so as to maintain a reasonable balance between supply and demand. In fact, the Texas and Louisiana Commissions have already ordered small reductions in the monthly quotas of those States. It would seem likely, therefore, that any unsettlement in the oil market would not be unduly prolonged.

The Independent Petroleum Association has estimated that domestic demand for petroleum products will reach a peak of 7,755,000 B/D in the first quarter of 1952. The total domestic and export demand for the Oct. 1 to March 31 period, which includes the heating season, was estimated at 6.6% over the 1950-51 season. The Association's forecasts for individual products were an increase of 7.8% for gasoline, 7.1% for kerosene, 9.9% for light fuel oils and 2.1% for heavy fuel oils.

Military demand, although it has been an important factor in West Coast markets, accounts for only an estimated 5% of national consumption.

Petroleum Industry Expansion

Confidence in the future of petroleum is best exemplified by the four-year program on which the industry has embarked to increase refinery capacity and other facilities and to provide for intensified drilling activity to increase crude production and reserves. Magnitude of the expansion is seen in the 1951 total of capital expenditures estimated at some $3.3 billion, well in excess of the 1950 aggregate of $2.45 billion and topping the previous spending peak of $2.95 billion reached in 1948. Current year planned capital outlays of 20 major companies recently surveyed total nearly $1.61 billion—up 38% from 1950, in the following rough breakdown:

	*Amount	Percent of Total
Producing (lease, well drilling, etc.)	$920.6	57%
Refining	279.2	18
Marketing	197.9	12
Transportation	143.0	9
Other	68.2	4
Total	$1,608.9	100%

*Millions of dollars.

Realization of the industry's program naturally will depend in considerable measure upon the availability of materials, especially steel. The Petroleum Administration for Defense, through the National Production Authority, is exerting every effort to the end that enough casing, tubing, drill pipe, wire rope, etc., will be made available, so that the industry can attain its objectives.

A record total of more than 44,000 wells will be drilled in 1951 as compared with 43,000 in 1950. Wildcat operations have been especially stimulated and are running 25% ahead of last year. However, drilling has not kept pace with production; so far this year there have been 19.4 wells drilled for every million barrels of output as compared with 22.1 wells per million barrels last year. The Independent Petroleum Association has estimated that to keep pace with demand it will be necessary to drill 50,000 wells during 1952 and subsequent years.

The PAD has established as a minimum goal a one-million-barrel-a-day expansion in refinery facilities to be realized by the end of 1953 to meet normal growth and provide reserve capacity against military contingencies. This is only 10% in excess of the annual rate of additions to refinery capacity made over the past five years and it is believed that the program will be enlarged.

The industry has fared reasonably well in securing certificates of necessity allowing accelerated amortization, though these authorizations have been most freely granted for additional production of components of aviation gasoline and to increase the output of the aromatics, such as benzene.

From all present indications, the expansion in 1952 should, broadly speaking, match that for the current year, though much will depend upon the availability of materials and the outcome of the turbulent situation in the Middle East.

Investor Attitude

The published portfolios of investment funds and institutional investors attest to the continued high popularity of petroleum common stocks. In general, the experience of our own business indicates that professional investors have been buying oil company equities on a continuous basis. Further evidence is supplied by a study made by Aigeltinger & Co. of the 50 common stocks in which investment companies reported the largest holdings as measured by dollar value. Four of the first five, and five of the first ten were oil stocks. In dollar value, oil stock accounted for 36% of the total amount committed in the 50 issues.

The important position of petroleum securities in national securities markets is evidenced by New York Stock Exchange data. As of Oct. 31, 1951, the total market value of common stocks of oil and natural gas companies listed on the Exchange was $18.8 billion, and compared with $14.2 billion for chemicals and $14.4 billion for public utilities. Total value of all listed stocks was $96.4 billion dollars, of which oils accounted for 19.5%.

Since the fall of 1940, oil stock prices have been in a long-term upward trend relative to industrial issues. A corrective movement from mid-1948 to the spring of 1950, coinciding with a readjustment of demand and supply relationship, was followed by a surge that recently established new average highs for oil equities. Since 1940, the advance in oil common stock prices, as measured by the Chase National Bank index, has been three times as great as the Dow-Jones Industrial averages, and in the current year the appreciation in oil stocks has been over twice as great as the gain in the Dow-Jones Industrials.

This long-term enhancement has reflected the very great improvement in operating results. The 30 stocks comprising the Chase National Bank index reported net earnings in 1950 that were 361% larger than in 1940; dividend payments gained 228%, and invested capital, exclusive of borrowed money, had more than doubled.

The strong secular growth trend of the industry, the tax shelter provided by depletion allowance, and the protection against inflationary trends implicit in the ownership of an essential and irreplaceable resource, provide compelling reasons encouraging continued investment in oil equities.

Natural Gas Transmission Industry

As 1951 draws to a close it can be safely predicted that the growth of the natural gas transmission industry during the year will mark another high record in its dynamic postwar curve of expansion. Expenditures for natural gas transmission and underground storage facilities in 1951 have been estimated at slightly more than $1,000 million as compared with about $750 million in 1950. In varying degree practically all of the country's transmission lines have shared in this growth. Major new lines which commenced deliveries during 1951 include Transcontinental Gas Pipe Line Corporation's 1,840-mile line from Texas to New York, and Trunkline Gas Supply Company's 1,300-mile line from the Gulf Coast to its point of connection with Panhandle Eastern Pipe Line in Illinois. Natural gas was introduced to New England following completion of Tennessee Gas Transmission Company's extension across New York State to a point of connection near Pittsfield, Mass., with Northeastern Gas Transmission Company. Latest indications are that Texas Illinois will begin to deliver gas from the Southwest to the Chicago area before the end of the year. El Paso Natural Gas Company's 433-mile line from the San Juan basin area in New Mexico to the Arizona-California border to connect with the Pacific Gas & Electric Company serving the San Francisco area has been completed. Although the 1951 level of pipe line construction expenditures may prove to be the peak for several years, the industry looks forward to a continuation of a substantial level of expansion. Forecasts for 1952 place the level of construction expenditures at around $800 million. There are a number of major projects for which applications have been filed with the FPC which are pending authorization.

The development of underground storage facilities to solve the industry's problem of meeting peak-day requirements in cold weather has accounted for an increasing proportion of the industry research and construction expenditures. According to the American Gas Association, underground storage projects now planned will require the investment of $500 million over the next three years. There is presently stored in underground reservoirs about 350 billion cubic feet of gas, which is equivalent to over one-third of annual residential consumption. All of this, however, is not available for delivery because of the necessity of maintaining field pressures.

While consumer demand for natural gas continues to grow, the pipe line industry is faced with a shortage of steel in attempting to meet this demand. Most of the projects of the major pipe line companies which had been scheduled for completion in time for this winter have been able to get enough steel to keep within their

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construction schedules; however, not all of the capacity planned for completion this year will be completed on time. Under the Controlled Materials Plan, steel needs of the pipe line industry are screened through PAD whose job it is to claim from the DPA the tonnages which are deemed essential. Of the tonnage claimed by PAD for the third quarter of 1951, about 75% was allocated. It may be observed generally that the natural gas transmission industry's importance in both the civilian and defense segments of our economy places it in a relatively strong position in competition with other sources of demand for steel. However, it is obvious that expansion plans are subject to substantial curtailment because of the steel shortage.

The year has been an active one in the volume of financing undertaken. It now appears that natural gas pipe line companies (including companies engaged predominantly in the transmission end of the business as distinguished from distribution) will have issued about $420 million of securities for the year as a whole as compared with approximately $456 million in 1950. The 1951 figures include about $215 million of debt securities placed privately, and about $205 million issued publicly, for the most part through investment bankers. Of this latter figure approximately $125 million is represented by funded debt, $65 million preferred stock and $15 million common stock. The amount of common stock financing in 1951 has been considerably less than 1950 when the total was around $45 million. On the other hand, preferred stock financing in 1951 is up about 30% over 1950. The volume of debt financing in 1951 accounted for about the same proportion of total financing as in 1950. As with other industries, the pipe lines have had to pay higher interest and preferred dividend rates for new money raised since March of this year. Substantially all of the pipe line financing this year has been for new money purposes.

Earnings progress of the natural gas transmission industry has continued into 1951, although results for the year will be held down by the effect of higher Federal corporate taxes. A comparison of gross revenues of the major pipe line transmission companies indicates that for the 12 months ended June 30, 1951, there was an average gain of between 35-40% over the corresponding period ending June 30, 1950. A comparison of net income for the same periods shows that earnings were up by about the same amount. These comparisons, however, do not tell the whole story because final tax rates applicable to the year 1951 had not been determined when the earnings statements for the 12 months' period to June 30, 1951, were prepared and released. As pointed out below, a number of companies have applied for increased rates where the effect of increased taxes and other expenses has reduced earnings to a level below a "fair rate of return" on the rate base.

In summation, the natural gas pipe line industry continues to record an outstanding achievement of growth. While the rate of expansion from here on seems likely to be slowed for a while, primarily as a result of current steel shortages, the unabated build-up of demand from consumers provides a background which assures continuing growth at the fastest rate that can be accomplished within the limitations imposed under our national defense economy.

Canadian Oil

Development of the Western Canadian oil fields has continued at an accelerated rate. In the first ten months, 957 wells were drilled in Alberta resulting in 623 oil wells, 78 gas wells and 256 dry holes. In October a record high of 210 rigs were operating, of which 110 were in established fields and 90 were wildcats. In Alberta alone, 48 fields have been proven, over 2,500 wells are producing and about 145 million acres are under lease or reservation.

Canadian oil reserves are currently estimated at 1½ billion barrels. The head of Imperial Oil Company's western division believes there is a good chance of developing the 5 billion barrel reserve necessary to make the Dominion self-sufficient. It is estimated that to attain this goal would require an additional investment in the order of $1 billion in exploration and development. Currently, expenditures for these purposes are running at an annual rate of $200 million.

Potential production based on proved reserves is estimated at 225,000 B/D, which, however, cannot be realized because of inadequate transportation and refinery facilities. Actual production currently approximates 195,000 B/D, or more than double the output of a year ago.

Refinery capacity within the marketing area now amounts to 203,500 B/D, about one-third of which is served by Great Lakes tankers and is shut off during the winter months. A 20,000 B/D facility will be opened in the spring and plans have been announced for projects totaling 53,000 B/D.

Plans have reached a definite stage for construction of a pipe line to ship Alberta crude to the Pacific Coast. It has also been suggested that the Interprovincial pipe line might be extended to the Twin Cities.

The creation of an important chemical industry based on Western Canadian petroleum products is already under way. Sulphur extraction plants are operating and under construction in southern Alberta. A $54 million American financed plant near Edmonton will produce industrial organic chemicals from hydro carbons.

Canadian Natural Gas

It is believed that the Province of Alberta will grant a permit to export gas before the end of the year. Hearings before the Alberta Conservation Board (are now in progress) and the Board's recommendation to the Provincial Government should be made shortly.

At the initial hearings, which lasted from Sept. 10 to Oct. 4, two estimates of Alberta gas reserves were submitted; the first placed reserves as of August 25, 1951, at 7,811.1 billion cubic feet of recoverable pipe line gas. The second estimated that as of Jan. 1, 1951, there were 11,062.8 billion cubic feet proved and probably recoverable reserves. Canadian Oil Journal reported the DeGolyer estimate as 13.707 billion cubic feet, of which 8,415 billion cubic feet was available for sale.

As the Alberta Government has established a policy of permitting exports when the Provincial requirements of a 4,500 billion cubic feet reserve was established, a favorable ruling is anticipated.

While the Alberta Government will grant licenses for the exporting of gas from the Province, if gas is to be exported from Canada the Dominion Government through the Department of Trade and Commerce will have to grant a permit authorizing such export, and the decision as to the companies which will be permitted to construct and operate the pipe lines and the markets to be served becomes the problem of the Dominion Government through the Board of Transport Commissioners.

It is difficult to make predictions on natural gas as it involves provincial, national and international situations. There are three areas which at the present time contain natural gas surplus to Alberta's likely requirements, namely, the Peace River, Pincher Creek and eastern central and southern Alberta. Apart from the limited amounts now being made available to Montana for defense purposes, plans have been made by several companies to pipe gas to (a) Vancouver and other Canadian and U. S. Pacific Coast cities, (b) east to serve Toronto and Montreal and communities along the route, (c) east to serve communities in Saskatchewan and Manitoba and southeast to Duluth where the iron ore industry would also be supplied.

It has been suggested that the gas surpluses in the Peace River area are a natural source for supplying British Columbia and the State of Washington, while the Pincher Creek and those in the south central parts of the Province would be used for eastern points. The economic aspects of supplying the Pacific Coast are not a problem. However, the building of a line over 2,000 miles, considerable stretches of which pass through uninhabited territory, to Montreal and Toronto is another matter both from aspects of shortage of steel and competitive pricing.

It has been hoped in many quarters that there would be a joint or integrated policy for "North America" whereby Canada would supply the northwestern parts of the Continent and the U. S. A. the highly industrialized areas of eastern Canada. These hopes received a setback this fall when the Federal Power Commission refused to grant a firm-flow export license of Texas gas to Union Gas in Ontario. If a "North American" policy could be established the construction of nearly 4,000 miles of large diameter gas line could be avoided at a time of intense steel shortages and when the time element could be of distinct consequence.

L. P. Gas

In our Spring report we discussed the very rapid growth of the liquefied petroleum gas business. This growth has continued unabated during 1951, and output is estimated at some 23% higher than last year when it averaged 660,000 B/D. Over 7,500,000 homes now use L. P. gas as fuel. Recently, the use of propane as a motor fuel for tractors, trucks and buses has been developing rapidly. Among the several advantages are perfect vaporization, clean combustion, freedom from impurities, and extremely high octane number without the use of tetraethyl lead.

The National Petroleum Council predicts that the monthly availability of L. P. gas in 1952 will be more than 15% over the 1951 rate. Construction of transportation facilities has kept pace and 2,300 special pressure tank cars have been added to the 10,000 cars in service. About 72% of L. P. gas volume can now be moved by tank car and the balance by tanker and pipe line.

Several pipeline projects for the transportation of L. P. gas are under consideration, one of which would move from 10,000 to 20,000 barrels per day into the Chicago area.

The PAD in the last six months has approved several liquefied petroleum gas underground storage projects which, it is estimated, will store over one million barrels of propane and butane.

Legislation and Regulation

There was no important significant legislation affecting the oil industry in 1951. The important issue of the Tidelands was still unsettled when Congress adjourned. Approximately 70 bills or resolutions relating to the oil industry were introduced during the Congressional sessions and nearly one-third of them related to the Tidelands. Three bills proposed the reciprocal duty-free trade with Canada in oil, other than lubrication oil and motor fuel.

One of the most significant features related to regulation has been the encouragement of co-operation between the major oil companies in treating the problem of replacing supplies of Iranian oil and oil products in world markets. This was one of the key factors in the skillful solution of this problem by the industry.

A number of measures were introduced on the subject of Natural Gas covering such matters as the right of companies to secure land by condemnation for storage and compression facilities, adoption of safety rules for pipelines, and divesting the Department of the Interior of authority over pipe lines crossing government lands. None of these measures passed but will probably be considered during the next session.

This summer the Department of Interior issued a new regulation which could have far reaching effects on natural gas pipe lines applying for rights-of-way through public lands and reservations. For many years natural gas pipe line companies in obtaining rights-of-way over Federal lands were required to agree simply to operate their lines as common carriers in accordance with the Federal Mineral Leasing Act of 1920, but in most instances such stipulations have not been considered as of great practical importance, particularly since the passage of the Natural Gas Act of 1938 giving to the Federal Power Commission its broad jurisdiction over the interstate transportation of natural gas sold for resale. The new regulation requires the applicant for a right-of-way through Federal lands to make much broader stipulations, including an agreement under which the pipe line company could be required to double its capacity (without limit as to cost) so as to provide common carrier service for other shippers of natural gas. In any long distance pipe line there are bound to be tracts of Federal lands along the route, and it seems certain that these new provisions will be strenuously opposed by the natural gas pipe line industry. To date the authority of the Department of the Interior to require pipe line companies to comply with the new regulations has not been litigated.

A further development of wide-spread interest in the natural gas industry was the decision issued by the Federal Power Commission last summer to the effect that it does not have jurisdiction over the natural gas production, processing and gathering activities of Phillips Petroleum Co. The question of whether or not the FPC has jurisdiction over independent producers and gatherers has been a matter of controversy in the Commission, Congress and the courts for several years. The Kerr Bill, vetoed by President Truman in 1950, would specifically have exempted such activities from FPC jurisdiction. It has been contended that many producers have been deterred from selling their gas to interstate pipe lines for fear of being regulated as a "natural gas company." The Commission's decision in the Phillips case, although representing an administrative decision as distinguished from legislative action or a court decision, was hailed as a clarifying development which should tend to increase the amount of natural gas available for purchase by interstate natural gas transmission companies. The FPC has denied five applications for a rehearing of its decision, but it is expected that a court review will be sought.

In August the Petroleum Administration for Defense issued an order restricting the sale of natural gas to new house heating customers and large volume users within specified states and areas lying generally in the northeast and central parts of the country east of the Mississippi. A number of exceptions to the basic restrictions will tend to ameliorate the situation in the case of communities recently converted from manufactured gas to natural gas. The order is designed to prevent consumer demand for natural gas from running away from the pipe lines' ability to expand their delivery capacity.

A statute adopted in Texas this year, which became effective Sept. 1, levies a "gathering tax" of 9/20ths of 1 cent per Mcf, applicable to gas taken into pipe lines, including gas moving in interstate commerce. The tax, which for some companies mounts up to a sizable figure, has been assailed in some quarters as unconstitutional as applied to gas transported in interstate commerce but this question has not as yet been litigated.

Under various special provisions incorporated in the Excess Profits Tax law, practically none of the natural gas pipe lines will be liable for excess profits taxes this year, and so long as existing provisions remain unchanged the industry is not expected to be heavily hit in future years. On the other hand increases in the normal and surtax rate are eating heavily into pipe line company profits. The combined effect of higher Federal taxes, the Texas "gathering tax" mentioned above, and higher operating costs generally has forced a number of natural gas pipe lines to apply for higher rates. Pending applications for rate increases recently amounted to over $106 million on an annual basis. In view of the higher cost of senior money, some companies are applying for increases which would result in a rate of return somewhat in excess of the 6-6½% standard which has prevailed for a number of years. The machinery for obtaining rate increases is generally somewhat more favorable for pipe lines subject to FPC jurisdiction than in the case of most of the light and power utilities under state regulations, in that under the FPC procedure it is usually possible for the pipe line to place the higher rates in effect six months following the date of application, the increased rates being subject to refund to such extent as may ultimately be held not justified. A number of pipe line companies are now collecting such increased rates pending final determination of their rate cases.

One of the problems which probably is a major factor in the consideration of rate increases is the effect of the Commission's decision, discussed previously under this heading, as to its lack of jurisdiction over producing properties. The question of whether or not the Commission will allow a field price cost to a company for its own gas, or will include self-produced gas in over-all rate of return calculations involves this point and it remains to be seen how the Commission will handle the problem.

In consideration of tax legislation the usual effort was made to reduce the statutory depletion allowance related to oil production. The effort was defeated. Any assurance which may be obtained from the fact that depletion rates were maintained in the face of a heavy increase in general taxation must be moderated by the knowledge that this subject is by no means a dead one. The tax on depletion allowances probably will recur from year to year. In view of the fact that the oil industry has made an outstanding showing in earnings improvement this year while most other industries suffered severely from heavier taxes, may make the special protection of existing depletion rates a greater target for future adverse attention.

Another matter which falls under this general heading is the government's intention to press a program of development of synthetic liquid fuels from shale. The oil industry has vigorously protested the wasteful and unnecessary uses of materials and manpower under existing conditions for such a purpose. The Secretary of the Interior in a recent address before the American Petroleum Institute expressed firm intention to go ahead with the program if Congress will allocate the necessary funds.

Petro Chemistry

In appraising the future of the oil and gas business, increasing weight must be given to the dynamically expanding petro-chemical business. Established only 25 years ago, the growth of this industry has been so rapid that statistics have never caught up with it. Largely concentrated along the Gulf Coasts of Louisiana and Texas, the petro-chemical industry is responsible for this region's becoming known as the "Golden Crescent." The prewar investment in the Gulf region petro-chemical plants totaled about $65 million. This grew to $750 million last year and current projects should raise it to $1 billion by the end of 1951. Some experts believe that by 1960 petro-chemical plants will represent an investment in the order of $6 billion.

The oil companies participate in this development in three different ways: (1) indirectly as suppliers of the raw materials, (2) directly, through chemical subsidiaries cooperating division, and (3) as partners with other industrial companies in joint chemical operations.

The oil industry's expansion into the chemical field is the logical product of its extensive research activities. The annual petroleum research budget is in excess of $100 million, or about one-quarter of total industrial research expenditures, and more than 15,000 persons staff its laboratories. The oil technologist has, in fact, transformed the modern refinery into a mass producer of some 2,000 items.

Petroleum hydrocarbons now provide the basic raw materials for about 50% of the nation's output of organic chemicals. Current production of petro-chemicals is estimated at 5 billion pounds annually and is destined to increase continuously. Whole industries are founded on the products of petroleum chemistry. Among them we can name synthetic rubber, detergents whose production totals about 1 billion pounds annually as compared with 3 billion pounds of soap, and plastics like vinyl and polyethelene. Petro-chemicals are also widely used in synthetic textiles, paints and other protective coverings and pharmaceuticals and cosmetics. End products

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Petroleum Industry's Profits at Peak

range from anesthetics to TNT. Agriculture has shared in the benefits created by petro-chemistry through the availability of cheap synthetic ammonia used as a fertilizer. Natural gas now provides about 50% of the synthetic ammonia output and upon completion of projects now underway will supply 75%.

It is estimated that 68% of the increase in industrial natural gas consumption over the past five years can be attributed to the petro-chemical industry, which now consumes as both fuel and raw material about 600 b.c.f. annually. This is equal to about 20% of total industrial use including boiler fuel and refinery consumption.

It is evident that this rapidly expanding demand for natural gas as a chemical raw material has important implications for the owners of undedicated gas reserves. Lyon F. Terry of Chase National Bank in a recent talk commented: "If gas is worth around 30 cents per Mcf in the New York City area after 22 cents for transportation, it will ultimately be worth much more than 10 cents if utilized near the source. And there is plenty of political agitation in Louisiana and Texas, to retain gas for the use of industry that may be induced to move to Louisiana and Texas and thereby help those states grow."

Our economic era is frequently characterized as the chemical age because of the increasing dependence of all industry upon chemical processes or products. The extent of this dependence is indicated by the Department of Commerce estimate that chemical products of all kinds account for some 20% of total industrial production. And it now appears that the important organic chemical industry at least is well on its way toward becoming a specialized branch of the petroleum industry. This development has far-reaching economic significance. It is a major reason why the expansion of industry in the South has been running more than 40% ahead of the rest of the nation. Collateral enterprises using the basic products of petroleum chemistry naturally gravitate toward the source of supply, and as new industrial regions come into being there is created the attendant need for transportation, utility and trade and other business and public services. Conversely, the older industrial centers, dependent on obsolescent processes, must inevitably be threatened with economic deterioration.

Certainly, this changing industrial panorama is of primary interest to our profession, as the creation of new wealth requires a continuous supply of new capital. The petroleum industry itself has not been a notably good customer of the investment banker as its large earning power and favored tax position have provided a constant inflow of cash with which to finance normal growth. What outside capital the oil industry has required has been obtained to an important extent directly from lenders. However, this condition does not obtain in the petro-chemical industry. We have already provided substantial amounts as an important percentage of the new capital raised by the chemical industry in 1951 which has been earmarked for expansion of petrochemical facilities. Furthermore, an increasing number of industrial companies are entering the petro-chemical field either to provide their own raw materials or to exploit processes which are a logical extension of their present business. These, too, have required public financing.

Perhaps the most startling statistic of the petroleum chemical industry is that it consumes only 1% of the total petroleum output. If our imaginations require stimulation we may consider the implications of Dr. Conant's prediction that by the year 2,000 70% of petroleum products would be used as raw materials. Assuredly, today's "fabulous fraction" has a great future.

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Airline and Aircraft Manufacturing Industry

ness would be many times that of the wartime figure. At some time during the current rearmament program, earnings may reach a level which may cause the aircraft manufacturers' common stocks to sell at higher levels. Should that materialize, it would provide the companies with an opportunity, which should be taken, to raise additional equity capital in an amount adequate to pay at least for the expansion of facilities program. Such action should also prove beneficial in the determination of profits allowed on the business, as the relation between the companies' own capital and the funds provided by the Government is one of the yardsticks used in renegotiation.

Labor Relations: One of the difficulties which the industry faces is over labor. The aircraft industry requires a large number of trained personnel yet it operates under controls which limit the pay scales considerably under other industries in certain localities. As a result, the companies have difficulty securing adequate labor and there is a high rate of turnover. The industry has recently petitioned the Government to raise the minimum wages paid by the aircraft plants working on Government contracts from $1.05 to $1.35 per hour, under the Walsh-Healy Public Contracts Act. Another labor bottleneck has been in the Engineering Departments because of the difficulty of finding adequate personnel. While a considerable part of the work covers "standard non-classified" equipment, the Services require that only "cleared" personnel be used for all work. Should the Services be willing to differentiate on this work, satisfactory arrangements could be made which would help to solve the problem.

Guided Missiles: The Guided Missile program is constantly becoming a more important part of the Aircraft Manufacturing Division. In 1949, $28 millions were earmarked for guided missiles and in the current fiscal year the Air Force has requested $130 millions. From the reputed performance and the desired goals, it is likely that this part of the business may eventually develop into the billion-dollar level. Most of the major aircraft manufacturing companies have a participation in the program.

The Light Plane Industry: During the current year, the Light Plane Industry has been receiving increased business both from the Civilian and Government departments. Since the postwar period the business has been able to digest the large finished plane inventories which hampered production for sale in the intervening years. However, at present there is consistent increasing demand for light aircraft in agriculture, forestry and other land-patrolling activities, as well as a good business for executive aircraft. Experience in Korea has indicated the desirability of using light planes for artillery spotting and air reconnaissance. Recently an agreement was reached between the Army and the Air Force which covers the training and development of personnel for this work, and as a result, it is likely that substantial quantities of light planes may be acquired.

Helicopters: The performance of helicopters in Korea has finally proven their reliability and adaptability to different and difficult operating conditions. However, the cost of maintenance and replacement of parts continues to be very high and until this can be overcome, the Helicopter is likely to remain an expensive product. Should the manufacturers be able to overcome these factors, a major sales territory would be opened up. In the meantime, a large amount of orders is being placed with the producers, and with the companies in the development stage, for equipment of both the medium size rescue working and evacuation models and the larger units for transporation of fighting forces.

Air Transport

The closing months of 1950 and the year 1951 to date have continued to show improved airline operations. The gradual growth of civilian traffic has been slowly reaching the break-even load factor following the postwar slump. The air travel created by the Korean war has pushed the load factors beyond the break-even level, and once this level is reached, any additional load passes on to a large extent to net before taxes. As a result, the expansion in the earnings has been such that the C.A.B. has made retroactive rate reductions for the major companies to reduce the "subsidy" factor.

A comparison between the operations of the 16 Domestic Trunk Lines for the first eight months of 1951 and 1950, and the years 1950 and 1949 is shown in Table I.

In 1950 the Domestic Airlines carried a total of 1,461,770 revenue passengers as against 1,256,727 in 1949, and the International Division 140,123 against 126,672. In the first 8 months of 1951 the revenue passenger miles totalled 6.7 billion as against 5 billion in 1950.

Average passenger's fare per mile declined in 1950 to 5.50 cents from 5.76 cents in 1949 on the Domestic Lines, and from 7.72 cents to 7 cents in the International. Actually, there has been no change in the first class passenger rate since September, 1948. The decline in the average passenger's fare represents a growing volume of air coach travel. Numerous new routes were started in 1950, and have been in operation through 1951 pending final C.A.B. determination. The average distance of trips has also been declining as a result of es-

TABLE I
Operations of 16 Domestic Trunk Lines
(Dollar amounts in millions)

	Revenues—Mail	Revenues—Other	Total	Passenger Load Factor	Net Operating Profit	Net Income
1951 (8 mos.)	*	*	$431.0	70.0%	$71.5	*
1950 (8 mos.)	*	*	334.3	61.6	29.4	*
1950 (year)	$46.3	$447.8	524.1	62.7	62.6	$30.9
1949 (year)	45.0	414.8	459.8	59.1	24.6	13.4

*Not available.

tablishing "local" and "perimeter" service. Similar tendencies are becoming apparent in the international traffic.

In 1950, airlines carried about 46% of combined airlines and Pullman passenger mile traffic. It seems likely that in 1951 the airlines may finally surpass the Pullman traffic.

The non-passenger operations have also scored impressive gains in 1950, and continued through 1951. In millions of ton miles carried by Domestic Airlines, air mail increased from 40 in 1949 to 46; express from 27 to 36, and freight from 94 to 113. International airlines mail increased from 19 to 24, and freight from 6 to 15, but express dropped from 49 to 44. The increase in these services for 1951 is likely to be at as great a rate as in 1950.

While the freight carrying business is very competitive, the rates have been improving. The average rate for 1950 for all freight was 19.48 cents per ton mile. For the first 9 months of 1951 it rose to 20.50 cents and for the month of September, 1951, it was 20.91 cents.

The breakdown of operating revenues in 1950 (in millions of dollars) was approximately as presented in Table II:

It is generally difficult to measure true progress on a short period basis, but comparisons of figures in Table II indicate the diminishing dependence of airlines on government payments.

In discussing the Airline business, there is a very close relation between government payment and equipment. Government payments include the pay for carrying mail, and the payment for providing a service to the public, which is not economical by itself. This payment is called a subsidy. In calculating the cost of operation over a period of time, a substantial amount has to be set aside for the obsolescence of the equipment used. In the postwar period, the Airlines were able to acquire from the government aircraft at prices which represented but a fraction of their actual cost. Thus, the amount set up to be depreciated requires unusually low annual charges. These charges in theory provide the means to pay for loans made for the purchase of equipment, and to set up a reserve fund which could be used for acquisition of new planes when this is found necessary. Under present conditions, the costs of new aircraft and complimentary equipment are considerably higher than in the immediate postwar period.

TABLE II

Source of Airline Revenues
(in millions of dollars)

	—Domestic—		—International—		—Local—	
Passenger	$428	82.1%	$155	59.3%	$10	37.0%
Mail	46	8.8	69	26.4	16	58.9
Express freight	34	6.5	20	7.7	--	1.6
Others	13	2.5	17	6.6	--	2.4
Total	$522		$262		$27	

Thus, the difference between the present replacement costs of the aircraft and the amount at which they were purchased by the Airlines is even more distorted, and actually may be as much as three or four times the book item. The life of aircraft is limited by competitive conditions, new developments and the physical wear. While the latter could allow a much longer operative period, the two former conditions limit the practical time period to from five to seven years. Obviously, within that operating period enough funds have to be raised from depreciation and amortization to put the airlines in a position to acquire the new equipment. The present rates are being set up on the basis which provides adequate amortization on the equipment as represented by the postwar purchase price. However, in practice, the amounts are just about adequate to take care of the loan provisions made for the acquisition of the equipment, and make no allowances for the building up of a reserve fund which will be indispensable at the time that new aircraft is to be acquired.

Regulations under which Airlines operate provide for an earnings basis which should permit a fair compensation for the capital involved. The need for greater capital to finance the growth and expansion of operations has precluded in most instances the return on equity capital, and it has become a recognized practice that most of the earnings are used to permit the purchase of equipment. However, even the current boom conditions may not provide the Airlines with the opportunity to lay aside enough funds to pay even a relatively small part of the purchase price, and at the time of such acquisition, the financial conditions of the Airlines may be stretched to a critical point. It would seem that this eventuality should receive recognition from the authorities now, and a greater weight should be given to these factors in fixing the air mail rates.

Recently, the C.A.B. differentiated by administrative action between compensation paid for the carrying of mail, and the subsidy. The Domestic Airlines were divided into seven groups, each group being allocated a certain service rate. The amount received in excess of this rate is to be considered subsidy. The group No. 1, consisting of American, Eastern, TWA and United, is allotted $0.45 per ton mile on the basis of $0.34 revenue ton mile average cost figure. On this basis, the subsidy in group No. 1 is approximately 18%, and compares with the almost 95% subsidy in groups 4 and 5.

Equipment: At the close of 1950, the Domestic Trunk Lines owned 796 planes, the local lines 114, the International 208 and the Territorial 21. Of the total planes about 130 were acquired in 1950. As of mid-1951 about 576 commercial transports were on order.

The present policy of the airlines is to continue to acquire the propellor driven equipment, as it represents the most economic from the point of view of operations. It seems likely that a move to jets will be very gradual and slow. Probably at first this may involve the use of jets as boosters in pods to supplement the present reciprocating engines, and then perhaps the development of a jet engine which could be used interchangeably with the present one. This conservative approach could be disrupted if one of the major lines should start operating a jet on a major route. Obviously, all the competitors would have to follow regardless of the economics involved.

In the past, the usual method of financing the purchase of aircraft has been through arrangements of bank loans. Rarely have securities been issued for that purpose. However, it would seem that a study of the equipment trust approach may prove advantageous. Many difficulties are apparent in the creation of such funds, but an experience of handling second hand equipment by small operators on relatively short-term trust basis is already a fact and should provide the foundation for further discussions.

An unknown factor covering the equipment program is in helicopters. Experimental short haul mail services with helicopters—particularly between air terminals and central port office—has been satisfactory and is being expanded. A number of shuttle service lines between airports and some central city locations are awaiting permission to start operations. Should these prove economical, helicopter service could open up important feeder territories. In such an event substantial quantities of helicopters would be required and would involve large capital expenditures.

Finances: An interesting study of the difficult airline finances can be made from the following factors. 1950 and the first part of 1951 have shown good operations. In 1950, depreciation charges amounted to over $40 million and net profits to $31 million for the 16 Domestic Trunk Lines. Yet during the year, the financial conditions improved by only $9 million with a reduction of $12 million in long-term debt and a reduction of $3 million in the working capital.

In the first half of 1951, the working capital increased by $7 million, but the long-term debt also increased by $3 million; thus, in spite of the excellent operating conditions and earnings results, the financial position improved but by $4 million. The actual figures are shown in Table III. These figures indicate the heavy demand by equipment purchase on liquid assets.

A number of airlines have requested accelerated amortization certificates on equipment being bought, but to date no action has been taken. Over the next three years, approximately $300 million are likely to be expended for equipment according to announced plans.

Excess Profits Tax Exemption: The Airlines have three choices

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TABLE III

Comparative Figures on Airline Finances

	Current Assets	Current Liabilities	Working Capital	Long-Term Debt
Dec. 31, 1949	$175,472,000	$98,429,000	$77,043,000	$148,017,000
Dec. 31, 1950	204,019,000	130,112,000	73,907,000	135,843,000
June 30, 1951	256,583,000	175,535,000	81,048,000	139,654,000

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in calculating their excess profits tax exemption. The average earnings method, the invested capital, or a special credit allowed a regulated industry equal to regular normal and surtaxes, plus 7% of invested capital, after certain allowances. Under all three options, mail revenues in a taxable year are deductible if after certain deductions, adjusted net is zero or less. In practice, it seems that American and Eastern may be the only carriers subject to this tax in 1951.

Respectfully submitted,

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Railroads, the ICC and the Investor

a comfortable cushion for fixed and contingent charges of approximately $475,000,000. Such comparisons seem to imply a satisfactory earnings performance but fail to give proper recognition to the conditions confronting the railroad industry today.

Because the industry's credit is at low ebb and because equity capital is not readily available, a large part of net income must be devoted to paying for capital expenditures. The prices of goods and services which the railroads must buy have increased tremendously in the last decade. Box cars have nearly doubled in price. Average hourly wage rates have more than doubled. When measured in terms of purchasing power, railroad net income compares unfavorably with the net income of earlier years and does not provide adequately for the financial needs of the carriers.

Because the extent of railroad modernization programs is largely geared to available earnings rather than to the need for improvements, a vicious circle is created. Adequate earnings are one of the essential requirements for re-establishing railroad credit and to interest equity capital. Earnings depend in part on the maintenance of high standards of operating efficiency. The maintenance of a high level of operating efficiency depends upon continuing expenditures for modernization, which in the absence of credit must come from earnings.

Stated in another way, *the adequacy of railroad earnings should be measured by the amount of purchasing power produced and not by the arbitrary and inflexible standard of rate of return on property investment.* Further, present regulatory philosophy apparently gives much weight to the volume of traffic in prospect when considering what level of rates should be permitted to produce a reasonable amount of income. Under this policy, rates do not keep up with the cost of producing the transportation service, and volume is expected to make up the deficiency. This would seem to imply that in periods of declining traffic volume, rates should be raised in order to produce the required amount of income. No other competitive enterprise could long survive under such unbusinesslike philosophy.

Faulty National Policy

Those who are prejudiced against railroad securities will point out that inadequate earnings are only one of the reasons for their attitude. They point to the increasing diversion of traffic to other forms of transportation and the failure of the railroad traffic index to keep pace with other indices of industrial production. While conclusions drawn from such appraisals may not be entirely accurate, they are indicative of some of the fundamental problems which beset the railroad industry. These problems are caused primarily by the continuing effects of an unsound and obsolete national transportation policy. In the interest of brevity, we will not discuss in detail the errors of our national transportation policy but will summarize them by a quotation from a progress report issued in October of this year by the Domestic Land and Water Transportation Subcommittee of the Senate Committee on Interstate and Foreign Commerce.

This report notes that:

"Four factors mainly have been responsible for the impoverishment of the railroads. First, competitors of the railroads are subject to less restrictive type of regulation or exempted entirely from regulation. Second, the railroads have been prejudiced by the subsidization of many of their competitors. Third, railroads frequently have found it impossible to compete because, in the matter of rate determination, the exercise of managerial judgment and initiative has been curtailed unreasonably. Finally, the necessity and convenience provision of the law has been administered loosely, and as a result excessive facilities have been brought into existence through the issuance of excess certificates."

The report further goes on to state:

"There are other factors which influence the railroads' financial condition. We do not believe, however, that the financial difficulties of the railroads can be attributed to an unreasonably high level of rates, imprudent dividend policies, overcapitalization, lack of technological progress, poor management, or the absence of potential sources of equity capital."

Your Committee concurs in these statements and recommends the report to all who are interested in an excellent study of the problems confronting our transportation agencies.

Railroads Indispensable

It has been demonstrated that our economy cannot function without railroads. Yet under today's conditions there would be no incentive for private enterprise to undertake the construction of these facilities. A complete overhauling of our national transportation policy is essential to avoid a deterioration of the railroads to the point where the public interest will require that they be taken over by the Government. The nationalization of this country's railroads is a prospect which all friends of free enterprise should view with concern and do their utmost to prevent. The fact that an increasing number of public and private groups are aware of this is a measure of assurance that constructive action will be forthcoming and a less pessimistic attitude toward the railroads justified.

Railroad managements also have an opportunity and responsibility to win more friends to their cause. Militant and straightforward presentations such as one made recently by a senior executive of a large eastern railroad are more constructive than plaintive appeals. Frequently, in presenting and justifying revenue cases before the Interstate Commerce Commission, representatives of the carriers overdo their pleas of dire poverty and imminent bankruptcy. Such pleadings are appraised on their merit by the well-informed ICC but to investors they are persuasive reasons for shunning railroad securities.

At the same time but in contrast to the preceding comment, many railroad companies are reporting very large earnings per share on their common stocks. In many instances this is considered indicative of a high level of prosperity derived from a large return on property investment. This is a false impression. In most cases, large per share earnings are the result of a small stock capitalization against a large property investment earning only an average rate of return. The managers of such companies can correct such false impressions by increasing the number of shares outstanding either by stock dividends or stock split-ups.

In viewing the results of railroad operations, it is apparent that carriers in some regions are less prosperous than others elsewhere for reasons largely outside their control. The improving service which shippers and travelers demand and deserve depends in large measure on the financial capacity of carriers to improve their plants. This is a national and not a regional problem. A west-coast industry directing a shipment to the eastern seaboard is concerned with the adequacy of service to the final destination. So too, is the traveler by passenger train. If there is a weak link in the chain it redounds to the discredit of the entire industry. Managers of the more prosperous companies in one region should not view with detachment the problems of the less prosperous companies in another region. Rather it should be viewed as a problem to be solved by mutual effort. It may well be necessary to promote consolidations, coordination of duplicate services, overhauling of rate division practices and special compensation for the more costly elements of service, such as terminal expense.

One thing is certain, a breakdown of the national transportation system because of a weakness in the component parts is potent ammunition for those who seek to nationalize the country's railroads.

In summary, a concerted and intelligent effort by public and private groups and individuals will enable the railroads to continue functioning adequately as the backbone of our national transportation system. The benefits that will accrue over-shadow any singular selfish consideration.

Respectfully submitted,
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Three With Hooker & Fay

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Hartley F. Hutchings, David C. Kuhn and Norman L. J. Lloyd have become associated with Hooker & Fay, 340 Pine Street, members of the San Francisco Stock Exchange. All were previously with Davies & Co.

With Paine Webber Co.

(Special to The Financial Chronicle)

LOS ANGELES, Cal.—Harold B. Meloth, Jr., is with Paine, Webber, Jackson & Curtis, 626 South Spring Street.

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Unity in the Securities Industry

seen within the Stock Exchange, within the greater financial community, are similar to the influences you find in any industry.

The salesmen want to do it one way, have one viewpoint; the back office people, the people who are on the floor of the Stock Exchange, for example, want to do it another way. But we are all trying to get the same objective. The only difference is, that in an industrial company which is integrated, these conflicts of interests are ironed out by the board of directors or by the management because they are in a position to do so. In a Securities industry, we are not integrated that way and we must rely on cooperation, where in an industrial company, one can rely on executive order or on fiat.

From what I have heard down here this week I know also that there are some areas where we have to work out a joint program of action for the future. I am speaking now between the Stock Exchange and the Investment fraternity.

Discusses "Off Board" Transactions

The coming into the market on large scale of insurance companies, pension funds buying large blocks of stock has created an area of uncertainty as to what is the best way to handle the sales of those securities. Many people in the investment profession want to take large blocks of stock which are listed and sell them direct, off the board. Those of us that are in the Stock Exchange believe that if we are going to maintain a sound secondary market, we have to take steps to see that those large offerings are handled on the Exchange if they possibly can be.

We in the Stock Exchange now, have just appointed a Committee of which several members are here today, to study this whole question and to tell us whether they think the changes that have occurred in the business are such that we ought to change some of our rules. I can assure you that we in the Stock Exchange have an open mind on that subject and that we are going to study it.

Commissions Being Studied

Another area is the question of commissions. We have a study going on in that, too. We haven't definitely decided that the present commission structure or type of commission is the best. All of these things we have to work on together. One of the things that impresses me most in that connection is that we have to get the facts. It is so difficult to find out what the facts are, in trying to analyze these problems. You all are familiar, I think, with one of the first efforts to get the facts that is being made at the present time.

Survey of Stockholders

The New York Stock Exchange, in cooperation with all the other Exchanges, the NASD, the banks, industrial companies, and the Brookings Institution are making a survey to try to find out exactly how many stockholders there are in this country. I might add that that survey, they tell me, has received a response on the part of the financial community and industry which has no parallel in any past endeavor of the Stock Exchange to get information. We requested data of some 1,100 companies—that is, the Stock Exchange itself has — all that list on our board, and some 500 banks.

Even though the information is not due for several months yet, we have already acquired complete statistics from over 200 companies and only 12 banks and industrial concerns have indicated any doubt as to whether they want to participate or not. We are going back to those 12 companies and, since they may have had some misunderstandings, I hope we will be able to get them to go along.

Anyway, that is an example of what we must do to get facts in order to arrive at decisions and agreements which will enable the Securities industry to present a united front.

We have already had some experience in cooperative endeavor which has been very reassuring. We heard yesterday, for example, about the Educational Committee, the fine work that it is doing in joint committees. We also joined hands this past year in our approach to the Congress, which resulted in the capital gains tax being held at a favorable level.

I just want to say here that the New York Stock Exchange—and I am sure that I speak on behalf of the other Exchanges—wants to join hands and play our full part with this great group in presenting this united front to the other Securities industry.

Now of course, I think that is just the first step.

Basis of Healthy Capitalism

The next and the most important step is for the Securities industry, having arrived at some successful basis for cooperation and unity, to go to the entire financial community and attempt to work out some basis whereby the saver in this country, who is now the lost man, can be well represented and his interests looked after. As I see it, a healthy American capitalism is a tripod which has three legs. One is the producer, one is the consumer and the third is the saver.

If you go back over the history of economics you will note that at different periods in our country, each one of those groups may have become paramount in importance at any one time, but over a long run, all three of them have to be healthy, if our capitalism is going to be healthy. In wartime, the producer is the important cog; in normal peace times, the consumer is of major importance, and in certain eras in the past, the capitalist, the saver, played the leading part—in the development of a new country, for example.

Unfortunately, in the past few years, the producer and the consumer have been so organized that they are getting more than their share, probably, of the pie and the saver is the one who is being neglected. The producers have been able to organize through their farmers' unions, through their labor unions and through management, which can look after its own.

The consumer is protected by competition or, in those areas where there isn't competition, where there are monopolies, by the government.

But the poor old saver—nobody is worried about him. He takes what is left over. I would like to see the day come when the entire Securities industry will take the leadership and go to the insurance industry and the banks and the savings banks and try to build a strong representation for the saver. It has been attempted in the past by small groups but they have not been too successful and it seems to me that if it is going to be successful, then the big organizations will have to get behind the program.

With Irving Lundborg

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif. — Frank E. Kendrick has become associated with Irving Lundborg & Co., 310 Sansome Street, members of the New York and San Francisco Stock Exchanges. He was formerly with Dean Witter & Co. and the Bankamerica Co.

Taylor With Stewart Scanlon

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Harry W. Taylor has become associated with Stewart, Scanlon & Co., 216 Montgomery Street, members of the San Francisco Stock Exchange. For many years he has been with Wilson, Johnson & Higgins.

With Henry F. Swift

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif. — James M. Anderson is with Henry F. Swift & Co., 490 California Street, members of the San Francisco Stock Exchange. He was previously with William R. Staats Company.

Dean Witter Adds

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Herbert M. Hanson, Jr. has become connected with Dean Witter & Co., 45 Montgomery Street, members of the New York and San Francisco Stock Exchanges.

With Bailey & Davidson

(Special to The Financial Chronicle)

SAN FRANCISCO, Cal.—Morrow M. Blaine is with Bailey & Davidson, 155 Sansome Street.

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Canada's Economy Reaching New Highs

Line and by lake tanker. Every link in this recently constructed chain is now being expanded—by adding pumping stations and by looping sections of the pipeline, by increasing storage capacity at Superior, Wisconsin, and by building more lake tankers. Major refiners in and near Sarnia, Ontario, are adding to their capacity and a products pipeline to Toronto is under construction.

A small market for western crude, but one of great significance, is being found in the United States, radiating from the Interprovincial Pipe Line terminus at Superior, Wisconsin. One refinery is now on stream in Superior and another is planned. Tanker deliveries were recently made in Michigan. This export of crude oil must surmount a stiff tariff and it is to be hoped therefore that some progress will be made before long by way of integrating the producing and refining facilities of Canada and the United States. Without adjustments in tariffs and quotas operators who are separated only by the 49th parallel may find themselves pumping crude oil in opposite directions over long distances!

The next important step in providing additional markets for western crude will probably be the construction of a pipeline from Edmonton to Vancouver. This joint venture by a number of major oil companies will fill an urgent need.

Natural Gas—Estimates of the total proven and probable gas reserves of Western Canada vary widely. Alberta's Conservation Board has held several hearings at intervals over a period of nearly three years to determine the extent of reserves before authorizing export of gas from the Province. The Board has estimated the Province's 30-year needs at 3.2 trillion cubic feet. Ranking consultants fix current proven and probable reserves at eight to 11 trillion cubic feet—a figure which development activity is raising rapidly. It appears likely that a decision leading to the export of gas will therefore not be long delayed.

Five or six companies may be numbered as major contenders in the field of gas pipeline construction—two to reach eastern markets and three to supply British Columbia and the Pacific Northwest States. While it is not possible to predict at time of writing what the outcome will be, it seems clear, that, with the Conservation Board's approval, upwards of $100 million of capital investment will shortly be poured out in the initial phase of construction to bring this newest of the natural resources of the West to markets on both sides of the Border.

Iron and Steel—By the end of 1954, when the first shipments of high grade iron ore from the great deposits lying across the border of Northern Quebec and Labrador begin to move over the railway to Seven Islands on the St. Lawrence estuary, Canada will be on its way to join the ranks of the world's greatest exporters of iron ore.

Financing for the construction of the railway, terminal facilities, hydroelectric installations, etc.—totaling over $150,000,000—has been arranged by the Iron Ore Company of Canada. Shipments of ore are scheduled to reach 10,000,000 tons in 1956.

An important contribution to Canada's growing ore output is also being made by Algoma Steel Corporation and Steep Rock Iron Mines. Algoma is developing several ore properties in the Michipicoten area of Western Ontario and greatly expanding its primary steel capacity. Steep Rock has reported shipments of 1,325,000 tons of ore for the 1951 shipping season and planned expansion will bring output up to 3,000,000 tons per year by 1955.

The primary steel capacity of Canada is hardly sufficient to supply two-thirds of domestic demand. The "Big Four" steel companies—Steel Company of Canada, Dominion Steel & Coal Corp., Algoma Steel Corp. and Dominion Foundries & Steel—are all engaged in major expansion programs.

St. Lawrence Seaway—Full justice cannot be done here to the controversial subject of the construction of the St. Lawrence Seaway. It may be appropriate, however, to emphasize the point that the development of the great iron ore deposits in Quebec-Labrador and the availability of this strategic resource to the main centers of the primary steel industry of the United States will depend to a degree on how soon the Seaway receives a green light.

A new official development in the tortuous course of the Seaway Plan came recently when the Canadian government announced that it would give up the joint plan (except as to power installations) and seek agreement to construct an all-Canadian Seaway. The estimated cost of the Seaway and power projects is in the neighborhood of $800 million.

Aluminum—In April of this year Aluminium Ltd. released its plans for a huge project at Kitimat, British Columbia, the first stage of which will require the construction by 1954 of a primary aluminum plant and power installations at a cost of $160 million and the complete plans calling for a total expenditure of $550 million. A further $60 million was allotted for expansion of hydroelectric power and plant facilities in Quebec. Canadian exports of primary aluminum to the United States have roused protectionist sentiment but, putting factional questions aside, this aluminum possesses an advantage which should work to the benefit of all concerned—it is produced at low cost derived from inexpensive resources of electric power. It becomes increasingly evident that the United States must depend on enlarged imports of this strategic material.

Base Metals—Among the base metal producers, International Nickel indicated that its capital expenditures for 1951 would exceed $20,000,000 and Sherritt Gordon Mines announced that financing which would total about $29,000,000 had been arranged to bring its Lynn Lake nickel properties in Manitoba into production. Canadian National Railways began the construction of a 150-mile railway to Lynn Lake. Consolidated Mining and Smelting Co. began a $64 million program to expand its lead, zinc, and chemical output in British Columbia. Base metal companies in Quebec, from Noranda Mines down to the juniors, have been exceptionally active. Recent reports indicate that construction of a zinc refinery may soon be undertaken with one or more major base metal companies in the United States participating.

Mention should be made of the Allard Lake area, Quebec, where Kennecott Copper Co. and New Jersey Zinc are raising the output from what may be the world's largest commercial deposit of ilmenite, source of iron and titanium.

Chemicals—The widespread nature of capital expenditures for expansion among producers of chemicals and allied products makes it unrepresentative to single out certain companies. However, Canadian Industries Ltd. should be mentioned in regard to large plants which it has under construction or planned for Brockville, Ontario, Calgary, Alberta, Edmonton, Alberta and Copper Cliff, Ontario. Dominion Tar & Chemical Co., Shawinigan Chemicals and North American Cyanamid are also engaged in large expansion programs. Canadian Chemical Co., a subsidiary of Celanese Corp. of America, has a $60,000,000 acetate and rayon plant under construction near Edmonton. Shell Oil and British American Oil (the latter in conjunction with Shawinigan Chemicals) have important petro-chemical facilities underway in Montreal East. Canadian Industries Ltd., Noranda Mines, Consolidated Paper, Royalite Oil and Shell Oil all have projects in hand which will supplement the short supply of sulphur in Canada. Marathon Paper Mils is planning major capital expenditures which will raise the national output of basic chlorine chemicals. These and many other similar expansion plans are greatly increasing the quantity and diversity of the chemical products manufactured in Canada and, to a certain extent, reducing our dependence on imports in this industry.

Pulp and Paper—Any summary of the expansion being carried out by the pulp and paper industry in Canada would include mention of the $20,000,000 newsprint mill be-

TABLE I

Statistical Impact of Canadian Credit Restrictions

(Figures in millions of dollars)

End of Month—	June 1950	Dec. 1950	June 1951	September 1951
Chartered banks:				
Commercial and public loans outstanding in Canada	$2,293	$2,651	$2,890	$2,900
Holdings of corporate securities	402	405	415	406
Holdings of provincial (long-term) and munic. securities	474	493	465	450
*Consumer credit outstanding	959	1,135	1,114	n.a.
Collateral loans outstanding, reported by members of the Toronto and Montreal Stk. Exchs.	51	65	60	83

*Statistical Summary, Bank of Canada, September, 1951.

ing built on Vancouver Island jointly by Crown Zellerbach and Canadian Western Lumber Co. Another outstanding addition to western mill capacity will be the $16,000,000 extension which will double the output of the new sulphate mill of MacMillan and Bloedel, Ltd., also on Vancouver Island. In the East one of the biggest programs is that recently announced by Brompton Pulp and Paper Co. in regard to its mills at Red Rock, Ontario and East Angus, Quebec. Output of newsprint and kraft board will be increased at a capital cost of about $22,000,000. Manufacturers of fine paper products have also undertaken extensions of comparable size. The specific increases in capacity which have been cited are, of course, only a relatively small part of that accomplished by the pulp and paper industry as a whole. From coast to coast, not omitting the two large pulp and paper concerns in Newfoundland, the industry has moved forward steadily during the postwar period to keep pace with the requirements of the North American continent and overseas markets.

Uranium—No review of Canadian developments would be complete without mention of the most important ore in the world today—uranium. Canada's present production comes from Great Bear Lake in the far northern basin of the Mackenzie River. The potential production of the area around Beaverlodge Lake in Northern Saskatchewan, which is now under development, is greater, however, and may after a few years rank second only to the Shinkolobwe mine in the Belgian Congo. Investment for development at Beaverlodge Lake is largely in the hands of a government corporation. However, a number of small companies are also at work in the area.

Review of Security Markets

Government Bond Yields—Long-term bonds of the Government of Canada declined steadily during the final quarter of 1950. The market for January and February of 1951 was stable but inactive. Then on March 5, following a policy announcement of the U.S. Treasury and the Federal Reserve Board (which did not immediately affect the U.S. bond market) Canadian long-terms dropped within a few days from par to about 97.50. This decline was attributed by dealers to the temporary withdrawal of bids by the Bank of Canada and, although months of narrow price changes followed, it was sufficient to bring about a marked hesitation in all money markets in Canada, particularly in new financing.

A good deal of this hesitation was undoubtedly caused by certain measures for the general restriction of credit which were announced by the Bank of Canada on Feb. 22. The Bank expressed the view that a further increase during 1951 in the aggregate volume of chartered banks' loans and holdings of non-government securities would be undesirable. Specific recommendations, which were adopted by the banks included:

(a) The request that chartered banks refrain from making term loans or purchasing corporate securities of a maturity longer than one year.

(b) The increase of chartered banks' margin requirements on stock collateral loans to 50% (from 33%), (preceded by a similar ruling made by Canadian stock exchanges).

(c) The freezing of the current level of bank loans on the security of instalment finance paper.

At the same time insurance companies across Canada adopted certain policies in cooperation with those of the Bank of Canada which resulted in a reduction of the current demand for new corporate securities. During the preceding year the funds which insurance companies had available for investment in business had augmented by sales out of their holdings of government securities. This trend came nearly to a halt in the case of their holdings of Federal government bonds of long maturities.

The effect of these measures, and of others taken at about the same time of which the most important was additional heavy taxation of individuals and corporations imposed by the budget of April 10, may be seen in part from the figures in Table I. It will be noted from the table that in the largest category, i.e., commercial loans, the inflationary trend has so far been blunted but not reversed by the various restrictions.

At the time of preparation of this Report a further downward adjustment of government bond prices took place, attributed in most quarters to the open market policy of the Bank of Canada. Starting on Nov. 15 long-term government bonds declined approximately 1½ points to about 95½, other high grades, municipals and corporate bonds following.

Stock Markets—In general the Canadian markets have followed the timing of American markets during the year to date. However, the Toronto Stock Exchange index of industrials has outrun the comparable Dow-Jones index of U.S. industrials to a marked extent. The indexes stood at 290 and 240 respectively on Jan. 2, 1951 and at 345 and 260 on Oct. 29, 1951. Going back over the records of the two indexes it will be found that Toronto was slightly below New York at the end of June, 1949. Since that date Toronto has moved into an 85-point lead. This rapid advance compared to the New York index can to a large degree be attributed to the growth economy of Canada today and the consequent influx of outside capital.

Volume traded on Canadian exchanges has been large. A new record was reported by the Toronto Stock Exchange, where mining share transactions contribute substantially to statistics of volume, when 7,537,000 shares were traded in a strong market on Oct. 11, 1951.

Pulp and paper stocks have given a strong performance during 1951 to date, an index compiled by the Montreal Stock Exchange having opened the year at 648 and having reached 801 by the end of October.

The index of western oil stocks moved within narrow ranges, considering the volatile nature of its components, during the first seven months of the year. This may have been due in part to the fact that production had again outgrown the immediately available pipeline capacity. In August, strength appeared in the index and continued until the general setback which began on Oct. 19.

The important group of base metal stocks, as judged by the Toronto Stock Exchange index, paralleled the index of industrials throughout the period to date.

Shares of gold producing companies failed to participate in the general market advance. A modest net gain has appeared over the index's low point reached last May, however, which may be attributed to the government's decision to allow export sales of gold in the "free" market by mining companies which choose to give up any payments they may have been receiving under the Emergency Gold Mines Assistance Act. So far one major mine has taken

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TABLE II

Long-Term Government Bond Yields

ANNUAL AVERAGE	*Canada	†United States	‡United Kingdom
1938	3.35	2.61	---
1939	3.28	2.38	3.45
1940	3.39	2.21	3.00
1941	3.26	1.98	2.92
1942	3.17	2.24	2.86
1943	3.17	2.15	2.89
1944	3.10	2.49	2.88
1945	2.98	2.37	2.95
1946	2.63	2.15	2.52
1947	2.59	2.20	2.61
1948	2.93	2.41	2.82
1949	2.85	2.24	2.93
1950	2.77	2.24	3.19
MONTHLY AVERAGE 1951			
January	3.01	2.32	3.12
February	3.01	2.33	3.26
March	3.17	2.48	3.28
April	3.21	2.59	3.35
May	3.20	2.69	3.43
June	3.24	2.70	3.55
July	3.21	2.66	3.53
August	3.22	2.58	3.53
September	3.24	2.57	3.54

*Canada	1938-1944	--	3% Perpetuals
	1945	--	3% 1959/62
	1946—present	--	3% 1961/66
†United States	1938-1941	--	2⅞% Mar. 15, 1956/60
	1942-1943	--	2½% Mar. 15, 1956/58
	1944—present	--	2½% Dec. 15, 1963/68
‡United Kingdom	1939-1944	--	3% July 15, 1954/58
	1945-1950	--	3% April 15, 1959/69

Source: Bank of Canada, Statistical Summary.

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Canada's Economy Reaching New Highs

advantage of this partial relaxation of controls by making such an export sale and a few others have indicated that they will do likewise.

New Issues—Borrowings by our Federal government during the year were confined to short-term discounts until the sixth tap loan campaign was begun in October. The 2¾% coupon of earlier Canada Savings Bond Series was increased this year to 3½% but with a special provision which makes the effective rate only 2% if the bond is turned in for repayment at par before August 1, 1953.

In the field of provincial and municipal new offerings, the year has been characterized by a large volume of placements in the American market with payments of interest and principal specified in U.S. dollars. The total in this category up to Oct. 22 was $307,000,000 in which two issues by the Province of Ontario, one by Quebec and one by British Columbia were the largest.

The alternate Chairman of the Foreign Exchange Control Board pointed out in a recent speech that these borrowings in the United States represent the reversal of a trend which has been in evidence for 20 years or more but that the total of interest payments to be made abroad now is very much lower than was the case in 1930. In fact total payments of interest and dividends to nonresidents in 1951, estimated at $400,000,000 to $450,000,000, amount to only 2½% of the national income, compared with 8% in 1930.

Total sales of new municipal securities, excluding provincials, had amounted by Oct. 22 to $180,000,000, a moderate increase over the same period of 1950. About 38% of this total was sold in the United States. Further details appear in Table IV.

The distribution of new corporate issues has been active during the year apart from the period of uncertainty as to the future course of high grade bond yields which was referred to earlier. The outstanding feature of this market after the fall of bond prices in mid-March was the popularity of convertible debentures. In most cases these were issued with conversion features initially effective at 10% or less above the current quotation for the common shares. Nearly all of these convertibles had 10-year terms and coupons varied from 3½% to 5%. Companies which made such issues were Abitibi Power & Paper Co., British American Oil, Dominion Steel and Coal, Dominion Textiles, Brazilian Traction, Canada Southern Oils, Canadian Pacific Railway and Canadian Breweries. The total financing involved, about $110,000,000, while not large by the standards of U.S. markets, represented a considerable venture into this type of issue, and one which the public, including institutions, accorded a warm reception.

External Trade

Canada's total merchandise exports for the latest available 12-month [3] period, ending in July, 1951, amounted to $3,603,000,000. 63% of these exports went to the United States and 15% to the United Kingdom. Total merchandise imports for the same period were $3,934,000,000—68% from the United States and 11% from the United Kingdom. Except for comparatively short periods, Canada's normal trade position is a surplus of exports over imports. The additional imports required during a period of rapid growth such as the present may, however, temporarily reverse the position. In the 12 months ended in July, 1951, imports exceeded exports by $331,000,000. These extra imports were partly counterbalanced by the inflow of capital from abroad and by exports of $159,000,000 worth of gold so that the effect upon the central bank's reserves of gold and United States dollars was therefore moderate. These reserves were reported as $1,610,100,000 at the end of September, 1951, compared with $1,789,600,000 a year previously.

Rate of Exchange

Early in October, 1950, the Canadian Foreign Exchange Control Board stopped maintaining a fixed rate of exchange. The quotation for the U. S. dollar, which had been pegged at $1.10 Canadian funds, has since moved within a range of $1.04 to $1.06 except for a short time during June, 1951, when the rate was as high as $1.07.

Reciprocity in Defense Orders

It is encouraging to be able to record that progress is being made towards increasing orders for defense goods placed in Canada by the United States. Since July, 1950, Canada's purchases of this kind in the United States have outweighed the United States' purchases in Canada 5 to 1, thus failing to implement an agreement on economic principles between the two countries signed two years ago. Rcently, however, the authority to waive U. S. tariffs on prime contracts placed in Canada has been extended to sub-contracts, opening up the field for orders from the United States considerably.

3 Late figures: 9 months, 1951 exports—$2,818,200,000. Imports—$3,142,000,000.

Budget

An important provision of the Federal Budget which was presented to the House on April 10, 1951, was the introduction of extra taxation to meet the heavy costs of the preparedness program which was undertaken after the outbreak of hostilities in Korea.

TABLE III

Outstanding Dominion, Provincial and Municipal Debt

(Millions of Dollars)

	1938	1939	1945	1946	1947	1948	1949	1950
Dominion of Canada (March 31) (Net Total Funded Debt including Contingent Liabilities)	4,516	4,697	15,116	17,898	17,677	17,053	16,744	*16,001
Provinces of Canada (Net Total Funded Debt including Contingent Liabilities)	1,841	2,001	1,889	1,349	1,892	2,076	2,243	2,493
Total Dominion and Provincial	6,358	6,998	17,005	19,747	19,569	19,129	18,987	18,494
Direct Liabilities all Canadian Municipalities (Dec. 31)	1,453	1,484	866	862	905	932	961	1,112

*As at Dec. 31, 1950.

Sources: Public Accounts of the Government of Canada and each Province. Statistical Summary Bank of Canada. Dominion Bureau of Statistics.

TABLE IV

Reported sales of new Government, Municipal and Corporation bonds to date in 1951, with comparative figures for 1950 and 1949 as follows:

	1951 to Oct. 22	1950 to Oct. 23	1949 to Oct. 24
Government of Canada	$3,400,000,000	$4,820,000,000	$3,100,000,000
Gov't of Canada, guar.	------	40,000,000	70,000,000
Provincial	282,312,000	257,850,000	188,756,000
Provincial, guaranteed	32,740,000	116,949,500	170,571,000
Municipal	179,903,689	142,987,234	120,058,495
Corporation	334,665,000	280,215,303	211,694,000
	$4,229,620,689	$5,653,002,037	$3,861,079,495
Less short-term financing (less than 1 year)	3,200,000,000	3,000,000,000	2,700,000,000
	$1,029,620,689	$2,658,002,037	$1,161,079,495

Of the above, the following amounts have been sold in New York:

	1951 to Oct. 22	1950 to Oct. 23	1949 to Oct. 24
Government of Canada	------	$50,000,000	$100,000,000
Provincial	$239,025,000	83,700,000	------
Municipal	68,292,000	19,000,000	5,571,000
Corporation	2,500,000	20,000,000	35,000,000
	$309,817,000	$170,700,000	$140,571,000

The government resisted the pressure for the reintroduction of an excess profit tax, indicating that this type of taxation invited wastefulness and blunted efficiency, and imposed a 20% defense surcharge on all corporations and personal income tax payments. This brought the effective rate of combined corporate income tax in Canada to just over 50%. Because inability to hasten defense procurement and also because all incomes, corporate and personal, reached higher levels than expected, the government now finds itself with a record surplus which may run as high as $400,000,000 by the end of the current fiscal year on March 31.

Taxation

A number of misconceptions are apt to arise about the effects of our tax structure on investments in this country by Americans. One of these is the idea that income earned in Canada may have to bear double taxation owing to overlapping of the statutes of the two countries. The Canada-U. S. Reciprocal Tax Convention is, of course, the instrument designed to eliminate all forms of double taxation and to ensure uniform and consistent treatment in regard to all matters of capital and income. An example is the withholding tax on transfers of interest and dividends which, when charged by one country is generally deductible from taxes payable in the other. A similar convention is in force concerning succession duties.

Although Canadian taxes are similar in many respects to those in effect in the United States, there is an important difference in that we have no capital gains tax. The Minister of Finance is on record (March, 1950) as assuring the House that it is not the policy of the government to tax capital gains, and this position has been quite zealously protected by various groups representing business and investors.

In general, Canadian tax structure shows a certain regard for the preservation of incentives both for the corporation and for the individual investor. While an examination of the points of difference between the United States and Canada would be beyond the scope of this review, it is possible to suggest the attitude of taxing authorities in Canada on matters affecting incentives by calling attention to the 10% tax credit on dividend income which was introduced in 1949. This was a recognition, and partial reduction, of the heavy double taxation which investors as a class bear through the payment of corporate and personal taxes on the same income.

Gross National Product

The latest estimate of Canada's gross national product for 1951 exceeds $21 billion. This marks a considerable advance over 1950 when the figure was $17.8 billion. In terms of constant (1935-39) dollars, Canada's current gross national product is approximately double the level reached in 1939.

TABLE V

Development of Strategically Important Resources in Canada

Part 1

SELECTED INDUSTRIES

Investment in Development and New Building and Machinery 1950-1955 (Millions of Canadian Dollars)

	Investment 1950 (Actual)	1951 (Preliminary)	Value of Expansion Projects Now Being Undertaken for Completion in 1955 or Before
Aluminum smelting	$3.4	$18.2	$233
All other nonferrous metal smelting, refin. & processing	19.2	5.0	150
Iron ore mining	5.7	23.8	226
Primary iron and steel	15.7	66.9	88
Petroleum and natural gas:			
*(a) Exploration & develop.	62.4	70.9	300
(b) Transmission & refining	21.5	37.7	213
†Chemical products	32.8	64.3	127
Total	$160.7	$286.8	$1.337
Hydro-electric power	344.5	403.8	1,200

*Excluding acquisition of land rights.
†Including petro-chemical projects.

Part 2

SELECTED MINERALS

Estimates of Total Production Capacity 1950-1955 (Thousands of Short Tons Unless Otherwise Noted)

MATERIALS—	Actual Output 1950	Estimated Capacity 1950	Estimated Capacity 1955	Percent Increase Capacity 1950-1955
*Petroleum (crude)— 1,000s bbls./day	80	80	250	210
Primary aluminum	395	415	603	45
Iron ore	3,617	3,617	19,000	430
Copper (all forms)	262	†272	300	10
Lead (all forms)	170	†190	205	8
Zinc (all forms)	311	†320	406	27
Nickel (all forms)	123	137	155	13
Tungsten (WO3 content)	0.001	0.001	2	---
Cobalt	0.313	0.313	0.600	95
Magnesium	1.8	5.0	5.0	0
Ilmenite	100	100	550	450
Primary steel ingot	3,300	3,700	4,400	21
Elemental sulphur	---	---	81	---

*Maximum economic rate—annual average.
†Based on the highest quarterly rate of output during 1950.
Source: Hansard, Oct. 19, 1951.

Conclusion

Canada provides today, perhaps more than at any time in her history, an unexcelled opportunity for profitable investment. Although the greatest proportion of the capital funds which are required is being derived from the savings of her own citizens, Canada needs and is receiving a flow of investment from other countries of which that from the United States is by far the largest and the most sustained, and it is natural that this should be so. In fact, it is reasonable to assume that as the years go on the economy of our two countries should become ever more closely intertwined.

When we pause from the harassments of short-range problems to count our blessings—a growing economy, great natural resources yet to be developed, in fact a unique "frontier" without any of the political instability that term implies, and add to them our proximity to the greatest industrial nation in the world—it is impossible, if the threat of world war is averted, not to look to the future with confidence and faith in the belief that this will indeed be "Canada's Century."

Respectfully submitted,

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TABLE VI

Canadian Prairie Oil Development

	1946	1947	1948	1949	1950	*1951
Lease and reservation (millions of acres)	20	30	56	115	129	145
Geophysical parties	11	23	59	105	125	140
Exploration & devel. expend. (millions of dollars)	12	25	50	100	165	215
Oil wells completed	59	196	249	541	797	630
Reserves (millions of bbls.)	45	150	500	900	1,100	1,350
Production potential (1,000s barrels per day)	19	24	40	109	168	195

*Estimated.
Source: Address by John R. White, Executive Vice-President, Imperial Oil Ltd., as reported in "Oil in Canada," Sept. 24, 1951.

Continued from page 8

Canada's Astounding Industrial Advancement

national trade is being conducted with the United States and a declining proportion with the rest of the world. Taking a short view, it is gratifying that commerce with our friends across the border has grown at such a pace and reached such tremendous volume; but, taking the long view, doubts as to the desirability of protraction of this trend and diversion of trade come to the mind.

International trade — our life blood—is essentially a mutual process, and the greater the number of countries with which Canada exchanges goods the better. In tending progressively to restrict our trade to one country — the United States—to the detriment of others, we run the risk of driving the other countries into a counter exclusiveness which might lead to the permanent loss of external markets for our production in the years to come. Exclusiveness as to markets is scarcely the policy for a country with Canada's potentialities as a world trader.

The financing through the foreign exchange market of the year's huge volume of exports and imports has presented no difficulties. The market, liberated from the encumbrance of pegged rates, has transacted its business smoothly and efficiently. The exchange value of the Canadian dollar has been well maintained and rate quotations have swung normally within brackets of moderate variation.

Britain's Economic Plight

Predominant a part as the United States plays in our foreign trade and closely attuned as our economy is to theirs, the fortunes of Great Britain as a powerful worldwide trader and leader of the Sterling bloc—once our best customer and still our second best one—are worthy of brief comment. During 1950 the United Kingdom, thanks to the generous aid received from the United States, Canada and the Commonwealth countries generally, had worked into a favorable balance of international payments, her gold and dollar reserves were driven higher than at any time in the past ten years, and a beginning had been made in rebuilding overseas investments. Since the turn of the year, however, the injection into the already fully strained economy of the added claims of rearmament and defense expenditure, plus an adverse movement in the terms of trade, have led to a deterioration in the overall position. So far this year the United Kingdom's overseas trade has proved most unsatisfactory, there being an adverse balance in the first eight months of the current year of £808 million, compared with one of only £270 million for the corresponding period a year ago, and it now seems as if an overall deficit in the country's balance of payments for 1951 is inescapable.

Added to this dissappointing development is the further one occasioned by the announcement that the Sterling area's gold and dollar reserves, which had been growing steadily and strongly since toward the end of 1949, had suffered a drain of as much as \$598 million during the three months ended Sept. 30 this year, thus reducing the total holding from \$3,867 million to \$3,269 million. Although the announcement of this sudden reversal in the movement of the reserves did not come as a complete surprise, the magnitude of the loss was much greater than anticipated and, moreover, the official explanations given at the time, vague as to detail but to the effect that abnormal and temporary factors were accountable to some extent and that the underlying position was not at all favorable, were not very reassuring. It was subsequently revealed that the startling deterioration in the reserves and in the dollar balance of payments was in large measure due to declining Sterling area exports to the dollar area, combined with sharply rising costs of imports from the latter area, and that the old problem of the dollar gap had suddenly loomed up again in a most menacing way, as it has also done in other European countries, particularly France.

It is now obvious that the new British Government has inherited an acute national financial crisis, the dangers of which have been recognized and openly acknowledged. Extremely drastic measures, including great curtailment of imports from the dollar area, are being put into effect as the first step towards protecting the vital dollar reserves. The regret with which the trade cut may possibly be viewed by exporters on this continent can but be tempered by an appreciation of the dire necessity for it. The United Kingdom is in the most serious of economic predicaments and there can be no question of half measures. A bold start has been made and there is every indication that the new government can be expected to handle the country's complicated financial and economic problems more realistically and more in keeping with sound economic principles than heretofore, and that a courageous attempt to correct past mistakes, salvage something from them, and strengthen the country's financial structure will be made. Omelettes, however, are not easy to unscramble and a colossal task lies ahead, with austerity taking on a new lease.

A fact of some significance is that, during the past two or three months, Sterling has been showing signs of weakness in the world's free exchange markets and there have even been rumors that another devaluation of the pound might be essayed. Seeing that the export benefits and the stimulation given to United Kingdom current dollar income by the 1949 devaluation have proved to be transitory and that a violent reaction and recession has ensued, it seems unlikely that any repetition of that optimistic but hazardous 1949 experiment will be attempted. Devaluation to secure export advantages is no new device but an old expedient with a bad record. It has been tried in the United Kingdom and found wanting, and any policy involving a series of these enervating devaluations could but undermine the world's faith in the pound still further at a time when confidence in Sterling is indispensable to the United Kingdom's economic rehabilitation.

"World Bullish on Canada"

While touching on matters of international tone, mention should be made of the extraordinary but fully comprehensible interest in our country that has been in demonstration throughout the globe. The world is astoundingly bullish on Canada: our rapid rise in place among countries of international importance, the success which is attending the exploitation and development of the vast natural resources lying in our soil, and the glittering prospects of wealth extraction which lie ahead are proving an irresistible magnet to capitalists resident beyond our borders and overseas. The "get into Canada" financial movement which has been in progress since the end of World War II assumed particular impetus this year and a tremendous volume of money, seeking both a safe refuge and profitable investment in our politically sound territory, has been transferred here from abroad.

This money, which has come from various countries directly or indirectly, is in no sense "hot" or speculative but destined for permanent residence and long-term employment in the promotion and furtherance of our national production and industry. As such, it is most welcome and urgently needed, for Canada at present has not sufficient capital of her own to develop her latent resources in the full and rapid way that world political and economic conditions demand. Incidentally, in some spheres abroad where restrictions on export of dollar capital remain in force, there are many heartburnings that the golden opportunity Canada provides cannot be seized. England, ironically enough, is a conspicuous example.

The greater our capital resources become the greater become our manpower requirements to implement them and, as we suffer from a serious insufficiency of labor today, it is pleasing to see that personal immigration into Canada from abroad has also been making good strides. Large numbers have been arriving. The urgent need to build up a much greater population is indeed imperative; therefore every inducement and all reasonable assistance should be extended to the many ablebodied and skilled people in the old world who are anxious to emigrate to the new one but who unfortunately temporarily lack the financial means to do so.

The Inflation Trend

Canada has responded to the world demand for greater supplies of goods and materials with a

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Pictures Taken at IBA 1951 Convention at Hollywood Beach, Florida

Laurence M. Marks, *Laurence M. Marks & Co.*, New York City, the retiring President, pinning badge of office on Joseph T. Johnson, *The Milwaukee Company*, Milwaukee, the newly elected President

New Vice-Presidents—Walter W. Craigie, *F. W. Craigie & Co.*, Richmond; Ewing T. Boles, *The Ohio Company*, Columbus; Walter A. Schmidt, *Schmidt, Poole & Co.*, Philadelphia; Norman P. Smith, *Merrill Lynch, Pierce, Fenner & Beane*, New York

Julien Collins, *Julien Collins & Co.*, Chicago, and Edward Hopkinson, Jr., *Drexel & Co.*, Philadelphia, both Past Presidents, escorting Joseph T. Johnson, *The Milwaukee Company*, Milwaukee, the newly elected President, to the rostrum

Harry A. MacDonald, *Chairman of the Securities & Exchange Commission*, Addressing Convention

Lewis Miller, *First National Bank*, Chicago; Robert H. Craft, *Guaranty Trust Company*, New York; Laurence M. Marks, *Laurence M. Marks & Co.*, New York; Murray Hanson, *Investment Bankers Association*, Washington, D. C.

Geoffrey Crowther, Editor, *"The Economist,"* London, addressing Convention

Joseph T. Johnson, *The Milwaukee Company*, Milwaukee, addressing the Convention

Installation of New Governors

G. Keith Funston, *President of the New York Stock Exchange* addressing the Convention

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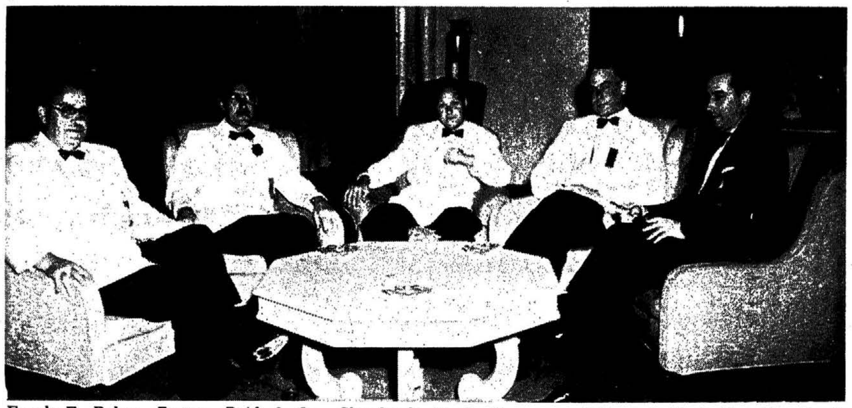

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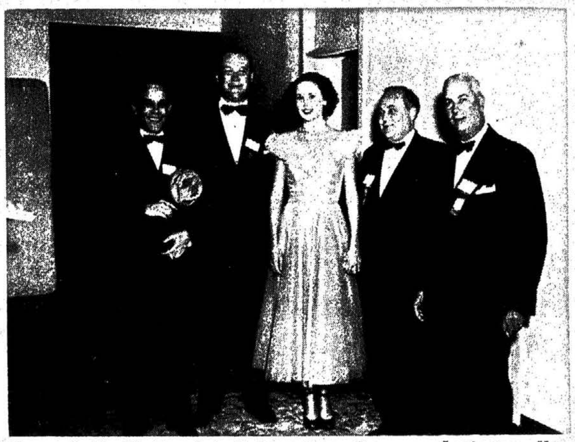

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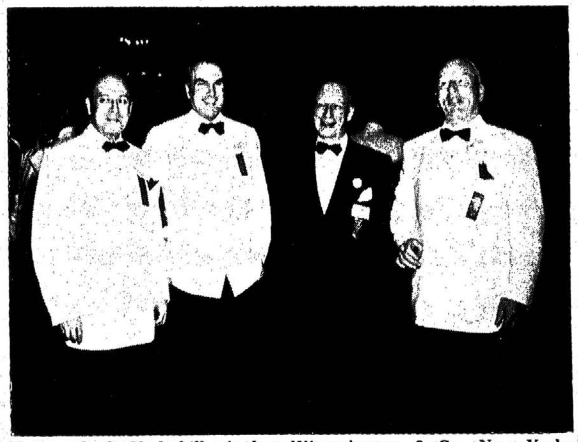

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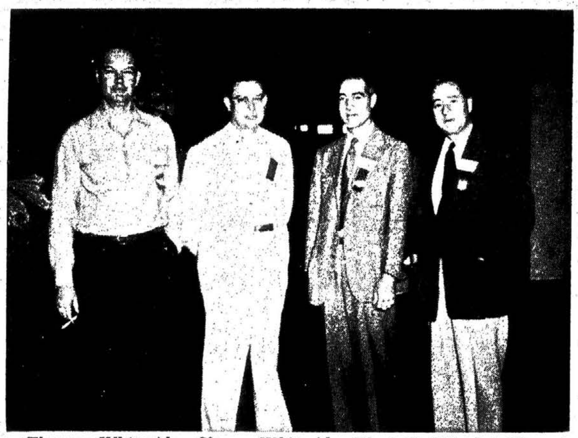

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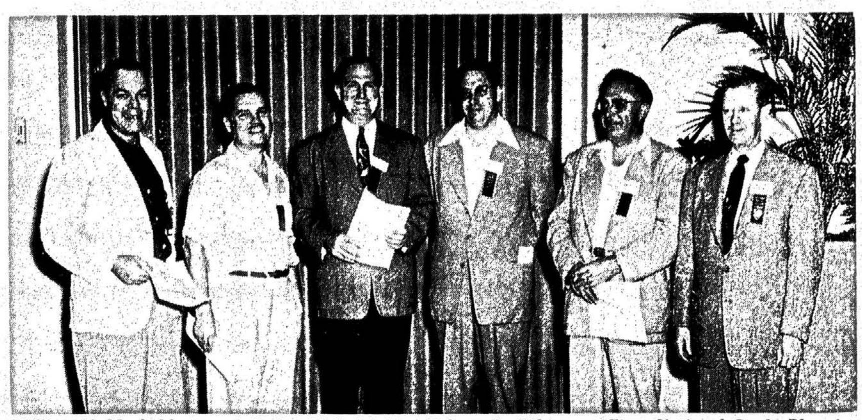

William F. Machold, *Drexel & Co.*, Philadelphia; Robert A. Whitacre, *First National Bank*, Phoenix; Mark A. Lucas, *Lucas, Eisen & Waeckerle*, Kansas City, Mo.; Donald A. Seltsam, *Seltsam, Hanni & Co.*, Topeka; Philip J. Rhoads, *First National Bank & Trust Co.*, Oklahoma City; Walter I. Cole, *Beecroft, Cole & Co.*, Topeka

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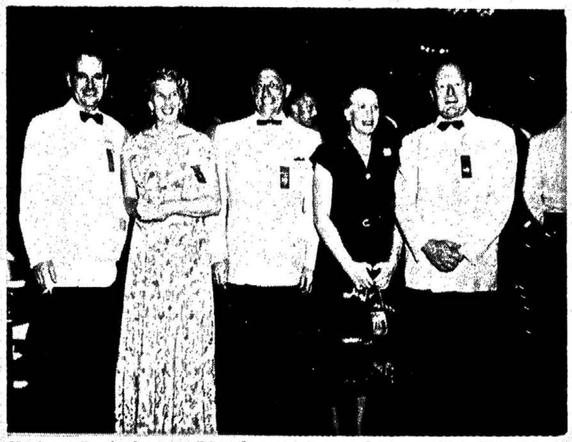
Mr. & Mrs. Ralph W. Simonds, *Baker, Simonds & Co.,* Detroit; William L. Hurley, *Baker, Simonds & Co.,* Detroit



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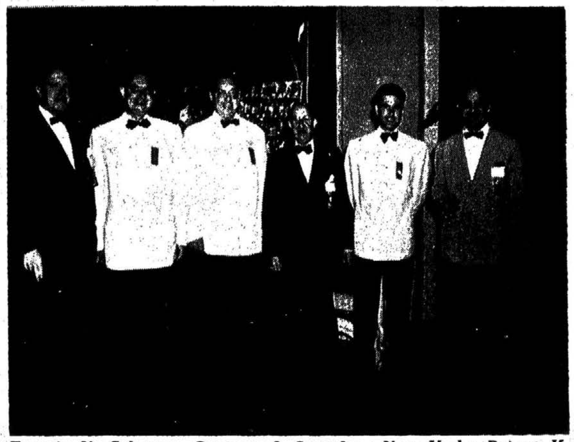

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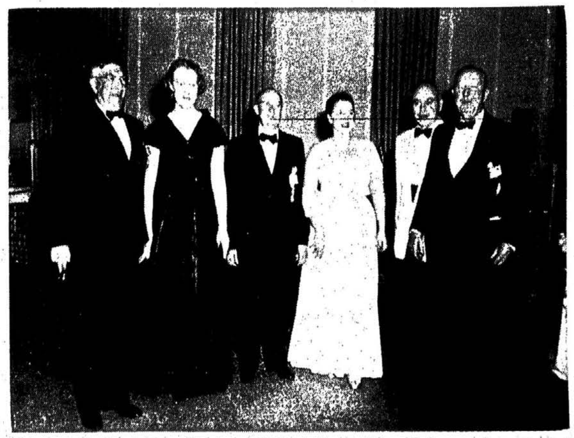
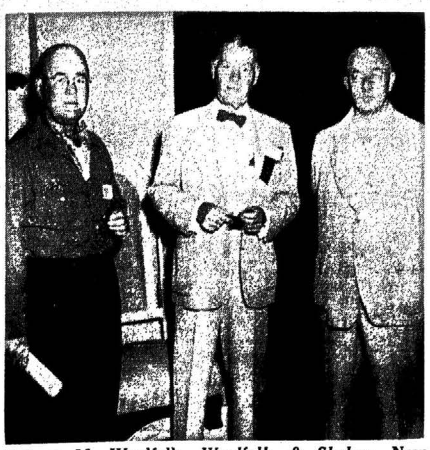


George J. Drobnis, Chicago; Miss Mary Lou Coburn, *Investment Bankers Association,* Chicago; Erwin W. Boehmler, *Investment Bankers Association,* Chicago; Mrs. Elaine Holmes, *Investment Bankers Association,* Washington, D. C.; George F. Noyes, *The Illinois Company,* Chicago; Alden H. Little, *Investment Bankers Association,* Chicago

Edward D. Jones, *Edward D. Jones & Co.,* St. Louis; Mr. & Mrs. Earl M. Scanlon, *Earl M. Scanlon & Co.,* Denver

Mr. & Mrs. Mortimer A. Cohen, *Sterne, Agee & Leach,* Montgomery, Ala.; Mr. & Mrs. Hugh D. Carter, *Courts & Co.,* Atlanta

Samuel L. Varnedoe, *Varnedoe, Chisholm & Co.,* Savannah; Milton S. Trost, *Stein Bros. & Boyce,* Louisville; Carl T. Naumberg, *Stern, Lauer & Co.,* New York; Arthur Nelson, *Burnham & Co.,* New York



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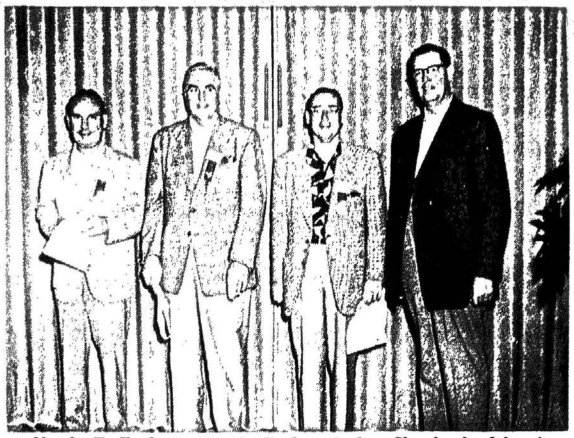
Robert A. Bivins, *Chase National Bank of the City of New York;* Arthur C. Allyn, *A. C. Allyn & Co.,* Chicago; Charles S. Barrington, *Harry Downs & Co.,* New York; Malcolm S. Prosser, *Seattle-First National Bank,* Seattle; Alex. Seidler, Jr., *National State Bank of Newark*

Joseph T. Johnson, *The Milwaukee Company,* Milwaukee; Geoffrey Crowther, *"The Economist,"* London; Laurence M. Marks, *Laurence M. Marks & Co.,* New York



Claude F. Turben, *Merrill, Turben & Co.*, Cleveland; John A. Middlemist, *Northwestern National Bank of Minneapolis;* Robert W. Thornburgh, *The W. C. Thornburgh Co.*, Cincinnati; James S. Graham, *Allison-Williams Co.*, St. Paul

Marquette de Bary, *F. S. Smithers & Co.*, New York; Gordon B. Duval, *Guaranty Trust Company*, New York; George B. Gibbons, *Geo. B. Gibbons & Co.*, New York; Kenneth H. Wood, *J. C. Bradford & Co.*, New York

Clarence E. Taylor, *Strader, Taylor & Co.*, Lynchburg; Chester O. Gale, *Trubee, Collins & Co.*, Buffalo; Frank C. Trubee, Jr., *Trubee, Collins & Co.*, Buffalo; F. V. Reilly, *Commercial & Financial Chronicle*, New York

Paul E. Youmans, *Bosworth, Sullivan & Co.*, Denver; Gerald B. West, *Stone & Webster Securities Corporation*, New York

Frank Lynch, *Blair, Rollins & Co., Incorporated*, New York; Charles S. Parker, Jr., *Chemical Bank & Trust Co.*, New York; W. Neal Fulkerson, *Bankers Trust Company*, New York; George J. Gillies, *A. C. Allyn & Co.*, New York; Walter A. Schmidt, *Schmidt, Poole & Co.*, Philadelphia; William P. Sharpe, *Mercantile Trust Company*, St. Louis

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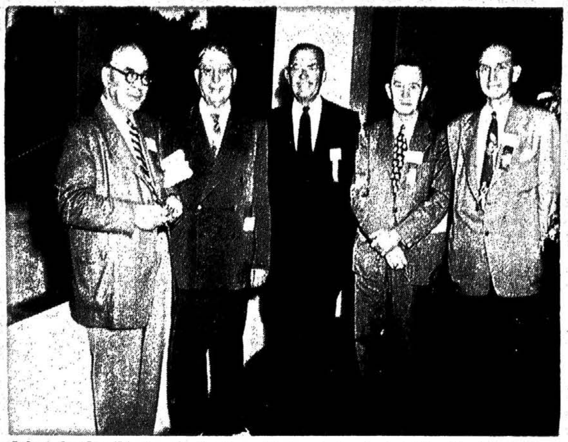

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W. Sydnor Gilbreath, Jr., *First of Michigan Corporation*, Detroit; Mr. & Mrs. Thomas F. Troxell, *Dillon, Read & Co.*, New York; Allen J. Nix, *Riter & Co.*, New York; Henry G. Riter, 3rd *Riter & Co.*, New York

William R. Rovensky, *Hornblower & Weeks*, New York; Fred C. Braun, Jr., *F. S. Moseley & Co.*, New York; Robert B. Whittaker, *F. S. Moseley & Co.*, Chicago; George T. Flynn, *Hornblower & Weeks*, New York

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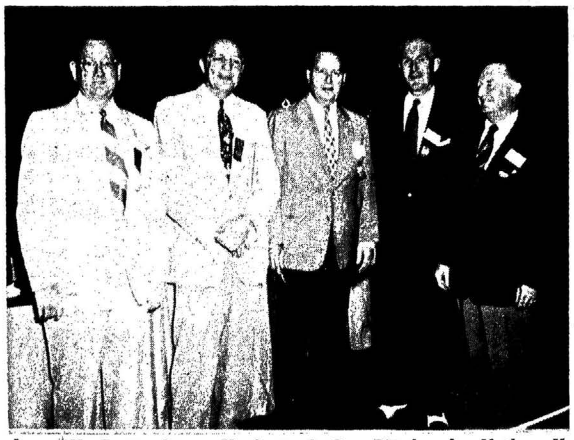

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Harold J. Schluter, *First National Bank of Chicago*, New York; Delmont K. Pfeffer, *National City Bank*, New York; Lloyd B. Hatcher, *Trust Company of Georgia*, Atlanta; Robert M. Goodwin, *National City Bank*, New York

Jim Daisies—Edward T. McCormick, *President of New York Curb Exchange;* Walter L. Morgan, *Wellington Fund, Inc.,* Philadelphia; Alan K. Browne, *Bank of America,* N. T. & S. A., San Francisco; Gordon Crouter, *De Haven & Townsend, Crouter & Bodine,* Philadelphia; E. Cummings Parker, *Ames, Emerich & Co.,* Chicago; Clement A. Evans, *Clement A. Evans & Co., Inc.,* Atlanta

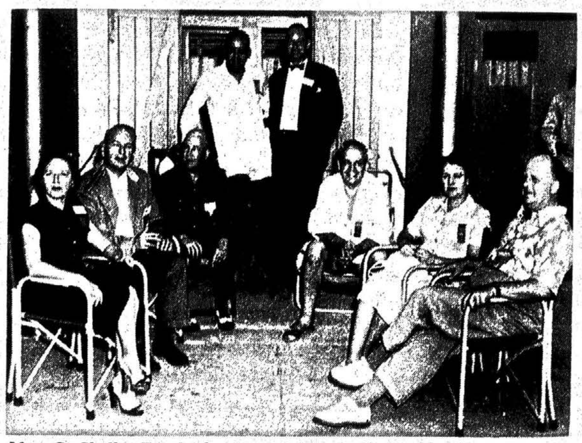
Jim Daisies—Edwin B. Horner, *Scott, Horner & Mason,* Lynchburg; Charles F. Eaton, Jr., *Eaton & Howard, Inc.,* Boston; Robert B. Blyth, *National City Bank,* Cleveland; E. Kenneth Hagemann, *G. H. Walker & Co.,* St. Lous. Standing: Rafael Buscaglia, *Government Development Bank,* Puerto Rico; Robert L. Harter, *Sutro & Co.,* San Francisco; G. Keith Funston, *President of New York Stock Exchange;* Robert A. Podesta, *Cruttenden & Co.,* Chicago; Frank C. Carr, *John Nuveen & Co.* Chicago

Carnot W. Evans, *Harris, Hall & Co.,* Chicago; Frank L. Reissner, *Indianapolis Bond & Share Corp.,* Indianapolis; Newman L. Dunne, *Robert W. Baird & Co.,* Milwaukee; Edward McC. Blair, *William Blair & Co.,* Chicago; Louis G. Mudge, *International Bank,* New York

Donald B. Brayshaw, *Lord, Abbett & Co.,* Atlanta; T. Nelson O'Rourke, *T. Nelson O'Rourke, Inc.,* Daytone Beach; Mrs. Laurence W. Morgan, Chicago; Laurence W. Morgan, *The Parker Corporation,* Chicago; Mrs. T. Nelson O'Rourke; Mrs. Donald B. Brayshaw

Donald E. McFarland, *Kalman & Co.,* Minneapolis; Mrs. John A. Middlemist, Minneapolis; James S. Graham, *Allison-Williams Co.,* Minneapolis; Bernard B. Knopp, *First National Bank of St. Paul;* John A. Middlemist, *Northwestern National Bank of Minneapolis*

Miss Sallie Horner, *Lynchburg;* Mrs. William S. Hidreth, Charlottesville, Va.; Mrs. Jesse P. Donnally, Charlottesville, Va.; Mrs. Edwin B. Horner, Lynchburg



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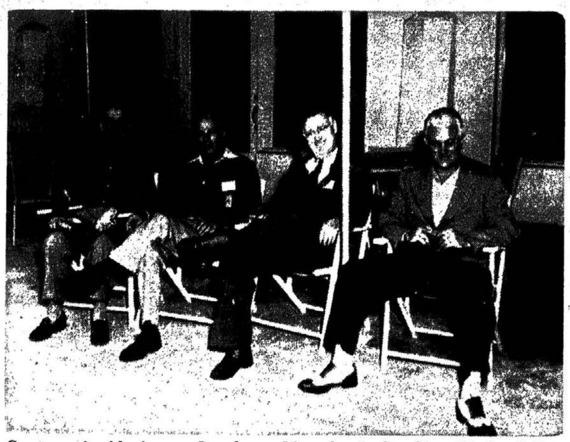
Mrs. Herman B. Joseph, Cleveland; Robert O. Shepard, *Prescott, Shepard & Co.,* Cleveland; Guy G. Wedthoff, *First of Michigan Corporation,* Detroit; Mrs. Robert H. Warren, New York

Francis Goodwin, 3rd, *Calvin Bullock,* Philadelphia; Henry M. Ufford, *Calvin Bullock,* Atlanta; Sydney P. Clark, *E. W. Clark & Co.,* Philadelphia; Mrs. Robert E. Clark, New York

Mrs. Walter L. Morgan, Philadelphia; Mrs. Sidney S. Blake, *H. M. Byllesby & Company, Incorporated,* Philadelphia; Mrs William K. Barclay, Jr., Philadelphia; Mrs. George W. Elkins, Jr., Philadelphia



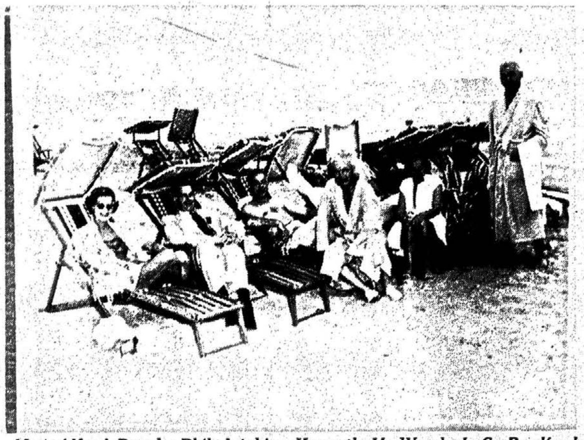
Gustave A. Alexisson, *Granbery, Marache & Co.,* New York; Julian A. Magnus, *Magnus & Co.,* Cincinnati; Eugene P. Barry, *Shields & Co.,* New York; Harris B. McLaren, *McDonald & Co.,* Cleveland

St. Louis Room

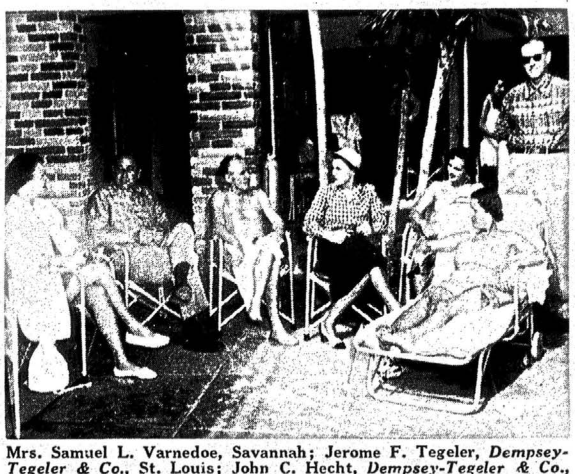

The Southern Room


Mrs. H. Theodore Birr, Jr., San Francisco; Mrs. John F. Egan, San Francisco; Benjamin A. Walter, *Bingham, Walter & Hurry,* Los Angeles; Virgil D. Dardi, *Blair, Rollins & Co., Inc.,* New York; (standing) John F. Egan, *First California Company,* San Francisco; John A. Kruse, *Prescott, Shepard & Co.,* Cleveland; George A. McFaul, *Hess & McFaul,* Portland, Oreg.; H. Theodore Birr, Jr., *First California Company,* San Francisco


James P. Jamieson, *Glore, Forgan & Co.,* Chicago; W. Shannon Hughes, *Raffensperger, Hughes & Co., Inc.,* Indianapolis; Edward D. McGrew, *Northern Trust Company,* Chicago; W. Sydnor Gilbreath, Jr., *First of Michigan Corporation,* Detroit; Guy D. Wedthoff, *First of Michigan Corporation,* Detroit


Mrs. Alfred Rauch, Philadelphia; Kenneth H. Wood, *J. C. Bradford & Co.,* New York; Carr Payne, *Cumberland Securities Corporation,* Nashville; Quitman R. Ledyard, *J. C. Bradford & Co.,* Nashville; Edward D. McGrew, *Northern Trust Company,* Chicago; J. M. Maxwell, *Northern Trust Company,* Chicago; Mrs. & Mr. Andrew S. Mills, *Newhard, Cook & Co.,* St. Louis; William P. Sharpe, *Mercantile Trust Company,* St. Louis


Samuel L. Varnedoe, *Varnedoe, Chisholm & Co.,* Savannah; Mrs. William Gregory; Graham Walker, *Jos. McManus & Co.,* New York; William Gregory, *Bonner & Gregory,* New York; George M. Gregory, *Gregory & Son,* New York


Mrs. Samuel L. Varnedoe, Savannah; Jerome F. Tegeler, *Dempsey-Tegeler & Co.,* St. Louis; John C. Hecht, *Dempsey-Tegeler & Co.,* Los Angeles; Mrs. George Gregory, New York; Mrs. Graham Walker, New York; Mr. & Mrs. Joseph W. Sener, *John C. Legg & Company,* Baltimore

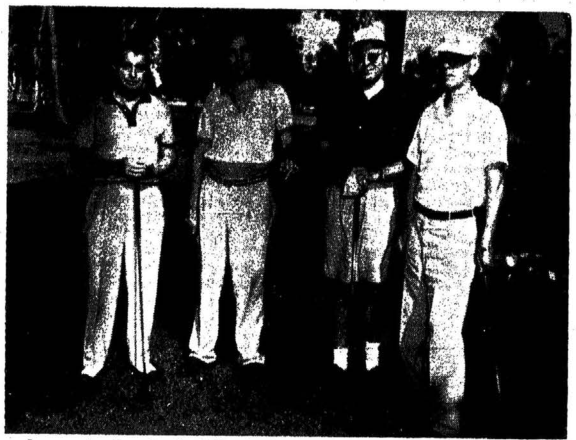

Thomas Beckett, Jr., *First Southwest Company,* Dallas; Mrs. J. Fred Brown, Denver; Mrs. Thomas Beckett; Mrs. John S. Hilson, New York; H. Laurence Bogert, Jr., *Eastman, Dillon & Co.,* New York; Edward Glassmeyer, *Blyth & Co., Inc.,* New York


Harry Brown, *Salomon Bros. & Hutzler,* Chicago; Theodore A. Von Glahn, *Salomon Bros. & Hutzler,* New York; Rudolf Smutny, *Salomon Bros. & Hutzler,* New York; Benjamin J. Levy, *Salomon Bros. & Hutzler,* New York


William S. Hildreth, *Peoples National Bank,* Charlottesville, Va.; Edwin B. Horner, *Scott, Horner & Mason,* Lynchburg; Herbert V. B. Gallager, *Yarnall & Co.,* Philadelphia; Edward G. Webb, *Scott, Horner & Mason,* Lynchburg; M. Carter Gunn, *Scott, Horner & Mason,* Lynchburg; William J. Price, 3rd, *Alex. Brown & Sons,* Baltimore; J. Creighton Riepe, *Alex. Brown & Sons,* Baltimore


Theodore C. Henderson, *T. C. Henderson & Co.,* Des Moines; A. B. Morrison, *A. B. Morrison & Co.,* Miami; S. Whitney Bradley, *Eaton & Howard, Inc.,* Boston; Charles F. Eaton, Jr., *Eaton & Howard, Inc.,* Boston; John L. Blake, *Eaton & Howard, Inc.,* Boston

Donald C. Lillis, *Bear, Stearns & Co.*, New York; Charles McK. Lynch, Jr., *Moore, Leonard & Lynch*, Pittsburgh; Salim L. Lewis, *Bear, Stearns & Co.*, New York; Ernest O. Dorbritz, *Moore, Leonard & Lynch*, Pittsburgh



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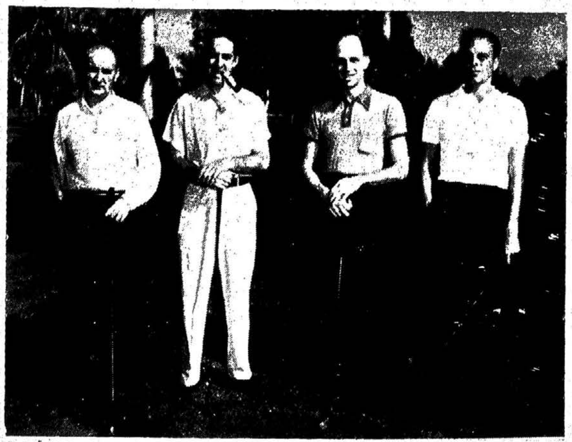

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Charles L. Bergmann, *R. W. Pressprich & Co.*, New York; Emmett Lawshe, *Carl M. Loeb, Rhoades & Co.*, New York; Joseph D. Daivs, *Blair, Rollins & Co., Inc.*, New York; Reginald L. Auchincloss, Jr., *Courts & Co.*, New York

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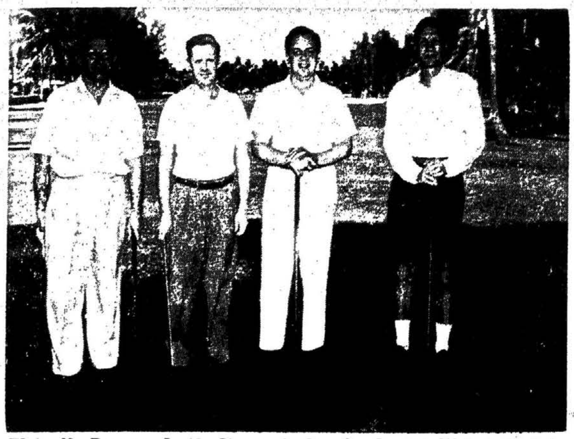
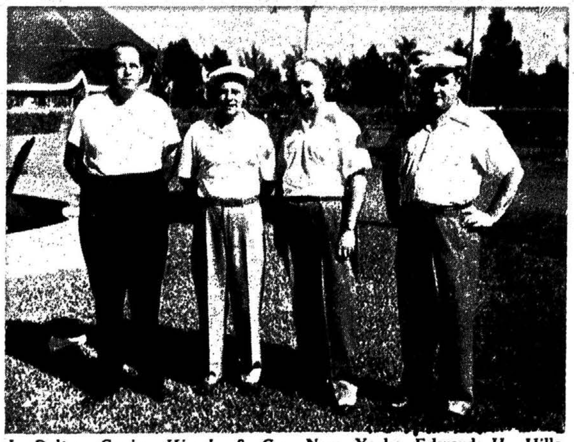


Elvin K. Popper, *I. M. Simon & Co.*, St. Louis; Walter I. Cole, *Beecroft, Cole & Co.*, Topeka; Maurice H. Sandberg, *A. E. Weltner & Co.*, New York; Charles S. Werner, *Wertheim & Co.*, New York



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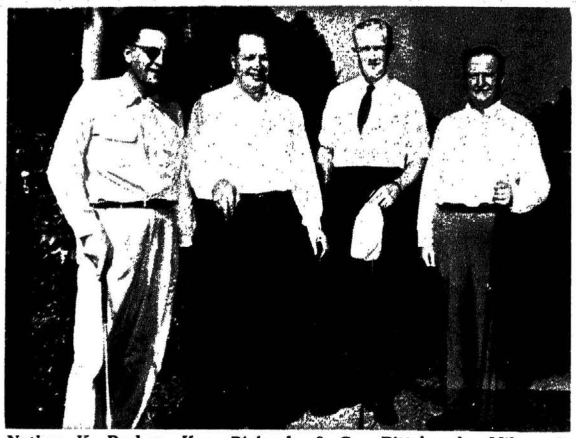
Herman L. Lind, *Camp & Co.*, Portland, Oregon; Theodore C. Henderson, *T. C. Henderson & Co.*, Des Moines; Herbert R. Anderson, *Distributors Group, Inc.*, New York; Lawrence Wren, *Allen & Company*, New York

Henry I. Prankard, 2nd, *Lord, Abbett & Co.*, New York; Myron F. Ratcliffe, *Bache & Co.*, Chicago; Albert R. Hughes, *Lord, Abbett & Co.*, New York; Adolph Woolner, *Bache & Co.*, New York



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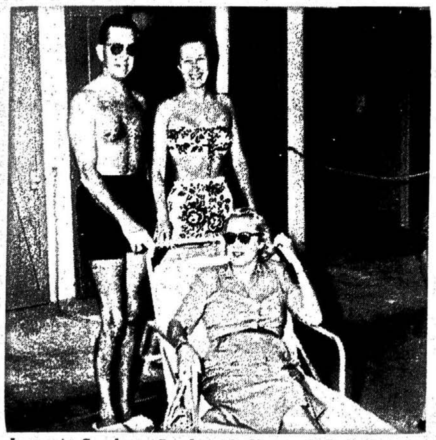
Mrs. Louis A. Gibbs, New York



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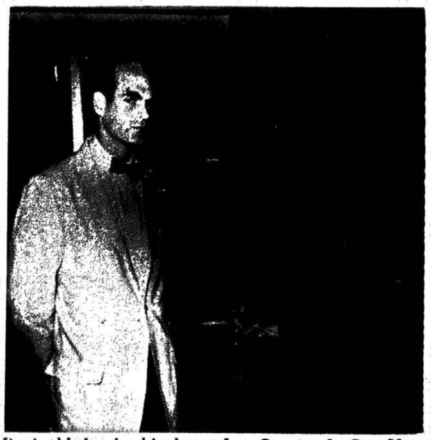
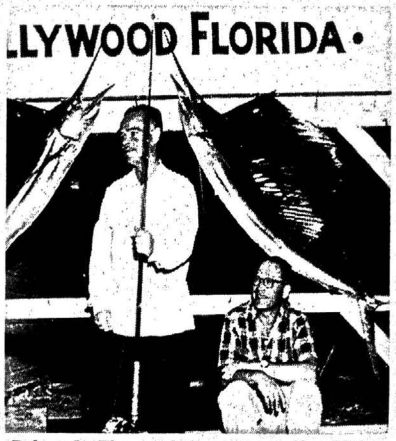


Reginald L. Auchincloss, Jr., *Courts & Co.*, New York; Richard W. Courts, *Courts & Co.*, Atlanta



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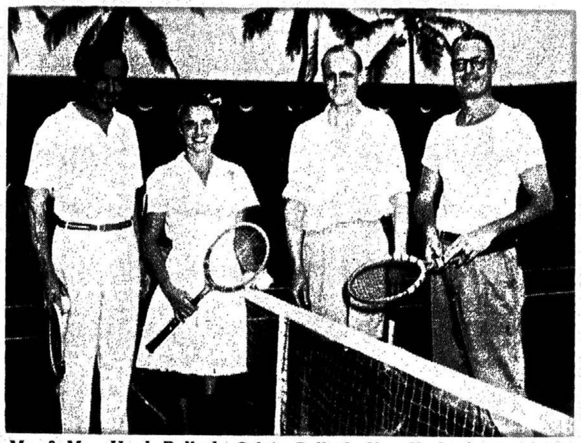
Mr. & Mrs. Graham Jones, *Cooley & Co.*, Hartford; Mrs. Clarence W. Bartow, New York; James C. Warren, *A. M. Kidder & Co.*, New York

Malon C. Courts, *Courts & Co.*, Atlanta; Wilbur E. Hess, *Fridley & Hess*, Houston; Bill Doeg and Martin Buxby, Hollywood Hotel Tennis pros.



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Robert G. Rouse, *Federal Reserve Bank*, New York; Robert B. Blyth, *National City Bank*, Cleveland; H. H. Sherburne, *Bacon, Whipple & Co.*, Chicago; Mrs. Karl P. Herzer, New York

William F. Machold, *Drexel & Co.*, Philadelphia; Thomas S. Gates, Jr., *Drexel & Co.*, Philadelphia; Clarence W. Bartow, *Drexel & Co.*, New York; Robert E. Nowlan, *Stroud & Company, Incorporated*, New York; Allen J. Nix, *Riter & Co.*, New York; Gustav A. Alexisson, *Granbery, Marache & Co.*, New York

Mr. & Mrs. Charles C. Glavin, *First Boston Corporation*, New York; Mr. & Mrs. F. Brian Reuter, *Mellon National Bank*, Pittsburgh

Continued from page 48

Canada's Astounding Industrial Advancement

boom year, and has given a remarkable demonstration of national production and national earning capacity. The country has been passing from the age of highly successful postwar recovery into an age of renewed military preparedness, but although very heavy percentages of total fiscal expenditure have been budgeted for defense purposes (26.6% for the year ending 1951 and 45.9% for the following year), actual outlays in the early part of 1951 were smaller than anticipated. Substantial contracts for war supplies have, however, got well under way in the last few months, and this defense spending is commencing to make itself felt, in that certain goods and services are already threatening to go into short supply. A most disturbing feature to be noted, however, is that although actual expenditures to date have been relatively modest, there has been a coincidental and extremely acute acceleration of the rate of inflation. The country's economic condition now bears all the well-known hallmarks of this financial disease, which is as old as the hills, and the wars which have always engendered it. History is replete with its recurrences and the ills that follow in its train. It is apparent that the governmental measures, imposed over a year ago in anticipation of a spurt in the upward spiral and designed to moderate it, have failed in marked degree to achieve their purpose. The balloon of inflation has been swelling with astounding rapidity and the material purchasing power of our currency has been falling very discomfortingly. The cost of living index is now approximately 90% higher than it was in 1939.

When thinking of Canada's condition of economic inflation, it is essential to bear in mind that it is integrated with and cannot be disassociated from the inflation which is rampant throughout the world and from which every country is suffering in greater or lesser degree. There are no internationally independent brands of inflation. Every country's economic condition affects the economic condition of other countries, and no country is immune from such external influences. All are exposed and susceptible to them.

Impact of Rearmament

The essence of inflation is the attempt to do too much too quickly with the available flow of resources. The rearmament effort which is now being made by the Western Powers is being undertaken by economies that were already under great strain in maintaining relatively high standards of living, rebuilding the ruins of the last war and launching into ambitious plans for rehabilitating the poorer and more neglected areas of the world. The immediate result of this new competition for available resources soon made itself evident in rising commodity prices, as was bound to happen unless room was made for the new demands by contraction elsewhere. There is little sign of any such contraction in a serious way and there is good reason to conclude that, despite the phenomenal advance in production since the end of World War II, the world on balance has been over-consuming its available reserves and that its condition of inflation has its roots in this fact. Incidentally, according to recent estimates of proven reserves of some of the earth's primary vital commodities, there are several which at the present rate of extraction are so rapidly becoming depleted as to threaten complete exhaustion within an uncomfortably short period. Ultimate relief may come from new discoveries or new scientific developments, but it is high time this excessive encroachment should be studied, as it is one of the fundamental economic problems which confront the world when measured, as it must be, against the voracious appetite of modern industry and the war machine.

The problem of world inflation can be said to have resolved itself into one of excessive world consumption.

World Is Over-consuming

Over-consumption is a relative term. Its existence can be measured by three criteria. The first and most obvious of all, since it does not involve monetary measurement, is that current consumption may be galloping through given available reserves of certain materials at too fast a rate and more rapidly than the discovery of substitutes. The second criterion is that current consumption may be too great in relation to the need to maintain and increase the world's capital assets. Countries guilty of this are sacrificing consumption to-morrow for consumption to-day.

Thirdly, over-consumption can be seen by what happens to the purchasing power of money. If the effective demand for goods is greater than the supply at given prices, the adjustment will occur sooner or later by an appropriate fall in the value of money.

On each of these three counts, the charge that the world is over-consuming and trying to live beyond its means can be sustained. Particularly does the test of over-consumption provided by the behaviour of prices and the cost of living leave no doubts. The principal currencies of the world have in the recent past continued to lose purchasing power at rates rarely hitherto equalled in peacetime and touched only for very short periods at the height of wartime inflation. This enfeeblement of currencies is causing great concern universally.

Inflation—an International Problem

The world phenomenon of inflation is the product and sum total of a multitude of domestic and local decisions and, unless it is so regarded, it will never be effectively handled. When each and every country does its anti-inflationary duty conscientiously, the problem which now seems so insoluble because it lies beyond the complete control of any one country, will begin to yield to treatment. Within this sphere of domestic policies there is not yet a great deal of evidence that the joint problem of inflation and over-consumption in terms of available resources has been seriously tackled. By and large, the North Atlantic Treaty Organization is still endeavouring to superimpose its rearmament effort on top of a virtually unchanged volume of civilian consumption. There have been, it is true, some fiscal measures in various parts of the globe designed to cut the coat according to the cloth, but when all such measures are added together and weighed against the emergency they are designed to meet, they are still found wanting, and sadly so.

The evidence pointing to over-consumption as the main inflationary cause is unmistakable in its testimony. Inflation is democracy's first enemy, and seeing the extremely dangerous menace it has become to the economies of the free countries and the extent to which it is hampering their rearmament, every effort must be made to find a means of countering it. The most satisfactory method obviously would be to produce more and to press on with the search for new sources of material supply and substitutes, but the short run obstacle to this is a decided dearth of certain key materials, especially in Europe, and time is precious. Failing this, the best chances of an early solution of the predicament seem to lie in the establishment of more complete and more genuine international co-operation, the need for which has been pressing for a long time. If the co-operation already existing in the military sphere could be amply extended to the spheres of production, consumption and finance, with the express purposes of eliminating over-consumption, avoiding an over-straining of the world's available resources and of minimizing inflationary tendencies, beneficial results would certainly ensue. Such co-operation could lead to the examination of many factors bearing importantly on the global democratic effort.

To take an example, investigation might be made of the vital query as to whether the rearmament, indispensable to defend the democratic way of life, is compatible with the full range of the expensive social services to which Western Europe is becoming accustomed, or with the boom in civilian industry and civilian consumption which is roaring away in North America. If these are incompatibles, as they clearly are, and the attempt to reconcile them is continued persistently, the result must be an improvidently rapid draft on irreplaceable resources, a weakening of the capital structure, and last, but by no means least, a further general undermining of the integrity and purchasing power of money. These are not the ingredients for any strategy designed to win the cold war.

Danger of Economic Nationalism

The success of any plans for the closer and greater co-ordination of the democracies' economies, with, amongst other things, an eye on inflation, would depend on their being of wide scope and comprehensibility and on the inculcation of more liberal ideas than pertain at present in regard to the pooling and distribution of financial as well as material resources. The countries that have must come still more unsparingly to the aid of the countries that have not. It is here that Economic Nationalism within the democratic group of countries might be found a stumbling block. If so, its removal would be a chal-

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Canada's Astounding Industrial Advancement

lenge which their leaders could scarcely evade with impunity, for it is becoming blatantly clear that the safest bulwark against the tide of aggression and against the long historically predicted clash between the Eastern and Western Hemispheres is complete co-ordination of the economies of the Western Powers. Paradoxically enough, the totalitarian threat from the East is compelling a totalitarian economic defense in the West. The heavy responsibility for the construction of this Western economic defense rests on the shoulders of the free world's statesmen, and it is fervently to be hoped they will not shirk it.

Canada's Rearmament Program

Canada has a full and tremendously important part to play in national and international rearmament in pursuit of the democratic cause, and it is no exaggeration to assert that the country's near future welfare will be almost entirely governed by the incidence of the enormous defense preparations. After a somewhat slow start, good strides are now being made towards implementing the three-year rearmament plan. The originally estimated cost of this defense program at $5 billion is vast enough in itself to cause apprehension as to the strain it will place on the nation's financial resources. Unfortunately, it has been officially announced recently that, judging by actual defense expenditures during the six months' period beginning April 1, serious doubts have arisen about the sufficiency of the original cost estimate, owing to inflation having run away with prices in the meantime. This is a warning that as the rearmament program progresses it may become necessary to revise the estimates of its final cost in an upward direction and with the consequence that the country's already top-heavy load of taxation, actual and estimated, may be still further weighted. Any such additional drains on the country's earnings in a large way cannot be contemplated without some concern as to the effect they might have eventually on the general standard of living.

It is but logical to anticipate that, when the full impact of the fast mounting costs of defense makes itself felt on the purse of the civilian consumer, everybody may be compelled to make sacrifices. Austerity may be coming into Canadian life, but wars, whether hot or cold, can only be waged at loss to humanity at large, and any such sacrifices as may be demanded must be stoically accepted as the premium payable for the insurance of liberty.

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IBA Activities During Past Year

change of top officers. I think the IBA successfully meets this problem by having an excellent permanent staff.

Murray Hanson, our General Counsel, does a brilliant job. He not only runs the Washington office, very ably assisted by Gordon Calvert, and supervises the activities of the Association in respect to regulation, legislation and relative matters, but also has made innumerable trips to New York and elsewhere in connection with joint meetings with the other segments of the industry, and with other industries. Furthermore, in the course of the past year he has traveled well over 50,000 miles with the President, attending meetings of the regional Groups.

You will see from Charlie Vrtis's report that Gordon has also done great work in the field of State Legislation. And both Murray and Gordon have put a tremendous amount of effort into the IBA part of the anti-trust suit. This is well described in a letter I received Friday from Hugh Cox, our trial counsel in the case. I quote: "I should also like to take this opportunity to tell you what remarkable work was done by both Mr. Hanson and Mr. Calvert in connection with the preparation and trial of this case and to say that the Association can well be proud of those two members of its organization."

No one who has not been President can really appreciate the outstanding work done by Bob Stevenson, our Secretary and Treasurer. He not only handles all the fiscal and administrative work of the Association, but also arranges all our conventions and Board meetings with 100% efficiency. In all this work Mary Lincoln is his strong right arm.

Dudley Smith handles the municipal affairs of the Association, to the great satisfaction of everyone concerned, and our newcomer, Erwin Boehmler, Educational Director, has done splendid work in his untiring efforts on behalf of the Education and Public Education Committees.

And I must say a word of praise of our Secretary emeritus who nursed this organization from infancy to its adult state. He is still our valuable consultant and beloved by our members from coast to coast.

Meeting with the Groups of our industry in all sections of the United States and Canada has proven to me the strength of our business and the high character and quality of the people who are in it.

I know I understand George Santayana's statement that if you go around the world and meet an unkind man, you can be pretty sure he is not an American.

I would like to paraphrase that and say if you go around the United States and Canada and meet an unkind man, you can be absolutely sure he is not an investment banker.

With Mason Bros.

(Special to THE FINANCIAL CHRONICLE)

SAN LUIS OBISPO, Calif. — James P. Alles has become associated with Mason Brothers of Oakland. He was formerly local representative for Conrad, Bruce & Co.

Revel Miller Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Cal.—Charles C. Carter has been added to the staff of Revel Miller & Co., 650 South Spring Street, members of the Los Angeles Stock Exchange.

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Britain's Political and Economic Problems

to meet the President shows that he is putting that first thing first.

I have seen a tendency in some articles in the American press to assume that Mr. Churchill is coming over here to seek further financial support. I don't believe that is true. It is a fact, and I ask you to believe that an Englishman confesses it with both shame and horror, that sudden crisis that has blown up in our external finances to which I shall refer in a few minutes, brings over the horizon the possibility that we may have to apply to be readmitted to the Marshall Plan from which we made such a triumphant exit only 12 months ago. But that is not what Mr. Churchill is coming to do as is shown by the colleagues whom he has chosen to accompany him.

I think he is coming for a broader and a higher purpose, and that is to establish a relationship, to try and build a channel of communication, to lay the foundation for a firmer relationship of mutual confidence between the two countries. It would be quite wrong to say that relations between our two countries are bad. They are astonishingly good. When you think of all the efforts that the common enemy has made to drive a wedge between the United States and its Allies, and all the opportunities that the Far Eastern situation in the past 18 months have provided for such wedge-driving activities, then it is really incredible how good the relations between the United States and its Allies, and particularly your principal ally, Great Britain, are today — but they could still be better.

The wartime relationship by which an attempt was made to take time by the forelock, to keep abreast of events, to think out things before they happen—that wartime relationship has rather lapsed in recent years and I am sure it is Mr. Churchill's hope that it will be possible to restore it so that together we may take counsel, not to run after events, but to remain in front of them and in mastery of them.

I have seen the suggestion that Mr. Churchill is going to propose to the President his solution for the cold war with Russia, namely a high level approach to Mr. Stalin. That is a solution, a possible solution of the matter, that Mr. Churchill has often supported. I think it is a mistake, however, to suppose that he intends to do anything about that at present. He has always made it clear that for that sort of an approach it will be necessary to bargain from strength, a preliminary necessity is to have the strength to bargain from, and for that, the time has hardly yet come.

I am quite certain that the reports I have seen here and there—that if he cannot persuade Mr. Truman to go with him to Moscow he will go alone—are false. It would seem to be lunacy and directly contrary to the main principle of his policy.

However, my purpose is not to discuss this project of a so-called high level approach, about which, to be frank, I remain obstinately skeptical. I am not proposing to discuss it but rather to indicate that you are going to see under the new government of Britain, a willingness to take the initiative, to take bold steps, and to offer leadership that has been missing for some years past.

The next division of foreign affairs that I want to say a word or two about is Asia, and that divides itself into the Far East and the Middle East.

In the Far East, it will be my judgment that the policy of the new government will differ from the old, not so much in substance as in methods. I don't think there is any point in trying to pretend that the way in which public opinion in Britain looks upon the situation in the Far East is identical with that of the American opinion. It is not, but it is possible to take more pains than has been taken in the last 18 months to stress the points of similiarity and agreement between the two policies of the two countries and to play down the points of difference.

There have been times when the Labor Government seemed rather to be trying to do the opposite. For example, I doubt very much whether the Churchill Government will be willing to withdraw the recognition of the Chinese Communist Government that was accorded by the Labor Government some time ago, but I also feel reasonably certain that had the Conservative Government been in office at that time, that original blunder would not have been made.

I must pass in this very rapid survey to the Middle East. It is no part of my intention to attempt to discuss the sorry events of the last six months except to say that I find it difficult to disagree with many of the criticisms that I have seen and heard in this country of the actions of the British Government and the Anglo-Iranian Oil Company.

It is a complicated and difficult story and if you will go back far enough, I think you can state a very good case. In any event, I would not expect this audience to show any sympathy with the idea that concessions for the exploitation of oil, validly entered into, can legally be abolished simply because of a failure of public relations on the part of the exploiting company. I am more concerned this morning with the resulting position, not so much for the petroleum industry itself, but as to the political and strategic position.

The Middle East is a vital area. It is vital geographically as you can see by looking at a map. It is the central link in the chain that the free Western nations are attempting to forge, a vital link. If the Russian armies were to occupy that area and move out into the Indian Ocean or into Africa, the whole strategic position of the Western Alliance would be transformed over night.

It is also vital economically because of its vast supplies of petroleum, but the position at the moment is that there is a vacuum of Western policy in the Middle East.

The bluff of British strength in that area—and it was a bluff because there never had been more than a corporal's guard of troops in the area — has been called. Political policy has collapsed and at the moment there is nothing in the Middle East.

The proposed Middle East command is a piece of machinery and not a policy. That imposes on the whole of the Western Alliance, but most specifically upon the United States and on the United Kingdom, the most painful decisions of policy in the next few weeks.

Over-simplifying for the sake of clarity, it seems to me the real choice is this: Either Great Britain must be, so to speak, reappointed as the executive agent of the Western Alliance in that part of the world—in which case on our part, we shall have to convince our allies that we have a policy there that they are prepared to support, and our allies on their side will have to be willing when they have agreed to that policy, to support it through thick and through thin, and when it gets into difficulties not content themselves with the role of a mediator —or else if that is not agreeable, the United States will have to add to its already very heavy direct commitments in that area.

That is a painful choice and I won't pretend for a minute that either horn of the dilemma is a comfortable one to sit upon, but the point I am trying to make is, that in the next few months one or the other of those two policies will have to be decided upon.

New British Economic Policy

I must move on rapidly, if I am not to outrun my time, to the sphere of economic policy. The economic policy in Britain might serve as a good example of the well-known paradox of the irrestible force meeting the immovable object. The irresistible force is the apparent necessity of doing something to resolve the difficulties, to close the yawning gap in the balance of payments that has suddenly reappeared. The immovable object is the very great difficulty of seeing what it is that can be done.

Let me speak on each very briefly.

On the side of balance of payments, Britain is now running into what appears to be our biennial crisis. You will remember that the planned economy was going to remove all possibility of the current economic crisis. Under the free capitalistic system, these crises used to occur about every eight years. Under the planned economy, they seem to come every two years.

Certainly there was the so-called Convertibility Crisis in the autumn of 1947. We had the Devaluation Crisis in the autumn of 1949 and now we have a crisis to which no one has yet applied a long, abstract noun as a title in the autumn of 1951.

Those crises all arrived out of the fact that the balance of payments of the sterling area in general and of the United Kingdom in particular refuses suddenly to balance. Now, when that happens, when outgo exceeds income, there are only two things you can do: One is to cut down your expenditures and the other is to increase your earnings. You have heard a great deal in recent years of the faults and mistakes of British economic policy and I am not one to underrate those faults. Quite on the contrary, I earn my living by pointing them out every week. I run what might almost be called a "Blunder of the Week Club."

Nevertheless, speaking to this audience, I would like you to take all faults and blunders as read and I would like just very briefly to point out to you the brighter side of the mettle and the efforts that have been made to close the gap between income and outgo.

First of all, in reducing expenditure—and I am talking about our international expenditure—in cutting down our imports, we have resolutely held the volume of our imports below the prewar level in spite of the fact that we have a larger population and a much higher rate of economic activity. We have kept down our imports to such good purpose that we are still, I think, the only country in the world that maintains food rationing, and not because we like it. We also would like to have some butter on our bread. Not through addiction to socialistic principles; believe me, that is not the reason. The reason is simply that we are unwilling to import food we cannot pay for.

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Britain's Political and Economic Problems

That is on the import side, and that resolution has been kept up for 12 years.

On the export side, we are still pushing out our exports with equal self-denial. I remember in the closing months of the War, the calculation was made that if we were to balance our books in the postwar period, we would have to increase our exports to 150% of the prewar level, by volume I mean, not by value. I remember how impossible that seemed to be. Well, it was done, but by the time it was done, the terms of trade had slipped away from us; that is to say, the prices of things that we buy, the foodstuffs and raw materials, had risen more than the prices of the manufacturers' products that we sell.

Therefore, to balance the books, by the time we got the exports up to 150% of the prewar level, the target had risen to 175%. Well, we have got that. The volume of our exports today is 175% of prewar but when we got to that point, the target receded once again.

Because of a still further rise in foodstuffs and raw material prices relative to manufacturing prices, we should now have to export something like 200% of prewar in order to balance the books. If we managed to get to that point, I am beginning to think that the target will have receded once again.

The Problem Ahead

I sometimes feel that the correct comment is to be taken from Tennyson's poem:

"For all experience is an arch, wherethrough gleams that untravelled world whose margin fades forever and forever as we move."

The untravelled world is a world in which we could afford to consume our own goods. You can buy an English car or English woolens or English china much more easily in Miami or New York than you can in London. That untravelled world is a world in which we could get rid of our food rationing and other things. It seems to go further and further from us, the greater the efforts that we make.

The essential point to make in England, which I make regularly, is that the efforts great as they have been, have not been enough and that, in a cold and cruel world, is the essential point. But to this audience I would like for just one minute to dwell upon the fact that the efforts made have been considerable. That is one difficulty of seeing what can be done by economic policy, the difficulty of knowing how much further it is necessary to go in restricting imports and pushing out exports.

The other difficulty is the political difficulty. I think that the Conservatives who now form the government, will agree in principle with the criticisms of the planned economy and Socialist trend which you yourself would voice, but they find themselves in an exceedingly difficult political position.

For example, they believe in returning to the price economy and abolishing government controls, but how can you do that when you have a large rearmament program and also an export program to carry through?

Let me briefly illustrate that point. You, in this country, know what a rearmament program involves. It involves using labor and materials and plant capacity and finance for something which, though we believe it to be necessary, does not pay any immediate dividends to the standard of living of the people.

We are doing that too. We have an armament program of substantially the same size in proportion to our resources as your own, but we have another burden on top of that because of this export effort which constantly makes it necessary for us to push out still more exports. We have a second burden because, when you have to give to the outside world more of your own goods in exchange for the same quantity of food and materials that you were importing, the economic effect is very similar to a rearmament program. It means using labor, materials, plant capacity and finance for something which, though necessary, adds nothing to the standard of living of the people at the moment.

So that you can see, I think, roughly the position that we are in. If you imagined that on top of your existing rearmament program, you had another similar program of the same size in order to maintain your international solvency, that is the position that we are in. If some controls are necessary for you with—if you will forgive the phrase — your single rearmament program, you can imagine how difficult it is to get rid of controls in my country with our double rearmament program.

Efforts of the Conservatives

Or again, the Conservatives believe in a reduction of the crushing burden of taxation, but the only way in which you can do that honestly is by reducing expenditure, and the only forms of expenditure that could be reduced today are either our rearmament program—which we are not willing to reduce — or the various social welfare programs.

However one might wish to reduce those, one can hardly blame the politicians for failing to make an issue of it when they find themselves in a very delicately balanced political position in which the loss of only a very few votes might cost them their position in office.

Or once again, the Conservatives believe in the philosophy of rewards, incentives for effort and energy and enterprise, but the provision of rewards for those things implies punishment for the absence of them. A program of reintroducing punishment is again one that one would hardly expect to see politicians putting forward when they are too dependent upon a very narrow margin of votes.

I don't want to paint the picture too blackly for you. I think that to judge by the way they have started, Conservative Ministers are going to make some attempt to move in these directions.

I am merely trying to explain to you the reasons why you must not expect too rapid movement and too bold steps in that direction. How far they will go will be the outstanding test of the courage with wihch they approach their problem.

Mr. Churchill's Courage

The mention of the word "courage" reminds me that in this point by point survey that I have been giving you, I have perhaps been too concerned with the trees to see the wood. I may have perhaps left out the vitamins that will determine the effect of the new diet of policy. One must remember that the head of the new government is the man, perhaps the one man still living in the democratic world, who has shown that he can transform a position and inspire the whole people by the simple application of courage and personality.

It is always said in England that Mr. Churchill is a grand man for war but a poor man for peace, and the record of his long life provides perhaps some evidence for that opinion. But he is quite convinced that he has been preserved by Providence in order to give leadership to his people once again. If the great Lord Chatham had not invented the phrase, I am sure Mr. Churchill would have done so and said, "I know that I can save my country and that no other man can."

I would like to finish by telling you a little personal anecdote about Mr. Churchill to prove that point.

Some five years or so ago, I was one of a small group of people who were invited by Mr. Churchill to dine at his country house to help him with a speech he was making. When the time came, it turned out to be a really very foggy night, one of those that some of you may have experienced. I think that fog, together with marmalade and jet engines, are the three things we can still produce better than you can.

But so thick a night was this that most of the party abandoned it, but I was the young man who was so conscious of his appointment with destiny that I was determined to get there and, losing my way and finding it again, crawling along through the fog, I reached his house. Very apologetic for being late, I found I was the only guest, so that in that peculiar way, I had the remarkable privilege of dining alone with Mr. Churchill.

The conversation was, shall I say, somewhat one-sided.

At one point in it, Mr. Churchill remarked what a peculiar thing it was that he had gone into the Government on September 3, 1939, the day the war broke out, and that he had been dismissed within two or three days of V-J day; that he had served for the exact length of the war, neither more nor less, and it was difficult not to see the Hand of Providence in this.

Well, I hadn't said anything for 20 minutes or so—and it was about time I made a remark. So I said, "Well, in that case, sir, I am very glad that Providence didn't have the same plans for you that it did for Mr. Roosevelt."

At that, Mr. Churchill was silent for 30 seconds or more, staring out of the window, and he said, "No. You are quite wrong. The President was fortunate, very lucky. I would like to have had it that way."

Another silence. "But evidently that isn't the plan, and meanwhile, I follow my instincts. It is my instinct to drink champagne." I am glad to say it was champagne we were drinking. "It's my instinct to smoke cigars," and with that he lit up one of his celebrated two-footers. "It is my instinct to go down to the House of Commons to see if I can't start a row about something."

Another long silence. And he said, "But I would like to know what the plan is."

I think the human personal interest of the coming months will be to see what the plan is.

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In Attendance at IBA Convention

DOUGLAS, W. LESLIE* Folger, Nolan, Incorporated, Washington
DOWNEY, NORMAN S. Union Securities Corporation, New York
DROBNIS, GEORGE J. 69 W. Washington Street, Chicago
DuBOIS, ALLEN C.* Wertheim & Co., New York
DUNN, EDWARD K. Robert Garrett & Sons, Baltimore
DUNN, STEWART A.* C. J. Devine & Co., Inc., New York
DUNNE, NEWMAN L. Robert W. Baird & Co. Incorporated, Milwaukee
DURYEA, WRIGHT* Glore, Forgan & Co., New York
DUVAL, GORDON B.* Guaranty Trust Company of New York, New York
EATON, Jr., CHARLES F. Eaton & Howard, Incorporated, Boston
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ERGOOD, RUSSELL M., Jr.* Stroud & Company, Incorporated, Philadelphia
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EVANS, CLEMENT A. Clement A. Evans & Company, Inc., Atlanta
EVANS, THOMAS W. Continental Illinois National Bank & Trust Co. of Chicago, Chicago
EWING, ROBERT W. A. E. Masten & Co., Wheeling
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*Denotes Mr. & Mrs.

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The First Boston Corp., Chicago

FAIRMAN, Jr., FRED W.
Sills, Fairman & Harris, Incorporated, Chicago

FARRELL, F. D.
City National Bank & Trust Co., Kansas City

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Distributors Group, Incorporated, New York

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Putnam Fund Distributors, Inc., Chicago

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Atwill and Company, Miami

FLEMING, CHARLES J.*
Hanrahan & Co., Worcester

FLYNN, GEORGE T.
Hornblower & Weeks, New York

FLYNN, H. LEONARD
McDonald & Company, Cleveland

FOLGER, JOHN CLIFFORD
Folger, Nolan, Incorporated, Washington

FORDON, RALPH
Fordon, Aldinger & Co., Detroit

FORREST, GEORGE M.
Paine, Webber, Jackson & Curtis, Los Angeles

FORREY, GEORGE C.*
Indianapolis Bond & Share Corporation, Indianapolis

FREDERICK, PAUL O.*
Paul Frederick & Company, New York

FRICK, Jr., BENJAMIN F.
Stix & Co., St. Louis

FRICKE, JOHN E.
Thayer, Baker & Co., Philadelphia

FRIDLEY, EARL G.*
Fridley & Hess, Houston

FRIEDRICHS, G. SHELBY*
Howard, Weil, Labouisse, Friedrichs & Company, New Orleans

FRIEND, ARTHUR S.*
Folger, Nolan, Incorporated, Washington

FROST, JOHN P.*
Frost, Read & Simons, Incorporated, Charleston

FRYE, CHARLES S.
Chicago Daily News, Chicago

FUGLESTAD, ARNE
White, Weld & Co., New York

FULKERSON, Jr., W. NEAL*
Bankers Trust Company, New York

FULLERTON, C. G.
A. E. Ames & Co. Limited, Toronto

FULTON, WALLACE H.
National Association of Securities Dealers, Washington

FUNSTON, G. KEITH
New York Stock Exchange, New York

FURLONG, THOMAS R.
Chicago Tribune, Chicago

FURMAN, ALESTER G., Jr.
Alester G. Furman Co., Greenville

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Cooley & Company, Hartford

GAIRDNER, JAMES A.*
Gairdner and Company, Toronto

GALE, CHESTER O.
Trubee, Collins & Co., Buffalo

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Yarnall & Co., Philadelphia

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Kidder, Peabody & Co., New York

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Distributors Group, Incorporated, New York

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Hayden, Stone & Co., New York

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GEDDES, EUGENE M.
Clark, Dodge & Co., New York

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Harriman Ripley & Co., Incorporated, Chicago

GERNON, FRANK E.
Carl M. Loeb, Rhoades & Co., New York

GEYER, GEORGE*
Geyer & Co., Inc., New York

GIBBONS, Jr., GEORGE B.
Geo. B. Gibbons & Company, Inc. New York

GIBBS, LOUIS A.*
Laird, Bissell & Meeds, New York

GILBREATH, Jr., W. SYDNOR
First of Michigan Corporation, Detroit

GILLIES, GEORGE J.
A. C. Allyn and Company, Inc., New York

GILLINGHAM, WILLIAM
Business Week, New York

GLASSMEYER, EDWARD
Blyth & Co., Inc., New York

GLAVIN, CHARLES C.*
The First Boston Corp., New York

GLEISSNER, JOHN H.
Putnam Fund Distributors, Inc., Boston

GLOVER, W. WAYNE*
California Bank, Los Angeles

GLYNN, Jr., JOSEPH A.
Blewer, Heitner & Glynn, St. Louis

GOLDSMITH, BERTRAM M.*
Ira Haupt & Co., New York

GOODHUE, III, FRANCIS
Calvin Bullock, Philadelphia

GOODWIN, ROBERT M.
The National City Bank of New York, New York

GOULD, EDSON
Arthur Weisenberger & Co., New York

GRAHAM, JAMES S.
Allison-Williams Company, St. Paul

*Denotes Mr. & Mrs.

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First National Bank, Fort Worth

GRAINGER, I. B.
Chemical Bank & Trust Co., New York

GREEN, SHELDON R.*
The Chase National Bank of the City of New York, New York

GREGORY, GEORGE M.*
Gregory & Son, Incorporated, New York

GREGORY, Jr., WILLIAM H.*
Bonner & Gregory, New York

GRUNEBAUM, KURT H.*
New York Hanseatic Corporation, New York

GRUNER, GEORGE J.
Lee Higginson Corporation, New York

GRUNIGEN, ARDNOLD, Jr.
J. Barth & Co., San Francisco

GUNN, M. CARTER
Scott, Horner & Mason, Inc., Lynchburg, Va.

HAGAN, Jr., JOHN C.*
Mason-Hagan, Inc., Richmond

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Robert Winthrop & Co., New York

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Hallowell, Sulzberger & Co., Philadelphia

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Braun, Bosworth & Co., Incorporated, Chicago

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Hancock, Blackstock & Co., Atlanta

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HAPP, WILLIAM A.
Globe-Democrat, St. Louis

HARKNESS, ROBERT B.
Estabrook & Co., Boston

HARPER, DICKINSON C.*
Wm. P. Harper & Son & Co., Seattle

HARPER, W. PAUL
The Boatmen's National Bank of St. Louis, St. Louis

HARRIS, DAVID J.
Sills, Fairman & Harris, Incorporated, Chicago

HARRISON, MILTON S.
Wood, Struthers & Co., New York

HARTER, ROBERT L.
Sutro & Co., San Francisco

HASSMAN, ELMER G.
A. G. Becker & Co., Chicago

HATCHER, LLOYD B.
Trust Company of Georgia, Atlanta

HATCHER, Jr., ROBERT L.
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HAWES, HARDIN H.
Harris Trust & Savings Bank, Chicago

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Rauscher, Pierce & Co., Inc., Houston

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Dempsey-Tegeler & Co., Los Angeles

HEIMERDINGER, JOHN M.*
Walter, Woody & Heimerdinger, Cincinnati

HEFFERNAN, PAUL*
New York Times, New York

HEIMERDINGER, JOHN G.
Walter, Woody & Heimerdinger, Cincinnati

HEMBURGER, BARRY
Commercial & Financial Chronicle, New York

HENDERSHOT, RALPH*
World-Telegram & Sun, New York

HENDERSON, THEODORE C.
T. C. Henderson & Co., Des Moines

HERZER, KARL P.*
R. L. Day & Co., New York

HESS, WILBUR E.*
Fridley & Hess, Houston

HEWITT, CHARLES L.
Francis I. du Pont & Co., New York

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Schneider, Bernet & Hickman, Dallas

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Wertheim & Co., New York

HIPKINS, CLIFTON A.
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HOLLAN, JOHN V.
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Investment Bankers Association, Washington

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Blair, Rollins & Co. Incorporated, Chicago

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Goodbody & Co., St. Petersburg

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Hornblower & Weeks, Boston

HORNER, EDWIN B.* and Sallie
Scott, Horner & Mason, Inc., Lynchburg

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Stifel, Nicolaus & Company, Incorporated, St. Louis

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Penington, Colket & Co., Philadelphia

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Farwell, Chapman & Co., Chicago

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Ball, Burge & Kraus, Cleveland

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White, Weld & Co., New York

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F. P. Ristine & Co., Philadelphia

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W. E. Hutton & Co., Cincinnati

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The Milwaukee Company, Milwaukee

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Kidder, Peabody & Co., New York

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Johnson, Lane, Space & Co., Inc., Savannah

JOHNSON, WILBUR E.*
Johnson & Johnson, Pittsburgh

JOHNSTON, PAUL A.
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JONES, EDWARD D.
Edward D. Jones & Co., St. Louis

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Kenower, MacArthur & Co., Detroit

KERR, WILLIAM D.
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The First Boston Corporation, Boston

KING, THOMAS E.
Dempsey-Tegeler & Co., Chicago

KLINGENSTEIN, JOSEPH
Wertheim & Co., New York

KNEASS, GEORGE B.*
Philadelphia National Bank, Philadelphia

KNIGHT, NEWELL S.
Mercantile Trust Company, St. Louis

KNOPP, BERNARD B.
The First National Bank of St. Paul, St. Paul

KNOX, JOHN T.*
Federal Land & Intermediate Credit Banks, New York

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Bankers Trust Company, New York

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Carl M. Loeb, Rhoades & Co., New York

LEDYARD, QUITMAN R.
J. C. Bradford & Co., Nashville

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Lee Higginson Corporation, New York

LEEMING, CHARLES E.
Chicago Tribune, New York

LEES, LEON S., Jr.*
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Bear, Stearns & Co., New York

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LIND, HERMAN L.*
Camp & Co., Portland

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The Chase National Bank of the City of New York, New York

LITTLE, ALDEN H.
Investment Bankers Association, Chicago

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Alester G. Furman Co., Greenville

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Kebbon, McCormick & Co., Chicago

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J. P. Morgan & Co. Incorporated, New York

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Kalman & Company, Inc., Minneapolis

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Hess & McFaul, Portland, Oreg.

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The Milwaukee Company, Milwaukee

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The Northern Trust Company, Chicago

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Kuhn, Loeb & Co., New York

McINTYRE, WILLIAM T., 2nd
Dominick & Dominick, New York

McLAREN, HARRIS B.
McDonald & Company, Cleveland

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Paine, Webber, Jackson & Curtis, New York

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Fifty State Street Company, Boston

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Mead, Miller & Co., Baltimore

MEANS, JAMES W.*
Courts & Co., Atlanta

MERRELL, Jr., ROLAND
Lee Higginson Corporation, Chicago

MEYER, Jr., MAURICE*
Hirsch & Co., New York

MEYERS, EDWARD J.
Laidlaw & Co., New York

MIDDLEMIST, JOHN*
Northwestern National Bank of Minneapolis, Minneapolis

MILLER, LEWIS
The First National Bank of Chicago, Chicago

MILLONZI, ROBERT I.*
Securities & Exchange Commission, Washington

MILLS, ANDREW S.*
Newhard, Cook & Co., St. Louis

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Mitchell & Pershing, New York

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Branch, Cabell & Co., Richmond

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A. G. Edwards & Sons, St. Louis

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Wellington Distributors, Inc., Philadelphia

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MORRIS, JACK C.*
Norris & Hirshberg, Inc., Atlanta

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W. C. Pitfield & Co., Inc., New York

MORSE, FRANK H.*
Lehman Brothers, New York

MORSE, WALTER E.*
Lehman Brothers, New York

MORTON, WILLIAM H.*
W. H. Morton & Co., Inc., New York

MUDGE, LOUIS G.
International Bank, New York

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Mullaney, Wells & Company, Chicago

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Stern, Lauer & Co., New York

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Burnham and Company, New York

NEUHAUS, JOSEPH R.*
Underwood, Neuhaus & Co., Houston

NEWBORG, LEONARD D.
Hallgarten & Co., New York

NEWBURGER, FRANK L., Jr.
Newburger & Co., Philadelphia

NEWHARD, CHAPIN S.*
Newhard, Cook & Co., St. Louis

NICHOLSON, DANIEL F.
Chicago

NIX, ALLEN J.
Riter & Co., New York

NOEL, RICHARD C.*
Van Alstyne, Noel & Co., New York

NORTH, LUDLOW F.*
Robert W. Baird & Co., Incorporated, Milwaukee

NOWLAN, ROBERT E.
Stroud & Company, Incorporated, New York

NOYES, GEORGE F.
The Illinois Company, Chicago

O'DAY, DANIEL
Northern Trust Company, New York

O'ROURKE, T. NELSON*
T. Nelson O'Rourke, Inc., Daytona Beach

OSGOOD, ROBERT L.
Vance, Sanders & Company, Boston

OSTRANDER, LEE H.
William Blair & Company, Chicago

OTIS, C. BARRON*
The Bond Buyer, New York

OVERTON, JOSEPH A.
T. H. Jones & Company, Cleveland

OWEN, RALPH
Equitable Securities Corporation, Nashville

PACE, CLARK R.*
Business Week, New York

PARKER, AMORY
The Parker Corporation, Boston

PARKER, CHARLES S., Jr.
Chemical Bank & Trust Company, New York

PARKER, E. CUMMINGS
Ames, Emerich & Co., Inc., Chicago

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Kay, Richards & Co., Pittsburgh

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PATTBERG, Jr., EMIL J.*
First Boston Corporation, New York

PAYNE, CARR
Cumberland Securities Corporation, Nashville

PERRIGO, CHARLES R.*
Hornblower & Weeks, Chicago

PETERS, GERALD P.*
Peters, Writer & Christensen, Inc., Denver

PETERSON, E. NORMAN
Equitable Securities Corporation, New York

PETERSON, WILLIAM A.*
Putnam Fund Distributors, Inc., Chicago

PFEFFER, DELMONT K.*
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PHELPS, ORIN M.
Gordon Graves & Co., Miami

PHILLIPS, EDWARD J.*
Samuel K. Phillips & Co., Philadelphia

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Dean Witter & Co., Los Angeles

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Emanuel, Deetjen & Co., New York

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Hirsch & Co., New York

PIGOTT, JAMES M.
Central Republic Company, Chicago

PIPER, JOHN S.
San Francisco News, San Francisco

PODESTA, ROBERT A.
Cruttenden & Co., Chicago

POOLE, MONROE V.*
Geo. B. Gibbons & Company, Inc., New York

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I. M. Simon & Co., St. Louis

PORZELT, PAUL
Emanuel, Deetjen & Co., New York

PRANKARD, 2nd, HARRY I.*
Lord, Abbett & Co., New York

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Paine, Webber, Jackson & Curtis, Boston

PRESCOTT, EDWARD P.
Prescott, Shepard & Co., Cleveland

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R. W. Pressprich & Co., New York

PRICE, WILLIAM J., 3rd*
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PROSSER, MALCOLM S.
Seattle-First National Bank, Seattle

PURKISS, ALBERT C.*
Walston, Hoffman & Goodwin, New York

PURVES, GEORGE T.*
Hemphill, Noyes, Graham, Parsons & Co., New York

PUTNAM, ALBERT D.
Putnam & Co., Hartford

PUTNAM, HENRY W.*
Association of Stock Exchange Firms, New York

QUAIL, JOHN J.*
Quail & Co., Davenport

QUIGG, JAMES F.
Paine, Webber, Jackson & Curtis, Chicago

RAFFENSPERGER, G. WILLIAM
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Rand & Co., New York

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Goldman, Sachs & Co., Philadelphia

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Rauscher, Pierce & Co., Dallas

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Kay, Richards & Co., Pittsburgh

RAYMOND, ANDREW J.
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REDWOOD, JOHN, Jr.*
Baker, Watts & Co., Baltimore

REED, STUART R.
Paine, Webber, Jackson & Curtis, New York

REFSNES, JOSEPH E.
Refsnes, Ely, Beck & Co., Phoenix

REILLY, F. VINCENT
Commercial & Financial Chronicle, New York

REINHOLDT, Jr., JULIUS W.*
Reinholdt & Gardner, St. Louis

REISSNER, FRANK L.
Indianapolis Bond and Share Corporation, Indianapolis

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Discount Corporation of New York, New York

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Clark, Dodge & Co., New York

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Scott & Stringfellow, Richmond

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Schwabacher & Co., New York

ROBINSON, ROBY*
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Scharff & Jones, Inc., New Orleans

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Herald Tribune, New York

ROLL, JOHN B.*
J. B. Roll & Co., Inc., New York

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Wm. C. Roney & Co., Detroit

ROSE, MIDDLETON
Laird, Bissell & Meeds, New York

ROUSE, ROBERT G.
Federal Reserve Bank, New York

ROVENSKY, WILLIAM R.
Hornblower & Weeks, New York

ROWE, ROBERT G.*
Stroud & Company, Incorporated, Philadelphia

RYONS, JOSEPH L.*
Lester, Ryons & Co., Los Angeles

ST. PETER, CHARLES
San Francisco Examiner, San Francisco

SANDBERG, MAURICE H.
A. E. Weltner & Co., Inc., New York

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Edwin C. Sanders & Co., St. Louis

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Sanders & Newsom, Dallas

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Savard, Hodgson & Co., Inc., Montreal

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Earl M. Scanlan & Co., Denver

SCHAPIRO, MORRIS A.*
M. A. Schapiro & Co., Inc., New York

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Biorca & Co., Philadelphia

SCHAUST, GEORGE J.*
First National Bank of Minneapolis, Minneapolis

SCHLUTER, HAROLD J.
The First National Bank of Chicago, Chicago

SCHMIDT, WALTER A.*
Schmidt, Poole & Co., Philadelphia

SCHREDER, HAROLD X.
Distributors Group, Incorporated, New York

SCOTT, BUFORD
Scott & Stringfellow, Richmond

SCOTT, JAMES H.*
James H. Scott & Co., Pittsburgh

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The Municipal Bond Market in 1951

upon the instruments of our local governments.

(4) Efforts to obtain statutory power for the Federal government to levy upon the interest from state and municipal securities which, of course, are also instruments of our local governments. Here again Congress rejected the proposal.

Those who really understand and appreciate the fundamental principles of our dual form of constitutional government with its valuable checks and balances know full well that taxing power in the hands of the Federal Government over the states would, if gained, be one of the most effective forms of regulation and control. As stated by Justices Douglas and Black of the U. S. Supreme Court in the Saratoga Springs case in 1946, no more powerful instrument for centralization of government could be devised.

We have in the past pointed out that the states and their governmental units realize full well that the assumption of such power by the Federal Government in the absence of a constitutional amendment, clearly defining and limiting the authority and protecting the sovereignty of the states, would create a precedent—provide a medium — through which the central government might ultimately: levy upon the revenues of the states and their governmental units and other of their operations; destroy the independent home rule and sovereignty of the states making them mere instrumentalities of the central government and subject to its domination.

Following the request of the Treasury Department that Congress amend the tax law so as to empower the Federal Government to levy upon the interest of state and municipal bonds the House Ways and Means Committee held hearings on that subject as well as on other phases of the tax law. We reported in our Interim Report of last May quite fully on the two-days' hearings by this Committee on the proposal.

Briefly stated, extensive factual testimony was submitted to the House Ways and Means Committee by local governments at these hearings through their governors, attorneys general, finance officers, mayors and other municipal officials. Municipal organizations were also represented at the hearings, speaking in opposition to the proposed trespass by the Federal Government. In all, there were impressive arguments submitted against the proposal in the interest of those footing the tax bills in our states and local communities and in the interest of preserving the value of our dual form of constitutional government. Various pertinent factors of the situation were pointed out to the Committee, among them:

The unhampered power to raise money for governmental purposes is a vital attribute and the essence of sovereignty. Without control of its own financing no government can continue as a free and independent state.

The states and municipalities are fighting for the preservation of local government and all that it means under our constitutional system. Under that system democracy itself is completely dependent upon the continued freedom of the states to carry on the functions of local government without Federal interference. So long as such a system is to be maintained, tax interference by one government with the functions of the other can only be prevented by reciprocal constitutional immunity.

Neither the House nor the Senate proposed amending the income tax law to include a provision to tax the interest on state and municipal securities.

Excess Profits Tax

Of particular importance to dealers in municipals was the action by Congress in eliminating in the 1951 Revenue Act a decided inequity existing in the 1950 Act. A clear statement of the reason for the amendment appears in Report No. 781 of the Senate Finance Committee which accompanied the new Act. The Committee stated:

"In computing the invested capital credit and in computing capital additions, certain adjustments are made to exclude from the invested capital certain assets known as 'inadmissible assets.' These include stock in other corporations, State and local government obligations and partially tax-exempt Federal obligations. The reason for this exclusion from invested capital of such assets is that the income from them is not subject to the excess profits tax.

"However, dealers in municipal bonds are subject to excess profits tax on their profits from the sale of these bonds. This is because municipal bonds are their stock in trade or inventory and the gain on the sale of the bonds is treated, therefore, as ordinary income rather than as a capital gain. It is reported that municipal bonds frequently constitute 80% to 90% of the total assets of these dealers.

"The above treatment is manifestly inequitable. Because municipal bonds are required to be excluded from the taxpayer's invested capital, he is in practice denied an invested capital credit with which to offset his normal earnings from the sale of such bonds. This inequity did not arise under World War II excess profits tax because, under that law, taxpayers were permitted, at their option, to treat tax-exempt or partially tax-exempt bonds as admissible assets if they elected to include the interest received from such bonds in excess profits tax net income. Your committee believes that, while a similar option should not be extended to all taxpayers under the present law, because the invested capital credit rates, ranging from 8% to 12%, are completely disproportionate to the low interest rates on tax-exempt bonds, such treatment should be extended to municipal bond dealers since most of their income with respect to these bonds arises from profit on their sale and such income is subject to excess profits tax.

"As a result, section 508 of your committee's bill provides, in effect, that where tax-exempt bonds are held by a dealer primarily for sale to customers in the ordinary course of his trade or business, the dealer may elect to treat such bonds as admissible assets provided that he also elects to include in his excess profits tax net income the interest on such bonds."

While the interest from state and municipal bonds is exempt from the excess profits tax net income, there are serious inequities caused other holders of such bonds by the lack of an optional provision in the law similar to that existing in the World War II excess profits tax law, whereby tax-exempt securities might be treated as "admissible assets" if the interest from them is included in excess profits tax net income.

Special Committee on Revenue Bonds

We have reported from time to time on the work of our Special Committee on Revenue Bonds. That Committee as presently constituted numbers 18 and includes at least one member in each of the 12 Federal Reserve cities. The members are:

Francis P. Gallagher, New York, (**Chairman**); LeRoy H. Apgar, New York; Oscar M. Bergman, Minneapolis; William H. Clark, Cleveland; Walter W. Craigie, Richmond; E. W. Darmstatter, St. Louis; O. Paul Decker, Chicago; Everett S. Emerson, San Antonio; Herbert V. B. Gallager, Philadelphia; William C. Jackson, Jr., Dallas; Elmus M. Kalloch, Boston; Chester W. Laing, Chicago; Mark A. Lucas, Jr., Kansas City, Mo.; J. W. Means, Atlanta; Ferris S. Moulton, San Francisco; Aaron W. Pleasants, Denver; Robert O. Shepard, Cleveland; Fred D. Stone, Jr., New York.

Attention is again directed to the fact that the "Bond Buyer" is providing a valuable service in connection with reports on revenue bond projects. It publishes skeletonized reports of publicly owned revenue producing projects whenever the information is made available to it for that purpose. Your Committee again strongly recommends that those representing the issuers of revenue bonds and dealers avail themselves of this service. It is intended that sufficient information be given anyone familiar with such reports to form an idea of the progress which the projects are making.

The Special Committee also wishes to remind those dealing in revenue bonds of the availability of our Revenue Bond Report Forms, Nos. 1 and 2, and their usefulness and value in maintaining up-to-date information on revenue bond projects which they have handled.

Joint Studies

A couple of years ago we were asked by the Municipal Law Section of the American Bar Association to appoint one of our members to represent us in a joint study on "Fundamental Considerations in Rates and Rate Structures for Water and Sewage Works." Frank Gallagher, Chairman of our Special Committee on Revenue Bonds, was appointed to serve on that joint committee.

The study was being undertaken by a group consisting of a committee of the American Society of Civil Engineers; a committee of the Municipal Law Section of the American Bar Association and representatives of the following organizations: the American Water Works Association; National Association of Railroad and Utilities Commissioners; Municipal Finance Officers Association; Federation of Sewage Works Association; American Public Works Association and the Investment Bankers Association of America.

We have reported at intervals on the developments. The study was recently completed and a joint report of that special group was made. The report, comprising 276 pages of printed matter, is informative and reflects a thorough study of various pertinent phases of the subject. Copies of these reports may be had, as long as the supply lasts, at a nominal charge of 50 cents per copy upon application to the "Ohio Law Journal," Ohio State University, Columbus, Ohio. Among the chapters in this report of interest to dealers in public revenue bonds are those on:

Financing of Publicly-Owned Utilities.

Determination of Annual Revenue Requirements.

Present Practices in Raising Total Annual Revenue for Water and Sewage Works.

Recommended Procedures for Establishing Fair Rates and Rate Structures.

Methods of Enforcing Payment of Water and Sewage Charges.

As pointed out in the report, it speaks only for the Joint Group as a whole and does not necessarily represent the views of any individual member of the group. None of the listed organizations have taken any official action upon it and the conclusions and recommendations set forth do not commit any of those organizations in any way.

The Municipal Law Section of the American Bar Association is currently sponsoring another broad study and again has invited us to participate in that undertaking. It will be a study of the "Relief of Urban Traffic Congestion and the Financing of Off-Street Parking Facilities."

We are pleased at the opportunity to have representation on this important committee. Our President, Laurence Marks, has appointed Frank Gallagher to

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The Municipal Bond Market in 1951

represent us in this new joint study. He accordingly attended the first meeting which was held in New York City on Sept. 16, for organization purposes.

Organizations participating in the new study include the Municipal Law Section of the American Bar Association; American Society of Civil Engineers, Highway Division; American Municipal Association; Automotive Safety Foundation; Bureau of Public Roads; The Eno Foundation; Institute of Traffic Engineers; Investment Bankers Association of America; National Safety Council; Regional Plan Association, Inc.; American Automobile Association; Urban Land Institute; City Managers Association; United States Conference of Mayors; American Transit Assocation; U. S. Chamber of Commerce and the American Association of State Highway Officials.

Investment Banking Seminar

The first Investment Banking Seminar which was held last June was a pronounced success. As you know, it was sponsored by our Association in cooperation with the Wharton School of Finance and Commerce, University of Pennsylvania. There were 106 representatives of IBA member firms in attendance. Our Education Committee is to be congratulated upon the caliber of the program and the overall success of this undertaking.

The subject of municipals was covered at one of the sessions by John S. Clark of Fahey, Clark & Co., Cleveland, who spoke on "General Obligations" and by Cheever Hardwick of Smith, Barney & Co., New York, who spoke on "Revenue Bonds."

Advertising Municipal Securities

This is the second year that the "Bond Buyer" has conducted its municipal advertising contest. As previously reported, its purpose, in active support of that part of the program of our Public Education Committee relating to advertising securities, is intended to arouse greater interest and develop more effective methods of advertising municipal securities.

Each month, January to September, inclusive, an advertisement is picked by a committee of judges selected by the "Bond Buyer," from the ads entered in the contest for that month. The ad considered to be the best for originality, effectiveness and leadership is chosen. From these monthly winners the annual award is made on the same basis.

Last year the annual award was made to Ira Haupt & Co., New York. A plaque suitably inscribed was presented to the representative of that firm at our Annual Convention in Hollywood; also $100 is included in the award for the writer of the ad. The committee selected by the 'Bond Buyer" to judge the municipal advertisements consists of Quentin L. Smith of Albert Frank-Gunther Law, Inc., Upton E. Liptrott of the "American Banker" and William T. Hall, Jr., of the "Bond Buyer."

The monthly winners this year are listed below. The award for the year was made to the Northern Trust Co., Chicago.

From ads entered in—

January: Hornblower & Weeks, New York.

February: The Marine Trust Co., Buffalo—The name of W. H. Morton & Co., Incorporated, New York, also appears on this advertisement.

March: The Northern Trust Co., Chicago.

April: Shields & Company, New York.

May: Blair, Rollins & Co., Inc., New York.

June: The Ohio Company, Columbus, Ohio.

July: A. C. Allyn and Company, Chicago.

August: Hall & Company, New York.

September: Bank of America, N. T. & S. A., San Francisco—Other names appearing on this advertisement were: The Philadelphia National Bank, Philadelphia; J. Barth & Co., San Francisco; Dean Witter & Co., San Francisco; Ira Haupt & Co., New York; Wm. E. Pollock & Co., Inc., New York; Kaiser & Co., San Francisco; Commerce Trust Company, Kansas City, Mo.; City National Bank & Trust Co., Kansas City, Mo.; Lawson, Levy & Williams, San Francisco; Stone & Youngberg, San Francisco; H. E. Work & Co., San Francisco; H. V. Sattley & Co., Inc., Detroit; Stern, Frank, Meyer & Fox, Los Angeles; C. N. White & Co., Oakland; and Jones, Cosgrove & Miller, Pasadena.

We understand that this advertising contest will be continued. In order to qualify for entry in this contest, an advertisement may or may not have been published in the "Bond Buyer" or any other publication. It may be prepared especially for this contest. Each contestant may submit for consideration as many advertisements as he wishes. The entries are not limited to members of our Association. They are open to all.

Court Decisions and Legislation in the States

Appended to the report are brief references to various court decisions rendered and legislation enacted in the states during the year. There were several of importance and interest to the municipal trade in both categories. Attention is directed to these decisions and enactments—Court Decisions, Appendix 1, and State Legislation, Appendix 2.

Respectfully submitted,

MUNICIPAL SECURITIES COMMITTEE

Lewis Miller, Chairman
First National Bank of Chicago

Alan K. Browne
Bank of America, N. T. & S. A., San Francisco

R. C. Chapman
Fulton, Reid & Co., Cleveland

Walter W. Craigie
F. W. Craigie & Co., Richmond

Ruth Cranston
Piper, Jaffray & Hopwood, Minneapolis

Cecil R. Cummings
First of Michigan Corp., Detroit

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Stifel, Nicolaus & Co., Inc., St. Louis

J. P. Donnally
Peoples National Bank, Charlottesville

A. Webster Dougherty
A. Webster Dougherty & Co., Philadelphia

Chester R. Durgin
Lee Higginson Corporation Boston

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Fauset, Steele & Co., Pittsburgh

C. Cheever Hardwick
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Elmer G. Hassman
A. G. Becker & Co., Inc., Chicago

John G. Heimerdinger
Walter, Woody & Heimerdinger, Cincinnati

William C. Jackson, Jr.
First Southwest Company, Dallas

Wilson Lewis

Franklin Maroney
Blair, Rollins & Co., Inc., Pittsburgh

James W. Means
Courts & Co., Atlanta

Andrew S. Mills
Newhard, Cook & Co., St. Louis

Frank H. Morse
Lehman Brothers New York City

J. Ludwig Mosle
Rotan, Mosle and Moreland Houston

Carr Payne
Cumberland Securities Corp.

James F. Quigg
Paine, Webber, Jackson & Curtis, Chicago

James E. Roddy
Scharff & Jones, Inc., New Orleans

Albro F. Stepp
City National Bank & Trust Co., Kansas City

Paul E. Youmans
Bosworth Sullivan & Co., Denver

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In Attendance at IBA Convention

SCOTT, WILSON A.
McKelvy & Company, Pittsburgh

SCUDDER, DANA B.
The National City Bank of New York New York

SEIDLER, ALEX., Jr.
National State Bank, Newark

SELTSAM, DONALD A.*
Seltsam, Hanni & Co., Inc., Topeka

SENER, JOSEPH W.*
John C. Legg & Company, Baltimore

SETTLE, J. FLEMING*
J. H. Hilsman & Co., Inc., Atlanta

SEVERANCE, CRAIG
F. Eberstadt & Co. Inc., New York

SEVING, FREDERICK T.*
Butcher & Sherrerd, Philadelphia

SHANKS, Jr., WILLIAM
The Bond Buyer, New York

SHARPE, WILLIAM P.
Mercantile Trust Company, St. Louis

SHEEHY, JOSEPH J.
Trust Company of Georgia, New York

SHELLEY, WILLIAM F.*
Vance, Sanders & Company, Boston

SHEPARD, ROBERT O.*
Prescott, Shepard & Co., Cleveland

SHERBURNE, HAROLD H.
Bacon, Whipple & Co., New York

SHIELDS, CORNELIUS*
Shields & Company, New York

SHREVE, WICKLIFFE*
Hayden, Stone & Co., New York

SIMMONS, RICHARD W.
Blunt Ellis & Simmons, Chicago

SIMONDS, GODFREY BALDWIN*
G. H. Walker & Co., Providence

SIMONDS, RALPH W.*
Baker, Simonds & Co., Detroit

SIMONS, BURDICK*
Sidlo, Simons, Roberts & Co., Denver

SIMONSON, Jr., HENRY J.*
National Securities & Research Corporation, New York

SIMPSON, DEREK G.
Midland Securities Corpn. Limited, Toronto

SIMPSON, F. BRADFORD, Jr.
Aubrey G. Lanston & Co., Inc., New York

SMITH, DUDLEY C.*
Investment Bankers Association, Chicago

SMITH, J. RAYMOND
Weeden & Co., Inc., New York

*Denotes Mr. & Mrs.

SMITH, NORMAN P.*
Merrill Lynch, Pierce, Fenner & Beane, New York
SMITH, WINTHROP H.*
Merrill Lynch, Pierce, Fenner & Beane, New York
SMITHERS, K. AMES
Wall Street Journal, Chicago
SMUCKER, OTTO M.
Sun-Times, Chicago
SMUTNY, RUDOLF*
Salomon Bros. & Hutzler, New York
SNYDER, HARRY B.
Yarnall & Co., Philadelphia
SPACE, Jr., JULIAN A.*
Johnson, Lane, Space & Co., Inc., Savannah
SPEAS, J. W.*
First National Bank, Atlanta
SPENCE, W. FREDERICK
Robert Hawkins & Co., Incorporated, Boston
STALKER, ALFRED*
Kidder, Peabody & Co., New York
STAPLES, JACK R.
Fulton, Reid & Co., Cleveland
STARRING, Jr., MASON B.
A. C. Allyn and Company, Inc., New York
STEARNS, GEORGE
The Economist, Chicago
STEARNS, JAMES P.*
Ball, Burge & Kraus, Cleveland
STEARNS, PHILIP M.*
Estabrook & Co., Boston
STEELE, HARRY J.*
Fauset, Steele & Co., Pittsburgh
STEPHENSON, EDWIN A.
The Chase National Bank of the City of New York, New York
STEPHENSON, F. KENNETH
Goldman, Sachs & Co., New York
STERN, RICHARD J.
Stern Brothers & Co., Kansas City
STEVENSON, GETHRYN C.*
Bacon, Stevenson & Co., New York
STEVENSON, 3rd, ROBERT
Investment Bankers Association, Chicago
STEWART, HAROLD S.*
Harold S. Stewart & Company, El Paso
STITZER, RAYMOND D.
Equitable Securities Corporation, New York
STOCKBRIDGE, FRANKLIN
The Security-First National Bank of Los Angeles, Los Angeles
STOCKWELL, H. G.*
Gairdner and Company Limited, Toronto
SULLIVAN, Jr., MARK*
Auchincloss, Parker & Redpath, Washington
SUTHERLAND, WILLIAM G.
Ryan, Sutherland & Co., Toledo
SYKES, MACRAE*
Shields & Company, New York
TALBOT, LEONARD A.
Hannaford & Talbot, Santa Rosa
TAYLOR, CLARENCE E.
Strader, Taylor & Co., Inc., Lynchburg
TAYLOR, HOWARD L.
Taylor and Company, Beverly Hills
TEGELER, JEROME F.*
Dempsey,Tegeler & Co., St. Louis
THAYER, HOLLIS K.
Dominick & Dominick, New York

*Denotes Mr. & Mrs.

THAYER, ROBERT L.
Lehman Brothers, New York
THEIS, HARRY*
Albert Theis & Sons, Inc., St. Louis
THOBURN, THEODORE*
Hayden, Miller & Co., Cleveland
THOMAS, JOSEPH A.*
Lehman Brothers, New York
THOMAS, WOODLIEF*
Federal Reserve Board, Washington
THORNBURGH, ROBERT W.
The W. C. Thornburgh Co., Cincinnati
THORNTON, J. MILLS, Jr.*
Thornton, Mohr & Co., Montgomery
THORS, J. EMERSON*
Kuhn, Loeb & Co., New York
TINDALL, JULIAN W.*
J. W. Tindall & Company, Atlanta
TORREY, ARTHUR S.*
W. C. Pitfield & Company, Ltd., Montreal
TOWNSEND, WILLIAM H. P.
E. W. Clark & Co., Philadelphia
TREADWAY, A. RUSSELL*
Ball, Burge & Kraus, Cleveland
TREUHOLD, EUGENE*
L. F. Rothschild & Co., New York
TRIGGER, RAYMOND*
Investors Dealers Digest, New York
TROST, MILTON S.*
Stein Bros. & Boyce, Louisville
TROXELL, THOMAS F.*
Dillon, Read & Co. Inc., New York
TRUBEE, FRANK C., Jr.
Trubee, Collins & Co., Buffalo
TSCHUDY, ARNOLD
Bank of America, N. T. & S. A., San Francisco
TSOLAINOS, K. P.*
Baker, Weeks & Harden, New York
TURBEN, CLAUDE F.
Merrill, Turben & Co., Cleveland
TURNER, ARTHUR C.*
New York Hanseatic Corporation, New York
UFFORD, HENRY M.
Calvin Bullock, Atlanta
UHLMANN, PAUL, Jr.*
Uhlmann & Latshaw, Kansas City
UNDERHILL, ARTHUR J. C.
Arthur Wiesenberger & Co., New York
VAN SLYCK, M.
Journal of Commerce, Chicago
VARNEDOE, SAMUEL L.*
Varnedoe, Chisholm & Co., Inc., Savannah
VERNON, HARCOURT*
Wood, Gundy & Co., Inc., Chicago
VINSON, EGERTON B.
DeHaven & Townsend, Crouter & Bodine, New York
VIVO, SALVADOR
Government Development Bank, Puerto Rico
von GLAHN, Jr., THEODORE A.*
Solomon Bros. & Hutzler, New York
VOORHIS, PETER A. H.
Broad Street Sales Corporation, New York
VRTIS, CHARLES S.
Glore, Forgan & Co., Chicago
WADSWORTH, ARTHUR L.*
Dillon, Read & Co. Inc., New York
WALBERT, RICHARD B.
Lehman Brothers, Chicago
WALKER, CLIFTON P., Jr.
Paul H. Davis & Co., Chicago

WALKER, GRAHAM*
Joseph McManus & Co., New York
WALKER, LOUIS*
G. H. Walker & Co., Hartford
WALLACE, DARNALL*
Bache & Co., New York
WALTER, BENJAMIN A.
Bingham, Walter & Hurry, Los Angeles
WARD, JAMES C.
Third National Bank, Nashville
WARD, MURRAY*
Hill Richards & Co., Los Angeles
WARREN, JAMES C.
A. M. Kidder & Co., New York
WARREN, ROBERT H.*
Geyer & Co., Inc., Boston
WARTERFIELD, CHARLES W.
First American National Bank, Nashville
WASHBURNE, HEMPSTEAD
Harris, Hall & Company, Chicago
WASSERMAN, JOHN
Asiel & Co., New York
WEBB, EDWARD G.
Scott, Horner & Mason, Inc., Lynchburg
WEBSTER, BYRON G.*
Merrill Lynch, Pierce, Fenner & Beane, Chicago
WEDTHOFF, GUY G.
First of Michigan Corporation, Detroit
WEED, WALTER H., Jr.
Union Securities Corporation, New York
WEHRHEIM, ROBERT V.*
The Philadelphia National Bank, Philadelphia
WELLS, HENRY GRADY, Jr.
Andrews & Wells, Inc., New York
WENDT, GEORGE B.
The First National Bank of Chicago, Chicago
WERLY, CHARLES M.
Putnam Fund Distributors, Inc., Boston
WERNER, CHARLES S.*
Wertheim & Co., New York
WEST, CHARLES L.*
Russ & Company, Inc., San Antonio
WEST, GERALD B.
Stone & Webster Securities Corporation, New York
WHEELER, HOWARD S.*
Leedy, Wheeler & Alleman, Inc., Orlando
WHIPPLE, JAY N.*
Bacon, Whipple & Co., Chicago
WHITACRE, ROBERT H.*
First National Bank of Arizona, Phoenix
WHITBECK, BRAINERD H.*
The First Boston Corp., New York
WHITCOMB, STEPHEN
Eaton & Howard, Incorporated, Boston
WHITE, CHARLES B.*
Chas. B. White & Co., Houston
WHITE, HARRY H.
White, Hattier & Sanford, New Orleans
WHITE, KELTON E.*
G. H. Walker & Co., St. Louis
WHITESIDE, THOMAS
Chace, Whiteside, West & Winslow, Inc., Boston
WHITTAKER, ROBERT B.
F. S. Moseley & Co., Chicago
WIESENBERGER, ARTHUR
Arthur Wiesenberger & Co., New York
WILBUR, LeROY A.
Stein Bros. & Boyce, Baltimore
WILLARD, FRANK A.
Reynolds & Co., New York
WILLIAMS, BENJAMIN D.
W. E. Hutton & Co., New York
WILLING, J. KENT, Jr.
Girard Trust Corn Exchange Bank, Philadelphia
WILSON, H. WARREN*
Union Securities Corporation, New York
WILSON, WALTER W.
Morgan Stanley & Co., New York
WINSOR, III, JAMES D.*
Biddle, Whelen & Co., Philadelphia
WITTER, Jr., DEAN
Dean Witter & Co., New York
WITTER, WENDELL W.*
Dean Witter & Co., San Francisco
WOLFF, JAMES W.
Zuckerman, Smith & Co., New York
WOOD, DAVID M.*
Wood, King & Dawson, New York
WOOD, KENNETH H.
J. C. Bradford & Co., New York
WOOD, RICHARD*
Wright, Wood & Co., Philadelphia
WOODALL, HARDING C.
Harriman, Ripley & Co., Inc., New York
WOOLFOLK, ROBERT M.*
Woolfolk & Shober, New Orleans
WOOLLOMES, J. PAUL*
Wulff, Hansen & Co., San Francisco
WOOLNER, ADOLPH*
Bache & Co., New York
WREN, LAWRENCE
Allen & Company, New York
WULBERN, EDWARD B.*
R. S. Dickson & Co., Inc., Charlotte
WYNKOOP, BROOKE L.
Fahnestock & Co., New York
YANTIS, F. STUART*
F. S. Yantis & Co., Incorporated, Chicago
YOUMANS, PAUL E.
Bosworth, Sullivan & Company, Inc., Denver

IBA PAST PRESIDENTS

1950-51

Laurence M. Marks

1949-50

Albert T. Armitage

1948-49

Hal H. Dewar

IBA PAST PRESIDENTS

1947-48

Julien H. Collins

1946-47

E. Hopkinson, Jr.

1945-46

Charles S. Garland

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Utilities Feel Impact of Taxes

pacity. The Roosevelt-Lehman bill provides for development by the Federal Government, the Cole-Ives bill for development by New York State, and the Miller-Capehart bill for development by five private utility companies.

According to the Roosevelt-Lehman proposal, the project would be built by the U. S. Corps of Engineers and the power turned over to the Power Authority of New York, a state agency. However, advocates of the state plan asserted their belief that if the project was built by the Federal Government, the latter would retain complete control. The private companies offered to organize and finance a new company to build the project without any expense to either the Federal or state governments. A spokesman for the private companies pointed out that through past experience these companies were best qualified to construct and operate the project and that under private ownership over $23,000,000 a year in taxes would be paid to Federal, state and local governments.

Consideration of the above bills for building steam plants in the Pacific Northwest and hydro plants in New York has been temporarily postponed by the adjournment of Congress but they will undoubtedly receive active attention again when Congress reconvenes on Jan. 8. In this connection, the Committee again wishes to emphasize that further expansion of Federal power can lead only to nationalization of the electric industry. The investment banking fraternity has a moral responsibility to the millions of investors who are owners of utility securities to take whatever steps are proper to protect their investment. It is recommended that the dangers of expansion of Federal power be brought to the attention of investors, with the request that members of Congress be contacted and advised of the implications of the present government program.

Table II—Financing by Electric Companies

First 10 months—	1950	1951	Change
Funded debt	$1,170,000,000	$642,000,000	—45%
Preferred stocks	303,000,000	138,000,000	—54%
Common stocks	262,000,000	303,000,000	+16%
Total	$1,735,000,000	$1,083,000,000	—37%

Financing

In the face of an increasing volume of business in most lines of industry, including the sale of electric energy, the amount of financing done by electric companies in 1951 reflects a sharp falling off. A comparison of public and private placement of securities by these companies in the first 10 months of the current year as compared with the same period of last year is given in Table II.

The outstanding factor having a bearing on new issues this year was the removal of Federal Reserve "pegs" from the government bond market and the consequent severe decline in the prices of nearly all fixed income securities.

With the rise in interest rates, the refunding of utility bonds practically ceased. Inasmuch as the funded debt sales in 1950 included over $500,000,000 for refunding compared with only $13,000,000 for this purpose in 1951, the result of higher interest rates on the over-all volume of financing can readily be seen.

Several weeks ago a $37,500,000 block of preferred stock of an electric company was sold through a negotiated underwriting representing the first large issue of this kind marketed in over six months.

Some indication of the extent of the decline in bond and preferred stock prices can be obtained from the following comparison of yields: An issue of electric company bonds rated "Aa" by Moody's has just been sold to yield 3¼% compared with yields of 2.70% to 2.75% on several issues of like quality which were offered about a year ago. Recently two lots of electric company bonds rated "A" were sold to yield 3.55% and 3.60% compared with yields of 2.85% to 2.90% on some similarly rated issues a year ago. The large block of preferred stock mentioned above was marketed in October 1951 to yield 4.90% as against a yield of 4.59% on another issue of the same company sold early last year. A large preferred stock issue of another company was offered in October 1951 to yield 4.60% as against a preferred stock offering of the same company made in 1949 to yield an even 4%.

At the present time it appears that substantial amounts of new bonds can be marketed at the prevailing higher interest rates and it has recently been demonstrated that preferred stocks can also be marketed when companies are willing to recognize the changes which have taken place in the money markets. We believe that when new money is needed, management should sell securities and not temporize in the hope of obtaining a better price at a later time. The experience of this year has been a lesson in this regard. In a period of uncertain markets like the present, we believe that in many instances the best way to sell preferred stocks is through the negotiated underwriting method. We hope that both management and regulatory bodies will recognize the importance of not pressing competitive bidding for this type of financing.

The drop in bond and preferred stock prices in 1951 did not extend to common stocks which have been strong during the greater part of the year. Fortunately this permitted utility companies to dispose of a larger volume of these securities than in 1950 and thus to build up their equities at a time when quotations for bonds and preferred stocks were receding. The gain in common stock sales was accomplished in spite of the declining trend of per share earnings, although a number of companies increased their dividends during the period. A large electric company has just completed a sale of convertible preferred stock to yield about 4¼%, netting over $50,000,000, which suggests the possibility that other offerings of convertible securities may be forthcoming in the near future.

Telephone Companies

Subsequent to the sale of $415,000,000 3⅜% convertible debentures by American Telephone & Telegraph Co. in the first quarter of this year, public financing by companies in the Bell System was held in abeyance until the current month when one of the large subsidiaries received bids for $30,000,000 new debentures. Inasmuch as the construction requirements of the system are still believed to be large, it is possible that other system companies will resume financing in the near future. In the meantime, a considerable amount of new securities, both bonds and stocks, continues to be sold by various telephone companies outside of the Bell group.

Respectfully submitted,

PUBLIC SERVICE SECURITIES COMMITTE

Willard A. Lynch, Chairman
W. C. Langley & Co.
New York City

William M. Cahn
Henry Herrman & Co.
New York City

Carl H. Doerge
Wm. J. Mericka & Co., Inc.
Cleveland

William N. Edwards
Wm. N. Edwards & Co.
Ft. Worth, Tex.

Charles C. Glavin
First Boston Corporation
New York City

Gail Golliday
Stone & Webster Securities Corp., New York City

James B. Harper
Harper & Turner, Inc.
Philadelphia

Edgar J. Loftus
R. S. Dickson & Co.
New York City

Robert Mason
Merrill Lynch, Pierce, Fenner & Bean, Chicago

Louis Meyer, Jr.
Stern, Frank, Meyer & Fox
Los Angeles

Lee H. Ostrander
William Blair & Co.
Chicago

Nathan K. Parker
Kay, Richards & Co.
Pittsburgh

Joseph E. Refsnes
Refsnes, Ely, Beck & Co.
Phoenix, Ariz.

Thomas J. Reis
Seasongood & Mayer
Cincinnati

David L. Skinner
Harriman Ripley & Co., Inc.
New York City

Richard J. Stern
Stern Brothers & Co.
Kansas City, Mo.

Theodore H. Wegener
Wegener & Daly Corp.
Boise, Idaho

Lawrence B. Woodard
Woodard-Elwood & Co.
Minneapolis

Joins Sutro Co. Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Cal.—William S. Cook has become associated with Sutro & Co., 210 West 7th Street. He was previously with Edgerton, Wykoff & Co. and J. Henry Helser & Co.

Wagenseller Durst Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Cal.—Vincent R. Ericson is with Wagenseller & Durst, Inc., 626 South Spring Street, members of the Los Angeles Stock Exchange.

Joins Reynolds Staff

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Ralph E. Vennum is now affiliated with Reynolds & Co., 208 South La Salle Street. He was formerly with Bache & Co.

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The SEC and the Securities Industry

travel with a quartet on a Chautauqua circuit. We had a lecturer who every day, twice a day, gave the same speech. One thing we could always do which would make him angry would be to get up on the train when we were traveling from one stop to another, and start giving his speech. That really got his goat. He didn't like it.

Well, I don't know whether President Marks is going to like this or not, but this is one of his best stories. If he hasn't given it to you, it is too bad, because I am going to give it to you now.

Larry goes on to quite an extent about the number of talks he makes. Then he tells about Mayor Hylan, the famous old Mayor of New York. Wherever the Mayor could get 16 or 18 people to promise to remain seated for any length of time, he would make a speech.

He kept a couple of ghost writers busy. They would tell him where he was going to speak and what he was going to speak about, and he would pocket the manuscript and then would pick it out of the pocket at the appropriate time and make another speech. The ghost writers wrote well and he read well. They interpolated, punctuated well, set it up in large type, and the Mayor always made a great hit.

On this particular occasion the Mayor was going along fine. He wore his pince-nez glasses and he was doing a grand job. All of a sudden he came to a place where the ghost writers had interpolated a story. The Mayor ran right through that story, and when he got to the end of it he stopped. He thought a minute and then he started to laugh. He laughed until his pince-nez glasses fell off and he dropped his papers. He looked up and he said, "That was a good one, wasn't it? I never heard that one before."

Early in 1947, almost five years ago, I went to Philadelphia, the City of Brotherly Love, to serve on the Securities and Exchange Commission. At that time Mr. Hopkinson was President of this Association, and as a resident of Philadelphia it was my good fortune to become very well acquainted with him. My early routine there was not particularly interesting. I went down expecting to serve the minimum sentence, but as time went on, and the work became more interesting, and we moved to Washington, I got "Potomac Fever." Now it has gone on for nearly five years and I don't know where the end is yet. I am in a dilemma.

I don't want anything personal to be construed out of this, but I am reminded of the story of the young boy, about 16 or 17 years old, who wanted to join the Marines. He was a strapping, honest-to-goodness kid and they accepted him into the Marines, where they gave him the full treatment. He took it. He was a good boy, and he was conscientious and he did everything that he was told. He accepted the military discipline, and as a matter of fact the exposure did him good and he became truly a Marine.

He grew a little older and he was a Corporal, then a Sergeant. Finally he became a Commissioned Officer in the Marines and then he married. He was stationed to land duty, and in due course had a little family. He had three boys, one 8, one 6 and one 4.

To him everything was military. His wife had to do everything in a military fashion. The table had to be set in a certain way. Meals had to be served at a certain time. If the boys were lying around on the floor reading the funnies when he would walk in, they would jump up and stand at attention until he said, "Carry on, lads. As you were." Everything was military.

He also had a terrific temper. If something had been happening at home and he couldn't find out what happened, he would fly into a rage and order a military inquiry.

On one particular occasion he came home and found that a window pane had been broken. He could establish easily that it had been broken but he couldn't find out who broke it. Even the Momma wouldn't talk. So he ordered a military inquiry.

He got the Momma in first and interrogated her, but got nowhere. He excused her and brought in Robert, the 8-year-old. Robert came in, clicked his heels to attention and saluted. The Marine pop said, "Robert, did you break that window?"

Robert said, "No, sir."

His father asked, "Do you know who broke that window?"

He said, "No, sir."

Then his father asked, "Do you have anything to add?"

The boy replied, "No, sir."

He said, "Excused."

So Ted, the 6-year-old came in, stood at attention and saluted. The Marine pop said, "Ted, did you break that window?"

He said, "No, sir."

The father asked, "Do you know who broke that window?"

Ted said, "No, sir."

The father asked, "Do you have anything to add?"

The boy replied, "No, sir."

Again, the father said, "Excused. Send in your brother Dick."

So little Dick, the 4-year-old, trudged in, came to attention, and saluted.

The military pop looked at him and said, "Dick, did you break that window?"

He said, "No, sir."

The father asked, "Do you know who broke that window?"

The boy said, "No, sir."

The father then asked, "Do you have anything to add?"

Dick replied, "Yes, sir."

The father said, "What do you have to add?"

The boy looked up and replied, "How do you get a transfer out of this lousy outfit?"

Speaking of the "Potomac Fever" in Washington, I must say that you shouldn't have a distorted opinion of Washington at the present time. There never was a time when everybody was honest, even in your business. Isn't that right?

And you must not have a distorted opinion of what goes on because I am here to say that not only the SEC, but other loyal, public-spirited, energetic and conscientious people are serving their government in a manner that would cause you to really appreciate what goes on if you could only see it and know about it. Then you would appreciate more the sacrifice young men make to become government career men. They do a grand job.

Washington is perhaps today the center of the world, news-wise and importance-wise. A lot goes on there, and speaking of what goes on there, I am reminded of a story I can't help but tell you because it is a dandy.

In Washington, if you ride down Pennsylvania Avenue you will see the Archives Building. Carved in stone on the building there is an inscription which says a volume in one sentence: "What is past is prologue."

We have thousands of rubberneckers coming there every day and every week, and on one particular occasion there were half a dozen rubber-neckers who wanted to see Washington. They went to a travel agency and found it would be $2 a piece to be taken around for a two-hour gaping ride. They talked to a taxi driver and he said he would take the six of them for half of that. So they took the taxi driver.

They all crammed into one of those little Washington taxicabs and away they went. They oohed and aahed while he pointed out the Mint, the Treasury, the Justice Department, and he was doing a pretty good job. Finally they went down Pennsylvania Avenue and they spied this Archives Building which bears the inscription, "What is past is prologue." One old girl, one of the chief gapers, and one of the chief ahers and oohers, said, "What does that mean, 'What is past is prologue'?" They tossed it around among themselves awhile, but their mental equipment and their literary qualifications were not quite up to the average, you might say, and they couldn't figure it out.

Finally, they thought they would try the driver, and they said: "Driver, what does that mean, 'What is past is prologue'?"

He said, "In Washington we have a funny way of expressing ourselves. What it means is 'You ain't seen notin' yet'."

I don't want to get too serious. I haven't time, because my time is nearly all gone now. I could make a couple of quick observations if Murray Hanson won't cut me down on my time. The President said I could have all the time I want.

But I just want to make this remark to an industry in which I am very much interested. The Securities and Exchange Commission should have and has an open door policy. In other words it is our business to see to it that things are done to handle expeditiously the legitimate demands and needs of an industry. That is why the Congress created our Commission. You folks, as an industry, have some obligations as well. At times we hear a lot of grumbling and a lot of dissatisfaction within the industry. We have people coming to us with problems, thinking these problems can be quickly legislated out of existence, but most of you are old enough and wise enough to know very definitely that that cannot happen.

Favors Registration of Privately Placed Issues

I shall take a minute to talk to you briefly about private placement versus registration of all debt securities. I have here a little piece I clipped from a New York Sunday paper showing that the coverage of life insurance was $20 billion more last year than it was the year before — in other words, there was a gain of $20 billion in coverage. We have millions more of outstanding policies, according to the article, than we have people.

The insurance companies have money to invest, and potential borrowers see in them a way to avoid underwriting spreads, competitive bidding, and the like. It doesn't follow that these borrowers are always better off with the insurance companies.

Now the Commission—and I am speaking for the Commission as Chairman—has discussed this, and while I am not committing the Commission, of course, we would be sympathetic if there were to come from the industry a proposal for registration of all debt issues, because that is in line with the intent of the original Act.

On the other hand, there are those who argue that we should have a shorter prospectus, and easier registration requirements, and that it should all be more simple generally. Now, there may be people who differ with me, but after five years of exposure to these things I see that as a legislative problem.

Endorses Frear Bill

Now, about the Frear Bill, may I just comment to this extent, that while I agree with the Frear Bill in principle—there may be some refinements necessary — I note that some over-the-counter dealers have an idea that the

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The SEC and the Securities Industry

Frear Bill would put them out of business. I can't subscribe to that, having come from that field myself.

I think that the Frear Bill only calls for honesty in corporate reporting. I think that the honest over-the-counter dealer — and I am not saying that those who disagree with me aren't honest—wants to know all he can know about any stock which he sells to his customer or buys from his customer. I think that is a fair assumption.

Competitive Bidding Spreads

Now, getting back to private placement for a moment, the other day I saw come over the Commission table the results of competitive bidding among seven bidders, and the bids were only 32/100 of 1% apart from top to bottom. Of course that was perhaps a little closer than they generally run, but how did that happen?

Let's not try to tell each other fairy stories. The institutional buyer—if there are any present, God save them; you want to look after them, they are good customers—has put his price tag on, and the service which you render has been minimized, and the service for which you are going to be paid has been minimized. You are bidding that you can do it for just a little less than the other fellow; otherwise, you wouldn't have been in the low bid.

I am not disagreeing with that. I am not finding any fault with that. Whether or not compulsory registration of debt issues would make it any better, I have some conjecture about, but I will say that the Commission would be very sympathetic and would go with you to Congress if you want it, but it must be an industry move. I can't see where the Commission could initiate such a move.

After five years of exposure to the problems of the industry at the Commission table, I would certainly have to be, you might say, deaf, dumb and completely blind were I not conscious of certain defects in the statutes.

After five years of close observation of the statutes which affect your business and which should be of much concern to you, I will say that I find a great deal of trouble. Let me preface this with one remark, however. Let it be understood that anything that I would do personally would not be an attempt in any way to get away from the original intent of the Act, which is to inform the unorthodox and the unsophisticated investor, to protect the unorthodox and the unsophisticated investor. That is the duty of the Commission, and that is your duty in the relationship which exists between you and your customers.

Some Regulations Unrealistic

I will say to you that there are certain things over a period of 16 or 17 years in the working of this statute that appear to be a bit unrealistic, and not what the original framers of the Act intended. I am going to pass briefly over Section 5, but it doesn't make sense to me that in the Middlewest, where prospectuses are not readily available, they go out with the delivery of the security, while in the East they go out with the confirmation.

Furthermore, I am a great advocate of the fact that size kills the desire to read. A thick book doesn't sell as well as a thin one. Facts written and dished up in a manner in which they can be absorbed, in my opinion, will inform, whereas excessive detail will defeat the statutory purpose of informing investors.

I find trouble with the Tombstone Ad. I didn't know why we can't liberalize it by interpretation. I am disappointed that we haven't gone a little farther than we have.

I find myself not always agreeing with the Commission findings on insider trading. I am thoroughly in accord with strict rulings on insider trading where there is inside information that can be used improperly, but I think that in many cases the Commission has made some interpretations over a period of time which have become, you might say, law that isn't exactly in keeping with the original intent of the statute.

Disagrees on Administration of Proxy Rules

I find myself somewhat in disagreement with the proxy rules as now interpreted and administered. The proxy rules are supposed and were intended to promote democracy in corporate affairs. Corporations get large and corporation managements, with some instances of very little if any ownership of stock, perpetuate themselves in office. I am not opposed to that if they are good trustees and acquit themselves well in their stewardship, but I am opposed to their continuing in office if their conduct isn't what it should be. The proxy rules, as we now have them, have some things in them that allow cranks to use the mechanics of the proxy machinery to the detriment of everyone concerned. I am not in favor of that, and I want you to know it.

I find myself not always in accord with Commission thinking on some of the control-holder sales. I am not going to dwell on that, but I think you who handle such sales know what I am talking about. I believe that the control-holder when he is selling —as was intended by the framers of the Act, and I am still in favor of it—should make his intentions known; but there are cases that go far beyond what I think is the statutory intent, and I personally think we reach out a little bit too far to cover them.

I find myself in disagreement a great many times in our supervision of the investment trust people. This is a very difficult problem.

Urges Caution in Selling Trust Shares

I say to you people who are dealing in investment shares — and I say this after a lot of thought; this is not a quick one, this is after a lot of thinking—that the sale of investment shares bestows upon those who sell them a very definite obligation, a very definite duty to supervise.

You who have salesmen should watch whom the securities are being sold to and how often they are being sold, and you should watch the customers' accounts. May I say as a quick side remark, that the biggest trouble we find with the houses who want to be right, who are interested in doing the right thing and who are sincere and honest, is their lack of supervision over the people they have working for them. That is where they get into trouble.

May I again say to you people who have big houses, and to you people who have salesmen and representatives, it is your duty to see to it that your supervision is exacting, because, as the previous speaker noted, the business has been a "whipping boy" and has gone through many vicissitudes. That is the very thing that you must at all costs avoid, and you must live up to your trust, for the sale of trust shares is generally to new buyers, the unsophisticated buyers. Those are the people we want to protect.

Duties of Investment Advisors

I would also like to say a few words about the investment advisors. We don't have so many of them and they are a very small part of the Commission's work, but investment advisors, in my opinion, occupy a double relationship and have a double responsibility. Their fiduciary relationship to the people to whom they are giving advice is very definite. The Commission hasn't as much control over that situation as it might have. I suggest that you folks think about that.

I am also aware of the fact that special treatment is necessary for special segments of the industry. The reason why the industry can't get together is the simple fact that there is present the selfish desire to obtain something which will help each individual business more.

You have, as you know, the municipals. You have corporate debt and corporate equities, and the selling of them. You have the actual stock market—the execution of orders. Then you have the investment shares and you have many other things that come in the over-the-counter market. You have a great many problems, and the draftsmanship of anything which will be a panacea will be a work of art. I can't suggest it, but I say you should be alerted and make ready.

I am not suggesting that you should be too much alarmed, but on guard, to see to it that this great industry is prepared to meet the problems confronting it.

Lauds NASD

In closing, may I pay tribute to this great industry, and I say to you as an Association that if I can make any constructive suggestion which you would be capable of carrying out in the near future, it would be that you see to it that more young men come into the business. They should be intelligent and well-intended men. I would suggest also that the requirements be watched constantly. I think the NASD has done a grand job in this regard, but there is yet work to be done.

May I say that you, as an important segment of American industry and of the American economy, should be proud of your accomplishments. You should have better publicity for the great and honorable things that you do. Your shortcomings are always played up, but the good things done by this industry do not always receive the same amount of publicity and public attention.

May I also salute you as people who have a definite part in the scheme of our national economy, and say to you that the President of the United States in his relationship with me has always indicated that he is very much interested in your progress and your business; and please do not feel that there is any idea or attitude of persecution or persecution or of trying to hold back a great industry such as yours.

As I said in the beginning, I bring you the greetings of the Commissioners not here present, and I also bring you the greetings of the staff of the Commission, and those of you who have contacted them will agree that they are a hard-working, fine group of people.

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IBA Holds 40th Convention

RESOLUTIONS ADOPTED

Before adjourning, the Convention adopted a special resolution from its Government Securities Committee, which reads as follows:

"The Investment Bankers Association strongly supports the maintenance of a Federal Reserve System whose policies are independent of the Executive branch of Government and are guided only by the responsibilities delegated to the system by the Congress: A Federal Reserve System free to pursue the principal purpose for which it was created; the regulation of the supply, availability and cost of money with a view to contributing to the maintenance of a high level of employment, stable values and a rising standard of living."

Another resolution adopted by the Convention was concerned with Municipal Credit and Industrial Properties, and reads as follows:

"WHEREAS, the Legislatures in some of the states have recently enacted laws authorizing municipalities to construct or acquire manufacturing or industrial plants for the express purpose of leasing such plants to private corporations or individuals and to finance such construction or acquisition by the issuance of revenue or general obligation bonds of such municipalities payable solely or primarily from the rentals of such plants; and

"WHEREAS, similar practices in the past have had injurious effects upon public credit; and

"WHEREAS, if this practice is unchecked it may react to the detriment of our present system of free economy and further may ultimately endanger the valuable position of state sovereignty as a part of our constitutional dual system of government; now therefore

"BE IT RESOLVED, that the Investment Bankers Association of America in convention assembled recommend to its members and to dealers generally:

"First, that each take it upon himself to become thoroughly informed on this whole development and exercise extreme caution in underwriting or marketing such bonds, and

"Second, that each use his best efforts to inform voters, state legislators, prospective issuing units of local government, and other interested parties of the past experience and inherent dangers of public financing of this character."

A third resolution called upon members to promote the Credit Restraint Program during the defense mobilization emergency through cooperation with the National Voluntary Credit Restraint Committee and expressed approval of this method rather than government-enforced controls.

GROUP CHAIRMEN

The following have been elected by their respective groups to serve as Group Chairmen of the Association for the year 1951-1952:

California
William S. Hughes, Wagenseller & Durst, Inc., Los Angeles.

Canadian
Arthur S. Torrey, W. C. Pitfield & Company, Limited, Montreal.

Central States
Holden K. Farrar, Smith, Barney & Co., Chicago.

Eastern Pennsylvania
Gordon Crouter, DeHaven & Townsend, Crouter & Bodine, Philadelphia.

Michigan
Alonzo C. Allen, Blyth & Co., Inc., Detroit.

Minnesota
Richard G. Egan, Mannheimer-Egan, Inc., St. Paul.

Mississippi Valley
Edward D. Jones, Edward D. Jones & Co., St. Louis.

New England
William C. Hammond, Jr., White, Weld & Co., Boston.

New York
Walter F. Blaine, Goldman, Sachs & Co., New York.

Northern Ohio
Robert O. Shepard, Prescott, Shepard & Co., Inc., Cleveland.

Ohio Valley
Milton S. Trost, Stein Bros. & Boyce, Louisville.

Pacific Northwest
Beardslee B. Merrill, Richards & Blum, Inc., Spokane.

Rocky Mountain
Ernest E. Stone, Stone, Moore and Company, Denver.

Southeastern
W. Carroll Mead, Mead, Miller & Co., Baltimore.

Southern
Q. R. Ledyard, J. C. Bradford & Co., Nashville.

Southwestern
Mark A. Lucas, Jr., Lucas, Eisen & Waeckerle, Inc., Kansas City.

Texas
Dana T. Richardson, Underwood, Neuhaus & Co., Houston.

Western Pennsylvania
Charles N. Fisher, Singer, Deane & Scribner, Pittsburgh.

GROUP GOVERNORS

The following have been elected by their respective Groups to serve as Governors of the Association beginning with the close of the Convention:

California
Robert L. Harter, Sutro & Co., San Francisco.
Russell A. Kent, Bank of America, N. T. & S. A., San Francisco.
Joseph L. Ryons, Lester, Ryons & Co., Los Angeles.

Central States
Holden K. Farrar, Smith, Barney & Co., Chicago.
John J. Quail, Quail & Co., Davenport.

Eastern Pennsylvania
William K. Barclay, Jr., Stein Bros. & Boyce, Philadelphia.

Michigan
John L. Kenower, Kenower, MacArthur & Co., Detroit.

Minnesota
Lawrence B. Woodard, Woodard-Elwood & Company, Minneapolis.

New England
Charles M. Abbe, Blyth & Co., Inc., Boston.
Godfrey B. Simonds, G. H. Walker & Co., Providence.

New York
Amyas Ames, Kidder, Peabody & Co., New York.
Robert E. Broome, Guaranty Trust Company of New York, New York.
Stuart R. Reed, Paine, Webber, Jackson & Curtis, New York.
William M. Rex, Clark, Dodge & Co., New York.

Northern Ohio
Leslie J. Fahey, Fahey, Clark & Co., Cleveland.

Ohio Valley
John G. Heimerdinger, Walter, Woody & Heimerdinger, Cincinnati.

Southeastern
James H. Lemon, Johnston, Lemon & Co., Washington.

Southern
Hugh D. Carter, Jr., Courts & Co., Atlanta.

Southwestern
Philip J. Rhoads, First National Bank & Trust Company, Oklahoma City.

NATIONAL COMMITTEE CHAIRMEN

The following were announced as National Committee Chairmen for the year 1951-1952:

Aviation Securities: Hugh Knowlton, Kuhn, Loeb & Co., New York.

Canadian: Arthur S. Torrey, W. C. Pitfield & Company, Limited, Montreal.

Conference: Albert T. Armitage, Coffin & Burr, Inc., Boston.

Education: Norman Smith, Merrill Lynch, Pierce, Fenner & Beane, New York.

Federal Legislation: William K. Barclay, Jr., Stein Bros. & Boyce, Philadelphia.

Federal Taxation: James M. Hutton, Jr., W. E. Hutton & Co., Cincinnati.

Finance: Charles R. Perrigo, Hornblower & Weeks, Chicago.

Governmental Securities: Robert H. Craft, Guaranty Trust Company of New York, New York.

Group Chairmen's: Ewing T. Boles, The Ohio Company, Columbus.

Industrial Securities: Eaton Taylor, Dean Witter & Co., San Francisco.

Investment Companies: Edward S. Amazeen, Coffin & Burr, Incorporated, Boston.

Membership: Andrew M. Baird, A. G. Becker & Co. Incorporated, Chicago.

Municipal Securities: Lewis Miller, The First National Bank of Chicago, Chicago.

Oil and Natural Gas Securities: Francis Kernan, White, Weld & Co., New York.

Public Service Securities: Charles C. Glavin, The First Boston Corporation, New York.

Railroad Securities: Charles L. Bergmann, R. W. Pressprich & Co., New York.

Research and Statistics: W. Yost Fulton, Fulton, Reid & Co., Cleveland.

State Legislation: Charles S. Vrtis, Glore, Forgan & Co., Chicago.

Stock Exchange Relations: James F. Burns, Jr., Harris, Upham & Co., Chicago.

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A Neglected Facet of Inflation

sively diminishing security of "tenure" in the future is part of the cost incurred in the process of pushing artificially the creation of more welfare and more armaments.

The Trend

The total net debt of all kinds, economic and political, amounted at the end of 1950 to about $515 billion, more than 2½ times the 1929 count ($191 billion). The non-federal portion of the latest total has just caught up with the federal: $265 billion vs. $257 billion. What matters is not so much this fact itself, important as it is; what matters is the inexorable trend. The liabilities of the economy "must" keep mounting. Cheap money, government guarantees, accelerated write-off permits, etc., serve as incentives; high taxes help to force the corporations' hands.

Take 1951. Currently, consumer debts are increasing again, though for the year as a whole they may show a moderate recession. Corporate debts may do nearly as well as last year in view of the facts that the dollar value of total inventories has not decreased to any appreciable extent, and bank loans and corporate bond issues keep expanding. Urban mortgages may be augmented by another $9 billion or so. A new addition of $25 to $30 billion to the net economic debt is a fair forecast for 1951. If the armament race continues, as it certainly will, business and individuals will be burdened with more and more debt. Note however, that the armament boom produces few assets to service the added debt—to say nothing about providing protection against the Damocles' sword of potential liquidations.

Liquidation?

But must there be a day of Liquidation?

Patently, the present-day stock market is not built on the shifting sands of $8 or $9 billion in margin loans, as it was in 1929. Calling brokerage loans could not start much of an avalanche.

Suppose, however, that a sharp break in commodity prices should occur. Inventories and inventory loans would have to be liquidated. In the process, prices would be further depressed, calling for more liquidation, and so forth. The whole system of inflated raw material values would be doomed, with incalculable consequences.

In a decade, the total corporate debt has been dilated by a round $60 billion, the short-term contributing the greater expansion, $45 billion—$17.5 billion in 1950 alone—as shown at a glance in the accompanying summary.

It should be evident that at present inventory loans constitute the most vulnerable Achilles' heel of our (private) credit structure.

On the other hand, farm credit, once its weakest link, possibly is the strongest today, and it may stay relatively strong; as to mortgages, the farms carry barely more than 50% of the amount at their peak debt-load of the early 1920's, while their productivity has greatly increased since. Another of our stronger links of the credit chain is the municipal debt. So far, it is less than 25% greater than at its 1933 peak ($20.4 billion vs. $16.7 billion). But it is this sector that is perhaps most in need of fresh money and for years to come. It must expand from here on.

A 2½-fold climb of housing credits (owed to institutions) since the depth of the depression gives evidence that amortizable mortgage loans are no panacea against their inflation. Small wonder that lenders are becoming a bit wary about them. Their future soundness can scarcely be gauged while the inflation of all values perverts the outlook. Surely, it will depend on what happens to prices and employment.

The same holds for consumer loans which have risen in five years by roughly 260% — to $20 billion last December. But loans to non-incorporated business seem to stagnate around $15 billion.

The points to bear in mind are two. First, what these figures denote is not merely a state of affairs. They are indicators of an extraordinary dynamism, as mentioned at the outset. We are adding to the economic debt perhaps $30 billion this year, possibly also next year and the year after. If everything goes well and no mishap occurs, the net debt of the economy — sans federal debt — should approximate $400 billion by the middle of this decade, more than doubling the 1929 record.

In the meantime, and this is the second point, asset values must be stretched to match the liabilities—which is the accountant's way of defining a general inflation of prices and capital values. "Watering the stock" is the vulgar term.

But if prices do not rise, or go into reverse, then the liabilities have to be adjusted downward—which is the essence of a deflation.

In short, liquidation would have been unavoidable were it not for another factor at play which we have so far neglected.

The Political Debt

That is where the political (national) debt comes in. The interesting though by no means surprising thing is its lopsided correlation with the economic debt.

A $34 billion (20%) private and municipal debt liquidation has been underlying the deepest and longest depression. It was cushioned, to some extent, by an almost equal rise of the national debt during the same decade. In World War II, the political debt went through the roof, providing practically all the financial fuel to buoy economic activities during the war (and the basis for inflation thereafter). Since 1946, while the "economic" credit structure underwent a gigantic self-stretching, its political counterpart virtually stood still—except in the one post-war year in which we suffered a recession, so-called. That was 1949, when private debts did not decline, to be sure; actually, they rose, but by some $6 billion "only." This slow-down was disconcerning enough to call for an increase in the (gross) national debt to the tune of $8 billion.

The Two-Pump System

In short, whenever the autonomous credit mechanism slows down, the government steps in to prime an artificial credit pump so as to maintain the boom in perpetuity. This is the idea of the famous "compensatory budget."

Presently, both pumps are in operation and will keep operating. The Federal budget has gone in the red; next calendar year it may run up a deficit anywhere between $5 and $10 billion, perhaps even more. The candle of inflation should be burning at both ends.

The growth of our Real Wealth is being better than matched by the growth of our Real Liabilities. This is the truth hidden behind the veil of inflationary appearances.

The appearances may be kept up by more and more private and public debt expansion; the debt-tail may keep wagging the economic-dog. But that means ever-rising price and cost levels, social conflicts, etc. Ere long, we shall meet face to face the ugly prospect of a run-away situation unless a scaling-down—substantial liquidation—is accepted as the alternative.

That need not mean a "run-away" depression a la 1931. But it might involve a "recession" of the 1938 order. Woe to him who is caught in it—in its debt-tangle.

Spelled out, a warning to business is implied to check and re-check its short- and long-term financial commitments — to be prepared against the day the armament boom may slow down.

THE NET PRIVATE DEBTS (in $ billions) AT YEAR ENDS

	Corporate		Farm	Non-farm	Other
	Long	Short	Debts	Mortgages	Non-farm* Debts
1916	29.1	11.1	7.8	8.5	20.0
1922	34.4	24.2	13.9	14.3	22.7
1929	47.3	41.6	12.2	31.7	28.7
1939	44.4	29.2	8.8	26.3	16.8
1940	43.7	31.9	9.1	27.2	17.7
1945	38.3	47.0	7.2	27.9	20.5
1946	41.3	52.2	7.6	33.6	20.9
1947	46.1	62.8	8.4	40.1	24.4
1948	52.5	65.3	10.6	46.6	27.7
1949	55.4	59.3	11.8	51.9	30.5
1950	58.2	76.8	11.9	61.1	36.9

*Includes consumers and non-incorporated business.

A. M. Kidder Branch

(Special to THE FINANCIAL CHRONICLE)

CORAL GABLES, Fla.—A. M. Kidder & Co., members of the New York Stock Exchange, have opened a new branch office at 378-80 Miracle Mile. Robert E. Newman is associated with the new branch.

With Barclay Inv. Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Robert W. Thomas has become associated with Barclay Investment Co., 39 South La Salle Street. He was formerly with Harris, Upham & Co. and Paine, Webber, Jackson & Curtis.

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during the calendar year 1952. Construction will fall off during 1952 below its volume for 1951. Declines in residential construction will bring the total down from about $22 billion during 1951 to around $18 billion during 1952. Investment in inventory will be negative, for the reason that businesses in general will seek to reduce their currently high inventories. Plant expansion in non-defense industries has already passed its peak and will fall off further during 1952. We should remember that the arms program has been superimposed on an economy that had already reached the end of a prolonged capital goods boom. An offsetting factor will be the continued high rate of expenditure for new plants in industries vital to defense and war. As late as last Oct. 1 the planned expansion of plant in such basic industries as steel, aluminum, petroleum and chemicals was only about 30% completed. This sector of investment expenditure will rise during 1952. Taken as a whole, however, gross private investment will, in my judgment, probably fall to an annual rate of $45 billion or less during the final quarter of 1952.

Foreign Investment Will Rise

Net foreign investment by the United States was negative to the extent of more than $2½ billion during 1950; but it has become positive during the last six months, with a shift toward a growing export surplus. The mounting difficulties of France and Britain in maintaining the stability of their currencies and in meeting their external debts makes it likely that new financial aids will be extended by the United States during 1952. If so, a further rise in net foreign investment will occur. This will be a sustaining factor in our domestic economy, although one of comparatively small magnitude.

Government Outlays Will Rise by Less Than Initially Planned

Finally, we come to government expenditure on goods and services. Cash payments for defense were originally budgeted at $55 billion for the fiscal year ending June 30, 1953, but there is an indication that military expenditure will be held down to a much lower level during the next calendar year than was originally anticipated. There is a paradox to be seen here. Congress—the guardian of the public welfare—has given the military over $100 billion of spending authority. The Department of Defense—whose responsibility is the military defense of the nation—is taking the view that a sound, non-inflationary economy is the basis of national defense, and is reluctant to spend this vast sum so rapidly as to force inflation upon the economy. We see the anomaly of the military restraining its outlays while Congress has given it a free hand to spend!

Expenditure on the armament program during 1952 will proceed at a slower pace than was planned earlier. Up to the end of October only about $40 billion of the $110 billion dollars of spending authority granted by Congress had been obligated by the Department of Defense, and only about $15 billion of the goods ordered have been produced and delivered. But even with a reduction in the rate of expenditure, military spending will still mount quite rapidly, from a current annual rate of about $40 billion to peak of $60 billion at the end of 1952. But we must confront a possibility that military expenditure will not have a "hump," but will grow slowly to a plateau that will be maintained indefinitely.

Gross National Product Will Rise Moderately

Adding up all of the categories of expenditure leads to a judgment that the rise in the value of the gross national product between the beginning of 1952 and the end of 1952 will be between 8 and 10%, about half of which would be accounted for by physical increase and the other half by price increase. Large increases in the price level are unlikely. Food prices will fall, in all probability, and the index of consumer prices as a whole should not rise appreciably during 1952. Wholesale prices likewise should increase only moderately. It is assumed here that Mr. Wilson's program of preventing substantial across-the-board wage increases will prevail, and that the average increase in hourly wage rates will be held below 4%.

Money Rates Will Be Firm

What are the probabilities with respect to money rates? Since 1949 short-term money rates have been rising, and since mid-1950 long-term rates have risen moderately. The rise has been so substantial for short-term rates that the abnormally large gap between short- and long-term rates which has persisted since the '30s has been partially closed. The gap remains abnormal, nevertheless.

The prospect is a continuation of firm interest rates, with possibly a moderate further rise in the whole interest rate structure during 1952, especially short-term rates. Since the well-known "accord" of last March between the Treasury and the Federal Reserve Board, rates on government securities have been permitted to rise in an "orderly" market. Federal Reserve authorities are not likely to reverse their present policies and to return to the former policy of supporting the prices of government bonds at fixed levels. They will permit interest rates to rise by "hitches," if market conditions make for a rise, and the structure of rates will be permitted to assume whatever form market conditions prescribe. Federal Reserve authorities will continue to follow policies of credit restraint with respect to consumer credit, home mortgage credit, and business credit. The Voluntary Credit Restraint Program will be continued so long as price inflation continues to be a threat. While it is true that the Treasury must engage in a huge amount of refinancing of debts falling due next year, this will probably be done at current rates or on a yield basis slightly higher than current rates. If, as we have previously supposed, individuals save a relatively substantial fraction of their disposable incomes, this will tend to prevent any severe rise in money rates from occurring. During 1952 it is not likely that the Treasury will be obliged to engage in a large amount of new financing, because moderation in the rate of spending and large yields from the currently very high corporate and personal income taxes will bring the consolidated cash (though not the administrative) budget reasonably close to a balance.

Corporate Earnings Will Decline as a Result of Steep Taxes

To the investor in corporate securities I suspect that 1952 will present a confusing picture of sharply diverging trends of indus-

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trial earning power. One thing appears almost certain—that net earnings after taxes of all non-financial corporations will not increase during 1952 over 1951. Dividend payments, however, may be sustained at about the 1951 level, owing to a reduction in the cash drain of financing new plant expansion from private sources. While burdensome corporate income taxes will limit current returns from investment, there is a bright side to the picture. Firms in defense industries, able to write off their new plant over a five-year period, will be building up potentially large increases in real assets. Of total new investment in plant of $50 to $60 billion envisaged for the post-Korean armament program, nearly $10 billion—including almost all of the steel and aluminum programs—has been covered by accelerated depreciation. Firms in these industries will come out of the defense build-up period with plants expanded to include the newest and most efficient production facilities, paid for largely out of income tax savings. If they have ample markets for their products after the mobilization peak has passed, and if we may look forward to a reduction in the rate of corporate income taxation, they should be in a position to earn and pay highly satisfactory returns. These "ifs" are so important, however, that the risks justify a policy of accelerated depreciation.

National Home Construction Will Fall Significantly

I come now to home construction and the mortgage market, a matter of immediate concern to all of you. The basic question is how many homes are likely to be built during 1952. A month ago Economic Stabilizer Johnston proposed a slash in home construction to no more than 500,000 units in order to prevent upbidding of prices of construction materials. Federal Housing Administrator Foley insisted, on the contrary, that a minimum of 825,000 units was necessary to meet the needs of defense plant workers, and this number would not put undue inflationary pressure upon available materials. If Mr. Johnston's proposals were realized, home construction during 1952 would be cut to half of the approximately one million homes completed during 1951; while Mr. Foley's proposals would mean a cut of somewhat less than 20%. Both of these estimates should be evaluated in the light of the fact that, at the beginning of 1951, governmental administrators fixed the maximum production of new homes at 800,000 to 850,000 net units, but it now appears that total completions will top 1,000,000. On the other hand, even the 1,000,000 homes completed during 1951 represented a cut of 28% under the 1,400,000 units completed during 1950. I am inclined to put urban home completion during 1952 at around 850,000 units, which would be 15% below those completed in 1951.

Los Angeles Area Home Construction Will Not Decline Much

It is likely that the decline in the Los Angeles area will be proportionately less than in the nation as a whole, for several reasons. First, this area has been designated as a decentralized industrial area favorable for the expansion of defense industry, which permits modification of credit restrictions and of FNMA purchases of mortgages within certain limits. Secondly, because a large part of the impending defense build-up lies in aircraft production, payrolls and personal incomes in this area will mount relative to those of the nation, and population will be attracted which will need housing and will have incomes permitting it to buy homes. It is estimated that about 65,000 dwelling units will be completed in the Los Angeles area during 1951. For the reasons mentioned, this figure may be nearly duplicated during 1952. The local mortgage loan market should benefit from a sustained rate of new mortgage loans. The lush mortgage market of 1949-50 is definitely passed; but home mortgage lenders in this area need not fear a collapse of demand for their services next year. It is estimated that 185,000 real estate loans in a total amount of $1,600,000,000 will be recorded during 1951 in Los Angeles County. For the year 1952 it seems likely that at least 175,000 real estate mortgage loans, aggregating not less than $1,500,000,000, will be recorded. In line with interest rates in general, the prospect is that mortgage loan rates will be firm and may rise moderately. This means that conventional mortgage loans with rates of 5% would be most attractive to lenders, that FHA 4½% loans will be next in the scale of attractiveness, and that VA loans at 4% will not ordinarily be sought, excepting where they can be resold to FNMA.

World Tensions Will Lessen Over the Longer Term

So much for a short-run perspective of major economic events during 1952. May I now view in longer perspective some probable developments of the American economy during the decade of the 1950s.

Assuming that we carry through our present plans for a national defense establishment, by 1953 military outlays will be consuming between 18% and 20% of our gross national production. It is believed that Russia is spending a considerably higher fraction of her national production for military purposes, although I know of no reliable figure. The time is rapidly approaching when the big nations will reach a dividing of the ways. Either they will prolong the armament race, increase the emphasis on military spending in their national budgets, and ultimately bring on the catastrophe of a third World War, or else agreements will be reached to reduce armaments, to limit miliary oultays, and to move toward a regime of world stability. I am optimistic enough to believe that the second course will be followed. At least it is fruitful to discuss the economic consequences only of the peaceful course. The changes in the world and in our own way of life that would result from another holocaust would be so profound as to make any economic speculations idle. Let us assume that, within the next few years, the world will move in the direction of stable peace and arms reduction. Need we then be concerned about the ability of the American economy to maintain a high level of employment and prosperity in the face of drastic cuts in our military outlays? I, for one, do not feel much concern. Most emphatically do I reject the view that our economy has a vested interest in arms and war in order to prevent depression. I venture the prophecy that other types of demand would come to replace arms demand, on the assumption of a peaceful turn of events.

Public Works, Social Welfare and Foreign Aid Will Replace Military Spending

In the first place, I would anticipate a very great increase in Federal expenditures for highways, dams, river valley development, and internal improvements generally. Outlays in public works would mount to levels that would dwarf previous programs. For example, there are plans for a Federal super-highway program that could take $5 to $7 billion annually for a period of 10 years. Secondly, I should look for a very substantial expansion in the foreign investments of the American people. This investment will become feasible and profitable as international tensions subside, as barriers to trade are lowered, and as the internal political stability of other countries provides assurance to American investors that their funds are safe. Such investment, as I envisage it, would involve not merely direct investments in other countries by American corporations, but would also involve the flotation of securities of the World Bank within this country, and loans by our Federal Government to foreign governments. It is not difficult to conceive of net foreign investment exceeding $10 billion per annum for an indefinite period of time. The poverty that afflicts most of the world may only be relieved by a strong growth in production. This requires capital, and the United States is the world's only large source of capital. Political and financial machinery for bringing together the vast latent demand for, and the supply of capital will be difficult to devise; but I am hopeful that human ingenuity will solve the problem.

On the assumption of a movement toward world peace, I foresee no important reduction in the rate of expenditure of our Federal Government during the 1950's. As military outlays fall, they will probably be replaced by larger expenditures on public works, larger outlays for pension and other "security" programs which already need readjustment to account for the price inflation we have had, and larger foreign investment. In short, the prospect is for a continued large Federal budget which will be balanced by revenues raised at lower rates of taxation than those that are current. The expectation that the United States will return to a $25-$30 billion annual level of expenditure is unrealistic. The Federal fiscal pattern of the 1950's will, I believe, be that of the **big balanced budget**, in contrast to that of the **small balanced budget** during the Twenties and the **deficit budget** of the Thirties and early Forties. This prospect, however, should give no cause for alarm, provided that balance is achieved with lower than current Federal taxes on personal and corporate incomes. **Income taxes must be reduced**, if our economy is to maintain strong production incentives, efficient business management, and an ample supply of venture capital.

Finally, we may inquire what is the long-run prospect for prices. Many observers have resigned themselves to a view that recurrent price inflation will be our lot indefinitely. Writing in Lloyd's "Bank Review" recently, Mr. T. W. Kent ironically notes that the pattern of postwar economic behavior in Britain has been an inflationary crisis every two years. He says: "The economic cycles of the inflationary age—the cycle of more and less inflation—seem to be much faster than the more familiar pattern of the trade cycle—boom and depression. The kettle of inflation has been perpetually on the boil, and about every two years it has boiled over." This summary does not fit American experience too badly.

I think the odds are strongly in favor of a view that price levels will be significantly higher ten years from now than they are today. Our economy has become institutionally organized to prevent price deflation and to promote price inflation. The economic power of labor unions, the parity-price formula for supporting basic agricultural commodity prices, the propensity of government to keep money cheap and to spend beyond its means—all support this conclusion. Equally important, the United States is part of a world community of other nations beset by powerful inflationary forces from which we can hardly expect to be insulated.

The prospect of rising prices over the long-term need not dismay us, if the rate of rise is small, and if the public does not believe it will become rapid. There are good indications that the American public does **not** believe that the future rise in prices will be rapid. Otherwise, how may one explain the recent rise in saving, and the general reluctance of the public to shift from fixed dollar assets such as life insurance and bonds to real estate and equities, even in the face of severe postwar price inflation?

Two dangers are equally remote; first, the danger of runaway price inflation, after the pattern of China or the Central European countries after World War I; secondly, the danger of severe price deflation, such as occurred in Britain and the United States during the early 1920's. Sharp price inflation is a bad thing; but once it has occurred its evils are not cancelled by a rapid fall in prices. Severe price deflation produces unemployment and dislocations which are equally bad for the economy. My perspective of the long-run course of prices is not favorable when compared with the optimum condition of price stability. Yet it is optimistic in comparison with expectations of either rapid price inflation or sharp decline in the price level.

Opposing Factors in Inflation Outlook

December issue of "The Guaranty Survey," monthly publication of the Guaranty Trust Company of New York, points out inflation threat has not vanished, but there are factors easing the situation.

The December issue of "The Guaranty Survey," monthly publication of the Guaranty Trust Company of New York, points out that "inflation continues to be a source of concern, despite the relative stability of the economy during the past quarter," adding "it is now clear that the inflationary pressure predicted earlier by many government and private economists had not developed by autumn—mainly because of consumer apathy and slower-than-expected defense payments. Some official and private sources now maintain that next spring will be a critical period. A growing belief, however, seems to be that, barring total war or a sudden change in consumer purchasing habits, there will be no drastic fluctuations in prices or serious shortages of most goods."

Continuing the discussion, the article states:

"Those who believe that inflation may present a serious challenge to the economy point to certain current trends which are expected to broaden in the next half year. Personal income in September was at the annual rate of $253.3 billion, and for the first nine months of the year it was at the rate of $248.8 billion. At this level personal income was about 13% above the total for the corresponding period in 1950. Many economists believe that as firms complete conversion to defense production and as currently soft areas, such as textiles, raise production rates the level of personal income will continue to rise. A contributing factor also is the expected advance in wage and salary receipts due to longer hours and overtime payments.

Other Important Inflationary Potentials

"Although employment is currently at near-record levels, government officials anticipate further increases in coming months. The preliminary estimate of total nonfarm employment as of mid-October is 46.8 million, as compared with 45.9 million in October, 1950. The Defense Manpower Administration has stated that about two million more persons will be employed in defense plants between August and the end of this year. By the end of next year officials believe that 2.5 million more persons will be required for defense production. To some extent additional personnel will be drawn from consumers' goods industries, and there is evidence that this is happening already. When allocations of raw materials to consumers' goods producers increase, as they are believed likely to do by midsummer, the labor market is expected by some observers to grow even tighter. As bearing on inflation, this is interpreted to mean that more persons will be receiving greater incomes during the next year.

"The basic premise of those who believe inflation will be an actual threat in the near future revolves about defense spending by government agencies. Such spending now is considerably over $40 billion at an annual rate, and procurement is at the rate of about $20 billion. Present schedules call for deliveries of military equipment to rise to an annual rate of $52 billion by next September. A large portion of these sums will undoubtedly result in increased consumer purchasing power at a time when greater amounts of available supplies are being channeled into defense production. Finally, it is widely doubted that consumers will continue to save 9% of their disposable income, which is regarded as an abnormally high figure.

Factors Easing Inflationary Threat

"Other sectors of opinion respect the considerations mentioned above but tend to believe that other factors will act as a brake in any inflationary movement in the near future. In the whole area of consumer spending there is a widespread belief that the market was close to being saturated last spring — especially for consumer hard goods—and that replacement will be gradual. The increase of more than 10% in personal taxes and the expected slow advance in retail prices will tend to limit advances in both disposable and real income of consumers (unless total wages and salaries increase appreciably), and third-quarter corporate profit statements suggest that rising costs will reduce dividend income next year. Some analysts are of the opinion that total employment will not rise appreciably in the months ahead. These considerations suggest to some economists that effective demand in the next six months will not be much greater than it is at present.

"Other factors are taken to indicate that, even if the economy were to be put under additional pressure from the consumer sector, there is sufficient slack in productivity to offset greater demand without resurgent inflation. It is pointed out that a great deal of unused plant capacity exists in many consumer industries and in many raw materials. Furthermore, those are the areas in which unemployment has currently increased. These include textiles, apparel, furniture, leather, and many consumer durables. It has also been noted that inventories at all levels are ample, and in some cases embarrassingly large. Thus a widespread, though far from unanimous, opinion is that serious shortages of consumers' goods and a precipitate price rise are unlikely."

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"New Economics For New Problems"

compound viable policies for the kind of tasks lying before us.

The first reason for this is that such very short-range forecasts, as a guide to very short-range policy changes, run into the obvious difficulty that even under the utmost celerity the policy changes requiring legislation and other action are likely to take place after the very short-range developments, even if correctly appraised, have come and gone.

The second and more important reason is that the most basic economic problems with which we have to deal in this emergency are not problems which can be solved very quickly. They do not involve programs which can be executed very quickly. They involve programs for the most part which take some time to accomplish; which must be initiated with full recognition that we must have the patience to wait until they can be accomplished; and, above all, which must be started early and with a long look ahead because they will take considerable time to accomplish.

Problems of Economic Stabilization and Production Planning

Let me give two illustrations of this—one in the general field of economic stabilization, and the other in the general field of basic production planning.

In the general field of economic stabilization we were faced with a situation right after Korea last year where the economist was tempted to do one of two things: On the one hand, he was tempted to try to appraise whether over the next few months and at just what period within the next few months we would have a confluence of those factors which would make for an inflationary spiral. Many economists tried to do that. Some were successful and some were not. But the attempt to gear national policy, if such an attempt had been made, to that kind of short-range policy would inevitably have fallen short. It would have fallen short for the reasons which I have given, first, that no one could guess exactly the timing; and, second, that the great problem then confronting us was not the exact moment or the exact month at which a confluence of forces would produce an inflationary spiral. One can detect—in the quick oscillations of sentiment with respect to inflation control, in the oscillations swinging all the way from Mr. Baruch's extreme of freezing everything to the opposite extreme of decontrolling everything—one can detect excessive responsiveness to very short range and really not very significant changes from day to day or from month to month.

On the other hand, the economist after the Korean outbreak might have looked at the matter in another way—and some did: Nobody could foretell exactly when public psychology and economic forces were going to conspire to produce an inflationary upsurge. But it did stand to reason, on careful analysis, that if the nation was entering a period of years of full employment, a period of years of an expanding armed force and industrial mobilization base, there will be within that period a basic inflationary pressure. It did stand to reason that, at some indeterminate date but nonetheless at some time, such forces would conspire to move the price trend and other inflationary trends sharply upward; and, consequently, that a set of policies should be devised and rather consistently applied to contain that situation when it occurred.

Such a longer-range appraisal, in addition, would have led to the conclusion, and on the part of some did lead to the conclusion, that the inflationary pressure in the long run, measuring the size of the defense program and the size of the intended industrial build-up against the present and potential productive capacity of the whole economy, was a horse of an entirely different color from the inflationary pressures of World War II when we were devoting about half of our total output to national defense proper. This difference called for a milder, though nonetheless firm, set of anti-inflationary policies, particularly in view of the fact that we would have to depend upon policies which a free people would tolerate over a long period of time and which would be consistent with great emphasis upon expanding production.

Now I do not necessarily here intend to argue which of those two basic approaches—the very short run or the longer range—would have turned out to be more correct. I intend merely to emphasize that the second—that is, placing emphasis upon the long range approach—would in my judgment come closer to the type of policies needed for these times than excessively short range attempts to adjust policy upward and downward every few weeks or every few months in view of superficial changes in the economic climate.

Production Problems More Significant Than Inflation Control

The other example I will give is in the field of general production policy, which I think is even more significant. The most vital policies which we have to adopt for this enduring strain are not inflationary control policies—although these are important—but basic production policies; basic production policies resting upon the most fundamental fact in all economics. This fact is that in the long run there is no source of the economic strength of a nation except what it produces; that there is no great way of increasing a nation's economic strength without increasing its product; that there is no economic way of supporting any of the material burdens of the nation, whether military or civilian or industrial or international, except by the production of goods.

Consequently, we had to embark as a nation at the beginning of the defense mobilization upon a production policy—not just a public production policy, but rather a production policy based preponderantly upon private action with some public supplementation or rather stimulation geared to the concept of a long-range production build-up.

I think that job thus far has been done very well. I think it has been a grand job, compared to any job that we did in the past along similar lines. The simplest measurement of this fact is that we now stand, despite the greatly increased defense take as against 1948, with a much larger current allocation of resources available for the industrial build-up, and with a larger line of civilian supplies. We have grown stronger in every way, year by year.

But I don't think, because we have done such a good job, that we have done quite as good a job as we might have done if we had taken even a somewhat longer-range outlook within the range of the do-able, and had started even a bit earlier to start those jobs which would take a long time to do.

I think one outstanding example of this is the fact that, if we had started a little earlier with certain expansion programs, we would have alleviated earlier some of the shortages which are still pressing heavily upon us. I may feel strongly about this, because I got involved in some battles a few years ago with respect to certain shortages of vital commodities.

Purposeness—An Essential Planning Element

Now I should like to turn your attention to the second phase of the essential elements of planning as it bears upon economic policy. This is in the field of purposefulness—purposefulness being the second item. I mentioned, a long-range outlook being the first.

I do want to say one other thing about the long-range outlook, giving a current example so as not to be accused of using hindsight solely. I think one of the outstanding areas in which we now—although here again I think we are currently doing a good job—ought to be looking even a little further ahead and begin to start plans even a little more effectively for making necessary adjustments is in the field of manpower.

I think that, in the period ahead, we are going to face increasing manpower problems. While we now have a very good manpower program, this is an area which I would identify now, as I called attention to the area of certain material shortages a few years ago, where we ought to take an even longer range point of view than we are now taking. I believe we should now speed up our efforts voluntarily and carefully toward achieving adjustments which cannot be made quickly. The task of making these adjustments will come upon us too late if we wait until six months or another year before accelerating the pace of our efforts to utilize manpower more efficiently.

Now, moving over to the second area I mentioned—emphasis upon purposefulness. Somebody has coined the word "disinflation," and I am going to coin another. The old economics has made a "decontribution" to the problems of national economic policy in its excessive emphasis upon the opposite of purposefulness. In other words, to a great extent, the old economics has concentrated upon what we might do after the fact to remedy things which happen to us willy-nilly. It has not stressed enough the recognition that even under a free system, and particularly under a free system with the great economic resources with which we are endowed, the future material destiny of man, at least in the United States, is considerably subject to our conscious purposes and efforts, instead of our being merely buffered by fate.

I will now give a specific illustration of this. I don't have to give illustrations from the past, because they are obvious. But even in the present, as we now appraise how our economy can in future years carry the defense burden, and as we realize in common that basically it must be carried mostly with production strength, nonetheless some economists tend to fall into the pattern of projecting our productive potential on the basis of the "normal" trends of the past. Instead, I believe that we should set out with the purpose of analyzing carefully what, with our technology and our resources, we really can do to release in full the great non-secret weapon of the United States — its productive genius—if we really make the effort.

Can Double Rate of Our Production Growth

As many of you know I have said before, I think that we have undercapitalized and underdeveloped our greatest resource of all: our ability to expand production. I believe that (entirely under our free system and without resort to the "forced pressures" of a war economy which we should not resort to now) we could over the next two or three years at least expand our rate of productive growth to perhaps twice as great an annual rate as would arise from the mere projection of the so-called "normal" rate. This would require even harder work, and even more careful identification and treatment of certain strategic areas of production—by private enterprise with appropriate adjustment of public policies. **But it can be done.**

From the economic point of view, if we could lift our annual rate of productive growth by about $10 billion a year or $15 billion a year above the "normal" rate, it is perfectly obvious that would add more to our true economic strength by any test than by those economies in the more traditional sense upon which so much attention is riveted. I believe, roughly, that we could increase our real productive strength by about $10 billion a year for every billion dollars that we could save by the traditional economies.

Let me not be misunderstood. **I am for these traditional economies wherever they can be achieved. I believe they are very important.** But I also believe that the training of so much of the economic and social and political interest of the nation on how those traditional economies may be achieved, to the relative neglect of the real economics of how vastly less significant these "savings" are than genuine productive gains, is undesirable. I think that in a sense America has been an incomparably great productive nation by being "wasteful" in dreaming big dreams and doing big things in a big way, rather than by sharpening the pencil too much. Some of the European nations over the decades have suffered much by husbanding what they had too prudently, instead of letting go a bit more to build up a better plant and technology.

I think that the readers of our industrial history will agree with this. I don't want to be misunderstood. I don't think we should be wasteful, under any proper definition of that word. But it is in production, by moving ahead on a big scale to do things, and not by manicuring fingernails, that the United States has become the great productive nation it is and has moved so far ahead of the rest of the world. I think that this emphasis is even more important in these times than in the past, and this is what I mean by purposefulness.

Turning for a moment from the purely economic side to the psychological side, the side of public sentiment—and I believe that the economist must recognize the importance of this—I believe that we should strive even harder to train the attention of the American people fully upon our vast productive potential, upon what we can really do if we all pull together with the full use of our technology. This would provide a galvanizing force—in the absence of total war, and I hope we never have total war—to stimulate and hold together the moral energies and support of all our free people. I think that the full maintenance of this support is the greatest single problem we are going to face over the years in an emergency of this peculiar and unique kind.

I think, on balance, that the American people have been told too much about what they must do without, and not enough about what they can do; too much about what they must sacrifice, and not enough about how they can serve; too much about the great dangers they face, and not enough about the power which they have to surmount these dangers; too much about fear of Russia, and not enough about the essential tragedy if a nation as great as ours ever seemed to doubt its capacity against a power which in all essential respects is so inferior to our own.

Too Much Emphasis on Economy

Now again, I don't mean that we don't have to make sacrifices, that we don't have to tighten our belts, that we don't have to do without things. **We must.** But I do mean that any overemphasis upon that approach as the means of winning this kind of struggle, any such negative approach, should take secondary place to the positive and affirmative approach of emphasis upon the purposeful things we can do and must do and should all do together.

I am getting a little bit tired of hearing some people talk about nothing but how much our defense program costs. Now, we have got to be concerned about how much it costs, and we have got to try to do **whatever job needs to be done** as cheaply as feasible. This is true economy. But I am getting a little sick about hearing some people say so much about what the program costs and so little about how much not doing the program would cost.

I think that we have got to be careful about the extension of aid to other free nations. I think that we have got to do it wisely, and I think that we have got to pace ourselves carefully in doing it. But I am getting sick of hearing some people say so much about how it is going to bust our economy if we do any more at all, and so little about what the consequences to the whole free world would be if we did not do it any more at all, and maybe in some respects do more than we have done thus far.

And I am getting a little tired of hearing those of us who express these ideas about purposefulness in a free economy and among a free people called dangerous in some quarters.

The third aspect in which the old economics has let us down, and probably more woefully than elsewhere and more seriously in its long-range impact upon national policy, has been in its reluctance sufficiently to try to weld together into some kind of unified and consistent pattern our proven genius in doing specific and specialized and compartmentalized programs better than anybody else in the world.

What do I mean by this? In this instance, by the old economics I do not mean the economics of Adam Smith and the other great masters who did look at the economy as a whole. I mean rather the economics which developed after that when, in response to the highly specialized problems of industry, economists became highly trained specialists in various

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IBA PAST PRESIDENTS

1936-37	1935-36	1934
		
Edward B. Hall	Orrin G. Wood	George W. Bovenizer

Joins Ball, Burge

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, Ohio—Branson R. Yochum is with Ball, Burge & Kraus, 16 East Broad Street. In the past he was with John B. Joyce & Co.

With Singer, Deane

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Andrew R. Field has become associated with Singer, Deane & Scribner, of Pittsburgh. He was formerly with Ginther & Co. and Otis & Co.

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"New Economics For New Problems"

fields and were of great utility as such, but in that process came to regard those who wanted to take a general view of the economic problems of the nation as a whole and their relationship to one another as being almost apostates from the field of economics.

In the 1930s, for example, we had a plethora of specialized programs—and some of them did a lot of good—but we nonetheless suffered gravely from the inability to weld these different undertakings together into a consistent and unified pattern. This, I think, is the primary explanation of why, with all the good things that were accomplished, we did not succeed as a nation in achieving relative stability and relative full employment until the defense emergency came to us in 1940. We had a lot of good programs, but we did not sufficiently fit them together into a good program.

Whatever may be the case in a non-defense economy, it is certainly true in a defense emergency that there is an urgent problem of coordination and correlation of basic programs. I think that this is now being accomplished better than in previous periods. I think we have learned from our experience in World War II that it was only when sizable progress was made in this direction that we really got rolling on the stupendous job we had to do. I think that we are doing a better job now. At the same time, I think there is challenging need for even greater coordination and correlation between defense activities proper and civilian activities; between civilian cutbacks and the defense build-up; between our domestic economic program and our commitments abroad, both economic and military—in so far as there is a distinction between the two. I think that this kind of work needs to move forward even more rapidly and even more successfully than it has thus far done. I think that this is a tremendous challenge to every segment of the nation.

There Should Be Coordinated Planning

Now let me say one word of warning to those who think erroneously that planning as I have defined it means an ever-encroaching intervention of government into the affairs of the individual or of business.

I have noticed particularly that, whenever I talk about this problem of government doing in a coordinated and interrelated fashion those things which perforce it is doing separately anyway and must do in this emergency, there are those who think that this means that the government should set up a "master plan" and gradually take increasing responsibility for the affairs of localities and of private enterprise. I think just the reverse.

I think there is nothing which appeals more to the common sense of the average businessman than the proposition that, whatever the scope of governmental activities, large or small, they should be efficient and consistent. We could never afford the real waste of one step forward, one step sideways, and one step backwards all at the same time. I think that this is doubly important in an emergency of the current character.

More than this, I think that the kind of planning which I have defined will not give us an expansion of the total role of government or an expansion of governmental programs. On the contrary, I favor a gradual sifting out process which recognizes that, to the extent that the government does a few necessary things well, there may be a great many more things left to be done by our business system — including industry and agriculture—and by our labor system and by our local representatives of the people.

Perhaps the problem of price control is a good example of this. I think that if anyone now displays any tendency in the current situation toward a price control program which would be more suitable to an all-out war, it is because it may superficially seem easier to try to control more things than to try to figure out just what things need to be controlled.

Yet the great, central problem of planning in a private enterprise democracy is to separate the things which government must do from the things which others can do better. We must strive always for that division between central authority and localism and initiative which will give us maximum strength for the long pull. We must face up to the challenge of trying to do our public programs on a strategic basis, which does not cover everything but which singles out certain things which by common consent cannot be done elsewhere, and which leaves for elsewhere the things that can be done better elsewhere. This, to my mind is a great problem of planning in this kind of emergency.

The kind of planning which looks ahead, which has an affirmative purpose, and which attempts to discriminate as to who does what part of the job and how the jobs fit together, has enormous relevance to another great problem we face. It has enormous relevance to the problem of being able, through some composite picture, to formulate and consequently to pass on to the American public as a whole a full understanding of what the job is all about. Such understanding is necessary not only for their support; it is necessary also for their participation. It is necessary, particularly, for the understanding and for the cooperation of those great labor groups and business groups and farm groups whose cooperation must be won and held, not by fiat, not by the handing down of programs from above, but by participation in the doing as well as in the formulation of programs.

With Berwyn T. Moore

(Special to THE FINANCIAL CHRONICLE)

LOUISVILLE, Ky.—Wilhelmina Miller is now affiliated with Berwyn T. Moore & Co., Inc., Marion E. Taylor Building, members of the Midwest Stock Exchange.

Securities Salesman's Corner

By JOHN DUTTON

Know Your Customers Part 2

This week I'd like to tell you about some of the broad classes of speculators that you have met in the daily course of your contacts with the investing public. You will recognize them quite readily I am sure, because after all, speculators are about the same everywhere.

The speculator who thinks he is buying an investment. There is a rather abundant group of security buyers who want to eat their cake and have it too. Underlying the philosophy of everyone of these so-called investors is the desire to enjoy safety, income, and large capital gains with "peace of mind" thrown in, and all for no extra charge to anyone. Of course, this cannot be accomplished, and those who expect it know this to be true. Sooner or later you must strike an understanding with such clients, and as was suggested last week, the sooner the better. After all, most of these people are intelligent—they know the score—they just don't want to admit it. One of the best ways to clarify the air is to suggest an analysis of the entire account. Rate each security as to the degree of risk and the percentages invested in relation to the whole. Show the risk in this way and direct attention to the investments that are sound, as well as those which are too speculative.

People are prone to consider a security safer than it is after they have held it for a while. It becomes part of them. In this way they justify an unsound situation and secretly hope for the best. When you sit down with this type of person and you show him the the true status of his account, the weak spots stand out so clearly that corrections can be achieved with a minimum of discussion. Over emphasis on percentages of **types of securities** then becomes the main issue rather than specific securities. After you have made some changes on a basis of gradually shifting assets to a point where the entire account is on a sound foundation, you can always come back to your original understanding should your customer try to jump the traces later on. What most people need is a plan and a program for investment. Once they become interested in the idea themselves, their cooperation is assured.

The speculator who wants a quick turn. Often this fellow is a "know it all." But he doesn't have any hesitancy in attempting to pick up bits of information, stray gossip, or anything that he mistakenly believes can be turned into a profit for himself. You may see him in your office this week and somewhere else the next. Occasionally you can do a trade with him but spending too much time and effort on such accounts is not worth the effort. New salesmen should certainly become aware of these often very pleasant people, who give them an excellent interview but no business. It can save them time and work that will not pay them a just reward, if they avoid them.

The speculator who makes a study of special situations. There are a limited number of security buyers who have both the background and temperament to successfully dig into special situations. They are interested in facts, in comparative balance sheets, in stocks with arrearages, in reorganizations and all the other factors that might bring about a higher market revaluation at a later date. They are seldom swayed by prejudices and they are just as interested in over-the-counter securities as those which are listed. Their knowledge of securities is keen. If you can develop some of these accounts, you are indeed fortunate. Know your business and present attractive values to them and you will be able to enjoy much profitable business over the longer term.

Incidentally, you will sometimes find that people who lean strongly toward a search for capital gains have incorrectly evaluated their tax situation. This is an important point to establish if you are handling accounts which fall into this category. There are some people, however, who feel that income is secondary because of other personal considerations. The more you know about any account, whether or not it is speculative or in the investment class, the better you and your client can understand each other.

The unsophisticated securities buyer who wishes to try and make some money out of capital gains. Those who are novices in investment sometimes wish to purchase securities that are heavily weighted with risk. Certainly at no time should they be led into such a situation without their knowledge. A definite responsibility is incurred under these circumstances, and no one should delude themselves into thinking that just because things look right today that they will stay that way. A few profits are very stimulating to this type of account. It is comparatively easy to encourage considerable trading, and although it may be temporarily profitable, the end result is usually very unsatisfactory. Common sense, and a sincere understanding of every account is the answer to good client relations. With the unsophisticated speculator it is a must.

Continued from first page

As We See It

in sweeping Franklin D. Roosevelt and the Democratic party into power.

There are, in any event, definite limitations upon the usefulness of any precedents which the Harding, Coolidge, Hoover regimes seem to afford. It was Coolidge, not Harding, who was the Republican standard bearer in 1924. The delinquencies of the latter part of the 'Twenties were made possible and encouraged by lax tax laws, want of effort by the Coolidge, and later the Hoover Administration, to come to grips with the situation, and by an over-riding mania for easy money and inflation for which the Washington regime must be held in very considerable degree responsible—but the transgressions did not touch the government itself in any such direct way as is now the case.

Basically Alike

But in a more fundamental sense the situation now is one with that of the 'Twenties as well as that of other times. It is one with them in that official corruption, as were private malpractices in the 'Twenties, has grown out of a set of standards prevailing among the people of the country. The day that Mr. Roosevelt repudiated the solemn obligations as regards our currency and ordered violated (with later sanction by the courts) solemn stipulations of contracts long outstanding; the moment the then new President began to subsidize the farmers in sums theretofore hardly imagined; the instant he proceeded with a half hundred programs and policies all diametrically and fundamentally contrary to solemn promises of his 1932 party platform — at such moments a new low standard of honor and decency were set in the highest circles.

And what was the reaction of the great rank and file? Did they demand a return to moral standards formerly held sacred by all right thinking men? Need the answer be given? The regime which started us off on another era of moral degradation, and the leader of it all, were soon popular heroes, and are popular heroes to this day. All manner of people rushed to Washington to "get theirs" while the "getting was good." And it continued to be so at least through 1948, when the successor to Roosevelt and the great exponent of government by doubtful cronies was overwhelmingly returned to office by the great rank and file. There are some indications that the public is at length awakening at least to some of the crasser elements of the shame of the past two decades. We can only hope that this proves to be the case—but we as a people can only hang our heads in shame for our own delinquencies which made those at Washington not only possible, but almost easy and apparently safe.

More Damaging Now

Let us not forget, either, that corruption and even carelessness and incompetence in government are today infinitely graver matters than in past decades—graver, that is, as to the amount of damage they may do. Even rough estimates are lacking of the proportion of the economic activities of that day which passed through government offices and government officials, but no one could well doubt that it was no more than a fraction of the corresponding figure for 1951, or even for the pre-Korea years, say, 1947-49. Elaborate statistical compilations — that is, the modern day elaboration — had not made their appearance when Harding was having his troubles, but here again no informed person can well doubt what the order of magnitudes was.

Beginning with 1929, however, this situation changed. The "take" of government in 1929 was about \$11.3 billion; it was \$69.8 billion in 1950. It will be substantially greater this year and next. In 1949, before Korea and rearmament, it was \$57.0 billion. Apparently from this time forward and for an indefinite period, we must count upon government levies of one sort or another of six or eight times those of 1929—and this does not, of course, provide for outlays which, according to schedule, must be made from large deficits in the years immediately ahead.

Let no one say that governmental operations of this magnitude are to be expected as a result of growth of the economy or of higher prices. The fact is what is known these days as gross national product (that is, the total output of the nation taken at market prices) rose from \$103.8 billion in 1929 to \$282.6 billion in 1950. The economy of the country as measured in dollar output is, then, less than three times as large as it was in 1929. The growth from 1929 to 1948 or 1949 was, of course, considerably smaller—the national product for these two years being \$223.5 and \$216.7 billion, respectively. We do not wish to labor the point. It is evident enough that there is a great deal more at stake (even proportionately) when it comes to corruption in government than ever before in our history.

Kill the Octopus

All this, obviously, has an important lesson when the question of managed economy is brought to the fore. Corruption and incompetence are bad enough when industry, finance and trade are left to work out their own salvation with a minimum of interference and control by government. When, more and more, government assumes responsibility to guide, not to say direct, the economic affairs of a nation and to take a larger and larger part in the actual process of operation of industry, and when government is permitted, even encouraged, to spread itself out in this way throughout the community, then the people owe it to themselves to make certain that this giant octopus whose tentacles reach everywhere is really a friend, not a foe.

Of course, it is our settled conviction that we must kill off the octopus, but if we are to tolerate its presence we must at least see to its behavior — or die.

IBA PAST PRESIDENTS

1931 - 32

Allan M. Pope

1930 - 31

Henry T. Ferriss

1929 - 30

Trowbridge Callaway

George T. Purves

George T. Purves, partner in Hemphill, Noyes, Graham, Parsons & Co., New York City, passed away suddenly at the age of 55.

Eugene T. Roe

Eugene Thomas Roe, partner in Emanuel, Deetjen & Co., and a member of the New York Stock Exchange, passed away at the age of 48.

With Protected Investors

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Edward J. Fitzharris and Lloyd B. Means are now with Protected Investors of America, Russ Bldg.

Colorado Fuel & Iron Deb. Oversubscribed

Allen & Co. and associates on Dec. 7 offered publicly $10,000,000 of Colorado Fuel & Iron Corp. 15-year 4¾% convertible debentures, due Dec. 1, 1966, at 100% and accrued interest. The offering was oversubscribed and the books closed.

The financing constitutes an integral part of a financing and plant expansion program under which corporation proposes also to sell privately $30,000,000 first mortgage and collateral trust 20-year sinking fund 4¼% bonds and to borrow $10,000,000 from banks on a five-year loan.

The debentures are convertible into common stock at a conversion price of $22.75 per share if converted on or before Nov. 30, 1957; at $25 per share, from Dec. 1, 1957 to and including Nov. 30, 1962; and at $30 per share thereafter.

A sinking fund has been provided for the debentures under which the corporation will redeem $500,000 principal amount of the debentures on Jan. 1, 1958 and $500,000 on or before Jan. 1 in each year thereafter.

Net proceeds from the financing, estimated at $49,025,000, will be used to redeem $14,437,500 currently outstanding first mortgage and collateral trust sinking fund 4% bonds due 1964; to prepay $8,400,000 outstanding promissory notes; and to finance in part the program of plant improvement and additions, including the construction of a new seamless pipe mill, at an estimated cost of $27,720,000.

Net sales of the corporation during the year ended June 30, 1951 amounted to $191,444,412 and net income to $10,044,728.

IBA PAST PRESIDENTS

1927 - 28

Henry R. Hayes

1926 - 27

Pliny Jewell

1925 - 26

Ray Morris

Halsey, Stuart Group Offers Equip. Tr. Ctfs.

Halsey, Stuart & Co., Inc. and associates on Dec. 6 offered $1,950,000 of New York, Chicago & St. Louis RR. 3⅛% serial equipment trust certificates, equipment trust of 1952, maturing semi-annually July 1, 1952 to Jan. 1, 1967 inclusive, at prices to yield from 2.15% to 3.20%.

Issued under the Philadelphia Plan, the certificates are being offered subject to approval of the Interstate Commerce Commission.

The certificates are secured by new standard gauge railroad equipment estimated to cost $2,474,276, as follows: 7- 1200 H. P. diesel-electric switching locomotives; 1- 1000 H. P. diesel-electric switching locomotives; 9- 1000 H. P. diesel-electric switching locomotives; and 8-800 H. P. diesel-electric switching locomotives.

Other members of the offering group include: R. W. Pressprich & Co.; Freeman & Co.; McMaster Hutchinson & Co.; and Wm. E. Pollock & Co. Inc.

With Woolfolk & Shober

(Special to THE FINANCIAL CHRONICLE)

NEW ORLEANS, La.—John B. Shober, Jr., has joined the staff of Woolfolk & Shober, 839 Gravier Street.

Slayton Co. Adds

(Special to THE FINANCIAL CHRONICLE)

QUINCY, Ill.—Louis K. Gantz has become associated with Slayton & Co., Illinois National Bank Building.

B. G. Phillips Opens Mutual Fund Dept.

B. G. Phillips and Company, 44 Wall Street, New York City, has opened a new Mutual Funds Department according to an announcement by B. G. Phillips, General Partner. For this purpose the firm has leased additional office space next to its present quarters on the ninth floor of 44 Wall Street. Sydney S. Lewis, an Account Executive with B. G. Phillips and Company, will be Manager of the new Department. Mr. Lewis has a background of 30 years' experience in the securities business, during which time he has handled all types of investments for both individuals and organizations.

The new Mutual Funds department is planned as both a sales and training organizations.

Bache & Co. Add Four to Staff

Bache & Co., members of the New York Stock Exchange, announce that Peter Cummings, Reuben Glenn Hale, D'Arcy C. Higgins and Alfred Rogers, Jr., have become associated with the firm as registered representatives. Mr. Cummings will be in the Chicago branch office, Mr. Hale will be located in Rochester, and Messrs. Higgins and Rogers will make their headquarters in Toronto.

With Brush, Slocumb

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Cal.—Leslie J. Howard, Jr., is with Brush, Slocumb & Co., 1 Montgomery Street.

A. C. Allyn Co. Adds

(Special to THE FINANCIAL CHRONICLE)

MADISON, Wis.—Robert A. Cooper is now with A. C. Allyn and Co., Inc., 3847 Nakoma Road.

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Productivity—Key to Prosperity And Peace

ported by the same acreage it takes to grow the food for one horse or mule, and that the reason Americans could put 12 million men in the field during World War II and still produce not only the food required by Americans but ship additional food to our allies was this mechanization and the resulting increased productivity of American farmers.

General Motors recognizes its responsibility for providing the best equipment available for increasing productivity and for improving its products through research and engineering. In its recent five-year labor contracts General Motors recognized the principle of sharing the results of improving productivity with employees. This part of the formula for determining wages is known as the annual improvement factor or the productivity incentive factor.

It is important that the workmen in all our countries recognize that they will share in increased productivity when it is achieved, that on their side they cooperate in the use of new and better ways of doing things and that they completely discard the false philosophy that machines take the bread out of workmen's mouths. The policies of employers and the taxing policies of governments must not be such that workmen lose all incentive to produce more or work longer or harder because they believe from their experiences that if they produce more either their government or their employers will take all the increase.

Belief in an Expanding Economy

There is one other very important national viewpoint that has contributed to America's productive capacity. It is the belief by the people generally in an expanding economy as a normal condition. This expanding economy is not only to provide for a growing population of more than 200,000 per month but also to provide an improving standard of living for all the people. This point of view by the mass of the people is especially important in a free enterprise society where individual citizens have both the right to plan and responsibility for planning their own lives rather than having their lives planned for them by a few dictators.

The social and economic status of the peoples of Western Europe and of the Americas have importantly changed and improved in the last 200 years and particularly in the last 50 years. Two hundred years ago transportation was primitive and slow, and local famines frequently occurred. Pestilences periodically decimated the population. There was no science worthy of the name, scientific inquiry having strayed into the by-paths of alchemy and other pseudo sciences. And so, for centuries, the average man's lot on this earth had been miserable beyond our imagination. People were largely dependent on human and animal power in all their production activities, and production was miserably low. The great majority of people then had little choice between working themselves to death or starving to death because they could not find or produce enough to live on. This is still true in many parts of the world, and even in our time probably not more than 25% of all the people in the world regularly have all they want to eat. Most of these 25% live in our western world.

American Discoveries and Precepts

In the last two centuries more progress has been made toward improving the well-being of the individual, especially in the western world, than in all the centuries that preceded them. This progress is really based on what might be called two great discoveries. These discoveries or great principles were first generally recognized and successfully applied in the latter part of the 18th century. While they have been recognized in other nations, they have had their most successful application and greatest development in America, and together they have made possible great productivity. They have given us our American comforts, culture and freedom from want.

One of these great discoveries was physical and affected the material world. Broadly speaking, it was the general acceptance of the scientific method. While mankind generally had known for several centuries that the world was round, finite and real, prior to the 18th century few men appreciated that all the things on the world were also finite and real and subject to physical laws that could be identified and understood. The outstanding result of this realistic acceptance of the physical laws of nature was the development of mechanical power.

Particularly during the last century, we have had a great rush of inventions resulting from this scientific method of searching for knowledge and solving problems. This great discovery of the scientific approach opened the minds of men and was the real beginning of our industrial age with its substitution of machines for manpower. It was also the foundation for an entirely new approach to analyzing and treating the physical ills of human beings and has largely eliminated the malnutrition, the pestilences and epidemics of previous centuries in those countries where the principle has been recognized and adopted. Material science has the clear possibility and promise of the systematic utilization of all the natural resources of the earth for the good of the whole human race.

The other great discovery in the eighteenth century was political. It was the recognition of the essential dignity and inherent importance of the individual and his inalienable personal rights. Upon this principle the founders of our country developed our whole structure of government. It was perhaps the first government ever established to promote the welfare of all the citizens rather than the aggrandizement of the state or the rulers thereof or of any small privileged class.

In the declaration of principles that made possible the United States of America this great discovery or principle was recognized in the words "to secure these rights governments are instituted." The rights referred to are life, liberty and the pursuit of happiness—individual rights that are above and beyond any rights that may be conferred upon a business corporation, a labor union, a religious sect, a political

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Productivity—Key to Prosperity And Peace

party or any other group. The Constitution of our country was designed in part to protect the citizens against any attempt by even the government itself to invade these inalienable rights. In the 175 years that have passed since our country was founded similar progress has been made in countries of Western Europe and in the Americas where the same great principle was recognized.

Americans hope that these same discoveries or principles will gradually be better understood and applied in the rest of the world with the same results that have been achieved here in America. In my opinion the final hope of world peace depends on the understanding and application of these two great discoveries by all peoples in their respective countries.

Major World Problems Today

The peoples of all nations and their political leaders, no matter how they may have achieved their positions of authority, power and responsibility, face three major problems today:

(1) How to avoid war and help maintain world peace and at the same time protect the territories of their nations and their legitimate international interests.

(2) How to establish and preserve economic stability in their nations and at the same time maintain or improve the standard of living of the people.

(3) How to take care of the aged, sick and destitute whose resources are inadequate to provide for their necessities and who are now unable to earn a living and take care of themselves.

The peoples of the free world face a fourth problem—how to achieve the first three without losing the freedoms on which their nations have been built.

The peoples of the world want peace not war. The history of the world through the centuries is that dictators, not the people, make the wars. If our nations in the effort to meet aggression develop into military and political dictatorships, they will inevitably become involved in war as dictator-dominated nations always have in the past.

The western world has demonstrated beyond a question of a doubt that the greatest productivity and highest standard of living can only be achieved by stimulating the initiative of the millions in a free society. Likewise, to maintain political stability in such free nations, it is necessary to maintain and improve the standard of living of the people.

Free societies based on the recognition of the essential dignity and inherent importance of the individual naturally have the greatest consideration for the aged, sick and destitute. In such societies it is not a question of should they be taken care of, but how best to do it.

A minimum military establishment, including the minimum defense production necessary to protect a nation, is an economic handicap that seriously reduces the standard of living of the people. Likewise, a welfare program, especially when underwritten by centralized government and abused by those who could work and support themselves but don't, also handicaps the producers and tends to reduce their standard of living. Socialistic schemes are no solution for these problems since by their very nature they tend to eliminate incentives, destroy personal initiative, weaken responsibility and curtail production.

Importance of Increased Productivity

At the present time it is exceedingly important to increase productivity to the maximum in the free world. All of us must be willing to make a greater effort, and we must organize our work so that we accomplish more with each hour of work. Our nations must have military programs sufficient to protect themselves against aggression. With an increased birth rate and an increased life expectancy, the productive portion of the population is reduced, throwing an added load on each of the producers. Since to achieve political stability in our countries these producers must have a hope for increasing their standard of living as a reward for their greater effort, there is a triple necessity for increased productivity.

Beginning in the fifteenth and through the nineteenth century the nations of Europe in varying degree depended on a policy of colonialism to support the people in the home countries. This system of colonialism was designed to develop the resources of more primitive or pagan countries by more civilized peoples. Frequently the system was maintained by military power. Admittedly the system was designed to help the people of the mother country, but it was defended on the ground that it also raised the economic, social and religious standards of the native population. The colonies provided a market for the goods from the mother country in return for the food and raw materials produced by the colonies. Colonialism was always more popular in the mother countries than in the colonies. The colonies insisted on growing up.

Perhaps the American Revolution and the founding of a new nation was the beginning of the end of colonialism. While colonialism was an accepted policy in Europe for many decades thereafter, and continued to expand in some areas throughout the nineteenth century, the territories of the Americas achieved their independence during this period. The people of the United States have always had sympathy for other colonial peoples who were attempting to establish their independence. As a result of this and perhaps of our American Monroe Doctrine, the territories of the Americas achieved independence during the same period that colonialism was still advancing on some other continents. With the rising economic status of colonial populations after World War I, colonialism as a policy declined rapidly. Following World War II colonialism as it was understood 100 years ago has largely disappeared.

Our country now has as a policy what might be called colonialism in reverse. We are exploiting our own people and our own resources to benefit people in other countries. This is certainly a new development in the history of the world. Even with America's great idealism and productivity, this policy cannot safely be counted on for long by any nation. Colonialism was never popular with most Americans and certainly colonialism in reverse will not be. This is another reason why it is so important for other countries in the western world to understand the basis of American productivity and rapidly improve the productivity in their own lands.

It is of the utmost importance that all the peoples of the world realize that Americans have no desire to expand their area of influence in the pattern of the old colonial empires nor to take advantage of the peoples of other lands to gain for themselves by holding down the living standards of other peoples. The truth is that we Americans consider that our future progress to a large degree will depend upon the progress which other countries make at the same time. We believe that the greatest progress for each nation can be made only when all nations make progress in freely developing their own and thus the world's resources. This is why we are pleased to have you visit us. We hope that we have been and can continue to be of assistance to you in improving the productivity of your businesses and of your countries. We are sure that increasing productivity is the key to prosperity and peace for the western world, and we hope that through example increasing prosperity and peace can be brought about in the whole world.

IBA PAST PRESIDENTS

1922-23

John A. Prescott

1920-21

Roy C. Osgood

1915-17

Lewis B. Franklin

Steele With Gordon Hanlon

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Donald T. Steele has become associated with Gordon B. Hanlon & Co., 10 Post Office Square, members of the Boston Stock Exchange. Mr. Steele who has been in the investment business for many years was formerly with Joseph F. Jordan & Co., Coburn & Middlebrook, Inc., and R. H. Johnson & Co.

New Brooklyn Branch for Merrill Lynch

The new Brooklyn office of Merrill Lynch, Pierce, Fenner & Beane, members of New York Stock Exchange, was opened on Monday, Dec. 3. William A. Winslow is manager of the office, which is located at 148-150 Pierrepont Street. It also has an entrance on Montague Street.

Hugh Sill Opens

(Special to THE FINANCIAL CHRONICLE)

BAKERSFIELD, Calif. — Hugh W. Sill is engaging in the securities business from offices in the Sill Building.

Public Utility Securities

By OWEN ELY

Central Hudson Gas & Electric

Central Hudson Gas & Electric Corporation serves a territory extending about 85 miles along the Hudson River, and about 25-40 miles east and west from the river—the southern end being about 40 miles above New York City and the northern end about 10 miles south of Albany. The population served is around 294,000, one-half being in communities of 25,000 or more and half in small villages and rural areas; the four principal cities are Poughkeepsie, Beacon, Newburgh and Kingston. Gas is served to a portion of the area, and natural gas has now been substituted for manufactured gas (water-gas being made only at times of peak loads). About 83% of revenues are electric, 17% gas and a small amount of steam-heating.

Activities in the area include small diversified industries, fruit and dairy farms, and summer resort business. Principal industrial customers include manufacturers of machine and metal products, textile, paper, clothing, building products and food industries. International Business Machines is the largest customer but contributes only 1% of revenues. The company has gone to considerable lengths to serve all farms in its area (at one time spending $1 million for this purpose) and as a result there are no municipalities or co-ops distributing electricity or gas (other than so-called bottled gas) in its areas except in one village.

The company has for some years been buying most of its electric output from Consolidated Edison, generating only 11% of the output in the 12 months ended Aug. 1, 1951. The long-term contract with Edison was on a very favorable rate basis, but Edison gave notice several years ago that it would have to increase its charge very substantially when the contract expired. Central Hudson then decided to build a new modern plant at Danskammer Point on the Hudson River, as well as a new hydro plant at Grahamsville. The first 60,000 kw steam unit at Danskammer is currently going into operation, and the 25,000 kw hydro plant is expected to be in operation before the end of 1952 (depending upon the availability of water supply, since the plant is tied in with the New York City water supply project).

Based on normal stream flow at the company's existing hydro plants, and estimates as to output of the new steam unit and the old Poughkeepsie unit, the company expects that next year about 75% of its output can be produced and 25% purchased from others (principally Consolidated Edison). Electricity at Danskammer will cost only about 4.4 mills, it is estimated, but energy purchased from Consolidated Edison under the new contract will cost about 13.1 mills compared with 6.7 mills formerly. Adding cost of capital, the average over-all cost of energy next year is estimated at 8.4 mills, compared with 6.6 mills for the 12 months ended August, 1951. Because of this increased cost, the company requested a rate increase from the Public Service Commission, which was promptly granted. This increase will, it is estimated, take care of higher costs and taxes, and make the return on the rate base more adequate. Return on the electric rate base for next year will approximate 6.07% and on the gas investment 4.52%, according to the company estimate. Earnings for the calendar year, 1952, are estimated at about 90c a share on common stock, compared with an estimated 66c this year.

The estimated share earnings for next year are based on an assumption that another block of $2 million convertible debentures can be converted into common stock next year (the remaining $2 million will be converted in 1953, it is hoped). While additional senior financing will be necessary from time to time, at present no equity financing seems contemplated through 1953. Conversion of the debentures, plus excess earnings, should restore the common stock equity to around the 30% level (compared with 26% currently), it is estimated. The company recently offered $4 million preferred stock, and $5 million bonds were sold earlier in the year. The company's *tentative* program for future financing (to take care of its construction program) is as follows, disregarding temporary bank loans:

1952—$5 million bonds.
1953—$3 million preferred stock.
1954—$8 million bonds and $2.7 million common stock.

The stock has been selling recently on the board around 10½, paying a 60c dividend to yield 5.7%. In order to expedite conversion of the $2 million debentures in 1952 the company may find it desirable to increase the dividend rate (assuming that earnings improve as anticipated), which would be in line with its past policy of a substantial payout. The conversion of the debentures is regarded as a desirable step in lieu of equity financing to keep the capital structure in balance.

Baxter Laboratories Com. Stk. on Market

Lehman Brothers and a group of associated underwriters on Dec. 11 offered to the public 100,000 shares of common stock (par $1) of Baxter Laboratories, Inc., at $17 per share.

In addition, 25,000 shares of common stock is being offered by Baxter Laboratories, Inc. for subscription by employees, also at $17 per share.

Baxter Laboratories, Inc., organized in 1931, is a leading company in a specialized segment of the pharmaceutical industry, manufacturing solutions for parenteral alimentation and equipment for blood transfusions.

In addition to its main plant at Morton Grove, Ill., the company has a plant at Cleveland, Miss., and its Canadian subsidiary has a plant at Acton, Ontario.

The 100,000 shares being publicly offered by the Lehman group were acquired from stockholders, most of whom will continue to hold substantial amounts of Baxter Laboratories, Inc. common stock. Proceeds from the offering of the 25,000 common shares to employees of the company will be applied by Baxter Laboratories, Inc. to general corporate purposes.

Net sales of the company for 1950 were $9,874,555 and net income was $874,734 compared with net sales of $7,103,908 and net income of $632,639 for 1949. For the first ten months of 1951 net sales were $9,257,536 and net income was $614,032.

Laidlaw Co. to Admit Two General Partners

Laidlaw & Co., 25 Broad Street, New York City, members of the New York Stock Exchange and other leading exchanges, has filed with the New York Stock Exchange for the admission of James Robert Laidlaw and Frank L. Lucke as general partners effective Jan. 1, 1952.

Mr. Laidlaw is the son of Elliot C. R. Laidlaw, Senior partner of the firm and attended Princeton University and the New York Institute of Finance. He lives in Plainfield, New Jersey, and has been in the banking department of Laidlaw & Co. since 1946.

Mr. Lucke has been with Laidlaw & Co. since 1945 and is presently manager of the firm's municipal bond department. His residence is in Wilton, Conn., and he attended the University of Minnesota.

Joseph Vancil Opens

CHICAGO, Ill.—Joseph Vancil is engaging in a securities business from offices at 19 South La Salle Street.

IBA GROUP CHAIRMEN

MISSISSIPPI VALLEY	ROCKY MOUNTAIN	TEXAS
		
Edward D. Jones *Edward D. Jones & Co., St. Louis*	Ernest E. Stone *Stone, Moore & Co., Denver*	Dana T. Richardson *Underwood, Neuhaus & Co., Houston*

Young, Yokeman to Be Neilsen Gordon Partners

Nielsen, Gordon & Co., 120 Broadway, New York City, members of the New York Stock Exchange, will admit Wilfred J. Young and Milton S. Yokeman to partnership on Jan. 2. Both were formerly associated with Frank C. Masterson & Co., Mr. Young as Sales Manager, and Mr. Yokeman in the mutual funds department.

G. H. Walker Admits Two New Partners

G. H. Walker & Co., members of the New York Stock Exchange, on Jan. 1 will admit John Shepley and John M. Walker to partnership. Mr. Shepley will make his headquarters in the firm's St. Louis office, 503 Locust Street; Mr. Walker will be in the New York office, 1 Wall Street.

Continued from page 10

Trends in the American Economy

course, the vote-getting aspects) have become equally important, or, perhaps, more so. This shift of income from the higher income groups to the lower income groups tends to lend support to the so-called purchasing power theory of the business cycle. It does tend to operate as a sustaining factor, militating against the normal type of cyclical decline, at least with regard to magnitude of the decline.

Government Fears Deflation

The powers of taxation, of price floors and price ceilings, over the credit mechanism of the country, etc., are important and over the short-term, at least, can be utilized to induce expansion and to militate against deflation. It must be recognized that the starting point in economic theory today is the concept of full employment. In the event of any deflationary developments, with consequent increase in unemployment, it may be safely assumed that the government will use all its powers to meet such a situation, regardless of the long-term implications of what it is doing.

Related to this, is the great importance of government spending. Historically, economists when looking at the demand side of the equation, considered individual expenditures for consumer soft goods and consumer semi-durables; and also business expenditures for durable goods, such as plant and equipment, and also business expansion of inventories, etc. Today a third element has been added, namely government spending. This has been showing an increasing trend and there are no signs of any diminution. Rather, it can be assumed that with 1952 an election year, the Administration will open the spigot a bit wider. Aside from the magnitude of the expenditures themselves, the fact that the budget will show a deficit is significant. It means that more dollars are being pumped into the spending stream by government than are being taken out.

Keep in mind that I am talking of major and long-term trends, rather than from a short-term viewpoint. It is likely that most of the deficit for the current year has already been realized and that in the months just ahead there will not be important deficit financing.

The powers of the government, in terms of relaxing controls over housing and to stimulate plant expansion by allowing emergency amortization, etc., need no elaboration. They should be considered in conjunction with some of the powers referred to above.

All of the foregoing results in some major conclusions:

(1) Credit will not be contracted.

(2) As unemployment begins to develop, the government will spend, and spend heavily. ("Human values are more important than property values.") It is unimportant to guess whether the expenditures will be for defense purposes (which, aside from the requirements of the international situation, also provide a means of "priming the pump" that cannot be attacked too vigorously); or whether it is to be through a public works program or some other medium.

(3) These basic trends, which relate to the desire of the union groups and, to a certain degree to the entire American people, to get more and more for doing less and less, are continuing and are likely to remain in vogue and to be observed by politicians whether Republican or Democrat. A change of Administration might somewhat slow down the trend toward a creeping socialism, but it is not likely to change it.

(4) To an increasing degree, purchasing power is being disassociated from the actual levels of employment. In other words, unemployment compensation, old age benefits, etc., tend to bring income to the non-producer or non-worker. Thus, moderate unemployment would not affect purchasing power as adversely as has been the case in previous periods.

Basic Changes in the Economy

Perhaps the second most important basic trend (in addition to the centralization of power in government as above discussed) are the changes in the basic character of our economy. Formerly we were a nation of small businessmen and entrepreneurs. Risk taking and opportunity for growth were the important factors. Today, with the development of large-scale business, we have tended to become a nation of wage earners. The great bulk of the working population is not self-employed. This places a premium on security, as contrasted with individualism or economic opportunity. This has been reflected in the thinking not only of the unionized groups, but even the university graduates who are going into management. Remember that in large degree management, itself, represents high-priced employees rather than ownership. This tendency to stress security in our thinking also is reflected in the way people vote and in the way Congress is likely to act. Again, it means more and more supports for full employment, regardless of the longer term consequences and soundness of the fiscal policies involved.

The other aspect of this second big trend is the growth and development of major unions. It is incontrovertible that, as the result of the annual rounds of wage increases that have been going on for several years, wage costs per unit of production in manufacturing industries have been going up much more rapidly than technology and new investment in plant and equipment has made it possible to increase man-hour production.

In leading manufacturing industries produtcion per man hour has increased to where it now is about 26% above 1939. Over the same period, wage costs per unit of production have approximately doubled. The implications to be derived from this are most important. Price is equal to cost plus profit. Since profit margins, of course, are quite small in relation to price, it follows that cost increases ultimately must be reflected in the price structure. It is quite obvious that no businessman, whether in manufacturing, or in distribution, or in a service business, can indefinitely continue to sell his product at prices that do not recover his cost and allow him some profit.

It further follows that the overwhelming element in the cost structure consists of wages (which are pyramided all the way along the line) and that increases in wage costs must be reflected in prices. It is interesting to note that despite Administration opposition, the Capehart Amendment was passed, which in effect, allows manufacturers to recover cost increases up until July 26, 1951 in the price structure.

The Price Structure

It is important for businessmen and for investors to realize that with but temporary interruptions, the trend in the purchasing power of the dollar for the past 50 years has been downward.

Putting it another way, there has been (subject to temporary interruption) a consistent trend toward a depreciating dollar and this trend has been accelerated in the last few years. The 1939 dollar was, of course, worth considerably less in terms of buying power than the 1900 or 1910 dollar. Yet, taking the 1939 dollar as 100, we find that by the end of World War II in 1945, its buying power dropped to 77c. At the time the Korean War started in June, 1950, the dollar was worth 58c. At the present time, the dollar is worth 53c in relation to the 1939 dollar, or, in other words, has only slightly more than half the purchasing power of the 1939 dollar. This means that the dollar measurement of goods or anything else that is expressed in dollars must go up to reflect this decline in the purchasing power of the dollar.

I want to stress the fact that I do not anticipate a run-a-way inflation. In fact, over the short term, there are some semi-deflationary factors in the picture. However, the long range economic and political factors point to a continued attrition in the buying power of the dollar.

The huge increases in productive capacity do not automatically mean lower prices. First of all, the supply of dollars has increased more than production. Secondly, it should be noted that competition and the level of demand tends to set the upper limit of price. The lower limits of price are established by cost plus some minimum profit. Under current and prospective conditions with regard to labor costs, as already discussed, it seems apparent that further wage increases (which appear inevitable because of the strong bargaining position of labor) must be reflected in further price increases.

The International Situation

The next major trend that must be evaluated relates to the position of the world today. It is divided into two parts, the Western allies and the Communist countries dominated by Russia. In my opinion, World War III is not likely over the foreseeable future. On the other hand, regardless of the possibility of peace developments in Korea, no real period of peace can be anticipated.

Public opinion in this country overwhelmingly favors a program of preparedness as promising the greatest possibility of avoiding an all-out war. In the event of a Korean peace, there is some question as to whether or not the huge level of expenditures that are contemplated, might not be reduced moderately and spread over a long period of time.

Even granting this assumption, the expenditures will run into so many billions per year that they will constitute an important prop to our economy.

It is interesting to note that but a small fraction of the billions already appropriated have actually been expended. In other words, up to the present time, we have been largely in a preparatory and tooling-up period. From this point on the magnitude of the actual expenditures (which, of course, are the stimulative factor rather than mere appropriations), should gain momentum. Expenditures currently are running at a rate of approximately three times that of a year ago and further increases appear a certainty.

In addition, the general world situation especially vis-a-vis the unrest of the Asiatic peoples of the world and the vexing problems of decline in prestige and financial resources of Britain and France, means we must step into their shoes and help in Asia and in the Middle East, etc., in terms of manpower and resources and also continue to extend financial support and military aid to Britain and France and other European countries.

Short-Term Outlook

There appears every basis for believing that Christmas business this year will be highly favorable and is likely to run ahead of even the favorable levels of last year. The volume of retail sales next year is likely to continue at good levels, assuming a continuation of high wage rates and peak employment.

It is to be recognized that until recently there has been heavy inventory accumulation at all levels, ranging from the manufacturer through the retailer to the ultimate consumer. Thus total business inventories in the year ended August or September, 1951, increased about $16 billion to a total of around $70 billion. However, the last three months or so have been characterized by a leveling off of business inventories and the very current figures show some decline. Similarly, department store inventories show that sales of late have increased comfortably (and, in fact, have been running moderately ahead of last year), while inventories have trended downward.

It must be kept in mind that while inventories increased considerably, a good portion of this was at the manufacturers level in preparation for the big defense program. In the year ended July 31, 1951, unfilled orders for all manufacturers increased from $23.5 billion to around $55.5 billion. As of Sept. 30, unfilled orders for durable goods were 72% above those of September, 1950. Manufacturers' new orders, in the first seven months of 1951, were $174 billion against $132 billion. This increase occurred in the face of a substantial gain, over the same period, in manufacturers' sales. For the first seven years of 1951 they were $160 billion compared to $127 billion in the like 1950 period. There has been a moderate decline recently in manufacturers' new orders, but this is believed to be a temporary situation. The declining trend is not likely to continue as the defense program gains impetus.

Conclusions

In my opinion, a high level of economic activity is assured for 1952. I think it is probable that gross national product will attain new highs, moderately above the 1951 peak levels, and expect some further increase in personal consumption expenditures. Gross private domestic investment will be moderately lower, reflecting in large part a change from the rapid inventory accumulation that characterized the first half of 1951. On the other hand, expenditures by industry for plant and equipment is likely to continue at very high levels. Despite the pessimism currently being expressed on this score, one must keep in mind the continued budgeted expansion of the utility industry, running into several billion dollars over a period of years; the continued expansion in the steel industry and in the metal industries; the new programs announced for the chemical industry, including the large program planned by Union Carbide; and anticipated expenditure of $450 million by General Electric over the next four years, and by Westinghouse of $296 million over the next four years or so.

The current surveys by the SEC show the expectation that expenditures for plant and equipment in 1952 will be only moderately below the estimated peak of around $25 billion for 1951. There will be some reduction in new housing, but, on an overall basis, total construction should be very favorable.

Government expenditures will continue to increase, reflecting the fact that our defense program is beginning to get into gear after a slow start. There is not likely to be major change in the inventory picture. The level of industrial production should average perhaps 5% above 1951. Prices are likely to be firm, and to show a slight upward tendency. Corporate profits will be down moderately, particularly in the wake of increased taxes. Corporate dividends will be down, but only very slightly. All in all, 1952 promises to be a peak year, excepting only for corporate profits and dividends.

Steinhoff, McNabb With Henry Dahlberg

TUCSON, Ariz.—Henry Dahlberg & Co., 11 East Pennington Street, announce that Carroll F. Steinhoff, who has been in the Municipal Bond business since 1916, has been appointed manager of their Municipal Bond Department. Mr. Steinhoff was formerly associated with C. W. McNear & Co., and Burns, Corbett & Pickard of Chicago.

They also announce that James D. McNabb, formerly Comptroller of the Southern Arizona Bank & Trust Company of Tucson for a period of nine years and, prior to that, with the Trust Department of the Chase National Bank of New York for many years, is now associated with them in their Investment Department.

Halsey, Stuart Group Offers Utility Bonds

Halsey, Stuart & Co. Inc., on Dec. 7, offered $7,000,000 of Central Maine Power Co. 3⅝% first and general mortgage bonds, series T, due 1981, as 100.749% plus accrued interest.

Sinking fund redemption prices range from 101.75% to par. General redemption prices recede from 104.75% to par.

Net proceeds of this offering are to be added to the net proceeds of an issue of common stock, being offered separately, and will be used first for payment of then outstanding short-term indebtedness incurred for the interim financing of the company's construction program. The balance will be used for construction expenditures and for other corporate purposes.

The company's expenditures for construction in 1951 are estimated at $14,632,000 of which $10,000,000 is to be obtained from outside sources. It is estimated that construction expenditures for 1952 will be approximately $13,500,000 of which about $8,000,000 is to be obtained from outside sources.

Central Maine Power Co. serves about 219,515 customers and operates wholly in southern and central Maine. No other electric utility operates in competition with the company in the territories which it serves. The company generates all but a very minor part of its requirements for electric energy.

Total revenues for 1950 were $22,608,477 and net income was $4,407,663 compared with total revenues of $21,336,533 and net income of $4,165,900 for 1949. For the 12 months ended Aug. 31, 1951 total revenues were $23,498,349 and net income was $4,251,106.

Baltimore Bond Club Gets New Slate

BALTIMORE, Md.—The annual business meeting of The Bond Club of Baltimore will be held on the second floor of the Merchants Club, at 4 p.m. on Tuesday, Dec. 18, 1951. All members are urged to be present.

In accordance with Article V of the Constitution and By-Laws, the Board of Governors appointed a Nominating Committee composed of: Joseph W. Sener, Mackubin, Legg & Co., Chairman; F. Barton Harvey, Jr., Alex. Brown & Sons; John T. Young, Jr.; LeRoy A. Wilbur, Stein Bros. & Boyce; William L. Reed, Robert Garrett & Sons.

The Committee has submitted the following nominations:

President: Harrison Garrett, Robert Garrett & Sons.

Vice-President: Albert G. Warfield, Merrill Lynch, Pierce, Fenner & Beane.

Chairman of the Committee on Arrangements: Jack A. Kolscher, Geo. G. Shriver & Co. Inc.

Secretary: William L. Reed, Robert Garrett & Sons.

Treasurer: Edward J. Armstrong, Stein Bros. & Boyce.

Members of the Board of Governors (to serve for three years): W. Lloyd Fisher, Baker, Watts & Co.; Robert P. Chambers, John C. Legg & Company; (to serve for one year): Dorsey Yearley, Alex. Brown & Sons.

The Board of Governors has eliminated the annual dinner in the interest of having more frequent luncheons. Cocktails will be served following the business meetings.

Now A Corporation

CLEVELAND, Ohio—Morrow & Co., Hanna Building, is now doing business as a corporation. Frank W. Morrow is President and E. S. O'Connor, Vice-President. Mr. O'Connor has been associated with Mr. Morrow for some time.

IBA GROUP CHAIRMEN

CALIFORNIA

William S. Hughes

William S. Hughes

Wagenseller & Durst, Inc., Los Angeles

PACIFIC NORTHWEST

Beardslee B. Merrill

Richards & Blum, Inc., Spokane

MINNESOTA

Richard G. Egan

Mannheimer-Egan, Inc., St. Paul

Knight Transfers to N. Y. for Consultants

Harry W. Knight, a partner in the Chicago office of Booz, Allen and Hamilton for the past six years, transferred to the firm's New York office effective Dec. 11, according to an announcement from John L. Burns, coordinating partner of the management consulting firm's eastern region.

For the past 20 years, Mr. Knight has divided his time between government and industry. After several years with the Harris Trust Company and Bauer and Black in Chicago, he entered City Manager work, first in Winnetka and later in Wisconsin.

During the early part of World War II, he was chief of the budget section of the War Production Board. As a commissioned officer of the Navy, he subsequently was assigned to the Joint Chiefs of Staff as a member of the Joint Production Survey Committee.

Mr. Knight is an alumnus of Amherst College, the Harvard Graduate School of Business Administration and Northwestern School of Commerce. He has been a resident of Winnetka for the past 15 years and has been active in community affairs there and in Chicago.

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Defense Output Forging Ahead

ties and reserve production lines that can instantly be expanded to provide for the needs of all-out war if—and may God forbid!—it should occur.

In doing all this, we are having severe headaches. I keep a box of aspirin in my desk drawer. Yes, the richest country in the world has taken on a job that strains its vast resources. We are suffering from shortages of raw materials—steel, aluminum, copper, as well as various alloying metals that we must import from abroad. A good part of this shortage is caused by the metal needed for our expansion program and thus is of a temporary nature. It is metal well spent, for it will produce huge dividends in new production.

We are expanding steel production from a pre-Korean figure of 100,000,000 tons to 118,000,000 tons —and nearly half of this increase is already in place. We are doubling our production of aluminum.

Copper is a different story. Even before the present emergency, our civilian industry was using more copper than could be mined in this country. Because of a lack of reserves of this metal, we are now suffering an acute shortage. We are trying to better this condition by intensifying our efforts to increase production here and abroad and by contriving substitutes for copper, such as making automobile radiators out of aluminum.

Not Sponging Up World's Raw Materials

At this point, I should tell you that the United States is not sponging up all the available resources in the Free World for its armament program. In the case of copper, our imports have actually declined. The same is true with lead. Rather than go out into the world markets and buy up additional quantities—thereby forcing the already fantastic prices to still higher levels—we have taken tens of thousands of tons of these commodities from our stockpile.

We have participated wholeheartedly in the work of the International Materials Conference, which represents an effort of the Free World to solve its supply problems internationally. I believe the IMC has had some steadying effect upon the general raw materials situation, and has tended to dispel some of the worst apprehensions of the consuming countries. It has made it possible to reduce some of the ruthless competition for supplies. We look forward to further cooperation with the Free World nations in this international effort.

The Free World has a long way to go before it produces a perfect working arrangement, but I see signs of progress.

I have mentioned our basic industrial expansion program, which has given rise, I believe, to the fear—barring another major war—that when the United States reaches its peak of strength in 1953-54 it will dump its surplus on the remainder of the world. I should like to dispel this fear.

This country, I am convinced, will be able to absorb virtually the totality of the expansion. Some rearmament will continue and a good part of the expansion increase will be needed for that. Another part of the increase, such as in aluminum, will be used in a great variety of substitutions now being made. There will be a big backlog of demand for houses, automobiles, refrigerators and other durable goods. New products will come into the market, such as color television, whose mass production has been stopped by the manufacturers to save critical materials.

I put no stock in the gloomy prophecies that a depression will follow the achievement of our peak of strength.

The American economy is still capable of great expansion. This was proved in the postwar period from 1945 to 1950, when it became obvious that we were on the threshold of a new phase of the Industrial Revolution. It will be proved again if and when a period of real peace occurs.

I told you of the five-fold program of defense mobilization. We propose to achieve its main objectives within a period of three years, at the expenditure of roughly $50 billion a year.

But we realize, too, that we must look farther into the future. I hope that before long the Soviet Union will be convinced that a third World War would bring untold disaster upon humanity, and that some kind of arrangement can be made for the insurance of peace.

If not—if the twilight relationship that now exists continues—we shall go right on rearming. But the prospect is not entirely dismal. We shall reach our peak of strength sometime during 1953, with newer developments extending into 1954. By that time, our stocks of defense materials will have mounted to a great height. We will also have established reserve production lines that can be put to quick use.

After that, we will shift from quantity production to quality production, invention and improvement. We can then return to a civilian production equaling and, in some respects, exceeding the production we enjoyed before Korea, which was the highest in our history.

Defense Will Decline to 10% of Production

At the height of our production program, some 20% of the gross national product will be devoted to defense. As we taper it off, perhaps this figure can be reduced to about 10%, thus leaving the lion's share for civilian goods. Then, I confidently believe, we can go on maintaining our military strength for 10 years, 20 years, for a century if need be, and absorb the strain in our stride. We will be just getting our second wind in the marathon.

This prospect, I am sure, gives no comfort to our enemies who are hard-pressed even now. The Soviet Union is devoting some 30% of its resources to armament, though its millions are crying for the ordinary necessities of life.

You who have seen your countries afflicted or menaced by two world wars in three decades merit the assurance I am now about to give you. This is that the tremendous strength we are building up is designed solely to preserve the peace or to meet any attack launched against us and the other free nations. It is not—I repeat not—designed to wage an aggressive or preventive war. What I have said before, I now say again, had I the slightest hint that the strength I am helping to amass were to be used for a preventive war I would resign the office I hold without even going back to it to do so.

Despite our rearmament program, you gentlemen still see in this country evidences of great prosperity. In the months to come, the pinch on our civilian industry will become more obvious. We had accumulated a lot of fat and we are living on it.

Guns and Less Butter

From now on, it will not be so much a case of guns AND butter, but of guns and less butter, or guns and margarine. Just a few days ago we had to serve notice that only 10% of the copper and 20% of the aluminum used by many industries in the first quarter of 1950 will be allocated to them in the first quarter of 1952.

Even so, we have deliberately decided to do our best to keep our civilian economy at a wholesome, if reduced rate. All-out mobilization would have thrown millions out of work; it would have made it far more difficult to pay the staggering bills we are rolling up. As it is, our taxation has mounted to severe proportions but is still insufficient to pay the armament bill as we go along.

We recognize that other countries in the Free World could not stand the strain of all-out mobilization; that they must preserve sound civilian economies; and we recognize further that they have far less margin than we have.

Since they have less margin, it is all the more important for our Free World allies to make the most of their resources. I should like to emphasize that it is private American industry, large and small, which is carrying the burden of military production, rising again to the challenge as it did in World War II. It is capable of great power and flexibility because it is free and competitive.

It is competition that has forced American business to produce at the lowest possible cost while paying the highest possible wages. Some of our corporations, as you know, are very large, but even in the largest ones—like steel, automobiles, aluminum — we preserve the competitive principle, as against the deadening influence of cartel arrangemests. There have been abuses in the operation of our anti-trust laws, but by and large we have preserved the dynamic competitive spirit of American capitalism, and it stands us in good stead not only in the quantity but in the quality of our production.

Marshall Plan, Act of High Statesmanship

I think the Marshall Plan was an act of high statesmanship; it was a recognition that the Free World is not an aggregation of states, each seeking its own destiny regardless of the others, but rather a unified whole. The safety of the United States depends upon the safety of Western Europe — and vice versa. The prosperity of Western Europe is important to the prosperity of the United States—and vice versa.

Under the stimulus of the Marshall Plan we have seen industrial production in Western Europe mount to more than 40% above prewar levels. If it were not for the crisis that has been forced upon the world by Soviet Russia, Western Europe would be farther on its way to economic betterment. But now once again it must devote to survival a large part of its income, ingenuity and resourcefulness.

There is much to be done. You are suffering from two big bottlenecks. I refer to coal mining, which is still barely at prewar levels, and electric power output, which despite record growth, is still inadequate for all needs. In this country, a rather grim jest has been made of the fact that we are now "carrying coals to Newcastle" (referring to the export of coal from the United States to Europe). That phrase used to mean the performance of a highly unnecessary act. Now it has lost its old meaning, and acquired a new one.

The shortage of coal and high-grade coke constitutes the most serious single obstacle in the way of industrial expansion in Western Europe. Electric power, despite a 35% increase since the beginning of the Marshall Plan, is still in short supply. I urge you to do all you can to stimulate the increase of these forms of energy, upon which all industrial progress is based.

I urge you, furthermore, to address yourself to the world-wide problem of raw materials to the end, first, that the supplies of these be expanded; second, that their most effective distribution can be achieved from the standpoint of free world economics and military strength; and, third, that the prices of these materials be maintained at levels fair to both producers and consumers.

I want to assure you that the stabilization of prices, not only of raw materials, but of all prices, is of intense concern to us in America. Following the Korean invasion, we suffered a considerable measure of inflation. You in Europe have had an even worse attack of this cancerous growth. As in other matters, the Free World has a common destiny in so far as inflation goes. If we succumb to it here, the evil effects spread to your countries; and vice versa.

Says Prices and Wages Are Stable

Due to a combination of circumstances, our levels of prices and wages have been relatively steady since last spring. The scare buying of last fall and winter has been succeeded by an interval in which our people have saved their money instead of accumulating vast amounts of unneeded things. But inflation is a subtle and insidious enemy. It will renew its attack as the production of civilian goods declines, while the purchasing power of the people mounts through defense paychecks. I want you to know we are vigilantly on guard.

Strong winds are blowing in the world. Ancient ideas and taboos and prejudices are giving way before the stern impact of modern problems. In many respects, the world is being remade.

Our nations, which have traditionally had the courage and wisdom to foresee and encourage development and progress, must again face the problems of change and guide it to our betterment. Cooperation among the nations of the free world has become a prerequisite for survival. Imagination, vigor, and perseverance must be devoted to the task of working out vastly more effective arrangements for unity in action than we have yet devised.

Our lives, our fortunes and our sacred honor are at stake. We are confronted with an enemy who seeks to fasten a hideous philosophy upon the whole world, as he has already fastened it on the slave nations of Eastern Europe and on a large part of Asia. The Western world must resist this creeping paralysis with all its brains, resources, energy and, above all, its spiritual force.

If the Western world rises to this supreme challenge, there is no doubt about the success of the issue. Twenty centuries of western civilization look down upon us. It is up to us in this generation to preserve this priceless legacy.

Railroad Securities

Chicago, Rock Island & Pacific

In commenting on operations for the first nine months of 1950 in a recent letter to the road's stockholders, Mr. J. D. Farrington, President of the Chicago, Rock Island & Pacific, again stressed the adverse influence on the road's operations and earnings of the Kansas floods early last summer. The effects of the flood damage were felt keenly during the entire third-quarter. Mr. Farrington stated that during the three months period nearly $3½ million was charged to operating expenses. Total expenses of all kinds attributable to the floods were estimated at less than $4 million so that virtually the entire cost had been absorbed by the end of September.

Naturally, the adverse effects of the floods were not confined to the physical damage to the properties which were charged off to operating costs. There was, also, the direct loss of traffic during the period. This was further aggravated by crop damage with its indirect bearing on traffic over a more extended period. On this score the full effects will never be ascertainable. Mr. Farrington further stated that it was late in September before traffic volume returned to normal. Since then operations have been on a normal basis.

In the face of the severe handicaps faced during the whole third quarter the over-all showing of the road for the year to date has been quite encouraging. For the 10 months through October gross revenues were up nearly 12% from a year earlier, and despite the extraordinary operating expenses net income was off less than 17%. Earnings on the common stock amounted to $5.67 a share. A year earlier they had been $7.25 a share. What is notable is that in October, when the year-to-year rise in gross revenues was narrower than it had been in the preceding nine months, net income and share earnings were somewhat higher than they had been in the 1950 interim.

It is not to be expected that earnings for the full year 1951 will equal the $10.20 per common share realized in 1950. It does appear reasonable to estimate that at least $8.00 will be reported. At recent prices, in the upper half of its 1951 range, the stock has been selling at about 6½ times such estimated earnings. This appears as a rather modest evaluation of a stock of the investment caliber of Rock Island. This is particularly true in view of the fact that present prospects point to the likelihood of even higher earnings in 1952 unless there is a serious letdown in general business. Reflecting these prospects the management recently increased the dividend from a regular $3 annual rate to a $4 rate. This affords a liberal return of 7.7% at recent price levels.

One thing that particularly appeals to analysts in the Rock Island picture is its exceptionally conservative capital structure. The debt was cut particularly drastically in the Section 77 reorganization. Then followed a period of further substantial debt retirement by the management, culminating in refunding of all of the non-equipment debt (First Mortgage and Income bonds) with a single issue of new First Mortgage bonds. This new issue, which has a liberal sinking fund for its systematic reduction, carries the low interest rate of 2⅞%. It is the only debt, other than regular serial equipments, outstanding. It is followed by 704,849 shares of 5% preferred ($100 par) and 1,408,895 shares of common.

Aside from its conservative capitalization, the road is well situated financially. As of the end of September net working capital amounted to over $27 million, and cash and equivalent was close to $35 million. The property has virtually been rebuilt and a substantial amount of new equipment, including a large diesel fleet, has been installed. Thus, future capital improvement needs should be relatively modest. With this background it is felt that a fairly large share of future earnings should be available for distribution in dividends.

IBA GROUP CHAIRMEN

CANADIAN

Arthur S. Torrey
W. C. Pitfield & Co. Limited, Montreal

CENTRAL STATES

Holden K. Farrar
Smith, Barney & Co., Chicago

MICHIGAN

Alonzo C. Allen
Blyth & Co., Inc., Detroit

Joins Walston, Hoffman

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, Conn.—Charles R. Skuba has been added to the staff of Walston, Hoffman & Goodwin, 111 Pearl Street.

With Inv. Service

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Frank M. Daugherty is with Investment Service Corporation, 650 17th Street.

Canadian Securities

By WILLIAM J. McKAY

The recent violent fluctuations of the Canadian dollar have considerably perplexed even the market experts. After a long period of calm stability that implied there would be little variation from the 5% discount level, the rate in recent weeks has oscillated violently between 1¾% and 4¾%. Various explanations have been given for the abrupt rise of Canadian funds in the past week but none so far has been thoroughly convincing. Normally at this period of the year the Canadian dollar is subject to seasonal weakness on commercial account, which is aggravated to a certain extent by heavy December interest and dividend disbursements and repatriation of U. S. profits from Canadian branch plants.

A sharp improvement of the Canadian dollar would have occasioned little surprise during the summer months when the export season is in full swing and when tourist traffic and oil and mining activity is at its height. During that period, however, the Canadian currency unit failed to register any notable improvement. At that time also heavy borrowings in this country on Canadian provincial and municipal account should have exerted a strong upward pressure especially when accompanied by the steady flow of U. S. dollars into Dominion oil and mining investments.

The reason for these contradictory movements is not difficult to find. Since the fixed peg on the Canadian dollar has been removed the exchange level of the currency has been dictated by the operations of the Canadian Exchange Control. This control has been simplified and rendered more effective as a result of the operation of the revised exchange system, which has concentrated to a greater extent than ever the volume of exchange transactions on the market in Canada. Curiously enough before the new system came into force, although the previous unofficial market in New York was exceedingly narrow, the present market despite its official character is now more limited than ever. Prior to the establishment of one official rate the New York market transacted virtually all the financial and investment operations in Canadian dollars and a large proportion of the tourist funds. Under present conditions, despite the supposed freedom of Canadian dollar operations, all the commercial transactions must still be effected on the Canadian market, although a large volume of the business is of U. S. origin that would normally be transacted by U. S. banking institutions on behalf of their customers. This necessarily transfers to Canada the hard core of the exchange transactions in Canadian dollars, and as a result the Canadian market has an overwhelmingly competitive position with regard to financial, investment, and any other exchange operations. In the final analysis, therefore, the exchange market in New York is only a mere shadow of its Canadian counterpart and its influence on the course of the Canadian dollar is entirely negligible.

Thus the recent exchange movements can be ascribed directly to the operations of the Canadian Exchange Control. The apparent mystery of the unseasonal sharp rise of the Canadian dollar can therefore be better understood when consideration is given to the motives of the Exchange Control in permitting this development at this particular time. As it was clearly indicated when the Canadian authorities authorized the "freeing" of the dollar, the official attitude with regard to so-called speculative transactions in Canadian dollars is distinctly critical. Although, for example, U. S. investment in Canadian internal bonds has constituted a definitely constructive factor which served to support the Canadian exchange situation in times of weakness, the Canadian authorities have nevertheless always frowned upon this type of capital influx.

In the present instance the defensive attitude of the Canadian authorities towards speculative operations does not, however, primarily concern operations in internal bonds, although the recent further lowering of the Canadian bond support level probably constituted a step to counter possible liquidation on the part of foreign holders. On this occasion it would appear that both the exchange and bond maneuvers are connected with possible developments in sterling. The Canadian dollar has become a refuge currency for those who fear devaluation of sterling and other European currencies. Consequently the Canadian authorities are making the speculative conversion into their currency as difficult as possible by boosting the rate of the Canadian dollar. Furthermore, the customary unwillingness of Canada to hold sterling balances has been heightened by recent fears of an imminent fall in the value of the pound. As all sterling transactions in Canada are effected against U. S. dollars the sales of sterling have caused an upward pressure on the Canadian dollar in terms of U. S. dollars. The appreciation of the Canadian dollar at this time is also well in accord with the desires of the Canadian Exchange Control since on previous occasions a pronounced weakness of sterling has brought speculative pressure to bear on the Canadian dollar which normally follows the course of sterling. It is by no means certain, therefore, that in the event of a fall in sterling that those who have fled to the Canadian dollar will reap the full benefit.

During the week there was a little more activity in the external section of the bond market but prices were mostly unchanged. Following the sharp rise of the Canadian dollar there was some liquidation of internal bonds but the wild gyrations of the rate rendered this type of operation extremely difficult to execute. Stocks after a display of strength on a rising volume of trading finally turned lower. The feature of the market was the strong demand for Canadian Pacifics which reached a new high point following the announcement of the 5-for-1 split of Consolidated Mining and Smelting stock and the payment of a large year-end dividend bonus; C.P.R.'s interest in Western oil lands naturally also contributes to the current investor demand for this stock.

Chas. Scranton to Admit Three New Partners

NEW HAVEN, Conn.—Chas. W. Scranton & Co., 209 Church Street, members of the New York Stock Exchange, on Jan. 1 will admit Edward A. Burgess, Frank M. Johnson, and Edgar B. Grier to partnership.

Joins Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Cordley P. Brown is with Waddell & Reed, Inc., 1012 Baltimore Avenue.

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The State of Trade and Industry

tons this week, American Iron and Steel Institute announced Dec. 10. Never before has that high steel production mark been reached during a calendar year.

The one hundred millionth ton will be poured by one of the steel industry's hard working furnaces on Thursday, Dec. 13, according to an estimate by the Institute, based upon average output. An hour later steel production will be about 12,000 tons above the mark, for the steelmaking furnaces this year have produced an average of about 200 tons a minute.

When the 100,000,000th ton is made, steel output of 1951 will exceed the production of the full year 1950, previously the year of record output, by more than three million tons. The rise in production has been made possible by the large scale programs of expansion and improvement begun by steel companies even before the outbreak of the war in Korea.

This will be the 41st week in 1951 in which steel operations have been 100% of capacity or higher. Five other weeks' operations were between 99 and 100% of capacity, three between 98 and 99% of capacity and one week's average was 96.7% of capacity.

The Fluctuating Value of the Dollar in Purchasing Power

An interesting survey undertaken by the Northwestern National Life Insurance Co. indicates that "the cost of living dollar," generally rated as worth about 54 cents in prewar purchasing power, may be actually worth 43 cents or $1.01 depending on what you buy. According to the Northwestern's survey, if you buy food, the 1951 dollar is worth only 43 cents compared with the prewar dollar. If you are building a home the 1951 dollar buys only 44 cents worth of material compared to 1940 when a house that costs $10,000 now could be bought for $4,400. As rent money the survey reveals today's dollar is worth 77 cents but on the other hand it will buy only 48 cents of material to equip a home.

Today's dollar has shrunk to 50 cents for purchases of clothing or coal but it will buy 65 cents worth of ice. Gas and electric rates are approximately what they were before the war. The government's consumer price index shows a decline of 1% less for the combined gas and electricity item than it did in 1940, making the 1951 dollar in this one instance worth $1.01.

Electric Output Soars to New Historical High in Post-Holiday Week

The amount of electric energy distributed by the electric light and power industry for the week ended Dec. 8, 1951, was estimated at 7,443,964,000 kwh., according to the Edison Electric Institute.

The current total was 31,729,000 kwh. less than that of the preceding week; 535,333,000 kwh., or 7.7% above the total output for the week ended Dec. 9, 1950, and 1,562,604,000 kwh. in excess of the output reported for the corresponding period two years ago.

Carloadings Advance 15.5% in Post-Holiday Week

Loadings of revenue freight for the week ended Dec. 1, 1951, totaled 821,776 cars, according to the Association of American Railroads, representing an increase of 110,329 cars, or 15.5% above the preceding holiday week.

The week's total represented an increase of 81,611 cars, or 11% above the corresponding week of 1950 when loadings were reduced by severe weather conditions in Eastern States, and a rise of 127,853 cars, or 18.4% above the comparable period of 1949, when loadings were reduced by the coal strike.

Auto Output Declines Slightly for Latest Week

Combined motor vehicle production in the United States and Canada the past week, according to "Ward's Automotive Reports," totaled 117,693 units, compared with the previous week's total of 119,962 (revised) units, and 162,795 units in the like week of 1950.

Passenger car and truck production last week in the United States was only 236 cars more than the previous week but nearly 37% below the like week of last year. This brings the total U. S. A. passenger car production to date this year to 5,138,500 against 6,326,000 in the corresponding period in 1950. The production of trucks this year to date of 1,353,000 units, tops the corresponding 1950 period of 1,344,000 trucks.

"Ward's" expects that the record high of 1,369,000 trucks built in 1948 will be surpassed next week. The 1951 production to date of 1,353,000 already exceeds the 1950 output of 1,344,000 trucks.

For the United States, total output advanced to an estimated 113,061 units from last week's revised total of 112,825 units. In the like week of last year output totaled 154,731 units.

Total output for the current week was made up of 90,416 cars and 22,645 trucks built in the United States, against 89,762 cars and 23,063 trucks last week and 129,687 cars and 25,044 trucks in the comparable 1950 week.

Canadian output is estimated at 2,882 cars and 1,750 trucks against 4,347 cars and 2,790 trucks last week and 6,457 cars and 1,607 trucks in the corresponding 1950 week.

All in all, the nation's auto industry has built approximately 16,900,000 passenger automobiles in the last 3 years.

Business Failures Hold Steady

Commercial and industrial failures totaled 136 in the week ended Dec. 6, and 148 in the preceding week, Dun & Bradstreet, Inc., reports. Casualties were off moderately from a year ago when 170 occurred, and from the 1949 total of 191, and were 54% below the prewar level of 297 in the comparable week of 1939.

Wholesale Food Price Index Recedes From Peak Level of Week Ago

Although individual price movements were mixed, the wholesale food price index, compiled by Dun & Bradstreet, Inc., fell 3 cents last week to stand at $6.68 on Dec. 4. The decline brought the current figure below the corresponding year-ago level for the first time since the week of April 4, 1950. The drop from last year's index of $6.77 was 1.3%.

The index represents the sum total of the price per pound of 31 foods in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Eases Slightly in Latest Week

The general price level continued to hold in narrow limits

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IBA GROUP CHAIRMEN

NORTHERN OHIO

Robert O. Shepard
Prescott, Shepard & Co., Inc., Cleveland

OHIO VALLEY

Milton S. Trost
Stein Bros. & Boyce, Louisville

WESTERN PENNSYLVANIA

Charles N. Fisher
Singer, Deane & Scribner, Pittsburgh

Wallace Brokerage Formed

WALLACE, Idaho—The Wallace Brokerage Co. has been formed with offices at 510 Bank Street to engage in a securities business.

Courts Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, Ga.—Mrs. Ellen M. McGehee is now associated with Courts & Co., 19 East 12th Street.

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The State of Trade and Industry

last week. The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., declined slightly to 311.23 as of Dec. 4, from 311.87 a week earlier, and compared with 302.79 on the like date a year ago.

Grain prices scored further advances the past week as trading in futures on the Chicago Board of Trade reached the highest level in many weeks.

Wheat was particularly active with prices touching the highest for the new crop year.

Export business in the bread cereal was the heaviest in some time; buyers included Great Britain, Germany, Italy, Austria and other countries. Corn finished slightly higher with much of the buying influenced by the general belief that damage to the quality of this year's crop has been greater than supposed a few weeks ago. Although stocks of oats remained large, current receipts were light and price movements were irregular. Rye continued to show independent strength with buying influenced by strength in Winnipeg. Average daily purchases on the Chicago Board of Trade last week totalled 51,000,000 bushels, comparing with 40,000,000 bushels in the previous week, and 44,000,000 in the corresponding week a years ago.

Flour prices were mixed and showed little net change for the week. While inventories are said to be light, bookings of hard Winter wheat flour remained small and mostly for fill-in purposes. Roaster demand for coffee was light. Futures showed some easiness at the week-end as the result of liquidation and hedge-selling induced by weakness in the actual market. Current arrivals of coffee were reported fairly heavy. Cocoa made further advances last week. Buying reflected good dealer and commission house demand and a lack of selling pressure on the part of primary sources. Current warehouse stocks of cocoa were reported at 122,442 bags, comparing with 98,733 a year ago. Quotations in Chicago livestock markets moved generally lower during the week.

Hog marketings at major western terminals reached the largest volume since February, 1944.

Activity in domestic cotton markets increased the past week. Prices continued firm and higher, buoyed by the prospects of larger exports and a further tightening in the supply situation. Buying was also influenced by a sharp spurt in sales of cotton gray goods late in the week and the possibility that the government might reimpose export quotas at some future date if the next official crop estimate should show a further sharp drop. Sales of cotton in the ten spot markets totalled 464,700 bales last week, the largest for the season, and compared with 266,100 the previous week, and 247,000 for the same week a year ago. Entries of the staple into the 1951 loan stock continued in low volume. The total for the season through Nov. 21 was 789,800 bales, representing an increase of about 14,000 bales for the week.

Trade Volume Gains Momentum Spurred By Christmas Sales

Heralding the coming of Christmas, retail trade rose steadily in most parts of the nation in the period ended on Wednesday of last week, states Dun & Bradstreet, Inc. in its current trade summary. Shoppers spent moderately more than in the similar week last year when Christmas trade was at a record level. The cashing of an unprecedented amount of Chritsmas Club checks, attractive promotions, and extended shopping hours at some stores helped to spur holiday buying.

Shoppers bought more apparel than in either the prior week or the comparable 1950 week. However, the rise was generally centered on items suitable as gifts.

The demand for men's suits and coats remained rather torpid. Among the most highly favored merchandise were lingerie, loungewear, haberdashery, accessories and children's toggery.

Food purchasing recovered noticeably from the slackening in demand that followed the Thanksgiving feast. Declining egg prices induced housewives in some parts to augment their buying. Pork, poultry and processed meats were generally favored over the expensive cuts of beef and lamb. Frost-reduced supplies of fresh produce were reflected in a rise in vegetable prices. The demand for frozen foods, particularly vegetables and citrus juices, remained higher than that of a year ago.

There was a seasonal rise in the interest in many household goods, but retailers' receipts still did not match the unusually high level of a year ago when scare-buying gave added impetus to Yule shopping. Among the merchandise in increased demand were lamps, glassware, incidental furniture, and some small applianecs.

Despite a moderate rise, the sales of television sets remained sharply below a year ago.

Total retail trade in the period ended on Wednesday of last week was estimated to be from 3 to 7% higher than that of a year ago. Regional estimates varied from the levels of a year ago by the following percentages:

New England and Southwest +2 to +6, East and Pacific Coast +1 to +5, Midwest +6 to +10, South +5 to +9, and Northwest +4 to +8.

Slight declines in the purchasing of some goods were more than offset by increases in the demand for other goods; the total dollar volume of wholesale trade rose moderately in the week. Order volume was slightly above that in the corresponding period a year ago. Re-orders for holiday specialties were numerous and immediate deliveries were frequently requested.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended Dec. 1, 1951, increased 5% from the like period of last year. In the preceding week an increase of 11% was registered above the like 1950 week and an increase of 6% for the four weeks ended Dec. 1, 1951. For the year to Dec. 1, department store sales registered an advance of 4%.

Retail trade sales in New York last week were disappointing largely due to unseasonable weather. The sales volume was 8% below the 1950 period and about even with the 1949 week.

According to Federal Reserve Board's index, department store sales in New York City for the weekly period ended Dec. 1, 1951, declined 3% below the like period of last year. In the preceding week an increase of 14% (revised) was recorded from the similar week of 1950, but for the four weeks ended Dec. 1, 1951, an increase of 2% was registered above the level of a year ago. For the year to date volume advanced 5% from the like period of last year.

New Orleans Exchange Reelects Officers

Macrery B. Wheeler John B. Shober

New Orleans, La.—At the Annual Meeting of the New Orleans Stock Exchange, held on Dec. 3, 1951, the following officers were reelected:

M. B. Wheeler, Wheeler & Woolfolk, Inc., President; John B. Shober, Woolfolk & Shober, Vice-President; E. R. Schweickhardt, Schweickhardt & Co., Treasurer.

Elected to the Governing Committee were:

Larz E. Jones, Walter D. Kingston, W. D. Kingston & Co.; George H. Nusloch, Nusloch, Baudean & Smith; Russell Clark, Merrill Lynch, Pierce, Fenner & Beane.

Berkeley Jackson Opens

HUNTINGTON, N. Y.—Berkeley W. Jackson is engaging in the securities business from offices on Huntington Bay Boulevard. He was formerly with Mallory, Adee & Co.

Martin I. King Pres. Of N. Y. Boys' Club

The Alumni of The Boys' Club of New York elected Martin I. King, President, at a meeting held at The Boys' Club of New York, Avenue A and 10th Street, New York City.

Martin I. King

In 1920, Mr. King formed the Foreign Exchange and Over-the-Counter securities firm of King & King, from which he retired in 1947. He is now associated with Sutro Bros. & Co., 120 Broadway, New York, members of the New York Stock Exchange and other leading exchanges, as Manager of their Dealer Relations Department.

Kenneth Van Sickle V.-P. of Sills, Fairman

CHICAGO, Ill.—Sills, Fairman & Harris, Chicago and New York investment banking firm, has acquired the organization and business of Kenneth Van Sickle, Inc., investment bankers with offices in Emporia, Salina, and Wichita, Kans., it was announced by D. J. Harris, President. Kenneth A. Van Sickle, principal in the Kansas firm, has been appointed Vice-President of Sills, Fairman & Harris.

The acquisition was announced as Sills, Fairman & Harris prepared to enter its 20th year of operation, which will start Dec. 29 on the anniversary of the company's founding in Chicago.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week—Bank Stocks

The dividend actions being taken by various banks both in New York City and throughout the country continue to dominate the interest of bank stock investors.

The most dramatic action along this line was the announcement on Tuesday, Dec. 11 that the First National Bank of New York plans to pay a 200% stock dividend to effect a three-for-one stock split. The proposal must be approved by two-thirds of the stockholders and will be considered at the annual meeting to be held on Jan. 8, 1952.

Of possibly more significance to stockholders was the additional announcement made at the same time that the dividend on the shares after the stock dividend will be $5.00 a quarter or at the annual rate of $20. This new payment, equivalent to $60 on the present stock, would amount to a reduction, as the current payment is $80 a share.

The dividend reduction had been talked about in the financial community for quite some time although the exact amount and timing were in question.

First National has been yielding considerably over 6% which is substantially more than available on the other major New York banks. This in itself would have indicated the possibility of an adjustment in dividend distributions. The other significant factor was that operating earnings for the past several years have not been sufficient to cover the dividend payment of $80. While security profits and recoveries have added enough additional income to equal the dividend the margin has not been large.

For example net operating earnings in 1950 for First National amounted to $68.56 a share. Security profits and recoveries added $14.68 a share for total earnings of $83.24. Thus, the $80 dividend was fully covered. In 1949 total earnings amounted to $79.06 or slightly less than the dividend.

Operating earnings for the current year are officially estimated at $65 a share. Security profits and recoveries will add another $8 for total income of $73.

Gross earnings this year will be higher than in 1950. While operating expenses may also show some increases the primary reason for the lower earnings and dividend is the higher Federal income taxes.

The change in capital will be accomplished by a transfer of $20 million from undivided profits to capital with surplus remaining unchanged. Total capital funds will amount to $141,500,000 and consist of $30,000,000 of capital, $100,000,000 of surplus and undivided profits of approximately $11,500,000.

One of the important considerations in this change in capital is that it will enable the Bank, as a National bank, to raise its legal loan limit by $2,000,000 from $11,000,000 to $13,000,000.

Another major dividend change among New York City bank stocks was that announced recently by Manufacturers Trust. Beginning with the payment to be made on Jan. 15, 1952, Manufacturers Trust will distribute 65 cents a share quarterly as compared with 60 cents previously paid. This increase will put the stock on an annual basis of $2.60 as compared with $2.40 paid in 1951.

New York Trust has also recently increased its distribution to stockholders. An extra of $1 a share to be paid Dec. 24 will bring total payments for 1951 up to $5. This will compare with $4.50 paid last year when only a 50-cent extra payment was made.

Outside of New York City, there have been a number of banks which have enlarged their distributions either through larger cash payments or by stock dividends.

First National Bank of Chicago proposes to pay a 20% stock dividend. Stockholders are to vote Dec. 18 on the proposal and if approved the distribution at the rate of one additional share for each five held would be made Jan. 1, 1952 to stockholders of record Dec. 7. The cash dividend of $8 a share, which has been paid for the past several years, will be continued on the increased number of shares to be outstanding.

There have been a number of other instances where banks have declared stock dividends and transferred a portion of surplus or undivided profits to capital. The needs of business for financing have expanded sharply in the past two years and in order for banks to accommodate these larger demands, it is desirable to add to capital.

This could result in an increasing number of stock dividends as banks capitalize a portion of surplus and undivided profits built up in recent years.

W. G. Simmering & Assoc.

EXETER, N. H.—W. G. Simmerling and Associates has been formed to engage in the securities business.

W. H. Newbold's Son Co. To Admit John S. Newbold

PHILADELPHIA, Pa. — John Sargent Newbold will be admitted to partnership in W. H. Newbold's Son & Co., 1517 Locust Street, members of the New York and Philadelphia-Baltimore Stock Exchanges on Jan. 1.

With Pacific Coast Secs.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Craig H. Taylor has become associated with Pacific Coast Securities Company, 634 South Spring Street. He was previously with Hill, Richards & Co.

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The Federal Reserve: Bulwark Of Our Private Economy

derstanding and approval of what we were trying to do.

In reaching this happy if belated resolution of some of our postwar difficulties—getting rid of our split personality—we incurred considerable displeasure in some quarters, however. A study of the Federal Reserve System by a subcommittee of the Congress, which to a certain extent reflects this displeasure, is now under way. When we look at the men making up the subcommittee, however, we can feel reassured that its work will be thorough and objective. If so, we can look forward to its hearings and its findings. It will be good for the country and for the Federal Reserve System to have an intelligent airing of some of the ideas about money and credit, and its management, which are always latent in this country and sometimes come to the surface. If we can lay the ghost of a few of these ideas, even temporarily, we shall be better able to do our jobs. Certainly you have a stake in this study which goes far beyond answering the questions which have been addressed to the executives of some of the life insurance companies. As representatives of institutions holding a tremendous amount of the savings of the people, as large scale investors, and as citizens, you must necessarily be deeply concerned with some of the issues which are raised by this study. I should like to touch on two or three of them briefly.

Question of Federal Reserve Independence

First, there is the question of the independence of the Federal Reserve System. That word "independence" usually generates more heat than light. Let me make clear, therefore, what I mean by independence, and what I do not mean. I do not mean that an independent Federal Reserve System can have policies and a program which run counter to the national economic policy. That has never been the case, is not now, and never should be. An independent Federal Reserve System is one that is protected both from narrow partisan influence and from selfish private interests. It is a system with special competence in a difficult technical field, acting under a general directive of the Congress within the bounds of national economic policy as determined by the Congress.

This is not a new question although it was brought sharply to the fore by the regrettable public dispute between the Treasury and the Federal Reserve System in late 1950 and early 1951. The question was debated and decided first at the time the Federal Reserve System was established in 1913. Whenever there have been major amendments to the Federal Reserve Act the Congress has reaffirmed its original judgment on this important point. And when the Douglas subcommittee, which preceded the Patman subcommittee, gave its intelligent attention to this problem two years ago, it came out strongly on the side of the angels.

The core of the problem as it has recently presented itself is the necessity for coordinating debt management and credit policy. Debt management and credit policy cannot work separately, but they can work badly or well together. Putting the case from the standpoint of the Federal Reserve System, their coordination requires recognition of the fact that there cannot be a purposeful credit policy unless the Federal Reserve System is able to pursue alternating programs of restraint, "neutrality," and ease as the business and credit situation may require, and to act promptly with each change in the general situation. It requires recognition of the fact that such programs must, as they accomplish an increase or contraction in the volume of credit and a tightening or loosening in the availability of credit, affect interest rates not only for private lenders and borrowers, but for the Government. It does not require that the management of the public debt be made unnecessarily burdensome to the Treasury, nor that the cost of servicing the debt, over time, necessarily be increased. It does require that Government borrowing hold its place in the market instead of being floated on a stream of newly created money.

Successful coordination of debt management and credit policy depends on the sensitivity of the money and capital markets, and the possibility of close and continuous contact with all areas of these markets, to make credit policy effective with relatively small changs in credit availability and interest rates. It depends on the great growth that has occurred in the Federal debt, its widespread distribution, and its importance in the portfolios of the increasingly important institutional investor, to make this sensitivity real and this contact with the money and capital markets pervasive. In other words, it uses the facts as they exist to further the purposes of credit policy and to combine it with effective debt management; it does not try to alter the facts.

No Subordination of Treasury to Federal Reserve

This does not require nor suggest a subordination of the Treasury to the Federal Reserv System. What is needed is to redress the balance in their coordinate spheres. The Treasury is one of the oldest branches of the Federal Government, and the Secretary of the Treasury is one of the highest executive officers of the Government and usually an intimate of the President. It has been natural for succeeding Secretaries to assume, since the relatively recent establishment of the Federal Reserve System, that their responsibility and authority is exclusive in cases where credit policy and debt management overlap. It should be possible, however, to separate the Federal Reserve System from a host of advisers to the Treasury, public and private, so that the Treasury and the System could approach these overlapping problems as equals seeking solutions and, by mutual agreement, finding solutions which best fit the needs of the economy of the country at the time.

Recognizing that there still could be differences of opinion, the situation suggests to some that the Federal Reserve System be brought within the executive branch of the Government, or that the Chairman of the Board of Governors be made a member of the Cabinet, so that as a last resort conflicts might be resolved by the President. This solution runs counter to the whole idea of separation of the central banking system from changing executive administrations, and compounds the mistake of burdening the President with too many responsibilities in fields where a tradition of technical competence is necessary. It would lead either to bottlenecks in reaching decisions, or to decisions actually made by staff members having no direct responsibility to the Congress or to the public. Its practical effect would probably be to place the Federal Reserve System under the domination of the Treasury, or to place both the System and the Treasury under the domination of something like the Council of Economic Advisers.

A more hopeful avenue to follow is the suggestion of the Douglas Committee that Congress give a general mandate to the Treasury and the Federal Reserve System regarding the objectives of debt management and credit policy in the light of present day conditions. These instructions, as the Douglas Committee said, need not and in fact should not be detailed. They would not challenge the primary responsibility of the Treasury for debt management. They should specify, however, as part of the legislative framework of debt management, that the Treasury have regard for the structure of interest rates appropriate to the economic siutation. The implication of such a directive, to me, would be that the Treasury could not, as a matter of right or of superior position, call upon the Federal Reserve System to "make a market for its securities." I recognize that there would continue to be differences of opinion about these matters, and I realize that you cannot legislate cooperation between people, but the Congress, as final judge, might be able to provide a mandate which would charge debt management as well as monetary management with some responsibility for the general objectives of the Employment Act of 946.

Credit Policy Should Not Be Sacrificed on Alter of Easy Money

There may be other ways to bring about a better coordination of debt management and credit policy, without sacrificing the independence of the Federal Reserve System or the Treasury. We should be ready to consider them. But they should not sacrifice credit policy on the altar of perpetually easy money. The country cannot afford to keep money cheap at all times and in all circumstances, if the counterpart of that action is inflation, rising prices, and a progressive deterioration in the purchasing power of the dollar—including the purchasing power of the dollars which the Government itself must spend and the purchasing power of dollars invested by the public if Government securities.

Perhaps as a subsidiary of this first question, I should mention the interest displayed by the present Congressional study group in the earnings and expenses of the Federal Reserve Banks, and in whether money has been spent to influence public opinion on controversial questions. The facts as to the earnings and expenses of the Banks are available to everyone, and are included in annual reports to the Congress. The efficiency of operations of the Banks is open to the daily observation of all who have dealings with them. Their operations are under the immediate scrutiny of boards of directors performing a public service but used to the compulsions of operating a private business for profit, and they are subject to check and audit by the Board of Governors of the Federal Reserve System at Washington. There is no lack of control of the financial affairs of the Federal Reserve Banks in the public interest.

Whether expenditures have been made to influence public opinion on controversial questions, depends on what these words mean. If they mean that we have tried to create some public understanding of what we are doing and why we are doing it, even if the questions involved might be termed controversial, I think the System would have to plead guilty. Central bankers in other countries have preferred traditionally to let their actions speak for themselves—some of the actions of a central bank are difficult to explain in terms which can be generally understood and which do not do violence to accuracy. In a country such as ours, however, you are likely to go out of business if you do not explain, from time to time, what you are doing in the public domain. As I see it, we have not only a right, but a duty and an obligation to let the Congress and the public know what our general policies are and why we have adopted them, even if at times we must touch on matters which some consider controversial.

To try to correct some fancied abuses in this area by putting the Federal Reserve System in with the sprawling Government departments and bureaus administered by the civil service and the General Accounting Office would, in my opinion, destroy something fine which has been created in the public interest. And it would be one way to undermine the independence and the regional character of the Federal Reserve System.

Can Credit Controls Regulate Inflation and Deflation?

The second main question I want to touch on is the desirability and effectiveness of general credit controls in combatting inflation and deflation. Are they still useful or are they outmoded? All that should be claimed for general credit controls, in my opinion, is that combined with other measures working in the same direction, such as fiscal policy, debt management and, in extraordinary circumstances, direct controls, they can contribute to anti-inflationary or anti-deflationary forces. This, I think, they are peculiarly fitted to do in a country with our political, social, and economic leanings and beliefs. There are those who deny this. They admit that a severe policy of credit restraint can be effective, but they say that the resultant declines in production, employment and incomes are no longer socially acceptable. A severe policy of credit restraint is also impossible, they say, in the face of a Federal debt of $250 billion and the needs and requirements of managing such a debt. A mild credit policy, on the other hand, is said to be ineffective at best and may be harmful at worst, at least in its anti-inflationary phase. Then, it is claimed, it may involve increasing the cost of servicing the public debt, disruption of the Government security market, and interference with an expanding economy, in order to get at a handful of private transactions.

I am more hopeful than these critics as to the effectiveness of a modest credit policy and more concerned with the preservation of a control which does not do violence to our private economy. It seems to me that the same circumstances which are responsible for the problems of coordinating debt management and credit policy, contribute to the effectiveness of mild general credit policies, and that we can have an expanding economy without throwing too much of the gasoline of easy credit on the fires of active business. Because of the size of the public debt, and its relative importance in the whole structure of debt, public and private, the Federal Reserve System is now able to carry on its open market operations in a broad homogenous market, nationally integrated. The effects of its operations are more quickly felt in all parts of the country and in all areas of the private sector of the market than used to be the case. The sensitivity of the market is greater than it used to be; and the leverage of credit policy has multiplied.

It must be frankly admitted that there still are difficult problems to be worked out in providing the proper sphere of effectiveness of general credit policy under present conditions, and in perfecting the mechanics of making the policy work. But I would beware of those who are trying to discredit general credit controls, and who would place main reliance on selective credit controls, or on more direct means of rationing bank credit, in adapting credit policy to our economic needs.

We all recognize that one of the central problems in our country, and in all the western democratic countries, is how far government guidance and control of economic affairs can go without destroying the effective functioning of a private economy. In this country, with our traditions of individual enterprise, we have preferred to keep such control to a practical minimum, and to have it exercised in largely impersonal ways —by means of controls which affect the general environment, not the individual. One cornerstone of such a philosophy is an independent, competent, central banking system empowered to make general credit policy work to the limit of its usefulness and effectiveness. This is one of the best defenses against government intrusion in our individual and private affairs.

Should There Be Par Support of Government Bonds?

As a subsidiary of this second question concerning general credit controls, I might pay my respects to the suggestion that credit policy should now be charged with perpetual par support of government securities. Some bankers and insurance people have succumbed to this idea, I am told, perhaps lured in that direction by earlier actions of the Federal Reserve System and statements of its representatives. I am very sorry if this is so. The idea baffles me. It is an excursion into the land of "hatchy-malatchy," which I hear about once in awhile on the radio when I don't turn it off quickly enough in the morning after catching the news. Approach it as you will, perpetual par suport doesn't make sense.

Take it from the point of view of credit policy. Unless a workable way can be found to insulate the government security market from all other markets, a project which I consider to be of dubious desirability and unlikely practicality, perpetual par support of government securities by the Federal Reserve System would make any pretense of credit policy ridiculous. The essence of general credit control is the control of reserve funds available to the banks, and that inevitably means fluctuating interest rates and fluctuating prices of securities. The Federal Reserve System could not have a general credit policy, if at all times and under all circumstances it had to support government securities at par.

Or take it from the point of view of debt management. If government securities had to be supported at par, present forms of debt management would become obsolete. If all government securities of all maturities can be liquidated at par at any time they become, in effect, demand obligations, and need only bear varying rates of interest if the government wants to reward various kinds of holders in different ways. I doubt if the life insurance business would want to become a claimant for government support on that basis.

Or take it from the point of view of the frequently expressed determination of the Congress to prevent unlimited direct borrowing by the Treasury from the central banking system. To fasten on the System the obligation to support government securities at par, would mean that the Treasury could sell government securities to the Federal Reserve Banks, in almost any amount, in peace as well as in war, after only a hasty detour through the market. The only check would be the flooding of the market with the reserve funds which we would use to buy the government securities, and the resulting willingness of the market to purchase further issues of government securities at almost any price and yield. That is not the kind of check or restraint the Congress has had in mind.

Or take it from the viewpoint of the public, whose common sense has always resisted the view of a shouting minority that the government should print the money to pay its expenses. Would the public not perceive that this idea of par support of government securities is just the same old something for nothing dodge, with interest? I am sure it would.

Centralization of Credit Policy Control

The third and final question which I would call to your attention is the question of centralization of control of credit policy. So far as the Federal Reserve System is concerned this involves the locus of power and the structure of administration. The framers of the original Federal Reserve Act conceived a system at once national and regional. Despite the vicissitudes of the intervening 37 years, that fundamental idea has retained its vitality. It has done so, I believe, because it is in accord with our political beliefs and the Federal structure of our government.

This concept has its defects, of course, but they are principally the defects of democracy itself, and of a system which relies on checks and balances to prevent the emergence of dictators. Plausible arguments can be assembled for abolishing the present organization of the Federal Reserve System. Action by boards or committees, such as the Board of Governors or the Federal Open Market Committee, is apt to seem cumbersome, time-consuming, and sometimes productive of group decisions which may not reflect the wisdom of the best men in the group. A distribution of powers between a board at Washington and 12 regional banks may seem to be an unnecessary obstacle to the prompt formation of national credit policies.

We would all admit, I think, that a single administrator or executive, with deputies or assistants, is the best way to manage an operating organization. It is another matter, however, to create a single policymaker in the vital field of national credit policy, no matter how competent the man you might get, once in awhile, and no matter what rank you might give him in the government hierarchy to emphasize the importance of his duties. It would violate our national concept of the way in which government should exercise its powers in moulding or guiding our economic affairs, at least under any conditions short of total war. And I think it would do

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IBA GROUP CHAIRMEN

SOUTHEASTERN	SOUTHERN	SOUTHWESTERN
		
W. Carroll Mead	**Q. R. Ledyard**	**Mark A. Lucas, Jr.**
Mead, Miller & Co., Baltimore	*J. C. Bradford & Co., Nashville*	*Lucas, Eisen & Waeckerle, Kansas City*

FIC Banks Place Debs.

A successful offering of an issue of debentures of Federal Intermediate Credit Banks was made Nov. 19 by Macdonald G. Newcomb, New York fiscal agent for the banks. This financing consisted of $86,385,000 of 2.15% consolidated debentures dated Dec. 3, 1951, and due Sept. 2, 1952. A special offering was also made of $3,085,000 2% consolidated debentures date Dec. 3, 1951, and due March 3, 1952. The two issues were placed at par.

The proceeds, together with $24,775,000 cash in treasury, were used to retire $114,245,000 of debentures maturing Dec. 3, 1951 ($4,200,000 of latter issue having previously been redeemed).

As of the close of business Dec. 3, 1951, the total amount of debentures outstanding amounted to $676,555,000.

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The Federal Reserve: Bulwark Of Our Private Economy

violence to the beliefs, and harm to the interest, of all of you.

Similarly, with the regional organization of the Federal Reserve System, and the partial distribution of powers as between the Board of Governors at Washington and the 12 Federal Reserve Banks. In the early years of the System this organization and this division of powers did lead to difficulties in formulating and administering a coordinated national credit policy. An assertion of power by the Federal Reserve Banks, and the emergence of dominant individual leadership at the Banks, reduced the Board of Governors to less than its statutory and necessary position, as the central coordinating body of the System. When major amendments to the Federal Reserve Act were adopted in 1935, in order to bring about a greater degree of central and coordinated control, the Congress was careful, nevertheless, to preserve the regional character of the System.

It recognized that what was needed was not the destruction of the regional system, but to bring the Board of Governors and the Presidents of the Federal Reserve Banks together at a common council table having statutory sanction and responsibilities. That was achieved, so far as open market operations are concerned, by the establishment of the Federal Open Market Committee in its present form. With it was achieved a body within the System which is at once regional and national, and which can act promptly on matters of credit policy with a minimum of internal friction. In this committee the Federal Reserve System has evolved a method of conducting policy deliberations and formulating policy actions that is uniquely in tune with our political and economic institutions. Government is directly represented through the presidential appointees to the Board of Governors. Regional interests which go to make up the national whole, and the lessons of experience "in the filed," are represented through the rotating membership of the Federal Reserve Bank Presidents. National policies are established without complete centralization of authority in one man or a group of men at Washington.

This is also a question of men as well as of mechanics. The structure of and the distribution of power in the Federal Reserve System is closely related to the problem of recruiting men who will be equal to the tasks and responsibilities of the System. We need men at the Federal Reserve Banks who are competent both in administration and in the field of credit policy, who have qualities of leadership which will make them a force in their own communities and, collectively, in the nation. That means that the rewards and satisfactions of service must be such as will attract and hold men of talent. That is partly a question of compensation, but even more important is the opportunity for public service, with the power as well as the satisfactions which go with such service. If power and influence are wholly ripped away from the Federal Reserve Banks, if the banks become branches of a central authority, the men who run the banks will become branch managers, no matter what they are called. The satisfactions and powers of public service will then be minimized, and the prestige and efficiency of the System within the districts and in the nation will decline. We shall attract jobholders when what we want and must have are men — able, competent, imaginative, progressive men. And we must give these men an opportunity to develop their powers in an atmosphere which is stimulating and satisfying, not stifling and frustrating.

Federal Reserve System Not Perfect

In what I have had to say about some of the questions which are now under study by a Congressional committee, I am not arguing that the Federal Reserve System, as it stands, is perfect in its personnel, its powers, its organization, or its functioning. It is not. I am arguing that is embodies certain basic concepts which have proved themselves over the years. I am arguing that these concepts will contribute to the further development of general credit policies which, along with other measures, will be effective in promoting high levels of production and employment in this country and in preserving the integrity of the dollar. I am arguing for effective general credit policies, as contrasted with dictatorial direct controls of individual transactions which would destroy our economic freedom. I am suggesting that an independent regionally organized central banking system can be a bulwark against the destruction of the kind of private economy which will enable this country to discharge its enormous economic responsibilities in a troubled world.

District No. 8 Of NASD Elects

CHICAGO, Ill.—The annual election in District No. 8 of the National Association of Securities Dealers, Inc., comprised of the States of Illinois, Indiana, Iowa, Michigan, Nebraska and Wisconsin, has resulted in four new members on the District Committee and two new members of the Board of Governors.

G. Edward Slezak, Vice-President, Loewi & Co., Milwaukee, Wis.; J. Gordon Hill, partner, Watling, Lerchen & Co., Detroit, Mich.; Russell H. Goodrich, partner, Investment Securities Company, Jackson, Mich., and David J. Harris, President, Sills, Fairman & Harris, Incorporated, Chicago, Ill. have been elected to succeed Paul E. Conrads, Rockford; Gilbert S. Currie, Detroit; Nelson R. Gilbert, Lansing, and William D. Kerr, Chicago, retiring members of the District Committee.

Edward C. George, Vice-President, Harriman Ripley & Co., Incorporated, Chicago, Ill., and William C. Roney, partner, Wm. C. Roney & Co., Detroit, Mich., have been elected to the Board of Governors to succeed Howard E. Buhse, Chicago, and Sampson Rogers, Jr., Chicago.

The newly elected District Committee and Board of Governors' members will assume office on Jan. 15, 1952.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

John L. Simpson has been elected Chairman of the Finance Committee of Bechtel Corporation, and is resigning as Executive Vice-President of **J. Henry Schroder Banking Corporation** and **Schroder Trust Company, New York**, it was announced this week. He will continue as a Director of the two Schroder banking organizations. Mr. Simpson will assume his new responsibilities on January 1, next in San Francisco where the principal office of Bechtel Corporation is located. A native Californian, Mr. Simpson joined J. Henry Schroder Banking Corporation, New York, in 1925, became a Director in 1931 and Executive Vice-President in 1936.

* * *

The directors of **The First National Bank of the City of New York** on Dec. 11, declared a quarterly dividend of $20 per share, payable Jan. 2, to stock of record December 17. The directors also voted to increase the capital stock of the bank from $10,000,000 to $30,000,000 and declared a 200% stock dividend out of undivided profits. This action is subject to the approval of the stockholders and will be presented to them at the annual meeting to be held January 8. The Comptroller of the Currency, whose Certificate of Approval is also required, has indicated his informal approval of the proposal. The proposed increase will be the first change in the capital of the Bank since 1901. Total capital funds will remain unchanged at approximately $141,500,000 and will consist of capital $30,000,000, surplus $100,000,000, and undivided profits approximately $11,500,000. The number of shares of $100 par stock outstanding will be increased from 100,000 to 300,000, with the distribution to stockholders of two additional shares for each one share presently held. The bank's legal loan limit will be increased from $11,000,000 to $13,000,000. If the program is approved, it is the present expectation that dividends on the increased number of shares will be initiated on April 1, next at the quarterly rate of $5 per share, equivalent to $60 annually per share on the present shares against $80 paid during the past several years. While net operating earnings for 1951, before income taxes, are estimated to be more than $900,000 higher than in 1950, income taxes will increase by more than $1,200,000. Because of the adverse effect of higher taxes, net operating earnings, it is stated, after taxes for the year are presently estimated at approximately $6,500,000 against $6,856,000 for 1950. Security profits and recoveries are expected to bring total net results for 1951 to approximately $7,300,000.

* * *

N. S. Calhoun, Jr., since 1945 Vice-President of **American Trust Company of Charlotte, N. C.**, has been elected Vice-President of **Chemical Bank & Trust Company of New York**, effective Jan. 1, it was announced on Dec. 12 by N. Baxter Jackson, Chairman of the Chemical Bank. A native of Maysville, Ky., Mr. Calhoun is a graduate of the University of North Carolina and of the Graduate School of Banking. He began his business career with R. J. Reynolds Tobacco Company in 1930 and joined Chemical Bank & Trust Company in New York in 1934. In May, 1942, he entered the Navy as Lieutenant (jg), serving until 1945 when he was released to inactive duty as Lieutenant-Commander, then joining American Trust Company. At the Chemical Bank, Mr. Calhoun will be associated with Howard W. McCall, Jr., William G. DeWitt, Kenneth A. Durham and Daniel A. Finlayson, Jr., in handling the bank's business in the southeastern states, including its activity in the textile industry. Mr. Calhoun is the son of N. S. Calhoun, Sr., who was formerly President of the Security National Bank of Greensboro.

William L. Crow, President of the William L. Crow Construction Company, has been elected a Trustee of **United States Trust Company of New York**, it was announced by Benjamin Strong, President, on Dec. 6. Mr. Crow is also a Director of U. S. Bobbin and Shuttle Company, a Governor of both the New York Building Congress and the Metropolitan Builders Association. Mr. Crow served as a Major in the Corps of Engineers during World War II. Most of his service was with the Persian Gulf Service Command in Iran.

* * *

So-called "bankers' hours" are slated for a radical revision planned by at least one New York banker. Despite manpower shortages and rising costs, Harvey L. Schwamm, President of the **American Trust Company of New York**, disclosed on Dec. 6 that on Monday, Dec. 10, his company would open at 301 East Fordham Road, the Bronx, the first bank in the Metropolitan area, either commercial or savings, to offer its customers complete and continuous banking services from 9 a.m. to 9 p.m., Monday through Friday, and on Saturdays, from 9 a.m. to 5 p.m. Mr. Schwamm made this announcement at a press conference at the head office of the American Trust Company at 70 Wall Street. This revolutionary attack on traditional "bankers' hours," it is noted, is a marked reversal in the trend toward a shorter work week and shorter hours.

Harvey L. Schwamm

* * *

At the regular meeting of the Board of Directors of **The National City Bank of New York** held on Dec. 11, Burness Kydd, Deputy Comptroller, was appointed Comptroller and Rowland R. Hughes, former Comptroller, was appointed Vice-President. At the same meeting Paul W. Kimzey and Burton J. Lee, Assistant Vice-Presidents, were appointed Vice-Presidents. Mr. Kydd has been Deputy Comptroller since 1944. He has been with the bank since 1920, and his experience has included service in the bank's branches in Latin America and in the overseas division at head office. Mr. Hughes, who was appointed Comptroller in 1934, will carry out special assignments including tax matters. He joined the bank in the college training class of 1916. Mr. Kimzey is assigned to the New York State-New England district of the bank's domestic division. He has been with the New York City branch organization and the domestic division of the bank since 1928. Mr. Lee came to the bank as a member of the college training class of 1928. He has served principally in the domestic division and is assigned to the Ohio-Indiana-Michigan district.

Harold M. Mills, Assistant Cashier of the bank in the Real Estate Department, was promoted to Assistant Vice-President and the following were appointed Assistant Cashiers: Philip S. B. Allen, Robert M. Borrs, Charles A. Chace, James A. Brennan, George Yates and John P. Finnerty.

* * *

James S. Carson, Vice-Chairman of the Board of **Colonial Trust Company of New York**, returned to this country on Dec. 11 aboard the SS. Argentina, following a three-months' trip throughout Latin America on behalf of the Inter-American Safety Council. According to R. J. Farlow, President of Inter-American Safety Council, Mr. Carson visited 16 principal cities in 12 countries, as part of a program designed to strengthen and expand the services of the Council in Central and South America.

* * *

A new Church Street branch office was opened on Dec. 10 by the **Hanover Bank of New York** in the 40 Worth Street Building. The office is a consolidation of the 271 Church Street and 335 Greenwich Street offices into a central location in the downtown textile district. George K. Boday, Vice-President, is in charge. His staff includes Henry Neubert, Vice-President; Arthur E. Quinn, Henry F. Skelton and George A. Wolf, Assistant Vice-Presidents; Edward T. Matthews, Assistant Treasurer, and Don C. Wheaton, Jr., Assistant Secretary.

* * *

Horace C. Flanigan, President of **Manufacturers Trust Company of New York**, announces that Erving H. Adler of the bank's foreign department has been appointed an Assistant Secretary. Mr. Adler came to Manufacturers Trust Co. ten years ago with a background of extensive experience in European banks. During the last few years, Mr. Adler has been assigned to duties in connection with the Central European business of Manufacturers Trust. He is also Secretary of the American Committee for Standstill Creditors of Germany.

* * *

An extra dividend of $2 per share, and the regular dividend of $3 per share for the quarter ending Dec. 31, 1951, were declared on Dec. 5 by the Board of Directors of **Guaranty Trust Company of New York**. These dividends are payable on Jan. 15, next, to stockholders of record at the close of business Dec. 14, 1951.

* * *

The directors of **Marine Midland Corporation of New York** at a meeting on Dec. 5 declared a quarterly dividend of 15 cents a share on the common stock of the corporation payable Jan. 2, next, to stock of record Dec. 14. The directors also declared the first quarterly dividend on the new 4¼% cumulative preferred stock, par value $50 per share, payable Jan. 15, 1952, to stock of record Dec. 14.

IBA GROUP CHAIRMEN

NEW ENGLAND

Wm. C. Hammond, Jr.
White, Weld & Co., Boston

NEW YORK

Walter F. Blaine
Goldman, Sachs & Co., N. Y. C.

EASTERN PENNSYLVANIA

Gordon Crouter
DeHaven & Townsend, Crouter & Bodine, Phila.

With Goodbody Co.

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga.—Henry N. Casell is now affiliated with Goodbody & Co., 45 Forsyth Street, N. W. He was formerly with A. M. Kidder & Co. in Sarasota, Florida.

Joins R. G. Lewis Co.

(Special to THE FINANCIAL CHRONICLE)

ROCKFORD, Ill.—William W. Westlund has been added to the staff of Robert G. Lewis & Company, Rockford Trust Building, members of the Midwest Stock Exchange.

R. R. Underwood Opens

(Special to THE FINANCIAL CHRONICLE)

MONROE, La.—Robert R. Underwood is engaging in the securities business from offices at 245 South Grand Street. He was formerly with Investors Diversified Services, Inc.

Ernst 15-Year Club Dinner

The 15-Year Club of Ernst & Co., 120 Broadway, New York City, members of the New York Stock Exchange, will hold their annual dinner on Thursday, Dec. 13, 1951, at the Old Romanian Restaurant.

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Bullish and Bearish Factors In the Stock Market

(15) Continued rapid growth of U. S. population.

(a) 133,377,000 in 1941
(b) 154,724,000 in 1951

(16) Strength of trade unions makes wage demands and fringe benefits less and less resistible.

(17) All governments are committed to full employment and increasingly costly social benefits.

(18) World-wide inflationary tendencies.

(19) Abandonment of the gold standard and free trade has eliminated two possible deflationary forces.

(20) Superimposed upon an abnormally large year-end and early New Year reinvestment demand will be an unprecedented demand from pension funds (about five-sixths of all pension fund monies are estimated to be invested by trustees in the first two months of the year).

Bearish

(1) The economy and the price level since World War II have been supported by an automobile boom, a housing boom, an export boom, and an inventory boom. Several of these have reached or will shortly reach an end.

(2) Coinciding with these booms has been the piling up of the greatest government debt structure in history.

(3) Defense spending may not completely offset the decline in consumer goods lines.

(4) The precarious financial position of Great Britain and France with unpredictable world-wide disturbances resulting from possible currency devaluation.

(5) Large blocks of U. S. securities recently released to the British (as RFC collateral) and overhanging the market.

(6) Likelihood of the use of atomic warfare in Korea if peace efforts fail. This would have an immediate unsettling effect marketwise, of indeterminable proportions.

(7) Lack of adequate market correction after the 2½-year rise.

(8) Neither the v o t i n g population nor Congress will tolerate printing press inflation or marked socialism until we have experienced a severe and prolonged depression. Thus, the Government will be powerless to stop a recession from turning into a major depression once the economic situation starts to deteriorate seriously.

(9) Heavy March 15, 1952, income tax payments may necessitate liquidation to provide necessary cash funds for tax liabilities.

(10) Prospective Churchill-Truman meeting may create investor uncertainties.

(11) Steady Leftist infiltration into leading newspaper, magazine, and book publishers, universities, and other public-opinion-forming media, such as radio, motion pictures, the theatre, and television.

(12) Sudden expansion or contraction in the Korean war.

(13) Presidential elections in the fall of 1952, with attending major uncertainties existing, regardless of whether a Democratic or Republican candidate is elected.

(14) Economists are almost unanimous in predicting indefinite boom conditions—the same as in 1929 and 1937.

(15) Enormous expansion in industrial capacity threatens huge surplus production which cannot be absorbed except through rearmament, Marshall Plan, ERP, etc.

(16) Liquidation of private bank loans contributed in major degree to the depressions of 1920-21 and 1929-32. For the first time since 1929 a major decline in bank investments is taking place after a record-breaking increase in private debt to banks. From the end of 1945 to mid-1951, total bank loans increased $34 billion. Since Korea, the leading commercial banks have reduced investments by $5 billion and increased private loans by $8 billion. The threat of bank credit deflation in 1951-52 is more serious than at any time since 1945.

(17) Rising money rates.

(18) Declining profit margins caused by (a) higher labor costs; (b) higher taxes; (c) price ceilings, and (d) material shortages.

The foregoing are tabulated merely for appraisal purposes. They are not presented as an exhaustive summary. The order of listing does not necessarily indicate the weight to which each should be entitled. Some of these factors will determine the near-term trend while others will dominate the longer-term trend. I advise that careful review of individual holdings at this time is of utmost importance.

$65 Million N. Y. State Bonds Marketed

Chase National Bank and associates offering grade crossing elimination obligations bearing rates of 1.30% and 1.50%.

Offering of a new issue of $65,000,000 State of New York 1.30% and 1.50% grade crossing elimination (serial) bonds was made on Dec. 12 by The Chase National Bank and associates. The offering consists of $45,000,000 of 1.30% bonds maturing Dec. 15, 1952 to 1961, inclusive, priced to yield from 0.95% to 1.35%, with the exception of the 1930 maturity which is priced at par; and $20,000,000 of 1.50% bonds maturing Dec. 15, 1952 to 1971, inclusive, priced to yield from 0.95% to 1.60%, with the exception of the 1965-66 maturities which are priced at par.

Other members of the offering group include—Bank of the Manhattan Co.; Kuhn, Loeb & Co.; Hallgarten & Co.; C. J. Devine & Co.; Blyth & Co., Inc.; Barr Brothers & Co.; R. W. Pressprich & Co.; Salomon Bros. & Hutzler; Ladenburg, Thalmann & Co.; Chemical Bank & Trust Co.; Blair, Rollins & Co., Incorporated; Kidder, Peabody & Co.; The Marine Trust Co. of Western New York; Manufacturers Trust Co.; The Northern Trust Co.; Harris Trust & Savings Bank; Bear, Stearns & Co.; Equitable Securities Corp.; Estabrook & Co.; Hemphill, Noyes, Graham, Parsons & Co.; Kean, Taylor & Co.; Manufacturers & Traders Trust Co., Buffalo; Mercantile Trust Co., St. Louis.

Also, The Philadelphia National Bank; Shields & Company; Stone & Webster Securities Corporation; White, Weld & Co.; A. C. Allyn and Company, Incorporated; B. J. Van Ingen & Co. Inc.; Geo. G. Gibbons & Company; Gregory & Son, Incorporated; Hornblower & Weeks; Reynolds & Co.; L. F. Rothschild & Co.; Schoellkopf, Hutton & Pomeroy, Inc.; Adams, McEntee & Co., Inc.; Bache & Co.; A. G. Becker & Co. Incorporated; First of Michigan Corporation; Laurence M. Marks & Co.; Fidelity Union Trust Company, Newark; W. E. Hutton & Co.; Carl M. Loeb, Rhoades & Co.; W. H. Morton & Co. Incorporated; National Commercial Bank & Trust Company of Albany; State Bank of Albany; Swiss American Corporation; Hannahs, Ballin & Lee; The Public National Bank and Trust Company of New York; Weedon & Co., Incorporated; William Blair & Company; Julien Collins & Company; Paul H. Davis & Co.; R. L. Day & Co.; Detmar & Co.; Francis I. duPont & Co.; Green, Ellis & Anderson; Hayden, Miller & Co.; Schmidt, Poole & Co.; and J. G. White & Company, Incorporated.

Two With G. H. Walker

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Elzey G. Burkham, Jr. and Lawrence M. Mullen, Jr. have become associated with G. H. Walker & Co., 503 Locust Street, members of the New York and Midwest Stock Exchanges.

Mutual Funds

By ROBERT R. RICH

Through the Looking Glass With Alice

On reading "Alice-in-Wonderland," one walks with Alice through the looking glass into Lewis Carroll's remarkable world, much more real than our own, to discover that all absolutes in our lives are changeable, that nothing is veritable or constant—except perhaps the pervasive human desire to find a "North Star," an arbitrary standard by which we can measure the rest of the world around us.

One foolish absolute idea that we have is about money and the safety of our savings or capital. People, I really believe, plague the investment industry with their pernicious notion that the safety of capital is greatest when it is invested in those securities which fluctuate the least; that capital is most safe when it is invested in something that doesn't fluctuate at all, namely in dollars. And, of course, we can say with Alice, "How can dollars fluctuate in terms of dollars?"

Of course if there are no absolutes in this world, then dollars can't be an absolute measure of value—they must fluctuate too.

How different our business life would seem—and how real it would really be—if we like Alice went through the looking glass and changed around all of our standards of value.

Instead of using dollars, we could measure everything in terms of common stocks. A car would cost, say, 50 shares of Bethlehem Steel, a house 10 shares of Christiana Securities, and so on.

Or we could simplify matters. Just as in the days of antiquity, people discovered it was easier to value all goods in terms of one good (because adding one dollar to one dollar is an easier way to sum up the receipts of a day's business than adding one nut to one apple), so we in our new world could evaluate everything in terms of mutual funds shares rather than a variety of securities.

What would this Wonderland be like? First, and surprisingly, there would be scarcely any evidence of inflation. In terms of mutual fund shares, the things we could buy now would cost about as much as they did 10 years ago. And, too, the income from our mutual funds "storehouse of value," or savings, would have been considerably higher than the 2% from our savings dollars. The only real difference would be that we could buy more dollars for each mutual fund share!

Of course, we, with Alice, could go into another Wonderland—where prices were falling and security values declining.

Life wouldn't be nearly so pleasant because our mutual fund shares would buy less than they did before, and we might not be getting any income; while dollars, on the other hand would still give us 2%, and we could buy more with them.

But, as our companion Alice would say, "That's just the point!"

If we realize that the value of our dollar fluctuates and that the value of stocks fluctuate—almost always in opposite directions and if we admit that we can't predict the future, then it would seem that our savings are safest when they're invested part in cash and part in stocks.

And, it also follows, capital is most hazardously exposed at either extreme—all in cash or all in stocks.

So, to those who preach safety of capital we can say, if you're all in cash or all in stocks your risk is at a maximum because in the first case you lose to an inflation and in the second case you lose to a deflation.

You're taking the least risk possible in this relative world with part in cash and part in stocks—you're hedging both ways.

But, of course, individual common stocks vary greatly in performance; not all of them go up in an inflation. So, in the part of your investment which is in common stocks, you should spread the risk thin—as in a mutual fund. And, if the mutual fund's record pretty closely follows a good common stock index, that's all one should expect.

As a matter of fact, with a little statistics, you can pretty closely figure out just the proportion of cash and representative common stocks you need for the least possible risk.

Just measure the average rate of decline in the value of the dollar and the average rate of increase of a common stock average over a period of decades, make a ratio of the first to the second, turn it upside down, and this will be the ratio of common stock investment to cash you need for the least possible risk. Incidentally, you will find you need more common stocks that cash.

Some people will say all this is on the basis of past experience—and that you can't judge the future from the past. We can only say, quite truthfully, all you know is what you have experienced—it's the only certainty you have, the most important basis for decision-making.

Money of course has useful functions, and because it is useful it illegitimately came to be regarded as a safe "storehouse of wealth."

People think in terms of money because they need it as a common denominator for comparing the prices of various goods. It's also easier to keep books in terms of money rather than in terms of a thousand different goods—so it's handy as a unit of account. It's also a good *standard* of value—by that we mean that everybody agrees to use it as a single system of expressing prices and cost relationships.

Because money does have this peculiar virtue of smoothing the path of trade and commerce, and because we like to think ahead, we got into the habit of thinking about dollars yesterday, dollars today and dollars we would need for tomorrow's plans. So, the dollars attained the aura of the absolute.

But as Alice will tell you, there are no absolutes. Just like common stocks, real estate and the like, dollars are of course a "storehouse of wealth," but they are by no means the safest.

For example in one Wonderland we went into, they had lost 45% of their value!

OPEN-END REPORTS

COMBINED NET assets of the ten Keystone Custodian Funds on Oct. 31, 1951 were $212,369,100, it is disclosed by the annual reports of Keystone Funds B2 and S3. On the corresponding date last year, combined net assets were $215,950,600.

Net assets of the Medium-Grade Bond Fund B2 increased to $22,118,239 at the close of the 1951 fiscal year, equal to $24.08 per share; compared with net assets of $17,392,948 a year earlier, amounting to $24.90 per share. During the 12-month period, the number of shares outstanding increased to 918,548 from 698,389 at the end of the previous year.

The report of the Speculative Common Stock Fund S3 shows an increase in net asset value per share to $16.92 on Oct. 31, 1951 from $14.42 at the end of the previous fiscal year, despite a special distribution of 40 cents per share from net realized gains during the period. Total net assets were $7,097,590 against $14,165,478 a year earlier and the number of shares outstanding totaled 419,535 compared with 982,483 on Oct. 31, 1950.

MANHATTAN BOND Fund reports for its fiscal year ended Oct. 31, dividends to shareholders of 36½ cents per share and a capital gain distribution of 5.8 cents per share, comparing with 35 cents and 4 cents in the fiscal year 1950.

In his letter to shareholders, President Hugh W. Long points out that in six years following World War II dividends paid by the Fund ranged between 33½ cents per share and 36½ cents per share, adding that, "This relative stability of income is in keeping with the objectives of the Fund, and reflects the fact that bonds provide for payment of interest in specified amounts whereas dividends on common stocks may vary substantially."

Average market price of bonds held on Oct. 31 was $833 comparing with average cost of $824.

Before-tax earnings of the issuer companies in 1950 were equal to $3.50 for each $1 of fixed charges they had to pay and the management of the Fund estimates that this proportion will be maintained in 1951.

On Oct. 31, Manhattan Bond Fund had total net assets of $27,825,803 with 3,647,593 shares outstanding owned by 14,969 holders.

MARKET VALUE of stocks will in general decline to a further extent before an upturn can be expected, Institutional Shares reported to its shareholders on Nov. 27. The Fund reasoned that, except for relatively short periods, the trend of stock prices seldom fails to follow the trend of earnings, and these, in general, are turning down under the impact of increased taxes and higher costs, with resulting lower profit margins.

Portfolio changes in the last three months included stock purchases of Bullard Co., Cincinnati Milling Machine, Niles-Bement-Pond, and Cornell-Dubilier Electric Corp. because of their favorable outlook in view of the large rearmament demand for machine tools and electronic equipment. There were no eliminations.

NET ASSETS of Eaton & Howard Stock Fund were $11,861,759 on Nov. 30 compared with $6,826,865 on Dec. 31, 1950. Offering price per share increased from $21.67 to $24.50. The fund's holdings were 87.4% common stocks, 10.3% cash and governments and 2.3% convertible preferred stocks.

Power and light, oil and rayon and textile were largest common stock holdings by industry.

AT THE CLOSE of its fiscal year Nov. 30, 1951, Institutional Shares, Ltd. reports that net assets of its Stock & Bond Group Shares amounted to $16.82 per share, being 17% higher than its net asset value of $14.38 per share on Nov. 30, 1950.

For the same period, net assets of its Aviation Group Shares amounted to $13.29 per share, being 21% higher than its net asset value of $10.98 per share on Nov. 30, 1950.

EATON & HOWARD Balanced Fund assets were $76,535,888 on Nov. 30, 1951 compared with $62,923,792 on Dec. 31, 1950. Per share offering price increased from $31.15 to $33.40. The five largest common stock holdings by industries were power and light, oil, insurance, natural gas and chemical.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	Dec. 16	104.1	103.6	101.1	101.3
Equivalent to—					
Steel ingots and castings (net tons)	Dec. 16	2,081,000	2,071,000	2,021,000	1,953,800
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output — daily average (bbls. of 42 gallons each)	Dec. 1	6,246,350	6,232,176	6,287,800	5,825,220
Crude runs to stills—daily average (bbls.)	Dec. 1	¶6,700,000	6,757,000	6,543,000	6,034,000
Gasoline output (bbls.)	Dec. 1	22,346,000	22,181,000	22,057,000	19,917,000
Kerosene output (bbls.)	Dec. 1	2,627,000	2,862,000	2,737,000	2,581,000
Distillate fuel oil output (bbls.)	Dec. 1	10,271,000	9,428,000	9,226,000	8,613,000
Residual fuel oil output (bbls.)	Dec. 1	9,180,000	9,305,000	8,792,000	8,521,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Dec. 1	112,478,000	111,698,000	109,513,000	109,509,000
Kerosene (bbls.) at	Dec. 1	30,377,000	31,661,000	33,522,000	26,491,000
Distillate fuel oil (bbls.) at	Dec. 1	96,308,000	98,986,000	103,177,000	84,891,000
Residual fuel oil (bbls.) at	Dec. 1	46,791,000	47,591,000	48,570,000	45,221,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Dec. 1	821,776	711,447	837,743	740,165
Revenue freight received from connections (number of cars)	Dec. 1	646,847	654,691	696,496	595,552
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Dec. 6	$324,110,000	$179,341,000	$159,525,000	$484,875,000
Private construction	Dec. 6	240,813,000	115,966,000	85,693,000	110,105,000
Public construction	Dec. 6	83,297,000	63,375,000	73,832,000	374,770,000
State and municipal	Dec. 6	54,044,000	43,935,000	54,267,000	109,488,000
Federal	Dec. 6	29,253,000	19,440,000	19,565,000	265,282,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Dec. 1	12,175,000	*10,120,000	11,560,000	9,413,000
Pennsylvania anthracite (tons)	Dec. 1	1,047,000	841,000	673,000	841,000
Beehive coke (tons)	Dec. 1	146,500	*136,000	143,500	82,600
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE = 100	Dec. 1	464	*354	349	444
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Dec. 8	7,443,964	7,475,693	7,396,115	6,908,631
FAILURES (COMMERCIAL AND INDUSTRIAL)—DUN & BRADSTREET, INC.	Dec. 6	136	148	150	170
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Dec. 4	4.131c	4.131c	4.131c	4.131c
Pig iron (per gross ton)	Dec. 4	$52.72	$52.72	$52.72	$51.94
Scrap steel (per gross ton)	Dec. 4	$42.00	$42.00	$42.00	$40.75
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Dec. 5	24.200c	24.200c	24.200c	24.200c
Export refinery at	Dec. 5	27.425c	27.425c	27.425c	24.425c
Straits tin (New York) at	Dec. 5	103.000c	103.000c	103.000c	139.500c
Lead (New York) at	Dec. 5	19.000c	19.000c	19.000c	17.000c
Lead (St. Louis) at	Dec. 5	18.800c	18.800c	18.800c	16.800c
Zinc (East St. Louis) at	Dec. 5	19.500c	19.500c	19.500c	17.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Dec. 11	97.14	97.00	97.65	101.33
Average corporate	Dec. 11	108.52	108.88	109.60	115.43
Aaa	Dec. 11	113.12	113.31	114.08	119.61
Aa	Dec. 11	111.81	112.37	113.12	118.40
A	Dec. 11	107.44	107.62	108.70	114.66
Baa	Dec. 11	102.30	102.46	103.30	109.24
Railroad Group	Dec. 11	104.14	104.66	105.86	111.62
Public Utilities Group	Dec. 11	108.52	108.52	109.42	115.63
Industrials Group	Dec. 11	113.31	113.31	113.70	119.00
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Dec. 11	2.69	2.70	2.66	2.40
Average corporate	Dec. 11	3.25	3.23	3.19	2.88
Aaa	Dec. 11	3.00	2.99	2.95	2.67
Aa	Dec. 11	3.07	3.04	3.00	2.73
A	Dec. 11	3.31	3.30	3.24	2.92
Baa	Dec. 11	3.61	3.60	3.55	3.21
Railroad Group	Dec. 11	3.50	3.47	3.40	3.08
Public Utilities Group	Dec. 11	3.25	3.25	3.20	2.87
Industrials Group	Dec. 11	2.99	2.99	2.97	2.70
MOODY'S COMMODITY INDEX	Dec. 11	459.7	460.3	459.8	487.0
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Dec. 1	179,689	144,151	297,394	295,064
Production (tons)	Dec. 1	192,085	184,691	207,910	232,728
Percentage of activity	Dec. 1	80	75	85	101
Unfilled orders (tons) at end of period	Dec. 1	365,363	382,247	487,788	722,046
OIL, PAINT AND DRUG REPORTER PRICE INDEX — 1926-36 AVERAGE = 100	Dec. 7	147.2	148.1	149.1	142.7
STOCK TRANSACTIONS FOR THE ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON THE N. Y. STOCK EXCHANGE—SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—					
Number of orders	Nov. 24	22,305	21,292	42,697	27,555
Number of shares	Nov. 24	618,109	608,024	1,224,448	856,784
Dollar value	Nov. 24	$27,462,391	$26,845,662	$53,842,025	$36,194,964
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Nov. 24	16,917	17,623	32,865	29,994
Customers' short sales	Nov. 24	199	156	532	278
Customers' other sales	Nov. 24	16,718	17,467	32,333	29,716
Number of shares—Total sales	Nov. 24	468,733	495,191	971,059	892,102
Customers' short sales	Nov. 24	6,429	5,436	17,049	10,965
Customers' other sales	Nov. 24	462,304	489,755	954,010	881,137
Dollar value	Nov. 24	$19,954,455	$20,514,489	$41,923,238	$34,602,286
Round-lot sales by dealers—					
Number of shares—Total sales	Nov. 24	126,020	127,850	265,550	295,630
Short sales	Nov. 24				
Other sales	Nov. 24	126,020	127,850	265,550	295,630
Round-lot purchases by dealers—					
Number of shares	Nov. 24	251,720	263,070	487,220	276,170
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR—1926 = 100:					
All commodities	Dec. 4	177.0	*177.7	177.2	173.6
Farm products	Dec. 4	193.9	*197.8	193.3	186.2
Grains	Dec. 4	197.1	197.8	191.3	175.0
Livestock	Dec. 4	239.8	243.5	246.7	225.5
Foods	Dec. 4	187.5	189.9	190.1	177.9
Meats	Dec. 4	267.6	269.4	279.2	245.5
All commodities other than farm and foods	Dec. 4	165.3	165.2	165.2	166.1
Textile products	Dec. 4	159.6	*159.1	158.1	168.6
Fuel and lighting materials	Dec. 4	138.8	138.8	138.7	135.1
Metals and metal products	Dec. 4	190.9	190.9	190.9	183.5
Building materials	Dec. 4	224.7	224.7	223.9	220.7
Lumber	Dec. 4	347.5	347.5	345.6	‡
Chemicals and allied products	Dec. 4	139.4	139.9	140.9	137.5

*Revised. ‡Not available. ¶Includes 448,000 barrels of foreign crude runs.

	Latest Month	Previous Month	Year Ago
BUILDING CONSTRUCTION—U. S. DEPT. OF LABOR—Month of November (in millions):			
Total new construction	$2,515	$2,714	$2,569
Private construction	1,694	1,800	1,901
Residential building (nonfarm)	918	943	1,131
New dwelling units	825	840	1,040
Additions and alterations	80	89	73
Nonhousekeeping	13	14	18
Nonresidential building (nonfarm)	342	390	403
Industrial	155	177	120
Commercial	73	83	149
Warehouses, office and loft buildings	31	36	47
Stores, restaurants, and garages	42	47	102
Other nonresidential building	114	130	134
Religious	27	33	40
Educational	25	29	29
Social and recreational	8	9	22
Hospital and institutional	35	36	30
Miscellaneous	19	23	13
Farm construction	92	108	81
Public utilities	336	353	279
Railroad	38	38	32
Telephone and telegraph	35	37	38
Other public utilities	263	278	209
All other private	6	6	7
Public construction	821	914	668
Residential building	70	69	31
Nonresidential building	289	310	228
Industrial	100	106	29
Educational	115	125	112
Hospital and institutional	46	48	42
Other nonresidential	28	31	45
Military and naval facilities	123	123	26
Highways	190	250	221
Sewer and water	55	61	60
Miscellaneous public service enterprises	14	16	19
Conservation and development	75	79	76
All other public	5	6	7
BUSINESS INCORPORATIONS (NEW) IN THE UNITED STATES—DUN & BRADSTREET, INC.—Month of September	5,957	6,496	6,277
BUSINESS INVENTORIES, DEPT. OF COMMERCE NEW SERIES — Month of September (millions of dollars):			
Manufacturing	$40,987	$40,576	$30,123
Wholesale	10,067	10,074	8,424
Retail	18,810	19,429	16,599
Total	$69,864	$70,079	$55,146
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD — Month of November (000's omitted):			
Total U. S. construction	$1,024,775	$1,026,973	$1,012,046
Private construction	638,258	653,378	518,944
Public construction	386,517	373,595	493,102
State and municipal	284,770	205,262	392,592
Federal	101,747	168,333	100,510
COTTON GINNING (DEPT. OF COMMERCE):			
Running bales (excl. of linters) to Dec. 1	12,802,634	-----	8,785,265
COTTON PRODUCTION — U. S. DEPT. OF AGRICULTURE—Estimates as of Dec. 1:			
Production 500-lb. gross bales	15,290,000	15,771,000	10,012,000
FACTORY EARNINGS AND HOURS—WEEKLY AVERAGE ESTIMATE — U. S. DEPT. OF LABOR—Month of October:			
Earnings—			
All manufacturing	$65.17	*$65.45	$61.99
Durable goods	70.84	*70.84	66.39
Nondurable goods	57.85	*58.75	56.53
Hours—			
All manufacturing	40.4	*40.6	41.3
Durable goods	41.6	*41.6	42.1
Nondurable goods	38.8	*39.4	40.3
Hourly earnings—			
All manufacturing	$1.613	$1.612	$1.501
Durable goods	1.703	*1.703	1.577
Nondurable goods	1.491	*1.491	1.404
LIFE INSURANCE PURCHASES — INSTITUTE OF LIFE INSURANCE—Month of September (000's omitted):			
Ordinary	$1,285,000	$1,460,000	$1,440,000
Industrial	449,000	424,000	411,000
Group	212,000	281,000	617,000
Total	$1,946,000	$2,165,000	$2,468,000
MANUFACTURERS' INVENTORIES & SALES (DEPT. OF COMMERCE) NEW SERIES—Month of September (millions of dollars):			
Inventories:			
Durable	$21,306	*$20,926	$14,486
Nondurable	19,681	19,650	15,637
Total	$40,987	$40,576	$30,123
Sales	21,810	22,583	20,977
MONEY IN CIRCULATION—TREASURY DEPT.—As of Sept. 30 (000's omitted)	$20,288,000	$28,156,000	$27,161,000
MOODY'S WEIGHTED AVERAGE YIELD OF 200 COMMON STOCKS — Month of Nov.:			
Industrial (125)	5.86	6.15	7.12
Railroad (25)	6.45	6.41	6.86
‡Utilities (24)	5.71	5.77	6.10
Banks (15)	4.64	4.77	4.61
Insurance (10)	3.47	3.44	3.43
Average (200)	5.78	6.02	6.80
UNITED STATES GROSS DEBT DIRECT AND GUARANTEED—(000's omitted):			
As of Nov. 30	$259,646,943	$258,335,674	$257,100,124
General fund balances	4,624,091	4,873,884	4,139,297
Net debt	$255,022,852	$253,461,790	$252,960,827
Computed annual rate	2.307%	2.310%	2.204%
U. S. GOVT. STATUTORY DEBT LIMITATION As of Nov. 30 (000's omitted):			
Total face amount that may be outstanding at any time	$275,000,000	$275,000,000	$275,000,000
Outstanding—			
Total gross public debt	259,604,103	258,298,191	257,076,619
Guaranteed obligations not owned by the Treasury	42,840	37,483	23,504
Total gross public debt and guaranteed obligations	$259,646,943	$258,335,674	$257,100,124
Deduct—other outstanding public debt obligations not subject to debt limitation	668,203	670,412	707,084
Grand total outstanding	$258,978,739	$257,665,262	$256,393,040
Balance face amount of obligations, issueable under above authority	16,021,260	17,334,737	18,606,959

Securities Now in Registration

★ REVISIONS THIS WEEK
● INDICATES ADDITIONS

New Registrations and Filings

American Airlines, Inc., New York
Dec. 5 filed 750,000 shares of common stock (par $1), of which 143,000 shares are to be offered to executive employees through outstanding options at $11.70 per share, and 607,000 shares are to be offered to employees through above options. **Underwriter** — None. **Proceeds** — For working capital.

American Trusteed Funds, Inc., New York
Dec. 10 filed 500,000 "Lexington Trust Fund Shares." **Price**—At market. **Underwriter**—None. **Proceeds**—For investment.

Ansuco Corp., San Juan, Puerto Rico
Dec. 7 (letter of notification) 200 shares of common stock and 1,550 shares of 8% cumulative preferred stock. **Price**—At par ($100 per share). **Underwriter**—None. **Proceeds**—To purchase machinery and equipment. **Address**—P. O. Box 3861, San Juan, Puerto Rico.

Atlantic Steel Boiler Co., Inc.
Dec. 10 (letter of notification) 1,250 shares of 6% cumulative preferred stock (par $20) and 4,100 shares of class A common stock (par $10). **Price**—At par. **Underwriter**—None. **Proceeds**—For acquisition of plants, etc., and working capital. **Office**—22nd Street and Washington Avenue, Philadelphia, Pa.

Benbow Manufacturing Co., Burlingame, Calif.
Dec. 7 (letter of notification) 85,000 shares of capital stock (par $1), of which 10,000 shares are to be offered in retirement of indebtedness and 75,000 shares offered publicly. **Price**—$3 per share. **Underwriter**—Davies & Co., San Francisco, Calif. **Proceeds**—To retire debt and for working capital. **Office** — 1285 Rollins Road, Burlingame, Calif.

Bonanza Oil & Gas Co., Las Vegas, Nev.
Dec. 5 (letter of notification) 100,000 shares of common stock. **Price**—At par ($1 per share). **Underwriter**—None. **Proceeds**—To drill oil and gas wells. **Office**—608 So. 4th Street, Las Vegas, Nev.

Canyon Lode Mining Co., Walla Walla, Wash.
Dec. 3 (letter of notification) 100,000 shares of common stock (par 10 cents) and $90,000 of production agreement units to be offered in units of $900 of production agreement units and 1,000 shares of stock. **Price**—$1,000 per unit. **Underwriter**—None. **Proceeds**—For mining machinery and equipment. **Office**—14 No. Second Street, Walla Walla, Wash.

Castle (A. M.) & Co., Chicago, Ill.
Dec. 6 (letter of notification) 6,000 shares of capital stock (par $10). **Price**—At market (approximately $16.87½ per share). **Underwriters**—Lee Higginson Corp. and Blunt Ellis & Simmons, both of Chicago, Ill. **Proceeds** — To Estate of William B. Simpson, deceased.

Composite Fund, Inc., Spokane, Wash.
Dec. 10 filed 200,000 shares of capital stock (par $1). **Price**—At market. **Underwriter**—None. **Proceeds**—For investment.

Curtis Publishing Co., Phila., Pa.
Dec. 5 (letter of notification) 500 shares of common stock. **Price**—At market (about $6.62½ per share). **Underwriter**—None, but will be offered through Hecker & Co., Philadelphia, Pa. **Proceeds**—To Cary William Bok, Vice-President, who is the selling stockholder.

Dallas Smith Corp., Indianapolis, Ind.
Dec. 7 (letter of notification) 4,997 shares of common stock (par $8). **Price**—$18.50 per share. **Underwriter**—Raffensperger, Hughes & Co., Inc., Indianapolis, Ind. **Proceeds**—For working capital. **Office**—118 So. Pennsylvania St., Indianapolis, Ind.

Disco Industries, Inc.
Dec. 4 (letter of notification) 299,500 shares of common stock (par 10 cents). **Price**—$1 per share. **Underwriter** — I. J. Schenin Co., New York. **Proceeds** — For new equipment and working capital. **Offered**—Tentatively scheduled for today (Dec. 13).

Florida Power Corp.
Dec. 12 filed 51,550 shares of convertible preferred stock (par $100). **Price**—To be supplied by amendment. **Underwriters**—Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane, both of New York. **Proceeds**—For construction program.

Harvestaire Corp., Oakland, Calif.
Dec. 3 (letter of notification) 73,295 shares of capital stock. **Price**—At par ($1 per share). **Underwriter**—None. **Proceeds**—For machinery and working capital. **Office**—2623 San Pablo Avenue, Oakland, Calif.

Higbie Manufacturing Co., Rochester, Mich.
Dec. 7 (letter of notification) 200 shares of common stock (par $1). **Price**—$6 per share. **Underwriter**—None. **Proceeds**—To Carlton M. Higbie, Jr., the selling stockholder.

Kellogg Co., Battle Creek, Mich.
Dec. 12 filed 415,060 shares of common stock (par 50 cents), of which 30,200 are for the account of the company and 384,860 are owned by W. K. Kellogg Foundation. **Price**—To be supplied by amendment. **Underwriters**—Morgan Stanley & Co., Clark, Dodge & Co. and Glore, Forgan & Co., all of New York. **Proceeds**—To company, to be used for working capital.

Lincoln Loan Co., Inc., Union, N. J.
Dec. 5 (letter of notification) $250,000 of 5% cumulative deferred debentures maturing in 5, 10 or 20 years from date of issuance. **Price**—At par (in denominations of $100 each). **Underwriter**—None. **Proceeds**—To increase lending capacity. **Office**—983 Stuyvesant Avenue, Union, N. J.

McKesson & Robbins, Inc., New York
Dec. 5 filed 100,000 shares of common stock (par $18) to be offered under an "executive stock purchase plan" to employees of company and its subsidiaries. **Underwriter** — None. **Proceeds** — For general corporate purposes.

Metal Hydrides Inc., Beverly, Mass.
Dec. 3 (letter of notification) 39,700 shares of common stock (par $5). **Price**—$7 per share. **Underwriter**—D. A. Lomasney & Co., New York. **Proceeds**—For working capital and to procure additional equipment. **Office**—12-24 Congress Street, Beverly, Mass.

Moore International Television, Inc., N. Y.
Dec. 5 (letter of notification) 299,000 shares of common stock. **Price**—At par ($1 per share). **Underwriter**—None. **Proceeds**—For production of films for television presentation and general working capital. **Office** — 20 East 53rd Street, New York, N. Y.

Mutual Investment Fund, Inc., New York
Dec. 5 filed 75,000 shares of capital stock (par $1). **Price** — at market. **Underwriter** — Mutual Management Co., New York. **Proceeds**—For investment.

Nash (F. C.) & Co., Pasadena, Calif.
Dec. 7 (letter of notification) $200,000 of 5½% convertible debentures, of which $92,600 principal amount will be offered in exchange, par for par, for $92,600 of outstanding 5½% cumulative preferred stock (par $100). **Price**—At 100%. **Underwriter**—Pasadena Corp., Pasadena, Calif. **Proceeds**—To redeem unexchanged preferred stock and for working capital. **Office**—141 East Colorado St., Pasadena 1, Calif.

North Jersey Finance Service, Hoboken, N. J.
Dec. 5 (letter of notification) $250,000 of 5% cumulative deferred debentures maturing in 5, 10 or 20 years from date of issuance. **Price**—At par (in denominations of $100 each). **Underwriter**—None. **Proceeds**—To increase lending capacity. **Office**—68 Hudson St., Hoboken, N. J.

North Jersey Finance Service of Jersey City (N. J.)
Dec. 5 (letter of notification) $250,000 of 5% cumulative deferred debentures due in 5, 10 or 20 years from date of issuance. **Price**—At par (in denominations of $100 each). **Underwriter**—None. **Proceeds**—To increase lending capacity. **Office**—586 Newark Ave., Jersey City, N. J.

Oil Producers, Inc., Oklahoma City, Okla.
Dec. 3 (letter of notification) 200,000 shares of common stock. **Price**—At par (10 cents per share). **Underwriter**—None. **Proceeds**—To Forrest Parrott, the selling stockholder. **Office**—Petroleum Bldg., Oklahoma City, Okla.

Paul Valve Corp., East Orange, N. J.
Dec. 7 (letter of notification) $50,000 of debentures (in denominations of $1,000 each) and 33,000 shares of common stock to be offered in units of a $1,000 debenture and 660 shares of common stock. **Price**—$1,066 per unit. **Underwriter**—None. **Proceeds**—For current operations. **Office**—545 No. Arlington Avenue, East Orange, N. J.

Philadelphia Electric Co. (1/8-9)
Dec. 10 filed $35,000,000 first and refunding mortgage bonds due 1982. **Price**—To be supplied by amendment. **Underwriters**—Drexel & Co., Philadelphia, Pa.; and Morgan Stanley & Co., New York. **Proceeds**—To repay bank loans and for new construction.

Phillips Packing Co., Inc., Cambridge, Md.
Dec. 3 (letter of notification) 600 shares of common stock (no par). **Price**—At $9.25 per share, or market. **Underwriter**—Alex. Brown & Sons, Baltimore, Md. **Proceeds**—To Albanus Phillips, Jr., the selling stockholder.

Procter & Gamble Co.
Nov. 29 Procter & Gamble Profit Sharing Dividend Plan and Procter & Gamble Stock Purchase Plan filed 2,000 participations in Profit Shaving Dividend Plan, 1,100 participations in Stock Purchase Plan, and 34,000 shares of common stock (no par) to be purchased by trustees for the plans for company stockholders from selling stockholders. **Underwriter**—None.

Public Service Co. of North Carolina, Inc. (1/9)
Dec. 11 filed $2,400,000 three-year interim notes due Jan. 1, 1955 (to be payable at maturity at company's option in an equivalent par value of convertible preferred stock of $25 par, at rate of one preferred share for each $25 principal amount of notes). **Price**—To be supplied by amendment. **Underwriter**—The First Boston Corp., New York. **Proceeds**—To help finance expansion program and company's changeover to natural gas. **Offering**—Expected to take place about Jan. 9, 1952.

Sanders Associates, Inc., Waltham, Mass.
Dec. 7 (letter of notification) 35,000 shares of class A stock (par $1) and 300 shares of class B stock (par $1). **Price**—$5 per share. **Underwriter**—None. **Proceeds**—To purchase equipment. **Office**—135 Bacon Street, Waltham, Mass.

Smith (Alexander), Inc. (12/20)
Dec. 3 (letter of notification) 6,250 shares of common stock. **Price**—Approximately $16 per share. **Underwriter**—Alex. Brown & Sons, Baltimore, Md. **Proceeds**—To Alexander S. Cochran, the selling stockholder.

Southern Oxygen Co., Bladensburg, Md.
Dec. 10 filed $1,400,000 of convertible subordinated debentures due Jan. 1, 1962 (convertible on basis of five shares of common stock for each $100 debenture). **Price**—To be supplied by amendment. **Underwriter**—Johnston, Lemon & Co., Washington, D. C. **Proceeds**—To repay notes and for working capital.

Sylvan Products, Inc., Contralia, Wash.
Nov. 29 (letter of notification) 20 shares of common stock. **Price**—At par ($5,000 per share). **Underwriter**—None. **Proceeds**—For working capital. **Address**—P. O. Box 449, Centralia, Wash.

Texize Chemicals, Inc., Greenville, S. C.
Dec. 6 (letter of notification) 20,000 shares of class B (non-voting) capital stock. **Price**—$10 per share. **Underwriter** — None. **Proceeds** — For additions to plant and liquidation of bank loans. **Address**—Box 305, Greenville, S. C.

Texstar Corp., San Antonio, Tex.
Nov. 27 (letter of notification) 10,000 shares of common stock (no par). **Price**—$10 per share. **Underwriter**—Wood, Struthers & Co., San Antonio, Tex. **Proceeds**—To purchase Aztec Ceramics, Inc., and for working capital. **Office**—2409 Transit Tower, San Antonio 5, Tex.

Trans Caribbean Air Cargo Lines, Inc.
Dec. 3 (letter of notification) 20,000 shares of class A stock (par 10 cents). **Price**—At market (about $2.37½ per share). **Underwriter**—Gearhart, Kinnard & Otis, Inc., New York. **Proceeds**—To O. Roy Chalk, President, the selling stockholder.

Transgulf Corp., Houston, Tex.
Dec. 3 (letter of notification) 200,000 shares of capital stock (par 10 cents). **Price**—$1.05 per share. **Underwriter**—None. **Proceeds**—For working capital. **Office**—1 Main Street, Houston, Tex.

Tyler Fixture Corp., Niles, Mich.
Dec. 4 (letter of notification) 13,550 shares of common stock (par $1). **Price**—$7.37½ per share. **Underwriter**—Morgan & Co., Los Angeles, Calif. **Proceeds**—To Leon L. and Minnie S. Tyler, two selling stockholders. **Office**—1401 Lake Street, Niles, Mich.

United Oil Corp., Oklahoma City, Okla.
Dec. 4 (letter of notification) 400,000 shares of common stock. **Price**—At par (10 cents per share). **Underwriter**—None. **Proceeds**—To Forrest Parrott, the selling stockholder. **Office**—3109 Apco Tower, Oklahoma City, Okla.

Warner-Hudnut, Inc.
Dec. 12 filed 293,960 shares of common stock (par $1) to be offered in exchange for 146,980 shares of Maltine Co. on a two-for-one basis. **Underwriter**—None.

Western Light & Telephone Co., Inc.
Dec. 3 (letter of notification) 13,577 shares of common stock (par $10), to be offered for subscription by common stockholders at rate of one share for each 23 shares held. **Price**—$20 per share. **Underwriter**—None, but Harris, Hall & Co. (Inc.) and The First Trust Co. of Lincoln, Neb., will act as dealer-managers. **Proceeds**—For construction program.

Previous Registrations and Filings

★ **American Bosch Corp., Springfield, Mass.**
Nov. 13 filed 65,450 shares of cumulative convertible second preferred stock, 1951 series, to be offered to common stockholders at rate of one share of preferred for each 20 common shares held (with over-subscription privileges). **Price**—To be supplied by amendment. **Underwriter**—Allen & Co., New York. **Proceeds**—For capital expenditures and working capital and other corporate purposes. **Offering**—Not expected until after Jan. 1.

★ **American Brake Shoe Co.**
June 29 filed 50,000 shares of common stock (no par) to be offered to certain officers and key employees through a stock purchase plan. **Price**—To be not greater than the market price on the date of the offering, or no less than 85% of such price. **Underwriter**—None. **Proceeds**—To be added to general funds. **Withdrawal**—Statement withdrawn on Nov. 30.

American Investment Co. of Illinois
Aug. 16 filed 167,105 shares of $1.25 cumulative convertible preference stock, series A (par $25), being offered in exchange for common stock of Domestic Finance Corp., Chicago, Ill. on basis of one American share for each five Domestic common shares; the offer to expire on Sept. 30, 1952. **Dealer-Managers**—Kidder, Peabody & Co., New York, and Alex. Brown & Sons, Baltimore, Md. Statement effective Sept. 5.

American Motor Racing Corp.
Nov. 14 (letter of notification) 60,000 shares of preferred stock (par $5) and 1,200 shares of common stock (no par) in units of 50 shares of preferred and one share of com-

Continued on page 106

Continued from page 105

mon stock. **Price**—$250 per unit. **Underwriter**—None. **Proceeds**—For acquisition of property, construction of race track, etc. **Office**—c/o Morris Orenstein, 31 Mamaroneck Ave., White Plains, N. Y.

Arwood Precision Casting Corp.
Nov. 13 (letter of notification) $100,000 of unsecured 4% debentures due Oct. 1, 1961. **Price**—At par (in denominations of $100 each). **Underwriter**—None. **Proceeds**—For working capital. **Office**—70 Washington St., Brooklyn 1, N. Y.

★ **Atlas Plywood Corp. (1/7-13)**
Nov. 21, filed 120,000 shares of $2.50 cumulative convertible preferred stock (par $50). **Price**—To be supplied by amendment. **Underwriter**—Van Alstyne Noel Corp., New York. **Proceeds**—To repay $2,500,000 bank loans and for expansion and working capital.

Badger Manufacturing Co., Cambridge, Mass.
Nov. 5 (letter of notification) 17,500 shares of common stock (par $10). **Price**—$15 per share. **Underwriter**—None, but sales will be handled by H. W. Cooms, E. I. Clapp, R. W. Carlson and C. L. Campbell, all of Cambridge, Mass. **Proceeds**—For working capital. **Office**—230 Bent St., Cambridge, Mass.

Bamberg Textile Mills, Bamberg, S. C.
Nov. 19 (letter of notification) $100,000 of 6% junior convertible debentures due Dec. 1, 1958 to be offered for subscription by common stockholders. **Price**—At par (in denominations of $5 and multiples thereof). **Underwriter**—None. **Proceeds**—To pay RFC debt and for working capital.

Birmingham Fire Insurance Co.
Nov. 1 (letter of notification) 12,500 shares of common stock, to be offered to stockholders of record Nov. 15 at rate of one share for each seven shares held. **Price**—At par ($10 per share). **Underwriter**—None. **Proceeds**—To enlarge insurance business. **Office**—221 No. 21st St., Birmingham 3, Ala.

Blair (Neb.) Telephone Co.
July 18 (letter of notification) $175,000 of first mortgage 4% bonds, series A, due 1971. **Price**—101 and accrued interest. **Underwriter** — Wachob-Bender Corp., Omaha, Neb. **Proceeds**—To retire first mortgage (closed) 3½% bonds and to convert to dial operation.

Burlington Mills Corp.
March 5 filed 300,000 shares of convertible preferred stock (par $100). **Price**—To be supplied by amendment. **Underwriter**—Kidder, Peabody & Co., New York. **Proceeds**—For additions and improvements to plant and equipment. Offering date postponed.

California Tuna Packing Corp., San Diego, Calif.
Oct. 4 (letter of notification) $300,000 of 6% convertible sinking fund debentures due Oct. 1, 1966. **Underwriter**—Wahler, White & Co., Kansas City, Mo. **Proceeds**—For general corporate purposes. **Price**—At 100% and accrued interest. **Office**—2305 East Belt St., San Diego 2, Calif.

Catalin Corp. of America
Nov. 16 filed 281,243 shares of common stock (par $1) to be offered for subscription by common stockholders at rate of one share for each two shares held. **Price**—To be supplied by amendment. **Underwriter**—None. **Proceeds**—For capital expenditures and working capital.

★ **Central Maine Power Co.**
Oct. 31 filed 315,146 shares of common stock (par $10) of which 164,406 shares are being offered for subscription by holders of 6% preferred stock and common stock of record Dec. 5 at rate of five shares of common for each seven shares of preferred stock held and at rate of one share of new common for each seven shares of common stock held; rights to expire on Dec. 17. The New England Public Service Co. had waived its right to subscribe for 150,740 of the new shares and these were publicly offered on Dec. 7. **Underwriters**—The First Boston Corp., and Coffin & Burr, Inc. **Price**—To be $17.62½ per share. **Proceeds**—To repay bank loans and for new construction. Statement effective Nov. 21.

★ **Dairymen's Ohio Farmers Milk Co., Cleve., O.**
Nov. 26 (letter of notification) 31,471 shares of common stock (no par). **Price**—$7 per share. **Underwriter**—None. **Proceeds**—For working capital. **Office**—3068 West 106th Street, Cleveland, O.

Deardorf Oil Corp., Oklahoma City, Okla.
Sept. 24 (letter of notification) 175,000 shares of common stock (par 10 cents). **Price**—40 cents per share. **Underwriter**—None. **Proceeds**—For operating expenses. **Office**—219 Fidelity Building, Oklahoma City, Okla.

Distributors Candy Co. (name to be changed to Schutter Candy Co.), Chicago, Ill.
Nov. 19 filed 200,000 shares of class A common stock (par $10) and 50,000 shares of class B common stock (no par), of which the class A stock and 25,000 shares of class B stock are to be offered in units of eight shares of class A and one share of class B; the remaining 25,000 class B shares are to be issued for an option to acquire the Schutter Candy Division of Universal Match Corp. **Price**—$82 per unit. **Underwriter**—None. **Proceeds**—To be applied toward purchase price of Schutter properties.

★ **Dow Chemical Co., Midland, Mich. (1/3)**
Nov. 16 filed 200,000 shares of common stock (par $15) of which 133,202 shares are to be offered to common stockholders of record Dec. 14 at rate of one share for each 50 shares held. Subscriptions must be filed between Jan. 3 and Jan. 25, 1952. The remaining 66,798 shares are to be offered to employees of the company and its subsidiaries. **Price**—$82.50 per share. **Underwriter**—None. **Proceeds**—For capital additions to plants and facilities and for other corporate purposes.

★ **Exolon Co., Boston, Mass.**
Nov. 21 (letter of notification) 12,653 shares of common stock (no par), being offered to stockholders of record Nov. 28 at rate of one share for each 10 shares held. **Price**—$16 per share. **Underwriter**—None. **Proceeds**—For working capital. **Office**—60 State St., Boston, Mass.

Family Finance Corp., Wilmington, Del.
Nov. 29 (letter of notification) 3,324 shares of common stock (par $1). **Price**—At market (not less than $15 per share). **Proceeds**—To Mrs. Beulah McCollum King, the selling stockholder. **Office**—200 West Ninth St., Wilmington, Del.

Federated Department Stores, Inc. (12/18)
Nov. 30 filed 250,000 shares of common stock (par $5). **Price**—To be supplied by amendment. **Underwriters**—Lehman Brothers, New York, and A. G. Becker & Co., Inc., Chicago, Ill. **Proceeds**—For expansion program.

★ **Ferro Corp., Cleveland, Ohio.**
Nov. 13 filed 91,859 shares of common stock (par $1) being offered for subscription by common stockholders of record Dec. 3 at a rate of one share for each five shares held; rights to expire Dec. 18. **Price**—$28 per share. **Underwriter**—Merrill Lynch, Pierce, Fenner & Bean, New York. **Proceeds** — For expansion program. Statement effective Dec. 3.

Fosgate Citrus Concentrate Cooperative (Fla.)
Nov. 13 (amendment) filed 452 shares of class A common stock (par $100); 5,706 shares of 5% preferred stock (par $100), cumulative beginning three years from July 10, 1950); 7,597 shares of 4% revolving fund class C stock (par $100); 2,000 shares of 4% revolving fund class C stock (par $50); and 4,000 shares of 4% revolving fund class C stock (par $25). Of the 5,706 shares of 5% class B stock, 706 shares are for the account of Fosgate Growers Cooperative. **Price**—At par. **Underwriters**—None. **Proceeds**—To construct and equip frozen concentrate plant at Forest City, Fla.

★ **Fram Corp., East Providence, R. I. (12/17-22)**
Nov. 23 filed $2,500,000 of convertible sinking fund debentures due 1966. **Price** — At 100% of principal amount. **Underwriter**—Barrett Herrick & Co., Inc., New York. **Proceeds** — To retire approximately $1,530,000 of notes, bank loans, and other indebtedness, and for working capital and general corporate purposes.

★ **Fram Corp., East Providence, R. I. (12/17-22)**
Nov. 23 filed 100,000 shares of common stock (par 50 cents). **Price**—To be supplied by amendment. **Underwriter**—Barrett Herrick & Co., Inc., New York. **Proceeds**—To nine selling stockholders.

Giant Portland Cement Co.
Nov. 7 (letter of notification) 16,650 shares of common stock (par $1). **Price**—At market (about $6 per share). **Underwriter**—Craigmyle, Pinney & Co., New York. **Proceeds**—To Louise Craigmyle, the selling stockholder.

Golconda Mines Ltd., Montreal, Canada
April 9 filed 750,000 shares of common stock. **Price**—At par ($1 per share). **Underwriter**—George F. Breen, New York. **Proceeds**—For drilling expenses, repayment of advances and working capital. **Offering**—Date not set.

Grand Union Co., New York
Aug. 7 filed 64,000 shares of common stock (par $10) to be issued pursuant to an "employees' restricted stock option plan." **Price** — To be supplied by amendment. **Underwriter**—None. **Proceeds**—For general corporate purposes. **Office**—50 Church St., New York.

Guardian Loan Co., Inc., Brooklyn, N. Y.
Dec. 3 (letter of notification) 2,220 shares of 6% cumulative preferred stock. **Price**—At par ($100 per share). **Underwriter** — None. **Proceeds** — For working capital. **Office**—26 Court St., Brooklyn 2, N. Y.

★ **Gulf Sulphur Corp. (12/17-18)**
Nov. 16 filed 400,000 shares of common stock (par 10c). **Price**—$1 per share. **Underwriter**—Peter Morgan & Co., New York. **Proceeds**—To purchase additional equipment and for advances to Compania de Azufre Veracruz, S. A., for drilling expenses.

Hawkeye-Security Insurance Co.
Nov. 5 (letter of notification) 2,000 shares of 5% cumulative preferred stock (par $50). **Price**—At market (currently $50 per share). **Underwriter**—Quail & Co., Davenport, Ia., and Becker & Cownie, Des Moines, Ia. **Proceeds** — To six selling stockholders. **Office** — 1017 Walnut St., Des Moines 9, Ia. **Offering**—Temporarily delayed.

Helio Aircraft Corp., Norwood, Mass.
July 31 (letter of notification) 7,750 shares of non-cumulative preferred stock (par $1) and 7,750 shares of common stock (par $1) to be offered in units of one share of preferred and one share of common stock. **Price**—$25 per unit ($20 for preferred and $5 for common). **Underwriter**—None. **Proceeds**—For development and promotion expenses. **Office**—Boston Metropolitan Airport, Norwood, Mass.

Hex Foods, Inc., Kansas City, Mo.
Aug. 1 (letter of notification) 89 shares of 6% cumulative preferred stock (par $100) and 424 shares of common stock (no par). **Price**—For preferred, at par; and for common, at $20 per share. **Underwriter** — Prugh, Combest & Land, Inc., Kansas City, Mo., will act as dealer. **Proceeds**—For plant improvements and general corporate purposes. **Office**—412 W. 39th St., Kansas City, Mo.

Hoover Co., No. Canton, O.
Oct. 22 (letter of notification) 4,000 shares of common stock (par $2.50). **Price**—$18 per share. **Underwriter**—Hornblower & Weeks, New York. **Proceeds**—To William W. Steele, the selling stockholder.

Ideal Cement Co., Denver, Colo.
Nov. 9 filed 250,000 shares of capital stock (par $10) being offered in exchange for shares of $10 par stock of Pacific Portland Cement Co. of San Francisco on basis of one share of Ideal for each two shares of Pacific stock. Offer is subject to condition that 80% or more of Pacific outstanding stock must be tendered in exchange for Ideal stock. If exchange offer is consummated, it is Ideal's intention to operate the Pacific company as a subsidiary. **Dealer-Managers**—Boettcher & Co., Denver, Colo.; J. Barth & Co., San Francisco, Calif. **Offer**—To expire Dec. 31. Statement effective Nov. 29.

Imperial Oil Ltd., Toronto, Canada
Oct. 31 filed 2,713,384 shares of capital stock (no par) being offered to stockholders of record Nov. 20 for subscription at rate of one new share for each 10 shares held or represented by share warrants; rights to expire Dec. 19. **Price**—$29.50 (Canadian) per share. **Underwriter**—None. **Proceeds**—For general funds and working capital. Statement effective Nov. 16.

★ **Indiana Gas & Water Co., Inc.**
Nov. 15 filed 66,000 shares of common stock (par $10) being offered to common stockholders of record Nov. 28 at rate of one new share for each 10 shares held, with rights to expire Dec. 14; employees entitled to purchase unsubscribed shares. **Price**—$21.25 per share. **Underwriter**—Blyth & Co., Inc., New York. **Proceeds**—From sale of stock, together with funds from sale of $2,000,000 first mortgage bonds, series B, due 1980, to be used for construction program. Statement effective Nov. 30.

★ **Indiana Telephone Corp.**
Nov. 13 (letter of notification) 3,000 shares of 4.80% cumulative preferred stock, 1951 series. **Price**—At par ($100 per share). **Underwriter**—City Securities Corp., Indianapolis, Ind. **Proceeds**—For working capital. **Offering**—Temporarily delayed.

Inland Steel Co.
Aug. 27 filed 250,000 shares of capital stock (no par) to be issuable upon exercise of stock option issuable under the company's proposed stock option plan. **Price**—To be 85% of current fair market value of the stock. **Proceeds**—For working capital.

Iowa Public Service Co.
Nov. 26 (letter of notification) 2,000 shares of common stock (par $5). **Price**—At market (approximately $19.50 per share). **Underwriter**—A. C. Allyn & Co., Inc., Chicago, Ill. **Proceeds** — To Ray P. Stevens, the selling stockholder.

★ **Iowa Southern Utilities Co. (12/18)**
Nov. 29 filed 100,000 shares of cumulative convertible preferred stock (par $30). **Price** — To be supplied by amendment. **Underwriter**—The First Boston Corp., New York. **Proceeds**—For new construction.

★ **Kaiser Aluminum & Chemical Corp.**
Nov. 27 filed 350,000 shares of cumulative preferred stock (par $50), convertible into common stock through 1961. **Price**—To be supplied by amendment. **Underwriter**—The First Boston Corp., New York, and Dean Witter & Co., San Francisco, Calif. **Proceeds**—From sale of stock, together with proceeds from private sale to institutional investors of $33,500,000 additional first mortgage bonds and from $50,000,000 bank loans, to be used to finance the company's $100,000,000 expansion program. **Offering**—Not expected until early in January.

Kankakee Water Co., Portland, Me.
Oct. 29 (letter of notification) 2,186 shares of 5½% cumulative preferred stock (par $100). **Price**—$105 per share. **Underwriter**—H. M. Payson & Co., Portland Me. **Proceeds**—For additions and improvements. **Office**—95 Exchange Street, Portland 6, Me.

★ **Key Oil & Gas Co., Ltd., Calgary, Canada**
Oct. 3 filed 500,000 shares of common stock, of which 5,000 shares have been reserved for issuance to company counsel for services. **Price**—At par ($1 per share. **Underwriter**—None, but sales will be made by James H. Nelson, promoter and a director of company, of Longview, Wash. **Proceeds**—To drill well, for lease acquisitions and properties held pending development work, and for other corporate purposes.

Kingsburg Cotton Oil Co., Kingsburg, Calif.
Oct. 22 (letter of notification) 2,000 shares of capital stock (par $1). **Price**—$4.25 per share. **Underwriter**—Fewel & Co., Los Angeles, Calif. **Proceeds**—To Richard W. Fewel, the selling stockholder. **Address**—P. O. Box 277, Kingsburg, Calif.

Knorr-Maynard, Inc., Detroit, Mich.
Oct. 31 (letter of notification) $250,000 of 6% 10-year debentures due 1961. **Price**—At par (in denominations of $1,000 each). **Underwriter**—Lang-Heenan & Co., Detroit, Mich. **Proceeds** — For working capital. **Office**—5743 Woodward Ave., Detroit 2, Mich.

Kohn & Co., Columbia, S. C.
Oct. 22 (letter of notification) 925 shares of common stock, to be offered to present stockholders for subscription and in exchange for outstanding debentures. **Price**—At par ($100 per share). **Underwriter**—None. **Proceeds**—To retire debt. **Office**—1526 Main St., Columbia, S. C.

Lawyers Title Insurance Corp., Richmond, Va.
Oct. 16 filed 60,000 shares of capital stock (par $5), being offered to stockholders of record Nov. 8 at rate of one share for each nine shares held; rights to expire Dec. 20. Unsubscribed shares will be offered for sale in one lot at auction on Dec. 21. **Price**—At par ($5 per share). **Underwriter**—None. **Proceeds**—To enlarge capital and for investment. Statement effective Nov. 6.

★ **Lindemann (A. J.) & Hoverson Co.**
Nov. 28 filed 112,500 shares of common stock (par $1). **Price**—To be supplied by amendment. **Underwriter**—Sills, Fairman & Harris, Inc., Chicago, Ill. **Proceeds**—To eight selling stockholders. **Offering**—Date indefinite.

Lockheed Aircraft Corp.
Oct. 17 filed 27,000 shares of capital stock (par $1), issuable upon exercise of certain options granted to a selected group of officers and employees of company and its subsidiaries, together with 19,370 shares previously registered and issuable upon exercise of options heretofore granted to officers and employees. **Price** — $19.35 per share. **Underwriter**—None. **Proceeds**—For general corporate purposes. Statement effective Nov. 6.

★ **Long Island Lighting Co. (12/12)**
Oct. 31 filed $25,000,000 of first mortgage bonds, series D, due 1976. **Underwriters**—Issue awarded Dec. 12 to Halsey, Stuart & Co. Inc. and associates on their bid of 100.22 for 3½s, with reoffering planned at 101.20. **Proceeds**—From sale of bonds, together with proceeds from sale of 100,000 shares of preferred stock (par $100), will be used to retire $14,493,400 of bonds of former subsidiaries, to repay bank loans and for construction program. Statement effective Nov. 30.

Loven Chemical of California
Oct. 8 (letter of notification) 200,000 shares of capital stock. **Price**—At par ($1 per share). **Underwriter**—None. **Proceeds** — For working capital. **Office** — 244 South Pine St., Newhall, Calif.

Lubrication Engineers, Inc., Fort Worth, Tex.
Nov. 20 (letter of notification) 750 shares of common stock to be offered first to stockholders, and then to public. **Price**—At par ($100 per share). **Underwriter**—None. **Proceeds** — For operating capital. **Office** — 2809 Race St., P. O. Box 7303, Fort Worth 11, Tex.

★ **McCormick & Co., Inc., Baltimore, Md.**
Nov. 14 filed 500 shares of 5% cumulative preferred stock (par $100), 4,000 shares of common voting stock (no par) and 6,000 shares of common non-voting stock (no par) to be available for limited sales to employees and for what other purposes the company deems appropriate during the next 12-month period. **Price**—For preferred, $100 per share, and for both classes of common stock, $25 per share. **Underwriter**—None. **Proceeds**—For working capital. **Office**—414 Light Street, Boltimore 2, Md.

Mercantile Acceptance Corp. of California
Oct. 24 (letter of notification) $100,000 of 10-year 5% junior subordinated debentures (in various denominations) and 306 shares of 5% first preferred stock (par $20). Of latter, 271 shares will be offered to public and 35 shares to employees only on an instalment basis. **Price**—At par. **Underwriter**—Guardian Securities Corp., San Francisco, Calif. **Proceeds**—For general corporate purposes.

Miles Laboratories, Inc., Elkhart, Ind.
Oct. 12 (letter of notification) 6,000 shares of common stock (par $2). **Price**—Maximum, $18 per share; minimum, $16.50 per share. **Underwriter**—Albert McGann Securities Co., Inc., South Bend, Ind. **Proceeds**—To Estate of Rachel B. Miles.

Mineral Products Co., Pittsburg, Kansas
Oct. 4 (letter of notification) $225,000 of second mortgage 5% bonds to be offered to stockholders in ratio of $300 of bonds for each share of stock held as of record June 30, 1951, with an oversubscription privilege. **Price**—At principal amount. **Underwriter**—None. **Proceeds**—For equipment. **Office**—314 National Bank Bldg., Pittsburg, Kansas.

Montana Hardwood Co., Inc., Missoula, Mont.
Sept. 26 (letter of notificataion) 2,970 shares of 6% redeemable preferred stock (par $100) and 2,970 shares of common stock (par $1) to be offered in units of one preferred and one common share. **Price**—$101 per unit. **Underwriter**—None. **Proceeds** — To purchase land and erect plant. **Office**—123 West Main St., Missoula, Mont.

Muntz TV, Inc., Chicago, Ill.
Nov. 28 (letter of notification) 30,000 shares of common stock (par $1). **Price**—At market (approximately $2.87½ per share). **Underwriter**—John R. Kauffmann Co., St. Louis, Mo. **Proceeds**—To Earl W. Muntz, the selling stockholder. **Office**—1735 West Belmont Ave., Chicago, Illinois.

National Marine Terminal, Inc., San Diego, Calif.
Oct. 24 (letter of notification) 26,650 shares of 6% cumulative preferred stock (par $10) and 26,650 shares of common stock (par $1) to be offered in units of one share of each class of stock. **Price**—$11 per unit. **Underwriter**—None. **Proceeds** — For working capital and to purchase an additional interest in tuna clippers. **Office**—1592 So. 28th St., San Diego 13, Calif.

National Motor Bearing Co., Inc.
Sept. 26 (letter of notification) 3,200 shares of common stock (par $1). **Price**—$31.25 per share. **Underwriter**—Blyth & Co., Inc., Los Angeles, Calif. **Proceeds**—To Lloyd A. Johnson, President, who is the selling stockholder.

National Plumbing Stores Corp.
Oct. 15 (letter of notification) $123,500 of 20-year 3½% income notes due Oct. 1, 1971. **Price**—100%. **Underwriters**—None. **Proceeds**—For general corporate purposes. **Office**—79 Cliff Street, New York, N. Y.

★ **Niagara Mohawk Power Corp. (12/18-19)**
Nov. 27 filed $15,000,000 of general mortgage bonds, series due 1981, and 1,000,000 shares of common stock (no par). **Underwriters**—To be determined by competitive bidding. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Kuhn, Loeb & Co.; The First Boston Corp. Probable bidders for stock: Merrill Lynch, Pierce, Fenner & Beane; The First Boston Corp.; Morgan Stanley & Co.; Kidder, Peabody & Co. and White, Weld & Co. (jointly). **Proceeds**—To repay $35,00,000 bank loans and for new construction. **Bids**—To be received as follows: On stock on Dec. 18 up to 11 a.m. (EST) and on bonds up to 11 a.m. (EST) on Dec. 19 at 15 Broad Street, New York, N. Y.

NEW ISSUE CALENDAR

December 13, 1951

O'Brien Brothers, 3 p.m. (EST)	Capital

December 17, 1951

Fram Corp.	Debentures
Fram Corp.	Common
Gulf Sulphur Corp.	Common
Norden Laboratories Corp.	Common

December 18, 1951

Chicago, Rock Island & Pacific RR. Noon (CST)	Equip. Trusts Ctfs.
Federated Department Stores, Inc.	Common
Iowa Southern Utilities Co.	Preferred
Niagara Frontier Transit System, Inc. 5 p.m. (EST)	Common
Niagara Mohawk Power Corp. 11 a.m. (EST)	Common
Niagara Mohawk Power Corp. 11 a.m. (EST)	Bonds
Vertientes-Camaguey Sugar Co. of Cuba	Common

January 3, 1952

Dow Chemical Co.	Common

January 7, 1952

Atlas Plywood Corp.	Preferred

January 8, 1952

Philadelphia Electric Co.	Bonds

January 9, 1952

Public Service Co. of North Carolina, Inc.	Interim Notes

January 22, 1952

Indiana & Michigan Electric Co.	Bonds & Notes

January 30, 1952

United Gas Corp., 11:30 a.m. (EST)	Bonds

February 1, 1952

Southwestern Public Service Co.	Common

★ **Norden Laboratories Corp. (12/17-18)**
Nov. 9 filed 400,000 shares of common stock (par $1) to be offered to public, together with an additional 90,000 shares reserved for issuance upon the exercise of warrants. **Price**—Expected at $3 per share. **Underwriter**—Van Alstyne Noel Corp., New York. **Proceeds**—To purchase additional equipment and for working capital.

Nu-Enamel Corp., Chicago, Ill.
Nov. 8 (letter of notification) $220,000 of 5% convertible notes, dated Dec. 1, 1951, and due Dec. 1, 1959. **Price**—At par (in denominations of $100 each). **Underwriter**—None. **Proceeds**—For working capital. **Office**—444 Lake Shore Drive, Chicago, Ill.

★ **Oliver Corp., Chicago, Ill.**
Nov. 16 filed 54,325 shares of common stock (par $1), of which 51,250 shares are to be offered in exchange for $5 par common stock of A. B. Farquhar Co. (Pa.) at rate of one Oliver share for each four Farquhar shares, subject to acceptance of such offer by holders of at least 99% of outstanding Farquhar stock (or such lesser amount, not less than 80%, as may be approved by Oliver). **Underwriter**—None. Statement effective Dec. 6.

Overseas Merchants Corp.
Nov. 16 (letter of notification) 10 shares of common stock (no par). **Price**—$1,000 per unit. **Underwriter**—E. M Warburg & Co. Inc., New York. **Proceeds**—To Eric M Warburg, the selling stockholder. **Office**—52 William St., New York.

★ **Pacific Finance Corp. of California**
Nov. 15 filed 147,687 shares of common stock (par $10) to be offered in exchange for common stock of Contract Purchase Corp. in the ratio of 1¼ shares of Pacific common for each Contract Purchase Corp. share. The offer is subject to acceptance of at least 80% of the outstanding shares of Contract and will expire on or about Dec. 21. Dec. 4 filed amendment adding 59,220 shares of 4¾% cumulative convertible preferred stock (par $25) to be offered in exchange for Contract Purchase Corp. preferred stock on basis of four shares of Pacific preferred stock for each preferred share of Contract (59,220 shares of common to be reserved for conversion of new preferred stock). Statement effective Dec. 6.

Pacific Telecoin Corp., San Francisco, Calif.
Sept. 14 (letter of notification) 59,000 shares of common stock (par 10 cents). **Price**—50 cents per share. **Underwriter**—Gearhart, Kinnard & Otis, Inc., New York. **Proceeds**—For working capital. **Office**—1337 Mission St., San Francisco, Calif.

Pacific Telephone & Telegraph Co.
Oct. 19 filed 633,274 shares of common stock being offered for subscription by common and preferred stockholders in the ratio of one share of common stock for each nine shares of common and/or preferred stock held as of Nov. 27; with rights to expire on Dec. 28. **Price**—At par ($100 per share). **Underwriter**—None. **Proceeds**—To reduce bank loans and for plant improvements. Statement effective Nov. 20.

Pako Corp., Minneapolis, Minn.
Nov. 30 (letter of notification) 38,000 shares of common stock (par $5). **Price**—$7.50 per share. **Underwriter**—None. **Proceeds** — For working capital. **Office** — 1010 Lyndale Ave., North, Minneapolis, Minn.

Paper Corp. of United States (N. Y.)
Nov. 26 (letter of notification) $100,000 of 10-year profit-sharing 5% to 8% debentures due Dec. 1, 1961. **Price**—At principal amount with interest at rate of 8% per annum from Dec. 1, 1951. **Underwriter**—None. **Proceeds**—For working capital. **Office**—630 Fifth Avenue, New York 20, N. Y.

Peabody Coal Co.
March 26 filed 160,000 shares of 5½% prior preferred stock (par $25). **Price** — To be supplied by amendment. **Underwriter**—A. C. Allyn & Co., Inc., Chicago, Ill. **Proceeds**—For construction program. **Offering**—Indefinitely postponed.

★ **Penn Controls, Inc., Goshen, Ind.**
Oct. 25 filed 100,000 shares of common stock (par $2.50). **Price**—To be supplied by amendment. **Underwriter**—F. S. Moseley & Co., Boston, Mass. **Proceeds**—For expansion program and working capital. **Offering**—Not expected until after Jan. 1.

★ **Penn Fruit Co., Inc., Philadelphia, Pa.**
Nov. 21 filed 30,000 shares of 5% cumulative convertible preferred stock (par $50) and 60,000 shares of common stock (par $5), the preferred to be sold for the company's account and the common stock for the account of six selling stockholders. **Price**—To be supplied by amendment. **Underwriter**—Hemphill, Noyes, Graham, Parsons & Co., New York. **Proceeds**—To company, to reimburse treasury for expenditures made for fixtures and equipment and the balance will be added to working capital. **Offering**—Expected in a week or two.

Pennsylvania Salt Mfg. Co.
Nov. 7 filed 88,467 shares of common stock (par $10) to be offered in exchange for common stock of Sharples Chemicals Inc. on basis of 5.15 shares of Pennsylvania Salt stock for each Sharples share (conditioned upon deposit for exchange of at least 13,748 of the 17,184 outstanding shares of Sharples stock). **Underwriter**—None.

Pennzoil Co.
Dec. 3 (letter of notification) 39,658 shares of common stock (par $10) to be offered to common stockholders of record Dec. 10 at rate of one share for each 18 shares held; rights will expire on Dec. 28. South Penn Oil Co., parent, will subscribe for 31,693 shares, or 79.915% of the issue. **Price**—$33.25 per share. **Underwriter**—None. **Proceeds**—To retire debt incurred through expansion of refining and sales activities. **Office**—Drake Theater Bldg., Oil City, Pa.

★ **Pioneer Air Lines, Inc., Dallas, Tex.**
Nov. 29 filed 120,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Underwriter**—Cruttenden & Co., Chicago, Ill. **Proceeds**—To purchase new equipment. **Offering**—Expected some time in January.

Pittsburgh Plate Glass Co.
June 27 filed 450,000 shares of common stock (par $10) to be offered to certain employees of the company and its subsidiaries under a stock option plan. **Price**—At 25% of the market price on the New York Stock Exchange at time options are granted. **Underwriter**—none. **Proceeds**—For working capital.

Poor Charlie, Inc., New York
Nov. 28 (letter of notification) 2,000 shares of class B common stock. **Price**—At par ($25 per share). **Underwriter**—None. **Proceeds**—For working capital. **Office**—166 West 75th St., New York, N. Y.

Procter & Gamble Co., Cincinnati, O.
Nov. 14 filed 300,000 shares of common stock for sale to certain employees under the terms of the Procter & Gamble Stock Option Plan.

★ **Public Service Co. of New Hampshire**
Nov. 9 filed 235,809 shares of common stock (par $10). **Underwriter**—Issue awarded on Dec. 12 to Kidder, Peabody & Co. and Blyth & Co., Inc. (jointly) on their bid of $21.741 per share. Reoffering is planned at $23.12½ per share. **Proceeds**—To reduce short-term borrowings and for construction program. Statement effective Dec. 4.

Puritan Life Insurance Co., Providence, R. I.
Oct. 9 (letter of notification) 2,000 shares of capital stock (par $25). **Price**—$75 per share. **Underwriter**—None. **Proceeds** — For working capital. **Office** — Turks Head Bldg., Providence 1, R. I.

Queen City Fire Insurance Co.
Nov. 5 (letter of notification) 500 shares of common stock (par $100) to be offered to stockholders of record about Nov. 12. **Price** — $400 per share. **Underwriter** — None. **Proceeds**—For working capital. **Office**—Sioux Falls, S. D.

Ritchie Associates Finance Corp.
Sept. 18 (letter of notification) $200,000 of 6% 15-year debentures, dated July 1, 1951, to be issued in multiples of $100. **Underwriter**—Cohu & Co., New York. **Proceeds**—To retire debts and purchase building. **Office**—2 East Church St., Frederick, Md.

Seaboard Finance Co.
Nov. 21 (letter of notification) 5,000 shares of common stock. **Price** — At market (approximately $19.62½ per share). **Underwriter** — None. **Proceeds**—To William A. Thompson and Elsie Thompson, selling stockholders.

Seattle Steam Corp., Seattle, Wash.
Oct. 12 (letter of notification) 3,000 shares of class B stock. **Price**—At par ($100 per share). **Underwriter**—None. **Proceeds** — To pay part of purchase price of Seattle steam heating properties and for working capital. **Office**—1411 Fourth Ave., Seattle, Wash.

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Silver Buckie Mining Co., Wallace, Ida.
Sept. 25 (letter of notification) 290,000 shares of common stock (par 10 cents). **Price**—32½ cents per share. **Underwriter**—Standard Securities Corp., Spokane, Wash., and Kellogg, Idaho. **Proceeds** — To six selling stockholders. **Address**—Box 469, Wallace, Idaho.

Skyway Broadcasting Co., Inc., Ashville, N. C.
Sept. 10 (letter of notification) 6,000 shares of common stock. **Price**—$50 per share. **Underwriter**—None. **Proceeds**—For construction and operating capital for a proposed television station.

Snoose Mining Co., Hailey, Idaho
July 19 (letter of notification) 1,000,000 shares of common stock. **Price**—At par (25 cents per share). **Underwriter**—E. W. McRoberts & Co., Twin Falls, Ida. **Proceeds**—For development of mine.

Sonic Research Corp., Boston, Mass.
Oct. 8 (letter of notification) 9,000 shares of common stock (no par). **Price**—$20 per share. **Underwriter**—None. **Proceeds**—For working capital. **Office**—15 Chardon St., Boston, Mass.

★ **Southwestern Associated Telephone Co.**
June 15, filed 17,500 shares of $5.50 cumulative preferred stock (no par). **Price**—To be supplied by amendment. **Underwriters**—Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp., both of New York, and Rauscher, Pierce & Co., Inc., Dallas, Texas. **Proceeds**—To retire $1,500,000 of bank loans and the balance added to general corporate funds. Statement withdrawn on Dec. 4.

Soya Corp. of America
Nov. 13 (letter of notification) 9,600 shares of common stock (par 1 cent). **Price** — At market (approximately 40 cents per share). **Underwriter**—Jacquin, Stanley & Co., New York. **Proceeds**—To underwriter for services rendered.

Specialized Products Corp., Birmingham, Ala.
Sept. 26 (letter of notification) 50,000 shares of common stock **Price**—$1 per share. **Underwriter**—Carlson & Co., Birmingham, Ala. **Proceeds**—For operating capital and advertising costs. **Office**—2807 Central Ave., Birmingham 9, Ala.

Stanzona Petroleum Corp., Phoenix, Ariz.
Nov. 21 (letter of notification) 287,070 shares of common stock. **Price**—At par ($1 per share). **Underwriter**—None. **Proceeds**—To acquire oil properties and for working capital. **Address**—P. O. Box 1468, Phoenix, Arizona.

Texas Southeastern Gas Co., Bellville, Tex.
May 16 (letter of notification) 19,434 shares of common stock to be offered to common stockholders through transferable warrants. **Price** — At par ($5 per share). **Underwriter**—None. **Proceeds**—For working capital.

Thatcher Glass Mfg. Co.
Nov. 14 (letter of notification) 3,000 shares of common stock (par $5). **Price**—At market (about $15 per share). **Underwriter**—Coleman, Fagan & Co. (as brokers) clearing through L. F. Rothschild & Co., New York. **Proceeds** — To Mrs. Helene Le Berthon Pollock, the selling stockholder.

Thermoid Co., Trenton, N. J.
Nov. 7 filed memberships in the Employees' Thrift Bonus Plan and shares of capital stock (preferred or common) to be offered to 1,500 Thermoid employees. The maximum number of shares of preferred and common stock which may be purchased by the Trust will not exceed 16,500 and 60,000, respectively. **Underwriter** — None. Statement effective Nov. 25.

Toklan Royalty Corp., Tulsa, Okla.
Oct. 11 (letter of notification) 25,000 shares of common stock (par 70 cents). **Price**—$4.50 per share. **Underwriter**—None. **Proceeds**—To purchase for investment 450,000 shares of capital stock of Palmer Stendel Oil Co. **Office**—635-644 Kennedy Building, Tulsa, Okla.

United Fire & Casualty Co., Cedar Rapids, Iowa
Nov. 16 (letter of notification) 2,161 shares of capital stock (par $10) to be offered for subscription by stockholders. **Price**—$26 per share. **Underwriter**—None. **Proceeds**—To restore capital. **Office**—810 First Ave., N. E., Cedar Rapids, Ia.

★ **United Merchants & Manufacturers, Inc., N. Y.**
Nov. 2 filed 300,000 shares of common stock (par $1) to be issuable under "The Employees Stock Purchase Plan and The Executive Employees Restricted Stock Option Plan." **Underwriter**—None. **Proceeds**—For general corporate purposes. Statement effective Nov. 29.

United States Radiator Corp., Detroit, Mich.
Oct. 22 (letter of notification) 5,085 shares of preferred stock (par $50). **Price**—At market (estimated at $44 per share). **Underwriter** — None. **Proceeds** — For working capital. **Office**—300 Buhl Bldg., Detroit 25, Mich.

U. S. Rubber Reclaiming Co., Inc.
Nov. 2 (letter of notification) 4,224 shares of common stock (par $1). **Price**—At market, but not less than $5 per share. **Underwriter**—None, but Ladenburg, Thalmann & Co., New York, will act as broker. **Proceeds**—To selling stockholder.

★ **Van Norman Co., Springfield, Mass.**
Nov. 21 filed $2,500,000 of convertible sinking fund debentures due Dec. 1, 1971. **Price**—To be supplied by amendment. **Underwriter**—Paine, Webber, Jackson & Curtis, Boston, Mass. **Proceeds**—For machinery and working capital. **Offering** — Not expected until after January 1.

Vertientes-Camaguey Sugar Co. of Cuba (Compania Azucerera Vertientes-Cameguey de Cuba) (12/18)
Nov. 23 filed 481,307 shares of common stock to be offered to common stockholders of record Dec. 18, 1951 at rate of one share for each two shares held, with an oversubscription privilege; rights expire Jan. 18. **Price**—At par ($6.50 per share). **Underwriter**—None. **Proceeds**—To reduce short-term indebtedness and for working capital.

Victoreen Instrument Co., Cleveland, O.
Nov. 19 (letter of notification) 25,000 shares of common stock (par $1). **Price**—At market (about $4 per share). **Underwriter** — Barrett Herrick & Co., Inc., New York. **Proceeds**—To Mr. and Mrs. John A. Victoreen, the selling stockholders. **Offering**—Not immediately planned.

Victoreen Instrument Co., Cleveland, Ohio
Nov. 16 (letter of notification) 7,266 shares of common stock (par $1). **Price**—At market (approximately $4.37½ per share. **Underwriter**—Saunders, Stiver & Co., Cleveland, O. **Proceeds** — To Ernest A. Benson, the selling stockholder. **Office**—3800 Perkins Ave., Cleveland, O.

Viking Plywood & Lumber Corp., Seattle, Wash.
Oct. 19 filed 22,500 shares of common stock (no par) to be offered to employee-stockholders in minimum units of 125 shares per unit. **Price**—$20 per share. **Underwriter**—None. **Proceeds**—To purchase 50% of capital stock of Snellstrom Lumber Co.

Vulcan Iron Works, Wilkes-Barre, Pa.
Oct. 17 (letter of notification) not to exceed 17,000 shares of common stock (par 50 cents). **Price**—At the market (approximately $2 to $2¼ per share). **Underwriter**—None, but Eaton & Co., New York, will handle sales on the over-the-counter market. **Proceeds**—To John A. Roberts, Chairman, who is the selling stockholder.

Westinghouse Electric Corp., Pittsburgh, Pa.
Nov. 27 filed 500,000 shares of common stock (par $12.50) to be offered under the company's "restricted stock option plan" to certain officers and executive employees. **Underwriter**—None. **Proceeds**—For general corporate purposes.

Prospective Offerings

Allied Electric Products, Inc., Irvington, N. J.
Nov. 9, Nathan Chirelstein, Chairman, said it is probable that the company within a short time will register with the SEC an issue of long-term convertible debentures, part of which will be offered in exchange for any outstanding three-year convertible notes dated Nov. 1, 1951. **Underwriter**—Hill, Thompson & Co., Inc., New York.

● **Amurtex Oil Development Co.**
Dec. 6 it was rumored that about 500,000 shares of class A stock may be issued. **Underwriter**—Probably A. G. Becker & Co. Inc., Chicago, Ill.

★ **Arkansas Louisiana Gas Co.**
Dec. 6 it was reported company may issue and sell $35,000,000 of first mortgage bonds. **Underwriters**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Lazard Freres & Co. (jointly); Union Securities Corp.; Smith, Barney & Co.; Equitable Securities Corp. **Proceeds**—To repay bank loans and for new construction.

Atlantic Coast Line RR.
Sept. 14 it was stated that the company may refund its outstanding $22,388,000 first consolidated mortgage 4% bonds due July 1, 1952. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Kuhn, Loeb & Co.; The First Boston Corp. Offering expected some time in November.

Bing & Bing, Inc.
Aug. 30 it was reported company is contemplating sale of additional common stock following approval of 3-for-1 stock split (approved Sept. 5.) Traditional underwriter: Lehman Brothers.

Black, Sivalls & Bryson, Inc.
Nov. 30 stockholders approved a proposal to authorize a new issue of 25,000 shares of 4¾% cumulative preferred stock (with common stock purchase warrants attached). To be placed privately.

● **Brooklyn Union Gas Co.**
Nov. 30 it was announced that the company intends to borrow $18,000,000 from a group of four banks in order to finance, in part, its program to change the service to straight natural gas next year. After completion of this program the bank loans will be refunded by means of long-term borrowings, repayable over ten years.

Central Louisiana Electric Co., Inc.
Oct. 10 it was reported company plans to issue and sell $4,000,000 of debentures due 1971. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blair, Rollins & Co. Inc., Lee Higginson Corp., W. C. Langley & Co. and Carl M. Loeb, Rhoades & Co. (jointly).

● **Central Louisiana Electric Co., Inc.**
Dec. 3 it was announced that company contemplates sale of $2,980,000 of additional debentures (probably privately) and $1,500,000 additional common stock early in 1952 (probably to stockholders through rights), following the merger into company of Gulf Public Service Co., Inc.

Chicago, Rock Island & Pacific RR. (12/18)
Bids will be received up to noon (CST) on Dec. 18 at the office of the Treasurer of the company, Room 1136, LaSalle Street Station, Chicago 5, Ill., for the purchase from the company of $4,950,000 equipment trust certificates, series L, to be dated Jan. 1, 1952, and to mature in 30 equal semi-annual instalments from July 1, 1952, to Jan. 1, 1967, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Chicago & Western Indiana RR.
June 2 it was reported company expects to be in the market late this year or early in 1952 with a new issue of approximately $70,000,000 of first mortgage bonds, due 1981, of which about $65,000,000 will be sold initially. **Price**—Not less than par. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Lee Higginson Corp.; Harris, Hall & Co. (Inc.); Drexel & Co.; Kuhn, Loeb & Co. and Salomon Bros. & Hutzler (jointly); Harriman Ripley & Co., Inc.; First Boston Corp.; Lehman Brothers; Paine, Webber, Jackson & Curtis; Kidder, Peabody & Co. **Proceeds**—To refund $49,988,000 of 4% non-callable consolidated first mortgage bonds due July 1, 1952, and to redeem $13,747,000 first and refunding mortgage 4¼% bonds, series D, due Sept. 1, 1962. The remainder will go towards property improvements, etc.

Cincinnati Gas & Electric Co.
April 7 it was reported company expects to market late this year or early in 1952 between $25,000,000 and $30,000,000 of new bonds. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Kuhn, Loeb & Co. and Salomon Bros. & Hutzler (jointly); Blyth & Co., Inc., and The First Boston Corp. (jointly); Union Securities Corp.; Glore, Forgan & Co. and White, Weld & Co. (jointly); Lehman Brothers; Harriman Ripley & Co., Inc.; Merrill Lynch, Pierce, Fenner & Beane. Proceeds will be used for construction program.

Columbia Gas System, Inc.
Nov. 26 it was announced that it is the present intention of the company to sell securities in 1952 for the purpose of refunding the $20,000,000 of 2½% bank notes due June 15, 1952. The type or aggregate amount of securities which may be sold during 1952 cannot be determined at this time.

Consolidated Grocers Corp.
Oct. 8 it was stated company plans issuance and sale of $10,000,000 of preferred stock (par $50). **Underwriter**—A. C. Allyn & Co., Inc., New York. **Proceeds**—To retire present outstanding 5% preferred stock and to expand output of company's eight divisions.

Cott Beverage Corp., New Haven, Conn.
Aug. 22 it was stated that the company plans issuance and sale of 30,000 shares of preferred stock (par $10), each share to carry a bonus of common stock. **Underwriter**—Ira Haupt & Co., New York. **Proceeds**—For expansion program.

County Gas Co., Atlantic Highlands, N. J.
Nov. 15 it was announced company will pay about $15,000,000 for the gas properties of Jersey Central Power & Light Co. Method and type of securities to be sold to finance this purchase not yet determined.

Dayton Power & Light Co.
Nov. 13 it was reported that company may soon do some additional financing in connection with its construction program. **Underwriters**—For any bonds to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Blyth & Co., Inc. and The First Boston Corp. (jointly); Lehman Brothers; Union Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane; Harriman Ripley & Co., Inc. If common stock, underwriters may include Morgan Stanley & Co. and W. E. Hutton & Co.

Eastern Stainless Steel Corp.
Oct. 25 the stockholders approved a proposal increasing the authorized capital stock to 750,000 shares from 500,000 shares, of which 420,000 shares are outstanding. Additional shares may be issued to stockholders, and the proceeds used for expansion. Traditional underwriter: J. Arthur Warner & Co. Inc., New York.

Foote Bros. Gear & Machine Corp.
Oct. 25 it was reported that company may offer additional common stock early next year. Probable underwriter—A. C. Allyn & Co., Inc., Chicago, Ill.

Fort Dodge, Des Moines & Southern Ry.
Nov. 1 company applied to ICC for authority to issue and sell $750,000 first mortgage bonds. Proceeds will be used to build additional power plant facilities.

Hahn Aviation Products, Inc.
Aug. 24 it was announced company proposes to offer 12,500 additional common stock (par $1), in addition to 17,500 shares recently offered. **Underwriter** — None. **Proceeds** — For engineering, acquisition of machinery and other corporate purposes. **Office**—2636 No. Hutchinson St., Philadelphia 33, Pa.

Illinois Bell Telephone Co.
June 27 W. V. Kahler, President, announced that this company (approximately 99.31% owned by American Telephone & Telegraph Co.) plans issuance and sale, sometime before the end of the year, of 682,454 additional shares of capital stock to its stockholders. **Underwriter**—None. **Proceeds**—To repay short-term loans and for new construction.

Illinois Central RR.
Nov. 16, the directors authorized, pending a favorable market, the issue and sale of up to $25,000,000 of consolidated mortgage bonds. **Underwriters** — May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Morgan Stanley & Co. **Proceeds** — To retire debt maturing in next four years and to replace depleted working capital.

Indiana & Michigan Electric Co. (1/22)
Nov. 20 it was announced company plans to issue and sell $17,000,000 of first mortgage bonds due 1982 and

$6,000,000 of serial notes due 1956 to 1967, inclusive. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Union Securities Corp.; Harriman Ripley & Co., Inc. **Proceeds**—To repay bank loans and for new construction. **Registration**—Expected Dec. 19. **Bids**—Expected to be received on Jan. 22.

Interstate Power Co.
Nov. 28 it was reported company plans to issue and sell about $2,000,000 of first mortgage bonds and $3,000,000 of common stock before April 15, 1952. **Underwriters**—To be decided by competitive bidding. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Merrill Lynch, Pierce, Fenner & Beane; Smith, Barney & Co.; Salomon Bros. & Hutzler. Probable bidders for common stock: Blyth & Co., Inc.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly); Smith, Barney & Co.; Harriman Ripley & Co. Inc.

Iowa-Illinois Gas & Electric Co.
Oct. 8 it was announced that the company contemplates issuance and sale over the next three years of about 60,000 shares of preferred stock (par $100) or $6,000,000 in debentures; also an issue of about $12,000,000 in first mortgage bonds. **Underwriters**—For bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Harriman Ripley & Co., Inc., Union Securities Corp. and White, Weld & Co. (jointly); Equitable Securities Corp.; Glore, Forgan & Co.; Harris, Hall & Co. (Inc.); Lehman Brothers; Blyth & Co.; The First Boston Corp.; Smith, Barney & Co. The following may bid for preferred stock: Blyth & Co., Inc.; Merrill Lynch, Pierce, Fenner & Beane; Kidder, Peabody & Co., in addition to those mentioned as probable bidders for the bonds, with the exception of Halsey, Stuart & Co. Inc. Proceeds from the sale of the preferred stock or debentures (probably late this year) will be used to retire a $6,000,000 bank loan used to finance, in part, the company's construction program.

Iowa Southern Utilities Co.
Nov. 14 it was announced company plans to issue and sell in the near future first mortgage bonds and contemplates sale of approximately $5,000,000 additional securities in 1953. Previous bond financing was done privately. **Proceeds** from bond sale, to repay $7,000,000 bank loans. **Registration**—Of preferred stock, see a preceding column.

● **Jamaica Water Supply Co.**
Dec. 3 it was stated that company has applied to New York P. S. Commission for authority to issue and sell $1,200,000 of first mortgage bonds (probably privately) and approximately 13,600 shares of common stock. **Traditional Underwriter**—Blyth & Co., Inc.

Kansas City Stock Yards Co.
Dec. 4 it was announced stockholders will vote Dec. 12 on approving a proposal to issue $4,739,000 of 40-year 5% debentures in exchange for the outstanding 47,390 shares of $100 par preferred stock on a basis of $100 of debentures for each preferred share.

Laclede Gas Co.
Nov. 10 it was announced company has requested Mississippi River Fuel Corp. to dispose of its Laclede Gas Co. (248,400 shares, or 8.2% of total 3,039,860 shares outstanding). Latter has appealed to Missouri P. S. Commission and the SEC.

Marshall Field & Co., Chicago, Ill.
Nov. 28 it was reported company may be planning issuance and sale of 150,000 shares of $100 par convertible preferred stock. **Underwriters**—Glore, Forgan & Co. and Lee Higginson Corp.

Mengel Co.
Aug. 10, Alvan A. Voit, President, stated that the company plans to spend from $15,000,000 to $20,000,000 for expansion, but that plans for financing have not yet been completed. Traditional underwriter—F. S. Moseley & Co.

Merritt-Chapman & Scott Corp.
Oct. 23 it was announced stockholders will vote Jan. 15, 1952 on approving the creation of an authorized issue of 100,000 shares of convertible preferred stock (par $50). **Underwriter**—Carl M. Loeb, Rhoades & Co. **Proceeds**—For expansion program.

● **Metropolitan Edison Co.**
Dec. 11 it was reported company is considering a $16,000,000 financing program for early next year, which will include issue and sale of 40,000 shares of preferred stock (par $100) and about $8,000,000 of bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders for bonds—Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Union Securities Corp.; Drexel & Co.; The First Boston Corp.; White, Weld & Co. and Equitable Securities Corp. (jointly); Kidder, Peabody & Co.; Carl M. Loeb, Rhoades & Co. Probable bidders for preferred—Kidder, Peabody & Co.; Smith, Barney & Co. and Goldman, Sachs & Co. (jointly); Carl M. Loeb, Rhoades & Co.; Drexel & Co.; Harriman Ripley & Co. Inc. and Union Securities Corp. (jointly); Salomon Bros. & Hutzler; The First Boston Corp. **Offering**—Expected at end of February or the middle of March.

Middle East Industries Corp., N. Y.
Oct. 31 it was announced company plans to expand its capitalization in the near future and to register its securities with the SEC preliminary to a large public offering, the funds to be used to build new industrial projects in Israel.

Mississippi Valley Gas Co.
Nov. 19, it was announced that subject to approval of SEC and FPC Equitable Securities Corp. has agreed to purchase the natural gas properties of Mississippi Power & Light Co. for approximately $11,000,000, effective about Jan. 1, 1952. It is planned to organize Mississippi Valley Gas Co. to operate these properties and later expects to issue and sell first mortgage bonds and common stock, following final approval by the Commissions.

★ **National Union Radio Corp.**
Nov. 29, Kenneth C. Meinken, President, announced company plans to raise more than $5,000,000 of "new money" through sale of stock or from loans. **Proceeds**—For expansion program, involving a new plant to be constructed in Philadelphia. **Underwriter**—Probably Collin, Norton & Co., Toledo, O. **Registration**—Expected in two months.

New England Power Co.
Sept. 6 it was reported that company plans to sell about 50,000 shares of preferred stock later this year. **Underwriters**—To be determined by competitive bidding. Probable bidders: Lehman Brothers; Equitable Securities Corp. and Carl M. Loeb, Rhoades & Co. (jointly); The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; Kidder, Peabody & Co.; The First Boston Corp.; W. C. Langley & Co.; Harriman Ripley & Co., Inc. **Proceeds**—To repay bank loans and for construction program.

Niagara Frontier Transit System, Inc. (12/18)
Nov. 26 it was announced that J. W. Van Allen and H. W. Keitzel, trustees of International Ry. Co., will receive bids up to 5 p.m.(EST) on Dec. 18 for the purchase from them of all or part of 1,515 shares of common stock of Niagara Frontier representing the fractional shares arising in connection with the distribution made to approximately 3,300 creditors as provided in International's plan of reorganization. Bids will be received by the trustees, c/o the U. S. District Court for the Western District of New York, Niagara Square, Buffalo, N. Y. The net proceeds will be distributed to persons entitled thereto under the reorganization plan.

Northern Natural Gas Co.
Nov. 16 it was reported that permanent financing is not expected to be concluded until 1952 (probable in January or February) to repay $42,000,000 of bank loans and to provide additional funds for company's construction program. This financing may consist of about $32,000,000 of debentures and $18,000,000 of common stock. Latter may be offered to common stockholders, without underwriting. Probable bidders for debentures: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; The First Boston Corp. and Kidder, Peabody & Co. (jointly).

Northern States Power Co. (Minn.)
Oct. 25 it was announced company estimates that approximately $32,500,000 of new money will be required to finance its construction program for 1951 and 1952 through the sale next year of common stock, and senior securities. Probable bidders for stock and bonds: Smith, Barney & Co.; The First Boston Corp.; Glore, Forgan & Co.; Lehman Brothers and Riter & Co. (jointly); Equitable Securities Corp.; Union Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane; Kidder, Peabody & Co. and White, Weld & Co. (jointly). Probable bidder on bonds only: Halsey, Stuart & Co. Inc.

O'Brien Brothers, New York City (12/13)
Dec. 4 it was announced that 3,225 shares (or 32½%) of capital stock of O'Brien Brothers, 120 shares (or 40%) of the capital stock of O'Brien Brothers Towing Co., Inc., and 120 shares (40%) of the capital stock of O'Brien Brothers Shipyard Corp. will be sold at public auction at the office of Adrian H. Muller & Son, Room 2010, 39 Broadway, New York, N. Y., at 3 p.m. (EST) on Dec. 13.

Olsen, Inc., Elyria, O.
Oct. 19 it was reported early registration is planned of about 225,000 shares of common stock. **Underwriter**—McDonald & Co., Cleveland, O. **Proceeds**—To certain selling stockholders. **Business**—Manufactures hot air furnaces. **Offering**—Expected in January.

Parkersburg Rig & Reel Co.
Aug. 1 A. Sidney Knowles, Chairman and President, announced that the directors have approved in principle a plan to offer a modest amount (not exceeding $300,000) of common stock for subscription by common stockholders. This may involve the issuance of 24,700 additional shares on a one-for-eight basis. There are presently outstanding 197,600 shares of $1 par value. **Probable Underwriter**—H. M. Byllesby & Co., Chicago, Ill. **Proceeds**—For working capital.

Pennsylvania RR.
Nov. 16 it was reported that the company may soon sell an issue of equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

● **Public Service Electric & Gas Co.**
Dec. 7 it was announced stockholders will on Jan. 17 vote on approving a proposal to increase the amount of authorized preferred stock from 500,000 to 1,000,000 shares and to increase the limit of unsecured indebtedness. There are, however, no present plans for additional financing. In November, the company sold through Morgan Stanley & Co., Drexel & Co. and Glore, Forgan & Co. an issue of 249,942 shares of 4.70% cumulative preferred stock (par $100), thus exhausting the amount of presently authorized preferred stock.

Purex Corp., Ltd.
Oct. 25 stockholders voted to increase the authorized common stock to 1,000,000 shares from 500,000 shares. Traditional underwriters: Blyth & Co., Inc., New York; William R. Staats & Co., Inc., Los Angeles, Calif.

Robertson (H. H.) Co., Pittsburgh, Pa.
Nov. 16 it was announced stockholders will in April, 1952, vote on a proposal to increase the authorized common stock from 250,000 shares (all outstanding) to 1,000,000 shares in order to make additional stock available for such corporate purposes as acquisition of new properties, to provide additional capital funds or declaration of stock dividends.

Rochester Gas & Electric Corp.
Aug. 1 it was announced that company expects to issue $5,000,000 additional first mortgage bonds and additional debt securities or preferred or common stocks, bank borrowings, or some combination thereof, in connection with its construction program. The method of obtaining such additional cash requirement has not been determined. Previous bond financing was done privately. July 18, it was reported that the company expects to raise money through the sale of some preferred stock later this year. **Underwriter**—Probably The First Boston Corp., New York. **Proceeds**—To finance, in part, a $10,000,000 construction program the company has budgeted for the next two years.

Ryan Aeronautical Co., San Diego, Calif.
Aug. 4 it was announced company plans to increase its authorized capital stock (par $1) from 500,000 to 1,000,000 shares in order to place it in a position to do appropriate financing of some form of its own securities if and when advantageous to the company. The new financing may take the form of a general offering for sale to the public or granting of rights to stockholders; or the reservation for conversion of long-term indebtedness which could be issued with provision for convertibility into common stock. The company presently has outstanding 439,193 shares of capital stock, of which 45,350 shares are held by the wholly owned subsidiary, Ryan School of Aeronautics.

Schering Corp.
Oct 3 it was reported that the sale of the company's entire common stock issue (440,000 shares) was not expected for at least two months. The sale will be made to the highest bidder by the Office of Alien Property. Probable bidders: A. G. Becker & Co. (Inc.), Union Securities Corp. and Ladenburg, Thalmann & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Kidder, Peabody & Co.; F. Eberstadt & Co.; Allen & Co.; new company formed by United States & International Securities Corp., Dillon, Read & Co.; F. S. Moseley & Co.; Riter & Co.

Seaboard & Western Airlines, Inc.
Oct. 19 it was reported that company plans financing totaling $6,500,000 to $7,000,000 for purchase of new equipment. May be placed privately.

South Jersey Gas Co.
April 24 Earl Smith, President, announced company plans a bond issue of more than $8,000,000 by fall of this year. **Underwriters**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Blyth & Co., Inc. **Proceeds**—To refund the presently outstanding $4,000,000 of 4⅛% first mortgage bonds and repay outstanding short-term bank notes which are due before the end of the year.

Southern California Edison Co.
Aug. 29 it was announced company may have to raise approximately $49,900,000 more through additional financing to take care of its 1951-1952 construction program. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Blyth & Co., Inc.; The First Boston Corp. and Harris, Hall & Co., Inc. (jointly). These bankers bid for the $30,000,000 issue of 3⅛% first and refunding mortgage bonds which were sold last week. The nature, amounts and timing of the new financing cannot now be determined, and will depend in part on market conditions existing from time to time and may include temporary bank loans.

Southern California Gas Co.
April 4, the company indicated it would this year be in the market with $18,000,000 of senior securities. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; White, Weld & Co.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane and Harris, Hall & Co. (Inc.) (jointly). **Offering**—Expected in the Fall.

Southern Natural Gas Co.
July 31 it was announced company has filed an application with FPC for permission to construct additional facilities to cost an estimated $13,641,000, of which approximately $9,187,000 is expected to be spent in 1951.

Southern Utah Power Co.
Nov. 27 the company asked the FPC for authority to issue and sell 15,671 additional shares of its common stock (no par) to common stockholders at rate of one new share for each four shares held. **Price**—$11.50 per share. **Underwriters**—Smith, Polian & Co., Omaha, Neb., and Glidden, Morris & Co., New York. **Proceeds**—For construction program.

● **Southwestern Public Service Co. (2/1)**
Dec. 10, H. L. Nichols, Chairman, announced company plans to raise about $4,000,000 through an offering about Feb. 1 of additional stock for subscription by common stockholders at rate of one share for each 13 or 14 shares held. **Underwriter**—Dillon, Read & Co. Inc., New York. **Proceeds**—From sale of stock, together with funds from $10,000,000 bank loans or long-term debt, to be used for 1952 expansion program.

Spear & Co.
Nov. 5 announced that the management, headed by A. M. Kahn, President, which now owns 100% of the 18,750 shares of no par second preferred stock (dividend rate to be changed from $5.50 to $5 per annum), will offer this stock to common stockholders for subscription at rate of one preferred share for each 12 common shares held. **Price**—$105 per share. **Meeting**—Stockholders will vote on Dec. 5, among other things, to make the second preferred stock convertible into common stock (initial conversion rate to be 12 shares of common for each share of preferred).

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★ Texas-Ohio Gas Co., Houston, Tex.
Oct. 17 company applied to FPC for authority to construct a 1,350-mile natural gas transmission line extending from Texas into West Virginia. The project is estimated to cost $184,989,683. **Underwriter**—Kidder, Peabody & Co., New York.

Texas Utilities Co.
Sept. 24 it was reported company may issue and sell around 400,000 additional shares of common stock early in 1952. Probable bidders: The First Boston Corp. and Blyth & Co., Inc. (jointly); Union Securities Corp.; Lehman Brothers and Bear, Stearns & Co. (jointly); Goldman, Sachs & Co. and Harriman Ripley & Co. Inc. (jointly); Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly).

Thiokol Corp., Trenton, N. J.
Nov. 16 directors authorized an offering to stockholders of about 23,539 shares of capital stock (par $1) on basis of one new share for each 13 shares held (with an oversubscription privilege). **Price**—$9 per share. **Underwriter**—Probably J. G. White & Co., Inc., New York. **Proceeds**—For expansion and working capital.

Tide Water Power Co.
Sept. 17 it was reported company has applied to the North Carolina Utilities Commission for permission to borrow $1,500,000 on 3% notes. These notes would be refunded through the sale of common or preferred stock. Traditional underwriters: Union Securities Corp. and W. C. Langley & Co., New York. Proceeds from notes to be used to pay for construction costs.

Toledo Edison Co.
Nov. 20 it was reported that the company expects to spend approximately $46,500,000 for expansion in 1952 to 1955, and it has been stated that no further financing is contemplated before late 1952, when about 400,000 shares of common stock is anticipated. Probable bidders: Merrill Lynch, Pierce, Fenner & Beane; W. C. Langley & Co.; Lehman Brothers and Smith, Barney & Co. (jointly).

Transcon Lines, Los Angeles, Calif.
Nov. 19 it was reported company may be considering issuance and sale of additional common stock (par $10) which will involve about $200,000. **Underwriter**—Cruttenden & Co., Chicago, Ill.

Uarco, Inc.
Nov. 9 it was announced that company is negotiating for a public offering of part of 200,000 unissued shares of proposed new common stock (par $10). **Traditional Underwriter**—Kidder, Peabody & Co., New York. **Meeting**—Stockholders on Dec. 4 will vote on increasing the authorized common stock from 300,000 no par shares to 600,000 shares of $10 par value, 1½ shares of the new stock to be issued in exchange for each no par share held.

United Gas Corp. (1/30/52)
Nov. 28 it was reported company plans registration about Dec. 20 of $50,000,000 of 25-year first mortgage and collateral trust bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders follow: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co., White Weld & Co. and Equitable Securities Corp. (jointly) The First Boston Corp., Harriman Ripley & Co., Inc., and Goldman, Sachs & Co. (jointly). **Proceeds**—For expansion program of United Gas System and for other corporate purposes. **Bids**—Tentatively scheduled to be received up to 11:30 a.m. (EST) on Jan. 30.

● West Penn Power Co.
Dec. 6, Earle S. Thompson, President of West Penn Electric Co., the parent, will require about $23,000,000 of new capital in connection with its 1952 construction program, with about one-half to be raised by West Penn Power Co. by way of a bond issue and the remaining one-half to come from the sale of West Penn Electric Co. common stock. **Underwriters**—To be determined by competitive bidding. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; Lehman Brothers; Harriman Ripley & Co. Inc.; W. C. Langley & Co.; The First Boston Corp. Probable bidders for stock: Harriman Ripley & Co. Inc.; W. C. Langley & Co. and The First Boston Corp. (jointly); Lehman Brothers and Goldman, Sachs & Co. (jointly).

Wisconsin Public Service Corp.
Sept. 4 C. E. Kohlepp, President, announced company plans to build a $12,000,000 steam turbine power plant in Marathon County, Wis. Method of permanent financing has not yet been determined. If bonds, probable bidders may include: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Harris, Hall & Co. (Inc.); Kidder, Peabody & Co.; Carl M. Loeb, Rhoades & Co.; Salomon Bros. & Hutzler; Union Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane; Shields & Co

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Dealer-Broker Investment Recommendations and Literature

Electric Bond & Share—Memorandum—Auchincloss, Parker & Redpath, 52 Wall Street, New York 5, N. Y.

Equity Corporation—Bulletin—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y. Also available is a review of **Utilities.**

Franco Wyoming Oil Co.—Memorandum—First Southwest Co., Mercantile Bank Building, Dallas 1, Texas.

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

Joy Manufacturing Company—Data—Van Alstyne, Noel & Co., 52 Wall Street, New York 5, N. Y. Also available are data on **Plymouth Oil Company** and **Studebaker Corporation.**

Kaiser Steel Corp.—Memorandum—Fewel & Co., 453 South Spring Street, Los Angeles 13, Calif.

Mountain Fuel Supply—Analysis—Edward L. Burton & Co., 160 South Main Street, Salt Lake City 1, Utah. Also available are analysis of **Equity Oil** and **Utah Southern Oil.**

New York, Chicago & St. Louis Railroad—Memorandum—Smith, Barney & Co., 14 Wall Street, New York 5, N. Y.

Ohio Water Service Company—Analysis—Cohu & Co., 1 Wall Street, New York 5, N. Y.

Pepsi Cola Company—Analysis—Walston, Hoffman & Goodwin, 35 Wall Street, New York 5, N. Y.

Producers Oil Corporation of America—Data—E. E. Smith Co., 15 William Street, New York 5, N. Y.

San Diego Gas & Electric—Memorandum—Josephthal & Co., 120 Broadway, New York 5, N. Y.

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

Singer Manufacturing—Bulletin—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

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

West End Chemical Company—Detailed report—Kobbe & Company, Inc., 55 Liberty Street, New York 5, N. Y. Also available is a detailed report on **Columbia Machinery & Engineering Co.**

Whirlpool Corp.—Memorandum—Fulton, Reid & Co., Union Commerce Building, Cleveland 14, Ohio.

Wyoming Gulf Sulphur—Bulletin—Stanley Pelz & Co., Inc., 40 Exchange Place, New York 5, N. Y.

Dir. of Central National

Louis N. Singer has been elected a director of Central National Corp., 100 Park Avenue, New York City, underwriters. For many years he was associated with Lazard Freres, retiring as a partner in December, 1947. He is also a director of Erie Forge Co., and takes an active part in the company's affairs.

With King Merritt Co.

(Special to The Financial Chronicle)

BENECIA, Calif.—Irving E. Cox and Charles C. Hemler are with King Merritt & Co., Inc.

Barrett Herrick Adds

(Special to The Financial Chronicle)

ST. LOUIS, Mo. — George W. Daggs and James W. Shaw have joined the staff of Barrett Herrick & Co., Inc., 418 Locust Street.

Bateman, Eichler Adds

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Norman S. Pearson has been added to the staff of Bateman, Eichler & Co., 453 South Spring Street, members of the Los Angeles Stock Exchange.

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Consequences of a Wage Policy Based on Automatic Escalation

though the cumulative figure is impressive. By the year, assuming that the fruits of greater efficiency were distributed in wages, increased productivity would certainly not yield annual wage increases of 10% or even 5%. Historically, moreover, the much quoted annual increase in factory productivity of 2½% was the average of perfectly phenomenal increases in some industries, small increases in others, none at all in some, and losses in still others. The spectacular gains from rising efficiency, such as were made in the early history of the automobile industry, were largely diffused throughout the economy by competition which led to a continuously improved product sold at ever lower prices. It was this process which caused the vast increase in employment and payrolls in the automobile and related industries and the universal availability of a desirable product at prices which people could afford to pay. The experience of this industry is duplicated in the history of many others.

Moderate as an annual increment of 2½%, there are periods during which not even that amount can be counted on. For productivity to rise regularly at that rate all conditions must be right, and that is not always so. According to the best available information, factory productivity increased at a much slower rate from 1939 to 1947 and since then we have no reliable and comprehensive data to decide what has happened in the past four years.

Looking at the current period there are numerous, and usually neglected, factors which bear on the validity of the productivity principle as a justification for wage increases. Perhaps the most important of these is the change in the character of wage costs which has occurred since the end of the war. The pure rate of wages is no longer an appropriate measure of the wage costs of a business for the rate now fails to include the large and mounting costs of a growing variety of fringe issues, from vacations with pay to old age pensions. If, in computing the wage bill of a company or industry, proper allowance were made for these items it is doubtful that the recorded or anticipated gains from increasing productivity would be sufficient to cover their cost, plus the cost of the increase in the pure wage rate itself.

It should be remembered also that advances in efficiency are not costless. They are got at the price of vast capital expenditures, amounting since the end of the war to 100 billions of dollars. Much of this amount is obtained from the profits of business in the form of retained earnings. At a time when the tax rates on business income have risen to new heights it is a question of how much this source of capital investment can be counted on in the next years.

Danger of General Application of Escalation Principle

The principle of escalation has likewise more general implications. In recent years it has been urged that it is unfair to limit escalation to one segment of the population or to one type of economic transaction. Everyone is familiar with the proposal that the face value of U. S. savings bonds move up with the rise in the price level. This proposal, it has been suggested, should be extended to cover other financial instruments and incomes, thus making inflation "good" for everybody. It ought to be clear that the adoption of such a principle will promote widespread and faster price increases, the more intensive use of the printing presses, and the progressive decline in the value of money.

Behind all this is the probability that there is no national wage policy, deriving from any principle of wage settlement. If this country's munitions program, with its vast and growing government expenditures, continues well into this decade, there is no assurance that the escalator principle and the improvement factor, in their present form, will long survive the force of the demand for still higher and swifter wage increases. This appears to be the meaning of the current wage negotiations in the steel industry. For those negotiations show what we have long known that when one wage principle fails to produce the desired results it will be quickly replaced by another.

Mathieson Chemical Conv. Pfd. Stock Sold

Dillon, Read & Co. Inc. and Stone & Webster Securities Corp. head an investment banking group comprising 79 underwriters which on Dec. 12 offered for public sale a new issue of 180,000 shares of Mathieson Chemical Corp. 4.25% cumulative convertible preferred stock, 1951 series, at par ($100 per share) plus accrued dividends.

The offering was quickly oversubscribed and the books closed.

Each share of the new preferred stock is convertible at any time into the common stock of the corporation at $50 per share of common, taking the preferred stock at $100 per share. The new preferred is redeemable at $103 per share if redeemed on or before Dec. 1, 1956; at $102 per share thereafter and on or before Dec. 1, 1961; $101 per share thereafter and on or before Dec. 1, 1966; and at $100 per share thereafter.

Of the proceeds of the sale $5,000,000 will be used to prepay a short-term bank loan and approximately $3,000,000 will be used to finance rehabilitation of the Morgantown (West Virginia) Ordnance Works, which the corporation has an agreement to lease from the government. The balance will be available for general corporate purposes.

The corporation, which was incorporated in Virginia in 1892 as The Mathieson Alkali Works, is now a major producer and distributor of a wide range of industrial chemicals and agricultural chemicals. Acquisition of the plant of Mathieson Hydrocarbon Chemical Corporation through the recently completed merger will add to the corporation's products a substantial number of petroleum products and organic chemicals. The corporation's principal plants are located in Virginia, New York, Louisiana, Texas, Maryland and Kentucky. Research laboratories are maintained at Niagara Falls, N. Y.

Named Director

Marvyn Carton, of Allen & Co., 30 Broad Street, New York City, investment banking firm, has been elected a director of Fedders-Quigan Corp., manufacturer of heat exchange equipment, according to an announcement by Salvatore Giordano, President of the corporation.

Our Reporter's Report

The secondary investment market reveals signs of firming up. But there has not been anything as yet to indicate that the change for the better will be sustained. True the Treasury list gives evidence of getting help when and if needed even though on a decidedly limited scale.

Thus far, however, the improved tone in the seasoned list has not shed any great influence on the market for new debt issues. This, of course, may not be due entirely to market conditions as such. It could readily reflect the season of the year.

What with managers of major institutional portfolios hard upon the time when they must get around to the year-end closing of their records, these people become decidedly hard-boiled as buyers in the fading weeks.

The current offering of $20,000,000 of 30-year first and refunding bonds for Virginia Electric & Power Co., is a case in point. Here the bidders, six of them, were pretty well bunched in their ideas on pricing.

Only about 19 cents per $1,000 separated the winning bid of 102.301 from the next group's 102.282 and there was barely a difference of $2.40 between the highest and the lowest bids.

The successful group set a spread of about $5.60 a bond, fixing a price of 102.869 for a yield of 3.225%. But reception accorded the deal was slow and only a minor part of the offering was understood to have been spoken for at the outset.

Stocks Move Quickly

While underwriters have been sweating it out in recent months as far as marketing new debt issues is concerned, the opposite has been true generally in the case of new equity issues.

This week witnessed a series of fast stock operations. For example a banking firm brought out a block of 100,000 shares of common stock of Baxter Laboratories, Inc. priced at $17 a share. The Street saw this issue bolt ahead to sell at a premium of $4 over the offering quotation.

Similarly the group which yesterday brought out 180,000 shares of Mathieson Chemical Corp.'s cumulative convertible preferred carrying a 4¼% dividend rate, priced at $100, also found a ready market, with a small premium reported for the issue.

Niagara Mohawk

The only sizable new debt issue immediately ahead is Niagara Mohawk Power Corp.'s $15,000,000 of general mortgage bonds, due out for bids next Wednesday.

The company also will receive bids the day before for 1,000,000 shares of additional common stock to provide funds for repayment of bank loans and to defray construction costs.

There is considerable banking interest in these deals and competition should be keen with some groups bidding only for bonds and still others seeking only the stock.

Big Stock Issues Pending

Investors with a yen for equities will get the opportunity to look over two large and unrelated issues next week. The Kaiser Aluminum & Chemical Corp., has arranged with bankers for the flotation of 350,000 shares of cumulative preferred stock convertible into common for ten years.

This issue is due to reach market Monday or Tuesday and by way of providing a proper backdrop, the company this week dedicated a huge new aluminum plant just outside of New Orleans, La.

Meanwhile Federated Department Stores has projected an issue of 250,000 shares of new common to provide it with funds for expansion and general corporate purposes. This stock is due to reach the offering stage on Tuesday.

With King Merritt

(Special to THE FINANCIAL CHRONICLE)

PONTIAC, Mich. — Elmer R. Wilson is now with King Merritt & Co., Inc., 53½ West Huron Street.

Conrad, Bruce Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—R. E. Hines, Jr. is with Conrad, Bruce & Co., 530 West Sixth Street.

Joins Standard Inv. Co.

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif. — Oliver G. Tyrrell has become affiliated with Standard Investment Co. of California, 87 South Lake Avenue.

DIVIDEND NOTICES

COMBUSTION ENGINEERING-SUPERHEATER, INC.

Dividend Nos. 191 and 192

The Board of Directors of Combustion Engineering-Superheater, Inc. on December 4, 1951 declared

1. A special dividend of twenty-five cents (25c) per share on the outstanding stock of the Company, payable December 22, 1951 to stockholders of record at the close of business December 11, 1951.
2. A quarterly dividend of seventy-five cents (75c) per share on the outstanding stock of the Company, payable January 24, 1952 to stockholders of record at the close of business December 11, 1951.

OTTO W. STRAUSS, Treasurer.

Avisco®

AMERICAN VISCOSE CORPORATION

Dividend Notice

Directors of the American Viscose Corporation at their regular meeting on December 5, 1951, declared a year-end dividend of fifty cents (50¢) per share on the common stock, payable on December 28, 1951, to shareholders of record at the close of business on December 17, 1951.

WILLIAM H. BROWN
Secretary

BENEFICIAL LOAN CORPORATION

DIVIDEND NOTICE

Dividends have been declared by the Board of Directors, as follows:

CUMULATIVE PREFERRED STOCK

$3.25 Dividend Series of 1946
$.81¼ per share
(for quarterly period ending December 31, 1951)

COMMON STOCK

Quarterly Cash Dividend of $.50 per share
5% Stock Dividend

The cash dividends are payable December 28, 1951 to stockholders of record December 15, 1951, and the stock dividend is payable in Common Stock on January 31, 1952 to stockholders of record January 3, 1952. Bearer scrip certificates will be issued in lieu of fractional shares.

PHILIP KAPINAS
December 3, 1951 Treasurer

OVER 700 OFFICES — Personal Finance Co. Loans — IN U. S. AND CANADA

Exide Batteries

THE ELECTRIC STORAGE BATTERY COMPANY

205th Consecutive Quarterly Dividend

The Directors have declared from the Accumulated Surplus of the Company a year-end dividend for the year 1951 of one dollar ($1.00) per share on the Common Stock, payable December 21, 1951, to stockholders of record at the close of business on December 14, 1951. Checks will be mailed.

H. C. ALLAN,
Secretary and Treasurer

Philadelphia, December 7, 1951.

THE GARLOCK PACKING COMPANY

December 5, 1951
COMMON DIVIDEND No. 302

At a meeting of the Board of Directors, held this day, a quarterly dividend of 25¢ per share and an *extra* dividend of 50¢ per share were declared on the common stock of the Company, payable December 27, 1951, to stockholders of record at the close of business December 14, 1951.

H. B. PIERCE, *Secretary*

LONG ISLAND LIGHTING COMPANY

Notice of Quarterly Dividend

Preferred Stock, 5.25%, Series A

The Board of Directors has declared a quarterly dividend of $1.3125 per share on the Preferred Stock, 5.25%, Series A, of the Company, payable January 1, 1952 to stockholders of record at the close of business December 21, 1951.

VINCENT T. MILES
December 5, 1951 *Treasurer*

GT GENERAL TIME

GENERAL TIME CORPORATION

Dividends

The Board of Directors has declared the following dividends:

PREFERRED STOCK

The regular quarterly dividend of $1.06¼ on the 4¼ per cent cumulative preferred stock, payable January 2, 1952 to shareholders of record December 19, 1951.

COMMON STOCK

A dividend of 50 cents per share payable January 2, 1952 to shareholders of record December 19, 1951.

An additional year-end dividend of 50 cents per share, payable January 2, 1952 to shareholders of record December 19, 1951.

JOHN H. SCHMIDT
Secretary-Treasurer

December 5, 1951.

WESTCLOX • BIG BEN
SETH THOMAS
STROMBERG RECORDERS
HAYDON MOTORS

DIVIDEND NOTICES

MIAMI COPPER COMPANY

61 Broadway, New York 6, N. Y.

December 6, 1951

An extra dividend of seventy-five (75¢) cents per share has been declared, payable December 27, 1951, to stockholders of record at the close of business December 17, 1951. The transfer books of the Company will not close.

E. H. WESTLAKE, President.

The New York Central Railroad Co.

New York, December 12, 1951.

A dividend of Fifty Cents ($.50) per share on the capital stock of this Company has been declared payable January 15, 1952, at the Office of the Treasurer, 466 Lexington Avenue, New York 17, N. Y., to stockholders of record at the close of business December 26, 1951.

G. H. HOWE, Treasurer.

NATIONAL SHARES CORPORATION

14 Wall Street, New York

A special dividend of two dollars and nineteen cents ($2.19) per share has been declared this day on the Corporation's capital stock payable December 26, 1951 to stockholders of record at the close of business December 19, 1951. It is expected that approximately one dollar and sixty-four and six-tenths cents ($1.646) per share of this special dividend will be designated as a "capital gain dividend", pursuant to the provisions of the Internal Revenue Code.

The Directors have also declared a dividend of fifteen cents (15c) per share payable January 15, 1952 to stockholders of record at the close of business December 31, 1951.

JOSEPH S. STOUT, *Secretary.*
December 12, 1951.

New York & Honduras Rosario Mining Company

120 Broadway, New York 5, N. Y.

December 12, 1951.

DIVIDEND NO. 397

The Board of Directors of this Company, at a Meeting held this day, declared a dividend of One Dollar ($1.00) per share on the outstanding capital stock, payable on December 24, 1951, to stockholders of record at the close of business on December 17, 1951. This distribution represents the final dividend in respect of earnings for the year 1951.

W. C. LANGLEY, Treasurer.

NORFOLK SOUTHERN RAILWAY COMPANY

To the Holders of General Mortgage 5% Convertible Income Bonds of Norfolk Southern Railway Company:

Semi-annual interest on the above bonds amounting to 2½% of the principal amount thereof, will be paid on April 1, 1952, upon surrender of the appurtenant April 1, 1952, coupons to The Hanover Bank (formerly Central Hanover Bank & Trust Company), Trustee, at its office, No. 70 Broadway, New York City.

NORFOLK SOUTHERN RAILWAY COMPANY
By: JOSEPH T. KINGSLEY, *President.*

Dated: December 13, 1951

INTERNATIONAL SHOE COMPANY

ISCO — St. Louis

163RD CONSECUTIVE DIVIDEND

Common Stock

A quarterly dividend of 60¢ per share, payable on January 30, 1952 to stockholders of record at the close of business January 5, 1952, was declared by the Board of Directors.

ANDREW W. JOHNSON
Vice-President and Treasurer

December 4, 1951

DIVIDEND NOTICES

SEABOARD CONTAINER CORPORATION

The Board of Directors has this day declared a dividend of 37½ cents per share on the Class A common stock payable December 27, 1951 to stockholders of record at the close of business on December 20, 1951.

FREDRIC R. MANN, President
December 6, 1951, Philadelphia, Pa.

TECHNICOLOR, Inc.

The Board of Directors has declared a dividend of fifty cents (50c) a share on the Capital Stock of the Company, payable December 27, 1951, to stockholders of record at the close of business December 19, 1951.

L. G. CLARK, *Treasurer*
December 11, 1951

TOBACCO AND ALLIED STOCKS, INC.

DIVIDEND NOTICE

The Board of Directors, on the date below, declared a dividend of $1.75 per share on the capital stock without par value of this corporation, payable December 21, 1951, to stockholders of record at the close of business December 17, 1951. Transfer books will remain open. Checks will be mailed.

G. C. SCHEUERMANN,
Treasurer

December 10, 1951

Old Town CORPORATION

Manufacturers of DUPLICATING MACHINES CARBON PAPERS • RIBBONS

DIVIDEND No. 38

The Board of Directors has declared a dividend of 30 cents per share on the Common Stock of the Company, payable on December 31, 1951 to stockholders of record at the close of business on December 20, 1951.

JEROME A. EATON, *Treasurer*
December 11, 1951

MRS WAGNER'S PIES

WAGNER BAKING CORPORATION

The Board of Directors has declared the regular quarterly dividend of $1.75 per share on the 7% Preferred Stock, payable January 1, 1952. Also a dividend of 15 cents per share on the Common Stock, payable December 27, 1951. Both dividends payable to stockholders of record December 19, 1951.

J. V. STEVENS, Secretary.

ROYAL TYPEWRITER COMPANY, INC.

A dividend of 1¾%, amounting to $1.75 per share, on account of the current quarterly dividend period ending January 31, 1952, has been declared payable January 15, 1952 on the outstanding preferred stock of the Company to holders of preferred stock of record at the close of business on December 27, 1951.

A dividend of 50¢ per share has been declared payable January 15, 1952, on the outstanding common stock of the Company, of the par value of $1.00 per share, to holders of common stock of record at the close of business on December 27, 1951.

ROBERT S. MILLER
December 12, 1951 *Secretary*

ROYAL

BUSINESS BUZZ

"Okay, Chum — I'm part of de public — start financing me!"

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — Some of the more ludicrous aspects of this dismal obsession which passes for price control, as they affect the business of running a retail store, have just come to light.

One of the OPS regulations requires that retailers shall retain their invoices for two years "after the emergency." According to the most authoritative predictions of the Administration, the present emergency for preparing to stand off Russia will last some 10 to 25 years, but no one at present can be sure it will be over in 25 years.

Furthermore, these invoices must be handily filed where the OPS investigators can get at them promptly. This means, the retailers feel, that OPS probably is sympathetic to the problem the industry has of what to do with space not useful in selling merchandise in the present doldrums in the retail trade, or what to do with the space if defense production eventually bites into both inventory and production and cuts down the goods to sell. The retailers can simply replace store counters with filing cabinets for use of OPS inspectors.

OPS also requires that retailers shall retain duplicate copies of all sales slips for six months. The average retail sale in the first six months of 1951 for one class of retailers was $4.19. For a store with $10,000,000 of sales, the storage and filing problem is something. For a couple of big department stores in New York City whose sales go way beyond $100,000,000 a year, the problem is more than something.

* * *

OPS has indicated that it is not always averse to giving price relief, especially on a small scale.

For instance, the Price Stabilization agency has just proclaimed with all the pomp and red tape at its command, that it will be permissible for frozen food locker plants in Colorado to raise by 70 cents per head their charges for processing wild deer, elk and antelope killed in the one State during the calendar year 1951.

This required, of course, hours of tedious study by OPS economists, legal draftsmanship by OPS counsel, formal publication in the "Federal Register," x-teen copies to be printed, and so on.

* * *

Under another of these resounding regulations, OPS has established rules respecting "new sellers," i.e., new vendors. If a department store in Washington, D. C., for instance, establishes a branch in Arlington County, Va., as some of them have done, then the OPS will not accept the pricing chart used by the parent store, said chart being part of the rigamarole by which the store learns how much it could sell a bobby pin or a toy train for if the customer would pay the price.

It matters not that the goods for the branch store come out of the parent store or its warehouses or the price is the same. The branch store must file a different price chart to establish a different pricing "history."

This probably even would go so far as to prevent a department store, for instance, from consolidating its bargain basement shoe counter with its ground floor retail shoe outlet into one contiguous physical merchandising layout. The consolidated counter would be a "new seller" and the department store would have to go through it all again with the OPS.

* * *

Another of the zoo of OPS freaks comes from its failure to recognize any flexible means of handling the problem of replacing new goods at a lower price than inventory.

Let us say that a hat store got itself a pretty good stock of a popular hat at a wholesale price of $5. Its traditional mark-up has been 10%. It could sell the hat for $5.50 retail.

But now the same item is available from a manufacturer anxious to sell at $4.50. Under the Herlong amendment to DPA, the retailer can sell the hat at a 10% mark-up, or for $4.95.

So the retailer has the privilege of selling hats bought in say, June, for $5.50, and the same hats bought, say in October, for $4.95. He has the alternative of selling them at two different prices for the same item, or selling them at $4.95. He would land in the courts if he attempted to sell all for $5.50, even if he could sell at the higher price on the whole lot.

The retailer obviously couldn't mark down his hats paid for at the rate of $5.00 per unit to $4.95 —or, while he might do that on an occasional item, he could not do it on a total soft goods inventory overall that was still showing no signs of declining in price, without going broke.

Hence, the retail industry has approached OPS and asked for permission to average a price between new acquisitions and inventory, in order that the same item could move at a lower price without being sold at a loss. OPS so far is suspicious. It doesn't trust the retail industry to suggest a sensible way out.

Entirely competent sources say that this snafu caused by OPS is seriously hindering not only the working off of inventory, but the realization by the public of the advantage of falling prices. Such an objective, in theory, is a purpose of such a bureaucratic animal as OPS. Inventories of specialty and department stores on June 30 were 29% above a year previous.

* * *

This OPS nonsense appears to be particularly difficult for the retailing industry to bear at the present time. According to a study seen here, the net profits after taxes of some 400 department stores and specialty shops during the first half of 1951, were down 56½% below the corresponding period of 1950—a good year, of course. Unless the Santa Claus business is especially good this month, these outlets will show for the year as a whole a drop of 60% in profits after taxes.

While sales dollarwise in the first six months of these outlets aggregated 2% above the 1950 period, administrative costs were higher by 5.6%; occupancy costs, 3.2%; buying expense, 4.2%, and selling expense, 3.8%.

* * *

OPS has ruled that as of Dec. 12 the motor car industry may take its hat in hand and try to convince the Stabilization agency that it is entitled to higher price ceilings.

It is expected that most of the industry will petition for higher price ceiling, but that prices actually will be further raised on very few models of cars even if permitted by government. OPS allowed a price rise of 3.5% last March, of 4% to 6% in September, and a further rise of 3% was provided because of the additional excise tax on automobiles.

In the light of the dull market for motor cars, the industry is not expected to attempt to boost its selling prices unless necessary. The petition for higher ceilings will be in the nature of a hedge against a possible rise in the price of steel when the government has got through bestowing consumer generosity upon the steel workers union. It is a rule of thumb that a rise of $5 per ton in the price of steel raises the price of a car from $50 to $200, depending upon the model.

While the passenger car business is on the doldrums, this is not the case with trucks. Output and sales of trucks are expected to reach 1.4 million units in 1951, compared with 1.3 million units in 1948, the previous banner production year. The industry is reported to feel that it can look forward, other things being equal, to an output averaging 1.2 million units a year for the next several years. This is twice the pre-War II volume.

(This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.)