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EDITORIAL

As We See It

Continued deadlock in the Korean negotiations, which have for some time been apparently bordering on the hopeless so far as reaching any real truce is concerned; further extension of the troubles in Egypt, with definite threat of a very considerable spread of armed conflict there; continued danger of Communist-dominated uprisings in Iran despite what appears on the surface to be almost a surrender on the part of the United States in the matter of aid granted; dramatic demand by Governor Dewey for a Pacific pact on the order of the North Atlantic arrangement; extended discussion of related problems by such men in public life as President Truman, Senator Lehman and the Secretary of State, during the latter part of the week in New York City, where so-called Point Four matters came in for a good deal of attention — these are but a few of the more recent developments in what is sometimes called the international front.

There can be no doubt, indeed it is perfectly obvious, that we live in an era when some sort of ferment is at work almost everywhere. We shall not undertake in this place to search out all the major causes. It would be foolish to suppose that the virus is at work only in so-called colonial areas or in lands where peoples still live under primitive conditions, in poverty or in more or less constant danger of starvation. Several of the European countries ordinarily included among the "free peoples" have for a good while been suffering from it, notably Great Britain and France. Certainly it has long been evident enough in this country, which, strangely enough,

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Our Foreign and Military Policies Are Unrealistic

By HON. HERBERT HOOVER*
Ex-President of the United States

Former President, reviving great debate over our arms policy abroad, reiterates his proposals of year ago, advocates withdrawal of American troops from Europe and concentrating on defense of Western Hemisphere. Urges military support to Western Europe be limited to air and naval power, so as to reduce our economic risks and assure our economic strength, thus avoiding dangers of socialism and higher taxation.

The Sabbath Day is an appropriate day to discuss our problems of peace. Unfortunately on this Sabbath Day, despite our full goodwill to mankind, peace rests upon defense from Communist aggression. And that includes defense of our religious faiths.

Herbert Hoover

One year ago we engaged in a great debate on our foreign and military policies.

At that time we were repeatedly told that United States policies were based upon what was called "a calculated risk," which meant risk of war or economic degeneration. With that as a basis of national policies, a changing world demands constant recalculation of risk and reconsideration of alternatives.

The risks are so great that, with our experience over the past year, the Congress should now again recalculate.

I do not propose on this occasion to review how we got into these dangerous cold and hot wars, but to start from where we are now.

To indicate the necessity for recalculation of risks, I will make a short appraisal of the situations in the

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*Text of address by Mr. Hoover over a nationwide radio and television network, New York City, January 27, 1952.

Bank Earnings, Book Values, "Windfall Profit" Mergers

By WILLIAM A. LYON*
Superintendent of Banks, New York State

In calling attention to low earnings of bank capital, N. Y. State Banking Superintendent points out "banks continue to be worth more dead than alive." Deplores bank mergers which arise out of efforts to profit by gap between liquidation-value and market-value of bank shares. May ask Legislature for authority to pass on certain acquisitions of sizable blocks of bank stock.

A year ago I said, with more than a trace of indignation and asperity, that bank earnings were too low. The cause I found in the low level of interest rates, and I indicated that neither the Treasury nor industry was paying living wages for the credit being used.

Wm. A. Lyon

Well, bank earnings are still too low, relatively, but the reasons are different. Interest rates have gone up in the last 12 months. The Federal Reserve wrenched itself free last March of the restraining hand of the Treasury. Gross earnings have improved noticeably, but now something else has happened. It has been said of human nature that when you pinch her one place she bulges out in another. So it is with bank earnings: once gross began to improve the higher tax rate came along to take the gain away. If last year could produce the miracle of an unpegged government securities market, this year may show that it can perform a miracle of its own by seeing that something is done about bank taxes.

Such a hope may not be so outlandish. The Federal Reserve Board has shown commendable leadership by enlisting the cooperation of other supervisory agencies and bankers' associations in the preparation and dis-

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*An address by Supt. Lyon before the Annual Mid-Winter Meeting of the New York State Bankers Association, New York City, Jan. 21, 1952.

MORE BUSINESS FORECASTS IN THIS ISSUE—Starting on page 3 we present some more opinions on the outlook for Trade, Finance and Industry which could not be accommodated in our ANNUAL REVIEW and OUTLOOK ISSUE of Jan. 17.

The Security I Like Best

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

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

This Week's Forum Participants and Their Selections

Consolidated Rock Products Co.—Allen J. McNeal, Partner, Price, McNeal & Co., New York City. (Page 2)

Treasury 2¼s of June 15, 1962/59—Donald L. Moffat, Assistant Vice-President, C. F. Childs & Co., Inc., Chicago. (Page 2)

ALLEN J. McNEAL

Partner, Price, McNeal & Co., New York City, N. Y.

Consolidated Rock Products Co.

Usually a stock which sells around $1.50 a share is frowned upon by conservative investors and advisory services as being highly speculative and something to avoid.

Allen J. McNeal

The real reason for this idea is that most stocks selling around this figure are either new promotions or stock of companies that are in bad shape financially and perhaps about ready to fold up.

It is the hope of every investor or speculator that some day he can latch on to a low-priced stock, which will afford him an opportunity to buy a lot of shares and have the price increase 100 to 500% or more, and thereby make for himself a real nice profit on perhaps a small outlay of cash.

My choice of a low-priced stock, which in my opinion is sound and may have those appreciation possibilities, which every investor is looking for, is Consolidated Rock Products Co. common, currently quoted $1.45 bid and offered at $1.55 over-the-counter.

Consolidated Rock Products Co. is a leading producer of sand, gravel and crushed rock in Southern California, whose products are used in the construction and maintenance of railroads, highways, streets and buildings, as well as irrigation, reclamations and flood control projects.

The company also sells cement and ready mixed concrete and since 1949 merchandising of building materials has become an important part of the business of the company.

Operations of the company cover a substantial part of the Southern California area from Santa Barbara County on the north to San Diego County on the south and east to San Bernadino.

Consolidated provides the most extensive facilities in Southern California for complete building material service, with 23 strategically located branch yards.

The company owns and operates eight sand and gravel producing plants with a combined hourly capacity of 2,500 tons, 14 distributing bunkers with storage capacity of 38,000 tons and five additional sites for bunkers and storage yards.

Company also owns about 2,250 acres of sand, gravel and rock deposits and controls under lease about 2,600 acres—total estimated reserves are in excess of 450 million tons.

In addition, company owns and operates a 4,717-foot conveyor belt and 200 motor trucks of automatic self-dumping type.

CAPITALIZATION

	Dec. 31,'44	Dec. 31,'51
*Funded debt	$2,944,000	†$900,000
Common stk. ($1 par)	3,196,091 shs.	3,196,091 shs.

†Estimated.

*Funded debt on Dec. 31, 1944 consisted of First Mortgage 3-5s fixed & income bonds due 1960. As of Dec. 31, 1950 these bonds had been reduced to $1,055,500 and on May 1st, 1951 the entire balance was retired with cash and a five-year bank loan of $1,000,000 bearing interest at 3½%. Under the terms of this loan 50% of net earnings or a minimum of $100,000 are to be applied to reduction of the loan and 50% is available for other corporate purposes. Until the old 3-5% bonds were reduced to $1,250,000, late in 1950, no dividends could be paid on the common stock. Thus 1951 was the first year in which dividends could have been paid on the common stock of Consolidated Rock Products Co.

Since Dec. 31, 1944 to Dec. 31, 1951, Consolidated Rock has accomplished the following:

(1) Funded debt bearing 5% interest reduced from $2,944,000 to $900,000 (estimated) at the end of 1951, bearing 3½% interest.

(2) Expended for rehabilitation, replacements and improvements a total of approximately $4,175,847.

The total amount of money used for these two items, amounting to approximately $6,175,000, was made possible through earnings for these years of approximately $7,655,751, leaving a cash gain over and above these expenditures of about $1,400,000.

Depreciation, depletion and property amortization charges for the seven-year period totaled about $4,144,151.

As of the end of 1950, Consolidated Rock Products had current assets of $2,541,712, including cash of $818,410 against current liabilities of $1,679,848.

Capital and surplus totaled $6,675,592, providing a book value for the common stock of $2.09.

The annual report for 1951 is not yet available, so the figures shown for that year in the accompanying tabulation of the company's earnings record are only estimated and may be more or less than shown.

Since Consolidated Rock Products is located in California, it seems fitting to recite herewith some statistics regarding that state.

The state's population on April 1, 1950, was 10,586,233, a gain of 3,678,836 or 53.3% in 10 years against the national increase of 14.5% in population. California ranked second among the states in 1950, up from fifth place in 1940, and from 21st place in 1900. Civilian workers increased from 2,574,000 to 4,351,000 between April, 1940 and April, 1951.

Total income of California people aggregated $18.5 billion in 1950 against $5.6 billion in 1940. 8.4% of the nation's retail trade was transacted in California and California produced 8.1% of the nation's sales of building materials and hardware and 9.2% of service station sales.

New capital invested by California manufacturing industries in new plants and expansion projects totaled $1,555,000,000 in the postwar years (1945-1950) covering 8,624 projects.

Value added by manufacture in the state grew from $92 million in 1899 to $3,995 million in 1947.

California has led the nation in value of new construction every year since 1941. The state's total for 1950 was $2,847,000,000, including $1,620,500,000 of new residential building. The net increase in dwelling units between 1940 and 1950 was 1,268,271. This was greater than the combined increase of New York and Texas and greater than the total number of dwelling units existing in any one of 38 other states.

Since 1876 over 8.6 billion barrels of crude oil have flowed from California oil wells, with no sign of exhaustion. 8,277 new wells were brought in between 1946 and 1950. California production of all classes of minerals combined is a billion-dollar-a-year industry. There were 4,557,893 motor vehicles registered in California in 1950, leading New York by 945,528.

The tremendous growth in the population of the territory served by Consolidated Rock Products Co. and the outstanding developments by industry in the state during the past ten years should mean more business for Consolidated Rock because of increased building of new homes, factories, roads and many other undertakings which need the products which Consolidated Rock Products is well equipped to supply.

As this article was being prepared word was received that the directors had declared an initial dividend of .05 cents per share on the common stock, payable March 15, 1952, to holders of record as of Feb. 20.

I believe that Consolidated Rock Products Co. is a growth situation in a territory that is destined to set further records over the years ahead.

NOTE — The information contained herein, about California, was taken from a booklet prepared by the Bank of America under date of Oct. 22, 1951. (*Basic California Facts About The Market Served by Bank of America.*)

EARNINGS RECORD

	Net Sales	Net Before Depr., Depl. & Amortization	Net Income	Earned Per Share	Price Range —Stock— High	Low
1951	*$15,500,000	*$1,500,000	*$763,000	*0.25	1.75	1.05
1950	15,060,744	1,365,203	643,453	0.20	1.20	0.75
1949	11,587,792	904,773	263,993	0.08	1.10	0.60
1948	14,258,172	1,367,456	758,179	0.24	1.45	1.00
1947	12,619,441	1,258,352	676,867	0.22	1.85	1.00
1946	9,449,707	842,477	392,517	0.12	2.45	1.00
1945	5,913,806	417,490	76,592	0.02	2.75	0.65

*Estimated.

DONALD L. MOFFAT

Assistant Vice President, C. F. Childs & Co., Inc., Chicago

Treasury 2¼s of June 15, 1962/59

To choose an issue that provides an investor with consolation for whatever the Government market falls heir to, I prefer the issue which is hedged, based on the following reasoning:

Donald L. Moffat

Anybody's choice of a favorite investment security necessarily must reflect the times and conditions in which the choice is made. A very great change in official policy with respect to the Government securities market has taken place during the past year. That market now is free to reflect present and prospective economic conditions, which, in the absence of authori-

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The Outlook For Electric Utilities in 1952

By THERON W. LOCKE*

Public Utility Analyst, Goodbody & Company
Members, New York Stock Exchange

In viewing outlook for electric utility industry, Mr. Locke lists as factors affecting their operations and market securities: (1) regulation; (2) money rates, and (3) dilution of common stock earnings through new financing. Holds utility earnings in current year, assuming no increase in taxes, will be good, with average increase in gross of 10% and part of this raising available net income. Looks for some utility rate increases in 1952, and rising market value of their shares, but warns of competitive threat of public power expansion. Foresees higher interest rates and higher operating costs as adverse factors in utility situation and predicts heavy new financing by electric companies.

For 1952, I expect to see gains of 10% to 20% on the average in market prices of electric utility stocks. I don't see those 40% and 50% gains that were evident a couple of years ago. Therefore, I don't want to give you any false idea of undue optimism; but, on the other hand, I don't think one is justified in being unduly pessimistic.

Theron W. Locke

Barring an all-out war, the outlook for the electric utility industry this year is dependent on three principal factors: (1) Regulation, (2) Money rates, and (3) Dilution of common earnings through new financing. There are, however, a number of other factors that are to be considered. I made a list of favorable and unfavorable factors so that we could consider both sides.

Among the favorable factors—those that are going to aid utilities this year—the most important is that taxes may have reached a plateau and may not again be increased sharply this year. In the past two or three years this country has had extremely sharp tax increases and most of the weakness in the market prices of utility stocks has been due to fears that the increases in taxes would be so great that dividends might have to be cut. It is only by virtue of the great work done by this industry in explaining to Congress the importance of utility earnings being maintained and utility dividends being maintained, that the special exemption was included in the excess profits tax law allowing electric and gas operating utility companies to earn 6% on their capitalization.

The telephone companies were given an exemption of 7% and special provision was made for pipelines which had added new capacity, or increased the capacity of their lines. But from the standpoint of the electric and the gas operating companies, the special exemption provision was a lifesaver as it gave them a 6% allowance on their capitalization. That was probably the most favorable factor that has developed since the Korean invasion, and was the turning point for utilities (marketwise), and it came just a year ago last December. After the Korean crisis you will recall that utility stocks took a very sharp decline. All others did, too, but the utilities were unduly hit because most people jumped to the conclusion we would have an excess profits tax like we had in the last war, and if we had it could have reduced earnings very substantially.

The effect of the excess profits tax on utilities in 1941-42 was very severe. I don't remember the figures, but I think about eight out of ten utilities which had common stock in the hands of the public in 1941 cut their common dividend within two years. That so many companies had to cut dividends was due to the severity of the excess profits tax and the low EPT base shown by most utilities, and it was with that experience in mind that holders of utility stocks did some quick figuring after the Korean invasion and decided that if that sort of a tax were applied again we would have some very disastrous results earningswise and marketwise. Therefore, utility stocks went down precipitously. Several months of uncertainty followed before Congress granted the EPT relief provision in December, 1950. But since then utility stocks have had a very considerable recovery, and this year most people are convinced that Congress will not raise taxes, and if they don't, utility earnings are liable to be pretty good because this will be the first year in at least three years that the utilities have been able to carry any reasonable percentage of the increase in gross revenues through to the common.

My estimate is that gross revenues may rise 10% on the average this year. Some companies will do better than that, particularly where aided by rate increases, but most of them should be able to show a 10% increase in gross. In 1950 and 1951, the increases in gross revenues were

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*An address by Mr. Locke at a meeting of the Association of Customer's Brokers, New York City, Jan. 22, 1952.

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Distilled Waters

By IRA U. COBLEIGH

Author of "Expanding Your Income"

Opportunity is here given to drink in some current facts about liquor stocks, and bonded inventories.

The custom of imbibing alcohol-laden potions stems way back to the dawn of recorded history. In the Stone Age, we lack any documentation that Peter Piltdown guzzled rye on the "rocks", but we do know that Noah managed to get himself, as well as the Ark, pretty well loaded! Omar, the Tentmaker, perhaps too indolent to build a still, settled for a jug of wine, and the right drinking partner.

Ira U. Cobleigh

Racing briskly through the aeons, to our own early times, one of the earliest endowments of Dartmouth College is, I believe, recorded in song as "five hundred gallons of New England rum"; and every school boy has read about the "Whisky Rebellion." From 1919-1933 there was an official lull in fire-water production, which some of you may recall! Then there blossomed again, on our business, social and financial scene (and occasionally on noses) a dynamic distilling industry.

The new start was paced by a few financially powerful units, and many eager new entries who viewed the industry as a "natural" for king-size expansion. Whisky production of about 100 million gallons for 1934 surged to about 240 million in 1936. Nobody could drink it that fast (1936 consumption was about 70 million gallons) and, since the aim was to develop a stock of aged whisky, by the 1936 year-end, 370 millions of giggle water were on hand; and the industry was ready to, and did, enter its first price war, in 1937. This had a sobering influence on an overly ambitious industry-wide inventory program. The production rate was slowed down, and by Pearl Harbor we had some 500 million gallons on hand. The war years were far more significant from the standpoint of consumption than production; the principal distilleries devoting their plants to the alcohol requirements of the military.

The Tax Bite

That brings us up to the postwar period when the liquor shares on the Stock Exchange were market darlings, trading feverishly, and reaching price levels 20% to 30% above today's quotations. Came five years of leveling out, and now, after almost 20 years, we can view some of the leading distilling companies' shares as having almost attained an investment status. The one thing that has kept them from reaching that elegant plane is continuous bedevilment by taxes. Way back in 1934 the Federal tax was a meek $1.10 per gallon. It was $4 in 1942, $6 in 1943 and on Nov. 1, 1951, became $10.50. Adding state taxes to this, there are now many areas where the total tax bite on a single gallon reaches $12. Before each of these new tax hikes there was usually a buying spree. There was a beauty last October; and we are still feeling the effects of it. Liquor sales, both of the bar and package variety, have fallen off importantly, due first to "buying ahead" last November, but more importantly to consumer resistance at the new altitude of tax-impelled prices. For example, the Federal tax rise from $9 to $10.50 a gallon last November resulted in a retail rise of 25 cents for a fifth of rye; a nickel a drink was tacked on at a lot of bars. Customers have gotten a bit rebellious. Some buy pints instead of fifths, others have switched to wine or beer. The result—another price war, another clash for cash, with 12% to 15% slashes not uncommon. With a 900 million gallon inventory and sales lagging, something had to be done; and in our market economy that something is to make the price more attractive.

Leading Companies

Well — enough of this background. Let's get down to issues. The leading companies have fine balance sheets, a pretty solid record of earnings, and have been generous in dividend distribution. Salient figures for the top four are shown in the accompanying tabulation.

This list is given in my own order of preference and, as space allows, some delineation of the favorable features of the first two will be projected.

Distillers Corp.-Seagrams, through subsidiaries, produces and merchandises many leading whiskies including such widely advertised brands as Seagrams 7 Crown, Seagrams 5 Crown, Calvert, Carstairs, Four Roses and Lord Calvert. Total productive capacity per day is roughly 290,000 proof gallons.

As of July 1, 1951, total balance sheet assets were $447 million, with a beautiful net working capital of $290 million; and a book value of $31.03 for each of the 8,769,350 shares outstanding. Long-term debt was about $126 million. The record shows for 14 years uninterrupted dividend declarations, handsomely covered each year by net earnings; and an impressive plow-back of revenue so that earned surplus today is around $260 million. The stature, the cash position, the eminence of the name brands, and the consistently effective merchandising of Distillers-Seagram recommend this enterprise as a leader in its field, and its common shares as attractive yield-wise, and not lacking possibilities for significant long-term gain. The company is also reported as venturing in Canadian oils. That's good news for railroads and it might be good news for a distiller too!

Schenley has been quite a market performer when in the mood, selling as high as 80 in 1946. Almost as large as Distillers-Seagram, it offers to the arid palates of America, Schenley Reserve, Three Feathers, Golden Wedding, I. W. Harper, Coronet Brandy, Cresta Blanca and Roma wines, some lines of gin and Blatz beer. Also imports Dewar's Scotch. It's well diversified, and better equipped than most distillers to continue good earnings if public taste veers to lighter alcoholic fare.

Here again we see a solid balance sheet with some $300 million in current assets, and fine treatment of stockholders via both cash and stock dividends. In June, 1944, common was split, 3-for-2; in August, 1945, 4-for-3; in March, 1946, 10-for-7, and in August, 1950, 5-for-4. Right now there are 4,361,976 shares of common preceded by $150 million in long-term debt.

While the breadth of SH as a producer and purveyor of spirits has been stressed, the company has, in recent years become an important producer of penicillin, streptomycin and other drugs. Others in this field have prospered fabulously and surely as smartly managed an enterprise as Schenley Industries should expand its earnings from so lush a field. The current dividend on SH common is reasonably rewarding; and there are, in this picture, many separate horizons for interesting growth.

Perhaps the controlling reason for my dealing in distilleries today is that they did practically nothing in the stock market of 1951. Traditionally volatile as a lark, they have oscillated in almost as narrow range as the tobaccos; and no competent analysts would contend that they are now victims of market inflation. Quite possibly the bad news about high taxes and slipping sales may have held them down; and there seems good logic in suggesting that Federal liquor taxes will go no higher. The total revenue to the government from this source is falling; and hundreds of stills have cropped up all over the country—all because the practical tax limit has been overshot.

So as you sit back in your easy chair making like a man of distinction, you may well reflect that selected distilled water shares, at today's prices, may be a not unworthy or unrewarding outlet for, you'll pardon the expression, your liquid savings!

COMPANY—	1951 Fiscal Year Earnings	Dividends 1951	Price	% Yield About
Distillers Seagram	$4.93	$1.70	25	6.8
Schenley Industries	5.10	2.00	31	6.2
Hiram Walker	7.23	4.00	49	8.1
National Distillers	*3.20	2.00	32	6.1

*Estimated.

NYSE Makes No Change In Trading Hours

G. Keith Funston, President of the New York Stock Exchange, announced that the Board of Governors, at its monthly policy meeting Jan. 24 decided to make no change in trading hours or Saturday operations. The question, a many-faceted one, has been the subject of intensive study by the Board over the past year.

For eight months of each year, the Exchange is open for trading from 10:00 a.m. to 3:00 p.m. for the first five working days of each week, with a Saturday session from 10:00 a.m. until 12:00 noon. In the four vacation months of June, July, August and September, however, there is NO trading on Saturdays.

"Governors who advocated holding to the present schedule," Mr. Funston said, "pointed out that the Stock Exchange is a national service institution; that it should afford access to its facilities to the maximum number of people at the most convenient hours, and that the present schedule meets public requirements better than others at this time.

"One of the problems again brought to the attention of the Exchange was the hardship which a 3:30 closing would exert on afternoon papers publishing final prices and which would possibly necessitate curtailment of their stock tables."

* * *

The question of trading hours and Saturday closing has been before the Stock Exchange more or less for about a decade. It became acute last year.

On Feb. 15, 1951, a committee was appointed to set a date for polling the membership on the question of year-round Saturday closings. The results of that poll were: Of the 1,093 members who voted, 447—who produced 58% of non-member commission business during 1950—favored continuing the policy of closing on Saturdays during the four summer months only; while 651 members—who produced 42% of non-member commission business in 1950—voted in favor of closing on all Saturdays.

In view of this split opinion, the Governors decided, on April 12, 1951, to make no change in the practice of closing on Saturdays during the four summer months only.

Late last May a petition signed by 329 members of the Exchange required the Board of Governors to submit to the membership for balloting an amendment to provide that the Exchange NOT open for business on Saturdays unless the Board of Governors determined that opening on a specific Saturday was necessary because of unusual circumstances.

This amendment was rejected by the membership on July 9, 1951; 1,272 votes—the most ever cast by the Exchange membership—were recorded. The amendment lost by 700 to 571. One ballot was blank.

The State of Trade and Industry

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

There was practically no change in total industrial production last week when compared with that of the previous period. However, it continued to be slightly higher than that of a year ago, but about 10% below the all-time high attained during World War II. Due in large measure to the defense effort, layoffs continued to mount in some sections as material scarcities and inadequate demand reduced some work schedules.

In the steel industry the past week steel ingot production rose fractionally to 99.4% of the new capacity rating, being equivalent to 2,077,040 tons for the week, or 108,537,670 tons a year.

Steel inventories are growing rapidly, "The Iron Age," national metalworking weekly, discloses in its current summary of the steel trade. On some products consumers' stocks are pushing against permitted inventory limits, while others are still in very short supply. The result is that very few consumers have well-balanced inventories, it notes. It is not uncommon to find a production line slowed for lack of a particular steel item, while incoming shipments of other items threaten to place the firm in inventory violation.

There is no question that consumers are paying more attention to their inventories. A few months ago the tendency was to be secretive; today actual inventory position is fairly freely acknowledged, states this trade weekly.

"Inventory adjustment" is being used more frequently as the reason for cancellation of orders, or for refusal of offers of extra tonnage from mills. Some consumers aren't using all Controlled Materials Plan tickets alloted them and little talk is heard of inability to get second quarter orders booked. By that time supply is expected to be in pretty good balance with permitted use—provided restrictions on use are not relaxed. But increasing availability of steel varies not only among products, but also among sizes, according to this trade paper.

It notes that cold-rolled sheets and strip, straight chrome stainless, mechanical tubing, silicon sheets, carbon tool steel, and some wire products are fairly easy, while plates, bars, structurals and hot-topped quality steels are still very tight. Among these, light plates and structurals show signs of easing first.

Another sign of a more balanced market, this trade paper states, is that consumers are able to place second quarter orders closer to home, eleminating long and costly freight hauls, thus easing the strain on railroad transportation facilities.

Detroit, historically an area of tightest steel supply, is today one of the softest areas in the market and almost without exception, auto producers are having brushes with CMP inventory limits. This results from unexpected cutbacks announced for the second quarter, "The Iron Age" declares.

Profitwise, lower production volume of auto and appliance companies is being at least partly offset by lower steel costs. Formerly it was necessary to resort to expensive conversion deals to get a large part of their cold-rolled sheets. Now they can usually buy all they are permitted to use close to home. In some cases the saving amounts to $75 a ton or more. However, concludes "The Iron Age," for many manufacturers, copper and aluminum are greater limiting factors than steel. Realizing this, steel consumers are no longer reflecting the procurement urgency of recent months.

In the automotive industry last week United States production of cars declined 6% below the previous week and close to 51% under the like 1951 period, according to "Ward's Automotive Reports."

A strike, troubles of getting into production on 1952 models and Packard's plant closing took their toll. "Ward's" said auto makers are producing at an annual rate of 3,250,000 cars, while the yearly rate at this time last year was 6,500,000.

Steel Output Scheduled to Show Further Fractional Gain This Week

A note of caution is evident in the steel markets as signs multiply of easing supply conditions in some products, notably the light flat-rolled items and specialties, according to "Steel," the weekly magazine of metalworking. Buying is less frenzied at both mill and warehouse levels and distributors' stocks of some

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Continued Decline In Business Pace Revealed in Survey

Business Survey Committee of National Association of Purchasing Agents, headed by Robt. C. Swanton, finds in January there were reductions in order backlogs and further decline in production and inventories.

A composite opinion of purchasing agents who comprise the National Association of Purchasing Agents' Committee, whose chairman is Robert C. Swanton, Director of Purchases, Winchester Repeating Arms Co., New Haven, indicates the slowdown of over-all industrial activity reported in December is confirmed by January reports of purchasing executives.

Robert C. Swanton

35% of the members surveyed report further reductions in order backlogs. 24%, the largest number since August, show declining production. The lag between declining order bookings and curtailment of production shows the first indication of closing the gap reported the past four months. Prices continue in a sidewise movement, but lack some of the strength noted in previous months. Inventories are lower, and becoming better balanced. Employment is sharply off, with overtime and work weeks being reduced in civilian production plants. Skilled men out of work in some regions are slow to move into defense boom areas. Buying policy for industrial purchasing is pointing to the mid-range of "hand-to-mouth" to 90 days.

Defense business, according to the NAPA survey, still does not bulk large in the over-all production picture. More military production is recorded for the month and more new orders have been placed, but they are far below the offsetting dropoff of civilian orders and production. Much of the new defense business is still in the paper stage, and will not hit production lines for several months. Many other defense orders are for small quantities, with extended delivery schedules. Unless there is a worsening in the international situation, purchasing agents do not look for a reversal of the over-all industrial downtrend in the next few months.

Commodity Prices

The trend of industrial material prices in January, according to the survey, is a continuation of the sidewise movement reported in December. The strength mentioned then is barely being maintained. Capehart Amendment price adjustments continue to trickle through, and there have been a few rollbacks. Falling order backlogs and high break-even points are creating a keen competitive market for many fabricated items. Some materials in easier supply position are open to price concessions for immediate shipment. In the opinion of purchasing agents, there are more elements pointing to price declines than increases in the next few months; and they estimate that much of the force behind inflation has—temporarily, at least—been spent.

Inventories

Inventories are reported sharply down again this month. Many

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Observations . . .

By A. WILFRED MAY

Hot and Cold War on the Economic Front

On the home economic scene as well as on the international political fronts, there's a Cold War situation that is as hybrid as it is unique.

A. Wilfred May

Already, in what may be only the early stage of many years of "Uneasy Truce," the American businessman finds the military taking 50% of all available copper and aluminum despite the authorities' rigid screening of the Pentagon's demands for materials, including those going into Defense "inventory." Tightrope-like balancing of the military needs against the disastrous effects of further curtailment of employment in civilian industry is being earnestly pursued by the Defense Production Authority. Engaged in the most vast production program in history, we are enjoying 100% increases in steel and aluminum and 40% in electric power over the past three to four years. Despite this, and a supply of metals sufficient for military production and something over, machine tool shortages have been holding up the armament flow. And completing our crazy-quilt picture, there is the usual rampant complaint over "incredible bureaucratic bungling."

Re-examination of this economic melange's back-drop, namely the nation's economic mobilization during the Second World War, can be both intriguing and constructive, particularly from the perspective of the intervening decade. And it has been made so in a new volume from the capable and authoritative pen of Eliot Janeway (**"The Struggle for Survival," by Eliot Janeway, 382 pp. New Haven. Yale University Press. $5.).**

This history of our hot-wartime production victory contained in the last six new "Chronicles of America" volumes distributed by Yale, is written by an economic historian who served in Washington as mobilization specialist for "Time" and "Fortune." Despite its foreboding sub-title, "A Chronicle of Economic Mobilization in World War II," the book makes truly exciting reading.

This stems partly from the overall "Only Yesterday" appeal for anyone who has lived at adult age through those days; partly from the liberal admixture of politics; and partly from the author's obvious absorption and confusion over Mr. Roosevelt's personality.

An Exciting "Economics Inside" Story

Outstandingly able to write an "economics inside" story, Mr. Janeway makes truly exciting the Washington bureaucrats' feuding and squabbling; turning his searchlight pitilessly and sophisticatedly on the aims, maneuverings, and personal foibles of Roosevelt, Hopkins, MacArthur, Marshall, Stimson, Nelson, Knudsen, Baruch, Henderson, Frankfurter, Douglas, Wallace, Byrnes, Stettinious, Pritchard, Nathan, et al. In the face of the backstage political shenanigans played by all from Roosevelt down, our eventual production achievements seem all the more miraculous.

Of Forrestal the author sagely says: "James Forrestal was a Wall Street banker. This in Roosevelt's eyes made him safe. Forrestal had been born a Catholic but had left the Church. This on both counts insured the risk. On the other hand, he was a second generation Dutchess County Democrat, which made him seem intriguing. Forrestal, on his part, was intrigued. . . ."

Roosevelt Paradoxes

In his paradoxical reaction to FDR, Mr Janeway seems to reveal his own personality as even more widely split than was his hero's. With the Roosevelt *haters* Mr. Janeway agrees that Roosevelt was vindictive, he was devious, untruthful, a welcher on promises, and that he was the world's worst administrator. With the *lovers* he agrees that the late President was a great man with Lincolnesque stature, the most effective politician of

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Business and Finance Speaks After the Turn of the Year

MORE BUSINESS FORECASTS

The following are some more of the opinions on the business outlook for the present year which, for various reasons, could not be accommodated in our ANNUAL REVIEW and OUTLOOK ISSUE of Thursday, Jan. 17. Remaining unpublished statements will be given in next week's issue.—Editor.

ROBERT O. ANDERSON

President, Malco Refineries, Inc.

I find myself viewing the advent of 1952 with somewhat the same mixed emotions one has on viewing the world situation today. The parallel is too close for comfort, as our domestic oil industry of the past decades has entered into an international phase. Like the government, we can no longer consider our problems on a purely domestic level, but must try to foresee foreign trends if we are to correctly answer our problems here at home.

Robert O. Anderson

Frankly, I view 1952 with considerable caution for several reasons. The oil industry, while operating at the greatest levels in history, is also operating with inventories that could prove burdensome. One cannot overlook the fact that oil is essentially a commodity item, and therefore, suffers the extremes in price when supply and demand show any significant change.

Foreign oil is going to be a much greater factor during 1952 and pressure to keep it moving out of the Middle East may have a detrimental effect on our domestic operations. All in all, I find it difficult to view 1952 with the expectation that it will be as profitable as 1951, although in terms of volume and gross sales it should easily exceed last year's figures.

In some respects the oil industry today shows the earmarks of mid-year 1948 which led to the depressed earnings of 1949. These factors were essentially overproduction due to an influx of cheaper foreign crude and residuals. Petroleum markets are highly competitive and foreign products or crude can readily capture important segments of the markets by shading prevailing prices. If it were not for the present world-wide shortage of tanker bottoms, I believe foreign crude and products would pose a most serious threat to our domestic industry.

Iranian oil has already been largely replaced and if production is resumed in the near future, it will probably represent surplus oil in world markets.

As to our domestic and Canadian oil reserves, one cannot review the activity of 1951 without wondering how long the domestic producers can continue to replace oil that is obviously costing more to replace than the present market price. Canada, in spite of its great promise, has not yet proved an inexpensive reserve of crude oil. The costs to date are good food for thought, particularly when coupled with present prices and the geographic problem of location.

As to refining, the octane race continues without sign of abatement other than present restrictions on lead. In this connection it should be pointed out that a great deal of the capital expenditures made on refining facilities during the past few years have been dictated by competition and not by the financial return of the investment. As octanes continue to rise this will become even more evident.

Some of these problems may not occur in 1952, yet they must be faced eventually and maybe this is the year.

BRUCE BAIRD

President, National Savings and Trust Company, Washington, D. C.

This New Year opens with the usual optimism—high hopes for new fields of success and progress. But we must give cognizance to the trends that have developed in recent years—to what extent we have enjoyed a false prosperity—how much have we sacrificed of our basic fundamentals. Have we been deluded by the theory that we can get something for nothing—that we may look to the government for support and paternal care—that we can survive as the greatest country in the world and yet yield our own initiative. The precept recognized and adopted by our forefathers, that only by hard work and thrift can we expect true success and honor, has apparently been forsaken.

Bruce Baird

Hence, if we are to approach this New Year realistically, we must surely realize that we have reached our last chance to make a decision. Are we to be content with this artificial stimulation and at the same time accept the gradual diminution of our vitality as a great nation? If so, we must with complacency see our personal liberties yielded to a paternal government that would take care of us all by confiscatory taxes, with galling regulations and restrictions. The pattern is familiar to us all, as we have seen it in operation in other countries, with conspicuous lack of success from the standpoint of free Americans. Most of us do not like to be told what we can and can not do. We are so old fashioned we even like to pick out our own doctor.

This message disclaims any political implications. We must approach this critical moment in our economic life with calm thoughtfulness. It is not a matter of what political party has charge of our destinies, but what policies are to be pursued by either political party. Are we content to journey to a completely socialized state or can we not demand the resumption of those indispensable procedures that have provided for us the most wholesome living conditions the world has ever known.

It will be a hard decision and we are at the crossroads. We can continue government spending and deficit financing without interrupting our course along the rosy inflationary road, thus putting off the day of final reckoning; or we can turn to the right, facing hardships, if need be, and economic dislocation but demonstrating that we have the courage to make whatever sacrifice may be entailed to resume the basic principles from which we have derived our strength, independence and personal initiative.

CHAS. E. BECKER

President, The Franklin Life Insurance Company

I have no psychic powers, nor am I gifted with ability to look into a crystal ball, but I doubt that such powers or abilities are necessary in a prediction of what the coming year holds for us. I am a perennial and incurable optimist. I believe that the future belongs to those who courageously go out and grasp it. And I believe that the year 1952 offers vast opportunities for the alert life insurance man who is endowed with a sufficient amount of energy and intelligence to present his wares in an effective way to the buying public.

Charles E. Becker

First of all 1952 is a Presidential election year. And to the best of my knowledge it is traditional that Presidential election years are prosperous ones. Any administration which hopes to remain in power will do everything possible to maintain a high level of prosperity. Secondly, 1952 will continue to be a year of tremendous military expenditures. And this means a high level of production and employment. Third, because in a sense these are perilous times (from a world-wide point of view) there will continue to be a large increase in marriages and births. This means the establishment of many new homes, and many millions of new babies to be insured. According to census bureau reports, it is anticipated that nearly 4 million new babies will be born this year . . . 4 million new prospects for juvenile insurance plans, if our companies and field men have plans sufficiently modern and attractive to appeal to the parents of these babies.

Home ownership is increasing. It is estimated that 50% of all homes are now owned and being lived in by the owners. Nevertheless a very large percentage of these homes are mortgaged. And this offers an incalculably large market for mortgage programs.

All in all insured savings plans for prosperously employed workers, juvenile and college plans for babies, mortgage plans for home owners and home pruchasers; these should constitute a market which will provide a bumper crop of prospects even in excess of what the insurance companies as a whole have experienced in 1951. Our company has just completed the greatest year in its history with over $200 million gain in our insurance portfolio. I see no reason why we should not show an even greater gain in 1952.

E. L. BRUCE, JR.

President, E. L. Bruce Co.

Many conflicting statements have been made about prospective shortages of critical materials and the effect that these will have on housing construction in 1952. Some authorities predict a serious bottleneck will occur in the available supply of metals (steel, copper, aluminum) and that building will necessarily be sharply curtailed regardless of any change in regulations or restrictions. Contrary to this, some industry spokesmen have expressed the opinion that there will be sufficient supplies, except for copper, to support a housing program equal to 1951. Up to the present time the construction of new housing has not been unduly hampered by the lack of these materials.

E. L. Bruce, Jr.

Lumber and lumber products will be available in ample supply throughout the year, as will many other products used in the building industry. A wider use of these materials will reduce the amount of metal required, and the building industry has demonstrated in the past its resourcefulness in making the best use of the available products. The need for additional housing is still substantial and it is reasonable to expect that every effort will be made to assist this industry in an election year.

While most predictions forecast a reduction in housing starts in 1952 of 20%, there is a possibility that a record approaching 1951, or 1,000,000 units, may again be put in place. Should this occur the lumber industry would not suffer. All-out war would change the outlook but in this case military demands would mount and should offset the loss in domestic usage.

GEORGE B. BURRUS

President, Peoples Drug Stores, Inc.

There were no significant changes in the drug store industry during the year of 1951. Sales throughout the year showed a steady increase due mostly to the large outlay of cash for the defense effort. Merchandise in most categories remained in good supply.

G. B. Burrus

Salaries and prices were frozen during the early part of the year. There has been a shortage of help, particularly in the lower paid job classifications.

Inventories were high during the early part of the year; however, these have been brought in line with the previous year.

The cost of doing business has increased during the year, which added to the increased tax burden resulted in a reduction of net profit.

The year of 1952 should be another good year in sales volume. Merchandise generally speaking should be available in ample supply. The help situation will be dependent on the military needs and the amount of employment in the defense effort.

The cost of doing business will continue to climb. The necessity for increasing the cash balance in order to pay the increased taxes at an accelerated rate will become more acute during the year.

Expansion will be limited because of restrictions of building material and the lack of available cash.

GEORGE H. COPPERS

President, National Biscuit Company

With personal income in the country likely to continue at record levels throughout the year 1952, the baking industry should enjoy high sales volume, which may surpass any previous sales performance. However, the outlook for profits is uncertain. Government controls take from management one of its most important functions — the exercise of good judgment in the pricing of its products. Uncertainty as to what future moves of the government may be makes price ceilings into price floors in many cases. Under present price control regulations, profits could be severely and quickly reduced by further increases in the cost of labor, materials and services.

George H. Coppers

The ever rising cost of wages and taxes over the last decade has created for management a serious dilemma. Unless prices increase, profits are seriously reduced. But if prices increase beyond a certain point, the consumer rebels, volume lowers and profits with it. Management must find ways to improve techniques of manufacture and distribution, to reduce costs and keep prices at attractive levels. Of course, this necessity is nothing new. It is an important function of management at any time, but it is doubly important today.

Of course, there is something government can do to help the picture. Waste and unnecessarily high taxes are serious twin threats to our economy. Unless these are eliminated, we shall continue to discourage initiative and risk capital will become increasingly timid.

At National Biscuit Company we continue to spend large sums on plant modernization, on the extension of research activities and the creation of new products and on personnel training. While we are conscious of the dangers to the economy inherent in present policies, we are moderately optimistic about the future.

H. P. EELLS, JR.

President, Basic Refractories, Inc.

For several years excepting for brief periods, the demands of the steel industry for refractory materials have exceeded the supply. In 1952, until additional production units now building are completed, this short supply condition will remain acute. However, by mid-year the supply-demand relationship should be in balance with the maximum needs of steel operations taking into account their projected expansion.

The refractories industry is looking forward to a record sales year. Operating profits should benefit from the higher volume, unless price relief commensurate with increased costs of labor, materials and services is denied. Much of the industry will enjoy percentage depletion allowances which will tend to offset the 1951 increase in tax rates. Unless the latter are further increased, the 1952 prospects for the refractories industry appear promising.

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What Our Monetary Policy Should Be

By CARROL M. SHANKS*

President, The Prudential Insurance Co. of America

Prominent life insurance executive contends the monetary policy we need is neither a perpetually easy-money policy nor a perpetually tight-money policy, nor a "hands off" policy. Says nation should have a monetary policy that is flexible and objectively administered, keeping in view injustices and pitfalls of inflation as well as dangers underlying deflation. Upholds independent Federal Reserve as agency to administer monetary policy.

No group is more interested in the maintenance of a stable and prosperous economy in the United States than are the life insurance companies and their millions of policyholders. In common with everyone else, we are concerned that a high level of business activity be maintained. But even more than most other groups, we are concerned that the economy not only be prosperous but that it be stable.

Carrol M. Shanks

Fundamentally, a life insurance company exists to provide protection to its policyholders. The company is used as a pooling device in which an insured can provide for old age or for the support of beneficiaries in the event of death. The income thus provided for future delivery must be in the form of dollars. The policyholder, however, is thinking not so much of dollars as he is of the goods and services which those dollars will provide for himself or for his beneficiaries in later years. The dollar protection can be translated into the intended goods and services only if the purchasing power of the dollar is maintained. Inflation robs the beneficiaries of life insurance policies, just as it robs all others who are unable to push their income up faster than the dollar goes down.

Clearly a life insurance company, if it can, will want to take effective steps to maintain the protection for which its policyholders strive. In connection with this, as a long-range investor, the life insurance company seeks not only the highest interest rate consistent with safety of principal, but is concerned that the dollars which it lends be repaid in dollars of commensurate purchasing power.

Life insurance companies collect countless small payments from millions of policyholders for whom life insurance is a principal method of protection. The life insurance company brings together these small payments and makes them available to the small and the large borrower for the construction of plant and equipment, the purchase of farms, the building of homes, highways, transportation facilities, and to aid the government. The economic function of a life insurance company, therefore, is not solely that of providing protection and a means of saving to its policyholders, but also that of combining small payments into sizable amounts of capital and directing them to their most productive use. Economists would say that insurance companies give mobility to capital. High taxation has destroyed the possibility that capital coming from the well-to-do be sufficient to supply our advanced industrial machine. In my opinion, capital from that source would not be sufficient even though taxes were lower than we are apt to see them in our lifetime. The capital, apart from plowed back earnings, must in the main be collected in individually small amounts from the millions of small policyholders and savers. The tendency and the necessity to look to the small man grows.

Obviously, life insurance companies invest funds so that they may earn interest upon them for the benefit of their policyholders. This benefit shows up in the form of substantially lower net cost for the protection than would otherwise be the case. But in spite of sacrifice on the part of the policyholder and careful and profitable investment attention on the part of the life insurance company, the protection program is partially defeated to the extent that the purchasing power of the policyholder's dollar shrinks.

It is easy to understand why life insurance companies are vitally concerned with the maintenance of stability in our economy, because only in that way can the protection of their policyholders and their savings escape erosion through inflation.

The life insurance companies are vitally concerned with monetary policy because we believe that the maintenance of a stable economy and of a stable purchasing power of the dollar, and the sustaining of prosperous economic conditions in the United States depend to an important degree on the continuous application of a sound monetary policy.

Monetary measures obviously cannot do the whole job. Nevertheless, they are of great and even crucial value. They should constantly be used no matter what other measures must be taken in addition, as, for example, the following of sound fiscal and public debt management policies. Our approach to this problem is not an emotional one nor political. We simply are interested in the development and the effective application of that monetary policy which we think will most effectively promote the stability and prosperity of our economy.

If we are to use monetary measures as effectively as possible toward the twin goals of stability and prosperity, we must decide, first, what monetary policy is most likely to promote these goals and, second, what agency can best administer that policy. As a matter of fact, it probably is not possible to fully separate or disassociate the two questions. Nevertheless, let's talk first about what monetary policy has the best chance of promoting a stable and prosperous economy.

Advocates of Perpetual Easy Money

There is a group in this country (it has its counterpart in Great Britain and elsewhere) which feels that the best interests of the economy are served by a perpetually easy-money policy. This group is not new; it has appeared and reappeared in each generation. In the United States, we have had the Greenbackers and the free silver advocates, among countless other groups, urging that all our economic problems could be solved simply through the issuance of more money. Of course, the modern easy-money advocates are not so naive as their predecessors. Today, they talk in terms of the propensity to consume, the marginal efficiency of capital, and the mature economy. Nor can these modern inflationists be dismissed as easily as their predecessors. Nevertheless, their practical recommendations always seem to end up with the same old proposition: that easy money is the cure-all.

Who are these modern easy-money policy advocates—that is to say, inflationists? These are some of their identifying characteristics: they continually advocate low interest rates—or no interest rates at all; they are not concerned about the size of the government debt—they argue that we owe it to ourselves anyway; they are not identical with, but draw support from, the silver interests. They are for the "balance wheel" theory of government spending, provided the balance is taken off and the wheel is always on the spending side. They in effect advocate perpetual inflation, feeling that the tragedy and injustice which rising prices bring to many groups in our society are not important. They hold that there is never an occasion when the public welfare demands a tight-money policy, stating, in the words of one of their representatives, that "low interest rates are always desirable."

The position of these people on the subject of interest rates is a remarkable one. When it suits their purposes they can be ardent Keynesians, holding with him that the interest rate occupies a strategic role among the factors responsible for the level of business activity. But at other times, they become just as ardent anti-Keynesians, and argue that interest rates have nothing to do with the level of business activity. It is significant that their line of reasoning shifts so that their conclusion appears invariably to be that low interest rates are always necessary. To them there is never an occasion when the public interest calls for a quantitative limitation of the money supply.

With respect to the group which I have described, I can find little which in common sense supports their position. That does not mean I am unaware of the contributions of the monetary heretics (a term used by Keynes himself) to our economic thinking. Through their questioning of long-accepted monetary principles, they have stimulated discussion and new ideas. These have resulted in great improvement in our understanding of money and its relationship to the economic system. Unfortunately, many people have seized on these contributions to economic thought and, applying them to situations totally different from those under which they were originally conceived, have perverted them to justifications for, or excuses for, inflexible and unthinking policies. Almost unfail-

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*A talk by Mr. Shanks before the 328th Meeting of the National Industrial Conference Board, New York City, Jan. 23, 1952.

Dealer-Broker Investment Recommendations and Literature

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

Air Transport Industry—Review and forecast—John H. Lewis & Co., 63 Wall Street, New York 5, N. Y.

Bank Stocks—Analysis of 1951 year-end reports—Blyth & Co., Inc., 14 Wall Street, New York 5, N. Y.

Banks and Trust Companies of Northern New Jersey—Comparative tabulation—Parker and Weissenborn, Incorporated, 24 Commerce Street, Newark 2, N. J.

Consistent Profits in the Stock Market—Curtiss Dahl—free descriptive literature or book may be purchased with 5-day examination period with refund if not satisfied—Tri-State Offset Co., 817-C Main Street, Cincinnati 2, Ohio.

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

Government Bond Portfolios—Breakdown—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y. Also available is a breakdown of the **Sources of Gross Income.**

Insurance Stocks—Analysis and list of several issues—White & Co., Mississippi Valley Trust Building, St. Louis 1, Mo.

Market—Analysis of situation—Walston, Hoffman & Goodwin, 35 Wall Street, New York 5, N. Y.

New York Bank Stocks—79th consecutive quarterly—comparison of leading banks and trust companies of New York—New York Hanseatic Corp., 120 Broadway, New York 5, N. Y.

New York City Bank Stocks—Year-end comparison and analysis of 17 issues—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Over-the-Counter Index—Booklet showing an up-to-date comparison between the listed industrial stocks used in the Dow-Jones Averages and the 35 over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over a 13-year period—National Quotation Bureau, Inc., 46 Front Street, New York 4, New York.

"Security" in Dividends—List of issues which appear in position to maintain last 12 months' payments this year—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. Also available is a discussion of **Bank Stocks**, a list of **Industrials** which appear "cheap" on plowed-back earnings, and a list of **"Behind the Market" Stocks.**

Steel Stocks—Discussion—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y. Also available are bulletins on **Arkansas Natural Gas** and **Republic of Costa Rica.**

Stock Charts—Sample page showing six of 1,001 stock charts with description of a graphic service and list of 200 companies paying dividends for over 25 years.—F. W. Stephens Co., 15 William Street, New York 5, N. Y.

Taylor Trading Technique—Trading method composed of four components: the making of a trend; "Taylor Automatic Tape Reader," interpretation and use of this "reader" and basic method for buying and selling—$25.00—Lilly Publishing Co., P. O. Box 7265, Station G, Los Angeles 37, Calif.

Tokyo Market—Quotations on major stocks tabulated by industries—Nomura Securities Co., Ltd., 1-1 Kabuto-cho, Nihonbashi, Chuo-ku, Tokyo, Japan.

Treasury Security Market—Analysis—Aubrey G. Lanston & Co., Inc., 15 Broad Street, New York 5, N. Y.

Underwritings—Tabulations of placements made during 1951 by Central Republic Co.—Central Republic Co., 209 South La Salle Street, Chicago 90, Ill.

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Adolf Gobel, Inc.—Bulletin—Stuyvesant F. Morris, Jr., & Co., 40 Exchange Place, New York 5, N. Y.

Allis-Chalmers Manufacturing Co.—Bulletin—Paul H. Davis & Co., 10 South La Salle Street, Chicago 3, Ill. Also available are data on **Burroughs Adding Machine Co., Cluett, Peabody & Co., Inc., Cutler-Hammer, Inc., General Cable Corp.,** and **Loew's Incorporated.**

American & Foreign Power—Analysis of reorganization plan—Arnhold and S. Bleichroeder, Inc., 30 Broad Street, New York 4, N. Y.

Atlantic Coast Line Railroad—Analysis—Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y. Also available are some suggestions for a balanced investment program.

Atok-Big Wedge Mining Co. Inc.—Analysis—Bruns, Nordeman & Co., 321 Broadway, New York 7, N. Y. Also available is a bulletin on **American and Foreign Power Co.**

Bearing Co. of America—Memorandum—Dempsey-Tegeler & Co., 407 North Eighth Street, St. Louis 1, Mo.

Columbia Machinery & Engineering Corp.—Special report—Kobbe & Co., Inc., 55 Liberty Street, New York 5, N. Y.

Du Mont Electric Corp.—Memorandum—Aetna Securities Corp., 111 Broadway, New York 6, N. Y. Also available is a memorandum on **Sapphire Petroleums, Ltd.**

Chain Belt Co.—Analysis—Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis. Also available is an analysis of **American Optical Co.**

Dome Exploration (Western) Ltd.—Analysis—Stanley Heller & Co., 30 Pine Street, New York 5, N. Y.

Gamble-Skogmo, Inc.—Discussion—Faroll & Co., 209 South La Salle Street, Chicago 4, Ill. Also available is a discussion on **Niagara Mohawk Power Corp.**

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.**

Harshaw Chemical Co.—Bulletin—Gartley & Associates, 68 William Street, New York 5, N. Y.

Houston Lighting & Power Co.—Data—Estabrook & Co., 15 State Street, Boston 9, Mass. Also available in the same bulletin are brief analyses of **New England Electric System, Northern States Power Co., Potomac Electric Power Co., Southern California Edison Co.** and **Toledo Edison Co.**

Kentucky Utilities Co.—Memorandum—Barnes, Bodell & Goodwin, 257 Church Street, New Haven 10, Conn. Also available is a memorandum on **Suburban Propane Gas Co.**

Maine Central Railroad—Information—Raymond & Co., 148 State Street, Boston 9, Mass. Also available is information on **Thermo King Railway.**

Midwest Oil Corp.—Memorandum—Smith, Barney & Co., 14 Wall Street, New York 5, N. Y.

Pathe Industries, Inc.—Analysis—Gottron, Russell & Co., Union Commerce Building, Cleveland 14, Ohio.

Pathe Industries, Inc.—Circular—Hayden, Stone & Co., 25 Broad Street, New York 4, N. Y.

Pennsylvania RR.—Analysis—Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

Reaction Motors—Analysis—Amott, Baker & Co., Inc., 150 Broadway, New York 38, N. Y.

Republic National Bank of Dallas—Offering circular—Walker, Austin & Waggener, Republic Bank Building, Dallas 1, Texas.

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

Southwestern Natural Gas—Memorandum—J. F. Reilly & Co., 61 Broadway, New York 6, N. Y.

Teleprompter—Bulletin—L. H. Rothchild & Co., 52 Wall Street, New York 5, N. Y.

Texas Engineering & Manufacturing Co.—Memorandum—Leason & Co., 39 South La Salle Street, Chicago 3, Ill.

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

Woolworth—Analysis—Newborg & Co., 25 Broad Street, New York 4, N. Y. Also available is an analysis of **Norfolk & Western Ry.**

Zonolite Co.—Memorandum—Republic Investment Co., 231 South La Salle Street, Chicago 4, Ill.

Our Reporter's Report

James Coggeshall of First Boston advocates SEC ease registration requirements pertaining to prime debt offerings.

Participants in the nationwide banking group which handled the marketing of Aluminum Co. of America's $125,000,000 of 12-year debentures are more convinced than ever of the wisdom of proper pricing of a given issue.

This enormous undertaking went off as had been forecast by preliminary interest which had been building up steadily since the financing went definitely into registration three weeks ago. Scope of demand was regarded as little short of fantastic and it occasioned no surprise when the debentures went to a premium over the offering price.

Carrying a 3⅛% rate and priced at 100, the issue offered purchasers an indicated return of 3.125%, which evidently proved satisfactory to a host of institutional buyers, chiefly pension funds, smaller insurance companies, and savings and commercial banks. It was announced last night that the issue was heavily oversubscribed and the books closed.

The debentures had other attractions aside from price, however. Among these is a sinking fund which is designed to retire more than 90% of the total debt prior to maturity. Again it marked the first time in a quarter century that this company, one of the best of the country's credit risks, has sought capital via the sale of securities to the public.

That it will be necessary to scale down allotments against subscriptions was a foregone conclusion. It remains to be seen just how severe this action may be.

Urges SEC Ease Registration Requirement

At a press conference held preliminary to the public offering of the debentures, James Coggeshall, Jr., President of The First Boston Corp., said this flotation would demonstrate that wide distribution of prime securities in many cases could be effected at a lower interest rate than could be obtained through private placement with a few large institutions.

Jas. Coggeshall, Jr.

Alcoa, he ventured the opinion, would have had to pay at least 3½% instead of 3⅛% on their current financing had they resorted to the private placement method. In addition to this saving, he pointed to the advantages to the company because its securities were widely placed throughout the country, and the value of the attendant publicity.

Mr. Coggeshall also stressed the fact that to avail of the obvious advantage inherent in selling its debentures through investment banking channels Alcoa, because of SEC's present registration requirements, was obliged to gamble on interest rates not rising during the 45-day period involved in preparing, filing and waiting for the Commission to make their registration statement effective, a prerequisite now to making a public offering. The SEC could, without any change in the law, Mr. Coggeshall said, eliminate such a risk and thereby properly encourage the wide public distribution of private debt securities by altering its registration requirements so that an issuer corporation could make a public offering within 24 hours after filing a one-page registration statement with the SEC in the case of all securities which are rated Baa or better by two of the three nationally recognized securities rating agencies. Such abbreviated registration statements could contain a clause providing for the securities being listed on a national securities exchange to insure the future availability of complete information

Continued on page 42

The Business Outlook For the Months Ahead

By MARTIN R. GAINSBRUGH*
Chief Economist, National Industrial Conference Board

Mr. Gainsbrugh, describing current business activity as "at dead center," asserts profits after taxes are at levels necessitating that any further cost increases or tax hikes be accompanied by price rises. During first half of 1952 expects cutbacks in durable goods to dominate consumer output, counteracting effect of rising defense outlays. Belittles expectations of sharp rise in consumer spending.

Business in the opening weeks of 1952 still remains at dead center. The "lull in inflation"—first labeled as temporary or transient, but now almost a year old—still correctly describes the business scene. Declines or soft spots in the civilian sectors continue to offset the steady upward climb of defense and defense-related industries.

Martin R. Gainsbrugh

Production in the civilian sector actually declined a bit in the fourth quarter, after taking account of seasonal factors. Advances in ordnance, machinery and other defense-related activities were offset by declines in the civilian sector. Output in lumber, coal and paperboard ran behind year-ago levels throughout the quarter and into the new year. Factory employment showed little change in aggregate, although the shift to defense employment continued. While farm prices staged a more or less steady recovery in the fourth quarter, industrial prices were extraordinarily stable from October into January. And the latest figures on both new orders and business inventories likewise show no marked changes. Retail inventories were still going down slowly and manufacturing inventories had flattened out. Manufacturers' backlogs were also stable.

Against this background it is not surprising that personal income went down somewhat in November, and possibly again in December, even as personal taxes rose.

Price Trends and Profits

Prices paid by consumers have not yet conformed with this general business pattern. Consumer prices rose by 4% in 1951, although wholesale prices have been consistently below their early-1951 peak for the past six months. Two factors appear to have kept retail prices high. In part, rising wage costs have offset declines in cost of raw materials. Also, once output stopped rising in the civilian sector, as it did early in 1951, higher indirect costs and expenses were no longer being spread over a greater number of units—or even the same number in some industries—as they were in the first nine months after Korea.

As a result, the cost basis of the current retail (as well as semi-finished and finished wholesale) price level now appears to be fairly well established. It seems unlikely that there will be a further significant decline in the level of prices at the expense of business earnings, as in the last half of 1951. Aggregate operating profits of manufacturing corporations have shown a sharp decline since the first quarter of 1951, even on a pretax basis. Despite the rise in the price level since Korea, unit profit margins (before taxes) of manufacturing corporation are no longer much above levels prevailing just before Korea. On average, profit margins are now at about the same level as in the second quarter of 1950; in some industries—textiles, apparel, automobiles — they are below anything experienced in 1950.

After taxes the decline in earnings and margins in the manufacturing sector is much more pronounced, with the profit toboggan shooting down the most in that part of the manufacturing sector tied closely to consumer markets. Retailers' profits have also been hard hit by rising costs and subsiding physical volume.

Profits figures for recent months thus make the inescapable point that manufacturers' selling prices are now uncomfortably close to cost of production. Two conclusions are therefore pertinent:

(1) Profits after taxes are now at levels that make it almost imperative that any further cost rises, particularly wage increases, be reflected in prices.

(2) Whether or not taxes are now being passed into prices, a further hike in business taxes now would compel many sectors of industry to seek higher prices. Price ceilings may restrain the more profitable areas—but prices are below ceiling in most of the non-defense sectors.

Factors Behind High Savings

There is no indication as yet that the unanticipated upsurge in savings has lost its impetus. Ever since the second quarter of 1950 personal expenditures have apparently advanced sluggishly and reluctantly with rises in living costs. Strong price resistance and a tendency to trade down to lower price lines has featured consumer markets for about a year, and was particularly conspicuous at Christmas.

The lull in buying has not stemmed from lack of mass purchasing power. The mammoth saving rate the Department of Commerce has reported for the last three quarters suggests that consumers have *elected* to save rather than been *compelled* to contract their purchases for lack of income. For most of 1951 the picture of the consumer as an unhappy and conservative spender has run side by side with a contradictory picture of him as a well-fixed saver. When the rate of personal savings first rose to 9% of income in the second quarter of 1951, that was assumed to be a reaction to overbuying in the first quarter. By late summer or early fall, consumers, it was felt, would again prefer goods to savings. The consumer would soon have his fill of stuffing mattresses and defying economists and would then return tractably to the market place to send retail trade (and civilian production) back to boom levels. Even now the Council of Economic Advisers, among others, stresses the fact that a return to a "normal" 5% savings rate is a major inflationary threat ahead. President Truman in his Economic Report referred to the extraordinarily high level of personal saving as "a precarious situation and any day the combination of events could cause consumers to reverse the present attitude of recent months. It is essential that we maintain and perfect the policies which will effectively curb such an inflationary outburst."

There is no generally accepted explanation as yet for this high rate. We have progressed, in my mind, by shifting the area in which the explanation is being sought from consumer overbuying to the study of the structure and composition of such savings. Is this savings compulsory, reflecting the drain on consumer income of repayment of debt? How much of the savings described as a "residual" by the Department of Commerce is actually available to consumers in liquid form? What is the distribution of savings by income and debt groups? Who holds the assets? Who holds the debts? As these studies continue we may find the consumer is saving more for permanent rather than transient reasons—more because inflation has cut the value of his past savings rather than through saturation of his current wants. In any event, the saving rate is now being viewed increasingly as relatively stable at its present level, at least for the months ahead. Barring any more international scares, our own Economic Forum, among others, looks for only a slow decline in the percentage saved.

In summary then, three factors are moderating the outlook for the current quarter, and perhaps well into 1952.

First, the current and prospective pressure of costs and taxes on selling prices. Second, the fact that prices in the civilian sector now generally below ceilings, and some that are now at ceilings may have to be raised. And third, the likelihood that the consumer will not radically alter his savings rate in the near future. To these should be added the possibility that for the first half of 1952 the depressive influence of cutbacks in durables may dominate the civilian sector. Despite rising defense outlays, this suggests relative stability of total output in the consumer sector. And relative stability of employment, and hence of income, in turn makes it less likely that consumer spending will start up very sharply, at least in the opening months of 1952.

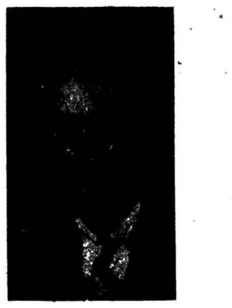
*A talk by Mr. Gainsbrugh at Dean's Day Home-Coming for Commerce Alumni, New York University School of Commerce, Accounts, Finance, New York City, Jan. 26, 1952.

With Westheimer Co.

(Special to The Financial Chronicle)

COLUMBUS, Ohio—Russell C. James has joined the staff of Westheimer and Company, 30 East Broad Street. He was formerly with Merrill, Turben & Co., and the Ohio Company.

Oswald V.-P. of Smart, Clowes Co.



George F. Oswald

CINCINNATI, Ohio—George F. Oswald has been made Vice-President of Smart, Clowes & Phillips, Inc., and will be in the Cincinnati office, 807 St. Paul Building, 111 East Fourth St. Mr. Oswald was formerly with Clair S. Hall & Company.

Joins Smart, Clowes

(Special to The Financial Chronicle)

CINCINNATI, Ohio — John R. Perkins has joined the staff of Smart, Clowes and Phillips, Inc., St. Paul Building. He was formerly with John E. Joseph & Co.

The Outlook For 1952

By A. W. ZELOMEK*

President, International Statistical Bureau

Economist predicts first quarter activity will be slowest of year, and, stimulated by foreign developments, business will pick up during subsequent months. Belittles possibilities of a runaway inflation, maintaining year's cost of living rise will be limited to 4%.

A. W. Zelomek

First among the economic factors influencing the distribution of home furnishings in 1952 will be the general economy—the level of employment, production, income, and sales.

General economic trends I expect to be favorable. Contrary to the opinion of some observers, who expect a sharp recession in the second half of the year, I believe that the first quarter will be the slowest period and that trends and averages will be more favorable thereafter.

However, the general business pattern can be, and quite possibly will be, influenced by new foreign developments. Foreign developments are more likely than not to be stimulating to business in 1952, although probably not to the speculative extremes that developed in 1950. If this possibility is actually realized, then all estimates of next year's averages, including my own, will be too low.

Expanding defense payments for material and labor are the key to the business trend this year. These will not reach a peak until quite late in the year, or early next year. This expansion will more than offset any minor weakness in other areas, including privately financed capital goods.

Distribution of home furnishings, however, will be influenced in a more important manner by special considerations. Chief of these is the limitation on the production of many types of durable goods, including not only appliances but automobiles and housing. Supply of such items will depend entirely on the policies of the Government.

Demand, based on prospective levels of income, is likely to exceed the 1952 rate of production, leading to a practical disappearance of existing appliance and automobile inventories by the end of this year.

*A talk by Mr. Zelomek before the International Merchandise Market meeting, The Merchandise Mart, Chicago, Jan. 11, 1952.

As regards disposable income for 1952, we will spend $231 billion, as compared with $222.8 billion for 1951. Disposable income in the last quarter of 1951 will be $227.8 billion; in the first quarter of 1952, $229.4 billion; in the second quarter, $231 billion; the third quarter, $231.3 billion, and in the fourth quarter, $232.4 billion.

Government spending is the number one factor. Last quarter of 1951, defense spending was at an annual rate of $41 billion; in the first quarter of 1952, it will be $47 billion; the second quarter, $52 billion; the third quarter, $54 billion, and the fourth quarter, $57 billion.

Decline in Capital Goods Outlays

There will be a decline in capital goods expenditures, for plants, new machinery and equipment. The last quarter of 1951 was $29 billion; the first quarter of 1952 will be $30 billion. Then there will be a decline to $28 billion, $26 billion, and $24 billion. You have a decline of five billion dollars in the annual rate between the last quarter of 1952 and the last quarter of 1951, which will be offset by an increase in the annual rate of $16 billion in defense spending.

The 1951 production average was 220, and 1952 may be 232. There will be material cutbacks in the supply of steel, copper, aluminum and nickel. The three most critical items are copper, aluminum and nickel. I don't believe we will produce more than 3,000,000 refrigerators in 1952. The 1949-50 average production was 5,300,000; 3,300,000 in 1951, and 3,000,000 in 1952. I doubt if we will produce over 2,500,000 washing machines; 2,000,000 vacuum cleaners; 2,500,000 toasters; 7,500,000 radios, and 5,500,000 television sets. The television figure is just about the same as 1951.

Furniture production in 1952 will be as great as 1951. Furniture sales will be greater than in 1951. There is no problem from the standpoint of supply, even in a defense economy. The carpet and rug industry has declined in 1951; the decline was the greatest in 20 years. We have had a major depression in the woolen industry. Production of that fabric in that industry was the lowest since 1930-31. But, in my opinion, the difficult days for the carpet and rug industry are over. There is going to be a period of time for it to recover.

Production in 1952 will be higher than 1951. There is no problem from the standpoint of supply of raw material. In the soft goods phase of textiles, the decline has been greater than most people have realized. There is no problem in 1952 whatsoever. Our productive capacity in some of these industries is so huge that it will be sufficient to halt any sharp trends in prices.

No Runaway Inflation

We cannot have a runaway inflation in this country for some time to come. We are going to have an advance in living costs in 1952, although the increase by the end of 1952 will be no more than 3 to 4% from the beginning of 1952, assuming no shooting war takes place between Russia and the United States.

Savings in 1951 were at an all-time high, and I assume in 1952 there will be some slight improvement. Savings in the first quarter of 1951, on an annual basis, was $8.5 billion; the second quarter was $20 billion; the third quarter, $22 billion, and the fourth quarter was $21.3 billion.

The last quarter sales for 1951 were better than the stores had expected. The Christmas business in units was greater than 1950. The reason for it is because of low prices. On regular merchandise, customers have been backing away, but on promotional goods they will come in.

The amount of dollars spent for home furnishings since the end of the war has been abnormal in relation to the total spent by the American public. The industry, unless it wakes up, will find themselves in a position of increased competition for that dollar. Even without the seeming shortages in 1952, my own opinion is that the percentage spent on consumer durables will be less anyway, in relation to the total.

Consolidated Grocers Preferred Stock Offered

An underwriting syndicate headed by Kuhn, Loeb & Co. and A. C. Allyn & Co., Inc., and including Bear, Stearns & Co. and Dean Witter & Co., on Jan. 25 publicly offered a new issue of 200,000 shares of Consolidated Grocers Corp. $50 par value 5½% cumulative preferred stock (convertible through 1961) at $49 per share and accrued dividends.

The proceeds will be used to retire 21,307 shares of 5% preferred stock and to increase working capital.

The company manufactures and distributes at wholesale a broad line of products.

Stanley Pelz Co. in New Quarters

Stanley Pelz & Co., brokers and dealers in over-the-counter securities and specialists in trading markets for dollar stocks announce that on Feb. 4, 1952, they are moving to new and larger quarters at 52 Broadway, New York City. They also announce that the teletype number will be changed to NY 1-3184 and the new telephone will be Bowling Green 9-5577.

William Carley Joins Barclay Investment Co.

(Special to The Financial Chronicle)

CHICAGO, Ill. — William M. Carley has become associated with Barclay Investment Co., 39 South La Salle Street. Mr Carley was formerly with Link, Gorman, Peck & Co., and Webber, Simpson & Co. In the past he conducted his own business in Chicago.

Marriages

By ROGER W. BABSON

Mr. Babson, in pointing out fluctuations in the marriage and birth rates in recent years, calls attention to influences of such changes on business. Says prospective 20% decline in marriages for next five years can adversely affect our economy.

Roger W. Babson

Each generation, in countless ways, helps determine the fortune of the generation which follows it. Thus, the economic course of the fifties was largely charted in the thirties; what we do today will be felt most strongly in the seventies. In view of this fact, let us pick out one of the most significant events of 20 years ago and analyze its probable effect during the next few years. One of the most important characteristics of the thirties was an abnormally low birth rate. Births averaged at only 17.4 per thousand population. This was about 20% below the rate of the twenties. During 1933, the depression low, *one-third fewer babies were born than during the high year of the twenties.* These few 1933 babies are today's 18-19 year old youths. Because of the low birth rate of the thirties, there are one million *fewer* females in the 14-19 age group today than there were in 1940, despite a 14% increase in total population! This is a remarkable but sorry fact.

Two-thirds of the girls in the above group will marry during the next five years. This implies that in this age group alone, our marriage potential during the next five years has been reduced by nearly 150,000 marriages annually due to this one factor. Think what this means to every businessman reading this column.

Effect on Future Marriages

Another important influence on our marriage rate for the near future is the great number of marriages which took place during the prosperous '40s. Especially did couples then marry at a younger age. The all-time high — more than 120 marriages for each 1,000 unmarried females over 15—took place in 1946. This was more than double the 56 marriages per thousand in 1932. Moreover, the average during the decade of the '40s (including the war years) was higher than during the boom of the '20s.

Not only did this accelerated rate compensate for the low marriage rate of the '30s, but it also depleted our normal reserve of single girls in the "above 19 age" brackets. The result of low births of the '30s, and the high marriages of the '40s is that we have today over 2,500,000 fewer single girls under 35 than we had in 1940! I, therefore, expect marriages during the next five years to be at least 20% lower than the recent average of 1.7 million—a loss of about 350,000 marriages each year! Never before in our history have we faced such a dismal prospect.

Importance of Marriage to Business

Everyone is aware of the social importance of the institution of marriage, but its influence on business is often overlooked. When a man and woman marry, a new family unit is created. Separate housing is needed. This largely accounts for today's shortage of houses to rent, and why so many new houses are being built. In building the house, the contractor must buy plumbing, lumber, steel, glass, cement, gypsum, paper and electrical equipment. The newly married couple buys furniture, rugs, and household accessories. There is also additional demand for electricity, water and gas and usually a bank mortgage! As babies are born, demand is created for milk, baby foods and clothing, baby carriages, toys and a variety of other items. Thus, marriage is most helpful to business and is an important reason for today's prosperity.

Consider then the far-reaching effect of a 20% decline in marriages for the next five years. This can make business slump and keep it down. We are too complacent with our present high production and high consumption standards. We pay too little attention to the birth rates. I do not believe a repetition of the severe depression of the '30s is necessary. There are things we can do to counteract the coming big slump in marriages. I might add that the new draft ruling regarding childless couples could also be a helpful factor. It will be interesting to watch how much business will be affected in the long run by the recent Roman Catholic emphasis on the subject of birth control.

Vincent M. Doherty Joins J. R. Williston Co.

Vincent M. Doherty

(Special to The Financial Chronicle)

MIAMI BEACH, Fla.—Vincent M. Doherty has become associated with J. R. Williston & Co., 411 71st Street. Mr. Doherty was formerly connected with Gordon Graves & Co., and John L. Ahbe & Company. In the past he conducted his own investment business in Miami.

Now Partnership

LONG BEACH, Calif.—Halbert, Hargrove & Co., 115 Pine Avenue, is now doing business as a partnership with John B. Halbert and Ralph W. Murray as partners. Both were formerly officers of the firm.

The Banker Looks at Business

By F. RAYMOND PETERSON*

Chairman, First National Bank and Trust Co., Paterson, N. J.

Commenting on business outlook, former ABA President points out: (1) rearmament program and large corporate capital outlays if kept up, will keep activity at high level; (2) rearmament will bring dislocations and some shortages, and (3) demand for credit will be strong and money rates higher. Sees inflationary forces still quite strong.

How does the banker look at business today? First, let me make it clear that because of the prevailing uncertainties it is impossible to make definite predictions. Who is smart enough to say what the international political situation will be in the coming year? Who can tell what the Russians have up their sleeves, or who can tell what the outcome of the Presidential election will be? But no matter how great these uncertainties are, the business man and the banker must have at least an idea where we are going. This idea, to be sure, may be vague in character—we may not know a great many details—but I believe the broad outline can already be seen. Briefly, the banker looks upon business as follows:

F. Raymond Peterson

(1) So long as the rearmament program and so long as capital expenditure by corporations are as large as envisaged at present, business activity is bound to be at a high level. The present year, therefore, should be marked by a high level of business activity, practically full employment, a large disposable income and a substantial volume of retail trade.

(2) The rearmament program will bring in its wake dislocations. Some manufacturers will find it exceedingly difficult to obtain certain types of raw materials, and unless they are able to obtain defense orders, their business will suffer. In certain sections of the country, unemployment will prevail.

(3) There will be no shortage in the soft goods industries. The productive capacity of the soft goods industries has increased very rapidly during the last few years, and the national defense will absorb only a small portion of the whole output. The soft goods industries, therefore, should remain in a buyer's market, and competition is bound to be keen.

(4) The demand for credit will continue to be strong, because the volume of business activity will be high and partly because the cost of doing business is so much greater today than it was ten years ago. The banks of the country are strong, their assets are liquid, and I dare say that most of them, if not all of them, will be in a position to meet the legitimate requirements of industry and trade.

(5) Money will not be as easy to obtain as was the case only about nine months ago. Partly, this is the result of the flexible open market policy adopted by the Reserve authorities in March, 1951, and partly it is the result of the sharp increase in the demand for credit by industry and trade.

(6) The problem of inflation will continue to remain with us. There are both inflationary and deflationary forces operating in the economy. Which of the two will prevail in the immediate future is not easy to state and will depend on the magnitude of the defense program. The inflationary forces prevailing at present are:

Inflationary Forces

(a) The rearmament program, partly because it creates a great demand for raw materials and labor without at the same time creating commodities which enter the consumer market, and partly because the rearmament expenditures may lead to a large deficit of the Federal Government.

(b) Capital expenditures in their initial stages are also inflationary in character. They, too, create a demand for raw materials and labor, but until a factory is completed nothing is available for sale.

(c) Wages are high and are steadily increasing. If the increase in wages is accompanied by a corresponding increase in productivity, it is not inflationary in character. If, however, an increase in wages merely leads to more money chasing fewer goods, it is definitely inflationary in character. Now these three forces, and others could be mentioned too, will exercise an inflationary pressure on the economy of the country. There are, however, also deflationary forces which should be considered. They are:

Deflationary Forces

(a) The great productive capacity of the country which is steadily increasing. How great the productive capacity of this country is can be seen from this fact. During 1951 American industry was able to meet the increasing demands for rearmament, huge demands from the civilian population, and to built-up substantial inventories estimated at the end of the year at $70 billion. The productive capacity of the country is still increasing. American ingenuity is great, and our system of private enterprise can meet almost any reasonable demand for goods and services.

(b) Taxes are high, and all of us in this room know what the tax burden means to us and to corporations. I do not see any decline in the tax burden in the immediate future. On the contrary, we will be lucky if no further increase in taxes takes place.

(c) As I have already stated before, credit is becoming tighter and money rates have increased. While the banks in the country are in a position to meet the legitimate demands of industry and trade, many would-be-borrowers will not be able to obtain the accommodations they seek. Tight money is invariably an anti-inflationary force.

Which of these two forces will prevail? Will the inflationary pressures be stronger than the anti-inflationary forces? If I were to express an opinion, I would be classified as an economist or as a forecaster. I am neither. I am merely a banker who looks upon business from his desk and what comes over his desk. As far as I can see, a great deal will depend on total military expenditures. If these are not increased very sharply, then commodity prices should level off. To be sure, certain increases are bound to take place. This conclusion is based on the following considerations:

(1) As I said before, the supply of soft goods is large. There is no shortage of textiles, of shoes, and of a number of other items considered as soft goods and not utilizing scarce materials.

(2) There is no shortage of food. Crops during 1951 on the whole were good, although not as large as hoped for. It is quite certain that the acreage cultivated in 1952 will be large; and if we are blessed with good weather, we ought to have good crops in 1952.

(3) The supply of hard goods in the hands of the people is considerable. To a large extent the pent-up demand created during the war has already been met. We built a large number of homes; we produced a large number of automobiles, washing machines, television sets, radios and all kinds of other things.

(4) There is a buyer's resistance as is best evidenced by the fact that savings are increasing. Whenever savings are increasing, it is an indication that the people believe that commodity prices will not go higher than the present level. Of course, all this assumes that no unforeseen event will take place which can change the psychology of the people. We have seen this happen after the outbreak of the Korean War in 1950, and again after the Chinese Communists entered the Korean War. In both cases the people were frightened. They rushed in to buy everything in sight with the result that prices rose. Whether or not another unforeseen event will occur, I do not know. But the fact remains that we have to watch developments from day to day and stand ready to change our opinions. Nobody in these uncertain days can be positive about anything. It is possible that the international political situation in 1952 may become more serious than in 1951. But, as we and our Allies gather strength, it may lead to a change in the policy of the Soviet dictators, and the international tension may ease. Either event is bound to have a far-reaching effect on business psychology and on the psychology of the ultimate consumer. In looking toward the future, therefore, I can see a great many uncertainties, but in spite of it all I believe that business activity will be on a high level, that employment will be plentiful, and that the year 1952 on the whole ought to be a good one. It is impossible to look beyond 1952. The human vision is always narrow, and the economic visibility, to say the least, is very low. However, again looking at the picture as a practical banker, these are the conclusions I would draw:

(1) Our productive capacity is great and is steadily increasing. We have a technical know-how unrivalled and unmatched in the world. We have the capacity to produce large quantities of defense articles as well as huge quantities of civilian goods. For us it is not so much a question of guns or butter, but rather whether we should have more guns and less butter or less guns and more butter. In any event, the standard of living of the people is very high, and even if more of the productive capacity of the country should have to be devoted to the defense effort than is envisaged at present, the standard of living of the American people will still be higher than that of any other country in the world.

(2) We have an abundance of natural resources although we are short in certain items. The inventive genius of America is still operating, and new products are daily being developed.

(3) We have an abundance of skilled labor, although certain shortages in one and the other industry have developed.

(4) The financial position of our large corporations is strong, and the banking structure is thoroughly sound. Looked at from the purely economic point of view, there is no need for pessimism nor is there any need to be frightened by what our enemies may say or do. As I see it, our most immediate task is to maintain the integrity of the dollar to prevent further inflation. This can be achieved partly by economy on the part of the government and partly by economy on the part of the entire population. It means that all individual groups in the country—labor, business, bankers and farmers—have to look first and foremost at the welfare of the country and less to considerations of their selfish interests. If all of us act in unison, if we fully realize the great dangers that confront the free world, if we place patriotism above selfish interests, then we will overcome the present difficulties. To be sure, we will not reach the millenium. I do not think we have reached the point where one can say that the business cycle has ceased to operate, but we have learned a lot in the last few years. If we are willing to apply the lessons to the future, we ought to overcome the present difficulties and lay the foundation for a solid future.

*An address by Mr. Peterson before general assembly of the Dean's Day Home-Coming for Commerce Alumni of New York University, N. Y. C., Jan. 26, 1952.

Four With Bache & Co.

(Special to The Financial Chronicle)

MIAMI, Fla.—Estelle Alexander, Milton D. Bernstein, Alfred Valzone, and James B. Williams have become associated with Bache & Co., First National Bank Building. Mr. Bernstein and Mr. Valzone were formerly with J. A. Rayvis Co., Inc.; Mr. Williams was with A. M. Kidder & Co.

Life Insurance Investments in 1951

By JAMES J. O'LEARY*
Director of Investment Research
Life Insurance Association of America

In tracing life insurance investments in recent years, statistician classifies legal reserve life insurance holdings and reveals important changes in assets and in acquisitions during 1950 and 1951. These changes indicate over $5 billion increase in U. S. Government bond holdings and approximately $1 billion of industrial and miscellaneous bonds, offset in part by decline in holdings of utility and railroad issues. Mortgage loans show $700 million increase in first nine months of 1951, but contrary to expectation, holdings of stocks declined $164 million.

The assets of all United States legal reserve life insurance companies reached a new high in 1951. Preliminary estimates prepared jointly by the Institute of Life Insurance and the Life Insurance Association of America indicate total assets of $68.5 billion at the end of the year as compared with $64.0 billion at the end of 1950.

Dr. James J. O'Leary

Mortgages are estimated at $19.5 billion, and now exceed the total assets of all United States life insurance companies of less than a generation ago. Public utility bonds total $11.2 billion, an all-time record for investments in this sector of the economy. The bonds of industrial and miscellaneous enterprises rose sharply to $11.5 billion, and now comprise the largest bond holdings of the companies. On the other hand, United States Government bonds, estimated at $11.0 billion, declined for the fifth consecutive year.

Stock holdings approximate $2.4 billion, of which preferred stocks account for $1.5 billion and common stocks for $900 million. Real estate is estimated at $1.6 billion.

Table I shows the distribution of assets for the years 1948 through 1951. As can be seen, mortgages compromise 28% of assets while United States Government comprise only 16%. Industrial and miscellaneous bonds now account for 17% of assets and public utility bonds for 16%. Preferred and common stocks combined comprise about 3% of assets and real estate only a little over 2%. Many of these ratios have changed sharply from the proportions that prevailed at the end of the war. United States Governments, for example, accounted for 46% of assets at the end of 1945 whereas mortgages accounted for only 15% and industrial and miscellaneous bonds for only 4%. The 1951 statistics are based on 10 months' actual records for about 130 companies, which at the end of 1950 accounted for 96% of the assets of all United States legal reserve companies.

The changes which occurred during the year in the distribution of assets are set forth in Table II, which compares the net increase in each segregation in 1951 with the corresponding increases in 1949 and 1950.

Assets increased by almost $4.5 billion in 1951 but this was not sufficient to provide all the funds required by home buyers and business enterprises in the form of mortgages, bonds and stocks. Holdings of real estate mortgages increased by $3.4 billion, industrial and miscellaneous bonds by $2.0 billion, and public utility bonds by $613 million. Increases also appeared in all the other asset segregations except United States Government obligations. All told, increases totaled $6.9 billion, $2.4 billion more than the increase in all assets. The necessary additional funds were obtained from the liquidation of United States Government securities.

Acquisitions of Investments

This year acquisitions of investments, as computed jointly by the Institute of Life Insurance and the Life Insurance Association of America, will include $2.9 billion of Treasury Investment $2\frac{3}{4}\%$ bonds which were obtained in exchange for a like amount of long-term Treasury $2\frac{1}{2}\%$ bonds last spring. Even after deducting these bonds, however, acquisitions for the first nine months amounted to $11.6 billion, up from $8.3 billion during the comparable period of 1950. Statistics for the first nine months of 1951, together with the figures for the comparable period of last year and for the full year 1950, are shown in Table III.

Although holdings of United States Government securities declined during the first nine months of the year, acquisitions (exclusive of the exchange) totaled $3.4 billion as compared with $1.1 billion during the same period of 1950. Virtually all of these 1951 acquisitions consisted of securities having a maturity of less than one year. The available data indicate that large amounts of Treasury bills and notes were acquired, no doubt to build up a reservoir of funds with which to accommodate outstanding investment commitments.

Acquisitions of real estate mortgages amounted to $4.0 billion during the first three quarters of the year. Some decline occurred in the acquisitions of FHA's, but there was a considerable increase in conventional loans, and VA loans more than doubled the volume acquired during the corresponding period of 1950.

Next in volume of acquisitions were industrial and miscellaneous bonds. About $2.2 billion of these bonds moved into the portfolios of the life insurance companies, as compared with $1.2 billion during the first nine months of 1950. Large amounts of public utility bonds also were acquired but the volume fell below that of a year ago — $711 million as compared with $1.2 billion during the first nine months of 1950. Acquisitions of railroad bonds also declined somewhat from last year.

In respect to preferred stocks, approximately $94 million were acquired, an amount considerably below the $223 million recorded for the first nine months of 1950. Despite the passage of enabling legislation in New York State during the year, only $109 million of common stocks moved into the portfolios of the insurance companies during the first three quarters as compared with $144 million during the corresponding period of last year. It should be noted that companies include stock acquired on conversion of debentures in their reports to the Association and the Institute. The decline in the acquisition of both preferreds and common stock probably reflects both the improved yields obtainable on bonds and the heavy volume of mortgage financing undertaken by the insurance companies during the year. The amount of common stocks acquired is so small that changes in the policies of a few medium-sized companies can make a decided difference in the aggregates for the entire life insurance business.

Another outlet for life insurance funds consists of investment real estate. Acquisitions of such real estate amounted to only $138 million during the first nine months of this year, thus falling about 10% short of the $153 million of acquisitions through September of last year. (Investment real estate is the principal component of the real estate figures shown in Table III.) The Association does not attempt in its statistical reporting to assemble data on so-called "purchase-leaseback" financing, but from other sources it appears that a sizable proportion of the real estate purchased or constructed during the first three quarters of this year was intended for lease or rental to business corporations at the time of acquisition.

*Part of report by Mr. O'Leary to the membership of the Life Insurance Association of America, Dec. 11, 1951.

TABLE II
Net Increase in Investments, 1949-1951
All United States Legal Reserve Life Insurance Companies

	1949	1950	1951 (Estimated)
Railroad bonds	$14,166,000	$170,360,000	$88,036,000
Public utility bonds	1,023,516,000	822,686,000	612,812,000
Industrial and misc. bonds	1,529,843,000	845,475,000	1,974,131,000
Stocks	289,176,000	385,425,000	246,941,000
Mortgage loans	2,072,591,000	3,196,107,000	3,372,992,000
Real estate	192,167,000	197,807,000	205,414,000
Policy loans and premium notes	182,745,000	173,681,000	186,670,000
Total private	5,304,209,000	5,791,541,000	6,686,996,000
U. S. Government bonds	—1,455,999,000	—1,831,169,000	—2,409,211,000
Other government bonds	183,935,000	83,944,000	118,604,000
Total government bonds	—1,272,064,000	—1,747,225,000	—2,290,607,000
Cash and other assets	85,514,000	345,829,000	83,925,000
Increase in assets	4,117,659,000	4,390,145,000	4,480,314,000

TABLE III
Acquisitions of Investments—1950 and 1951
All United States Legal Reserve Life Insurance Companies

	(000's Omitted)			
		First Nine Months		
	Year 1950	1950	1951	Net Change
Railroad bonds	$311,000	$268,000	$214,000	—$54,000
Public utility bonds	1,585,000	1,228,000	711,000	—517,000
Industrial and misc. bonds	1,795,000	1,194,000	2,172,000	978,000
Stocks	470,000	367,000	203,000	—164,000
Mortgage loans	4,898,000	3,318,000	4,022,000	704,000
Real estate	256,000	179,000	166,000	—13,000
Policy loans and premium notes	518,000	391,000	414,000	23,000
Total private	9,833,000	6,945,000	7,902,000	957,000
U. S. Govt. bonds	2,019,000	1,085,000	*6,313,000	*5,228,000
Other govt. bonds	366,000	296,000	318,000	22,000
Total govt. bonds	2,385,000	1,381,000	6,631,000	5,250,000
Total acquisitions	12,218,000	8,326,000	14,533,000	6,207,000

*Includes $2.9 billion of $2\frac{3}{4}\%$ Treasury Investment Series B bonds of 1975-1980 which were acquired in exchange for $2\frac{1}{2}\%$ Treasury bonds of June and December, 1967-1972.

TABLE I
Investments, by Classes, 1948-1951
All United States Legal Reserve Life Insurance Companies

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	December 31, 1948		December 31, 1949		December 31, 1950		Est. Dec. 31, 1951	
	Amount Outstanding	% of Total	Amount Outstanding	% of Total	Amount Outstanding	% of Total	Amount Outstanding	% of Total
Bonds:								
U. S. Government	$16,746,379,000	30.2	$15,290,380,000	25.6	$13,459,211,000	21.0	$11,050,000,000	16.1
State, county and municipal	871,442,000	1.6	1,052,336,000	1.8	1,151,452,000	1.8	1,200,000,000	1.8
*Canadian Government	1,446,877,000	2.6	1,450,099,000	2.4	1,430,879,000	2.3	1,503,000,000	2.2
*Other foreign government	20,198,000	.0	20,017,000	.0	24,065,000	.0	22,000,000	.0
Total government	$19,084,896,000	34.4	$17,812,832,000	29.8	$16,065,607,000	25.1	$13,775,000,000	20.1
Railroad	3,002,433,000	5.4	3,016,604,000	5.1	3,186,964,000	5.0	3,275,000,000	4.8
Public utility	8,740,986,000	15.7	9,764,502,000	16.4	10,587,188,000	16.5	11,200,000,000	16.4
Industrial and miscellaneous	7,150,546,000	12.9	8,680,394,000	14.6	9,525,869,000	14.9	11,500,000,000	16.8
Total	$37,978,866,000	68.4	$39,274,332,000	65.9	$39,365,628,000	61.5	$39,750,000,000	58.1
Stocks:								
Railroad	99,651,000	.2	104,003,000	.2	128,211,000	.2	125,000,000	.2
Public utility	371,967,000	.7	512,455,000	.9	671,589,000	1.1	750,000,000	1.1
Other	956,840,000	1.7	1,101,176,000	1.8	1,303,259,000	2.0	1,475,000,000	2.1
Total	$1,428,458,000	2.6	$1,717,634,000	2.9	$2,103,059,000	3.3	$2,350,000,000	3.4
Mortgages:								
Farm	989,904,000	1.8	1,137,559,000	1.9	1,327,428,000	2.0	1,525,000,000	2.2
Other	9,843,406,000	17.7	11,768,342,000	19.7	14,774,580,000	23.1	17,950,000,000	26.2
Total	$10,833,310,000	19.5	$12,905,901,000	21.6	$16,102,008,000	25.1	$19,475,000,000	28.4
Real estate	1,054,612,000	1.9	1,246,779,000	2.1	1,444,586,000	2.2	1,650,000,000	2.4
Policy loans and premium notes	2,056,904,000	3.7	2,239,649,000	3.8	2,413,330,000	3.8	2,600,000,000	3.8
Cash	909,778,000	1.6	907,740,000	1.5	1,005,142,000	1.6	1,025,000,000	1.5
Other admitted assets	1,249,954,000	2.3	1,337,506,000	2.2	1,585,933,000	2.5	1,650,000,000	2.4
Total admitted assets	$55,511,882,000	100.0	$59,629,541,000	100.0	$64,019,686,000	100.0	$68,500,000,000	100.0

*Includes all political subdivisions.

The above data represent statement values compiled by the Institute of Life Insurance and the Life Insurance Association of America from the following sources:

1948, 1949, 1950—Compiled from The Spectator Insurance Year Book—Life Editions—and from company reports with sub-classifications estimated.

1951—Preliminary estimates based on actual records to Oct. 31 of about 130 companies which, at the end of 1950, held about 96% of the total admitted assets of all United States legal reserve companies.

Continued from page 5

Observations . . .

his generation, the successful pragmatist and improviser who used a real method in his bungling.

In his closing paragraphs Mr. Janeway says: "This book has attempted to explain the how of Roosevelt's greatness by telling the story of Roosevelt at his greatest—as War President and presiding genius over America's homefront. The how of his greatness defies comparison as it will ever defy duplication. Great men following in his wake, and their advisors, will never tire of speculating upon his motives, his strategems, his assumptions, his luck and his faith." But neither has the author made up his mind fully about the proper weighting of his motives and strategems—nor even whether he was wholly great. Rather is Mr. Janeway's appraisal a tribute to an interesting and glamorous personality.

Important Conclusions

In any event, Mr. Janeway's conclusions in other directions, both stated and implied, are more important and constructive. That, in the first place, no matter how confusing may our current bureaucratic bungling be, we are nevertheless far better off than we were on the eve of World War II. That despite the Washington madhouse, the nation's people came through in producing through hard work a staggering amount of guns, tanks, and planes. That industry did a miraculous job against all odds and in every pinch. (At one point General Motors produced 100 times the guns called for by its contract.) That an inflationary free-for-all for the entire community was a major factor in our success.

But the most significant message from Mr. Janeway seems to be embodied in his closing lines: "[to keep Soviet imperialism at bay] we shall have to be more total than any other totalitarianism. We shall need to invoke those drives of the human spirit which totalitarianism strait-jackets. Our achievements of organization will have to be driven by the anonymous energies of the millions behind whose momentum Roosevelt followed."

Will we be abiding by the true implications of this finding? The outcome of a certain event Nov. 4 next will have an important bearing on the answer.

Minneapolis-Moline Is Distributing Calendar

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Dangers Inherent in Government Ownership of Reserve Banks

By JOHN J. ROWE*

President, The Fifth Third Union Trust Co., Cincinnati, Ohio

Discussing fundamental purposes for which Federal Reserve was founded, Mr. Rowe asserts an independent system of 12 regional Reserve Banks can assist not only in keeping member banks sound, but in keeping Federal finances within bounds.

The Patman Committee Questionnaire for Banks asks the following question, their No. 10: "What do you consider to be the advantages and disadvantages of the ownership of the stock of the Federal Reserve banks by member banks? Do you believe that ownership by the United States Government would be more desirable?"

John L. Rowe

In several of the previous nine questions, it is clear that a general discussion of the Federal Reserve System, the bank examination objectives, the suggestion that banks be required to hold additional reserves to be invested in specified classes of United States securities, the general subject of Federal Reserve Bank market support of Government bond issues, is the immediate field for this panel discussion today under the heading *"What Monetary Policy?"*

Linked inseparably to this is whether the present system of twelve Regional Reserve Banks, now owned by the member banks of each District, should become finally and completely a Central Bank—owned by the Government.

Under Government ownership, such a Bank (far from the concept of the Federal Reserve Act) could be used as a method for *Totalitarian* control over credit, management of the Government debt (and its constant deficits), and restriction of private enterprise through interference with legitimate private needs for credit—Endless credit for government in business, in competition with private enterprise — Encouragement to narrow margin loans made by Government agencies, while contracting needed credit by *Industry.*

When the Federal Reserve Act was first passed, the phrase "Central Bank" was not used, and the whole conception was twelve practically independent banks, tied together through the creation of the Federal Reserve Board. This original plot was much more in keeping with the then conception of States' rights.

No European Style Central Bank

It is abundantly clear that the whole subject of the Federal Reserve Act and its amendments, from the very conception of the studies resulting in the original passage of the Act and the later amendments to it, have been a battle between those who believed in copying the Central Bank ideas imported from the European Continent, and those taking the opposite position that this country did not want a Central Bank, did not want to copy socialistic or totalitarian policies imported from Europe, being completely convinced that what we wanted was an independent group of Regional Reserve Banks to insure elasticity of currency, elasticity of credit and, fundamentally, sound banking.

The Federal Reserve Board and its membership naturally became a continuous matter for debate as to its degree of authority over the Regional Federal Reserve Banks, and eligibility and requirements for membership on the Board have been debated almost continuously since the passage of the original Bill.

Dr. H. Parker Willis, in his book *"The Federal Reserve System"*, published in 1923, commented as follows:

"Undoubtedly experience has demonstrated that the present method of constituting the Federal Reserve Board is unsatisfactory. It has fallen constantly under the supervision of politicians, and even when not under their influence has been constantly fearful that it would be obliged to yield to them. The fact that it has not yielded in the matter of appointments is greatly to its credit, but represents a condition which probably cannot be very long maintained. All this means that the present position of the Federal Reserve Board is not one which can be regarded as permanent if our banking system is to function in safety. The question seriously raised is whether something like the plan at first proposed in the Federal Reserve Act, whereby the bankers themselves would have been given a partial representation on the Board, may not have to be introduced, or whether if public opinion should continue adverse to such an arrangement, it will be possible to obtain a composition of the Board which shall be far less influenced by political considerations that at present."

In my humble opinion, the whole subject has been whether the American people can be trusted to run their own affairs, or whether an "all-wise" Government should take unto itself more and more power on the ground that free private enterprise has failed.

Origin of Federal Reserve

An extremely simple statement of the financial conditions in this country, leading up to the Aldrich Commission and the very, very long debates and discussions which finally evolved the original Federal Reserve Act, roughly, is about as follows:

The National Bank Act in Civil War days provided for the creation of National banks with powers to issue currency, secured by United States Government bonds with a margin consisting of gold deposited with the Federal Treasury. In the panic of 1907, the public demand for currency from banks quite suddenly exhausted the supply of available currency. Practically all of the available Government bonds had been pledged, and the volume of currency proved to have no elasticity whatsoever. In many cities, banks had to resort to the issuance of Clearing House certificates, or emergency money secured by the pledge of other assets with the local Clearing House Association.

The storm blew over quite rapidly, but the imperative need for revision in the currency supply of the country had been clearly demonstrated. At that point there arose many proponents for a Central Bank policy, patterned after the European Continent, and on the other side of the fence there were many people who intensely disliked the idea of a Central Bank, realizing that the enroachment of the Government upon the field of banking was fraught with grave dangers.

One of the fundamentals of this whole discussion about the Federal Reserve Banks and the Treasury is not only whether there should or should not be Federal domination, but the extent to which Treasury efforts to *"Manage the Debt"* and influence low money rates have been the true causes of the interest shrinkage. For example, the statement is constantly made that the Federal Government's fiscal policies made interest rates low during the past many years. I would like to highspot *Monetary* and *Financial* facts from World War I to date.

Why World War I Government Bonds Declined

During World War I a very general effort was made to sell Government bonds to the public on the theory that the more bonds banks owned, the greater inflationary effect it would have. This led to substantial borrowing by individuals and companies in order to play their part "to win the war" and, because of the pressure put upon them by the various Liberty Bond Committees and enthusiasts there was, of course, a very real and general distribution to the public, but the facts were that the bond issues, at advancing interest rates, were to a substantial degree bought on margin by borrowing at bank in many cases.

In my opinion, this fact has been overlooked a little in the general discussion of money rates. This borrowing to buy Government bonds produced what the Investment fraternity would call "indigestion." In other words, the securities had not found their final investment resting place, and I have a strong conviction that this indigestion of the Government bond market had a great deal to do with the price decline when the 4th $4\frac{1}{4}$s sold in the low eighties. In other words, as the market declined, a five or ten point margin melted away and necessitous selling drove the market to rather fantastically low prices, evidenced by the fact that it did not take an inordinately long time for the market to improve at a rather rapid pace after the indigestion had been corrected.

There followed a substantial decrease in the outstanding Federal debt over several years, and the Government market through, I believe, rather natural market events, became what was believed to be, thoroughly satisfactory.

The stock market collapse in 1929 seems to me clearly to have been again a very bad case of an undigested market—in the same sense in which I have just used it, namely, instead of Government bonds being borrowed on substantially, corporation shares were heavily borrowed on either at bank direct or on margin through brokers, who in turn borrowed at bank, and as the word "panic" implies a sudden and almost universal desire to get out of debt, produced a vanishing market, and because of the magnitude of it, caused pandemonium.

Causes of Low Interest Rates in World War II

When trying to analyse what forces and causes were behind the extremely low interest rate structure during and for many years after World War II, a comment on the sequence of events leading up to that event may be relevant —The old adage of "the burnt child dreads the fire" certainly holds good.

Following the end of the year 1929, people and companies strained every nerve to reduce their debt. Shortly thereafter, banks rather generally lowered interest rates in order to assist the borrower, and as an incentive toward faster debt reduction. In cases of loans which were deemed almost uncollectible, interest, in many cases, was completely waived in order to stimulate the payment of principal.

In addition to this, as a measure to help rebuild the impaired capital of the banks, the payment of interest on demand deposits was stopped. This act in itself took an unbelievable amount of expense off of the expense side of the banks' profit and loss sheets.

The elimination of interest on demand deposits of banks has been stressed very little, if at all, by those trying to analyse the forces which produced the "low interest" era. Similarly, interest on time deposits was lowered—roughly from 4%, in many cases, to 1%, and in many money centers, the amount and size of a savings account for interest bearing purposes was limited.

We then entered World War II with an interest rate structure that was very low indeed, compared to the era during and immediately following World War I. The Government's technique in offering Treasury Bills, Treasury Notes, and Bonds of both short and long maturities produced a pattern for Government financing very different indeed from that of World War I, and as the total volume of business mounted year after year, the banks steadily accumulated more and more government obligations, very largely of shorter maturities, and correspondingly bank deposits rose, I believe, in proportion to the total dollar volume of business in the country. Roughly speaking, corporations keep about 10% of their annual dollar volume of business in their bank account, and it is rather idle to argue which came first—the chicken or the egg, when it becomes perfectly apparent that bank balances are a tool of business, and as their business grows, they need more tools, namely, a bank balance in due proportion to their annual volume of business, and people keep bank accounts in amounts according to their needs.

Naturally, as banks built up both sides of their balance sheets, loans and governments on their

Continued on page 28

*An address by Mr. Rowe before the National Industrial Conference Board, New York City, Jan. 23, 1952.

New Fiduciary Policy Permitting Common Stock Investment

By CHESTER J. DODGE, B.C.S., LL.B., C.P.A.*
Chief Auditor of Accounts, Surrogate's Court, New York County

Mr. Dodge hails the salutary effects of recent Prudent Man Law changes, pointing out that the life tenant or legatee under orthodox trustee investment lost over three-fourths of its value in terms of living standard since 1932. Offers "common sense" precepts for common stock investing.

One of the most progressive changes to be made in the administration of estates became effective July 1, 1950. I am referring to the reenacted Section 21 of the Personal Property Law, under which investments may be made in common and preferred stocks. Let us look at the situation in estates as they have existed, involving the **forgotten woman**, the wife, the life tenant. A trust fund of $100,000 in 1932 produced an income of $5,000. The same fund with the same or similar securities in 1949 yielded a return of $2,900. In other words, 40% less dollars! In addition, the life tenant had to pay increased income taxes, and the purchasing value of the dollar decreased steadily over that period. To state this another way: if one wished to have the standard of living of the widow maintained at the 1932 level, the fund would now have to approximate nearly $350,000.

Chester J. Dodge

Bankers' Association Responsible

What may surprise you is that the New York State Bankers' Association was most instrumental in having the new law enacted. The new enactment has been referred to as the prudent man's law, which means making investments with a reasonable return considering the safety of principal. The day is gone forever when a trustee can take the estate funds, purchase legal investments, bonds, place the bonds in a safe deposit box, and merely look at his key to the box for his security. The fiduciary may no longer rest with bonds simply because they are legal. He shall have greater responsibilities toward the life tenant, who will certainly want the additional income that may be available under the new law; the remainderman also stands a chance to have the principal increased. In speaking of the principal, I like to refer to its preservation rather than its conservation; preservation attempts to protect the fund from deterioration through protection of both principal value and purchasing power. For the life tenant to be properly maintained, a fund should be preserved so that increased income may come to the beneficiary, particularly if inflationary trends continue.

As to the new law which became effective July 1, 1950: It affects all types of fiduciaries. Also, wills *inter vivos* trusts, guardians' and incompetents' estates—whether created prior to or subsequent to July 1, 1950.

The Prudent Man Statute

The statute provides for investments such as would be made by a prudent man using diligence and intelligence in seeking a reasonable return and preservation of the capital. Thirty-five percent of the fund may be invested in common stocks, preferred stocks, and bonds if the same are fully listed and registered upon an exchange registered with the SEC as a national exchange. Stocks of insurance companies and banks are exempt from the exchange listing proviso. It should, of course, be emphasized that registration with the SEC is compliance with a disclosure statute which has criminal and civil sanctions. The mere fact of registration does not indicate an approval. If the value of the stock at any time exceeds 35% of the fund, the fiduciary is not required to liquidate. However, should liquidation take place, then the fiduciary would be required to reinvest the proceeds in such investments as are "legal" under the 65% rule if the "legals" are less than the stated percentage.

"Common Sense for Common Stocks"

When you invest in common stocks on behalf of the estates and fiduciaries, the funds invested are generally substantial amounts of money. The letters "c" and "s" also indicate something else in this conection — common sense. Before making an investment, at least inquire into (1) marketability; (2) management; (3) earnings (stability); (4) dividend record (continuity); (5) debts and preferred stock ahead of the common; (6) the industry; and (7) the growth possibilities. These represent but a few of the factors to be considered prior to investing.

In a recent report of the New York State Bankers Association it is shown that the purchase of common stocks has ranged from 15% to the 35% permitted under law. The average investment made, according to a reply to an inquiry of the New York State Bankers Association, showed that between 20% and 25% of the funds were invested in common stocks under the prudent man rule. Needless to say that the life tenants of these various trusts are grateful with receipt of the additional income.

*A ta'k by Mr. Dodge before "Accounting and Taxation" seminar at Dean's Day Home-Coming for Commerce Alumni, New York University, School of Commerce, Accounts, Finance, New York City, Jan. 26, 1952.

"If Our Depositors Only Knew"

By ORVAL W. ADAMS*
Executive Vice-President, Utah First National Bank, Salt Lake City, Utah

Western banker, in message to depositors, declares they have right to know their money is spent wisely, and urges them to use ballot box to insure hard-earned savings from becoming a cold-war casualty.

It could never have happened if our depositors had only known back in 1933, when it all started, that: There is no such thing as government money.

Orval W. Adams

But, they did not know this or did not act upon their knowledge, and year by year their power to resist injury through governmental policies has weakened.

Bernard Baruch, Elder Statesman of the Democratic Party, says: "The inflation that has racked this country with such injury to those with fixed incomes and wages has not been the result of do-nothing economics. It has come from government-managed economics; from government favoritism to certain pressure groups in disregard of the national interest."

The Federal budget for the coming year, proposed by the President, is in excess of $85 billion. That is a tremendous amount of money; it is **fifteen thousand million dollars** more than the anticipated receipts of your money from all taxes; it is **eighty-three thousand million dollars** more than the Federal Government ever spent in any year prior to 1917 (when for the first time it collected over one billion and spent nearly two billion dollars). Just the excess over the taxes you are to pay almost equals all of the taxes collected by all of the 48 States for all State and local purposes.

You know where this money comes from — that it comes out of your pockets in high prices and higher taxes; that inflation has lowered your standard of living, hazarded your future security and is threatening the economic security of our nation.

You know that so long as government continues to spend more than it takes from you in taxes this dangerous trend will be intensified, and of immediate concern to you, the savings of bank depositors, of all of the millions of them in all of the banks of America, will continue to suffer a corresponding decrease in purchasing power.

Granted that the just demands of government in this war-wracked era are enormous, that is all the more reason to avoid needless waste and to get the most out of every dollar taken from you and spent by government.

You have a right to know that your money is spent wisely. You have a right to be heard by your representatives in Congress. Remember that those in whose interest inflationary policies are adopted will be heard with emphasis. They will "pressure" your Congressmen and Senators, and these men, your representatives, are entitled to assurance that you stand back of them in opposing such policies, that you are awake to what is happening to this country and are demanding that an end be put to deficit financing, an end be put to policies adopted to favor one group at the expense of the whole people.

Remember the government is yours; the money it spends is yours; the debts it incurs will have to be met by you and your children. You have not yet lost the right to petition Congress, nor the right to express yourself at the ballot box. Use these rights. In them lies the only hope to preserve your future and insure your hard-earned savings from becoming a postwar, cold war casualty!

*One of series of messages prepared to promote depositor education, and delivered by Mr. Adams over a Salt Lake City radio station.

From Washington Ahead of the News

By CARLISLE BARGERON

It is the little things that are comprehensible to the taxpayer as he faces these days the highest taxes in his history, a Federal government debt of some $265 billion and a proposed deficit on the next fiscal year's expenditures of $14 billion. Such a little thing as an example of the way your money is going is the plan of the Quartermaster Corps to build an "Institute of Man" at Natick, Mass., for which they have an original appropriation of $11 million but for which the final bill will be around $40 to $50 million. Just a small item and inasmuch as we are giving away billions to Europe and spending other billions on the armed forces, why in the name of goodness shouldn't the Quartermaster Corps be permitted to spend this little sum with a view to boosting their morale if nothing else? After all, the members of the Corps over all these years have felt like outsiders; they are non-combatants, no "Halls of Montezuma" or the "Caissons Go Rolling Along" have been written around them. Throughout our increasing number and years of wars their job has been simply to supply the soldier with food and clothing., etc. An "Institute of Man" would not be the creation of most of them. Theirs has been a drab lot, not conducive to such imagination.

Carlisle Bargeron

However, in the last war, a Frenchman by the name of General Doriot joined up with them as a reserve officer, now retired, and in that "ooh lah lah" and "merci beaucoup" enthusiasm, if I am recalling my boulevard French correctly, he has sought to inspire the Corps with the same lilting marching spirit as if it shouldered guns and stepped, dance-like, off to war.

He spent an untiring four years before committees of Congress trying to sell them on what a splendid thing the "Institute of Man" at Natick, Mass., would be. Ah, ooh, lah lah, he kept repeating, the American soldier must be the best clothed and the best fed in all the world if we are to preserve the Democratic Free World, and the "Institute of Man" was about the best way to accomplish this. Here in the shadow of and with the scientists of Harvard, MIT and other higher institutions of learning, could be developed through scientific experimentation, the best food and the best clothing with which man could survive in the heat of the South Pacific and the cold of the Arctic.

Well sir, one day he took kindly and politically naive Senator Saltonstall through a demonstration of a soldier lying comfortably in a pile of artificial snow with the induced temperature of 65 degrees below zero and the Senator said: "Aren't you afraid you will harm that youngster?" and Dr. Doriot enthusiastically replied: "Senator, I'm glad you asked me that; we have instruments to show the state of his health and comfort better than he knows it himself." Next, the Senator was shown a soldier riding a bicycle in a tropical heat with not a bead of perspiration flowing from his brow.

The Senator was impressed and it came to pass that he appeared before the appropriate Congressional committees to tell of what he had seen and to endorse Dr. Doriot's dream. It so happened that the "Institute of Man" is to be located in the Senator's state.

The General, who happens to be associated with Harvard and other combined New England industrial and scientific agencies, finally got Congress, with the aid of men like Saltonstall and, more importantly, Majority Leader John McCormick, who hails from Boston of which the fair settlement of Natick is a suburb, to authorize his project in 1950. The former Secretary of War, Robert P. Patterson, disapproved the project over a period because it involved new construction.

However, came the Korean crisis, all hope of checking the growth and spending of the military was over, and he relented. Once again the brass was to have golf courses and planes at their disposal; servants galore and yachts. There was no stopping of it now because, after just a brief pause, the Free World was again endangered and only the brass could save us.

So it came about, since the political cry in 1951 was that on account of the unlimited expenditures to save the Free World, it was necessary to curtail on purely domestic items, such as highways and schools and particularly on the old pork barrel stuff of rivers and harbors, the members of Congress must needs get their pork out of a $4,800,000,000 army and naval construction fund. The country has never seen such a pork barrel bill as was this, all in the name of patriotism, and in that bill, General Doriot and his QMC colleagues finally got the original appropriation for their "Institute of Man."

The fact is, of course, that the QMC has six other establishments now around the country where that very work of devising food and clothing with which man can "best survive in the heat of the tropics or the cold of the Arctic" is going on. There are innumerable commercial and university laboratories doing the same, any number of government laboratories, including the Bureau of Standards, too.

But none of them is called an "Institute of Man." That phrase, out of the imaginative mind of a creative Frenchman, such as one who might design a woman's dress, is going to be expensive.

What Monetary Policy?

By E. A. GOLDENWEISER*
Formerly Economic Adviser Federal Reserve Board
Formerly Member, Institute for Advanced Study

Asserting public as well as private debt should pay current money costs, Dr. Goldenweiser urges use of Federal Reserve's existing powers and machinery, in lieu of initiating amending legislation. Opposes return to gold coin standard, alleging this would indirectly give our enemies weapons to use against us.

For many, many years the extent of the influence of the amount of money on the workings of the economy has been a subject of controversy, and it promises to continue to be one for many years to come. Generally speaking, those who minimize the importance of money as a factor in economic life emphasize the greater effectiveness of fiscal policy coupled with direct controls. This school of thought gained many adherents in the later years of the depression of the '30s when the supply of money was adequate but recovery was slow. That there are circumstances under which abundance of money is slow to exert an influence, no one would deny, but this does not mean that money has no influence or that in certain circumstances this influence may not even be the dominant factor in the economy.

E. A. Goldenweiser

Neither will any one deny that fiscal policy has a powerful effect on business activity. As a means, however, of counteracting deflation, and particularly inflation, fiscal policy is not a dependable instrument. Not only is it slow, clumsy, and often swayed by many pressures not related to the country's monetary requirements, but it is formulated largely on the basis of non-monetary considerations. What the government will spend is decided by the political and social views of the Administration and the Congress, or by such overriding considerations as the need to finance a war or a large-scale defense effort. What is raised in taxes and how depends on a complex of political and social considerations, few of them of a monetary nature in the technical sense of the word, namely, the need to increase or decrease the money supply. It is well for scholars to work on the problem of how fiscal policy can be best used as an anti-cyclical influence, but for the foreseeable future there is little hope of fiscal machinery and practice being adapted to current cyclical requirements of the country.

Direct controls may at times be a desirable way temporarily to keep the price structure intact while more lasting methods of regulating inflationary forces are being put in operation. But not only do direct controls attack effects rather than causes of inflation; they are also administratively difficult and tend to weaken corrective forces in the economy. They create inequities and maladjustments; and result in constant demands for wider and wider fields of activity to be put under control. At times one doubts whether effective direct controls, even on a temporary breathing-spell basis, are feasible in a democracy. There are too many powerful presure groups and too many politically convincing arguments why the other fellow is the one who needs to be controlled on the upside while the arguer needs special consideration on the downside.

*A talk by Dr. Goldenweiser before the National Industrial Conference Board, January 23, 1952.

In contrast to fiscal policy and direct controls, monetary policy is both feasible and flexible. It can be promptly formulated, vigorously pursued, and requires no time-consuming *ad hoc* legislation. As to its effectiveness, there are no times when it is of no consequence and there are periods when it can be the decisive factor in the economy.

For example, it is now generally admitted that in the period from 1946 through 1950, with extremely active demand for all kinds of consumer goods and services and for capital equipment, a tighter monetary policy would have dampened the growth of bank credit and thus moderated the force of inflationary pressures.

The present is likewise a time when monetary policy can be a powerful influence in either direction, either for economic stability or for boom and bust. Government spending is bound to be heavy and to be determined by world considerations with little possibility of moderating them substantially for domestic monetary reasons. Government deficits have been avoided until recently because it takes time for orders to be placed and operations to get under way. But in the coming year and in following years actual spending may be expected to be on a vast scale.

No Early Tax Increase

Taxation—we are informed—will not be increased, at least not in this election year. (This incidentally illustrates the weakness of fiscal policy as an economic regulator.) There is even some question whether additional taxation at this time would be desirable even from a strictly economic point of view. Preservation of incentives for productive effort cannot be ignored if income taxes were to go up; and the immediate effect of a sales tax on those whose budgets have already suffered through inflation, makes indirect taxation, with its regressive characteristics, an extremely ticklish matter, even though in the long run it may help to prevent a further rise in prices. So, if we are to have restraint, it will have to be monetary restraint.

Conditions are such as to make the financial machinery more sensitive than usual to moderate changes in the availability of money and in interest rates. The large public debt and its distribution, which, as will be pointed out presently, have been obstacles to vigorous monetary policy, are also factors in bringing about greater sensitivity of the market. Rather minor changes in rates have a substantial influence on the capital value of government securities in the hands of large investors, including insurance companies and banks. They are reluctant to take capital losses by selling cheaper than they bought and are less likely to transfer their funds from government to private loans in response to requests from business.

There is little doubt that a policy of credit tightness is the correct one to pursue at the present time, and has been nearly continuously since 1946 (except in 1949). What has prevented the adoption of such a policy in recent years has been fear of interfering with the Treasury's difficult task of refunding and distributing its debt. Federal Reserve authorities have made efforts at restraint, but they have been timid. There was a warborn feeling of obligation toward the Treasury and a belief that government securities were not firmly held. There was fear that vigorous credit action might lead to an avalanche of selling, which not only would be serious for the Treasury, but might lead to a collapse of the entire capital market and a profound, if not a catastrophic, disruption of the country's financial operations.

These fears and hesitations, together with human inertia in changing established lines of thought and action, have accounted for Federal Reserve timidity. Whatever justice there had been in the fear of these dangers (and they were almost certainly unduly magnified), the situation has now become more clearly defined than ever. Public debt has not increased so far from the war peak; it is better distributed and more firmly held. Firm credit policy at this time would not run any of the real or fancied dangers of earlier postwar years. It would only result in greater caution by lenders, arresting or slowing down of credit and money expansion, and a strong influence to counteract inflationary pressures.

The Treasury-Reserve Accord

Realization of these changes and accumulated experience led to the working out between the Treasury and the Federal Reserve of the now famous accord of last March. In carrying out this accord the market was cleared of a large part of an overhanging issue of 2½% bonds, which were made exchangeable for a non-marketable 2¾% bond. This bond, to be sure, was exchangeable at the holder's option into a 1½% marketable note. Such an exchange, however, involved a loss of revenue for the investor, and this has so far been an adequate deterrent to the exercise of this option. A sensitive market, indeed. The accord provided further that rates on short-term governments would be allowed to find their level, and that support of bonds would be gradually relaxed and ultimately discontinued, except in so far as might be necessary to maintain orderly conditions in the market.

The accord has worked very well up to the present time. Government securities have declined, but not alarmingly; there was no wave of selling. Interest rates, both long and short, have gradually advanced, and credit expansion has markedly slowed down. During the past nine months the record of monetary policy has been the best since the end of the war (and probably for some time before). It is to be hoped that the dearly won independence of monetary action will continue in effect, and that the monetary authorities will make full use of their power to prevent or moderate the inflation notwithstanding the budgetary and demand situation which exert heavy inflationary pressure.

Debt Must Pay Current Money Cost

It is essential, logic and experience indicate, that the principle be widely understood and accepted that the fate of the dollar, which is the cornerstone of our economic life, depends to a substantial extent on the Federal Reserve adapting its regulation of the availability and cost of money to the economic needs of the country, and that in the interest of all, public, as well as private, debt must pay the current cost of money as it is determined in the market.

No change in our machinery is necessary for this purpose. Many suggestions—good, bad, and indifferent—for its improvement have been made. Some think that our salvation lies in the reestablishment of the gold coin standard, though what positive result this would have now, other than to give our enemies easier access to our gold and thereby to weaken our financial structure and increase their power, directly or indirectly, to buy weapons with which to fight us, is difficult to see. Some think that the distribution of powers within the Federal Reserve System can be improved, as no doubt it can. Others believe that the Board should be reorganized, and probably it should. Still others want to increase the System's powers over bank reserves or to change the method of imposing them, or to alter their composition, or to make them applicable to all banks that accept demand deposits.

In the long run some of these things might be adopted to advantage. But no legislation needs to be pressed at present. If reforms are to be considered now, the possibility of legislation will be both disturbing and delaying. Also there is always the possibility that such changes as will emerge from the maelstrom of confusion and compromise which is certain to rage if monetary reform is under discussion, will turn out to be in the wrong direction. Far better to make use of existing powers and existing machinery. Their imperfections are no greater than those of most human institutions and their performance will be no better, and no worse, than the quality of their administrators.

It is somewhat discouraging that one cannot offer a counsel of perfection. A clean-cut monetary mechanism, logically sound and modern, would be a pleasure to behold. But we must be consoled by the thought that democracy is a sound device for substituting muddling for straight-line action. Experience and history have demonstrated that human beings, particularly *en masse*, are not capable of well-designed straight-line action. It is more likely than not to be in the wrong direction. That's why totalitarian States, which have considerable powers to impose straight-line action, invariably fail: they move straight—but go the wrong way.

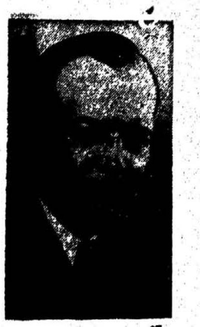
Having thus been reconciled to muddling, provided only we muddle through, it behooves all of us to contribute what we can to directing the general movement, slow as it may be, toward gradual progress to the common goal.

A Solid Dollar Under a Modern Gold Standard

By HAROLD E. STASSEN*
President, University of Pennsylvania

Ascribing climbing prices to wrong and wasteful policies of government, aspirant for Republican Presidential nomination lists increases in paper money supply by Truman Administration as having produced inflation. Says inflation can be curbed by anchoring dollar to something solid, and best anchor is gold. Lists as steps to "modern gold standard": (1) spend less money in Washington; (2) prevent future unemployment by providing worthwhile work; (3) strict supervision of gold shipments in and out of country, and (4) control over gold holdings.

Tonight I will talk over with you one of the important reasons why our country needs a change in the national capital. It involves the threat of cheapened money and the danger that this means to America. And I will present to you the constructive steps which I am convinced can and must be taken. I will explain the proposal in my platform which I would carry out as your President.



Harold E. Stassen

Let me tell you about it this way.

A young mother in Milwaukee, with a troubled frown, asked me an important question last week. She said that although her husband has received three wage raises in the past six years, she had a harder time making ends meet now than she had in 1945. With prices of almost everything always climbing beyond the wage raises, her family budget is getting desperate. She asked me why this was happening and what could be done about it.

Millions of Americans are faced with this same problem. You probably have this same trouble in your home. Why should this be true? And how can it be corrected?

Let me give you another example.

An elderly couple in Cleveland wrote that the husband retired in 1945 on a pension of $100 per month. When the pension plan was first put into effect in his company it was considered a very good pension. But now, every year, that $100 buys less and less. They are using up their small savings and are worried about the future when they had hoped to be happy and secure in their sunset years. People like this couple on a fixed income are even worse off than the young mother.

Those who have not had pay raises are also in serious difficulty. Three school teachers in Kentucky wrote that they have had only one increase in salary for seven years and it is very hard to get along on their salaries.

Still another example was brought to my attention again last week when a young man spoke to me on the train to New York and complained that the insurance policies he took out at the end of the war would not longer take care of his family as he had planned. He asked what could be done about it as he could not afford another policy with so much of his income now taken by taxes.

Tonight I will try to answer these questions and tell you what I would do about the problem as your President.

*An address by Mr. Stassen under auspices of Eastern Connecticut Republican Committee, Willimantic, Conn., Jan. 26, 1952.

Reasons for Climbing Prices

There are two main reasons that can cause climbing prices and trouble of this sort for the people of a country.

One is shortages of supply—shortages of food, or clothing, or materials.

The other is wrong and wasteful policies of the government.

The first reason for climbing prices can be ruled out because in the past six years we have not had any serious, lasting shortages. We live in a land of plenty.

The cause of the trouble in America is, and has been, six years of bad financial management in the government—six long years of waste and bungling in Washington.

As a result of these wrong actions in the government, this is what has happened. The government has printed a lot of extra paper dollars and issued many, many bonds of indebtedness and let the credit arrangements get very puffed up. And every time the government is wasteful and then issues another billion dollars of paper money, or of bonds, or puffs up the credit, it makes the dollars which you earn, or which you have saved, worth less than they were before.

The Administration now has more than $260 billion of debts. This is an increase of $25 billion from the time it took office in April, 1945. It now has nearly $27 billion worth of paper money in circulation, which is an increase of a billion and a half from the time it took office. Other expansion of credit and speeding up of dollar movements have taken place at the same time.

These changes together are what is known technically as inflation. It is a cheapening of the value of the dollar and it is reflected in the higher and higher prices of the things the people must buy. It results in a "loose dollar." No one can be certain what a "loose dollar" will buy in future years. We do know that it now buys only 68c worth of what it bought just six years ago, when President Truman took his oath of office.

This inflation is not only troublesome now to millions of Americans, but if it continues and gets worse it can be very, very serious. Many great countries in history have gone through terrible times because of bad inflation and runaway prices. I have personally seen extreme inflation in Greece and Hungary and Italy in recent years, and I know the suffering and misery and tragedy which the people experience.

What a Solid Dollar Means

Experience has shown that there is a reliable method by which the people of a country can prevent the politicians in their government from inflating and cheapening their money. That method is for the people to insist upon a "solid dollar." In other words, the people should insist that the government keep the money anchored to something solid, and the best anchor for many centuries has been a gold anchor.

The reason gold is the best anchor is this. Paper money can be easily printed and the paper it is printed on is practically worthless. But gold is itself valuable. The supply is limited. It takes hard work to mine it. It can be used for hundreds of purposes other than money. Therefore gold never becomes worthless; it retains its value. But paper money hitched only to a government printing press can become practically worthless.

Therefore, if the people insist that they should have the right, whenever they want to, to change their paper money to gold coins, and change gold coins back to paper money, they thereby make their government keep their paper money in sound shape.

In other words a gold standard for the money of a country requires a good standard for the government of the country.

If the government is wasteful, or if a government is corrupt and dishonest, or if a government bungles into large unemployment, or if a government loses the confidence of the people, then that government cannot keep its money on a gold standard.

Therefore, I present to you, as one of the four principal planks in my platform for the Presidency, the establishment of a solid American dollar with a modern gold standard. This will be an honest dollar based on an honest national government.

It will not be easy to achieve. But for the good of America and for the future well-being and happiness in your home it must be done.

I am confident, from expert advice and long study, that it can be done, and I pledge that as your President, with the cooperation of Congress, it would be done.

This is the way it would be brought about:

First of all, I would spend less money in Washington. I would cut out the waste, weed out the loafers, throw out the dishonest people, streamline the departments and end the duplication and triplication. I would bring into the government young, upright, efficient men and women who would see to it that Uncle Sam got a dollar's worth for his dollars spent. And I would talk with and get advice from the ablest, most experienced men, regardless of Party, so that we would have wise policies of government.

I know from experience in taking over and straightening out a corrupt and wasteful administration in state government in 1939, that billions can be saved in Washington with better service to the people and a stronger defense result.

Second: I would make it very clear that the policy of our administration would be to prevent any future unemployment which might otherwise arise when a heavy defense program is no longer needed. This would be done by seeing to it that there was always plenty of worthwhile work to be done building America and developing its resources. I will explain this in detail in future speeches. Confidence in future jobs and future business is very necessary for a modern gold standard and for a successful America.

Third: With the help of Congress, my administration would take steps to insure that the uncertain conditions in other parts of the world would not upset our gold standard at home. This would mean that we would have strict supervision over shipments of gold into or out of our country.

This is important because we would not want to make it possible for the Communists to mine large quantities of gold with their cruel and ghastly control over slave labor, and then suddenly ship it into America and upset our steady money. Neither would we want any country or combination of countries to be able to suddenly buy up and take out a lot of American gold, as this too would cause an upset.

We would also need some limits on gold holdings by citizens to prevent hoarding, and some restrictions against insistence by one citizen that another citizen must pay him in gold.

Study and attention will be needed to establish the right weight and size of the gold coin that can be purchased with a $10 bill or a $20 bill.

The Modern Gold Standard

Within about two years from the beginning of our administration, after these and other necessary steps are taken, and after the people have confidence that they have an honest, efficient, good administration in Washington, the modern gold standard would be put into effect by my Administration. From that time on America would have a solid dollar. This solid dollar would do much to clear up the troubles of the Milwaukee mother, the Cleveland couple, the Kentucky teachers, the New York insurance policy holder, and the rest of the American people.

In other words, if you can take a $10 bill and get a gold coin of the same size and weight one year, the next year, or five years later, and if the Federal budget is kept balanced and employment is full, then the prospects are very good that the $10 bill will also buy at least as much or more of the necessities and good things of life that year, and next year, and five years later.

The modern gold standard becomes a barometer to test the wisdom and soundness of your government's policies; it becomes a symbol of a sound, solid money policy and it becomes a strong promise against the danger to you of bad inflation and cheapened money.

Let me make it clear that a gold standard does not automatically correct the evils of inflation. But a gold standard cannot be maintained unless the government keeps its financial and credit policies sound and wise. Thus it has an extra value to the people as a check upon their government.

Other Platform Planks

Along with the solid dollar the other planks of my platform will be these three:

Greater harmony between groups in America with voluntary plans for sharing the profits of American corporations with the employees;

An honest, upright administration in Washington to serve all the people;

A new up-to-date American foreign policy, keen and alert and strong, guarding the security and the freedom and the happiness of the American people, under God. A policy which will help other peoples to make progress and become our friends in a peaceful world.

These three planks together with my proposal for a solid dollar, can be carried out with the support of the people. I pledge to you that as your President, with the help of Congress, I would carry them out.

Joins Harris, Upham

(Special to The Financial Chronicle)

ST. PETERSBURG, Fla.—Raymond S. Hansbury has become associated with Harris, Upham & Co. In the past he was connected with Hunnewell & Co. of Boston.

With Waddell & Reed

(Special to The Financial Chronicle)

TAMPA, Fla.—George B. Stalls and Arthur W. Winne have become affiliated with Waddell & Reed, Inc.

Max Barysh Makes A Hole-in-One

Max Barysh

Max Barysh, Ernst & Co., 120 Broadway, New York City, members of the New York Stock Exchange, made a hole in one recently at the Fenway Golf Club, White Plains, New York, on 120-yard seventh hole on the winter course. He used a No. 7 iron. If you call him, he will tell you how he did it.

Morgan Stanley-Hutton Group Offer Dayton Pow. & Lt. Co. Bonds

Stock Offer Underwritten

Morgan Stanley & Co. and W. E. Hutton & Co. headed an underwriting group comprising 43 investment firms which offered for public sale on Jan. 29 a new issue of $15,000,000 of the Dayton Power & Light Co. first mortgage bonds, 3¼% series due 1982. The bonds are priced at 102¼% plus accrued interest to yield approximately 3.13% to maturity.

Concurrently the company is offering to the holders of its common stock rights to subscribe at $32 per share to 256,007 shares of additional common stock at the rate of one share for each nine shares held of record at the close of business on Jan. 28, 1952. The subscription offer will expire at 3 p.m. (EST), on Feb. 15, 1952. Morgan Stanley & Co. and W. E. Hutton & Co. and 50 associated investment firms, including most of the members of the group marketing the bonds, will underwrite the company's offering of common stock.

Proceeds from the sale of the new bonds and the additional common stock will be used to pay a part of the cost of the company's construction program and to repay $12,000,000 of bank loans used for construction. The company has projected a new construction program over the next five years, based upon increased customer requirements. Expenditures for the three years through 1953 are estimated to be $58,400,000, of which $20,400,000 was spent through Dec. 31, 1951.

The company's business is the production, transmission and sale of electric energy and the purchase, distribution and sale of natural gas. Its service territory covers 24 adjacent counties in Ohio and the principal cities served are Dayton, Sidney, Troy, Piqua, Xenia, Grenville, Fairborn, Wilmington, Urbana and Washington Court House. Operating revenues for the 12 months ended Dec. 31, 1951 amounted to $48,963,442, of which 67.5% was derived from sales of electricity, 28.9% from gas and the remainder from steam and water business. For the 1951 calendar year gross income before interest deductions was $8,593,789.

With Merrill Turben

(Special to The Financial Chronicle)

CLEVELAND, Ohio—Samuel C. Mitchell is now with Merrill, Turben & Co., Union Commerce Building, members of the Midwest Stock Exchange.

Forces Shaping the Business Future

By ELLIOTT V. BELL*
Editor and Publisher, "Business Week"

Mr. Bell cites following as major economic forces during coming year: (1) Government spending for national security, in both military and economic fields; (2) Business spending for plant and equipment; and (3) Consumer spending. Predicts 1952 will see full employment, high industrial activity, production, national income, debt, and taxes; with continued fall in value of dollar. Asserts it may nevertheless be "a terrible year" for some individual businesses. Over longer-term, predicts even huge spending will not suffice to keep boom afloat.

Economic forecasting is always hazardous but I think one can, right now, speak with more than ordinary assurance in listing the major forces that will shape economic affairs for the next twelve months or so. Basically they are the very same forces that have been conditioning our economic climate since the outbreak of fighting in Korea 18 months ago. They are:

Elliott V. Bell

(1) Government spending for national security including atomic energy and foreign aid, both military and economic.

(2) Business spending for capital goods—plant and equipment.

(3) Consumer spending.

I assume that the cold war will continue with various fluctuations in temperature but without ever becoming a full-fledged hot war, at least in 1952. Fighting may stop in Korea; but it may break out somewhere else. In any event our military program is so far committed that it will continue through 1952, even in the face of a much more powerful peace offensive than the Kremlin has yet shown signs of mounting.

Congress has authorized over $130 billion for national security programs since Korea. Thus far only about a third of that amount has actually been spent. The big impact of defense money lies ahead. Orders for military goods are being pushed out at an accelerated rate and are scheduled to reach a peak of about $6 billion a month by the middle of the year. Deliveries of weapons are also rising. From a current rate of about $1.5 billion a month they are due to speed up to around twice that level in July and continue increasing in volume through the balance of the year.

Overall defense spending in 1952 may total $55 billion and, no matter what happens in Korea, sufficient commitments have been made to keep industry busy with defense orders well into 1953.

Business Committed to High Capital Investment

Business and industry is committed to another year of amazingly high capital investment. Since the end of the war American business has put $110 billion into new plant and equipment. Today 40% of the manufacturing facilities of our country is less than six years old.

In 1951 business spent $25 billion for capital goods. This year the early indications are business may spend another $22 to $23 billion for capital expansion. That's a figure that may be cut down or even expanded, depending upon availability of materials, difficulties of financing or changes in business sentiment. But a good deal is committed. Even if everyone turns bearish next month, 1952 is going to be a year of large capital outlays by business.

These two factors—government spending for defense and business spending for plant and equipment—make it certain that 1952 will be a year of full employment and high level industrial activity. It may be a terrible year for some individual businesses, just as 1951 was, but it will score pretty high on the charts of business activity.

The third main factor, consumer spending, will decide just how good business will be in 1952.

During most of the past year, we experienced the economic paradox of a recession within a boom. Employment has been running at over 60 million, gross national product at a $328 billion clip and consumer income after taxes at an annual rate of $225 billion. These are whopping big figures even in this whopping big country. In spite of these powerful stimuli wholesale prices have been soft or falling since early spring and in many lines, such as textiles and appliances, sales have been slack. Retail stores have resorted to price wars in order to reduce inventories.

The explanation of this phenomenon has been pretty plain. Instead of spending their incomes, consumers have been holding off. The rate of individual savings in the country has reached the remarkable level of over $22 billion per annum. This was the reaction to the two big waves of scare buying indulged in by both consumers and business after Korea.

That scare buying in the last half of 1950 and early in 1951 reflected exaggerated fears of shortages growing out of the recent experience of World War II. When the shortages did not materialize, the consuming public balked at the high prices. All in all this has undoubtedly been a healthy development. Without it we might have had a much bigger pain later.

All of you who have children have seen the mother, after a feeding, sling the baby over her shoulder and pat it on the back until it fetched up a nice comfortable little belch. The economy was overstuffed early last year. It has been getting a slow giant burp out of its system. Now the big question is: Are consumers going to resume spending or will they continue in 1952 as they did in most of 1951 to sock away virtually all of their increased income?

Both employment and wages are going up this year. It could be a pretty big year if the little woman who handles the American purse decides to open it up and start spending again.

Shortages and Rising Prices Will Stimulate Consumption

My guess is that the consumer will become a more active buyer when, as and if developing shortages bring a resumption of rising prices and renewed concern about what inflation is likely to do to the dollar.

This is less likely to happen in the first part of the year when heavy income tax payments are due and the Treasury will be taking in more than it pays out. It might happen in the second half of the year when the government will again be running a deficit and defense work will be aproaching its peak.

I have said nothing up to now about the one factor shaping business conditions this year that will, I am sure, be most frequently discussed when businessmen get together—that is the Presidential election. I have some strong views on that, but I will leave them to the question period if anyone is interested in them. Suffice it to say at this point: 1952 being an election year merely strengthens **the prognosis that it will be a year of active business, buoyed up by heavy government spending. Nothing effective will be done to combat inflation; nothing to oppose labor's natural desire for higher wages or the farmer's perennial yearning for higher farm prices. There will be self-righteous proposals by the Administration for still higher taxes on those who are already taxed beyond endurance, but no further taxes will be levied on those income groups that still have substantial untaxed income—I mean the majority of the people. In all likelihood no increased taxes of any kind will be voted** by an election-minded Congress.

By and large, I should judge 1952 is calculated to be a rather undistinguished year economically. It will certainly not see the solution of our problems; neither will it, I think, bring any great climax in the growing tragedy that encircles our civilization. But it will be a good year measured by any general economic indicator.

The Savage Tax Bite

That doesn't mean, of course, that 1952 will necessarily be a year of large or widespread profits for business. In all likelihood there will be considerable variations with some lines finding the going pretty difficult while others, particularly those with defense orders, have more business than they can handle. But in any case, taxes will take a savage bite out of profits. We are learning that it is possible to work hard without much take-home pay to show for it, and possible for business to be very active but not show much profit—after taxes.

The Long View

So much for 1952. As for the longer view, the one basic overall factor in any economic appraisal is inflation. We are living in an age of universal inflation, and we face the bleak fact that the United States, like the other democracies, has thus far shown no capacity to deal with this problem.

While we talk excitedly about Russia's development of the atomic bomb and call feverishly for more arms, we are busily preparing our own destruction by our utter failure to manage our economic affairs like adult people.

The threat of inflation could be stopped cold, almost overnight, by the adoption of stringent credit policies and wiser fiscal policies. There is no great trick to it—certainly no secret—but the big hitch is that effective anti-inflation policies would be unpopular.

Faced with this problem of inflation, we are like a small boy with a toothache. We would like the toothache to stop, but we don't want to go to the detist. In a world where small boys ruled, I suppose no one would ever go to a dentist until too late to save the tooth. I very much fear it will be the same way with inflation.

We shall not have the courage or intelligence to deal with it until things become really desperate. Meanwhile, we compound the danger by continuing a phoney war against inflation, which consists principally of raising taxes on business and on the more talented and industrious members of the community to levels which in other countries have effectively destroyed incentive and promoted socialism.

The excessive tax burden that has been placed on American business under the mendacious banner of a fight against inflation has become almost as serious a threat to our future economic strength as inflation itself. The two forces—depreciation of the value of the money on the one hand and destructive and inequitable taxes on the other—are like the two arms of a vise; they will squeeze the strength out of our system unless there is soon a revolt against these shortsighted policies.

Since Korea we have had three new tax laws. They have produced a 30% increase in individual income taxes, mainly falling upon the politically impotent tax brackets, and a 30% increase in corporate taxes.

The corporation income tax, which never reached more than 40% in World War II, has been jacked up to 52%. On top of that the excess profits tax runs up to 82%.

Income taxes, both corporate and personal, now provide over 80% of total Federal revenue.

The incidence of these taxes on corporation managers is beginning to have a serious effect upon business judgment. More and more decisions tend to be made, not simply on the basis of sound business considerations, but in the light of existing tax problems.

The amount of corporation profits now being drained away by taxes will place severe penalties on younger growing enterprises, and will tend to deaden corporate enterprise just as excessive individual taxes tend to deaden individual enterprise. No country can continue over a long period of time to turn a third of its production over to government, as we are now in effect doing, and still remain a growing, dynamic country

The high taxes and inflation of the past ten years have worked a revolutionary change in the status of the abler and higher paid members of our society. A married man with two children who earned $10,000 in 1940 was comfortably well off. After paying Uncle Sam $440 of income tax, he had enough left to keep a nice home, educate his children, and put something aside for the future. Today that individual would have to make not less than $22,850 to be equally well off.

The man who earned $20,000 in 1940 has to make over $57,000 before taxes to stay even today, and the top executive who was paid

Continued on page 18

*An address by Mr. Bell before the General Management Conference, American Management Association, Los Angeles, Calif., Jan. 14, 1952.

Continued from page 17

Forces Shaping the Business Future

$75,000 in 1940 has fallen behind if he does not get more than $135,000 a year today.

In the light of this savage and inequitable tax program and the abject failure to take any really effective steps to deal with inflation, it is inevitable that sooner or later our long continued boom will break. Actually a collapse is long past due. We have not had a serious business setback since 1938. The intervening 13 years have been years of almost uninterrupted expansion. That is longer than any previous boom on record. In this 13-year period, the United States government has spent over 550 billions of dollars. It can continue, no doubt, for sometime to keep the boom afloat by such spending, but after a time even this will not suffice.

If, as a good many economists and business experts believe, 1952 proves to be the last year of very large-scale capital investment, 1953 might possibly prove to be a turning point in the business cycle. Already there are signs that the boom phase of the cycle is beginning to reach maturity. But the end is not yet. Barring unforeseen and calamitous events, such as the outbreak of full-scale atomic warfare, it does not seem possible that 1952 can be anything except another year of high industrial activity, high national production, high national income, higher debt, higher taxes and a continued fall in the value of the dollar.

Blackburn Research Mgr. for North Div. Of Walston, Hoffman

SAN FRANCISCO, Calif.—Walston, Hoffman & Goodwin, 265 Montgomery Street, members of the New York Stock Exchange, and other leading stock and commodity exchanges, announce the appointment of Edmund G. Blackburn as manager of research in their San Francisco office for their northern and northwest divisions. Mr. Blackburn was formerly manager of research for the firm's southern division, with headquarters in Los Angeles.

Edmund G. Blackburn

Before coming to the West Coast Mr. Blackburn was associated with the Securities Investment Department of the Mutual Life Insurance Company of New York, where he had charge of the staff supervising $300 million industrial segment of the company's $2 billion investment portfolio. Previously, he was associated with Hornblower & Weeks, and with Paine, Webber & Co. as senior security analyst. During the war, he served as senior economist of the aircraft section of the Progress Division of the War Production Board, and as a Captain in the Army Air Forces.

Joins Elmer Bright Staff

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—John H. Houlahan, Jr. has become affiliated with Elmer H. Bright & Co., 84 State Street, members of the New York and Boston Stock Exchanges.

The Economic Paradox

By G. ROWLAND COLLINS*

Dean, School of Commerce, Accounts and Finance, N. Y. U.

Dean Collins, in pointing out paradox in current business situation, wherein business expansion is accompanied by business gloom, lists as factors in downturn of corporate profits: (1) large tax bite; (2) no more inventory profits; (3) upward pressure of wage and other operating costs. Foresees more corporate financing through bond issues. Decries sliding scale or escalator debt contracts as open invitation to more inflation.

The World We Live In! It is a world that presents us with defiant and stubborn problems:

(1) The problem of how fast and to what degree shall we attempt to rearm and finance the rearmament of our allies.

G. Rowland Collins

(2) The problem of how and to what degree shall we attempt to carry forward an internal and external program of social betterment in a defensive get-readiness economy that is threatened by an accumulation of aggressive incidents in the world's varied nooks and crannies.

(3) The problem of how shall we attempt to develop greater integrity in the growing bureaucracy of big government.

(4) The problem of how to attempt to reach our objectives without bankrupting the economy and opening the flood gates of inflation.

The chief business contradiction or paradox of the moment, of course, is Business Gloom and Business Expansionism. This paradox of Fear and of Hope has never been so sharp and striking as it is today. As the magazine "Fortune" so well puts it in its issue of November last: "When, in all history, has any company of builders, or traders, or voyagers ever set out upon so many great ventures in such a troubled spirit?"

Typically, the American business man is plain spoken. He gives with straight answers. And today, when he is questioned, he is quite likely to lay it on the line in two short statements:

(1) The country is going to hell on a raft, and (2) what we need to do and the only thing business can do is to expand productive capacity.

Neither statement, of course, is either mainly or entirely true!

Three factors are contributing to a continuing downturn in corporate profits after taxes.

(1) There is, of course, the larger tax bite that is being taken out of business earnings.

(2) Business is no longer realizing large inventory profits through the sale of low-cost goods that have to be replaced at higher levels. The wholesale price level has shown little net change since early 1951. Commodity prices are tending to weaken rather than to rise.

(3) Wage and other operating costs are definitely pressing upward. And with the development of a stubborn consumer resistance to higher prices as well as the impact of price controls, however weak and vacillating our price-control museum of muddle may continue to be, it is growing more and more difficult for business to pass on these mounting costs to our existing consumer buyers' markets.

From present trends, too, it seems clear that our corporate directorates and top managements are reluctant to reduce dividend payments. In 1951, common stocks listed on the Big Board paid the second highest cash dividends in our business history. Dividends held nearly even with 1950's record breaking payments. With maintained dividends and a decline in net profits after taxes, retained earnings seem bound to decrease sharply. While the drop in retained earnings may be offset in part by larger depreciation reserves, on the over-all, our corporations will have less money from internal sources with which to meet the needs of the immediate and the long-term future.

Right here, if I may, I should like to digress briefly but just enough to make a very strong comment.

That comment is this: Corporate directorates and top managements can and sometimes do overstress their responsibility to make earnings for distribution to stockholders. And certainly, this particular responsibility, if overstressed in terms of annual fiscal periods, can obscure the true essence of directing and managerial responsibility, namely, the perpetuation of a dynamic individual firm and the perpetuation of an expanding economy.

The responsibility of corporate directorates and top managements is as much one of properly **managing earnings** as it is one of **making** earnings. Indeed, insofar as the perpetuation of dynamic growth may be the goal, one can almost say that the chief directing and managing task is one of providing and managing retained earnings.

Corporate Expansion Through Retained Earnings

Since V-J Day we have poured billions of retained earnings into plant and equipment. To put it another way, corporate savings rather than personal savings have largely provided us with the necessary funds for the expansion of plant and equipment. We have built our present plant by providing and managing retained earnings.

As you know, for a long time now, our industrial corporations have shown a strong distaste for bond financing, for incurring long-term debt, in spite of the attractiveness of the low interest rates that have so long prevailed and the favorable tax status of debt financing. They have avoided travelling along the primrose path that has led the railroads—through the years—to the creation of capital structures top-heavy with debt.

Now, however, the squeeze on profits has complicated and restricted the process of providing and managing retained earnings. And there are significant signs of change. Only a bit over a month ago we learned, for example, that the Westinghouse Electric Corporation had arranged to borrow $250 million on a 3½% 30-year debenture and that Union Carbide and Carbon had also arranged to borrow $300 million on 3¾%, 100-year promissory notes.

Obviously, the squeeze on profits and resulting declines in retained earnings is making business less allergic to long-term debt. And that fact is especially so in those industries that are strongly involved in expanding defense production. Obviously, too, equity financing, the other alternative, is not facilitated by present tax rates.

Now, certainly, so long as we live, work, and do business short of an all-out war, we need to plant corporate seed corn. With large-scale equity financing limited in possibility to say the least, the other alternative that will implement expansion is to borrow and become top heavy with long-term debt. And the eventual result of this alternative could be that sooner or later, the government will move in on the entire economic system. With profitable enterprise and venture capital choked off for lack of germinating seed corn, the voluntary system would soon have no more fight or growth left in it—which fact, of course, could be seized upon as proof of the necessity for governmental operation.

Of and by itself, expansionism in terms of increased productive capacity, will not necessarily solve all our domestic economic ills. Moreover, as I have inferred, it is not going to be easy to finance for long the rapid present pace of expenditures for new capacities.

Will We Have Increased Productivity?

Obviously, during the current calendar year and next at least, we will get increased productivity and increased production in the defense industries as they swing into an effective use of new capacities. And this increased production will be, in the main, military "hardware." It will not be in things that are good to eat, to wear, to live in, or that are the means to the production of other economically useful consumer goods.

In civilian or consumers-goods industries, I do not believe that we can look forward to any important increases in productivity. Shortages, even though temporary, seem sure to hamper efficient production in the civilian industries and could actually decrease output per man hour.

Certainly, in our civilian industries, the long look ahead to a time of some easement in our defense needs already dictates caution in building up new and additional capacities. The time is not too far off when we will need to shift our emphasis from pure expansion to re-mechanization, when we will need to replace old equipment in old plants by new equipment that will reduce unit production costs.

In our concern about continually mounting labor costs and wage boosts that outstrip increases in productivity, we must not lose sight of the fact that there is in our long-look situation at least some margin of safety. Capital expenditures to modernize and re-mechanize our production equipment could probably increase our efficiency in the civilian industries by 20%. And inspite of rising wage rates, such an increase could be reflected to important extent in lower prices when defense spending subsides.

Inflation Question

Whatever you and I may think about the weakness of a **political** will to fight inflation, either in Britain or the United States, obviously, the proper course for the business man is to refuse to accept the inevitability of inflation, and, in complete self-reliance, to proclaim boldly its sure results.

Suppose we did put wages, salaries, insurance contracts, and bond payments on a sliding scale or escalator basis. That certainly would be an open invitation to disaster. That would be an automatic inflationary accelerator.

"In a moderate inflation the inflationary fraud works by money losing its value when people expect it to remain stable. If people start expecting prices to rise, then the (inflationary) fraud must work by prices rising faster than they expect. That is galloping inflation."

Unfortunately, here in our own domestic economy, there are those who accept the inevitability of inflation, who wish to equalize its effects. To a degree such is the proposal to provide a variable rate of interest for our savings bonds, a rate of interest tied to the cost of living. And while in our domestic economy any such borrowing instrument is still merely a subject of controversy in economic ivory towers, within the fortnight, in Sweden, it has become a reality and is being called a veritable "atom bomb" of inflationary finance.

In a degree, as well, the increasing demands by life companies, mutual savings banks, savings and loan associations, and even by Teachers' Annuity Trustees, to be permitted to invest either some or more of their funds in common stocks, thus modifying or reversing the accepted rules of prudent investment, are hedges against possible inevitability. Stepped up a bit and these devices could become surrenders to the complete acceptance of inevitability.

They could make inflation more certain and more swift until it became an overwhelming torrent. And any such flood-tide is a short-cut to nowhere. For essentially it would mean playing tiddly-winks with the dollar and soon it would necessitate supporting an ever-downward devaluation by starting the printing presses. A flood-tide inflation is the same wherever you read the record, whether it be the story of the mark, the franc, the kronen, the continental, or the mulberry tree money money of Kubla Kahn.

The World We Live In! Yes, it is a world that philosophically calls upon us all for two things, above and beyond the physical necessities of military defense.

(1) It calls upon us for **moral rearmament.** In some way we must halt the decay of self-reliance and of personal integrity. As the authority of Big Government has increased, something has gone out of the character of our American citizenship, both in its leadership and in its followship. As Big Government shrinks individual initiative, we find, one and all, that personal welfare depends less and less upon our own efforts and more and more upon the decisions of social bureaucrats who themselves have lost their sense of "social responsibility." And so our own sense of responsibility and self-reliance weakens and we are tempted more and more to center our efforts on getting something for nothing.

There is perhaps no surer sign of what has gone on than a comparison of some of the typical phrasings of the past and of the current moment. Once, for example, we commonly said: "That man has integrity and self-reliance," and thus we expressed our highest approbation. Now, we say: "That fellow is clever; he knows all the angles."

(2) In the second place, the World We Live In calls upon us all for constant mental rearmament. And such an objective, I take it, is part of the primary purpose of this Home-Coming Program.

Without constant attention to mental rearmament, how can we take positive or negative positions on public questions not directly connected with our specialized business interests? Without mental rearmament, how can we as individual constituent voters rather than as representatives of a business enterprise, of a trade association, or of any other institutionalized group, communicate with our legislative representatives by letter, wire, phone, or personal interview to express effective convictions on public policy? And yet we know that this is the effective way of influence, the kind of poll that is listened to as compared with the methodology of the organized lobby.

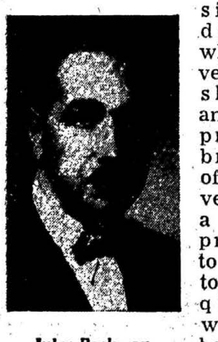
*An address by Dean Collins before the general assembly of the Dean's Day Home-Coming for Commerce Alumni of New York University, New York City, Jan. 26, 1952.

Lull in Inflation—How Long?

By DR. JULES BACKMAN*
Professor of Economics, New York University

Dr. Backman asserts we are experiencing a lull in inflationary pressures, reflecting subdued consumer and business buying following post-Korea scare buying, tax increases, and credit controls. Declares a major national problem before us is to prevent outbreak of new inflation. Barring a breach in wage stabilization, expects price changes to be moderate in 1952.

The past year and a half has provided an interesting demonstration of the complexity of the forces which contribute to inflation and the significant differences which can develop between short-term and long-term pressures. A brief review of these developments is a necessary prerequisite to any attempt to answer the question which has been posed for me. Inflation is a condition which exists when the total money available for spending exceeds the value of available goods and services at prevailing prices. Because there is too much money in relationship to goods, prices rise. This condition develops because (a) part of the current production is diverted to defense needs while the money paid to persons producing those goods is available to buy civilian goods, and (b) the government fails to *tax* away *all* of the excess, or (c) people and corporations fail to *save* the excess.



Jules Backman

The Present Lull

For a number of months we have been experiencing a lull in the inflationary pressures which are an inevitable by-product of an extensive armament program. In part, this lull has reflected the subdued rate of consumer and business buying which followed the wave of scare buying set off after the start of the Korean War and early in 1951. In part, this lull reflects the fact that three large tax increases have reduced the need of the Federal Government to borrow and the ability of consumers and business to spend. In part, it reflects the various credit controls and other controls imposed to dampen down consumer and business spending. But this lull is a temporary one which can be upset at any time. One of the major national problems we face at this time is to prevent an outbreak of new inflationary forces.

Post-Korean Divergence Between Inflation and Budgetary Policy

It is interesting to note that the inflation which developed after the start of the Korean War was not caused by Federal budgetary deficits. Thus, immediately after the Korean War started, a splurge of buying developed with the consequent sharp increase in prices. This increase reached its peak in February and March of 1951. Paradoxically, during this first nine months after Korea, the Federal Government reported a budgetary surplus of $5.1 billion and a cash surplus of $7.7 billion. On the other hand, during the last nine months of 1951, the Federal Government spent $9.1 billion more than it had taken in. This is the situation which is basically inflationary. Yet, during this latter period, we find that prices declined in the first several months and have moved sideways since August at the lower levels attained in that month. Thus, during the period of budget surplus, we had inflationary pressures and during the period of budgetary deficits, we had a lull in inflation.

Does this indicate that the basic thinking on this subject is all upside down? Does it mean that economists must revise their interpretation of the nature of inflation? The answer is an emphatic no. What we have witnessed here is that the short-term relationships which may be influenced by other factors, such as business and consumer psychology, may either aggravate or offset temporarily the basic inflationary pressures created by an unbalanced Federal budget. It was the rush by consumers to buy before shortages developed and the building up of inventories by business for the same reason, which explained the relatively sharp rise in prices through March of 1951, with the accompanying widespread fears of inflation, even though the Federal budget remained in balance and total money supply showed only minor changes.

Consumers' Financing Through E-Bond Cashing

Consumers financed their increased purchases during the first nine months after the Korean War started by cashing in their Series E Bonds to the extent of $763 million, by drawing down postal savings deposits by $245 million, and by increasing consumer credit by $1.7 billion. Businessmen financed their greater holdings of inventories in large part by borrowing from the banks. Such bank loans rose by almost $10 billion from June, 1950 to March, 1951.

The fear psychology on the part of consumers and businessmen also was reflected in a sharp increase in the turnover of money. Thus, we find that during the first nine months after June, 1950, bank debits, which reflect checks drawn and hence the turnover of bank deposits, increased some 20% above the levels prevailing a year earlier.

During the period since March, 1951, the fears of consumers and businessmen have abated largely as a result of the hope that the Korean War would not develop into an all-out war and because it has become clear that within the present projected plans, there will continue to be a considerable production of many civilian products, such as automobiles, television sets, radios, household appliances, etc. This is in contrast with the World War II situation, when the production of many consumers' durable goods was completely suspended. This change in consumer psychology has been reflected in a substantial increase in the volume of personal savings and in a slowing up of inventory accumulation by business. Personal savings increased from an annual rate of $10 billion in the June 1950-March 1951 period, to a rate of about $22 billion in the last nine months of 1951. Business inventories have shown only minor changes since May. These factors have helped to offset the large budgetary deficit which developed during the past nine months.

No Net Budget Deficit

One other point should be noted. During the first two years after Korea, that is, up through June 30, 1952, the Federal Government will have a combined bookkeeping deficit of only $4.5 billion and an actual cash surplus of about $3.5 billion. In other words, during this first two-year period of the present armament program, there will have been no net budget deficit, which is the basic source of inflation. Bank loans have increased and this has been reflected in an increase in total demand deposits which have risen from $85 billion in June, 1950, to $95 billion in October, 1951. There has also been the increase in bank debits to which I have referred earlier.

On balance, the expanded armament program has not made it necessary for the government to sell bonds to the banks since Korea. Total holdings of government bonds by the commercial banks actually have declined by $5 billion since June, 1950; the holdings of the Federal Reserve Bank have increased by $5 billion. While on balance there has been no net change in bank holdings of government securities, the shift to the Federal Reserve Banks has added to the inflation potential. At the present time, the general price level is some 10% to 13% higher than it was in June, 1950. However, the price rise has been due primarily to anticipation of shortages and fears of inflation rather than to an actual inflation resulting from government finance. It is against this background of short-term developments, that the probable developments in the next year or two must be examined.

According to the President's budget message, the Federal Government will be in the red to the extent of $14 billion in the fiscal year ending June 30, 1953. On the basis of the experience in the past year and a half, it is difficult to be very hopeful that the government will obtain these funds by borrowing from individuals. On balance, there have been redemptions of $1.7 billion the Series E, F and G bonds. If the Federal deficit is of the size envisioned, some recourse to bank borrowing seems unavoidable. It must be realized, of course, that projections which run a year and a half in advance, usually may be subject to significant modification. The deficit will be increased if the tempo of the war gets hotter; it may be decreased if a peaceful settlement is reached in Korea. The deficit can be decreased if more economy is practiced in government. Bottlenecks in production may make it difficult to spend as much as is contemplated; increases in costs due to price or wage rises could result in a larger budget deficit.

It is in the latter connection that the current steel wage case is important. Past experience has indicated that a general increase in steel wages soon spreads rapidly throughout the economy. An increase of one cent an hour in wages for the economy would add $1 billion to business costs. These wage increases will not be incurred by all companies at the same time. Nor will all workers necessarily participate fully in any increase which is granted. Nevertheless, a substantial increase in wage costs would take place. This would affect the Federal budget in two ways. If wage increases are granted and cannot be recovered in price increases, the result will be a reduction in tax revenues received by the government. The corporate income tax ranges from 52 to 82%, depending upon the level of earnings, whereas the first two brackets for wage earners are approximately 22% to 25%. Thus, the government would lose in revenues from 30 to 60 cents out of every dollar granted in wage increases. To state it differently, for every cent increase in wages for the entire economy, the loss in tax revenues on balance would range from $300 to $600 million. The actual loss of revenues would be smaller than indicated, because not every one would obtain the wage increase indicated. The net effect of the wage increase, however, would be an increase in the government's budget deficit.

If, on the other hand, the wage increases are recouped by price rises, and this is largely unavoidable where various types of cost plus or cost plus fixed fee contracts are in effect, the net result would be an increase in government expenditures. The deficit would be increased accordingly.

In addition, increases in wages add to consumer purchasing power, and hence would increase the pressure for price rises because this expanding purchasing power will take place at a time when the total volume of goods available for civilians cannot be increased and probably will be curtailed. To state it differently, significant increases in wages can touch off another wage-price spiral and become a new force in the inflation picture in the months ahead.

In the time available it has not been possible to discuss all of the factors which influence inflation in an armament economy.[1] I have been able to cover only the highlights. In terms of today's conditions, the picture may be summarized as follows. The increasing government deficit will result in greater inflationary pressures. The exact timing of these pressures is difficult to pinpoint. It seems probable that they will become more evident as the year moves on. To the extent that significant wage increases are granted in the steel industry, the pressures will be aggravated and the timing will move forward. In part, the exact timing of new inflation pressures will depend upon what happens in the Korean conflict. Even if this conflict ends immediately, I am convinced that we will, and that we should, continue to spend the projected sums on our national defense program. However, the psychological factor has to be considered in this connection. One effect of the termination of hostilities probably would be to extend the period during which our armament expenditures will be made. There would be less pressure to get ready now. More emphasis would be placed upon ability to expand output quickly than upon the accumulation of large inventories of armaments. Moreover, the termination of that conflict would provide an effective barrier to the emergence of the type of inflation psychology which was predominant a year ago.

Hot War and Psychology

Conversely, it also follows that should the hot war emerge on any new front, psychological factors will contribute to a prompt resumption of the inflationary pressures. Because of the simultaneous increase in the government deficit, such pressures could be more serious than they were right after the start of the Korean War. In this connection, it must be kept in mind that a major contributing factor to the lull in inflation has been the lull in consumer buying. Savings have been at a record rate. Any development which encourages consumers to spend more and save less will add to the pressure on prices.

After the Korean War started, the anticipation of shortages and inflationary finance, led to sharp price rises. During 1952, we will have the realization of the shortages for hard goods and the inflation attending a government budgetary deficit. Nevertheless, in the absence of a breach of the wage stabilization program or the development of a new area of conflict, I would expect price changes to be moderate in 1952. The present lull in inflation should not give way to a new period of price agitation.

*A talk by Dr. Backman at the Dean's Home-Coming for Commerce Alumni, New York University School of Commerce, Accounts, and Finance, New York City, January 26, 1952.

1 For discussion of these factors see Jules Backman, *Economics of Armament Inflation*, Rinehart & Co., 1951.

Schelke Asst. V.-P. Of Seattle-First Nat'l

Wesley G. Schelke

SEATTLE, Wash.—At Seattle-First National Bank, Wesley G. Schelke, Manager of the Municipal Bond Department was recently elected Assistant Vice-President. Prior to joining Seattle-First in 1947, Mr. Schelke was with R. W. Pressprich & Co., in New York for 15 years.

Bill Would Clarify Rights of Savs. & Loan to Branches

WASHINGTON, D. C.—A step nearer to the clarification of the rights of federal savings and loan associations to establish branches was taken with the introduction of a bill, S. 2517, in the Senate, to amend section 5 of the Home Owners' Loan Act of 1933, as amended.

The new bill would place federal savings and loan associations on a parity with state-chartered savings and loan associations, and would apply the restrictions in force under the various state laws to federal and state-chartered institutions alike. The bill, S. 2517, was introduced in the Senate by Sen. Burnet R. Maybank, Chairman of the Senate Banking and Currency Committee.

The third paragraph of the bill restricts federal savings and loan associations with respect to establishment and operation of new branches to the laws of the state in which they are situated, in the same manner that state-chartered savings and loan associations are restricted. In effect, the bill provides the same type of parity that now exists between State and Federally-chartered banks.

The proposed legislation would further provide that "no branch of a federal savings and loan association shall be established outside of the state in which the home office of such association is situated."

The provisions of the proposed amendment to the Home Owners' Loan Act of 1933 are in accordance with the recommendations made by the Savings and Mortgage Division of the American Bankers Association, in an effort to clear up confusion resulting from ruling of the Home Loan Bank Board. The Board has permitted federal savings and loan associations to establish branches which in many states are contrary to restrictions placed on state-chartered financial institutions, including building and loan associations. Joseph Earl Perry, President of the Newton Savings Bank, Newton, Mass., is President of the Savings and Mortgage Division of the ABA.

News About Banks and Bankers

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

John R. McGinley, Vice-President, has been placed in charge of all Trust Department activities of **The Marine Midland Trust Company of New York** according to an announcement made on Jan. 22 by James G. Blaine, President. Mr. McGinley is a director of Duff-Norton Manufacturing Company, Lion Match Company, and F. R. Tripler & Company, Inc. At the same time, Mr. Blaine announced the election of Roland W. Mahood as an Assistant Secretary. Mr. Mahood is a trust investment officer in the Personal Trust Department.

John R. McGinley

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With regret Robert T. Stevens, Chairman of the Board of the New York Federal Reserve Bank, announced on Jan. 23 the death on the previous day of Robert P. Patterson, a Class C Director of the Reserve Bank since April 21, 1950. Mr. Patterson, who was formerly (during 1945 to 1947) Secretary of War, after serving as Under Secretary of War, died in an airplane crash at Elizabeth, N. J., on Jan. 22.

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Gerrish H. Milliken, Jr. and Ridley Watts have been elected to the Advisory Board of the Textile Office of **Chemical Bank & Trust Company at 320 Broadway, New York**, it was announced on Jan. 28, by Harold H. Helm, President. Mr. Milliken is a director and Vice-President of Deering, Milliken & Co. in charge of Orlon sales, and is also a director of Mercantile Stores Co., Inc. Mr. Watts is Executive Vice-President of Spartan Mills, Inc. He is Vice-President of the Beekman Downtown Hospital, a trustee of Overlook Hospital in Summit, N. J., and a director of Colonial Life Insurance Co. and C. B. Cottrell Sons Co.

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J. Stewart Baker, Jr., Theodore W. Brooks, Patrick N. Calhoun, John W. Gates, Jr. and Minor L. Wheaton, formerly Assistant Vice-Presidents, have been elected Vice-Presidents of the **Bank of the Manhattan Company of New York**, according to an announcement on Jan. 25 by Lawrence C. Marshall, President. Mr. Baker, Jr. will be located at the bank's new Midtown Office at Fifth Avenue and 44th Street. The other appointments are incident to a revamping of the out-of-town business of the bank which will now be under the general supervision of Vice-Presidents Leslie Coleman, William R. Driver, Jr. and J. H. L. Janson. The out-of-town geographical divisions will be increased to seven in number and will be headed by Vice-Presidents Theodore W. Brooks in New England; Walter P. Andrews, Middle Atlantic; Patrick N. Calhoun, Southeast; Lester F. Grieb, Central West; John W. Gates, Jr., Middle West; Minor L. Wheaton, Southwest and Ernest C. Ophuls, Far West. Announcement was also made of the election of Anthony F. Grace as an Assistant Vice-President and Anthony G. Froehlich as an Assistant Treasurer.

The Bank of the Manhattan Company, after seven months of extensive alterations to the first three floors and basement of the building on the northeast corner of Fifth Avenue and 44th Street, officially opened its new midtown headquarters on Jan. 29.

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Francis S. Bancroft, President of **Excelsior Savings Bank of New York**, announces that the Board of Trustees have elected John P. Billhardt as First Vice-President and Comptroller. Mr. Billhardt was formerly Vice-President and prior to his association with the Excelsior Savings Bank, he was Vice-President and Counsel for the Title Guarantee & Trust Co. The former Vice-President and Comptroller, Mr. Everett Smith, retired on the first of the year after 48 years of service. Mr. Smith remains as a Trustee of the bank. He started his business career with the bank as a stenographer and later held the offices of Assistant Secretary, Secretary, Second Vice-President and Comptroller, and Vice-President and Comptroller.

John P. Billhardt

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Francis B. Bowman has been appointed Vice-President of the **Chase National Bank of New York** and William C. Schmidt Second Vice-President, it was announced on Jan. 28 by Winthrop W. Aldrich, Chairman of the Board of Directors. Mr. Bowman and Mr. Schmidt are in the bank's Brokers Loan department.

Thomas H. McKittrick, Vice-President of the **Chase National Bank of the City of New York**, has been appointed to the Executive Committee of the **United States Council** of the **International Chamber of Commerce.** This announcement was made by the United States Council's Chairman, George A. Sloan. Mr. McKittrick has been active in the International Chamber of Commerce for many years in various positions, such as Committee Chairman and Monetary Affairs Adviser. As part of his background, Mr. McKittrick was President of the Bank for International Settlements in Basle; Chief of the Trade and Payments Division, Office of the Special Representative, Economic Cooperation Administration in London, and also Acting Chief of the ECA Mission to the United Kingdom.

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Horace C. Flanigan, President of **Manufacturers Trust Co. of York**, has announced that John J. Cunningham, of the bank's office at Fifth Avenue and 18th Street, and William H. Hill, Jr., of the Union Square Office, have been advanced to Vice-Presidents. Both were formerly Assistant Vice-Presidents. Mr. Cunningham has been with Manufacturers Trust since 1922. He is a member of the New York Credit Men's Association and the Esquire Credit Club. Mr. Hill began with Manufacturers Trust in 1931. He is a member of Robert Morris Associates, Esquire Credit Club, Manhattan Club and New York Credit and Financial Management Association.

It has likewise been announced by President Flanigan that Howard F. Sunshine, formerly Assistant Vice-President in the Real Estate Department, has been named Vice-President in charge of that Department. Mr. Sunshine has been with the bank since 1933 and was made an Assistant Vice-President in 1949. He is a director of 515 Madison Avenue Corp. as well as Lexington Avenue Corp. At the same it was made known that Irving Tropp of the bank's office at Eighth Avenue and 34th Street was also advanced to Vice-President. Mr. Tropp began his banking career with the Columbia Bank in 1918 and joined Manufacturers Trust Co. in 1924.

Following the announcement by President Flanigan of Manufacturers Trust that Lloyd Speed Stone of the bank's 149 Broadway office has been named an Assistant Secretary, it has since been further made known by President Flanigan that Carl Oelkers and John G. Beutel, both of the Securities Department, have been named Assistant Secretaries.

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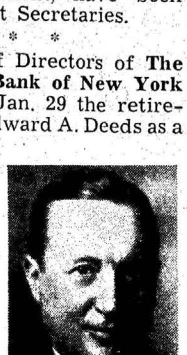
The Board of Directors of **The National City Bank of New York** announced on Jan. 29 the retirement of Col. Edward A. Deeds as a director of the bank and the election of Stanley C. Allyn as a director to succeed him. Col. Deeds, who is Chairman of the National Cash Register Company, has served the bank as a director for more than 23 years. The Board adopted a resolution accepting his resignation with deep regret.



Stanley C. Allyn

Mr. Allyn is President and director of the National Cash Register Co.; director, McCall Corp.; Pittsburgh, Cincinnati, Chicago & St. Louis RR. Co., and Western Allegheny RR. Co.; and member of the Board of Trustees, Northwestern Mutual Life Insurance Co. He is a member of the Business Advisory Council of the U. S. Department of Commerce, President and director of Community Chests and Councils of America, Inc., Member of the Board of Trustees of the Committee for Economic Development, and holds positions in numerous other economic and philanthropic organizations. He holds the U. S. Navy's Award for Distinguished Public Service. Mr. Allyn was graduated from the University of Wisconsin in 1913, and was awarded an honorary LL.D. by the University in 1946. He joined the National Cash Register Co. in December, 1913, became Comptroller in 1917, Treasurer in 1926, Executive Vice-President and General Manager in 1931, and President in April, 1940.

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At the regular meeting of the board of directors of the **National City Bank of New York**, held on Jan. 22, James T. Fitzgerald, Harry W. Flath, Albert F. Frey, John F. McNeely, Howard L. Nixon and Frederick A. Pina were appointed Assistant Cashiers.

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Wilford W. Cuddeback has been elected Comptroller of **The Bronx Savings Bank of New York.** Mr. Cuddebank has been with the bank for 27 years and prior to his present election has served as Assistant Comptroller.

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Shareholders of the **Lafayette National Bank of Brooklyn** will meet on Feb. 13 to vote on a proposal to increase the capital stock of the bank from $1,100,000 to $1,250,000 by authorizing the sale of an additional 7,500 shares of $20 par value stock at $40 per share, it was announced on Jan. 21 by Walter Jeffreys Carlin, President.

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The "Quarter Century Club" of **The Dime Savings Bank of Brooklyn, N. Y.**, held its third annual dinner meeting on the afternoon of Jan. 20 at the Hotel Granada, Brooklyn. Forty-three men and women, including 14 pensioned employees who have 25 years or more of service with "The Dime," comprise the membership. Seven who came with "The Dime" in 1926 were accepted as new members at the meeting. Edward P. Robinson, who came with the bank in 1923, presided as President.

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The **Union Trust Company of Jamestown, at Jamestown, N. Y.**, a State member of the Federal Reserve System, and **The National Chautauqua County Bank of Jamestown**, consolidated, effective Dec. 31, under the charter of The National Chautauqua County Bank and new title, **Chautauqua National Bank & Trust Company of Jamestown.** In connection with the consolidation the former main office of Union Trust Company as well as the branch formerly operated by Union Trust Company at Westfield are now operated as branches by the consolidated institution.

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At the annual organizational meeting of the directors of **First National Bank of Paterson, N. J.**, held Jan. 14, F. Raymond Peterson was re-elected Chairman of the board; C. Wesley Bensen, Vice-Chairman, and Benjamin P. Rial, President. Andrew De Ritter was re-elected Senior Vice-President and Albert J. Baisch and Peter Cimmino were returned to their offices of Executive Vice-President. Other officers were also re-elected. Walter S. Graulich, who has been with First National Bank since October, 1946, in the Personal Loan and Consumer Credit Department, was elected Assistant Cashier. From June, 1939, to October, 1946, Mr. Graulich was with Household Finance Corp., except for service in the U. S. Air Force covering a period of almost three years.

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William Fulton Kurtz was re-elected President and Board Chairman of **The Pennsylvania Company for Banking and Trusts of Philadelphia** on Jan. 21 by directors of the bank following the annual meeting of stockholders. Executive promotions approved by the Board were George E. Katzenbach, from Assistant Vice-President to Vice-President; J. Melber Clarke, Richard E. Foehl, Robert U. Frey and Theodore S. Halteman, from Assistant Treasurer to Assistant Vice-President, and E. Richard Stewart, from Assistant Trust Officer to Trust Officer. The title of David E. Witham was changed from Manager of Mortgages to Assistant Real Estate Officer. New officers named were Rudolph A. Biborosch, James F. Bodine, Otis F. Figgs, James A. Mason, Harold K. McCluskey, John McTaggart, Jr., Alan W. Montgomery, Francis E. O'Rourke, Norman F. S. Russell, Jr. and John H. Stewart, Assistant Treasurers; John J. Leigh and Matthew Mankus, Assistant Secretaries; Thomas E. Longden, Assistant Trust Investment Officer, and Rudolph H. Weber, Assistant Personnel Officer.

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The directors of **The Central National Bank of Richmond, Va.**, announce the election on Jan. 16 of Marvin L. Presson, as Executive Vice-President; Hilton J. Herrmann, Vice-President; Richard I. Schwarzschild, Vice-President, and Harvey C. Higgerson, Cashier.

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The directors of **The Charleston National Bank of Charleston, W. Va.**, announced on Jan. 8 the election of Mason Crickard as President. Mr. Crickard had heretofore been Executive Vice-President.

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Raymond J. Spaeth, Vice-President and Treasurer of **Illinois Institute of Technology**, has been elected a director of the **Beverly State Savings Bank of Chicago.** Mr. Spaeth was graduated from the American University, Washington, D. C., in 1930. He obtained a master's degree in business administration from the Harvard Graduate School in 1932. After serving as Assistnat Business Manager and bursar at the American University, he joined the Illinois Tech staff in 1940. He was named Treasurer in 1942 and Executive Secretary and Treasurer in 1945. He was promoted to Vice-President in October, 1950.

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At the annual meeting of the directors of **The Northern Trust Company of Chicago** held on Jan. 15, the following changes in official positions were made: In the Banking Department James D. Hinchliff was promoted from Assistant Cashier to Second Vice-President and Wesley W. Gratz, Henry A. Heinsen and Albert O. Mantuffel were elected Assistant Cashiers; in the Trust Department Walter J. Madigan was promoted from Second Vice-President to Vice-President; Carl T. Lambrecht was promoted from Assistant Manager to Second Vice-President, and Hume S. Dice was elected Assistant Secretary; in the Legal Department David S. Sampsell was promoted from Attorney to Vice-President and Attorney; in the Operating Department John A. Mattmiller was elected Second Vice-President and Arthur E. Pekie was elected Assistant Cashier; in the Comptroller's Department Maurice E. Graves was promoted from Second Vice-President to Vice-President. Thomas F. Duffy was elected Assistant Manager of the Investment Research Department.

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Election of Gordon Murray as the new President of **First National Bank of Minneapolis** was announced by Edgar F. Zelle, Chairman of the board, following the annual meetings of the bank's stockholders and directors held on Jan. 25. Mr. Murray, 44 years of age, who also becomes a director, is the eleventh President in the 94-year history of First National. The post has been unfilled since the death of Arthur H. Quay last September. Also announced on Jan. 25 was the election of two other directors, Victor F. Rotering, Senior Vice-President of the bank, and G. Allan MacNamara, President of the Soo Line Railroad. Starting his banking career with First National in 1908, Mr. Rotering since 1949 has been a Senior Vice-President. He also is President of First Hennepin State Bank, a First National affiliate. Last year he was Vice-President of the Association of Reserve City Bankers. Mr. MacNamara entered railroading in 1913 with the Canadian National Railways. In 1944, he became General Traffic Manager of the Soo Line and in 1948 was selected Vice-President of Canadian Pacific. He returned to the Soo Line as President in January, 1950. Mr. MacNamara is a director of the Minneapolis Chamber of Commerce. The new directors fill posts resulting from the action of stock holders in increasing the size of the board from 23 to 25. Also filled was a vacancy due to the resignation from the board of Alfred E. Wilson who has retired and will make his home in California.

Gordon Murray

Mr. Murray, the newly elected President of the First National Bank, will next summer observe his 25th anniversary with the bank. He joined First National's staff in September, 1927, and advanced through various positions, having been elected as Assistant Cashier in 1938, Assistant Vice-President in 1943 and Vice-President in January, 1947. Active in business and civic affairs, Mr. Murray is a member of the Minneapolis Grain Exchange, Treasurer of the Northwest Crop Improvement Association and of the Christian Rural Overseas Program of Minnesota, trustee of Northrop Collegiate School, and a board member of the Minneapolis area council, Boy Scouts of America. He is a Past President of the Minnesota Chapter of Robert Morris Associates national organization of Bank Credit Men, and formerly was a national director of the organization.

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The **Union Planters National Bank and Trust Company of Memphis, Tenn.**, has changed its name as of Jan. 15 to the **Union Planters National Bank of Memphis.** Vance J. Alexander, President, announces that "this change was made solely in the interest of brevity and does not necessitate any amendment to wills, trust deeds or other documents in which our name appears."

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J. R. Parten, Chairman of the Board of Directors of the **Federal Reserve Bank of Dallas**, announced that, at a meeting held Jan. 16, all officers of the bank and its branches were re-elected for the year 1952. He also announced that N. B. Harwell was elected an officer of the bank with the title of Chief Examiner. Mr. Harwell previously served as an examiner for the Federal Reserve Bank of Atlanta and was an Assistant Vice-President of the American National Bank and Trust Company, Chattanooga, Tenn., before coming with the Reserve Bank of Dallas in February, 1949.

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Following the annual stockholders' meeting on Jan. 15 of the **Peoples National Bank of Washington, at Seattle, Wash.**, Joshua Green, Jr., President, announced the election of five new members of the Board of Directors, viz.: Clarence H. Carlander, President of the Puget Sound Freight Lines Inc.; E. L. Blaine, Jr.; O. H. Haskell; Mr. Cecil E. Jenks; Howard H. Hansen, the last four named being Vice-Presidents of the bank. In his advices regarding the meeting, Paul L. Danforth, Vice-President, noted that "it is the first time in some years that our board has had the full authorized number of directors and it is also the first time that four officers of the bank have simultaneously been elected to the board."

Mr. Green also announced a number of promotions among the officer staff. Promoted to Vice-President from Assistant Vice-President, Harry S. Goodfellow has been associated with the bank since 1936; Clarence A. Berg, promoted to Vice-President from Assistant Vice-President, has been with the bank since 1941, serving as officer in charge of the Real Estate Department; Harold A. Rogers was elected Trust Officer, having held the title of Assistant Trust Officer. Mr. Rogers served three-and-one-half years in the U. S. Navy and has been with Peoples National Bank since that time. Two men were elected to the title of Assistant Trust Officer—Walter T. Bagnall and Edwin R. Mackay. H. A. Trout was named Assistant Manager at the Hoquiam branch and Robert Smock Assistant Manager at the Dexter and Broad branch. Robert Barclay was designated Pro Manager at the Anacortes Branch and Otto Krueger was made Pro Manager at the West Seattle branch.

Truman's Blunders Created Russian Menace: Taft

Ohio Senator, in speech before the Women's National Republican Club, says mistakes were made due to poor judgment and attempts to justify past mistakes.

At the conclusion of his address before the Women's National Republican Club in New York City on Jan. 26, Senator Robert A. Taft, of Ohio, aspirant for the Republican nomination for President, asserted that the failure of U. S. foreign policy was due to President Truman's errors of judgment and policies. Answering the question, "What is the record?" Senator Taft stated:

Robert A. Taft

"In 1945, when Mr. Truman became President, the Soviet Union was exhausted. Much of its industry was destroyed. It had no atomic bomb, no long-range bombing planes, no serious navy. Its hold on Eastern Europe was shaky, China was our ally and the Chinese Communists were hemmed into a small area.

"President Truman held such power as no man had ever held before. Our Air Force was incomparably superior to any other. Our Navy was more powerful than the combined navies of the rest of the world. Our Army was a superb fighting force at the peak of efficiency. Our industrial plant, by far the greatest in the world, was intact.

"We alone had the atomic bomb which guaranteed the speedy destruction of any nation that might dare to risk war with us. We could have seized and held the initiative for the creation of a free and peaceful world. Our leaders did not know how or where to lead.

"Today Stalin has atomic bombs and long-range bombers capable of delivering them on the United States. He has 175 Soviet divisions, and 60 satellite divisions in Europe and a Chinese Communist army of about 3,000,000 in Asia. He has some 50,000 tanks and more than 15,000 tactical aircraft. His Indo-Chinese accomplices are draining the strength of the French Army. His guerrillas are withstanding the British Army in Malaya. He has riveted an iron control on Eastern Europe. China is his ally. To face Stalin's 225 divisions the Western democracies and ourselves are scheduled to have 30 divisions in Europe—perhaps — by the end of 1952. Moreover, Soviet psychological warfare has been so successful in Western Europe that one-fourth of the French and one-third of the Italians vote Communist.

"In 1941, Stalin ruled 180,000,000 subjects and was not sure that he or his empire would survive. In 1951, Stalin directs 800,000,000 people. Unless our foreign policy is conducted more competently than it has been during the last ten years, our very survival is in doubt."

Kenneth Osborne Joins Cruttenden & Co.

CHICAGO, Ill.—Kenneth W. Osborne, formerly Treasurer of B/G Foods, Inc., for the past 4½ years, has joined Cruttenden & Co., 209 South La Salle Street, members of the New York and Midwest Stock Exchanges, as Comptroller.

Prior to 1947 Mr. Osborne was Vice-President of Portis Style Industries, Inc., Comptroller of Stanley Wessel & Co., on the staff of Ernst & Ernst, and for about 15 years was associated with A. G. Becker & Co.

During most of 1947 Mr. Osborne was chief financial analyst of the economic and scientific section of the Army of Occupation in Tokyo, Japan. He is a certified public accountant.

NASD District No. 13 Elects Officials

The District No. 13 Committee of the National Association of Securities Dealers has elected H. Warren Wilson, Union Securities Corp., Chairman for 1952.

Elected to the committee to serve until January, 1955, were Earl K. Bassett, W. E. Hutton & Co.; Paul A. Gammons, Bradley, Gammons & Co.; Edward S. Hinckley, Adams & Hinckley, and G. H. Walker, Jr., G. H. Walker & Co.

District No. 13 includes the States of New York, New Jersey and Connecticut.

Hike Rate on Treasury Bonds!

By AUBREY G. LANSTON

President, Aubrey G. Lanston & Co., Inc.

Treasury security market authority urges a 3¼% rate on 30-35 year bond, as competing with private credit demand and leading to reduction of commercial bank holdings of governments.

I believe the Treasury security market has about completed its third technical rally since the withdrawal of par support in March 1951.

Aubrey G. Lanston

A substantial decline in bond prices, at this juncture, would be healthy. It would retard the expansion in private debt during a period just prior to an inevitable expansion in the public debt, and would set the stage and provide the base upon which the Treasury might successfully offer new issues of marketable long-term bonds.

The rate on such securities, if they carried a term of 30-35 years, could well be 3¼%. Such a coupon rate would permit the Treasury to compete successfully with private credit demand, partly because the interest rate would be adequately above the average institutional investment requirement and, more importantly, because the dominating marginal impact of such a Treasury offering (a) would increase the preference for Treasury bonds and (b) deter some peripheral private demand.

$7.4 billion of ineligible Treasury securities become eligible in May and June. With large-scale deficit financing in the offing, it would seem desirable for debt management to reduce the availability of these to-be-eligible securities. One means of achieving this would be to offer a long-term marketable bond (1) for cash, to test out the invisible demand for properly priced Treasury securities, and (2) simultaneously in exchange, to insure a large total subscription. Under the latter the Treasury might permit holders of the to-be-eligible securities to turn these in, at some fixed price close to the then-prevailing market quotation, in exchange for the new issue at par.

Obviously, we do not know what steps the debt managers will take to meet the problems of cash financing and to induce maximum non-bank purchases. We believe, however, that if a long-term marketable Treasury issue were to be offered in the late Spring or mid-summer of 1952, at a yield commensurate with the supply-demand relationships then existent, the rate set would mark the point at which the Treasury market would be stabilized by a broadening demand.

Potential Avalanche of Private Funds

If between now and then the Treasury offered a savings certificate (an instrument that is preferable to a savings bond) that can be kept adjusted to open-market rates and to changing economic conditions, an avalanche of non-bank funds would tumble into the Treasury's coffers.

The potential volume of the funds that can be induced to accept Treasury securities is so vast that properly priced securities could be sold in such an amount that, by the Autumn of 1952, commercial-bank holdings of Treasury securities might be reduced. At the moment, the prospects are that the commercial banks may have to accept Treasury deficit financing with a resultant increase in the money supply.

One of the preludes to what we envision, a final and substantial downward adjustment in Treasury security prices, might be an advance in the discount rates of the Federal Reserve Banks. Such an advance would be appropriate, if the steel workers are granted an increase in wage rates or if, over the next few weeks, it seems likely that pressures from Mills Plan corporate tax payments and recently reduced corporate liquidity, promise to bring about a substantial increase in the commercial loans of the banking system.

NY Curb Ticker Service to Canada

New York Curb Exchange stock and bond quotations will shortly be carried direct from the trading floor of the exchange over the Curb ticker network to investors in Canada, it was announced by Edward T. McCormick, President of the exchange. Laidlaw & Co. of New York will be the first Curb member firm to provide quotations for its Canadian customers through the Curb-operated ticker system which has grown by more than 27% during the last fifteen months and now covers close to 800 installations in 1[illegible] United States cities, 32 states and the District of Columbia.

Laidlaw & Co. has offices in Toronto and Montreal and are members of the Montreal Curb Market.

Mr. McCormick also announced that the Toronto Stock Exchange is completing arrangements for the installation of a Curb Exchange ticker on its trading floor to keep its members more closely in touch with transactions on the New York market. A Toronto Stock Exchange ticker is now operating on the Curb Exchange floor.

"This announcement of our first Canadian installation closely follows our year-end statement wherein it was pointed out that the Curb's fifteen year high total of 44 new stock approvals totaling 60 million shares in 1951 included 12 issues totaling over 34 million shares from Canadian corporate issuing agencies," said Mr. McCormick. "It is becoming more generally known that the New York Curb Exchange is the nation's leading market for foreign securities and I fully expect that the recent economic growth of Canada and especially its development of natural resources will be reflected in additional Canadian stock listings on our exchange and the further spread of our ticker network into the offices of our Canadian neighbors."

"I look toward future Canadian development with the utmost hope and confidence," he added, "and I fully expect that she faces magnificent prospects for coming financial and population growth."

D. A. Lomasney Co. Admits J. T. Cashman

J. T. Cashman has been admitted to partnership in D. A. Lomasney & Co., 39 Broadway, New York 6, N. Y. Mr. Cashman has been with the firm for some time.

Ellen F. Lomasney has withdrawn from general partnership in the firm.

Canadian Securities

By WILLIAM J. McKAY

The reviews of the Canadian scene during 1951 and the accompanying forecasts of economic conditions for the current year, though on the whole optimistic, are not altogether sanguine as to the final turn of events.

As stated in the recent "Business Review" of the Bank of Montreal, the developments in 1951 "stumped the experts" and attempts to appraise the outlook for 1952 are further complicated, not only by the unpredictable international situation, but also by the uncertainties of consumer behavior.

Commenting on this situation, another Canadian bank publication, the "Montly Review," of the Bank of Nova Scotia, in its latest issue states:

"Though the record of 1951 is one of further expansion, the picture at the year-end is a good deal more varied than that at the end of 1950. Today, a number of industries and trades, mostly in the sphere of consumer goods, are less than fully occupied, and unemployment so far this winter has been somewhat greater than a year earlier though not quite so great as two winters ago. The contrast in the business atmosphere is even more striking. A year ago, it was ruled by inflation—by the expectation of higher prices and strong markets and by the fear of shortages. Today there is no uniformity of opinion about the outlook. Some people are impressed by the slackness in demand for certain products and by the size of inventories in a number of lines and look forward into 1952 with misgiving. Others remain impressed with the strength of inflationary forces, and in many lines, of course, business has never been more active. The fact is that for the time being a rough balance has been reached between the expansive and contracting influences in the economy, and opinions differ as to the trend in the new year.

"There are several reasons for this radical change in the business atmosphere. The first, and probably most important, is the natural reaction from the remarkable and intensive splurge of buying that followed the outberak of war in Korea. The buying wave was on a scale which could not continue for long and was based in part on expectations of shortages which did not materialize. Consumer spending rose disproportionately to incomes and a marked increase in consumer credit tied up a significant part of future incomes. When sales began to slacken off and some basic commodity prices declined, it was found that inventories in a number of lines were excessive and frequently high in cost. The second reason for the change in the economic atmosphere is of course the deliberate measures taken to combat inflation, including the policies of monetary and credit restraint, the increases in taxation, and the introduction of deferred depreciation. These measures have on the whole been quite effective though their influence in the decline which has occured in the demand for durable consumer goods is often exaggerated.

"A third and more fundamental reason for the change in business attitudes is the fact that many of the deferred demands accumulated during the war and early postwar years have been met. After the splurge of buying in the autumn and winter of 1950-51, it is highly questionable whether any important backlog of demand for such things as automobiles and household equipment still remained, and there is little doubt that the backlogs of demand for housing and for improvement of plant and equipment in many consumer goods industries were much reduced."

All this, the "Monthly Review" notes, does not indicate that inflationary pressures are more than temporarily checked.

"The drive toward preparedness has given additional impetus to expansion of Canadian productive capacity," the review states. "For not only are there the large added requirements of the Canadian defense program but there are also the heavy demands for such commodities as iron ore, aluminum and nickel from the United States and other allied countries.

"The pace of Canadian resource development has quickened markedly in the past year. The influence of Alberta oil and gas in particular has been spreading ever more widely. Many new wells have been brought into production and with the pipeline to Lake Superior in operation output of crude petroleum in 1951 ran about two-thirds higher than in 1950. Large-scale exploration work has spread into Saskatchewan and refining capacity is being steadily expanded. The recent approval of an application to build an $80 million pipeline across the Rockies to Vancouver gives additional impetus to the whole development. The question of exporting gas from Alberta remains unsettled but availability of natural gas is already attracting large-scale industrial development, particularly in chemicals.

"As a result of the great surge of expansion in oil, electric power and metals, such heavy industries as those making generating turbines and dynamos, steel pipe, various machine tools and foundry products have been kept operating at or close to capacity. At the same time the added activity of the economy as a whole has stimulated a high rate of operations at plants turning out railway equipment, and some of the new resource projects are leading to the first important construction of new railway lines in many years."

A Strange Mixture!

"We must never forget that the only war we seek is the war against poverty, disease, hunger and illiteracy. Unless we win this struggle, we cannot win the cold war or prevent the hot war either.

* * *

President Truman

"To succeed in this venture we cannot impose our ways and customs on others. We must work with people; we cannot boss them. We must help them to help themselves. Our task is to hold out the vision of what can be done and how it can be done, so that other people can grasp it in terms of their own needs and desires, and make it their own vision and their own goal.

"This will mean the breaking of many old barriers. It will mean breaking the shackles of unjust land tenure which now retard production and keep millions of people impoverished. It will mean breaking the bond of illiteracy so that men and women all over the world can have the opportunity of education and can lift their heads high in the dignity of human worth."—Harry S. Truman.

This seems to us to be a strange admixture of truth and nonsense, of realism and fantasy, of ideas and mere phrase making.

On balance it adds up to ineffectiveness or worse, we are afraid.

Continued from page 7

What Our Monetary Policy Should Be

ingly the end product of their recommendations is chronic inflation.

Obviously, inflationary policies may on occasion aid in the maintenance of prosperity for a short period. Nevertheless, continued easy money, low interest rates, and the accompanying rising prices will produce serious injustices to large groups in our economy. Further, they stimulate strife as people strive frantically to offset the effect of inflation, and almost inevitably will lead in the end to the destruction of the very prosperity in which the easy-money advocates claim to be so interested.

Although in all common sense I must be opposed to the perpetually easy-money proponents, I am also opposed to those people—and we still have many of them with us—who feel that nothing can be done through monetary measures to promote stability and prosperity. It is true that monetary controls, if used with less than the highest skill, may work to the disadvantage of the economy. It is entirely possible that they may introduce distortions which increase, rather than lessen, the difficulty of economic adjustments. The history of the last few decades shows clearly that they may be employed at the wrong time, or too suddenly, or too timidly. The effect of their use at times may be to benefit special groups rather than the whole economy. But these cannot be criticisms of monetary controls. They are criticisms of the poor use of monetary controls. I am very humble about that statement, however, because I am acutely aware that hindsight is a lot clearer than foresight. Nevertheless, because we have made mistakes in our handling of monetary matters in the past, we are not justified in concluding that nothing should be done in the future. My opposition to the easy-money inflationists is not prompted by a belief in an ultimate happy ending if only we leave things alone. Much can be done through monetary measures to promote a stable and prosperous America. But neither stability nor prosperity will be achieved through a blind pouring out of more and more money.

Quantitative and Qualitative Credit Controls Needed

What sort of monetary policy then is best calculated to achieve the twin goals of stability and prosperity? In a period such as the present, when we are faced with strong inflationary forces in the coming year, even though there are some forces present which may tend toward deflation, the maintenance of stabilty and prosperity calls for a monetary policy designed to curb the flow of money both quantitatively and qualitatively. It calls for general credit controls such as, for one example, open market operations. General credit controls are impersonal in their effect, can be effective, and certainly are more consistent with the preservation of political democracy.

You are all familar with the fact that Federal Reserve and Treasury open market purchases of government securities have in recent years added greatly to the money supply, thus making more difficult the task of holding down prices. The problem of government securities and their relation to the money supply is not an easy one. There are countless varying factors which must be considered, and many different points of view to be reconciled before an appropriate open market policy can be agreed upon. It should be obvious, however, that in the period ahead we cannot afford to continue adding billions of dollars to bank reserves, as we have done in the past two years through open market purchases by governmental agencies.

There is a tendency to criticize the large investor who during this inflationary period sold governments. You will recall that during this period public policy was calling strongly for expansion of industrial capacity and of housing. This in turn called for capital funds in excess of the available supply of savings, and to my mind required that life insurance companies, among others, dispose of government securities to aid in meeting the demand. Because of higher interest rates, this also was directly in the interest of the policyholders. The alternative was direct government lending, which was so evident in the housing field. Even with the sale of governments there was often severe criticism because more private funds were not made available for housing. If the sale of governments was in any way contrary to public interest, then the Federal Reserve's policy of supporting governments at artificially high levels was contrary to public interest. I think the foregoing exemplifies this: If proper general controls, impersonal in their effect, are not used when they should be, specifically in this case, if prices of government securities are not permitted to seek their own level, within reason, then the disastrous effects of such a policy create a cry for imposition of rigid restrictions, such as restraining the investor from selling his governments. Not only are such rigid restrictions fatally destructive of the free economy, but they are generally ineffective.

In addition to quantitative controls, we need qualitative controls, such as Regulations X and W, to channel funds away from nondefense uses. Much can be done also, and is being done, through voluntary programs among lending institutions, such as the Voluntary Credit Restraint Program.

When Deflationary Forces Are Needed

Let us consider for a moment, however, the deflationary forces in our economy, and assume that in the future, or not so distant future, we are faced with the prospect of deflation. To be consistent, we must then change from a tight-money policy to an easy-money policy. Obviously, this would result in a decline in interest rates and, speaking as a life insurance man, reduce the earnings on our funds invested for the benefit of policyholders. I believe no life insurance company fears to face that possibility. We all, I believe, are willing to work out our destiny with whatever rate of interest may arise in connection with an objective policy designed to stabilize our economy. It is the permanent low interest rate, held there by manipulation, which is anathema to us and a robbery of our policyholders and all thrifty people.

The goals of stability and prosperity are so important, and the interests of our policyholders so closely tied in with these goals, that we are prepared to advocate policies which on occasion may appear to be contrary to our immediate wellbeing, an important factor in which is a reasonable rate of interest. In short, as a life insurance man, I believe that monetary controls can help to achieve a stable and prosperous America if they are adapted to, and only if they are adapted to, the economic conditions obtaining at any given time.. I am opposed to a perpetually easy-money policy, just as I would be opposed to a perpetually tight-money policy. I advocate a monetary policy which objectively considers the economic prospect for the future, as best it can be discerned, and so applies or relaxes controls as to tend to offset departures from a stable, prosperous level.

If, as I believe, an administered monetary policy with constant adjustments to prevailing economic conditions is called for, then we have largely answered the second question, "What agency can best administer or effectuate that policy?"

Both the Treasury and the Federal can exert great pressure on our monetary system. Each can engage in open market operations, thus influencing both the price of government securities and the supply of money. Each can exercise *direct* influence on the banking system—the Treasury through its deposits in the commercial banks; and the Federal Reserve through control of reserve requirements, margin requirements, real estate and consumer credit, and the many other regulations which it enforces with respect to these banks. Both the Treasury and the Federal Reserve also have great *indirect* influence on the banking system and on other lending agencies. Obviously, monetary policy could be administered by either agency. It should be observed, however, that if administered by the Treasury, the policy would in effect be set directly by the Executive Branch of the Federal Government and carried out in all probability through a Federal Reserve Board subservient to the Treasury. The other alternative is administration by a Federal Reserve free of domination by the Treasury and relatively free from direct political control by the Administration.

Advocates Undominated Federal Reserve

To my mind an undominated Federal Reserve is much better adapted to, and much more likely to devise and effectuate, that monetary policy which will tend to produce both stable and continuing prosperous economic conditions in the United States. That, I think, is a most conservative statement.

First, let me say that the Federal Reserve is better equipped to handle *any* monetary policy. It has had, now many years of wrestling with the difficult problems of monetary control, many years of trial and error and of learning. Its members are more familiar with the practices and problems of lending agencies. It has developed an excellent research organization to supply it with information on which to base its monetary policy. Certainly, a new agency would make many mistakes which it has learned to avoid. These things to which I have referred, however, I must say in time could be developed by another agency.

Second, the vision of the Federal Reserve is not clouded or biased by the direct responsibility for the many fiscal problems faced by the Treasury. I doubt that an independent Federal Reserve would permit preoccupation with the interest burden on the government debt to overwhelm its concern for the maintenance of a stable economy. I doubt that it would advocate the support at high levels of government security prices during a period of inflation because of concern to keep down fractionally the coupon rate on new government securities.

The tremendous government spending of the past decade, and the resulting large government debt, have placed great pressure on the Treasury. The management of the public debt, the constant problem of refunding, and the prospect that the government may have to go to the market for still more funds, does not leave the Treasury in a position to view objectively the monetary situation in the country. This in itself disqualifies the Treasury as an agency suited to the determination of monetary policy. Over and beyond this, however, the Treasury is a part of the Executive Branch. We have seen the tendency of government over the past decades more and more to centralize, and more and more to become bureaucratic and authoritarian. Accompanying this is the tendency to spend ever more lavishly, seemingly without any effective check by the citizenry of the country. I submit that administration of monetary policy by the Treasury as a part of the Executive Branch of such a government would mean a perpetual bias toward easy money and the providing of easy funds for government spending. What the result would be is obvious.

Third, even now the Federal Reserve is sufficiently removed from the direct political pressure of whatever administration happens to be in power so that it is able to take the broad point of view of the economic welfare of the whole country, and the long point of view of an agency whose political life is not subject to frequent interruption.

It mgiht be noted in this connection that the Federal Reserve Board is intentionally so constituted as to make it semi-independent of the Executive Branch of the Federal Government. Although the members of the Board are appointed by the President, with the advice and consent of the Senate, their tenure of office and the order of expiration of their terms of office are so arranged as to minimize the immediate and direct pressure which the Administration or outside interests can bring to bear upon them. The terms of Board members are in this sense like those of some judicial offices. In order to remove considerations which may destroy their objectivity, their terms are for 14 years and they may not be reappointed after having served a full 14-year term. I am not sure, however, that this last is a wise provision.

Despite all of these carefully constituted provisions designed to aid the Board in considering, not the interests of any special group, but the economic welfare of the country as whole, there have been times in the past when the Executive has attempted to bring direct pressure on the Board to change its monetary policies. And there seems little doubt that the Board has, on occasion, followed policies not of its own making because it feared that the Executive might have sufficient control over Congress to ask for an end to its semi-independence.

These departures from an objective view on the part of the Federal Reserve do not indicate that an impartial agency is impossible of attainment. They indicate instead that if Congress wishes an objective monetary policy, it should make clearer the independence of the Federal Reserve and reassure that agency of its support. They indicate further that there is need for a more definite statement on the part of Congress as to the desired goal of monetary policy. As I have explained, such a statement should point out that only through both prosperity *and stability* can we truly serve the interests of all groups in our economy. This is in essence the recommendation of the Subcommittee on Monetary Credit and Fiscal Policies of the Joint Committee on the Economic Report, published February, 1950, Senate Document 129, the so-called Douglas Report.

In closing, the monetary policy we need is neither a perpetually easy-money policy nor a perpetually tight-money policy, nor a "hands off" policy. The monetary policy we need is one which will promote a stable and a prosperous economy—flexible and changing and objectively administered—one which will be as conscious of the injustices and pitfalls of inflation as it is of the dangers of deflation. I think the Federal Reserve is the agency most likely to give us such a policy. I believe the welfare of the nation requires that Congress provide the Federal Reserve with a clearer statement of its responsibilities in this field and that Congress give it the independence it needs objectively to pursue its goal.

No U. S. Gold For Britain

By PAUL EINZIG

Dr. Einzig, commenting on Mr. Churchill's return from U. S. without financial assistance, holds during 1945-51 Britain came to depend too much on dollar aid, and even without such aid, nation can work out its own salvation. Foresees more production for export, along with more drastic credit restriction and severe reductions in government expenditure.

LONDON, Eng.—Mr. Churchill is returning from Washington without having secured for Britain any American financial assistance. In his speech before Congress he declared that what Britain wanted from the United States was steel, not gold. He was wise in not attempting to secure financial assistance, as American opinion does not appear to favor any such assistance, and the Administration could ill afford to disregard public opinion in an election year. So as far as is known, American financial assistance will consist of the aid of some $300 million granted under the auspices of the North Atlantic Treaty Organization—about half the amount granted to France. It is a mere drop in the ocean. At the present rate of the gold drain, Britain would exhaust her gold stock before the end of this year.

Dr. Paul Einzig

Mr. Churchill's display of equanimity about the absence of American financial aid is not shared by many sections of British opinion where the prospects are viewed with growing concern. It is feared that, in the absence of American aid, the measures that will have to be adopted in order to check the gold drain would have to be so drastic that they would greatly strengthen left-wing tendencies in British politics. Many British Conservative quarters are very bitter about the striking difference between the way in which the United States virtually forced financial assistance on Britain under the Socialist Government and the incomparably less liberal attitude towards Britain under a Conservative Government. Between 1945 and 1951 almost unlimited amounts of American money were lavishly showered upon Britain for the purpose of building up and bolstering up the welfare state far beyond the country's own means. In 1952 there is little or no willingness to assist in overcoming a crisis which arose solely as a result of Britain's effort to do her share in Atlantic rearmament.

There is, however, another side to this picture. Within a few weeks Chancellor Butler will announce the government's measures aiming at checking the gold drain. These measures are bound to be unpopular. They will involve heavy sacrifices. It would be difficult, if not impossible, for the British Government to ensure the acceptance of these measures by the country so long as hopes are entertained that the "gap" will be filled by American aid. The fact that Mr. Churchill has returned empty-handed—apart from a raw material agreement exchanging steel for aluminum and tin—goes a long way towards preparing the ground for the announcement of Mr. Butler's measures. It may create a "Dunkirk" atmosphere in which the British public would realize that it has to make a determined effort to solve its difficulties without external aid. During 1945-51, Britain came to depend too much on dollar aid. Had she rejected the American loan of 1945 she would have had to work out her own salvation. There can be little doubt that she would have succeeded, even though it would have meant the postponement of the adoption of various social services and other ways of raising the standard of living.

Will Mr. Butler be able to work out Britain's salvation without American aid in 1952? If the government is prepared to risk its political existence the solution is certainly not beyond the realm of practical possibility. After all, production is in full swing, and where 50 million people produce, there 50 million people should be able to live. The problem is to divert production into directions serving export trade, and to prevent the consumption of goods which are exportable. The first step to that end will be further general credit restrictions. As a result many firms will have to close down or restrict their production. The manpower thus released will become available for rearmament and exporting industries. These industries will be immune from the effects of credit restriction, because their credit requirements will enjoy a priority.

It is expected that the government will bring to an end, or at any rate reduce, the system of producing standardized low-grade "utility" goods. The argument for the termination of the system is that it has resulted in a deterioration of the quality of British manufactures, and that this tends to handicap exports. Such a change would be a severe blow to domestic consumers most of whom could not afford to pay the high prices charged for nonutility goods. The resulting decline of home consumption would go a long way, however, towards safeguarding supplies for export trade.

Another way in which domestic consumption is likely to be curtailed will be through restrictions on selling against deferred payments. Such restrictions are familiar to the American public but are unknown in Britain. The system of deferred payments had its economic justification during the depression of the 'twenties and 'thirties, because, by enabling people to spend their earnings in advance, it created additional demand and employment. But during the prevailing state of over-full employment it is absurd to stimulate demand by enabling people to spend far beyond their means. Instalment buying plays a very important part in the automobile industry and in the radio and television industry. Both these industries could be kept fully occupied by rearmament orders. A discouragement of domestic demand would also help export trade, even though the narrowing down of the domestic market is apt to be accompanied by a rise in the cost of production.

Drastic reductions in government expenditure will also contribute towards the restoration of sounder conditions. It will release some manpower and it will reduce purchasing power. As to the termination of the utility scheme and the discouragement of instalment buying, it would inevitably antagonize wide sections of the public. Any cuts in education expenditure, for instance, is bound to cause resentment among millions of people. However, under the pressure of necessity, the government will have to proceed with the cuts and take the consequences.

Last, but by no means least, a drastic reduction of capital investment will release goods for export, will curtail purchasing power and will release productive capacity for rearmament and export industries. The other side of the picture is represented by the consequences of nonrenewal of industrial plant. If investment in new machinery and equipment is discouraged and the machinery and equipment thus saved is exported, it will assist the immediate balance of payments. Taking a long view, however, it means that Britain's industrial rivals will have the advantage of modernized plant while British industries will be handicapped by obsolete plant. All this will not help export trade in the long run.

Taking everything into consideration it seems that the solution of Britain's balance of payments problem is by no means impossible, but it would involve very heavy sacrifices. In the circumstances it would be infinitely preferable to solve it at least in large part through American aid. Such aid is needed, not for the sake of more "feather-bedding," but in order to cope with the situation created by rearmament. While it is right and proper that the government should make an effort to do away with over-full employment and to cut down over-expanded public expenditure, it would be deplorable if the magnitude of the effort were such as to endanger political stability and sacrifice long-range economic prospects.

Charles Waldmann, Jr. To Be Partner in Firm

Charles J. Waldmann, Jr., will acquire membership in the New York Stock Exchange, and on Feb. 7 will be admitted to partnership in Kean, Taylor & Co., 14 Wall Street, New York City, Exchange members. Mr. Waldmann has been with the firm for some time as municipal bond trader.

Horace L. Michener Opens in Philadelphia

PHILADELPHIA, Pa. — Horace L. Michener is opening offices in the Western Savings Fund Building to act as dealer in railroad, public utility, industrial, investment company stocks and bonds and bank and insurance shares. Mr. Michener was formerly associated with Hess & Co., Inc.

S. & M. Oil & Gas

SAXONBURG, Pa.—The S. & M. Oil & Gas, Inc. is engaging in a securities business from offices on Main Street. Officers are H. W. Moore, President; C. H. Moore, Vice-President; and H. Shearer, Secretary-Treasurer.

M. J. Ruter Opens

BROOKLYN, N. Y.—M. J. Ruter is engaging in a securities business from offices at 1776 Sixty-eighth Street, under the firm name of M. J. Ruter Co. He was formerly with Graham, Ross & Co. and I. J. Schenin & Co.

Railroad Securities

Erie Railroad

The market action of Erie common continues to puzzle a large segment of that part of the financial community that follows railroad securities. It has been a disappointing market performer virtually since the reorganization was consummated and the new stock was first issued. From the point of view of efficiency it has fared considerably better in the postwar era than have most of the other large Eastern roads. Its earnings record has been more favorable. It pays better dividends than either New York Central or Pennsylvania, yet it sells in the same general price range, and generally slightly lower. It sells about on a par with Baltimore & Ohio common, on which no dividend has been paid in years.

The most logical explanation for the failure of Erie common to attract a more enthusiatstic market following is that it is still laboring under the cloud of the reputation of the predecessor company. The early days of the old Erie were marked by some of the most flagrant financial excesses to be found in railroad history. These financial excesses prevented the payment of dividends even in the lush days of the middle and late 1920s and were directly responsible for the road's eventual bankruptcy.

Ills of this nature (purely financial) are readily corrected by capital readjustments such as the one through which Erie went some years ago. They are not like the basic traffic or operating weaknesses that brought on so many of the other railroad reorganizations and remained to plague the new companies. It is strange, then, and obviously unreasonable, that past history should return to put a damper on speculative feeling toward the stock of the new, reorganized, Erie. Presumably Erie eventually will be taken for what it now is, and not for what it once was. At such a time the stock should reasonably sell in much better relationship to the stocks of competing carriers that have been far more adversely affected by the rising costs of the postwar years. Meanwhile, holders presumably will have to find what comfort they can in their greater income return.

Ever since Erie was reorganized the management has recognized that it owed special consideration to stockholders in the matter of dividends inasmuch as the common now outstanding represents the claims of old bondholders. In passing it might be mentioned that there are many similar situations where such obligation has not been taken seriously by the new, post-reorganization, managements. Erie started right off on a regular $1.00 annual dividend basis. This rate has been maintained consistently, with extras distributed when warranted by earnings. The first extra was $0.50 in 1948 and in each of the past two years extras of $0.75 have been paid.

On the whole Erie may be considered a more stable property than most of the other large Eastern carriers. By its very nature it is, of course, quite sensitive to the level of plant activity in the highly industrialized territory lying between New York and Chicago. As an added factor it is in a position to offer high speed freight service from the Western gateway to the Eastern seaboard. Thus it gets a substantial volume of through agricultural and animal products tonnage. This not only injects a certain element of stability in traffic but, also, being a long-haul movement, it is profitable to handle.

Erie was naturally quite hard hit in 1949 by the coal and steel strikes and in that year earnings on the common amounted to only $1.60 a share, before sinking and other reserve funds. In that year Pennsylvania reported less than $1.00 a share and the New York Central about $1.50. The following year witnessed a sharp rebound for all three, with Erie's pre-fund net at $4.67 a share. What has proven particularly gratifying in the Erie picture is that it was able to hold its own last year when rail earnings generally fell off as a result of the continued rise in costs. Share earnings of $4.68 matched the year-earlier performance.

Horning Chairman of NASD District No. 7

ST. LOUIS, Mo. — Bert H. Horning, of Stifel, Nicolaus & Company, St. Louis, was elected Chairman of the District Committee, for District No. 7 of the National Association of Securities Dealers, Inc., succeeding George A. Newton of G. H. Walker & Co., St. Louis.

Bert H. Horning

Other members of the Committee are: Andrew S. Mills, Vice-Chairman, Newhard, Cook & Co., St. Louis, Mo.; Arthur A. Christophel, Reinholdt & Gardner, St. Louis; Mel M. Taylor, Semple, Jacobs & Co., St. Louis; Irwin R. Harris, Shreck, Richter Co., St. Louis; George A. Newton, G. H. Walker & Co., St. Louis; and Paul B. Jones, Paul B. Jones & Co., Little Rock, Ark.

Victor Verace Partner In John E. Miller Co.

John E. Miller & Co., 25 Broad Street, New York City, members of the New York Stock Exchange, have announced that Victor Verace has been admitted as a general partner.

Mr. Verace, a member of the New York Stock Exchange since 1948 and of the Curb Exchange since 1939, was a member of the investment firm of Lehmann & Verace until last year when the firm was dissolved following Mr. Lehmann's death.

Mr. Verace's admission to the firm was previously reported in the "Chronicle" of Jan. 17.

Continued from first page

Our Foreign and Military Policies Are Unrealistic

world. A year ago, when I addressed the American people, the North Atlantic Pact had been in operation for over a year. Up to that time, despite huge subsidies and sacrifices by the American people, the nations of Europe, except Britain, had done little in mutual defense. And in this address, unless otherwise stated, I do not include Britain in the term "Western Europe."

Promise and Performance

During the course of the debate a year ago we were told that a European defense army of upward of 40 ground divisions would be created under General Eisenhower by the end of 1952, with 20 more divisions by the end of 1954.

We were told four more American divisions were to be shipped to Europe in addition to the two we already had there.

What has happened?

The rearming of Western Europe is mainly dependent upon the French and the Germans. A year ago, in urging that we send our divisions, General Eisenhower stated to the Congress that the French promised 15 battle-worthy divisions by the end of 1952 and presumably more by the end of 1953. A few days ago, the French Defense Minister indicated that they contemplated only 10 divisions for the European army, of which none was complete and half of them were only 50% recruited.

The settlement by which Western Germany is to be given a certain degree of independence and is to contribute 12 divisions has not yet gone beyond the paper stage. No battle-worthy German divisions are in sight — certainly not before 1953.

The British have announced that their four divisions on the continent will not be a part of the European army, but that they "will cooperate." Britannia would be a friend, but would not marry Mr. Europe. That is a form of independence.

In sum, the only substantial addition to Western European ground armies during the two years past have been the American divisions we have sent over.

Aside from American and British divisions it would be difficult to find 10 battle-worthy divisions in the Western European army today. And it would appear that even the 60-division army is two or three years away.

"A Calculated Dunquerque"

This proposed 60-division army compares with over 200 equipped divisions which these same Western European nations placed in the field within 60 days after the outbreak of each World War. And their manpower and productivity are greater today.

In that debate a year ago, we were told that the Communist armies comprised 300 divisions, 20,000 planes and 30,000 tanks. No one contended that 60 European divisions, even if created, could do more than temporarily halt an invasion. Our side in that debate replied that this was not a calculated risk but that it was a calculated Dunquerque.

I may say at once that all the American people are interested in the growth of unity in continental Europe and their preparation of adequate ground armies for their defense. We earnestly hope that General Eisenhower will succeed in his difficult task.

There has been some progress during the past year in allaying age-old discords and dissensions. But they are obviously not yet cured.

Among forces which obstruct progressive Western European statesmen are the potent Socialist and Communist parties. These parties also have widely spread the belief that our subsidies and our urging are for the purpose of using Europe for American cannon fodder. Yet the Western European nations are contributing less than 10% of the total military expenditures of the North Atlantic Pact nations.

Another cause of Western European inertia is its attitude as to the risk of Communist invasion. That attitude is profoundly different from the attitude of Washington.

Europe Not Alarmed

There is in Europe today no such public alarm as has been fanned up in the United States. None of those nations has declared emergencies or taken measures comparable with ours. They do not propagandize war fears or war psychosis such as we get out of Washington. Not one European country conducts such exercises in protection from bombs as we have had in New York.

I recently made an inquiry from European sources as to why they calculate this risk of invasion as so much less than does Washington.

The sum of this inquiry was that there was little public belief that there was risk of a Russian invasion in the near future. Their reasons for this belief were:

First: They said that the Russian ground armies could have overrun Western Europe in a two-months' campaign any time in the past five years and can no doubt do it during several years to come. That they have not done so seems proof to these observers that the Kremlin realizes several difficulties in making a Red world out of the West.

Second: They said that the Communists hesitate to stir up a war in the West because they can see no final military victory. That the Russians know they cannot invade the United States with armies, however much they might possibly trouble us with bombs. Therefore, they said the Russians have no taste for a war where they cannot effectively destroy their enemy.

Third: They stated that the Kremlin realizes that invasion of Western Europe would add a dozen nationalities to the centrifugal forces and oppositions which already trouble them from the 30-odd races they dominate. They said the proof of these oppositions was the fact that the Communists have sent 15,000,000 politically objectionable persons to slave camps. In addition, nationalism is not dead in those nations, as witness Yugoslavia.

What Can Russia Gain?

Fourth: They said the Kremlin knows that the industrial potential they would secure by invading Western Europe is mostly an illusion. The reason they gave is that if Western Europe were blockaded by the Americans or British, and Russian transport into Europe were paralyzed by bombing, Europe would be 30% short in fuel, 25% short in food and without non-ferrous and hardening metals. They stated that under such a blockade, Western European industrial production would diminish rapidly and ultimately fail.

Fifth: They said the Kremlin had at last learned that its conspiracies of boring from within have failed to secure more than a minor percentage of men's minds in the western world. Its left-arm activities have there raised implacable walls to such ideological victories.

Sixth: They said the opportunities for the Kremlin are in Asia and that its face is turned east.

Seventh: They said Stalin has every reason to be satisfied with the progress of economic confusion in the United States and in Western Europe.

Eighth: Finally, they said the Communists know that, if they invade Western Europe, their own war potential will be destroyed by an atomic war from the air and a blockade from the sea, even if they succeed on land.

I cannot say whether these eight assumptions are correct or not. But they do contribute to Western Europe's lack of hysterics and their calculation of low risk and therefore, their lack of hurry to arm.

In any event, this whole European situation requires that the United States recalculate our own risks and reconsider the possible alternatives.

In South Asia and the Middle East we are witnessing vast readjustments of political power. Behind the slogan, "Asia for the Asiatics," lie two centuries of the white man's exploitation. These forces have lighted a prairie fire of revolution against the West. They are removing the "white man's burden."

U. S. Denied Victory

America had no part in the exploitation. Yet too often we find that many of these nations vote against the United States in the United Nations.

During the past year in Korea, the Government vetoed General MacArthur's policies of destroying the Chinese air sanctuary in Manchuria and the employment of Chiang Kai-shek's armies to save American lives. Accordingly, we denied ourselves victory.

A negotiation was begun six months ago for a cease-fire. The American people welcomed its promise to stop the loss of blood and lives of their sons. But three things have come of it. Far from cease-fire, over 20,000 Americans have been wounded and nearly 5,000 have been killed since the negotiations began.

Yet in this negotiation we have retreated from the original purpose of unity and independence for Korea to an appeasement idea of a division of Korea about where it was before. Finally, during these negotiations the Chinese have built up a great air force. What the outcome may be, we do not know. But I will presently suggest some lessons we now ought to learn from this experience.

The outstanding phenomenon in the United States is the dangerous overstraining of our economy by our gigantic expenditures.

The American people have not yet felt the full impact of the gigantic increase in government spending and taxes. Yet we already suffer from the blight of inflation and confiscatory taxes.

In a War Economy

We are actually in a war economy except for world-wide shooting. We are diverting more and more civilian production to war materials. We are placing a greater portion of our manpower under arms. All this creates scarcity in civilian goods and increased spending power; both of which fan the flames of inflation.

We are constantly told that measures are being taken by the government to "prevent" inflation. This ignores the fact that we are in the middle of inflationary operations at this very minute. Ever since the end of the Second World War the purchasing power of our money, measured in wholesale prices, has decreased 40%.

Controls of the type we have imposed on wages and prices cannot in the long run prevent inflation. The experience of six great commercial nations in two wars has proved that they are, at best, a retarding device.

Under the demands of Washington we are confronted with a probable Federal deficit of $30 billion to $40 billion for immediate rearmament. We already have government obligations and currency of $280 billion. And private credit is dangerously over-expanded. In the brief period since the war, it has swelled by $130 billion.

The government will need to cover part of its deficit by selling its bonds or notes, some part of which must be sold to the banks. That is direct inflation of credit and results in an addition to the currency in the form of bank check money.

Inflationary Elements

The two pressures — scarcities and expanding credit, or paper money—are the irresistible forces of inflation. They are already being expressed in gray markets and a sporadic spiral of high wages and then higher prices.

Our standard of living will be reduced in millions of families. Life-time savings will be taken from millions of other families. Rising prices are coming through the kitchen while taxes are invading our homes through the front door.

These huge taxes are also overstraining our economy. Moreover, they have probably reached the point of diminishing return. That is indicated by the fact that the various taxes on the top bracket incomes can possibly exceed 100%. If all remaining untaxed income above that level of the salary and expense allowance of a United States Senator were confiscated, it would bring only about $2 billion annually to the Federal Treasury, and that assumes that these taxpayers would continue to work for nothing, which they will not do.

It is the average family who pays the bulk of taxes both income and hidden. Among them are corporation taxes. These are ultimately passed on to their customers or the corporation would quickly go bankrupt.

Families with incomes of from $3,000 to $4,000 a year will pay in total taxes an average of over $900 per year. The double effect of inflation and taxes is indicated by the fact that a family with $3,000 net annual income ten years ago must now earn over $6,000 to maintain the same standard of living.

And this spending and taxes is not a quickie program soon over. When our great military forces are assembled, they must continue to be paid for. Due to constant new inventions in weapons, the new devices must continuously replace the old. That will cost more billions.

A man may carry a load of 300 pounds across the room, but he will break his back if he carries it around the block.

Communism is an evil thing. It is contrary to the spiritual, moral and material aspirations of man. These very reasons give rise to my conviction that it will decay and die of its own poisons. But that may be many years away and, in the meantime, we must be prepared for a long journey.

There are men who welcome these inflation and tax pressures because these forces drive to socialize the income of our people. That is the inevitable end, even if it were not the avowed purpose. If this form of creeping socialism continues, we may be permitted to hold the paper title to property, while bureaucracy spends our income. Along this road the erosion of our productive capital and the destruction of incentives to economic progress are inevitable.

In view of the past year's experience, and these rising pressures, the Congress should again re-examine our situation.

I believe there are methods more effective to check the Communist menace in the long run and at the same time to lessen our domestic dangers.

Reiterates Last Year's Proposals

As a basis for test, I may repeat the essentials of the proposals some of us made a year ago which were supported by many military and economic authorities:

First: That the first national purpose of this republic must be the defense of this final Gibraltar of freedom—that is the Western Hemisphere.

Second: That the only way to save Europe from destruction is to avoid the Third World War. The real and effective deterrent which we can, within our resources, contribute to that end is in cooperation with the British to extend our already strong air and navies up to a striking force. The Communists know that such a striking force could destroy their military potential if they started an invasion and it could punish any such aggression. And this applies to aggression against other non-Communist countries as well as Western Europe.

In Korea, however correct the original decisions to use ground armies may have been, our experience during the past year has certainly demonstrated that we should have relied upon air and sea forces to punish that aggression. We could have avoided most of the sacrifice of 20,000 American boys and the injury of 80,000 others. The long-run injury to the South Koreans would have been less devastating.

Third: That the only way we can hold the initiative in this "cold war" is not to scatter our ground armies all around the 25,000 miles of Communist borders but to concentrate on such a highly mobile striking force by air and sea.

Three weeks ago General Wedemeyer, one of our greatest military strategists, stated we should not dissipate our ground armies over the world and should put our emphasis upon a striking force of air and sea power.

Fourth: That we should furnish such munitions as we can afford to other nations who show a determined will to defend themselves.

Fifth: That to maintain the economic strength of the United States and to prevent its socialization does not permit our building up great ground armies in addition to overwhelming air and sea forces and supply of munitions to other nations. If our economy should collapse, Stalin's victory would be complete. We cannot take that risk.

Sixth: That true friendship with Western European nations requires they be told certain things in no uncertain terms. They should realize the limit of our economic aid is this deterrent air and sea power and munitions. That, protected by this shield, we expect them on the basis of their performance in previous wars, and now with the aid of munitions from us, to realize that ground armies are Europe's own problem. We should state that we expect them to provide ground protection for our airfields within their boundaries. We should state that not only will we send no more ground troops, but that we expect they will rapidly relieve us of that burden except to protect our airfields outside the NATO countries.

And they should be told that their delays leave our 250,000 European garrison in a most exposed position.

Seventh: Our relations to the United Nations charter should be revised. It must not be allowed to dominate the internal sovereignty of our government. Our courts have already made decisions that the charter overrides our domestic laws.

Recalculation of Policies Would Reduce U. S. Risks

Recalculation of our policies along these lines would greatly reduce our economic risks. By restricting our ground armies and ultimately reducing them to the force necessary to protect our homeland and our essential air bases outside of European NATO countries, together with a reduction or postponement of 30% in our Federal civil expenditures, we could assure our economic strength. We could return thousands of young men to their shops, their farms, and their colleges. We could apply real brakes upon this drift to inflation; we might stop the plunge into socialism, we could avoid increase in taxes. But above all, we could better halt the spread of Communist imperialism.

It has been said that in these evil times peace can be preserved only through strength. That is true. But the center and final reserve of strength of the free world lies in the North American continent. Nothing must be permitted to weaken this bastion. We should recalculate our risks.

I pray that we shall have peace and preservation of our American way of life. I hold firmly to the belief that a third World War is neither necessary nor inevitable.

And in this summary of our position and our prospects I have used only facts and the terms of sober reason. But because I have avoided words appropriate to a deep emotion, this statement may not convey the extent of my anxiety for the future of my country and the world. But on this Sabbath Day that anxiety is even greater than one year ago.

I have no despair; I am firm in my confidence and my belief that an informed American people can and will solve their menacing problems. They have met every challenge over 170 years of national life. And God bless you all.

Barnard Townsend Is With Lehman Brothers

Barnard Townsend, former President of the Title Guarantee and Trust Company, New York, has become associated with Lehman Brothers, 1 William Street, New York City, members of the New York Stock Exchange. He will be in charge of the firm's relationships with banks and trust companies, and particularly the underwriting of capital securities of such institutions. Before his association with Title Guarantee, he was President of the Troy Savings Bank in Troy, N. Y., and Chairman of the Investment Committee of the Savings Banks Association of the State of New York.

Barnard Townsend

Joins Gunn, Carey

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Cabe Sanders has joined the staff of Gunn, Carey and Company, Union Commerce Building, members of the Midwest Stock Exchange.

Securities Salesman's Corner

By JOHN DUTTON

The Approach to New Accounts

Calling upon new prospects is not the difficult and trying task that some men believe it to be. In fact, if you have something of special interest to tell the prospect when you get there, in most instances he is glad to see you. The proper pre-approach preparation must be well established before the call. The salesman's attitude must be right. The opening "point of interest" must be something that will appeal to the prospect. From there on, it is up to the salesman to qualify the likely prospects for future cultivation and discard those which are not promising.

If any of the foregoing steps are not well planned, and carried out in advance of the call, results will be disappointing. I do not believe a good salesman should waste his time running down possible prospects. His firm should do that for him. The profit opportunities in spending money intelligently upon a sound mail campaign that develops leads for salesmen, are much greater than using a salesman's valuable time to run down customers in a hit or miss manner. Some salesmen have the knack of prospecting. However, the securities business is peculiar in this respect—not everyone is a security buyer. In fact, only about 5% of the people in this country own securities. You can door-bell your way to fame and glory in the life insurance business, the canvassing business, or practically anything else that people use over a large section of the country. But *you must smoke out your possible security buyers.* Mail campaigns and advertising in trade and other papers, is a much less costly medium than using shoe leather.

Interest Your Prospect

The reason that offerings of information to stockholders is a good door opener, is that you are hitting at a vital spot. A good stockholder's list is the best source of prospects. Some people will answer any offer of information that is free—some are sincerely interested in keeping posted on their holdings — others will tell you about other securities if you give them an opportunity. Do this by using a mailing piece that provides space for additional listings.

If a salesman makes an appointment by telephone, and dignifies his call by insisting that he has *valuable* information about the stock in which the prospect is interested, he is going to obtain many interviews. He should never go in to see a prospect with the purpose of coming out of the first interview with an order. He should try to inform and *be liked.* He should build confidence. His first step is to leave his prospect with a good feeling toward him. If possible he should offer other services, and if he gets far enough along he should procure a list of the prospect's holdings. This list he can put in his own files for the purpose of providing additional information to the prospect as it comes along.

Attitude of Salesman

A good salesman should be confident of his knowledge of securities and the *fundamentals* of investment. He should go into his first interview with a prospect, on the same basis as a champion prize fighter enters the opening rounds with a young, but willing, challenger. He should feel out his man and find his interests. Not all security buyers, unfortunately it must be admitted, are open-minded and well-enough informed to protect their own welfare. Some of the most obstinate and stubborn cases will resist all appeals to common sense and reason. Many people will continue to follow a course that will eventually prove to be disastrous to them in the long run. There has probably been more financial failure due to stubborn and foolish procedures on the part of investors than has ever been caused by unscrupulous salesmen. This is where a good salesman will either find a way to lead and persuade such a prospect into the proper channels of investment, or he will make the decision not to waste his time on a china egg.

Most people will react favorably to a man who is sincere and who knows his business. Building a sound foundation first, and actually placing the customer's interest ahead of your own desire to make a sale, will convert many new prospects into clients.

* * *

Clever Advertising Idea

Eisle & King, Libaire, Stout & Co., whose main office is at 50 Broadway, New York 4, N. Y., have issued a folder showing a series of correct methods of playing winning golf. Byron Nelson illustrates the attractive brochure with seven pictures of the correct method of playing a particular club. A list of stocks in which the firm is specializing is also included. For those interested in golf, it is an attractive mailing piece that no doubt will be read carefully from cover to cover.

Thomas S. Pierce With Florida Securities

Thomas S. Pierce

ST. PETERSBURG, Fla. — Thomas S. Pierce has become associated with the Florida Securities Company, Florida National Bank Building. Mr. Pierce was formerly manager of the municipal department for the St. Petersburg office of Goodbody & Co. In the past he conducted his own investment business in Florida.

National Analysts to Convene on Coast

SAN FRANCISCO, Calif.—The Fifth Annual Convention of the National Federation of Financial Analysts Societies will be held in San Francisco and Los Angeles May 4th through 10th.

The group will convene in San San Francisco, May 4-8, at the Fairmont Hotel and in Los Angeles, May 9-10 at the Ambassador Hotel.

E. E. Morgan Opens

(Special to THE FINANCIAL CHRONICLE)

OXFORD, Ohio — Edwin E. Morgan is engaging in the securities business from offices at 23 West High Street.

Continued from page 3

The Outlook For Electric Utilities in 1952

used up in higher wages and taxes and most companies were not able to do as well in 1951 as they did in 1949 or 1950. I am not sure that on a per share basis we are going to get back to the 1949-1950 level right away, but I am convinced that the electric utility industry is going to be much better off than it was in the year 1951.

At present, we have the highest level of employment in this country in its history. Coupled with that, we have a crop of youngsters under ten years of age, 40% larger than ten years ago. That is not generally understood. That means that appliances are going to be used a great deal and to the extent that people can get appliances they are going to buy a great many more of them, such as clothes dryers, washing machines, and all sorts of appliances to help run the household, because it is getting harder and harder to get domestic help, and this help is getting more and more expensive. So most housewives are insisting on having more help, electrically aided, through appliances.

Since the increase in the use of existing appliances and the development of new appliances are the secret of the growth of the electric industry, one must keep in mind that there are on the horizon numerous appliances that have never been exploited, and some may not even have been brought to public attention. I call your attention, for example, to the heat pump which has been talked about for several years, but thus far, not developed to the point where it is ready for wide general use at a low price, even though the price has been brought down a great deal and the principle of the heat pump has been proved beyond a doubt. A great deal of work has been done and General Electric now offers a packaged unit of a heat pump which can be installed in your home to cool it in the summer and heat it in the winter with no furnace. It would use an average of 2,500 to 3,500 kilowatt-hours per year (depending on locality) which is well in excess of the U. S. average residential use today of about 1,900 or 2,000. So that the heat pump alone in universal use could more than double the present residential load. It is not going to be used all over the country right away, nor is it likely to be used anywhere to a large extent in the next couple of years, but once sufficient excess generating capacity is available many electric companies may push it as a load builder. The heat pump is a good example of the possibilities of expansion in this industry and we have only barely scratched the surface in possible uses for electricity as a labor saver and a promoter of greater wellbeing and a better standard of living.

Another reason why I think that 1952 will be a good year for the electric utilities is that rate increases may not be too hard to get, due to a better understanding on the part of many State Commissions of the needs of the electric companies. The electric utilities have a particularly favorable basis for asking rate increases. Their rates are the lowest in their history. Residential electric rates are 50% below what they were in 1937—only 14 years ago! Back in 1920, electric utilities used to get seven cents per kilowatt-hour. Today the average is 2.88 cents for residential service. The average residential use in those years used to be three to four hundred kilowatt hours per year. Today it is close to 2,000 per year for residential customers, and steadily rising. Likewise, commercial users—stores, offices, office buildings and so forth, and small factories—have found many new uses for electricity. Their rates have gone down just as sharply and their use up just as much.

The farmer who used to use practically no electricity 20 years ago, today is a very large user of electricity. He uses at least three times what the average householder uses, and those companies with a large farm load are very well situated as to demand. Twenty-five years ago only 4% or 5% of the nation's farms had electricity, whereas today about 90% have electric power.

Another reason why the utilities may do well this year marketwise is that this is an election year, and if by chance a Republican were elected we could have quite a market boom in utility stocks. I am not sure that such a market boom would follow, but it seems to me it would be a bullish factor at the very least. How the market would interpret it I don't know, but I don't think it would go down on the news.

The reason I say that, is that for years now we have had Federal administrations which favored the spread of Federal and public power of one type or another, much of it competing with private utilities. This spread of public power has seemed to me to be a growing cancer in the electric utility industry. It has been eating and eating its way. Twenty-five years ago probably not more than 5% of the power output of the country was Federally or locally controlled. Today it is 22% Federally controlled or operated by municipalities, REA's or state agencies, but not private power by business-managed investor-owned utilities. Apparently, the intent of the present Administration is still to foster a further expansion of this type of business. We now have the example of the super co-op, which joins together the small electric cooperatives with high tension lines and a generating system and makes out of them a competing system which may be in the heart of a private electric utility system built with the funds of private investors. That sort of thing is going on. It hasn't been stopped by Korea; it hasn't been halted by the government's needs for defense expansion. Some part of it may have been slowed down, but you would be surprised if you realized the extent to which it is going on in some areas.

To my mind, public power of one type or another is the only real threat the electric industry faces today. Growth can overcome practically everything but tax-free competition. Stop and think what that means. Every utility company in the country is growing, more or less, but when you run up against the stone wall of tax-free competition, where a particular group of supposedly public-spirited people can form an REA or some other similar agency and then can go out and sell tax-free revenue bonds and acquire an electric property and operate with less taxation than the private company alongside of them, how in the world can one expect the private company to be as successful as that tax-free organization? While figures show that some private companies can supply power just as cheaply side by side and even go a long way toward absorbing the tax differential as well, it is an unfair state of affairs and what we need right away to change it is an Administration that realizes the fallacy of public power. If we could eliminate future tax exemption we could stop it overnight. I doubt very much if we are going to eliminate future tax exemption right away, but if we joined together and presented a united front we could do a great deal to slow down the further expansion of public power. One real way it can be slowed down is for investors to fight Congressional appropriations for power expansion of any agency of the U. S., and particularly the Interior Department.

The investor should take heed of this expansion of public power which is going on day and night relentlessly, never stopping, never ceasing. If one objective seems difficult they just shift around to another one, but they go right on. And they don't have the same problem of getting money as the business managed, investor-owned companies do. They don't have to go out and sell common stocks in a competitive market, on earnings cut down by a 52% Federal income tax. They sell tax-free bonds and investors buy them for tax exemption, if for no other reason.

Now let us consider what are the adverse factors in the outlook for electric utilities this year. Well, one very important factor is money rates. Money rates can have an important influence on yields, if these rates keep rising. Thus far we have had quite an increase in 12 months in the cost of money. How much lower will the yields on utility common stocks go? How much lower will they go if preferred stocks are going to yield 4½% to 5% and high-grade bonds 3½% to 4%? Thus far the utility market would seem to have ignored this rise in yields and the rising cost of money because the yields on the common stock of most electric utilities continue to decline while yields on bonds and preferred stocks of electric utilities keep rising, but if you can get 4½% on the preferred stock of a good utility, what yield will you accept on its common stock?

There must be a point somewhere where the cost of money or the alternative choice of an investment for the investor will tend to stop the declining yields on utility stocks. I don't know what the point is. We already have a number of utility stocks yielding less than 5%. Cincinnati G. & E. pays $2, recently sold above 40. Cleveland Electric pays $2.60, sells at about 52. Con Gas of Baltimore, one of the best utilities in the U. S., isn't quite down to a 5% basis yet, but we have quite a number of electric utility stocks that are returning a relatively low yield, not to speak of that group that are selling high because of possible dividend increases, such as Texas Utilities, Houston Lighting & Power, and stocks of that type.

But comparative yields on other forms of investment are a factor that must be watched because with the great institutional demand for utility securities the problem of yield becomes paramount, and while I think those stocks yielding 6½ and 7% are going to go down to a six basis or less, I am not sure that all good utility stocks are going to break a five basis. As the yield declines these stocks may begin to run into competition from other investments having a price claim on earnings—preferred stocks, for example. While yields on some utility common stocks may go very low because of unusual growth prospects, those companies with only average growth prospects may find the yields on their preferred stocks may influence the extent to which the yield will decline on their common stocks.

Another adverse factor in the 1952 outlook is that wages and the costs of materials are likely to continue to rise. These costs cannot be offset by clauses like fuel clauses. So even if we do not have a tax increase we still are going to have higher wages and higher material costs. Those, however, are not likely to be serious unless we have much more inflation in prices than seems likely now.

The third factor that may be adverse to some utilities is that large-scale equity financing will be necessary this year. On the average the electric utility industry faces the problem of selling twice as much common stock per month for the next three years as it averaged per month in the last five. The construction program is going to require almost continuous financing which could average $35 million per month for the next three years as against an average of $18 million per month in the five years ending with October 1951. That is just about a doubling of the amount of common stock.

Ordinarily you might say that the industry never can do all this financing—that there are too many things against it. What's the saving factor? The institutional demand. Pension funds, mutual funds, investment trusts and all sorts of funds, have been looking at the probable current earning power and probable dividends of a lot of industrials and railroads and have begun to think utilities look pretty good defensively and they have been buying them. I think they are going to buy a lot more utilities when they see the year-end reports of various industrial companies and railroads because I am afraid these reports are going to look rather poor.

A good many companies in the industrial field are going to have a year of great activity and lower profits in 1952—a relatively profitless prosperity, with Uncle Sam there first, for his lion's share of the earnings. So quite a few investors in industrial stocks may not feel too sure about full dividend maintenance. Maybe they won't get quite as good a yield in electric utility stocks, but it is a lot better to get a 5½ to 6% return and figure you are pretty sure of getting it than to have a stock that is paying you $5 drop to $3 because when that happens the market will also go down proportionately. You not only have a lower income, but you may have a loss as well. That is why utilities are in demand and are going to continue in demand; and additionally, as I mentioned, the pension fund demand is *increasing* all the time. It is the greatest bulwark to the utility market there is, and I think it is going to continue to grow and I think utilities will be the No. 1 investment favorite of the growing pension funds in 1952!

I happen to have done some work with a number of these funds. I think I know their philosophy. And as I have expressed it to you, they like utilities because they want stability of income. It is true that they are not going to fill their whole portfolio up with utilities. They realize that from the inflation angle the utilities are very poorly protected and that if this inflation were to keep on another ten years as it has gone for the last ten, your dollar may be down to 20 cents and a dividend of $10 would be worth just so much less in purchasing power. Today a dividend of $2 won't buy anywhere nearly as much as a dividend of $2 would buy ten years ago.

That is one of the fundamental weaknesses of a regulated industry, particularly with the original cost concept limiting the earning power.

The next factor which may be very adverse to some companies is regulation. Our regulatory machinery in this country is pretty much behind the times because it never was set up to handle rate increases for the whole industry in any one year, and when you have conditions as we have had them, with taxes and costs rising the way they have, we have the need for rate increases in a large percentage of the companies, all at once.

The only way the utilities can get rate increases is to go to their commission and ask for them. The commissions, many with their staffs handicapped by not having had the money to spend for more help, and not having had the present huge demand for rate increases in past years, haven't built up the staffs they would need today, and are doing the best they can with a great handicap.

You see, regulation isn't just going down and saying, "Joe, I want a rate increase," and Joe says, "Let's see your statement," and takes a look and says, "I guess you need it; we will issue an order." That would be fine. That might possibly happen if a company had built up a record with the commission over the last 15 years and had kept it up to date and the commissioners knew at the end of every six months just what its situation was. But that hasn't been the case in many companies. Many a company hasn't been before its commission in a formal rate case in years. In many cases what regulating has been done has been on an informal basis but it has been partial or temporary or makeshift in character.

Remember that in the thirties the electric industry started making rate cuts and it got to be a practice, so that if you didn't do it somebody on the commission said, "Well, how much are you going to cut this year? Isn't it about time?" And for a period of 10 or 12 years it was an almost uniform practice among the electric companies to cut rates. In fact, that practice didn't stop until 1946. It continued through the war. That is why electric rates are so low.

And how can they be that low and still have any earnings for the common? Well, as a matter of fact, gross revenues doubled in the 15-year period 1935 to 1950 and yet the balance for gross income showed little change—gross income being the balance after operating expenses, taxes and depreciation—the balance available for fixed charges. It was the great increase in the efficiency through the use of new machines that made possible the reduction in rates, but the public got that benefit and not the stockholder.

Now, after all those periods of rate cuts, the industry suddenly finds a need for help from the commissions, and the commissions are so crowded and hard pressed that it is a slow process. Here in New York—some of you will recall I wrote an article last summer on New York utilities and some of you may have seen it. I pointed out that the July 9 decision of the commission in the Rochester Gas case marked a turning point in commission philosophy toward a much more cooperative and favorable atmosphere in regulation. Since then several companies in New York State have obtained rate increases. Others, I think, will, and I am sure you will all agree that the attitude of the New York Commission is much more cooperative and liberal than it was several years ago.

That is happening in other states, but obviously not at the same speed because no two states have the same regulatory philosophy. Therefore, one of the most important things you have to watch in your investments is: What is the attitude of the state commission toward the utilities in each state? What chance has a company of getting a rate increase and how long will it take to get one? And I must admit that there are some states that are still very backward and some that I tell our customers to stay away from. I am not going to enumerate the philosophy of all the states here, but needless to say, Texas is the best state by far to be in because there is no commission and the people don't mind having a utility make money, and two companies down there in the last year have obtained 10% increases with very little trouble—Southwestern Public Service and Texas Utilities. It is a very good state in which to have utility investments because the people are liberal and they don't mind having the utility make some money. Probably the next best state is Ohio because there the statute requires the commission to use reproduction cost less observed depreciation. They cannot use anything else. They must use reproduction cost. But in New York State and a number of others —Wisconsin and quite a few others—they use original cost less straight-line depreciation. And in Missouri they use gross plant value and then charge interest on the depreciation reserve.

There are wide differences in regulatory practices, and it makes a great deal of difference where a company is located as to what chance there is for its earnings to increase. For example, during the past year despite the fact that taxes were increased sharply the Illinois Commission is reported to have asked rate cuts from two companies in that state because they were paying an excess profits tax. Therefore, they were apparently earning too much, even though I am told that the Illinois law provides for fair value and is not restricted to original cost. And certainly it would seem that fair value could extend to a rate of return above 6% on capitalization.

Now, as long as the Illinois Commission takes that attitude some of the companies in that state may be hampered. The investor has to decide for himself whether to stay in Illinois and hope everything will work out all right or go into a state like New York where he can see the turn in the philosophy. That is for you to decide; I am merely pointing out the problem.

Another problem in 1952 is the question of allocations of materials for expansion. This is going to become more important. For 1952 the allocations are pretty well settled. The generators had been ordered probably two years ago, the foundation is put in, and the machines in many cases are being delivered and installed or are so far along that they couldn't be changed to some other place. But those of you who want to look into this question can read the recent report of the Electric Power Advisory Committee headed by E. W. Morehouse, Vice-President of General Public Utilities, on the question of allocation of scarce materials for new electric facilities, and you will find that this Committee is disturbed about the problem of allocations, feeling that some of the areas where the arrangements for defense plants have already been made are not getting allocations for an adequate amount of electric capacity to take care of these new plants, whereas other areas without so much defense work will, under present plans, be able to build up considerable reserve capacity.

How far the government should go in definitely limiting the building of a power plant by one company and allowing it by another I don't know, but under our present defense emergency if we are going to build these war plants we have got to have electric capacity for them, and according to Mr. Morehouse's report, the present schedules may lead in 1953 to some very serious shortages in certain areas which would require curtailments and brownouts.

What does that mean to you and to me? Well, it means that those companies that do not get the allocations for new plants will soon be using all available generating capacity and be unable to earn any more because unless they keep adding new capacity there is a limit to what they can earn once they run their plants at full capacity. The only other way they can earn any more is either to get rate increases or to effect a change in load from a low-rate type customer to a high-rate customer or get a higher load factor by getting more 24-hour load. You can only get so much electricity out of a generator and it is just a case of how you sell it, and if you are not allowed to put in new generators you could soon run into a ceiling on earnings.

Coupled with that is the fact that many companies are now having to run their old equipment at a high cost, whereas in 1949 a good many were starting to use that old equipment less and just run their new plants as base load plants and were beginning to show substantial economies. Now they are losing those economies by having to use these old "tea kettles" again, which they have to do and may have to do even more. They haven't dismantled those old plants, they just shut them down, so many of them can still be used.

These are some of the factors pro and con on the outlook for this industry, but on balance the plus factors outweigh the adverse factors. The electric industry is highly dynamic. We have only scratched the surface on the use of electricity. The heat pump alone could double the domestic load. Television is still reaching only a small area of its potential in this country. The television load is an important one. Add to that the many new appliances that surely will be developed and you can see that the possibilities of the expansion of electric power are practically limitless at the present time.

My feeling is that electric utility stocks will continue to be favorites among investors because the electric companies are in a very strong financial condition and have good earning power. They have had a very thorough financial house cleaning over the last 10 or 15 years, and so many safeguards have been set up that the industry today is in an almost impregnable financial condition, and its growth seems likely to continue for many years.

The only factor that you cannot overcome through growth is taxfree competition, and that is up to you to settle—to you and me. We have got to sell the people of this country on the idea that public power doesn't save them a penny, that they aren't getting anything free from it, they don't get anything out of it that they don't pay for. It merely means that one group of people gets an advantage at the expense of another. But investors must think more about it because every time an electric property is taken over by a public power agency investors lose the opportunity to invest in that company forever. So little by little your opportunities for investment are whittled down and each time an REA joins together with some other to form a super co-op, the opportunities for the private company to eventually take over that REA are lessened.

So, from the standpoint of the electric industry, the problem is not from the engineering angle nor is it from the finance angle—it is from the social angle, and I think we must all give a great deal more thought to this angle if the industry is going to survive. You cannot be half slave and half free. You can't be half public power and half private investor, business-managed companies. There is a point, as Frank McLaughlin pointed out in his description of the break-up of Puget Sound Power & Light Co., where utilities cannot operate economically in the face of public power competition.

I want to take a moment or two to discuss with you a bit further what I think will happen in 1952 from the standpoint of yields on certain classes of electric utility stocks. I think top grade utilities —of the Commonwealth Edison, Con. Gas of Baltimore, and Cleveland Electric type—will probably go to somewhere around a 4.90% to 5% basis—some are there already! The next-to-the-best-group, which is quite large and includes a considerable number of companies, many of which have been selling on a 6% basis, will go somewhere between a 5½% and a 5% basis, and even the weaker companies, those that some people have been worried about, will probably get to a 6% basis and maybe through it.

So from the yield angle there are still opportunities for 10% to 25% appreciation in a good many stocks. There will be a great deal of financing this year. I don't see any reason why it shouldn't be well received because of the tremendous institutional demand for utility stocks.

As to the future of the industry, as I have pointed out, it is very bright. But there must come a day when our defense spending slows down, when our business activity slows down, and only then will we know whether this industry has overexpanded temporarily—whether we have built too much plant for immediate needs and sold too many securities. There is no question as to the continuation of annual growth in domestic revenues, but overexpansion could occur and could, as in the 30s, level off or limit earnings for several years. It is still important to watch financial ratios, to have a good common equity, to see to it that earnings are well maintained and that regulation is cooperative and realistic.

David Haley Joins Goldman, Sachs Co.

David A. Haley

(Special to The Financial Chronicle)

BOSTON, Mass. — David A. Haley has become associated with Goldman, Sachs & Co., 75 Federal Street. Mr. Haley for many years has been associated with Paine, Webber, Jackson & Curtis as manager of the municipal department.

Joseph A. Rayvis Joins Francis I. du Pont Co.

(Special to The Financial Chronicle)

MIAMI, Fla.—Joseph A. Rayvis has become associated with Francis I. du Pont & Co., 121 Southeast Second Avenue. Mr. Rayvis recently was connected with Raymond & Co. of Boston. Prior thereto he was President of J. A. Rayvis Company, Inc., and in the past was in the investment business in Philadelphia.

Public Utility Securities

By OWEN ELY

Tampa Electric Company

Tampa Electric Company was originally incorporated in 1899 and has never been controlled by a holding company; the stock is one of about ten operating electric utility issues which were continuously available to the investing public over the past three or four decades. Stone & Webster have managed the property since its organization.

Tampa is the third largest of the four major electric utilities in Florida (the first two being Florida Power & Light and Florida Power Corporation). With annual revenues of $13 million (about 99% electric and 1% ice) the company serves the city of Tampa—third largest in Florida, with a population of 125,000—and adjacent areas in four counties. Up to 1921 the company's transit operations were somewhat larger than the electric, but the service was gradually abandoned. The company's growth has been characteristic of the South, 1951 revenues being about triple those of 1941; during 1951 the gain was nearly 18%.

In 1950 revenues were 40% residential, 28% commercial, 22% industrial and 10% municipal and miscellaneous. Of the moderate industrial revenues the phosphate business contributed well over half. Other Tampa industries include cigar making, citrus concentrates, packing houses, shrimp fishing, etc., obviously not very heavy consumers of electricity. Tampa is also a trading center, with nearly one million people within a 100-mile radius. As a port it ranks 16th, and at one time had a shipbuilding industry, which may be revived.

In Polk County are the largest known pebble phosphate deposits in the world, and power is supplied by the company for mining and processing this rock. New mining locations are constantly being opened and developments in the recovery of phosphate have increased the estimated life of the area to more than 100 years. In 1950 approximately 8 million long tons of pebble rock were mined in Florida, having a value of over $44 million, for which this company supplied about two-thirds of the electric energy requirements for mining and processing. Electric furnaces for the production of phosphorus from phosphate rock are being operated and more are contemplated for the immediate future. Explorations are being made for the recovery of uranium contained in the phosphate matrix, and at least two plants are on the drawing boards.

Tampa originally considered itself as a commercial, jobbing and wholesaling center for the West Coast and left to the other cities of the Gulf Coast and Central Florida the development of facilities for the attraction of tourists. However, of late years the settling of tourists for the season, as well as those in transit, has grown to be an increasingly large addition to the economy of the city and its suburbs. The expansion of pension systems by Northern industries has made it possible for many pensioners to come to Florida, and hundreds have settled in the area.

Tampa's common stock record in the past decade has been about as follows:

Year Ended Dec. 31	Earnings	Dividends Paid	Approximate Price Range
1951	$2.92	$2.40	40-34
1950	3.48	2.40	36-31
1949	3.01	2.00	34-26
1948	2.02	2.00	32-25
1947	2.32	1.80	34-29
1946	2.74	1.60	37-29
1945	1.99	1.60	36-27
1944	2.14	1.60	28-23
1943	1.92	1.60	27-18
1942	1.77	1.70	20-16
1941	1.89	1.80	25-17

Regarding the future outlook, President Gannon in a recent talk before the New York Society of Security Analysts estimated 1952 revenues at $15.2 million and share earnings at over $3. "However," he added, "in making these estimates of the financial results of operations it must be borne in mind that they are made on the basis of present conditions—that wages, oil price, tax rates, etc. will be continued at their current levels. And for this the deponent can only hopefully pray."

While growth prospects remain excellent, as indicated by the forecast for 1952, the company has one or two future problems to contend with. All electricity is generated with fuel oil delivered from tankers, and with rising oil prices and possible future difficulties in obtaining an adequate supply, it may prove necessary for the company to change to coal. (It seems unlikely that natural gas can be brought to this area.) Another problem is the fact that some transmission lines may have to be moved from highways to private rights of way.

Another difficulty is the rate situation, which is currently complicated by the Florida Power Corp. litigation in the State courts. Florida has a new state commission replacing some of the local utility boards, but the commission does not have adequate funds with which to operate. The bill providing this new regulation set up a "prudent investment" basis for rate-making, but did not prescribe any rate of return. The company's average residential rate is 2.82¢, which is about in line with the national average. The company is hopeful that when the Florida Power Corp. litigation is settled that this will pave the way for obtaining commodity clauses in its rate structure, to safeguard against the fluctuations in oil prices.

Tampa has a sound capital structure with about $22 million debt and $18 million common stock equity. The construction budget for 1952 is about $6.8 million, partly financed through bank loans; market conditions will determine the type of permanent financing.

Continued from first page

As We See It

has set itself up as physician ordinary (or is it extraordinary?) to the remainder of the world.

Some Improvement?

There is some reason to hope that the rigor of the disease is subsiding somewhat in some of the older countries. It would be difficult at this distance to determine precisely what long run significance in this connection is to be attached to the return of Churchill in Britain. Certainly this Tory has ideas, notions and plans which do not conform to traditional British conservatism, but we can only hope that his return to power may mark a certain sobering down of the British people. It would appear at this distance at least that a similar tendency exists in a number of other countries regardless of superficial political appearances. It is, perhaps, most observable in the trend of financial and credit policies, which seem to reflect an awakening to the fact that the magic which once was thought to reside in deficits and fiat credit is a snare and a delusion. It may be that we shall know more about the thinking of the great rank and file in this country after the election next November.

Attention at this moment is centered in the so-called backward countries, most of which have been colonial areas, if not in the political at least in a financial sense in years past. Here it is that the pot threatens most immediately to boil over. Were it not for the fact that in Moscow sits a regime which specializes in fishing in troubled waters, which is past master at turning discontent to its advantage, and which operates under a system of philosophy which holds as one of its basic tenets the notion that it must go forth to the uttermost parts of the earth and bring all men under its banner in one way or another—were it not for the fact that this regime exists and is frantically active, the people of the United States could look with much less concern upon what is taking place in the backward regions of the earth.

In many of these areas we have substantial property interests. Minerals, especially oil, in many of them have attracted American capital on a large scale. Other interests in substantial amounts have been acquired or developed by American enterprise. In recent years, even in recent decades, many and serious difficulties have presented themselves. But without the instigation, aid and support of the troublemakers from the Kremlin, we, doubtless, should be able to find a profitable way to proceed, and in any event it is doubtful if matters have grown very much worse within the past few years. The most serious threat in the underdeveloped world is in Asia and it is from the Kremlin, whose purpose is not simply, not even chiefly, to gain access to materials and economic opportunity, but to deny them to the non-Communist world and turn hundreds of millions of human beings into enemies of peoples outside its orbit.

Undue Alarmists?

Precisely how immediate and dangerous this threat is, it would not be easy to say. Certainly, it seems to us that some of our leaders are undue alarmists—those who talk about our defense line being thrown back to San Francisco, for example. After all, the Pacific is wide, and we hold almost innumerable bases far away from our shores, and we have alone a navy far more powerful than all the remainder of the world put together — and our chief potential enemy has no navy at all to speak of except submarines. We fought all of World War II, or nearly all of it, without access to many of the regions and materials for which South and Southeast Asia are noted.

Moreover, Moscow, yes and Red China, have bitten off great mouthfuls in the past few years. They certainly have not masticated and swallowed it all as yet, and when they do it may well be that they will develop much the same type of indigestion that has been troubling the remainder of the world in its relationship to these backward areas. Decades, possibly much longer than that, would be required to make great changes in conditions in Indo China, in Burma, in Indonesia and the other regions about which we hear a great deal now. After all Russia itself is still primitive over much, if not most, of its area. To place China itself upon any sort of solid economic basis, to say nothing of industrialization, is a Herculean task hardly yet begun.

Still Trouble Spots

But the fact remains that these backward areas are still trouble spots. They used to breed wars among the great colonial powers. In a different sense, perhaps, but in a real sense, they can be war breeders now between one of the older colonial powers and its satellites on the one hand, and most of the remainder of the world on the other. But the nature of the problem is now somewhat different. The Kremlin has seen to that. It has developed a technique by which it turns local unrest not only to the disadvantage of its rivals but for the time being at least to its own advantage. It professes great concern, as do we, for the welfare of the natives. It operates through native rebels in a systematic way that has no equal. It promises the earth and everything on it.

But poverty and misery will remain. They will remain until the sufferers are willing to do what is necessary to eliminate them — which our own reformers and "do gooders" would do well to remember at all times.

Continued from page 13

Dangers Inherent in Government Ownership of Reserve Banks

asset side and deposits on their liability side, their profits ran along at an extraordinary even keel, because with it we have all seen income on the profit side of the bank ledger rising in proportion to the rise in expenses.

There then entered into the picture steadily mounting Federal taxes, and it is my own conviction that as these Federal taxes became recognized as a super-imposed expense item on banks, and as salaries and wages have mounted with those in industry, it was the straw that broke the camel's back, and is bringing about the present substantial change in interest rates. In other words, as I sum this up, I want to ask the question whether the natural course of events which I have outlined has been the cause of the past era of easy money, or whether the Federal Reserve re-discount policy, reserve policy, etc. played the predominant role.

Reserve Banks Cannot Control Money Rates

I am inclined to believe that we are fooling ourselves when we think that money can be managed to any really great degree by the twelve Federal Reserve Banks through their power in the open market committee, or through re-discount rates, when banks have short Government securities with which to balance their reserve position.

Going back to the creation of the Federal Reserve Act, the cry was for elasticity of currency, followed shortly by a further cry for elasticity of credit. The desire clearly seems to me to have been that the Federal Reserve System was meant to be the means for avoiding money panics and credit shortages, and that the examining power vested in the Federal Reserve Banks was the other side of the picture, namely, the crew of skilled examiners who could keep the banks in sound condition.

My own deep conviction is that bank examination was intended and should be for that sole purpose, and that the examining authorities were sadly remiss in the years leading up to the 1929 collapse, by not pointing out to the banks who were lending on highly pyramided equities at almost full market values that they were taking inordinate risks—also, they should have pointed out that banks can only lend under the law on first mortgages on real estate, and that they were lending on what would be the equivalent of a fifth mortgage when lending on the common stock of a highly pyramided holding company.

I have never seen any analysis of the 1929 panic losses by banks, but I have a strong feeling that a complete study of it would demonstrate that poor bank examination, and the lack of sound banking advice from the examining authorities had a great deal to do with the severity of it.

Function of Bank Examiners

Advocating that bank examiners exercise skill and judgment in counseling bank managements instead of merely performing auditing functions has been claimed to be a plea for more authoritarian controls. The point should be clearly understood that this is one more reason for non-government control of examiners. If they are to use only simple arithmetic, and are to assume that an inflated quotation for one hundred shares is the true value of the control of a large company, it does not make a great deal of difference who controls the bank examiners. If, however, the examination function of the Federal Reserve System is as a counselor of bank managements, to keep an independent banking system sound, it is vitally important the system be independent, and that the examiner not be the minion of potentially our largest borrower, the United States Government. Should not the ideal be the maintenance of financial soundness by the banks themselves through the agency of their own examiners, and not the promotion of any political or social aims?

How can Bank Examiners, under Federal Government control, act to restrain banks from owning more long-term Government bonds than is prudent? Prudent, from the point of view of market risk? Obviously, marketable securities owned must appear on bank balance sheets at the immediate realizable value on the market, or else the net worth figures of a bank are unrealistic. Do the Federal Reserve Bank figures carry their Government securities at cost or market, whichever is lower? Are they above the rules for sound banking? Our forebears fought to get rid of the European idea that "The King can do no wrong!"

All of this leads me to the conclusion that we need a completely free market for Government securities, that the Federal Reserve Banks should own governments for their investment requirements; in other words, they should observe the same prudent investment rules which they must ask their member banks to observe as they examine them. Among these rules would be—

(1) No greater market risk than the Bank's net worth makes prudent.

(2) Securities owned, including Government obligations, must be carried at market or cost, whichever is lower.

(3) Ratios between net worth, loans and deposits should not have too great variances.

Example of Treasury Control

As an example of the steadily increasing power of the Treasury Department over the Federal Reserve System, the Annual Report of the Federal Reserve Bank of Cleveland for the year 1951 shows a net worth of $84 *Million* in round figures, against a *Deposit* liability of $1½ *Billion*, or a net worth of 5.4% of total deposits. $2,204,000,000 of United States Government securities are held so its Capital Account is approximately 3.8% of its Government securities holdings. This small margin factor of safety against decline in the market price of securities owned does not seem to me to justify the payment of $23 *Million* to the Treasury as interest on Federal Reserve notes and, in my opinion, it shows an undue deference to Treasury Department welfare over that of the Federal Reserve Banks. With a $36 *Million* income, mainly from interest on Government securities, to pay $23 *Million* of it back to the Treasury means, in effect, that they got $13 *Million* net on their Governments as interest income, which is less than 1% (actually about ½%) on Government holdings. This does not seem to me to be fair bargaining between men on different sides of a table.

As evidence of the original and progressive thinking of the Treasury Department to have the Government obtain dominance over the Federal Reserve Banks, the original paper money issued in 1914 was called a Federal Reserve Note, and had a very large size seal on it, indicating which of the Federal Reserve Banks originated the Note, the Notes themselves signed by the Treasurer of the United States and the Secretary of the Treasury.

At the same time, the various Federal Reserve Banks issued Federal Reserve Bank Notes signed by the Cashier and Governor of each Bank, and bearing the name in large type of the respective Federal Reserve Bank as the issuer, with the notation "Secured by the deposit of United States Government certificates of indebtedness." These were succeeded in 1929 by the new small size notes, but significantly the phrase "Federal Reserve Bank Note" was eliminated, although they were still signed by the officers of each Bank.

In 1934, another issue appeared, eliminating the signatures of the officers of the respective Banks, and having them signed by the Secretary of the Treasury and the Treasurer of the United States, but the name "Federal Reserve Note" appeared again at the top of the note, and a symbol denoting the respective Federal Reserve Banks appeared on the notes in, however, reduced size of the original form of Federal Reserve Notes.

Finally, in 1950, there appeared a new issue, similar to the 1934 issue, but further reducing the symbol denoting the particular Federal Reserve Bank of issue. It therefore appears clear that the progressive intent is to minimize the existence of twelve separate Federal Reserve Banks, and emphasize more and more the intent to have all twelve Federal Reserve Banks considered merely branches of the Federal Treasury Department.

The Macmillan Study

The Macmillan Committee in England, among whose members were Ernest Bevin, J. M. Keynes, Reginald McKenna and several others, invited a distinguished American Economist, Dr. W. W. Stewart, to appear to give testimony on the topic "Monetary Policy and Economic Prosperity" in July, 1930, and a full report of his testimony and the questions and remarks offered by the British members was published by the American Enterprise Association, Inc. of New York. This record of the Testimony is in many respects just as pertinent to the subject we are discussing here as it is possible to be, and I urge all interested in this vital topic to obtain a copy and read and re-read it. In closing, I submit a few questions and answers from that 1930 Testimony:

Mr. McKenna: I am not quite sure that I understand your point. If you had an increase of money fully proportioned to the increase of production the price level would not fall, would it?

Dr. Stewart: You are touching, of course, on a theory which is very widely held, for the logic of which I have great respect: I think it is a thoroughly consistent theory—the quantity theory of money. My difficulty in applying it to a particular case is that it protects its logic by first saying, "All other things remaining equal," and in the second place by saying, "In the long run."

* * *

Mr. McKenna: I will give you the evidence of experience. Whenever the quantity of money has been increased by inflation prices have definitely risen. I have never known a case of inflation where prices have not risen.

Dr. Stewart: May I mention a few? During the last eight years demand deposits in the United States have gone up by more than 40%, but prices have declined. The volume of bank deposits in this country is approximately the same as in 1920, but prices are 60% lower and are still declining.

* * *

Dr. Stewart: My own opinion is that those who have emphasized the extent to which money rates, either short or long, are decisive in influencing business activity base their conclusion largely upon the coincidence that following a period of relatively low money rates there is a business revival. But so many other things happen, during the period of relatively low money rates, which are important to that revival. Trade depressions are usually accompanied by the liquidation of insolvent concerns, changes in management, the improvement of operating conditions, even the installation of new equipment, the gradual restoration of confidence, and the healing that comes only with time. So the purely artificial reduction of money rates is not, I think, necessarily decisive in bringing about a revival.

* * *

Dr. Stewart: . . . If it were within the power of Central Banks through a manipulation of either the short-term or the long-term money market to even out trade activity or to stimulate and restore employment there would be no other responsibility which I should regard as of equal importance. But I am unwilling that the Central Banks should accept responsibility before public opinion for something over which they have very limited control.

* * *

Dr. Stewart: . . . As an economist I cannot believe that all the ills of business can be cured simply by an increase or decrease in the volume of Central Bank credit.

* * *

As a final quotation, I offer this statement by Dr. Stewart:

"My feeling is that the monetary theorist is not sufficiently familiar with industrial development to put it in its proper perspective as part of the general economic situation and his dwelling upon monetary factors is frequently the result of lack of familiarity with the industrial conditions. Industry is a highly complicated and difficult process which takes place under the direction of specialists—the chemists, the engineers, the electricians, and so on. This goes on while the financial mechanism dealing with bank deposits and advances undergoes little change. Those not engaged in the industrial process can hardly appreciate the importance or the rate of change of its technique. The industrial historian, looking back to this period, will give less weight to the problems of currency readjustment, but will dwell upon the enormous expansion in world production, the great increase in per capita output, the extreme keenness of competition, and he may be astonished that the currency disorder following the War was overcome so promptly."

This last statement gives me support in making the assertion that an independent System of twelve Regional Reserve Banks, administered by their respective Boards of Directors, can assist not only in keeping the member banks sound, but aid them in serving their depositors, and assist in keeping the Federal finances within bounds—Bank insolvency is chaos—Federal insolvency is *Dictatorship!*

The right of "coinage" has been accepted as an attribute of Government—Coinage of gold or silver, and thereby guaranteeing the accurate weight and fineness. Paper money can only be a promise with a fulfilment contract specified, or the restraint on Government extravagance vanishes, and with it our *Freedom*.

Gulf Sulphur Stock Offering Completed

The 400,000 shares of common stock (par 10 cents), publicly offered last month by Peter Morgan & Co. at $1 per share, have all been sold, according to an announcement made this week.

The net proceeds from the sale of these shares are to be used to provide funds required for the purchase of machinery and equipment necessary for exploration and drilling, to pay for advances already made for drilling, to pay American Sulphur Co., S. A., $100,000, and the balance will be used for working capital.

Gulf Sulphur Corp. was formed to acquire all the stock, except directors' qualifying shares, of a Mexican corporation, Compania De Azufre Veracruz, S. A., which has recently been organized to carry out certain contracts relating to the Mexican Government. If sulphur in commercial quantities is found through such exploration, the contract also gives the right to the exploitation and development thereof.

Max H. Thurnauer

Max H. Thurnauer, well known in Cincinnati as an investment broker, passed away at the age of 61 while en route to Hawaii on a pleasure trip. Mr. Thurnauer for many years was a member of the Cincinnati Stock Exchange and was associated with Breed & Harrison, Inc.

Bache Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn.—Harold A. Fenske, Jr. has become connected with Bache & Co., Minneapolis Grain Exchange.

With J. A. Lynch Co.

(Special to THE FINANCIAL CHRONICLE)

ST. CLOUD, Minn.—Conrad M. Olerud is with J. A. Lynch Company, Inc., 1616 St. Germain Street.

Mansfield Mills Opens

(Special to THE FINANCIAL CHRONICLE)

LA JOLLA, Calif. — Mansfield Mills is engaging in a securities business from offices at 8010 Jenner Street.

Stephenson, Leydecker

(Special to THE FINANCIAL CHRONICLE)

OAKLAND, Calif. — Edward C. Ronsenteele has been added to the staff of Stephenson, Leydecker & Co., 1404 Franklin Street.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week—Insurance Stocks

The first of the insurance company annual reports for the year 1951 are now available and operating results as indicated in these statements are approximately in line with previous expectations.

One of the first of the major organizations to issue their report was the America Fire Insurance Group. As this group is engaged in both the fire and casualty fields through its five companies the results indicated are believed to be somewhat representative of other companies in the industry.

In general, the trends prevailing during the year resulted in a modest statutory underwriting profit for the fire companies and a substantial underwriting loss in the casualty field.

The two principal fire companies in the group, Continental Insurance Co. and Fidelity-Phenix Fire Insurance Co., experienced a gain in premium volume. Although premiums earned were also higher, increased losses and expenses absorbed this gain with the result that statutory earnings were slightly lower.

Investment income showed a small gain. Federal income and excess proftis taxes were lower primarily as a result of the lower statutory earnings. The final result was a small overall gain in net income for the year.

Operating results of the Continental Ins. Co. and Fidelity-Phenix Fire Ins. Co. on a parent company basis are summarized below.

	Continental Insurance 1951 $	Continental Insurance 1950 $	Fidelity-Phenix Ins. 1951 $	Fidelity-Phenix Ins. 1950 $
Underwriting:				
Premiums written	67,801,741	62,563,866	55,431,294	52,556,650
Increase in unearned premium reserve	3,868,214	501,658	2,584,407	1,003,657
Premiums earned	63,933,527	62,062,207	52,846,888	51,552,993
Losses incurred	33,790,515	32,825,529	28,600,275	27,880,721
Expenses incurred	26,507,679	24,994,798	21,326,942	20,848,089
	3,635,333	4,241,881	2,919,670	2,824,183
Other profit or loss items (net)	29,663*	1,686	27,616*	85
Underwriting gain	3,605,670	4,243,567	2,892,054	2,824,098
Investment:				
Interest, dividends and rents	8,662,221	8,563,918	6,976,395	6,885,062
Expenses incurred	166,411	197,049	134,459	161,258
Net invest. income	8,495,810	8,366,868	6,841,936	6,723,804
Net gain before Federal Taxes	12,101,480	12,610,435	9,733,990	9,547,902
Provision for Federal Income Taxes	2,887,232	3,480,928	2,142,899	2,041,969
Net Income	9,214,248	9,129,507	7,591,091	7,505,933

*Loss or deduction.

On a per share basis, and allowing for the equity in the increase in the unearned premium reserve in accordance with the usual statistical methods, operating results for last year would work out as follows.

	Continental Ins. 1951 $	Continental Ins. 1950 $	Fidelity-Phenix Ins. 1951 $	Fidelity-Phenix Ins. 1950 $
Statutory underwriting	1.44	1.70	1.45	1.41
Equity in unearned prem. res.	.62	.08	.52	.21
Adjusted underwriting	2.06	1.78	1.97	1.62
Investment income	3.40	3.35	3.42	3.36
Net gain before taxes	5.46	5.13	5.39	4.98
Federal taxes	1.16	1.39	1.07	1.02
Net income	4.30	3.74	4.32	3.96

While the above operating results for 1951 compare favorably with those of the previous year, a different showing would be obtained if compared on a consolidated basis. In other words, if the proportionate share of each company in the operating results of the three subsidiary companies were included, the results on a year-to-year basis would show a decline.

The major reason for this is the operating results experienced by the casualty subsidiary. Losses in the automobile liability, automobile property damage and workmen's compensation classes of insurance had a particularly unfavorable effect upon the casualty operations. The statutory underwriting loss for the year 1951 was $12,497,442 as compared with a loss of $371,249 for 1950. This loss more than offset the earnings of the other two fire subsidiaries.

These same general forces will be reflected in other insurance reports to be issued in the coming weeks. Fire companies are expected to show statutory results close to those of 1950. Net investment income should be moderately higher reflecting a larger volume of funds at work and improved yields on security holdings. Federal tax liability for most companies will be lower so that final results may be near those of the previous year or even slightly higher when adjusted for the equity in the unearned premium reserve.

In the casualty end of the business, underwriting results, particularly in the automobile liability and property damage lines, are expected to dominate the reports with comparisons unfavorable with those of last year.

Amurex Oil Class A Stock at $10 per Sh.

CHICAGO, Ill. — Public offering was made yesterday (Jan. 30) at $10 per share of 500,000 shares of class A common stock of Amurex Developments. The company was organized under the joint sponsorship of Ashland Oil & Refining Co., Murphy Corp. of El Dorado, Ark., and A. G. Becker & Co. Inc., who own all the class B common stock. The company plans to engage in the business of prospecting for, acquiring and developing oil and natural gas properties in the Western Provinces of Canada and in the United States. The offering is being made by a group of some 60 underwriters under the management of A. G. Becker & Co. Of the total offering, 100,000 shares are being offered in Canada by Dominion Securities Corp. Ltd. and associates.

Ashland is an integrated company in the oil industry, active for many years in the Ohio Valley, and with crude oil producing properties in that area and also in the Southwest. Interests associated with Murphy Corporation have been active in oil exploration and development for many years. Murphy Corporation has acquired some 670,000 acres of leases in the Williston Basin area of eastern Montana in which a 35% interest is being transferred to Amurex. The latter has established an office in Calgary, also, and a leasing program in Canada has been initiated.

With Boettcher & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Joseph M. Frankovic has joined the staff of Boettcher and Company, 135 South La Salle Street. He was previously with F. S. Moseley & Co.

Central Republic Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Frank P. Thometz has become affiliated with Central Republic Company, 209 South La Salle Street, members of the Midwest Stock Exchange.

With Merrill Lynch Firm

(Special to THE FINANCIAL CHRONICLE)

LOUISVILLE, Ky.—Lincoln R. Lewis has become affiliated with Merrill Lynch, Pierce, Fenner & Beane, 231 South Fifth Street.

Joins Smart, Clowes

(Special to THE FINANCIAL CHRONICLE)

LOUISVILLE, Ky.—Kenneth G. Brandon has been added to the staff of Smart, Clowes & Phillips, Inc., Washington Building.

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

BENTON HARBOR, Mich. — Edgar R. Radesky is with Waddell & Reed, Inc.

Waddell & Reed Add

(Special to THE FINANCIAL CHRONICLE)

BRAINERD, Minn.—Wilber G. Jones is with Waddell & Reed, Inc.

Mutual Funds

By ROBERT R. RICH

DEVELOPMENT OF Financial leadership capable of managing the increasingly complex operations of both industry and government is an educational responsibility as important as the training of skilled scientists in other technological fields.

That was the viewpoint expressed by Ralph J. Faville, sales-investment liaison executive of Investors Diversified Services, Inc. in a talk before the University of Minnesota student chapter of the American Finance Association.

"You, as students of business and finance, have as vital a stake in helping to shape and guide the future economic productivity, stability and security of the country as students of the sciences and engineering and agriculture," Faville declared.

He emphasized that current shortages of college-trained men in the financial and economic fields, as well as in the scientific and engineering fields, must be remedied if industry and government expect to have the trained manpower which will be needed to meet growing fiscal and money management problems in the future.

The job of modern investment management, Faville said, demands an ever-broadening study and practical knowledge of "economics, world politics, industrial and agricultural operations, international trade, geography, and even psychology."

The basis for practical training of the nation's future financial leaders should be a thorough understanding of the part which invested capital must play in industrial development and economic growth, it was stated.

FIGURES worth staring at are provided by Fundamental Investor's newest study on the relationship between the cost of living and the asset value of the fund.

The charts indicate that stock prices do not move parallel to the cost of living, sometimes leading and sometimes lagging. However, there is an over-all correlation.

For an investor who purchased Fundamental's shares five, ten and fifteen years ago, here are the results:

PERCENT INCREASE IN ASSET VALUE, COST-OF-LIVING AND INVESTMENT INCOME

Fundamental's	Last 5 Years	Last 10 Years	Last 15 Years
Net asset value	33%	207%	68%
Cost of Living	16%	59%	81%
Investment income	92%	138%	157%

Fundamental, a common stock fund with one of the most outstanding performance records in the field, chose the three time periods in order to give investors a comprehensive idea of what their position could have been.

Fundamental notes that, although there is no guarantee that this record will be duplicated in the future, there is also no guarantee of what the value of the dollar will be five, ten and fifteen years from today.

SECURITIES of railroads and durable goods industries are expected to benefit from the expansion of armament production now projected through 1954, according to Henry J. Simonson, President of National Securities & Research Corporation.

This comment prefaced announcement that National Speculative Series has 29% of its assets in rails and 39% in durable goods, including about 16.5% in steel issues.

During December, 1951, additions to the following stock issues were made: Bliss & Laughlin, Borg-Warner, Granite City Steel, Miami Copper, Ward Baking and United Stores $4.20 2nd preferred.

Decreases in holdings during December, 1951, included the following stocks: Associated Dry Goods, Bucyrus-Erie, Chicago Pneumatic Tool, Hecla Mining, Republic Steel and Universal Products.

The current balance between types of securities held is: bonds and cash 11%, preferred stocks 22%, and common stocks 67%.

OPEN-END REPORTS

SELECTED AMERICAN Shares reports net assets at Dec. 31, 1951, were $22,472,260, the highest for any year-end in the company's history. This compares with $19,035,503 at the end of 1950. Asset value per share rose to $13.57 from $12.72 at Dec. 31, 1950. This increase was after a distribution of 75 cents a share from realized security profits in 1951, making total capital improvement $1.60 a share or 12.6% during the year.

Edward P. Rubin, President, commented: "In 1952 the national defense program seems likely to be stepped up significantly. . . . Increased defense production should result in a further rise in general business activity. Some shortages may develop despite the increased productive capacity of American industry. Commodity prices may rise again, influenced by further wage increases and expected budgetary deficits. . . . There is a good possibility that income tax rates will not again be revised upward this year. Under such circumstances it would be possible for corporate earnings and dividends, on average, to remain rather near the good levels of 1951."

COMMONWEALTH Investment Company's year-end report shows net assets on Dec. 31, 1951, reached a new high of $42,493,826. This is a gain of approximately 63% since Jan. 1, 1951. Asset value per share increased from $6.41 to $6.84, and outstanding shares increased from 4,050,106 to 6,212,732. Shareholders made a 67% increase during the year to over 25,000.

Commonwealth's portfolio is made up of 320 individual securities with 64.0% in common stocks, and 23.5% in preferred stocks. 3.2% is invested in corporate bonds, 2.4% in U. S. Government bonds, and 6.9% is uninvested. The largest common stock holdings are in oil, public utilities (electric), chemical and drug industries.

TOTAL NET assets of United's three funds—United Income Fund, United Science Fund, and United Accumulative Fund—amounted to $72,266,012 on Dec. 31, 1951, as compared with $48,397,326 at the end of 1950.

The total shares outstanding in the three Funds aggregated 6,877,348, compared with 4,802,678.

The assets of United Income Fund increased from $40,892,032 at year-end of 1950 to $53,324,645 at year-end 1951, and the outstanding shares increased from 3,660,032 to 4,382,691. This fund is owned by about 19,000 shareholders, with an average investment of approximately $2,800.

Assets of United Science Fund on Dec. 31, 1951, was $11,523,708 compared with $4,552,692 a year ago. The number of shares increased from 872,944 to 1,879,001.

United Accumulative Fund's total net assets on Dec. 31, 1951, was $7,417,659 compared with $2,952,602 at the end of 1950. The outstanding shares of this fund totaled 615,656 as against 269,702 a year earlier.

NET ASSETS of Wall Street Investing Corporation on Dec. 31, 1951, amounted to $3,158,894 compared with $2,346,167 on Dec. 31, 1950, an increase of 34½%. Net assets on Dec. 31, last, were equal to $13.27 a share on 238,012 outstanding shares, compared with $12.25 a share on 191,506 shares outstanding at the end of 1950.

Approximately 79% of net assets as of Dec. 31, 1951, was invested in common stocks and 21% was in cash and government securities.

TOTAL NET assets of the Mutual Fund of Boston were $2,034,520 on Dec. 31, 1951, equal to $14.84 per share after a capital gains distribution of $1.07. The portfolio on Dec. 31 was 58% in common stocks, 14% in preferred, 24% in bonds and about 4% in cash.

Mutual Fund Notes

Hundreds of thousands of women heard Milton Fox-Martin, general manager of Kidder, Peabody's mutual fund department, discuss mutual funds over radio station WOR last Thursday, January 24th.

Mr. Fox-Martin, appearing on Barbara Wells' half-hour program for women, discussed mutual funds in detail and the importance of women in the financial life of America. He wisely remarked that not only were women the most cautious and successful of Kidder, Peabody's clients, but, also the most pleasant. Interested women in the radio audience were asked to write for more information on mutual funds.

Appearing with Mr. Fox-Martin on the program was Nancy Olsen, movie actress.

Sixteen percent of the stockholders of Mutual Fund of Boston are now accumulating shares under its dividend-reinvestment plan, the fund reports. The plan, which was begun in March of last year, provides for reinvestment of dividends at net asset value.

Axe Securities announces that shares of Axe-Houghton Fund A are now free of Pennsylvania Personal Property Tax. A few weeks ago it was reported Axe-Houghton Fund B had qualified as a foreign corporation in Pennsylvania and was also free of the Pennsylvania tax.

The New York "Post," a daily evening newspaper, devoted a special section entirely to mutual funds in its Jan. 21 issue.

Included in the section were articles by Sylvia Porter, the "Post's" financial columnist, John M. Sheffey of the National Association of investment companies, Rudolph L. Weissman, Vice-President of Franklin Cole & Co., and others.

Lexington Trust Fund has released a new prospectus dated Jan. 8, 1952. Available from American Trusteed Funds, 527 Fifth Avenue, New York 17, N. Y.

PERSONAL PROGRESS

KIDDER, PEABODY & CO. has announced the appointment of George Washburn as uptown sales manager of its New York mutual funds department. Mr. Washburn, previously with Eastman Dillon & Co., joined Kidder, Peabody several years ago.

DESMOND H. MORRIS has been elected Treasurer of Knickerbocker Shares. Mr. Morris is a chartered English accountant and was with Peat, Marwick, Mitchell & Co. prior to joining Knickerbocker a year ago. A graduate of McGill University, he is an Associate at the Institute of Chartered Accountants and an Associate at the Institute of Taxation (London).

REGISTRATIONS

FINANCIAL Fund on Jan. 22 filed a registration statement with the Securities & Exchange Commission covering 25,000 shares of its common stock. Financial Management Corp., Seattle, Wash., is underwriter.

HAMILTON Fund, Inc., a unit-type investment company in Denver, filed with the Securities & Exchange Commission on Jan. 21 a registration statement covering $15,000,000 of first "Periodic Investment Plan" certificates. Hamilton Management Corp. is underwriter and adviser.

HAMILTON Funds, Inc., Denver, an open-end investment company, filed a registration statement with the Securities & Exchange Commission on Jan. 21 covering 1,000,000 shares of series H-C7 "High Grade Common Stock Fund" and 1,000,000 shares of H-DA "High Grade Common Stock Fund" to be offered at the market through Hamilton Management Corp., investment underwriter and adviser.

MASSACHUSETTS Investors Second Fund, Boston, on Jan. 21 filed a registration statement with the Securities & Exchange Commission covering 832,582 shares of capital stock. No underwriter.

DIVERSIFIED Funds, Inc., New York, on Jan. 24 filed a registration statement with the Securities & Exchange Commission covering 1,500,000 shares of Special Stock. No underwriter.

MANAGED Funds, Inc., St. Louis, on Jan. 25 filed a registration statement with the Securities & Exchange Commission covering 2,500,000 shares of capital stock. Underwriter is Slayton & Co., Inc.

The MUTUAL FUND RETAILER

By BENTON G. CARR

Last week we formulated for you one working rule which applies to all phases of your direct mail work—"Make it easy for your reader." Make your letter easy to read by using ample margins, short paragraphs and short sentences. Make your presentation logical and simple to understand. Make it easy for the prospect to reply to you by giving him a post-paid pre-addressed business reply envelope and a request card or slip which clearly indicates what he is to do and what he is to receive.

Now, in finishing our discussion on mechanical details, let's apply this simple rule to your letterhead.

The letterhead, in your sales-work, can be a labor-saving device. During the course of a year, thousands of people will see it and subconsciously form an impression of your company from it alone—since it will be about all they will have to go by. Their opinion won't be a very strong one, one way or the other, but they will either be a little less or a little more hesitant about seeing you.

And if you are to see thousands of people, and your letterhead can make your work a little easier, then labor to be saved in spending a few hours planning a good one is quite apparent.

First, there are the matters of legibility and good taste. A letterhead can be both legible and in good taste, or neither, or one without the other.

Some firms who confuse "mustiness" with classic design attempt to give a conservative impression by using an "Old English" or script typeface, which, despite the virtues they may have, are decidedly hard to read. Other firms use a readable typeface, but clutter up the area around the letterhead with other information so that it presents a confused first appearance.

In the matter of legibility, then, the first consideration is a readable typeface which reflects an element of prestige or substance.

The second consideration is placing the necessary information around your firm name with sufficient "air" or white space in between the two so that the firm name stands out.

Remember that your prospect is going to glance at your letterhead for a split-second, and in that moment your firm name must be so legible, your letterhead so carefully designed that his mind will grasp your name and retain it.

The basic purpose of your letterhead is, of course, to provide information . . . your firm's name, address, telephone number, city, zone number. It's surprising how many of the large retailing firms in New York don't bother to list their telephone number. Applying the rule, "Make it easy," it's quite apparent that you ought to give your prospect a telephone number to call; it isn't easier for him to look for it in the telephone book.

In addition to this information, there should be for your mutual funds' sales letters a legend explaining briefly your function as a mutual fund retailer, so that, by looking at your letterhead alone, your prospect will understand just what you can do for him.

These legends are hard to come by; don't suppose because they are short that they are easy to write. You no doubt have seen them on letterheads. . . . "impartial advice on all mutual funds," or "authorized dealer for all leading mutual funds" and the like.

To give your legend "punch," it ought to have a verb. Verbs mean action and action arouses interest.

It also ought to include the word "you." The basic direction of all advertising—and your letterhead is a form of advertising—is an appeal to the reader's self-interest. And the word "you" is the most obvious of self-interest devices.

So those are the elements for your legend or slogan. You want to say that you offer impartial advice or information or counselling on mutual funds, that it is without obligation; you want to use a verb and the word "you"; and you want to say it all in ten words or less.

The total effect you are striving for, after planning the details with your printer, is a legible, crisp firm name, surrounded by, but apart from, necessary information and the legend, all designed to give an impression of worth, reliability and substance.

In our next column for you, we'll discuss the most difficult aspect of direct-mail work—"What's Your Proposition?"

VITAL STATISTICS ON MUTUAL FUNDS, 1945-1951

TOTALS NET ASSETS (000's omitted)

	45 Common Stock Funds	32 Balanced Funds	26 Bond & Specialty Funds	Total 103 Funds*
Dec. 31, 1951	$1,591,515	$942,087	$596,027	$3,129,629
Dec. 31, 1950	1,221,697	727,679	581,187	2,530,563
Dec. 31, 1949	942,952	540,932	489,663	1,973,547
Dec. 31, 1948	701,223	389,238	415,301	1,505,762
Dec. 31, 1947	652,772	329,235	427,158	1,409,165
Dec. 31, 1946	617,220	284,187	409,701	1,311,108
Dec. 31, 1945	658,381	245,368	380,436	1,284,185

NUMBER OF SHAREHOLDERS†

	45 Common Stock Funds	32 Balanced Funds	26 Bond & Specialty Funds	Total 103 Funds*
Dec. 31, 1951	491,693	344,961	273,778	1,110,432
Dec. 31, 1950	388,188	282,850	267,613	938,651
Dec. 31, 1949	338,608	231,328	272,262	842,198
Dec. 31, 1948	285,878	195,569	240,671	722,118
Dec. 31, 1947	257,438	170,495	244,610	672,543
Dec. 31, 1946	237,106	142,661	200,454	580,221
Dec. 31, 1945	213,913	121,638	162,324	497,875

SALES AND PURCHASES (000's omitted)

Sales	45 Common Stock Funds	32 Balanced Funds	26 Bond & Specialty Funds	Total 103 Funds*
1951	$320,615	$223,436	$130,559	$674,610
1950	216,753	181,222	120,836	518,811
1949	168,049	129,046	88,431	385,526
1948	109,247	88,269	76,271	273,787
1947	87,415	81,484	98,025	266,924
1946	100,680	83,591	186,082	370,353
1945	66,786	59,137	166,436	292,359
Repurchases				
1951	$138,121	$55,368	$128,061	$321,550
1950	111,494	47,012	122,222	280,728
1949	35,569	22,518	49,500	107,587
1948	36,239	19,467	71,465	127,171
1947	24,674	14,688	49,370	88,732
1946	44,243	19,128	80,241	143,612
1945	35,299	14,958	59,721	109,978
Net Sales				
1951	$182,494	$168,068	$2,498	$353,060
1950	105,259	134,210	—1,386	238,083
1949	132,480	106,528	38,931	277,939
1948	73,008	68,802	4,806	146,616
1947	62,741	66,796	48,655	178,192
1946	56,437	64,463	105,841	226,741
1945	31,487	44,179	106,715	182,381

**The number of funds included may vary from year to year. Except to a minor degree, however, the figures for different dates are comparable.*

†Figures are approximate, exact totals having been available in some cases, estimates or figures of other than year-end dates being used in other cases.

SOURCE: National Association of Investment Companies.

NSTA Notes

THE INVESTMENT TRADERS ASSOCIATION OF PHILADELPHIA

The Arrangements Committee of the Investment Traders Association of Philadelphia announces with pleasure, the reservation of the ballroom of the Benjamin Franklin Hotel for the 28th Annual Mid-Winter Dinner, to be held Thursday, Feb. 21, 1952; dinner will be served at 7:30 p.m. sharp. The Committee has arranged a fine floor show. Price for members $8.50; price for guests $13.50.

The hotel will place a bar in the Betsy Ross Room for the use of members and guests. This bar will open at 5:30 p.m., close during dinner and re-open after dinner to closing.

Drinks may be purchased during the dinner and served at table.

Gaming facilities will be available in the Betsy Ross Room. We request you confine this activity to this room.

Reserved tables can not be guaranteed unless arranged and paid for prior to Feb. 11.

Tipping will be taken care of by the Committee.

Members of the Mid-Winter Dinner Committee are:

Joseph R. Dorsey, Merrill Lynch, Pierce, Fenner & Beane, Chairman; James G. Mundy, Stroud & Company, Inc., Co-Chairman; Charles J. Brennan, Blyth & Co., Inc., head table; John R. Hunt, Stroud & Company, Inc., member tickets; John E. Knob, Drexel & Co., guest tickets; Samuel M. Kenney, Yarnall & Co., table reservations; Charles L. Wallingford, H. M. Byllesby & Co., Inc., hotel reservations; George J. Muller, Janney & Co., prizes; J. Gentry Daggy, H. M. Byllesby & Co., publicity; William Doerr, Blair, Rollins & Co., Inc., attendance; Rubin Hardy, The First Boston Corp., Robert N. Green, J. Arthur Warner & Co., Inc., Lester C. Brown, Charles A. Taggart & Co., and Joseph Cummings, Brooks & Co., door.

Members of the Reception Committee are Thomas J. Love, George E. Snyder & Co.; Albert Fenstermacher, M. M. Freeman & Co., and Wallace H. Runyan, Hemphill, Noyes, Graham, Parsons & Co.

* * * *

All members of the ITA who can bowl are reminded that the Security Traders Association of New York has invited ITA to send four teams (20 men) as their guests in a tournament Thursday, April 17, the eve of the annual STANY dinner. Call Charles L. Wallingford, H. M. Byllesby & Co., Inc.

SEATTLE SECURITY TRADERS ASSOCIATION

Paul G. Johnson — H. Clyde Berryman — William Oper — Sidney J. Sanders

The following officers will serve the Seattle Security Traders Association for the current year, 1952:

President—Paul Johnson, Blyth & Co.

Vice-President—H. Clyde Berryman, Merrill Lynch, Pierce, Fenner & Beane.

Secretary—William Oper, Walston, Hoffman & Goodwin.

Treasurer—Sidney Sanders, Foster & Marshall.

SECURITY TRADERS ASSOCIATION OF NEW YORK

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

TEAM	Points
Kumm (Capt.), Ghegan, R. Montanye, Krassowich, Manson	64
Bean (Capt.), Lax, H. Frankel, Werkmeister, Reid	55
Goodman (Capt.), Weissman, Farrell, Valentine, Smith	52
Mewing (Capt.), G. Montanye, M. Meyer, LaPato, Klein	52
Donadio (Capt.), Rappa, O'Connor, Whiting, Demaye	50
Krisam (Capt.), Gavin, Gannon, Jacobs, Murphy	48
Leone (Capt.), Tisch, O'Marra, Nieman, Bradley	45½
Serlen (Capt.), Gold Krumholz, Young, Gersten	45
Hunter (Capt.), Craig, Fredericks, Weseman, Lytle	45
Burian (Capt.), Siepser, Gronick, Growney, Kaiser	49½
H. Meyer (Capt.), Swenson, A. Frankel, Wechsler, Murphy	38
Greenberg (Capt.), Siegel, Cohen, Strauss, Voccoli	36

200 Club

Carl Swenson	232
Mike Growney	221
Walt Krisam	204
Vin Lytle	200

5 Point Club

Julie Bean

TWIN CITY SECURITY TRADERS ASSOCIATION

The Twin City Security Traders Association announces that its annual winter party will be held at the Normandy Hotel, Minneapolis, on Thursday, Feb. 14. Cocktails will be served at 4:30 p.m. to be followed by dinner at 6:30 p.m. Tickets are $5 per person; guests are welcome.

Reservations may be made with Kermit Sorum, Allison-Williams Company, or J. Ries Bambenek, J. M. Dain & Company.

Business and Finance Speaks After the Turn of the Year

Continued from page 6

JOHN HARPER

President, Harper Oil Co., Inc.

In the Petroleum Industry the outlook for business in 1952 is bright. Expansion of all branches continues to meet the steady increase in both civilian and military demand. Shortages of steel for new wells, pipe lines and refineries have been the main concern in the past year, but from now on the impact of government regulation is going to impair normal industry growth more and more.


John Harper

As an example, domestic heating, diesel locomotives, and jet planes have brought about a greater current increase in the demand for middle distillates, than is developing for any other major petroleum product.

With modern technique, the refiner can adjust his manufacturing process to give a somewhat greater yield of middle distillates from the barrel of crude. But in order to realize the same overall profit from the barrel of crude, he must revise the schedule of prices of some of his products to take care of the resultant change in his costs and to seek a new level of competitive markets.

During World War II, on many occasions, the government ordered refiners to run for maximum yield of some particular product, then in poor supply. For patriotic motives these orders were complied with, but not without considerable financial loss.

The supply and pricing of petroleum products are so interrelated that government control by separate agencies tends to eliminate the inherent flexibility of the industry.

The widespread gasoline price war during the past 12 months, when reviewed in conjunction with the present frenzied appeals for light fuel oil price increases along the upper Atlantic Coast, are an indication that under a free economy there might be a solution without either gouging the public or subsidizing the oil companies.

In common with most industries, the oil business is also facing the inflationary spiral. As the cost of living index goes up, wages climb automatically. Labor and management are both disgusted at the decline in value of the dollar, as everybody in industry expects to be on some kind of a fixed allowance before he dies. A reversal of this cycle is the direst need of the country today.

While government regulation will undoubtedly handicap the petroleum industry this year and may even result in occasional spot shortages of product, the large integrated companies are in a healthy condition and are able to meet most of the problems that may arise within the industry. The prospects are indeed good for a profitable and successful year.

EUGENE HOLLAND

President, Masonite Corporation

Hardboards will continue in 1952 to be an important factor in the many industries using them as a basic material. The hardboard industry, due to the varied and wide-spread use of its products, can be expected to continue its growth. Economists predict another year of "good business" in most fields. F. W. Dodge Corporation anticipates a decline of 17% in overall building. This cutback will have little effect on the hardboard industry which is so geared that its products can be channeled into the industries most requiring them.


Eugene Holland

Defense requirements for military and industrial housing, so far as Masonite Corporation is concerned, are expected to continue at their present or higher levels as the armament program moves forward at accelerated speed. This should be true also of die stock, a product we developed to meet the demand for a light weight, durable and economical panel material for use in fabricating sheet metal.

High levels of farm income will encourage farmers to invest in permanent farm structures that can be built at moderate cost. Masonite hardboards should continue to be attractive to the farm market for this reason.

Technological developments promising improved furniture at no increase in cost may be expected to bring about greater usage of our hardboards in the furniture industry. While cutbacks have been indicated in the automobile industry, a large user, the trailer industry, from all indications, will absorb more and more hardboards for interior finish of mobile living quarters, the demand for which has risen sharply.

With a curtailment in new building construction, the hardboard industry can anticipate channeling more feet of its products into remodeling projects, both commercial and residential. The market potential in unfinished attics, for example, is tremendous. The marked trend toward flush panel doors and dry wall construction in homes is another factor which promises to keep our manufacturing facilities operating at capacity.

Versatility of Masonite hardboards has made them important in scores of industries. Among them are the following: Toys and novelties, railroad freight and passenger cars, busses, office and household furniture, radio and television cabinets, display and traffic signs, point-of-sale displays, kitchen cabinets, concrete forms, airplanes, and various places in the building industry.

As industries go, hardboard manufacturing is relatively new. Product acceptance by the public has grown year after year. On this solid foundation of approval, the industry in 1952 can be expected to continue its program of service to countless fabricators and builders, with consequent high levels of production to meet the demand.

J. M. HOUGHLAND

President, Spur Distributing Co., Inc.

Briefly I would say that for the year 1952 there is slight prospect for any reduction in gasoline consumption regardless of any economic changes during the period. Any change in the military situation might of course entail some diversion of distribution, but we do not feel that this is probable.

L. D. FEDDERMAN

President, Interstate Engineering Corporation

The year 1952 looks to me like another period of government controls and government interference. With American business doing all the work and getting out production in spite of being told at every turn what we *can't* do—the government will skim off 70% of the profits.


L. D. Fedderman

Indications seem to point to another round of wage increases led by a break-through in the steel industry. This will mean higher prices for steel, which in turn will lead to higher prices for the consumer. Apparently the working man is not ready to learn that higher wages without a corresponding increase in production efficiency per man can only lead to constantly increasing living costs.

Our government is leading us down the road to Socialism, aided and abetted by millions of perfectly good Americans who are blind to the fact that Socialism will destroy the very class it claims to help. The one ray of hope is the fact that apparently enough people in Australia, New Zealand and England have found from bitter experience that Socialism doesn't work and have voted it out.

The year 1952 is a year of vital decision to the American people. We have arrived at the crossroads—where do we go from here? We can continue on into oblivion —where a loaf of bread costs $5 and a pound of butter $25—or we can retrace our steps and get back on the road of common sense. Regardless of what flowery terms we may choose to use, we must get back to a choice—do we want the Fair Deal, Socialized Medicine, Bureaucracy, Corrupt Political Government, or do we want a free America—the kind of America our forefathers fought for?

From a purely business standpoint, our industry (aircraft components) would appear to have a busy year ahead. Backlogs have been increasing steadily for 18 months and are still going higher. As tooling is completed, production is finally on the increase also.

We have a definite shortage of skilled and semi-skilled workers in Southern California in categories such as machinists, tool and die makers, and sheet metal workers. Although many aircraft companies have instituted training courses, the shortage is not expected to be relieved during 1952.

In summation—I see 1952 as another year of spend and spend, elect and elect, tax and tax, with more inflation and more government controls. In the background the Russian Bear licks his chops and wonders how long it will be before our house of cards collapses completely.

CHARLES E. FRENCH

President, Amsterdam Savings Bank, Amsterdam, N. Y.

This part of the Mohawk Valley is practically dominated by the carpet and rug industry. We have the Mohawk Carpet Co. and the Bigelow-Sanford Co. and there are none better in the country in turning out high grade merchandise. For the last half of 1951 this business has been only fairly good. Due to the high cost of wool, prices of carpets and rugs went up and there was naturally a falling off in sales. Now substitutes are to be used and it is expected this will make for better business in 1952. With the tremendous housing industry going on all over the country the future looks good. These plants have been making blankets and tent cloth for the government so that employment has been fairly good, but the pay envelpe has not been quite as full as in former years.


Charles E. French

The Amsterdam Savings Bank has done well and there is a feeling that 1952 will be a better year. The merchants report discriminating buying but this follows along with pay envelopes. There are a number of small industries who anticipate a better year. There have been no shut-downs among these. Fortunately there have been few labor troubles.

To the east of us 15 miles is Schenectady and there are the General Electric Co. and the American Locomotive Co. plants. From this section there are about 2,000 people employed at good wages, which is a help to the people of Montgomery County. From all I can learn there will be plenty of business for them in 1952. Naturally, these are uncertain times and it is hard to make predictions with the war and the Presidential election a few months away.

E. S. FRENCH

President, Boston and Maine Railroad, Maine Central Railroad

A large volume of traffic, record-breaking in some areas, with high gross revenues is in sight for the railroads in 1952. At this point, however, there is not much evidence that there will be any real improvement in the basic difficulty of the industry—the inability to convert an adequate proportion of this gross into net.


E. S. French

The need for continually increased expenditures in order to increase the efficiency of the entire railroad plant will be intensified in 1952 as costs of labor and materials continue to climb. The production of more transportation service with less plant and the introduction of more labor saving devices will be imperative, but the funds to accomplish these necessary ends are, to a large extent, denied to the railroads by extremely unwise regulatory policies. Failure to recognize the simple economic truth that if costs of producing service increase, the prices at which a service is sold must increase also by at least a comparable amount, if the credit of the industry is to command any respect at all, has brought us to a year of decision that will chart the course of private enterprise in transportation for the years immediately ahead.

If the Interstate Commerce Commission will permit the judgment of the managers of the railroads to determine the amount and timing of increases in rate levels, if labor will come to the realization that railroads must have adequate earnings and sound credit in order to assure jobs for its members, and if a serious and intelligent study of the whole field of regulation can result in the correction of the many inequities now existing in the present regulatory acts, a few of the badly needed reforms will have been made.

The railroad industry can be depended on in these troubled times to perform the basic transportation job for the nation's industry and its armed forces. It would be tragic if we had to have less than the best in rail transportaion simply because the railroads have been kept from earning enough to attract the money needed to provide the tools to do the job.

R. T. KEARNEY

President and General Manager, Sacramento Northern Railway

With the continued increase in armament production we believe that many of the railroads will enjoy high gross revenues in 1952.

Should the armistice in Korea become a reality, there will no doubt be a decrease in military shipments to the West Coast ports, thus reducing earnings of those roads which have been handling war materials.

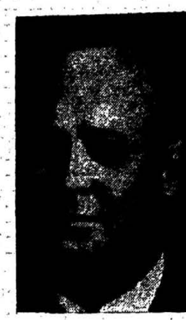
If the railroads, around which our peacetime economy and national security are built, are to continue to serve the public efficiently and adequately, they must have a sustained earning power sufficient to restore investor confidence in the railway industry. This is necessary in order that there will be a continuous supply of capital for the purchase of the most efficient equipment and devices.

W. C. Mac FARLANE

President and General Manager, Minneapolis-Moline Co.

The demand for farm machinery I think is going to be good for some time yet, at least up until sometime this fall. There are several important economic factors involved:

(1) The population of the world is increasing at a very fast pace—in the United States alone at the rate of some 3 million a year. This additional population must be fed and clothed. As there has been no commensurate increase in arable land, the only way to overcome this situation is to produce more per acre through intensified farming methods and to continue with soil conservation and reclamation programs.


W. C. Mac Farlane

(2) Both defense plants and the armed forces are rapidly draining manpower from our farms. Those who are left to till the land will have to use every labor-saving device possible, just as is done in the manufacturing business.

(3) Reports that we receive seem to indicate that our customers are in excellent financial position. Economically and financially they are no doubt as well off today, if not better off, than any other group of people in the world, and are creating for themselves an excellent quality of farm management and living.

(4) Scarcity of critical materials will permit us to build only between 70 and 80% of last year's volume on

a tonnage basis and enable us to complete machines in our inventories—which, together with several million dollars of defense business, should balance out our production. There are numerous statements out to the effect that steel will become plentiful shortly. But we are not finding that to be so. The Department of Agriculture asked for 15% more farm machinery this year than last—but the NPA in Washington cut back our allocation of materials by 20 to 25%!

There may not be as much scrambling for farm implements as there has been and we may have to do some "selling" to get the business. However, the need for up-to-date labor-saving equipment exists, as does the money to buy it with. Therefore, depending on the material situation and weather conditions, I believe the outlook for our business this year is relatively favorable.

ELLIOTT McALLISTER

President, The Bank of California
San Francisco, California

This year I am confining my observations on business prospects to the field of foreign trade. This seems particularly appropriate in view of the constantly increasing interest in the subject and its far-reaching effect on our internal economy. Also, it is a field in which The Bank of California has specialized and played an important part for over 87 years.


Elliott McAllister

At the outset it should be obvious to everyone that political unrest throughout a large part of the world continues to govern the trend of foreign trade and to inhibit efforts for its longer term development.

The volume of commerce in international channels remains far below existing potentials and can never stage a really healthy recovery on the basis of any conceivable spending by the United States for rearmament and economic relief purposes.

Still, there are a few bright spots worthy of comment at this time. The Latin American countries start the new year with larger holdings of dollar exchange and a favorable balance of trade reflecting in part both a strong demand and higher prices for coffee, cotton, and other important export commodities. Thus, they continue to represent an active major foreign market.

In the Far East, Japan is regaining customers rapidly with its low cost production and an expanding merchant marine. Further aided by United States military expenditures, it is building up ample dollar reserves with which to finance an increased flow of goods from our country.

The Philippines, now benefiting from new Marshall Plan assistance and severe self-imposed import controls, are beginning to get on their feet again financially after a long and trying period of post-war rehabilitation. In addition, the likely continuation of the present large demand for copra and sugar will eventually place the Philippines in a position to support a renewal of their former heavy buying of a wide variety of merchandise from the United States.

Our economic relationship with Canada is so close that the contiued mutual exchange of commodities and services on an ascending scale is to be anticipated.

Finally, trade with other countries continues to vary widely, but, generally speaking, most of them are placing emphasis on exports and are making every effort to hold imports to a minimum particularly from the United States.

C. H. PERCY

President, Bell & Howell Company

Photographic manufacturers during 1951 enjoyed a year of peak sales, but found their earnings both before and after Federal income tax somewhat reduced from 1950 levels. It is expected that the favorable sales trend will continue into 1952. Corporate managers have recognized that the encroachment of higher costs and taxes on profits must be stopped short or a serious impairment of our economic strength and growth potential will result. Many internal cost saving programs have been put into effect to lessen the pinch of higher costs on profits. Employee suggestion systems and Work Simplification programs are only a few of the many employee training courses that can be a major help in reducing controllable costs.


C. H. Percy

The photographic industry has made a united drive against high taxes. During 1951, we received a long awaited reduction in excise taxes on photographic products. This will have a favorable effect on sales in 1952, as it did in the closing months of 1951.

One problem the industry faces at the moment is the possibility of a material limitation order from NPA. It is proposed, for example, that photographic manufacturers in the third quarter of 1952 be limited to 35% of the aluminum they consumed in the first half of 1950. Such an order, if issued, would cause a marked drop in total production. Many companies would find it difficult to fill this gap with military production.

For this and other reasons, Bell & Howell has aggressively sought government military business. Our present government backlog (as of Jan. 1) of $14,000,000 will enable us to considerably expand output in 1952.

Naturally, the photographic industry cannot look forward to a good year unless the economy as a whole remains healthy.

There is every indication that business in general will continue at satisfactory levels throughout 1952. We expect to see an increase in gross national product and also a slight rise in price levels in the second half of the year. There may be shortages in certain consumer hard goods lines, but on the whole, manufacturers will find ways to conserve scarce metals and will continue to turn out enough product to meet the bulk of consumer demand.

W. T. PIPER

President, Piper Aircraft Corporation

The slump in the light aircraft industry of 1947 is still affecting it seriously. For several years the production declined, but now seems to be levelling off and we are looking for an increase from now on.


W. T. Piper

The planes which we sold in such large numbers in 1946 and early 1947 were largely two-passenger planes with limited range and speed, which gave them very little utility except as training planes. The planes which are now being made are largely four-passenger planes, which carry more gasoline and fly at higher speeds. This gives them real value for cross-country trips.

One kind of transportation is best for certain trips and another one is best for other trips. The small personal airplane excells in round trips from 150 to 300 miles. A party of four can start out in the morning, go to their destination, spend five or six hours, and return home in time for dinner at a cost in money approximately equal to bus fares, but with a great saving of time and effort. Many such trips are being made every day and our job is to educate the pubilc to use airplanes for such trips.

The number of companies making light airplanes has shrunk and, inasmuch as the use of the airplane will in no way rival the use of the automobile, this is a healthy situation. A company cannot successfully manufacture airplanes in too small a volume and when a large number of companies are trying to share this business, none of them can be especially healthy.

The Federal Government has allocated to the small plane industry material to build 3,500 airplanes. In addition, all of the companies are doing sub-contracting for the larger companies, which produce the military planes. The combined business has caused them to increase their number of employees and is going to furnish them a profitable business for the next year. In the meanwhile, we are making the shift from the "training era" to the "transportation era," which is the one thing for which the airplane is best fitted.

DONALD C. POWER

President, General Telephone Corporation

Although the telephone industry is now over 75 years old, it is still suffering from growing pains.

During the year just ended, telephone subsidiaries in the General Telephone System added 96,000 telephones and made gross additions to their plant in excess of $63,000,000. This required large amounts of new capital, since telephone companies, like other utilities, are not permitted to earn enough to enable them to expand out of profits. In all, a total of $61,030,000 in new securities was sold by the parent company and its subsidiaries in 1951.


Donald C. Power

General Telephone Corp. and its subsidiaries, which operate in 18 states from coast to coast, comprise the largest independent (non-Bell) telephone organization in the United States.

Expansion in 1951 was a continuation of a program which started immediately following World War II and which, subject to the availability of materials, manpower and capital, is expected to continue unabated through 1952. Since V-J Day, the operating companies of the System have added 710,000 telephones through internal growth and acquisition, an increase of 103%. To do this telephone plant was increased from $111,635,000 at Dec. 31, 1945, to an estimated $316,900,000 at Dec. 31, 1951. Today the System's total assets are stated at more than $370,000,000, and gross construction amounting to over $66,000,000 is budgeted for 1952.

A substantial part of the construction program since 1945 represents the conversion of manual exchanges to dial operation. At the end of 1945 about 48% of the System's telephones were dial operated and at Dec. 31, 1951, about 65% of the System was on dial. Further conversions, involving approximately 50,000 telephones, are scheduled for completion in 1952.

In view of the steady rise in wages and other costs, including increased taxes, during and after the war, it soon became obvious that rates for service would have to be increased if the System's earnings were to be high enough to attract the additional capital necessary for the large expansion program ahead. The various System companies therefore mapped out a program to obtain higher rates and since 1946 they have received increases totaling $21,910,000 on an annual basis. Of this amount, $8,836,000 was obtained in 1951, and $556,000 to date in 1952. Other applications are now pending and still others will be filed as the need arises.

Higher rates for service have resulted in improved per share earnings despite increased taxes and a substantial increase in the number of common shares outstanding. For the 12 months ended Nov. 30, 1951, consolidated income available for the common stock was equal to $3.05 per share on the average number of shares outstanding during the period compared with $2.60 per share for the preceding 12 months.

System companies currently have about 75,000 unfilled applications for service, a decrease of only 6,000 since the end of 1950 despite the installation of 96,000 telephones during this period. It would seem, therefore, that almost every installation is accompanied by a new application, and that the telephone industry will continue to suffer growing pains for some years to come.

CHARLES F. ROBBINS

President, A. G. Spalding & Bros., Inc.

It is our belief that participation in sports in 1952 will be fully as great as in 1951. If this proves to be the case, ultimate consumption of athletic goods will equal or exceed that of the past year. Consequently, the physical volume of sales of the athletic goods industry should be about the same or exceed that of 1951.


Charles F. Robbins

While inventories of both dealers and manufacturers were larger at the end of 1951 than in 1950, it should be noted that those of 1950 were lower than they should have been in relation to the current volume of sales. Dealers generally have adjusted their purchases to existing inventories and manufacturers have made the necessary revisions in their production schedules. So far as we can determine, there is no excessive or unwieldy inventory accumulation.

Our industry, in common with many others, is now confronted with the problem of a "squeeze" produced by increases in manufacturing costs, expenses and taxes against price ceilings, which for the most part are fixed. This presents a serious challenge to management. It results from the impact of the armament program on the civilian economy and therefore cannot be isolated from the greater problems confronting our country which are caused by the unsettled world conditions.

M. J. SPIEGEL, JR.

President, Spiegel, Inc.

At Spiegel, Inc., our planning for 1952 has been based on the belief that the year can—and will—produce satisfactory sales volume in the mail order-chain store industry, providing aggressive policies are applied.

It is our opinion that retail trade in general will be off to a slow start after the first of the year, and that sales for the first quarter will probably fall below those in the corresponding period of 1951, when there was sporadic "scare buying."


M. J. Spiegel, Jr.

Beginning with the second quarter, however, it should be possible to match last year's sales since all indications point to full employment during the year, and there will be more disposable income.

An even more important factor will be the mood of the buying public, and psychologically, this should be a "buying" mood. Price adjustments have taken place in many lines, and the confidence of the consumer has been restored by the relatively stable price levels that have been maintained in recent months.

On the other hand, goods should be plentiful, and this means aggressive merchandising will be required to move them, since competition will be lively.

During the price adjustment period, profit margins have been narrowed in many lines. This means that efficient, economical operations, sound management and cost control methods will be necessary to maintain satisfactory profits during 1952.

ROY E. TILLES

President, Gotham Hosiery Company, Inc.

The hosiery picture for 1952 looks good. Inventories at both manufacturing and retail levels are now down close to operating minimums. Stocks are generally clean, and this factor alone should materially bolster the general market.

Prices will remain static, and may show some increases. These upward revisions will probably develop with the improvement of business expected by the industry.

Production schedules will undoubtedly keep pace with demand, picking up rapidly as 1952 gets under way.

National brands will continue to feature fashion as a selling attraction.

Stores can accomplish satisfactory results in 1952 and increase their hosiery sales by concentrating on better selling methods, and by promotion of national brands. They will thus emphasize the traditional markup and turnover results that can be expected of a good hosiery operation.

The potential consumption of nylons should show increases for 1952. Marked increases in population over the past 15 years are now taking effect on the consumption rate of nylons, together with the important demand for sheer 15-denier stockings, which continues to increase.

All in all, 1952 looks as though it will be a really well-balanced year for the nylon hosiery industry.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

The continuing up move in market prices is slowly accomplishing a changeover in the majority thinking to the point that a continuation of an uptrend is now being received almost with unanimity.

* * *

Such a switch in public psychology is always gratifying to see. It makes commission houses more cheerful and puts smiles on customers' faces. I hate to throw a damper on such good spirits. The fact is, however, that when everybody agrees that the green lights are up permanently that's the time to start peering around the bend for the inevitable red light; or maybe just a yellow one.

* * *

As this is being pecked out, the Dow Industrials have penetrated their old tops and are now at new highs. From the way they look at this writing they will probably close at a new high. On the other hand, the rails are still some three points away from their old highs. Latter is across 90; present figure is about 88.50.

It is quite likely that both averages will manage to make new highs, a condition that will be properly exploited by market forecasters, if, as and when it occurs. This in turn will bring in more buyers and the talk of a "new prosperity" can easily start all over again.

* * *

But though I see the foregoing as not unlikely, I cannot help but also note less cheerful things, that for the time being, have been pushed aside. Readers of this column are aware of the fact that I advised buying a few weeks ago when the general temper of the market pointed to anything but optimism. Now that they're up, it is time to start thinking of grabbing some profits. Of course taxes will have to be considered. But if you can see your way clear, or at least agree mentally, that you will shortly see a setback and be prepared for it, you'll be that much happier.

* * *

The foregoing doesn't mean that stocks will turn around just like that. They seldom do. I'll hazard an opinion that prices will continue to advance for another week or so before there's any softening.

* * *

Incidentally, if you hold oils you've probably seen some nice paper profits. Don't stay with them too long figuring it's a one way street. If you can adjust your thinking to holding on for yields that will be something else. Paper profits, however, have a disconcerting habit of fading away. So guide yourself accordingly.

[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.]

Joins Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Ray F. White has become affiliated with Waddell & Reed, Inc., 1012 Baltimore Avenue.

With Goodbody & Co.

(Special to THE FINANCIAL CHRONICLE)

CHARLOTTE, N. C.—William N. Hayes is now associated with Goodbody & Co., 217 South Church Street.

Scherck, Richter Adds

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—William G. Thornborough, Jr. is now associated with Scherck, Richter Company, Landreth Building.

Four With Waddell Reed

(Special to THE FINANCIAL CHRONICLE)

LINCOLN, Neb. — Marion Bohlen, Lillie A. Lash, Albert W. Pierce, and Ruby E. Riggert have become affiliated with Waddell & Reed, Inc., Barkley Building.

Rejoins Hannaford Talbot

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Carl T. Maib has rejoined the staff of Hannaford & Talbot, 519 California Street. He has recently been with Mason Brothers.

Continued from first page

Bank Earnings, Book Values, "Windfall Profit" Mergers

tribution of a questionnaire which is intended to bring out the facts about how the commercial banks are faring under the provision of the Revenue Act of 1951. The National Association of Supervisors of State Banks was glad to associate itself with this fact-finding effort.

The upshot is that I come out by a different route at the same point at which I emerged last year. That is to say, banking is a less attractive field for employing capital than it should be. Public utilities are somewhat better, industrials much better. When I remarked a year ago that bank earnings were too low, some one asked: "What is the proper return for a riskless business?" Riskless? Surely the observer jests. If it is as riskless as all that what supervisors say about capital-deposit ratios and risk asset ratios can be nothing more than a kind of incantation. I do not believe that. Yet it does seem to me that supervisors may be concentrating the emphasis too much. Along with capital, might not emphasis with equal reason be placed on earning power? Where there is earning power the capital follows. With low earning power, finding adequate capital, as we have good reason to know, oftentimes offers great difficulty.

If it proves possible to restore bank taxation to a more equitable basis, the full force of the higher money rates may then be felt by bank earnings. The possibility that bank earnings may be higher helped to improve the market position of bank stocks slightly in 1951. Quotations were higher, but, more importantly, the ratio of market price to book value was higher at the end of the year than at the beginning.

I am unfortunately unable to say that the improvement in this ratio was anywhere near large enough to remedy entirely that condition about which I spoke to you last year. In other words, banks continued to be worth more dead than alive. We cannot count banking's strength as being fully revived until a better level is maintained between market and book value, permitting the capital position to be bettered not solely by retention of earnings, but also by sale of new stock on an advantageous basis.

It should be noted that the disparity between market price and book value keeps alive the unnatural and oblique interest in mergers. Actually, however, merger activity slackened during 1951, if we confine our discussion to results and leave out of account anything else. Nevertheless, the efforts continue untiringly to exploit the profit possibilities that inhere in the market-book value spread.

The Question of Mergers

It occurs to me that it might be useful if I should make a few observations about our attitude in the Banking Department toward the continuing reduction in the number of banks. Liquidation of banks two decades ago was usually involuntary because the value of the stock had disappeared. Now there are liquidations of banks, too, but they are strictly voluntary. They take place because of the decision of stockholders to sell out their institutions' assets at full book value or a little better. Merger is hardly the appropriate word for some of these voluntary liquidations. But whatever they are called they are and changing the structure of banking. We in the Banking Department acknowledge our concern over the disappearances of banks that result from somebody's efforts to pick off the profit obtainable in the market value-book value spread.

Any one with banking's interest at heart can only be pleased when new capital flows into bank stocks. It is an entirely different story, however, when the capital that is attracted to bank shares is not investment capital, but speculative capital. By speculative capital I do not mean the kind that is looking for a few points appreciation over several months or a year or two and in the meantime in quite ready to accept the dividend return which the shares afford. This is always welcome capital. The speculative capital that I am talking about is the kind the swoops down on its prey, strikes and, quickly profiting, is on its way again. The search for a new victim is often immediately started and the whole process is repeated.

This might be called the problem of the special block of stock. The ordinary holder of bank stocks is required to be content with market value for his shares when he decides to sell. The larger holder sometimes is unwilling to accept the market and uses his influence to promote a merger which allows him to get much better price for his shares. Once in a while the holder of the special block has no connection with the bank. Indeed, he may not have accumulated his stock until he knows the merger seeds he himself has planted have begun to take root.

The activities of the holders of the special blocks of bank stocks —by a play on words you might call them the pressure blocs—are becoming a matter of increasing concern to the Banking Department. What some of these holders have done is somewhat different from, but still reminiscent of, the series of liquidations of banks that took place in several states in the Middle West ten and fifteen years ago. The whole purpose of those voluntary liquidations was to permit speculators to reap the difference between the low market value and the higher book value of the stocks of their victims. Occasionally the voluntary liquidations meant the loss of the only banking facilities in some communities. That didn't deter the speculators.

Loss of banking facilities is not involved in the problem in New York State. But there is a point of similarity in the two situations in that the character and structure of our banking system are being shaped to that extent by purely speculative forces. It is only coincidence if that sort of thing operates in the public interest.

My remarks on this subject are not directed toward the institutions involved. The actions of the holder of the special block of stock often leave no other way out but to merge. There are times when mergers, arising out of purely banking considerations, have logic and public advantage behind them. It is the most limited kind of interpretation of public advantage, however, to find that it flows from the sort of thing a speculator is sometimes able to accomplish in bank stocks.

Banks were not chartered to create opportunities for windfall profits. Any one who applied for a charter for a bank that was to be used for such a speculative purpose could be summarily dealt with through denial of his application. We shall have to give closer study to the advisability of asking the Legislature for authority to pass on acquisitions of sizable blocks of stock, amounting in effect or in actuality to control, if the purposes or identities of the buyers would not be acceptable if it were a new charter that was involved. It is my hope that such a step will not prove necessary. I need hardly point out the obvious moral that better earnings, by closing the gap between market and book values, would take care of a good part of this. In any case, the Banking Department will scrutinize with great care the role played by the special blocks before acting on any application behind which their pressure would appear to have been strong.

Trust Fees

Further pursuing the subject of bank earnings, I come to trust fees. Some of you may be aware that the Banking Department has addressed a questionnaire to 28 trust companies and two national banks requesting information on the earnings of their trust departments. You may also remember that a full decade ago a similar survey was undertaken. This earlier survey was completed in 1943, just prior to action by the Legislature granting a substantial increase in the fees allowed personal and testamentary trustees. The survey showed that personal trusts operations were not contributing significantly to the earnings of banks and in many cases were a cause of appreciable loss. It was also indicated that the segment of the business where fees are controlled by statute had a great deal to do with the unsatisfactory results. With the increase granted by the Legislature it was expected that personal trust operations, where conducted in sufficient volume, would become moderately profitable.

A couple of years ago the Department began to hear that the old ailment of insufficient earnings was again being felt in the fiduciary operations of some of the banks. While the Department found opinion among trust people on what should be done or whether anything should be done far from unanimous, we went ahead with an exploratory inquiry and obtained operating figures from several large institutions in New York City and a considerable amount of related data from other banks here and upstate. Unfortunately, the information we received appeared to raise questions as well as answer them. Hence, the only conclusion we could make was that a more detailed inquiry, bringing in as many banks as were included in 1941, was necessary for the Department to reach a position where it could express an informed opinion about the effect on trust company earnings of the present scale of fees.

You can be sure that some people will ask why the adequacy of trustees' fees is being questioned so soon after the granting of a sizable increase. There have been several major influences on the earnings of trust departments in the last decade. On the good side you have, of course, the increase in commissions effective in 1943 and adjusted in 1948. We also know that many trust investments are yielding more today than they did ten years ago, thus making income commissions higher even without the rate increase. Principal values generally should be higher. For the last year and a half restricted trusts may hold stocks. While all this places greater responsibility on the fiduciary, it eventually leads to larger fees.

On the operating side there are signs that certain phases of trust work may now be handled more efficiently and economically than before. Probably some of the less essential services have been redued or eliminated. A considerable number of trusts are now being administered through common trust funds, none of which was in existence ten years ago. Since last year, amounts up to $100,000 may be placed in these funds, with the result that we probably have witnessed only part of the development of this useful means of trust administration. Finally, as you people on the banking side well know, deposits resulting from fiduciary operations can be put to work more profitably now than ten years ago.

So much for the good side. On the bad you have the familiar and potent evils of inflation and taxation. In 1943, when trust fees were being increased for the first time in twenty years, inflationary forces were already at work to increase the cost of rendering practically all services, with the result that long before 1952 prewar prices and salaries had lost nearly all their significance. Taxation not only has added to costs, but has increased the complications of handling trusts and estates.

How much one set of influences has offset the other we are not in a position to say. Our present inquiry is intended to provide an answer to this question and to show how much of the benefits expected to flow from the last fee increase have been lost to the banks through contrary developments. With such information we can then respond, as a public body, to any questions that may be asked of us about the return realized on the capital employed by our banking institutions from their trust operations.

Interest on Deposits

We come now to the last of the matters that I should like to touch upon. It concerns interest on deposits. Thinking has been described as manipulation of memories. You can find some support for that definition from what happens whenever you mention rising rates of interest on deposits in the hearing of those who have a vivid recollection of the course of events in banking in the late 1920s and early 1930s. The usual association of ideas in that case takes this form: to pay more interest now would be most unwise because competing for deposits through jacking up rates was one of the main reasons why banks first became overstrained and then weakened in the earlier period. It follows, then, by that kind of sorting out of memories, that if rate increases are avoided now our banks will remain strong.

However, it is not quite as simple as all that. Losses are the great leveler. In a period when losses are insignificant, earnings make the divisions between institutions of the same kind and between types of institutions. The banking holiday and the influences that gave rise to the low and uniform ceilings on dividend and interest rates on deposits are now in the dim past. Now we are at the time of stock-taking. We are faced with the decision whether the rate uniformity at the low level once found suitable near the pit of the great depression is appropriate in our present situation.

For some weeks now the Banking Department has been compiling much evidence and thinking long and hard about whether the old rate ceiling is applicable in these times. Various possibilities have been considered. We have looked into the question whether it would be possible to raise the ceiling on what might be called a selective basis, with the gradation arranged solely on ability to pay as measured by ability to earn by types of institutions. One of the hard facts of banking life is that there is a difference in earning power between different types of institutions and hence a variation in ability to pay. This is a fact that is unpalatable to some bankers, but its validity does not depend on its ability to win a popularity contest.

Higher Rate Decision Imminent

While the Banking Department has been studying the deposit rate problem for the last several weeks a good many bankers have said to me that they believed the ceiling should be left squarely alone and the same kind of rough justice that we now have on a national scale continued in New York State, though on a lower level. You may wish to take into your thinking the possibility that New York State may in two and a half weeks restore to all banks of deposit a larger degree of discretion in dealing with deposit rates.

What will the reaction be? I am glad to have this opportunity to speak a word about that. The worst thing that could possibly happen to the bank earnings outlook is for a change in the deposit rate ceiling to be made the occasion for beginning a stiff competition for deposits based on interest paid. That would amount to over-rewarding depositors at the expense of the staff and of stockholders. Banks here and there try to convince themselves that they can pay a higher rate on thrift deposits so long as they segregate savings bank type assets, for accounting purposes, in sufficient amounts to cover the thrift deposits. Such a segregation usually has the effect of lowering the earnings rate on those assets that are considered as standing behind the demand deposits.

The fact is, there is no substitute for deriving the thrift rate from the earnings on assets suitable to the institution. The other method is to take the rate as a starting point, most often with an eye to what some other institution is paying, and then to begin a search for assets that will support such a rate. It is this latter approach that led to many of the banking difficulties of the 1920s. Any institution that lets its deposit rate determine its assets is not operating in the highest traditions of banking.

Rate is only one of the elements that determined the direction of the flow of thrift deposits. Convenience is still a most important factor. Goodwill built up in other business relationships, such as through demand deposit and loan accounts, is with a good many banks a productive source of thrift deposits. If to these factors is added a rate of interest that is fair to the depositor and at the same time does not strain the ability of the bank to pay, experience shows that a substantial and profitable thrift business can be built up.

If we raise the rate ceiling in this State up to or nearer to the national top of 2½%, we will be restoring to bankers in this State a larger degree of prudence, of discretion in handing their affairs. It is obvious that that action would come at a time when the competitive tensions are at a higher pitch now than in a good many years. Because of the tie-in between our regulation and the Federal regulations, it is not feasible to moderate these competitive tensions by adjusting the rate ceiling according to ability to pay. Must we then continue a relatively low ceiling long after the emergency is over as a means of protecting a minority of institutions from themselves? For that kind of hard peace and legislated moderation the depositor pays heavily in loss of return on his funds.

Present Ceiling Sixteen Years Old

New York State has kept its rate ceiling lower than the rest of the country for sixteen years. This would seem to be a period long enough for institutional prudence to become a fixed habit. As the time nears for the Banking Board to give thought to restoring a larger degree of rate discretion in this State, I wish to take this opportunity to remind you that by acting up to your highest standards now you will be indicating that the severer forms of rate regimentation may not be needed in this State.

In the last year not a few upward adjustments have been made in thrift rates around the State. Some of them appear to have been made less with an eye on earnings position than on what the other fellow was doing. If self-restraint fails here and there in keeping institutions from going too far in their competitive drives in paying interest, we must count on the cooler heads, on the real leaders in your business, to help in restoring a true sense of proportion.

Thus we come again in the end to this question of earnings. Now that the quality of assets is higher than ever before, a better return on capital is all that stands in the way of banking in New York State attaining a matchless position of strength. I urge that you do whatever lies within your power after the claims of the staff and depositors have been met, to improve the lot of your stockholders. A ready flow of capital into bank stock spells strength for banking.

It is the declared policy of New York State in banking that the business of all banking organizations shall be supervised and regulated through the Banking Department in such manner as to protect the public interest and the interests of depositors, creditors, shareholders and stockholders. There is no reason to believe that the stockholder was intended to be the least of these.

First Boston Group Offers $125,000,000 Of Aluminum Co. Debs.

The public offering on Jan. 29 of $125,000,000 Aluminum Co. of America 3⅛% 12 year sinking fund debentures marked the completion of the largest financing step of Alcoa's present $330,000,000 expansion program. The First Boston Corporation heads a nationwide group of 172 underwriters which is offering the debentures at 100% to yield 3.125%.

Proceeds from the sale of the debentures, from $100,000,000 recently borrowed from banks and from the company's other cash resources, will finance a 55% increase in capacity—or 410,000,000 pounds of aluminum per year—in addition to expanding alumina producing and bauxite mining operations. The entire $330,000,000 expansion is expected to be completed by the end of 1953 or early 1954. As of Dec. 31, 1951, about $66,000,000 had already been spent. Certificates of necessity covering $285,000,000 of these additional facilities have been received permitting five year amortization of $230,000,000 of the cost of the program. No further borrowings are considered necessary to complete the projected expansion.

The sinking fund, which will retire 90% of the issue prior to maturity, amounts to $30,000,000 in 1957, $32,500,000 in 1958, and $10,000,000 in each of the years 1959 through 1963. In addition, the company has the option to increase the sinking fund payment in any year by an amount not exceeding the required sinking fund for that year. The regular sinking fund results in an average life of 7.6 years. The debentures are also callable at company option at prices ranging from 102 to par.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The same pattern is in vogue in the government market, with the shorts continuing in big demand, while the longs, with a better tone are even showing signs of strength within a limited area on somewhat expanded volume. The largest volume and activity is still in the near-term obligations and this is in spite of some caution that seems to be developing among certain buyers of these securities, because of the sharp turn-down in the yields of the shorts.

There has been no important change in the composition of the buyers of the longer-term obligations save for the periodic appearance in the market of state funds. These accounts have been active recently in the acquisition of the highest income issues, which has tended to have a favorable effect upon the quotations of these bonds. Savings banks, it is reported, have supplied the bulk of these securities.

Out-of-town commercial banks have been making minor purchases in the higher income issues, in order to maintain earnings.

Short-Term Yields Seen Vulnerable

Although the short market continues to attract buyers in very substantial amounts, yields of some of these obligations have declined to levels that are becoming a source of concern to quite a number of professionals. They believe there could be a tightening of short-term rates and this might be brought about by the monetary authorities. What this feeling of caution might do to the near-term obligations is not too evident yet, and does not appear to have been taken too seriously so far by the short-term buyers as a whole, because they continue to wade in and take practically everything that is being offered. As has been the case, the buyers of the short-term issues are widespread, embodying banks, insurance companies and corporations. The liquidity preference is still as strong as ever even though there is a tendency among some to be hesitant in making purchases because of the downtrend in yields. If there should be a shake-out, it would most likely not be very important because the riskless buyers would be right back in there picking up these issues.

Thin Market for Long Bonds

The long-market is moving in a narrow trading range, with signs of buoyancy and weakness appearing now and then. The market for these obligations is still as thin as ever, which results in quotations being susceptible to rather easy movements in both directions. Buyers have been mainly the state funds, with the savings banks supplying the bonds, that is the restricted obligations. It is reported that the state funds of Pennsylvania, New York, California and Oklahoma have been the principal ones in the market recently.

Pension funds, it is indicated have made no important change in policy as far as the higher income issues of governments are concerned. Scale and some spot buying is still in order, and in not too sizable amounts, even though a few more of the restricted obligations are reportedly being bought now by these accounts than was the case not too long ago. There are, however, no indications that prices are being chased up in order to acquire these bonds.

Despite the thinness of the long market, there has been however a minor expansion in activity, but it still continues to be an "order market" in every sense of the expression. There has to be two sides to the trade worked out before a transaction takes place, because there are no heroes around at this stage of the game that are willing to go out and position the obligations in anticipation of trades. Nonetheless, there has been some rather important placements worked out this way. This has resulted in the bonds being well placed in strong hands.

Restricteds in Demand

Considerable switching is being noted in the restricted obligations with the trend recently veering toward the earliest eligible bonds. The June 1959/62's and the 1962/67's appear to have acquired more friends as a result of this movement into the shorter tap bonds. There is, however, some swaps from the first three maturities of the restricted bonds into the two longest bonds in this group. Charitable organizations appear to be the leaders in these swtiches.

Savings banks, it is believed, will continue to liquidate the longest maturities in an orderly fashion so as not to be too much of a depressant on the market. Not only will these funds be put into the tax exempts, but they will also be put to work in corporate obligations that are attractively priced.

Commercial banks, especially the smaller out-of-town ones, which are heavy in savings deposits have been making modest commitments in the longest eligible obligation. The 1956 maturities and the partially exempts seem to have appeal for certain of these institutions, with those in the Southwestern and Far Western areas doing the bulk of this buying, according to reports.

Hamilton Managem't Adds

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Rebecca Dresback has joined the staff of Hamilton Management Corporation, 445 Grant Street.

With Renyx, Field

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Kenneth H. Sullivan is now connected with Renyx, Field & Company, Inc., 2239 East Colfax.

Joins Inv. Service

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—J. R. Moore and Arthur K. Urton are with Investment Service Corporation, 444 Sherman Street.

Barham & Cleveland Add

(Special to THE FINANCIAL CHRONICLE)

CORAL GABLES, Fla.—Carl M. Copelin has been added to the staff of Barham and Cleveland, 2207 Ponce de Leon Boulevard.

Continued from page 5

The State of Trade and Industry

products are reported accumulating, it declares. Consumers are shying away from premium-priced material. The mills are having difficulty moving seconds and rejects. All these may point to an easier supply much sooner than had been predicted or expected. But don't look for a balance in overall steel supply and demand immediately. There's still an excess of demand over supply, it asserts.

Continuing, it states that mills anticipate full bookings for the second quarter, but the rate at which they fill will be slower than in 1951. Cold-rolled sheets, strip and certain specialties continue to ease in supply. On the other side, galvanized sheets continue in tight supply and many producers are weeks behind on commitments. Even here, an eastern mill believes it will have more galvanized sheets by March as result of an expected improvement in zinc supply, states this trade weekly. Demand for large carbon bars is extremely heavy and there are no signs of easing. New ammunition programs will require greater tonnages of cold finished bars. Heavy plates are acutely tight, but supplies of light plates are steadily improving as more tonnage is made available from continuous sheet mills. A new ship program now shaping up likely will add up to plate supply difficulties over coming months. Structural steel continues tight, but some authorities think supply conditions in this product will be noticeably improved in the next 90 days, this magazine adds.

Civilian durable goods manufacturing curtailments under government fiat account for much of the slackening in demand being experienced for some products. This is borne out by rising unemployment in the automotive centers where steel supply conditions are noticeably easier because of the cutbacks in auto production. Substantial part of the easing in supply is due to government restrictions on manufacture of civilian goods. However, no one can be certain how wide the gap between supply and demand would be at this stage were restrictions lifted, this trade weekly points out. In any case, steel supply, in the majority of instances, is not the controlling factor restricting manufacturing so much as are limited supplies of the complementary metals, copper and aluminum.

Viewing the steel supply picture broadly, it appears easier conditions are directly attributable to more efficient functioning of the Controlled Materials Plan. Fewer CMP tickets are being issued, assuring recipients of having their authorizations honored by the mills, "Steel" magazine concludes.

The American Iron and Steel Institute announced this week that the operating rate of steel companies having 93% of the steel-making capacity for the entire industry will be 100.1% of capacity for the week beginning Jan. 28, 1952, equivalent to 2,079,000 tons of ingots and steel for castings, an increase of 0.7 of a point above last week's production of 2,065,000 tons, or 99.4% of rated capacity which recently was revised upward.

A month ago output stood at 98.2%, or 2,039,000 tons. A year ago production stood at 101.3%, or 2,025,000 tons.

Electric Output Improves in Latest Week

The amount of electric energy distributed by the electric light and power industry for the week ended Jan. 26, 1952, was estimated at 7,616,421,000 kwh., according to the Edison Electric Institute.

The current total was 76,542,000 kwh. more than that of the preceding week. It was 646,855,000 kwh., or 9.3% above the total output for the week ended Jan. 27, 1951, and 1,644,759,000 kwh. in excess of the output reported for the corresponding period two years ago.

Carloadings Show Further Increase in Latest Week

Loadings of revenue freight for the week ending Jan. 19, 1952, totaled 747,362 cars, according to the Association of American Railroads, representing an increase of 4,905 cars, or 0.7% above the preceding week.

The week's total represented a decrease of 32,088 cars, or 4.1% below the corresponding week a year ago, but a rise of 123,499 cars, or 20.8% above the comparable period two years ago, when loadings were reduced by restricted operations in the coal fields.

Auto Output in U. S. Declines 6% From Week Ago and 51% Below 1951 Week

Motor vehicle production in the United States the past week, according to "Ward's Automotive Reports," dropped to 87,621 units, compared with the previous week's total of 91,940 (revised) units, and 158,319 units in the like week a year ago.

Passenger car production in the United States declined last week to 6% below the previous week, and to about 51% below the like week of 1951.

Total output for the current week was made up of 63,135 cars and 24,486 trucks built in the United States, against 67,220 cars and 24,720 trucks last week and 127,733 cars and 30,586 trucks in the comparable period a year ago.

Canadian output last week fell to 3,497 cars and 3,005 trucks, against 3,488 cars and 3,241 trucks in the preceding week and 6,869 cars and 2,725 trucks in the similar period of a year ago.

Business Failures Continue Moderately Lower

Commercial and industrial failures declined slightly to 142 in the week ended Jan. 24 from 158 in the preceding week, according to Dun & Bradstreet, Inc. Casualties were somewhat lower than a year ago when 193 occurred and were down sharply, 39%, from the 1950 total of 232 and off 63% from the prewar level of 385 in the comparable week of 1939.

Liabilities of $5,000 or more were involved in 115 of the week's failures. Casualties of this size dipped from 138 in the previous week and 143 last year. An increase, on the other hand, took place among small failures, those with liabilities under $5,000. They rose to 27 from 20, but did not equal the 50 which occurred a year ago.

Wholesale Food Index Turns Moderately Higher

After declining for two weeks, the wholesale food price index, compiled by Dun & Bradstreet, Inc., rose moderately last week to stand at $6.60 on Jan. 22, from the 14-month low of $6.57 a week ago. It compared with $7.08 on the corresponding 1951 date or a drop of 6.8%.

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 Shows Slight Gain in Latest Week

After dropping to the lowest level since early November, the daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., rose sharply to finish with a slight net gain for the week. The Jan. 22 figure at 309.16 compared with 308.39 a week earlier and with 323.65 on the comparative date a year ago.

Leading grain markets were depressed most of the week. Price trends were irregular with an upward spurt in closing sessions wiping out most of the early losses.

Increased marketings of wheat, coupled with a lack of aggressive demand was largely responsible for the easiness in that cereal in the early part of the week. Wheat exports continued in good volume. Sharp advances were scored following the issuance of the Administration's budget message on Monday of last week. Early weakness in corn reflected greatly increased marketings. Arrivals at principal markets the past week expanded sharply to approximately 13,200,000 bushels, the largest of any week in about 14 months. A large percentage of the arrivals was said to be of low grade with high moisture content and therefore ineligible for price support. Oats prices were down slightly, largely influenced by heavy supplies.

Flour prices were generally steady throughout the week. Activity in domestic markets was confined to very limited bookings of hard wheat bakery flours. A slight pick-up was noted in soft wheat flours, due mostly to depleted stocks. Reflecting firmness in producing countries, cocoa turned higher and closed with a rise of more than three cents a pound for the Accra grade. Sharp gains in late trading resulted from short covering, hedge lifting and dealer buying following indications of a further downward revision of estimates of the British West African cocoa crop and the outlook for a decline in world production. Coffee prices held firm in moderately active trading. Roasted coffee prices were somewhat firmer, reflecting recent gains in the green market.

Refined sugar prices were lowered 10 points last week, reflecting the drop in raw prices over the past few weeks.

Live hog prices moved lower in the Chicago market as receipts failed to clear. Sheep and lamb prices also trended downward as the result of more liberal receipts.

Although depressed most of the week, spot cotton prices advanced sharply at the close in sympathy with the rise in other commodities in the wake of the President's budget message. Early weakness stemmed from continued slowness in the goods market and reports of further curtailment in mill activity. Reported sales in the ten spot markets increased over a week ago and the corresponding week last year. Domestic mill consumption during December averaged 35,400 bales per working day, as compared to a daily rate of 37,500 bales during November, and 41,300 bales in December, 1950.

Trade Volume Sustained at Previous Week's High Level

In the period ended on Wednesday of last week shoppers spent about as much money in retail stores as they did in the preceding week. However, as during recent weeks, the total dollar volume of retail sales did not match the unusually high level of a year earlier when fear of scarcities boosted buying, states Dun & Bradstreet, Inc., in its current summary of trade. Reduced-price promotions were well under way in most sections of the nation with consumer response not especially spirited.

Retail merchants sold about as much apparel as during the prior week and somewhat less than a year ago. Among the items in increased demand were women's budget dresses, lingerie and coats.

Total retail dollar volume in the period ended on Wednesday of last week was estimated to be from 2% to 6% below a year ago. Regional estimates varied from the levels of a year ago by the following percentages:

New England —2 to —6; East and Southwest —1 to —5; South +2 to —2; Midwest —4 to —8; Northwest 0 to —4 and Pacific Coast —3 to —7.

Stimulated by trade shows in many parts of the nation, wholesale buyers placed an increased volume of orders in the week. With the help of many commitments for defense needs, the total dollar volume of wholesale orders continued to be slightly higher that that of a year earlier. As during recent months, buyers avoided long-term commitments and concentrated on replenishing dwindled stocks. Many trade exhibits reported buyer attendance as larger than a year ago.

Department store sales on a countrywide basis, as taken from the Federal Reserve Board's index for the week ended Jan. 19, 1952, declined 14% from the like period of last year. In the preceding week a decrease of 13% was registered below the like period a year ago. For the four weeks ended Jan. 19, 1952, sales declined 10%. For the year 1951, department store sales registered an advance of 3% above the preceding year.

Retail trade in New York the past week showed little change over that of the week before, being characterized by trade observers as "normal." Estimates placed sales at about 15% under the 1951 week when "scare" buying prevailed.

According to Federal Reserve Board's index, department store sales in New York City for the weekly period ended Jan. 19, 1952, decreased 15% below the like period of last year. In the preceding week a decrease of 19% was recorded below the similar week of 1951, while for the four weeks ended Jan. 19, 1952, a decrease of 14% was registered below the level of a year ago. For the year 1951 volume advanced 4% above the like period of the preceding year.

Continued from page 5

Continued Decline In Business Pace Revealed in Survey

members report them in better balance. The reduced production schedules, shortages of controlled materials, and cutbacks in allotments, all indicate further stock liquidation. Those reporting increases attribute them to defense operations, holdup of orders by customers, and sooner than scheduled deliveries.

Employment

The highest number (29%) in many months report payroll separations, elimination of overtime, and reduced work week in January. Lack of orders or materials and heavy finished goods inventories are given as the major causes. Several areas are currently hard hit. Other spots, heavy with defense business, are having difficulty in obtaining skilled workers. Unemployment insurance, high taxes, moving costs, seniority rights and home ownership are holding back worker migration.

Buying Policy

Industrial purchasing commitment range is again within a 90-day policy. 87%, the same number for the past three months, report holding to this conservative view of the markets. There is a distinct movement from the top side of this bracket into "hand-to-mouth," 30- and 60-day buying. Government and self-imposed inventory restrictions, easier availability, short-term backlogs, and price soft spots appearing in a number of markets, support a very cautious buying attitude.

Halsey, Stuart Group Offers United Gas Bds.

Halsey, Stuart & Co. Inc. and associates are offering $50,000,000 first mortgage and collateral trust bonds, 3½% series due 1972 of United Gas Corp. at 102.17% and accrued interest. Award of the bonds was won by the group at competitive sale on Tuesday on its bid of 101.52999%.

Proceeds from the sale of these bonds will be used by the corporation principally to finance in part the 1951-1952 construction program. In the early part of 1951 the corporation and its subsidiary, United Gas Pipe Line Company adopted a construction program which was then estimated to cost approximately $170,000,000. This program, as supplemented by additional appurtenant projects, is presently estimated to cost approximately $174,400,000. Of this estimated total the sum of $162,500,000 relates to projects of the Pipe Line and the sum of $11,900,000 to projects of the corporation.

General redemption prices of the bonds range downward from 104.67% and special redemption prices start at 102.17%.

United Gas Corp., Union Producing Co. and United Gas Pipe Line Co. constitute a system engaged principally in the production, purchase, gathering, transportation, distribution and sale of natural gas. The system serves parts of Texas, Louisiana and Mississippi and also extends to Mobile, Alabama, Pensacola, Florida, and to the International Boundary at Laredo, Texas.

Ins. Ass'n Div. Bureau

BOSTON, Mass.—Beatrice Robbins is engaging in a securities business under the firm name of Insured Association Dividend Bureau from offices at 53 State Street.

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)	Feb. 3	100.1	99.4	98.2	101.3
Equivalent to—					
Steel ingots and castings (net tons)	Feb. 3	2,079,000	2,065,000	2,039,000	2,025,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output — daily average (bbls. of 42 gallons each)	Jan. 19	6,196,500	6,178,400	6,205,800	6,051,350
Crude runs to stills—daily average (bbls.)	Jan. 19	¶6,639,000	6,625,000	6,545,000	6,505,000
Gasoline output (bbls.)	Jan. 19	22,056,000	22,113,000	21,773,000	20,724,000
Kerosene output (bbls.)	Jan. 19	2,872,000	3,045,000	2,664,000	2,926,000
Distillate fuel oil output (bbls.)	Jan. 19	9,606,000	9,891,000	10,150,000	9,366,000
Residual fuel oil output (bbls.)	Jan. 19	9,121,000	9,585,000	9,017,000	9,637,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Jan. 19	131,310,000	128,333,000	117,618,000	123,782,000
Kerosene (bbls.) at	Jan. 19	21,864,000	22,628,000	26,892,000	17,177,000
Distillate fuel oil (bbls.) at	Jan. 19	69,783,000	75,586,000	87,847,000	61,147,000
Residual fuel oil (bbls.) at	Jan. 19	39,716,000	40,944,000	43,307,000	40,109,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Jan. 19	747,662	742,757	671,622	779,750
Revenue freight received from connections (number of cars)	Jan. 19	676,675	648,220	599,893	731,540
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Jan. 24	$309,273,000	$249,214,000	$173,495,000	$305,269,000
Private construction	Jan. 24	242,207,000	166,473,000	106,654,000	235,369,000
Public construction	Jan. 24	67,066,000	82,741,000	66,841,000	69,900,000
State and municipal	Jan. 24	50,000,000	58,677,000	61,137,000	48,380,000
Federal	Jan. 24	17,066,000	24,064,000	5,704,000	21,520,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Jan. 19	11,330,000	11,760,000	10,695,000	11,175,000
Pennsylvania anthracite (tons)	Jan. 19	944,000	950,000	924,000	956,000
Beehive coke (tons)	Jan. 19	148,000	*151,900	152,300	162,400
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE = 100	Jan. 19	259	*265	657	301
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Jan. 26	7,616,421	7,539,879	6,921,625	6,969,566
FAILURES (COMMERCIAL AND INDUSTRIAL)—DUN & BRADSTREET, INC.	Jan. 24	142	158	163	193
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Jan. 22	4.131c	4.131c	4.131c	4.131c
Pig iron (per gross ton)	Jan. 22	$52.72	$52.72	$52.72	$52.69
Scrap steel (per gross ton)	Jan. 22	$42.00	$42.00	$42.00	$46.08
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Jan. 23	24.200c	24.200c	24.200c	24.200c
Export refinery at	Jan. 23	27.425c	27.425c	27.425c	24.425c
Straits tin (New York) at	Jan. 23	121.500c	103.000c	103.000c	178.000c
Lead (New York) at	Jan. 23	19.000c	19.000c	19.000c	17.000c
Lead (St. Louis) at	Jan. 23	18.800c	18.800c	18.800c	16.800c
Zinc (East St. Louis) at	Jan. 23	19.500c	19.500c	19.500c	17.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Jan. 29	96.53	96.42	96.36	101.34
Average corporate	Jan. 29	109.42	108.88	108.16	116.02
Aaa	Jan. 29	114.08	113.70	112.37	120.02
Aa	Jan. 29	112.75	112.19	111.62	118.80
A	Jan. 29	107.80	107.44	107.09	115.43
Baa	Jan. 29	103.30	102.63	101.97	110.15
Railroad Group	Jan. 29	105.34	104.66	103.64	112.75
Public Utilities Group	Jan. 29	109.42	108.88	108.34	116.02
Industrials Group	Jan. 29	113.50	113.12	112.75	119.20
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Jan. 29	2.73	2.74	2.75	2.40
Average corporate	Jan. 29	3.20	3.23	3.27	2.85
Aaa	Jan. 29	2.95	2.97	3.04	2.65
Aa	Jan. 29	3.02	3.05	3.08	2.71
A	Jan. 29	3.29	3.31	3.33	2.88
Baa	Jan. 29	3.55	3.59	3.63	3.16
Railroad Group	Jan. 29	3.43	3.47	3.53	3.02
Public Utilities Group	Jan. 29	3.20	3.23	3.26	2.85
Industrials Group	Jan. 29	2.98	3.00	3.02	2.69
MOODY'S COMMODITY INDEX	Jan. 29	456.7	456.6	458.0	529.2
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Jan. 19	193,052	195,092	153,591	218,278
Production (tons)	Jan. 19	204,021	210,349	203,923	244,416
Percentage of activity	Jan. 19	85	86	86	104
Unfilled orders (tons) at end of period	Jan. 19	392,482	405,521	333,224	705,371
OIL, PAINT AND DRUG REPORTER PRICE INDEX — 1926-36 AVERAGE = 100	Jan. 25	145.9	146.6	147.2	152.1
STOCK TRANSACTIONS FOR THE ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON THE N. Y. STOCK EXCHANGE—SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—					
Number of orders	Jan. 12	40,248	27,695	26,929	51,396
Number of shares	Jan. 12	1,122,380	756,017	774,374	1,553,886
Dollar value	Jan. 12	$54,174,482	$35,709,466	$34,369,715	$65,981,391
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Jan. 12	27,542	18,712	24,487	47,785
Customers' short sales	Jan. 12	225	120	122	514
Customers' other sales	Jan. 12	27,317	18,592	24,365	47,271
Number of shares—Total sales	Jan. 12	770,803	511,331	678,350	1,377,606
Customers' short sales	Jan. 12	7,701	4,222	4,316	18,543
Customers' other sales	Jan. 12	763,102	507,109	674,034	1,359,063
Dollar value	Jan. 12	$32,714,977	$21,071,800	$27,959,465	$53,607,787
Round-lot sales by dealers—					
Number of shares—Total sales	Jan. 12	182,340	133,850	212,650	365,040
Short sales	Jan. 12	------	------	------	------
Other sales	Jan. 12	182,340	133,850	212,650	365,040
Round-lot purchases by dealers—					
Number of shares	Jan. 12	537,570	350,770	298,940	551,430
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR—1926 = 100:					
All commodities	Jan. 22	175.9	176.5	177.3	181.4
Farm products	Jan. 22	188.9	192.0	195.1	197.5
Grains	Jan. 22	196.4	194.0	196.7	186.2
Livestock	Jan. 22	228.7	232.8	237.6	257.0
Foods	Jan. 22	186.2	187.5	189.2	182.9
Meats	Jan. 22	264.3	265.2	265.1	263.5
All commodities other than farm and foods	Jan. 22	165.1	165.2	165.5	171.1
Textile products	Jan. 22	158.2	158.6	160.0	182.6
Fuel and lighting materials	Jan. 22	138.9	138.8	138.8	136.4
Metals and metal products	Jan. 22	191.5	190.8	190.9	187.7
Building materials	Jan. 22	223.7	223.6	224.6	227.6
Lumber	Jan. 22	346.1	346.1	347.9	‡
Chemicals and allied products	Jan. 22	133.5	137.5	137.6	145.7

*Revised. ‡Not available. ¶Includes 429,000 barrels of foreign crude runs.

	Latest Month	Previous Month	Year Ago
BUSINESS INCORPORATION (NEW) IN THE UNITED STATES—DUN & BRADSTREET, INC.—Month of November	6,288	6,812	6,256
BUSINESS INVENTORIES, DEPT. OF COMMERCE NEW SERIES — Month of Nov. (millions of dollars):			
Manufacturing	$41,462	*$41,354	$32,245
Wholesale	10,010	*10,109	9,005
Retail	18,408	18,545	17,704
Total	$69,880	$70,008	$58,954
BUSINESS FAILURES—DUN & BRADSTREET, INC.—Month of December:			
Manufacturing number	131	106	143
Wholesale number	66	58	77
Retail number	296	307	330
Construction number	71	68	62
Commercial service number	48	48	67
Total number	612	587	679
Manufacturing liabilities	$6,515,000	$6,158,000	$5,352,000
Wholesale liabilities	3,586,000	2,348,000	2,260,000
Retail liabilities	5,177,000	4,369,000	5,479,000
Construction liabilities	2,251,000	3,740,000	4,748,000
Commercial service liabilities	1,874,000	952,000	3,205,000
Total liabilities	$19,403,000	$17,567,000	$21,044,000
CONSUMER PURCHASES OF COMMODITIES —DUN & BRADSTREET, INC. (1935-1939=100)—Month of December	326.4	*335.8	315.1
COTTON GINNING (DEPT. OF COMMERCE			
Running bales as of Jan. 16	14,508,132	------	9,688,157
COTTON SPINNING (DEPT. OF COMMERCE):			
Spinning spindles in place on Dec. 29	23,152,000	23,124,000	23,149,000
Spinning spindles active on Dec. 29	20,264,000	20,519,000	20,730,000
Active spindle hours, (000's omitted) Dec.	7,823,000	8,486,000	9,376,000
Active spindle hrs. per spindle in place Dec.	438.7	464.1	523.2
DEPARTMENT STORE SALES—SECOND FEDERAL RESERVE DISTRICT, FEDERAL RESERVE BANK OF N. Y. — 1947-1949 AVERAGE = 100—Month of December:			
Sales (average monthly), unadjusted	175	128	181
Sales (average daily), unadjusted	179	131	185
Sales (average daily), seasonally adjusted	103	104	106
Stocks, unadjusted	106	132	104
Stocks, seasonally adjusted	115	115	113
LIFE INSURANCE—BENEFIT PAYMENTS TO POLICYHOLDERS — INSTITUTE OF LIFE INSURANCE—Month of November:			
Death benefits	$136,825,000	$147,059,000	$136,412,000
Matured endowments	42,448,000	40,377,000	40,493,000
Disability payments	8,311,000	8,605,000	8,381,000
Annuity payments	24,109,000	22,601,000	21,253,000
Surrender values	53,220,000	58,909,000	55,930,000
Policy dividends	50,458,000	50,097,000	43,378,000
Total	$315,371,000	$327,648,000	$305,847,000
LIFE INSURANCE PURCHASES — INSTITUTE OF LIFE INSURANCE — Month of Nov. (000's omitted):			
Ordinary	$1,547,000	$1,549,000	$1,356,000
Industrial	453,000	481,000	455,000
Group	446,000	253,000	881,000
Total	$2,446,000	$2,283,000	$2,692,000
MANUFACTURERS' INVENTORIES & SALES (DEPT. OF COMMERCE) NEW SERIES— Month of November (millions of dollars):			
Inventories:			
Durable	$22,057	*$21,772	$15,644
Nondurable	19,405	*19,581	16,601
Total	$41,462	*$41,354	$32,245
Sales	22,592	*22,592	20,524
PERSONAL INCOME IN THE UNITED STATES (DEPARTMENT OF COMMERCE)—Month of November (in billions):			
Total personal income	$256.7	$257.5	$236.4
Wage and salary receipts, total	170.4	*169.5	154.2
Total employer disbursements	174.0	*173.1	157.3
Commodity producing industries	75.0	*75.1	69.9
Distributing industries	46.0	*46.1	43.2
Service industries	20.5	*20.4	19.5
Government	32.5	31.5	24.7
Less employee contributions for social insurance	3.6	3.6	3.1
Other labor income	3.9	3.8	3.7
Proprietors and rental income	49.1	*50.5	47.2
Personal interest income and dividends	20.7	20.8	19.5
Total transfer payments	12.6	*12.9	11.8
Total nonagricultural income	235.1	234.5	215.5
PRICES RECEIVED BY FARMERS — INDEX NUMBER — U. S. DEPT. OF AGRICULTURE — August, 1909-July, 1941=100—As of November 15:			
Unadjusted—			
All farm products	301	296	276
Crops	267	247	250
Food grain	249	239	224
Feed grain and hay	224	219	192
Tobacco	424	445	428
Cotton	345	304	346
Fruit	172	188	194
Truck crops	249	171	188
Oil-bearing crops	307	296	351
Livestock and products	332	340	299
Meat animals	387	410	357
Dairy products	305	294	267
Poultry and eggs	249	247	209
SELECTED INCOME ITEMS OF U. S. CLASS I RYS. (Interstate Commerce Commission) —Month of October:			
Net railway operating income	$121,899,695	$75,724,640	$134,459,629
Other income	18,244,433	15,356,194	17,794,309
Total income	140,144,128	91,080,834	152,253,938
Miscellaneous deductions from income	4,214,377	4,653,008	4,036,865
Income available for fixed charges	135,929,751	86,427,826	148,217,073
Income after fixed charges	100,840,276	53,364,711	111,031,776
Other deductions	3,000,767	3,109,724	3,272,329
Net income	97,839,509	50,254,987	107,759,447
Depreciation (way & structures & equip.)	37,729,060	40,900,933	36,470,703
Amortization of defense projects	5,306,080	4,386,012	1,279,513
Federal income taxes	71,238,939	52,551,476	86,904,307
Dividend appropriations:			
On common stock	14,649,827	11,386,349	14,065,088
On preferred stock	4,773,286	1,580,832	12,232,312
Ratio of income to fixed charges	3.87	2.61	3.99

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● ITEMS REVISED

American-Canadian Uranium Co., Ltd., N. Y.
Dec. 28 filed 850,000 shares of common stock (par 10c). Company will offer stockholders who purchased 10,327 shares under an earlier registration statement at $3.50 per share who desire to rescind the transaction, to cancel the transaction and refund $3.50 per share, or to refund $1.50 per share to those desiring to retain the stock. **Price**—$2 per share. **Underwriter**—None. **Proceeds**—To repay loans and other liabilities and for exploration expenses.

American Fire & Casualty Co., Orlando, Fla.
Dec. 19 (letter of notification) 11,100 shares of common stock (par $10). **Price** — $27 per share. **Underwriter** — Guardian Credit Corp., Orlando, Fla. **Proceed** — For purchase of securities. **Office** — American Building, Orlando, Fla.

★ **American Tractor Corp., Churubusco, Ind.**
Jan. 25 (letter of notification) 60,000 shares of common stock (par $2). **Price**—$5 per share **Proceeds**—For working capital. **Underwriter**—None.

★ **Argo Oil Corp., Denver, Colo.**
Jan. 21 (letter of notification) 3,000 shares of common stock (par $5). **Price** — At market (approximately $27 per share). **Proceeds**—To G. J. Mueller, the selling stockholder. **Underwriter**—Carl H. Pforzheimer & Co., New York.

Arizona Mining Corp. (Del.)
Dec. 28 (letter of notification) 294,000 shares of class A capital stock, of which 194,000 shares will be sold by company and 100,000 shares by New Jersey Loan Co. **Price**—At par ($1 per share). **Underwriter**—W. C. Doehler Co., Jersey City, N. J. **Proceeds**—For new mill, tunneling and core-drilling expenses and working capital.

Basalt Rock Co., Inc., Napa, Calif.
Jan. 10 (letter of notification) 12,000 shares of common stock (par $1). **Price**—$8.25 per share. **Underwriter**—Dean Witter & Co., San Francisco, Calif. **Proceeds**—To A. G. Streblow, the selling stockholder. **Office**—Eighth and River Sts., Napa, Calif.

Basic Refractories, Inc., Cleveland, Ohio
Jan. 2 filed 63,585 shares of common stock (par $1) to be offered to common stockholders at rate of one share for each five shares held. **Price**—$10 per share. **Underwriter**—None. **Proceeds**—To H. P. Eells, Jr., President, who is the selling stockholder.

Benbow Manufacturing Co., Burlingame, Calif.
Dec. 7 (letter of notification) 85,000 shares of capital stock (par $1), of which 10,000 shares are to be offered first to stockholders and 75,000 shares offered publicly. **Price**—$3 per share. **Underwriter**—None, but Davies & Co., San Francisco, Calif., acts as agent. **Proceeds**—To retire debt and for working capital. **Office**—1285 Rollins Road, Burlingame, Calif.

Brooks & Perkins, Inc., Detroit, Mich.
Jan. 2 (letter of notification) 25,511 shares of common stock (par $1). **Price**—$4.25 per share. **Underwriter**—Watling, Lerchen & Co., Detroit, Mich. **Proceeds** — To construct and equip a magnesium rolling mill. **Office**—1950 West Fort St., Detroit 16, Mich.

Burlington Mills Corp.
March 5, 1951, filed 300,000 shares of convertible preferred stock (par $100). **Price**—To be supplied by amendment. **Underwriter**—Kidder, Peabody & Co., New York. **Proceeds**—For additions and improvements to plant and equipment. Offering date postponed.

★ **Bush Terminal Buildings Co., N. Y.**
Jan. 25 filed (1) $5,527,800 of 5% general mortgage 30-year income bonds due 1982; (2) 55,278 shares of 5% cumulative convertible prior preferred stock (par $50); and (3) 772,240 shares of common stock (par 10 cents), all to be offered in exchange (under a plan of recapitalization) for presently outstanding stocks as follows: For each share of 7% preferred stock held, one $100 5% bond, one share of 5% preferred stock and one share of new 10-cent par common stock; and for each share of $5 par common stock held, 50 cents of the new stock. **Underwriter**—None.

★ **Calhoun City Telephone Co., Inc., Calhoun City, Miss.**
Jan. 25 (letter of notification) 6,000 shares of common stock (par $10), of which 2,500 shares will be offered to the public at par and 3,500 shares will be offered in exchange for all of the presently outstanding stock of Calhoun City Telephone Co. Inc. **Proceeds**—To meet conditions of REA loan. **Underwriter**—none.

NEW ISSUE CALENDAR

January 31, 1952
Chicago & Eastern Illinois RR.------Eq. Trust Ctfs.
(Bids noon CST)

February 1, 1952
Federal Loan Co. of Pittsfield, Inc.------Preferred
(Simon, Strauss & Himme and William N. Pope, Inc.)
Southwestern Public Service Co.----------Common
(Dillon, Read & Co.)

February 4, 1952
Kansas-Nebraska Natural Gas Co., Inc.----Common
(Cruttenden & Co.; First Trust Co. of Lincoln, Neb.)
Maine Public Service Co.-----------------Common
(Merrill Lynch, Pierce, Fenner & Beane; Kidder, Peabody & Co.)
Monsanto Chemical Co.-------------------Common
(Smith, Barney & Co.)
Pioneer Air Lines, Inc.--------------------Common
(Cruttenden & Co.)
Raytheon Manufacturing Co.--------------Common
(Hornblower & Weeks; Paine, Webber, Jackson & Curtis)
Texas Industries, Inc.-----------------Debentures
(Rauscher, Pierce & Co.)
United Canadian Oil Corp.----------------Common
(Aigeltinger & Co.)

February 5, 1952
Illinois Central RR.------------Equip. Trust Ctfs.
(Bids noon CST)
Louisville Gas & Electric Co.----------------Bonds
(Bids 10:30 a.m. CST)
Marathon Corp. --------------------------Common
(Lee Higginson Corp.)
Merritt-Chapman & Scott Corp.----------Preferred
(Carl M. Loeb, Rhoades & Co.)
Pennsylvania Power Co.---------------------Bonds
(Bids 11 a.m. EST)
Servomechanisms, Inc. --------------------Common
(Van Alstyne Noel Corp.)
Spear & Co.-----------------------------Preferred
(Offer to common stockholders)

February 7, 1952
Owens-Corning Fiberglas Corp. ----------Common
(Goldman, Sachs & Co.; Lazard Freres & Co.,; White, Weld & Co.)

February 8, 1952
Central Illinois Electric & Gas Co.---------Common
(Stone & Webster Securities Corp.; Allen & Co.)

February 13, 1952
Oliver Corp. ------------------------------Common
(Blyth & Co., Inc.; Merrill Lynch, Pierce, Fenner & Beane; and Paine, Webber, Jackson & Curtis)

February 14, 1952
Keller Tool Co.----------------------------Common
(Paul H. Davis & Co.)

February 18, 1952
Cinerama, Inc. ------------------------Debentures
(Gearhart, Kinnard & Otis, Inc.)

February 19, 1952
Dayton Rubber Co.-------------------------Common
(Lehman Brothers)
Koppers Co., Inc.--------------------------Common
(First Boston Corp.)

February 20, 1952
Southern Ry. -----------------Equip. Trust Ctfs.
(Bids to be invited)

February 26, 1952
Central Illinois Electric & Gas Co.-----------Bonds
(Bids 10:30 a.m. CST)
Delaware Power & Light Co.--------------Preferred
(Bids noon EST)
Erie Forge & Steel Corp.-----------------Preferred
(Lee Higginson Corp.; P. W. Brooks & Co.)

February 28, 1952
Chicago, Milwaukee, St. Paul & Pacific RR. -----------------Equip. Trust Ctfs.
(Bids to be invited)

March 1, 1952
United States National Bank, Portland, Ore.-------------------------Common
(Probably Blyth & Co., Inc.; Merrill Lynch, Pierce, Fenner & Beane)

March 4, 1952
Central Power & Light Co.------------------Bonds
(Bids to be invited)

March 18, 1952
Interstate Power Co.------------Bonds & Common
(Bids to be invited)
Metropolitan Edison Co.-------Bonds & Preferred
(Bids noon EST)

March 25, 1952
Southern California Gas Co.------------------Bonds
(Bids to be invited)

April 1, 1952
West Penn Power Co.------------------------Bonds
(Bids to be invited)

Central Illinois Electric & Gas Co. (2/8)
Jan. 18 filed 64,000 shares of common stock (par $15) to be offered to common stockholders of record about Feb 8 at rate of one share for each 10 shares held with an oversubscription privilege; rights to expire about Feb. 21 **Price**—To be supplied by amendment. **Dealer—Managers**—Stone & Webster Securities Corp. and Allen & Co., both of New York. **Proceeds**—For new construction and to repay bank loans.

● **Central Illinois Electric & Gas Co. (2/26)**
Jan. 23 filed $4,000,000 of first mortgage bonds, series due 1982. **Proceeds**—For construction program and to repay bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp., Central Republic Co. (Inc.) and Harris, Hall & Co. (Inc.) (jointly); Smith. Barney & Co.; Harriman Ripley & Co., Inc. **Bids**—Expected up to 10:30 a.m. (CST) on Feb. 26.

★ **Cinerama, Inc., New York (2/18-19)**
Jan. 29 filed $1,000,000 of 5% convertible debentures due 1957. **Price**—100% of principal amount. **Proceeds**—For production and exhibition equipment. **Business**—Exploitation of the so-called "Cinerama Process," a new method of photographic recording and projecting motion pictures. **Underwriter** — Gearhart, Kinnard & Otis, Inc., New York, on a "best-efforts basis."

Coastal Commercial Corp.
Jan. 10 (letter of notification) $200,000 of debentures (in denominations of $300 and $1,000 each). **Price**—80% of principal amount. **Underwriter**—Israel & Co. New York. **Proceeds**—For working capital. **Office**—1440 Broadway, New York, N. Y.

Columbia Pictures Corp., New York
Dec. 26 filed 1,359 shares of common stock (no par) **Price**—At market (about $12.75 per share). **Underwriter**—None. **Proceeds**—To certain selling stockholders.

★ **Consolidated Uranium Mines, Inc.**
Jan. 22 (letter of notification) 357,000 shares of common stock (par 7½ cents). **Price** — 42 cents per share. **Proceeds**—To pay outstanding production notes and for working capital. **Office**—522 Felt Bldg., Salt Lake City, Utah. **Underwriter**—Tellier & Co., New York.

★ **Consumers Cooperative Association, Kansas City, Mo.**
Jan. 24 filed $3,000,000 of 10-year 4½% certificates of indebtedness and $5,000,000 of 20-year 5½% certificates of indebtedness. **Proceeds**—$4,000,000 to be used to aid in financing construction of an agricultural nitrogen fixation plant to be constructed and operated through a subsidiary, The Cooperative Farm Chemical Association, and the remaining $4,000,000 to be added to general funds of the Association and used for all corporate purposes. **Underwriter**—None.

Crookes Laboratories, Inc., N. Y.
Jan. 17 (letter of notification) 4,751 shares of capital stock (par $1), to be offered to stockholders of record Jan. 24 at rate of 1 new share for each 20 shares held; rights to expire on Feb. 25. **Price**—$3.75 per share. **Underwriter**—None. **Proceeds**—For working capital. **Office**—305 East 45th St., New York 17, N. Y.

Crusader Corp., Denver, Colo.
Jan. 16 (letter of notification) 2,000,000 shares of capital stock. **Price**—15 cents per share. **Underwriter**—J. W. Hicks & Co., Denver Colo. **Proceeds**—For drilling and development. **Office**—1717 East Colfax Ave., Denver 6, Colorado.

● **Dayton Power & Light Co.**
Jan. 8 filed 256,007 shares of common stock (par $7) being offered to common stockholders of record Jan. 28 on basis of one share for each nine shares held; rights to expire on Feb. 15. **Price**—$32 per share. **Underwriters**—Morgan Stanley & Co. and W. E. Hutton & Co. **Proceeds**—To repay bank loans and for construction program.

★ **Dayton Rubber Co., Dayton, O. (2/19)**
Jan. 30 filed 85,000 shares of common stock (par 50¢). **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Underwriter**—Lehman Bros., New York.

★ **Delaware Power & Light Co. (2/26)**
Jan. 29 filed 50,000 shares of cumulative preferred stock (par $100). **Proceeds**—For new construction and to repay bank loans. **Underwriters**—To be determined by competitive bidding. Probable bidders: Lehman Brothers; W. C. Langley & Co.; White, Weld & Co. and Shields & Co. (jointly); Morgan Stanley & Co.; Blyth & Co., Inc. **Bids**—Tentatively expected to be received up to noon (EST) on Feb. 26.

Diesel-Power Corp., Pittsburgh, Pa.
Jan. 10 filed 475,000 shares of common stock to be offered first to holders of preferential rights for a limited time. **Price** — At par ($1 per share). **Underwriter** — Graham & Co., Pittsburgh, Pa. **Proceeds**—For development costs and working capital.

★ **Diversified Funds, Inc., New York**
Jan. 24 filed 1,500,000 shares of special stocks 23 series. **Price**—At market. **Proceeds**—For investment. **Underwriter**—Hugh W. Long & Co., Inc., New York.

● **Erie Forge & Steel Corp., Erie, Pa. (2/26-27)**
Jan. 28 filed (by amendment) 200,000 shares of 6% convertible preferred stock (par $10). **Price**—To be supplied by amendment. **Underwriters**—Lee Higginson Corp. and P. W. Brooks & Co., Inc., both of New York. **Proceeds**—To retire outstanding 5% first preferred stock at par ($100 per share) and for general corporate purposes.

★ **Federal Loan Co. of Pittsfield, Inc. (2/1)**
Jan. 21 (letter of notification) a maximum of 14,814 shares of $1.20 cumulative preferred stock (no par) to be offered to stockholders of record Jan. 28 through negotiable stock warrants. Unsubscribed shares to be publicly offered (in which event number of shares offered will be reduced so aggregate price will be less than $300,000); rights to expire Feb. 20. **Price**—To stockholders, $20.25 per share; and to public, $21 per share. **Proceeds**—To expand buisness. **Underwriters**—Simon, Strauss & Himme, New York; and William N. Pope, Inc., Syracuse, N. Y.

★ **Fenimore Iron Mines Ltd., Toronto, Canada**
Jan. 25 filed 4,007,584 shares of common stock (par $1) and 2,003,792 common stock purchase warrants of which 2,003,792 shares are to be offered to present common stockholders at 75 cents per share (Canadian funds) on a basis of one new share for each two shares held. Subscribers will receive, for each share subscribed, a warrant to purchase one additional share at $1.25 (Canadian funds) per share until June 1, 1953, or an additional 2,003,792 shares. Unsubscribed shares will be offered by the company at the same price and carrying the same warrants. **Proceeds**—To finance drilling program. **Underwriter**—None.

General Credit Corp., Miami, Fla.
Dec. 29 (letter of notification) 75,000 shares of common stock (par $1). **Price** — $4 per share. **Underwriter**—George R. Holland Associates, Miami, Fla. **Proceeds**—For use in small loan subsidiary branches. **Office**—440 Biscayne Blvd., Miami, Fla.

Given Manufacturing Co., Los Angeles, Calif.
Jan. 7 (letter of notification) 30,000 shares of 6% cumulative convertible preferred stock, series A. **Price**—At par ($10 per share). **Underwriter**—First Investment Co., Los Angeles, Calif. **Proceeds**—For working capital. **Office**—3301 Fruitland Road, Los Angeles 58, Calif.

Golconda Mines Ltd., Montreal, Canada
April 9 filed 750,000 shares of common stock. **Price**—At par ($1 per share). **Underwriter**—George F. Breen New York. **Proceeds**—For drilling expenses, repayment of advances and working capital. **Offering**—Date not set

★ **Great Western Mining Co., Albuquerque, N. M.**
Jan. 23 (letter of notification) 25,000 shares of common stock (par $5) and 1,250 shares of preferred stock (par $100). **Price**—At par. **Proceeds**—To liquidate indebtedness and for expansion. **Address**—P. O. Box 1568, Albuquerque, N. M. **Underwriter**—None.

★ **Gulf Insurance Co., Dallas, Tex.**
Jan. 21 (letter of notification) 5,000 shares of common stock (par $10) to be offered for subscription by common stockholders at rate of one share for each 34 shares held; unsubscribed shares to be offered publicly. **Price**—$45 per share. **Proceeds** — For capital and surplus funds. **Address**—P. O. Box 1771, Dallas, Texas. **Underwriter**—None.

Gyrodyne Co. of America, Inc., New York
Jan. 17 (letter of notification) 25,680 shares of 6% convertible preferred stock, to be offered first to common stockholders of record Jan. 24 at rate of 1 preferred share for each 10 class A common shares held, with an oversubscription privilege; rights expire on Feb. 4. **Price**—At par ($5 per share). **Underwriter**—Company and Jackson & Co., Inc., Boston, Mass. **Proceeds**—To finance military contracts and for working capital.

Hawkeye-Security Insurance Co.
Nov. 5 (letter of notification) 2,000 shares of 5% cumulative preferred stock (par $50). **Price**—At market (currently $50 per share). **Underwriter**—Quail & Co., Davenport, Ia., and Becker & Cownie, Des Moines, Ia **Proceeds** — To six selling stockholders. **Office** — 1017 Walnut St., Des Moines 9, Ia. **Offering**—Temporarily delayed.

Hecla Mining Co., Wallace, Ida.
Jan. 17 (letter of notification) 3,000 shares of capital stock (par 25 cents). **Price**—At market (approximately $18 per share). **Proceeds**—To Mrs. M. K. Pollard, the selling stockholder. **Underwriter**—Thomson & McKinnon, New York.

Herbert Helmus-Hardware Corp.
Jan. 17 (letter of notification) 7,600 shares of class A common stock, 20,000 shares of class B common stock and 20,000 shares of preferred stock. **Price**—At par ($5 per share). **Underwriter**—None. **Proceeds**—For expansion and working capital. **Office**—1621 Nostrand Ave., Brooklyn, N. Y.

★ **Hull (A. E.) Pottery Co., Crooksville, Ohio**
Jan. 23 (letter of notification) $250,000 of debentures. **Price** — At par (in denominations of $100 each. **Proceeds**—To retire some of the presently outstanding debentures and purchase some of the outstanding stock. **Underwriter**—None.

★ **Income Indemnity Insurance Co., Rockford, Ill.**
Jan. 22 (letter of notification) 100,000 shares of capital stock (par $1). **Price**—$3 per share. **Proceeds**—For organizational expenses and working capital. **Address**—c/o Lee Crouch, 424 11th Street, Rockford, Ill. **Underwriter**—None.

● **Independent Exploration Co., Bakersfield, Calif.**
Jan. 17 (letter of notification) $38,000 aggregate amount of shares of common stock (par 33⅓ cents). It had previous been erroneously reported that 114,000 shares had been filed. **Price**—At market (approximately $14 per share). **Proceeds**—To L. W. Saunders and L. R. Seaman, two selling stockholders. **Office**—531 California Ave., Bakersfield, Calif. **Underwriter**—None.

Kansas City Power & Light Co.
Jan. 3 filed 317,792 shares of common stock (no par), being offered for subscription by common stockholders at rate of one share for each six common shares held on Jan. 22, rights to expire on Feb. 6. **Price**—$26.50 per share. **Underwriters**—The First Boston Corp. and Blyth & Co., Inc., New York. **Proceeds**—To repay bank loans and for construction.

● **Kansas-Nebraska Natural Gas Co., Inc. (2/4)**
Jan. 14 filed 77,355 shares of common stock (par $5) to be offered first to common stockholders about Feb. 4 (for a 14-day standby) at rate of one share for each 10 shares held. **Price**—$20 per share. **Underwriters**—Cruttenden & Co., Chicago, Ill.; The First Trust Co. of Lincoln, Neb.; Harold E. Wood & Co., St. Paul, Minn.; Beecroft, Cole & Co., Topeka, Kan.; Rauscher, Pierce & Co., Dallas, Texas, and United Trust Co., Abilene, Kan. **Proceeds**—For new construction and to retire bank loans.

● **Kearney & Trecker Corp., West Allis, Wis.**
Dec. 26 (letter of notification) 5,800 shares of common stock (par $3). **Price**—$17 per share. **Underwriters**—Blyth & Co., Inc., and Robert W. Baird & Co., Inc. **Proceeds**—To Francis J. Trecker, the selling stockholder. **Office**—6784 W. National Ave., West Allis 14, Wis. Temporarily postponed.

★ **Keck Oil Co., Long Beach, Calif.**
Jan. 24 (letter of notification) 185,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—to drill an exploratory oil and gas well. **Office**—218 East First St., Long Beach 2, Calif. **Underwriter**—None.

★ **Keller Tool Co., Grand Haven, Mich. (2/14)**
Jan. 25 filed 86,750 shares of common stock (par $5). **Price**—To be supplied by amendment (expected around $14 per share). **Proceeds**—To reimburse the company in the amount of $574,825 for expenditures made for plant, property and equipment, and the balance for working capital. **Underwriter**—Paul H. Davis & Co., Chicago, Ill.

★ **Keystone Custodian Funds, Inc., Boston, Mass.**
Jan. 28 filed 100,000 shares, series B-1; 25,000 shares, series S-3; 50,000 shares, series S-2; 25,000 shares, series K-2; and 50,000 shares, series B-2. **Price**—At market. **Proceeds**—For investment. **Underwriter**—The Keystone Co. of Boston.

★ **Koppers Co., Inc., Pittsburgh, Pa. (2/19)**
Jan. 29 filed 250,000 shares of common stock (par $10). **Price**—To be supplied by amendment. **Proceeds**—For expansion program. **Underwriter**—The First Boston Corp., New York.

Lindemann (A. J.) & Hoverson Co.
Nov. 28 filed 112,500 shares of common stock (par $1). **Price**—To be supplied by amendment. **Underwriter**—Sills, Fairman & Harris, Inc., Chicago, Ill. **Proceeds**—To eight selling stockholders. **Offering**—Date indefinite.

● **Louisville Gas & Electric Co. (Ky.) (2/5)**
Jan. 9 filed $12,000,000 of first mortgage bonds due Feb. 1, 1982. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Blyth & Co., Inc. (jointly); The First Boston Corp. **Proceeds**—For property additions. **Bids**—Expected to be received up to 10:30 a.m. (CST) on Feb. 5 at Room 1100, 231 So. La Salle St., Chicago 4, Ill. Statement effective Jan. 25.

Maine Public Service Co. (2/4)
Jan. 15 filed 35,000 shares of common stock (par $10) to be offered first to common stockholders at rate of one share for each five shares held on or about Feb. 4, with oversubscription privileges; rights to expire about Feb. 25. **Price**—To be supplied by amendment. **Underwriters** — Merrill Lynch, Pierce, Fenner & Beane, and Kidder, Peabody & Co., both of New York. **Proceeds**—To repay bank loans and for new construction.

★ **Managed Funds, Inc., St. Louis, Mo.**
Jan. 25 filed 2,500,000 shares of capital stock. **Price**—At market. **Proceeds**—For investment. **Underwriter**—Slayton & Co., Inc., St. Louis, Mo.

Marathon Corp., Rothschild, Wis. (2/5)
Jan. 15 filed 400,000 shares of common stock (par $6.25). **Price**—To be supplied by amendment. **Underwriter**—Lee Higginson Corp., New York. **Proceeds**—To be added to general funds to be used for expansion. **Business**—Manufacturer of paper and paper machines.

Marshall Field & Co., Chicago, Ill.
Dec. 19 filed 150,000 shares of 4½% cumulative convertible preferred stock (par $100). **Price**—To be supplied by amendment. **Underwriters**—Glore, Forgan & Co. and Lee Higginson Corp., New York. **Proceeds**—To retire bank loans. **Offering**—Indefinitely postponed.

● **McKay Machine Co., Youngstown, Ohio**
Jan. 14 (letter of notification) 6,399 shares of common stock (no par), to be offered to common stockholders of record Jan. 31 at rate of one share for each ten shares held; rights to expire on March 17. Any unsubscribed shares will be offered to employees. **Price**—$25 per share. **Underwriter**—None. **Proceeds**—To pay for plant expansion and new equipment. **Office**—767 West Federal St., Youngstown, Ohio.

Merchants Petroleum Co., Inc.
Dec. 17 (letter of notification) 4,000 shares of common stock (par $1). **Price** — At market (approximately 65 cents per share). **Underwriter**—Akin-Lambert & Co., Los Angeles, Calif. **Proceeds**—To R. Wayne Hudelson, the selling stockholder. **Office**—639 So. Spring Street, Los Angeles 14, Calif.

Merritt-Chapman & Scott Corp. (2/5)
Jan. 15 filed 100,000 shares of cumulative convertible preferred stock (par $50). **Price**—To be supplied by amendment. **Underwriter**—Carl M. Loeb, Rhoades & Co., New York. **Proceeds**—For expansion program.

Metals & Chemicals Corp., Dallas, Tex.
Nov. 26 (letter of notification) 100,000 shares of common stock (par 10 cents). **Price**—$3 per share. **Underwriter**—Beer & Co. and Binford, Dunlap & Reed, both of Dallas, Tex.; Carlson & Co., Birmingham, Ala., and Stuart Wyeth & Co. of Philadelphia, Pa. **Proceeds**—To purchase and install mill and for mining equipment and working capital. **Offering**—Originally scheduled for Dec. 5, but deferred temporarily. Corporation is considering increasing its financing and is now preparing a full registration statement which is expected to be filed about March 14.

● **Monsanto Chemical Co., St. Louis, Mo. (2/4)**
Jan. 16 filed 400,000 shares of common stock (par $5). **Price**—To be supplied by amendment. **Underwriter**—Smith, Barney & Co., New York. **Proceeds**—To be added to general funds to be used for expansion of plant facilities. **Offering**—Expected early in February.

Moore 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.

★ **Murphy (A. A.) & Co., Inc., St. Paul, Minn.**
Jan. 23 (letter of notification) 5,000 shares of 5½% prior preferred stock, 1947 series. **Price**—At par ($50 per share). **Proceeds** — To pay bank loans. **Underwriter** — Piper, Jaffray & Hopwood, Minneapolis, Minn.

● **New Britain Machine Co.**
Jan. 2 filed 70,000 shares of common sthock (no par) being offered to common stockholders of record Jan. 18 at rate of one share for each two shares held; rights expire on Feb. 29. **Price**—$20 per share. **Underwriter**—None. **Proceeds**—For working capital. **Business**—Manufacture of multiple spindle automatic screw machines, etc. Statement effective Jan. 21.

Niagara Mohawk Power Corp.
Jan. 17 filed 20,196.1 shares of class A stock (no par). **Price**—At current market prices on the New York Stock Exchange. **Underwriter** — None. **Proceeds** — To United Corp., the selling stockholder.

★ **Oliver Corp., Chicago, Ill. (2/13)**
Jan. 24 filed 171,090 shares of common stock (par $1) to be offered for subscription by common stockholders of record Feb. 13 on basis of one new share for each five shares held; rights to expire on Feb. 27. **Price**—To be supplied by amendment. **Proceeds** — To reduce short-term bank loans from $17,500,000 to $12,500,000. **Business**—Farm equipment. **Underwriters**—Blyth & Co., Inc., Merrill Lynch, Pierce, Fenner & Beane and Paine, Webber, Jackson & Curtis.

Owens-Corning Fiberglas Corp. (2/7)
Jan. 18 filed 630,000 shares of common stock (par $5), of which 450,000 shares to be issued by the company and 180,000 shares are to be sold in equal amounts by Owens-Illinois Glass Co. and Corning Glass Works. **Price**—To be supplied by amendment. **Underwriters** — Goldman, Sachs & Co.; Lazard Freres & Co.; and White, Weld & Co. **Proceeds**—For working capital, capital expenditures and other corporate purposes.

● **Pacific Gas & Electric Co.**
Dec. 26 filed 163,986 shares of 5% redeemable first preferred stock, series A (par $25) being offered to employees. **Price**—$24.50 per share, of which $23.50 per share is to be paid through payroll deductions under the Employees' Stock Purchase Plan. **Underwriter**—None. **Proceeds**—For new construction. Statement effective Jan. 22.

Peabody Coal Co.
March 26 filed 160,000 shares of 5½% prior preferred stock (par $25). **Price** — To be supplied by amendment **Underwriter**—A. C. Allyn & Co., Inc., Chicago, Ill. **Proceeds**—For construction program. **Offering**—Indefinitely postponed.

● **Pennsylvania Power Co. (2/5)**
Jan. 4 filed $6,000,000 of first mortgage bonds Feb. 1, 1982. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; Carl M. Loeb, Rhoades & Co. and Blair, Rollins Co., Inc. (jointly); Salomon Bros. & Hutzler; Equitable Securities Corp. and R. W. Pressprich & Co. (jointly); Stroud & Co., Inc. and Drexel & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane. **Proceeds**—From sale of bonds, and from sale to parent, Ohio Edison Co., of 80,000 shares of common stock for $2,400,000, to be used for Pennsylvania's construction program. **Bids**—To be received up to 11 a.m. (EST) on Feb. 5 at office of Commonwealth Services, Inc., 20 Pine St., New York 5, N. Y. Statement effective Jan. 25.

Peoples Finance Corp., Montgomery, Ala.
Dec. 19 (letter of notification) 15,000 shares of common stock (par $1). **Price**—$3 per share. **Underwriter**—Carlson & Co., Birmingham, Ala. **Proceeds**—To expand business. **Office**—5 South Court St., Montgomery, Ala.

● **Pioneer Air Lines, Inc., Dallas, Tex. (2/4-9)**
Nov. 29 filed 120,000 shares of common stock (par $1). **Price**—$12 per share. **Underwriter**—Cruttenden & Co., Chicago, Ill. **Proceeds**—To purchase new equipment. **Offering**—Expected week of Feb. 4.

Public Telephone Co., Blair, Neb.
Jan. 18 (letter of notification) $80,000 of 4½% first mortgage bonds, series A, due Feb. 1, 1972 (in denominations of $1,000 each). **Price**—At 102%. **Proceeds**—For construction and corporate purposes. **Underwriter**—Wachob-Bender Corp., Omaha, Neb.

● **Raytheon Manufacturing Co. (2/4)**
Jan. 17 filed 434,189 shares of common stock (par $5) to be offered first to common stockholders of record Feb. 4 on a basis of one new share for each four shares held; rights will expire on Feb. 18. **Price**—To be supplied by amendment. **Underwriters** — Hornblower & Weeks and Paine, Webber, Jackson & Curtis. **Proceeds**—To be added to working capital and used for general corporate purposes. **Business**—Manufacture and sale of electronic tubes and equipment.

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Rhode Island Insurance Co., Providence, R. I.
Jan. 11 (letter of notification) 92,942 shares of common stock (par $1). **Price**—19 cents per share. **Underwriter**—Siegel & Co., New York. **Proceeds**—To selling stockholders.

Robinson (J. W.) Co., Los Angeles, Calif.
Jan. 4 filed 100,000 shares of capital stock to be offered on a pro rata basis to stockholders of record Nov. 23, 1951 (approximately 33 in number) for a 30-day period, with an oversubscription privilege. Unsubscribed shares to be sold privately to individuals selected by company. **Price**—At par ($10 per share). **Underwriter**—None. **Proceeds** — For working capital. **Business** — Department store.

Schering Corp., Bloomfield, N. J.
Jan. 18 filed 440,000 shares of common stock (no par). **Underwriter**—None. Entire issue to be offered by the Attorney General of the U. S. as an entirety. Probable bidders: A. G. Becker & Co. Inc., Union Securities Corp. and Ladenburg, Thalmann & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co. and Drexel & Co. (jointly); F. Eberstadt & Co. Inc.; Allen & Co.; a new company to be formed by United States & International Securities Corp.; Dillon, Read & Co. Inc.; F. S. Moseley & Co.; Riter & Co.; The First Boston Corp.; Goldman, Sachs & Co.; Estabrook & Co. **Proceeds**—To the Attorney General of the U. S., the owner of the shares. **Business**—Manufactures and sells pharmaceutical and cosmetic products. **Bids**—Expected to be received in first or second week of March by Office of Alien Property, 120 Broadway, New York, N. Y.

● **Scott Paper Co.**
Dec. 28 filed 6,000 memberships in the company's Employees' Stock Purchase Plan for 1952 together with 25,263 shares of common stock (no par) to be purchased under the plan. Statement effective Jan. 21.

● **Servomechanisms, Inc. (2/5)**
Dec. 26 filed 350,000 shares of common stock (par 20 cents), of which 250,000 shares are for the account of the company and 100,000 shares for selling stockholders. **Price**—To be supplied by amendment (expected at around $5 per share). **Underwriter**—Van Alstyne Noel Corp., New York. **Proceeds**—For expansion program and working capital.

● **Southern California Petroleum Corp.**
Dec. 28 filed 112,000 shares of 6% cumulative convertible preferred stock. **Price**—At par ($25 per share). **Underwriter**—The First California Co., Inc., San Francisco, Calif. **Proceeds**—To purchase outstanding stock of Culberton & Irwin, Inc., independent oil producer, and for working capital. **Offering**—Expected momentarily.

● **Southwestern Public Service Co. (2/1)**
Jan. 11 filed 251,540 shares of common stock (par $1) to be first offered for subscription by common stockholders of record Jan. 30 at rate of one share for each 13 shares held; rights to expire Feb. 14. **Price**—$17.50 per share. **Underwriter**—Dillon, Read & Co. Inc., New York. **Proceeds**—From sale of stock, together with funds from private sale of $10,000,000 new 3¾% first mortgage bonds due 1982, to be used to pay for property additions and to retire bank loans.

Soya Corp. of America
Dec. 29 (letter of notification) 60,000 shares of common stock (par 1 cent). **Price**—At market. **Underwriter**—None. **Proceeds**—To recondition factory equipment. **Office**—30 Rockefeller Plaza, New York 20, N. Y.

● **Spear & Co., New York (2/5)**
Dec. 31 filed 9,026 shares of $5 cumulative convertible second preferred stock, (no par), of which 7,526 shares are to be offered to common stockholders of record Feb. 5 at rate of 1 preferred share for each 12 shares of common stock held (other than holders of present second preferred stock owning common stock); rights to expire Feb. 29. The other 1,500 second preferred shares are to be sold to a selected group. **Price**—$105 per share. **Proceeds**—To A. M. Kahn and A. J. Kaminsky, two selling stockholders. **Business**—Furniture store chain. **Underwriter**—None.

★ **Sterling Investment Fund, Inc., Charlotte, N. C.**
Jan. 25 filed 500,000 shares of common stock. **Price**—At market. **Proceeds**—For investment. **Underwriter**—Interstate Securities Corp., Charlotte, N. C.

★ **Superior Separator Co., Hopkins, Minn.**
Jan. 24 (letter of notification) 13,950 shares of 6% preferred stock, 1952 series (par $20). **Price**—$21.50 per share. **Proceeds**—For working capital. **Offering**—Expected early in February. **Underwriter**—J. M. Dain & Co., Minneapolis, Minn.

Tele-Trip Policy Co., Inc.
Jan. 16 (letter of notification) 7,000 shares of capital stock (par 10 cents). **Price**—$2.75 per share. **Underwriter**—None, but certain NASD members will act as brokers. **Proceeds**—To John M. Shasheen, President, who is the selling stockholder. **Office**—420 Lexington Ave., New York 17, N. Y.

Texas Industries, Inc., Dallas, Texas (2/4-9)
Jan. 11 filed $1,000,000 of 15-year 6% convertible debentures due Jan. 15, 1967. **Price**—To be supplied by amendment. **Underwriter**—Rauscher, Pierce & Co., Dallas, Tex. **Proceeds**—To be added to general funds. **Business**—Produces and sells lightweight expanded clay or shale aggregate under the trade name "Haydite" and manufactures and sells lightweight concrete masonry units, etc. **Offering**—Expected week of Feb. 4.

★ **Trangulf Corp., Houston, Tex.**
Jan. 25 (letter of notification) 25,000 shares of capital stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For working capital. **Office**—1 Main St., Houston, Tex. **Underwriter**—Arthur I. Korn & Co., New York.

● **Tri-State Telecasting Corp., Chattanooga, Tenn.**
Jan. 21 filed 20,000 shares of common stock (no par) and 2,000 shares of 5% cumulative preferred stock (par $100) (common stock to be sold only on basis of ten shares for each preferred share purchased). **Price**—Of common, $10 per share, and of preferred, $100 per share. **Proceeds**—For new equipment and working capital. **Underwriter**—Hugh P. Wasson.

● **United Canadian Oil Corp. (2/4)**
July 31 filed 1,000,000 shares of common stock (par $1). **Price**—At par. **Underwriter**—Aigeltinger & Co., New York (by amendment Jan. 8, 1952). **Proceeds**—For completion of well, for acquisitions, for drilling expenses, etc. and working capital. Statement effective Oct. 8.

● **Van Norman Co., Springfield, Mass.**
Nov. 21 filed $2,400,000 of 4¾% convertible sinking fund debentures due Dec. 1, 1969. **Price**—100% and accrued interest. **Underwriter**—Paine, Webber, Jackson & Curtis, Boston, Mass. **Proceeds**—For machinery and working capital. **Withdrawal**—Statement withdrawn Jan. 21.

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.

West Penn Electric Co.
Dec. 28 filed 440,000 shares of common stock (no par) to be offered for subscription by common stockholders of record Jan. 31 at rate of one share for each eight shares held; rights to expire on Feb. 18. **Price**—$28.75 per share. **Underwriters**—Lehman Brothers and Goldman, Sachs & Co. (jointly). **Proceeds**—To be invested in common stocks of three subsidiaries. Statement effective Jan. 22.

Western Metalcraft, Inc., Olympia, Wash.
Jan. 14 (letter of notification) $270,000 of class A convertible debentures. **Price**—At par (in denominations of $100 each). **Proceeds**—To retire indebtedness. **Address**—P. O. Box 657, Olympia, Wash. **Underwriter**—None.

Prospective Offerings

Aeroquip Corp.
Jan. 4, Don T. McKone, Chairman, announced that consideration was being given to the possibility of equity financing. On Feb. 18, stockholders will vote on increasing authorized common stock to 1,000,000 from 750,000 shares, and on issuance of 37,500 shares as a 5% stock dividend. **Underwriter**—Watling Lerchen & Co., Detroit Mich. **Proceeds**—For additional working capital.

Allied Electric Products, Inc., Irvington, N. J.
Nov. 9, Nathan Chirelstein, Chairman, said it is probable that the company within a short time will register with the SEC an issue of long-term convertible debentures, part of which will be offered in exchange for any outstanding three-year convertible notes dated Nov. 1, 1951. **Underwriter**—Hill, Thompson & Co., Inc., New York.

American Can Co.
Jan. 9, it was announced company has under consideration various plans of financing to raise approximately $50,000,000 of new money to provide in part the funds required for the proposed expansion of its plant facilities, and for additional working capital. No determination has been made as to whether these funds would be raised through borrowing or equity financing. **Probable Underwriters**—Morgan Stanley & Co., Clark, Dodge & Co. and F. S. Moseley & Co. Stockholders on April 29 will vote on approving a four-for-one split-up of the preferred and common stocks which in effect will be a 100% stock dividend on the common stock.

Atlantic City Electric Co.
Jan. 21, B. L. England, President, stated that the company expects to issue and sell $5,000,000 of first mortgage bonds during the first half of 1952, and $4,000,000 of preferred stock in the last half of the year. **Underwriters**—For bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Drexel & Co. (jointly); Union Securities Corp. and Smith, Barney & Co. (jointly); Lehman Brothers; White, Weld & Co. and Shields & Co. (jointly). Previous preferred stock financing was done privately through Union Securities Corp. and Smith, Barney & Co. **Proceeds**—For construction program.

Bell Telephone Co. of Pennsylvania
Jan. 2 it was announced that company's construction program for next three years calls for the expenditure of $247,000,000 of which about $81,700,000 will be spent in 1952. **Underwriters**—For bonds to be decided by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and Lazard Freres & Co. (jointly); Morgan Stanley & Co.; White, Weld & Co. and Union Securities Corp. (jointly); The First Boston Corp.

★ **British Columbia (Province of)**
Jan. 21 it was reported early registration is expected of $30,000,000 bonds (in U. S. funds). **Underwriters**—The First Boston Corp. and A. E. Ames & Co. **Offering**—Expected mid-February.

★ **Case (J. I.) Co.**
Jan. 18 it was announced that stockholders will vote April 17 on increasing the authorized common stock from 1,200,000 shares, par $25, to 4,000,000 shares, par $12.50, and on issuance of two new shares in exchange for each share presently held. Following split-up, it is planned to set aside 100,000 of the new shares for sale to employees under stock purchase options, and to offer to common stockholders one new share for each five shares held. **Price**—To be determined later. **Underwriters**—Probably Morgan Stanley & Co. and Clark, Dodge & Co.

★ **Central Louisiana Electric Co., Inc.**
Jan. 21 it was reported that company planned to issue and sell $4,000,000 first mortgage bonds. **Underwriters**—If competitive, bidders may include: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Blair, Rollins & Co. Inc., Lee Higginson Corp., W. C. Langley & Co. and Carl M. Loeb, Rhoades & Co. (jointly). Previous bond financing was done privately.

Central Power & Light Co. (3/4)
Jan. 10 it was stated company plans issuance and sale of $10,000,000 first mortgage bonds, series D, about March 4. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co., A. C. Allyn & Co., Inc. and Bear, Stearns & Co. (jointly); Blyth & Co., Inc., Harriman Ripley & Co., Inc. and Stone & Webster Securities Corp. (jointly); Kidder, Peabody & Co.; The First Boston Corp.; Carl M. Loeb, Rhoades & Co.; Lehman Brothers and Glore, Forgan & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane and Salomon Bros. & Hutzler (jointly); Union Securities Corp. **Proceeds**—For new construction.

Chicago & Eastern Illinois RR. (1/31)
Bids will be received up to noon (CST) on Jan. 31 at the company's office in Chicago, Ill., for the purchase from the company of $2,100,000 equipment trust certificates, series I, to be dated Feb. 1, 1952 and due $70,000 semi-annually from Aug. 1, 1952 to Feb. 1, 1967, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Chicago, Milw., St. Paul & Pacific RR. (2/28)
Jan. 16 it was reported company plans sale of $2,400,000 equipment trust certificates, series 00 to mature semi-annually over a period of 15 years. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler. **Bids**—Expected to be received on Feb. 28.

Chicago & Western Indiana RR.
Jan. 23 company sought ICC permission to issue $52,500,000 of first and refunding mortgage bonds without competitive bidding. The bonds will be dated not earlier than March 1, 1952 and mature not later than Sept. 1, 1962. **Proceeds**—To pay at maturity $49,988,000 of 4% non-callable consolidated first mortgage bonds due July 1, 1952, and the remainder used for capital improvements.

★ **City National Bank of Houston (Tex.)**
Jan. 8 stockholders approved an increase in authorized capital stock (par $20) from $5,000,000 to $7,500,000 to provide for a 20% stock dividend and the sale of 75,000 shares of additional stock to stockholders on a one-for-four basis. **Price**—$40 per share. **Proceeds**—To increase capital and surplus.

★ **City National Bank & Trust Co. of Chicago**
Jan. 12 it was announced stockholders will vote Feb. 8 on approving a proposal to change presently outstanding capital stock from 50,000 shares, par $100, to 200,000 shares, par $25, in order to effect a four-for-one stock split-up. Following split-up, it is planned to offer for subscription by stockholders 40,000 additional new $25 par shares. The proposed financing has been objected to by certain stockholders. **Price**—$40 per share. **Proceeds**—To increase capital and surplus. **Underwriters**—Merrill Lynch, Pierce, Fenner & Beane and Central Republic Co. Inc.

★ **Colorado Central Power Co.**
Jan. 21 it was reported company may offer later this year rights to its common stockholders to purchase additional common stock (sufficient to raise $300,000 or less). **Proceeds**—To retire bank loans and for new construction. **Underwriter**—None.

Colorado Interstate Gas Co.
Dec. 26 SEC approved a plan filed by Mission Oil Co. and its holding company subsidiary, Southwestern Development Co. designed to effectuate compliance with the Holding Company Act. This development is expected to result in early registration of Colorado Interstate Gas Co. common stock, with Union Securities Corp. as probable underwriter.

Columbia Gas System, Inc.
Nov. 26 it was announced that it is the present intention of the company to sell securities in 1952 for the purpose of refunding the $20,000,000 of 2½% bank notes due June 15, 1952. The type or aggregate amount of securities which may be sold during 1952 cannot be determined at this time.

Consolidated Edison Co. of New York, Inc.
Jan. 2 company announced its plans to spend about $105,000,000 for new construction during 1952, of which it is proposed to raise $65,000,000 from new financing. It is presently borrowing $31,000,000 from banks. **Underwriters**—For bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp.

Consolidated Gas, Electric Light & Power Co. of Baltimore
Dec. 24 it was stated that company plans to issue and sell both stocks and bonds during 1952 to an amount sufficient to raise approximately $22,000,000. **Underwriters**—For bonds to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and The First Boston Corp. (jointly); Harriman Ripley & Co., Inc. and Alex. Brown & Sons (jointly). The First Boston Corp., Alex. Brown & Sons and John C. Legg & Co (jointly) handled latest common stock financing, while White, Weld & Co. handled last preferred stock sale. **Proceeds**—For new construction. **Offering**—Expected in March or April.

★ **Consumers Power Co.**
Jan. 29, Justin R. Whitin, Chairman of the Board, announced that the magnitude of the company's expansion program, which will involve record construction expenditures of $53,000,000 in 1952, will entail additional financing this year.

★ **Dallas Power & Light Co.**
Jan. 23 company was reported to be planning issuance and sale of $6,000,000 first mortgage bonds, with registration expected in March for bidding in April. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Hariman Ripley & Co., Inc.; Equitable Securities Corp.; Lehman Brothers; Union Securities Corp.; Kidder, Peabody & Co.; Blyth & Co., Inc.; Merrill Lynch, Pierce, Fenner & Beane.

Detroit Steel Corp., Detroit, Mich.
Jan. 21 Max J. Zivian, President, announced that company plans to issue and sell 600,000 shares of new convertible preferred stock (par $25) and $25,000,000 of first mortgage bonds. **Price**—To be determined later. **Underwriters**—For preferred stock, Van Alstyne, Noel & Co.; and for bonds, Halsey, Stuart & Co. Inc. and Van Alstyne, Noel & Co. **Proceeds**—To retire $13,950,000 presently outstanding first mortgage bonds and for expansion program. **Meeting**—Stockholders will vote Feb. 19 on the financing proposals.

★ **First National Bank of Portland (Ore.)**
Jan. 23 it was announced company plans to offer to stockholders 200,000 additional shares of capital stock (par $12.50) at rate of one share for each five shares held. **Price**—$30 per share. **Underwriter**—None.

Florida Power Corp.
Jan. 11 it was announced that additional financing will be necessary to complete the company's construction program and it is contemplated that the balance of new capital needed will be obtained from the sale of common stock and first mortgage bonds. Company has borrowed $4,000,000 under a bank credit recently arranged which provides for short-term bank borrowings of not more than $10,000,000. Previous bond financing was done privately. Common stock may be offered to common stockholders, with Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane acting as agents.

Foote Bros. Gear & Machine Corp.
Oct. 25 it was reported that company may offer additional common stock early in 1952. Probable underwriter—A. C. Allyn & Co., Inc., Chicago, Ill.

Foote Mineral Co.
Dec. 24 it was announced company plans to increase authorized common stock from 300,000 shares (259,422 shares outstanding) to 500,000 shares of $2.50 par value. The company states that "there is no present plan of capital financing either of an equity type or loan." The directors, however, "are studying several plant expansion programs which may eventually require more capital." A group headed by Estabrook & Co. underwrote an issue of common stock to stockholders in April, 1951. Stockholders will meet Feb. 21.

★ **Hammermill Paper Co.**
Jan. 22 it was announced company plans public offering of additional common stock (par $5) following proposed two-for-one split-up of presently outstanding 287,020 shares to be voted upon by stockholders on Feb. 25. **Proceeds**—To be used for expansion program. **Traditional Underwriter**—A. G. Becker & Co. Inc., Chicago, Ill.

Idaho Power Co.
Jan. 18, T. E. Roach, President, announced that the company's present plans consist of the sale this year of about 225,000 additional shares of common stock (par $20), but no preferred stock. **Underwriters**—Latest common stock financing in April, 1949, was handled by Blyth & Co., Inc.; Lazard Freres & Co.; and Wegener & Daly Corp. **Proceeds**—To repay bank loans and for construction program.

Illinois Central RR. (2/5)
Bids for the purchase of $4,110,000 equipment trust certificates, series HH, to be dated Feb. 1, 1952 and to mature in 30 equal semi-annual instalments to and including Feb. 1, 1967, will be received at the office of the company, Room 301, 135 East 11th Place, Chicago 5, Ill., up to noon (CST) on Feb. 5. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Illinois Central RR.
Nov. 16, the directors authorized, pending a favorable market, the issue and sale of up to $25,000,000 of consolidated mortgage bonds. **Underwriters** — May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Morgan Stanley & Co. **Proceeds** — To retire debt maturing in next four years and to replace depleted working capital.

★ **Illinois Power Co.**
Jan. 21 it was reported that the company was understood to be planning the issuance and sale of about $15,000,000 of first mortgage bonds. **Proceeds**—For new construction and to repay bank loans. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Union Securities Corp.; The First Boston Corp.; Harriman Ripley & Co., Inc. and Glore, Forgan & Co. (jointly); Kuhn, Loeb & Co.

Interstate Power Co. (3/18)
Jan. 18 it was disclosed that company plans to issue and sell $2,000,000 of first mortgage bonds and 350,000 shares of common stock. **Underwriters**—To be decided by competitive bidding. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Merrill Lynch, Pierce, Fenner & Beane; Smith, Barney & Co.; Salomon Bros. & Hutzler. Probable bidders for common stock: Blyth & Co., Inc.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly); Smith, Barney & Co.; Harriman Ripley & Co. Inc. **Proceeds**—For construction program. **Registration**—Expected on Feb. 18. **Bids**—Scheduled to be received on March 18.

Kansas City Power & Light Co.
Jan. 4 company announced that it plans to issue and sell in 1952 about $12,000,000 principal amount first mortgage bonds (this is in addition to present preferred and common stock financing. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Glore, Forgan & Co.; Blyth & Co., Inc and Lazard Freres & Co. (jointly); The First Boston Corp.; White, Weld & Co. and Shields & Co. (jointly); Smith, Barney & Co.; Kuhn, Loeb & Co., Salomon Bros. & Hutzler and Union Securities Corp. (jointly); Equitable Securities Corp.; Lehman Brothers and Bear, Stearns & Co. (jointly); Harriman Ripley & Co., Inc. **Proceeds**—For new construction.

Kentucky Utilities Co.
Dec. 10 it was reported company plans to issue and sell in April or May $12,000,000 30-year first mortgage bonds, series D. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Lehman Brothers and Salomon Bros. & Hutzler (jointly); Blyth & Co., Inc.; Union Securities Corp. and Merrill Lynch, Pierce, Fenner & Beane (jointly).

★ **Leitz (E.), Inc., New York**
Jan. 21 it was reported that the Office of Alien Property, 120 Broadway, New York, N. Y., plans to sell late in March all of the outstanding capital stock of this company, which distributed Leica cameras in the United States. Probable bidders may include: Allen & Co.

Lincoln Telephone & Telegraph Co.
Jan. 22 it was announced stockholders on Feb. 5 will vote on a proposal to increase authorized long-term debt by $3,500,000. If approved, bonds will be sold as funds are needed. Previous debt financing was done privately.

Martin (Glenn L.) Co.
Jan. 10 company announced plan to sell an estimated $6,000,000 of convertible debentures to a group of private investors and additional common stock to common stockholders. **Underwriter**—Smith, Barney & Co., New York. **Proceeds**—From sale of debentures to help meet production programs, and from sale of stock to retire debentures within six months.

Metropolitan Edison Co. (3/18)
Jan. 14 company filed an application with the SEC for authority to issue and sell $7,800,000 of first mortgage bonds, 40,000 shares of preferred stock (par $100) and 40,000 shares of common stock (the latter issue to be sold to parent, General Public Utilities Corp.). **Underwriters**—For bonds and preferred stock to be determined by competitive bidding. Probable bidders for bonds—Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Union Securities Corp.; Drexel & Co.; The First Boston Corp.; White, Weld & Co. and Equitable Securities Corp. (jointly); Kidder, Peabody & Co.; Carl M. Loeb, Rhoades & Co. Probable bidders for preferred —Kidder, Peabody & Co.; Smith, Barney & Co. and Goldman, Sachs & Co. (jointly); Carl M. Loeb, Rhoades & Co.; Drexel & Co.; Harriman Ripley & Co. Inc. and Union Securities Corp. (jointly); Salomon Bros. & Hutzler; The First Boston Corp. **Bids**—Tentatively scheduled for noon (EST) March 18. **Registration**—Expected any date.

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.**
Jan. 24 acquisition by this company of gas properties of Mississippi Power & Light Co. was authorized by SEC, subject to approval of FPC. The transaction is to be consummated on Feb. 29, 1952. To finance the purchase Mississippi Valley proposes to issue $7,700,000 of first mortgage bonds (probably privately) and $5 par common stock at a price to net the company not less than $3,800,000. **Price**—To be determined later. **Underwriter**—Equitable Securities Corp., Nashville, Tenn.

Narragansett Electric Co.
Jan. 7 it was announced company contemplates that $7,500,000 of note indebteness will be permanently financed with bonds in or about March, 1952. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Harriman Ripley & Co., Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.; The First Boston Corp.; Lehman Brothers; White, Weld & Co.

★ **National Fuel Gas Co., N. Y.**
Jan. 29 company applied to SEC for authority to issue and sell $18,000,000 of sinking fund debentures due 1977. **Proceeds**—To repay $11,000,000 bank loans and to loan $7,000,000 to subsidiaries. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; The First Boston Corp.; White, Weld & Co.; Harriman Ripley & Co., Inc.

• **National Research Corp., Cambridge, Mass.**
Jan. 21 it was announced stockholders will vote March 21 on increasing authorized capital stock from 125,000 shares to 600,000 shares, to provide, in part, for payment of a 200% stock dividend. It is also planned to make a public offering of a portion of the proposed authorized shares when market conditions are favorable. Latest financing in 1946 was made to common stockholders. Proceeds would be added to working capital. **Underwriters** — Probably Paine, Webber, Jackson & Curtis and The First Boston Corp. **Offering**—Expected in May.

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.
Jan. 11 company received from SEC authority to increase authorized bank borrowings from $12,000,000 to $16,000,000. A major portion of this indebtedness may be financed through issuance of common stock to parent (New England Electric System) and first mortgage bonds early in 1952. **Underwriters** — For bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Blyth & Co., Inc.; Equitable Securities Corp. and Blair, Rollins & Co. Inc. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Harriman Ripley & Co., Inc.; The First Boston Corp.; Kuhn, Loeb & Co., Union Securities Corp. and Salomon Bros. & Hutzler (jointly).

New England Telephone & Telegraph Co.
Dec. 20, F. A. Cosgrove, Vice-President, said a permanent financing program will have to be undertaken in 1952 to repay about $43,000,000 short-term bank borrowings. **Underwriters**—For bonds may be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. In case of common stock financing there will be no underwriting.

Northern States Power Co. (Minn.)
Jan. 16, B. F. Braheney, President, announced that company will have to raise between $30,000,000 and $32,500,000 this year to finance its construction program. About two-thirds of the amount needed will be in the form of debt issues and the balance common stock (about 1,100,000 shares) the latter issued first to common stockholders. **Underwriters**—To be determined by competitive bidding. Probable bidders for stock and bonds: Smith Barney & Co.; The First Boston Corp.; Glore, Forgan & Co.; Lehman Brothers and Riter & Co. (jointly); Equitable Securities Corp.; Union Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane; Kidder, Peabody & Co. and White, Weld & Co. (jointly). Probable bidder on bonds only: Halsey, Stuart & Co. Inc.

Northwest Natural Gas Co.
Jan. 7 company filed amended application with FPC in connection with its plan to build a natural gas transmission system in the Pacific Northwest to transport gas from Canada to markets in Idaho, Washington and Oregon, with a portion to be returned to Canada for use in British Columbia. The estimated overall cost of the project is approximately $92,000,000. **Underwriter**—Morgan Stanley & Co., New York. **Financing**—Not expected until after Provincial elections in April.

Oklahoma Gas & Electric Co.
Jan. 21 it was reported that the company expects to be in the market with a $12,000,000 bond issue, probably in March. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); The First Boston Corp.; Equitable Securities Corp.; Lehman Brothers and Blyth & Co., Inc. (jointly); Harriman Ripley & Co., Inc. and Union Securities Corp. (jointly). **Proceeds**—For construction program. **Registration**—Expected by the end of January.

Pacific Northwest Pipeline Corp.
Jan. 7 the company applied to the FPC for authority to build a 2,175-mile natural gas pipeline from southern Texas to the Pacific Northwest at an estimated cost of $174,186,602. The line is sponsored by Fish Engineering Corp. of Houston, Tex. Probable underwriters: White, Weld & Co. and Kidder, Peabody & Co., New York. (See also accompanying item on "Spokane Gas & Fuel Co.")

Penn Controls, Inc.
Jan. 11 it was reported company may file in February a revised financing proposal with SEC. The previous proposal to issue 100,000 shares of common stock (par $2.50) through F. S. Moseley & Co. was withdrawn on Dec. 21.

Pennsylvania Electric Co.
Jan. 5 it was announced that company plans to spend about $26,000,000 for expansion in 1952, to be financed, in part, by the sale of about $9,000,000 first mortgage bonds, $4,500,000 of preferred stock and $4,500,000 of common stock (the latter issue to parent, General Public Utilities Corp). **Underwriters**—For bonds and preferred stock to be determined by competitive bidding. Probable bidders: (1) for bonds—Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; Union Securities Corp. and White, Weld & Co. (jointly); Kuhn, Loeb & Co.; A. C. Allyn & Co., Inc.; Equitable Securities Corp.; Shields & Co. and R. W. Pressprich & Co. (jointly). (2) for preferred—Smith, Barney & Co. and Kidder, Peabody & Co. (jointly); W. C. Langley & Co. and Glore, Forgan & Co. (jointly); Kuhn, Loeb & Co.; Lehman Brothers and Salomon Bros. & Hutzler (jointly); Harriman Ripley & Co., Inc. **Offering**—Expected in mid-year.

Pennsylvania RR.
Jan. 7 it was stated that company may be in the market soon with substantial equipment trust certificate offerings. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Portland General Electric Co.
Jan. 22, it was disclosed the company will soon announce plans for sale of new common stock, or bonds, or both. **Traditional Underwriter**—Blyth & Co., Inc. **Proceeds**—

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To refinance, all or in part $9,000,000 of bank loans which mature May 1, 1952.

Public Service Electric & Gas Co.
Jan. 17 stockholders approved a proposal to increase the authorized preferred stock from 500,000 to 1,000,000 shares and to increase the limit of unsecured indebtedness. There are, however, no present plans for additional financing. In November, the company sold through Morgan Stanley & Co., Drexel & Co. and Glore, Forgan & Co. an issue of 249,942 shares of 4.70% cumulative preferred stock (par $100), thus exhausting the amount of presently authorized preferred stock.

★ **Republic National Bank of Dallas (Tex.)**
Jan. 18 the Bank offered to its stockholders of record as of that date an issue of 150,000 shares of capital stock (par $20) at the rate of one share for each six shares held; rights to expire Feb. 6. **Price**—$40 per share. **Proceeds**—To increase capital and surplus. **Underwriters**—Walker, Austin & Waggener; First Southwest Co.; Dallas Rupe & Son; and others.

Robertson (H. H.) Co., Pittsburgh, Pa.
Nov. 16 it was announced stockholders will in April 1952, vote on a proposal to increase the authorized common stock from 250,000 shares (all outstanding) to 1,000,000 shares in order to make additional stock available for such corporate purposes as acquisition of new properties, to provide additional capital funds or declaration of stock dividends.

Rochester Gas & Electric Corp.
Jan. 16, it was stated that the company plans to issue and sell $6,000,000 of preferred stock in March and an equal amount of general mortgage bonds in September. An issue of about $8,000,000 common stock is also planned, probably for the Spring of 1953. **Underwriter**—For preferred issue may be The First Boston Corp., New York. Previous first mortgage bond financing was done privately. **Proceeds**—To pay for new construction.

San Diego Gas & Electric Co.
July 19, L. M. Klauber, Chairman, announced that the company plans to sell $10,000,000 of bonds early in 1952. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Merrill Lynch, Pierce, Fenner & Beane; The First Boston Corp.; White, Weld & Co. and Shields & Co. (jointly); Lehman Brothers. **Proceeds**—For expansion program.

★ **Seattle-First National Bank, Seattle, Wash.**
Jan. 15 stockholders of record of that date were offered the right to subscribe on or before Feb. 20 for 100,000 additional shares of capital stock (par $20) on basis of one share for each six shares held. **Price**—$50 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—Blyth & Co., Inc., and associates, who have agreed to buy any unsubscribed shares.

● **Southern California Gas Co. (3/25)**
Jan. 18 it was reported that company plans to issue and sell $30,000,000 first mortgage bonds, series A. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane and Harris, Hall & Co. Inc. (jointly); White, Weld & Co.; Blyth & Co., Inc. **Proceeds**—For construction program. **Registration**—Expected late in February. **Bids**—Tentatively scheduled to be received on March 25.

Southern Ry. (2/20)
Bids will be received on Feb. 20 for the purchase from the company of $6,000,000 equipment trust certificates to be dated March 15, 1952 and due in 30 equal semi-annual installments from Sept. 15, 1952 to March 15, 1967, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harriman Ripley & Co. Inc. and Lehman Brothers (jointly).

Southern Union Gas Co.
Dec. 19 it was reported company is expected to do some equity financing before June 30, 1952. Traditional underwriter: Blair, Rollins & Co.

Southwestern Gas & Electric Co.
Jan. 18 it was reported company is planning to issue and sell $5,000,000 to $6,000,000 of new 30-year first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Salomon Bros. & Hutzler; Merrill Lynch, Pierce, Fenner & Beane and Union Securities Corp. (jointly); Lehman Brothers; White, Weld & Co.; Harriman Ripley & Co., Inc.; The First Boston Corp. **Proceeds**—For 1952 construction program. **Bids**—Expected in March.

★ **Tampa Electric Co.**
Jan. 24 it was announced company plans to spend $52,000,000 for new construction and improvements in the next five years and expects to enter the new money market this year to finance its 1952 requirements. Latest bond financing was done privately. **Traditional Underwriter**—Goldman, Sachs & Co., New York.

★ **Texas Electric Service Co.**
Jan. 23 it was reported company was planning issuance and sale of $8,000,000 of first mortgage bonds and $5,000,000 of debentures, with registration expected in April for bidding in May. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co., Lehman Brothers and Blyth & Co., Inc. (jointly); Salomon Bros. & Hutzler; Harriman Ripley & Co., Inc.; Union Securities Corp.; Hemphill, Noyes, Graham, Parsons & Co. and Drexel & Co. (jointly); Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); The First Boston Corp.; Carl M. Loeb, Rhoades & Co.

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 Power & Light Co.**
Jan. 23 company was reported to be planning registration in February for sale about April 1 of $14,000,000 first mortgage bonds and $5,000,000 of debentures. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; White, Weld & Co.; Lehman Brothers; Blyth & Co., Inc.; Smith, Barney & Co.

★ **Texas Utilities Co.**
Jan. 23 it was reported company plans issuance and sale of 400,000 additional shares of common stock early in March. Groups: The First Boston Corp., Blyth & Co., Inc., First Southwest Co., Rauscher, Pierce & Co., Inc. and Dallas Union Trust Co. (jointly); Lehman Brothers and Bear, Stearns & Co. (jointly); Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Union Securities Corp.; Goldman, Sachs & Co. and Harriman Ripley & Co. Inc. (jointly).

Thiokol Corp., Trenton, N. J.
Nov. 16 directors authorized an offering to stockholders of about 23,539 shares of capital stock (par $1) on basis of one new share for each 13 shares held (with an oversubscription privilege). **Price**—$9 per share. **Underwriter**—Probably J. G. White & Co., Inc., New York. **Proceeds**—For expansion and working capital.

Toledo Edison Co.
Nov. 20 it was reported that the company expects to spend approximately $46,500,000 for expansion in 1952 to 1955, and it has been stated that no further financing is contemplated before late 1952, when about 400,000 shares of common stock is anticipated. Probable bidders Merrill Lynch, Pierce, Fenner & Beane; W. C. Langley & Co.; Lehman Brothers and Smith, Barney & Co (jointly).

★ **Trade Bank & Trust Co., New York**
Jan. 15 stockholders approved increase in authorized capital stock (par $10) from $2,000,000 to $2,500,000, the additional 50,000 shares to be offered for subscription by stockholders of record Feb. 29 on basis of one share for each four shares held; with rights to expire on April 1. **Price**—At par. **Underwriting**—None involved.

Transcon Lines, Los Angeles, Calif.
Nov. 19 it was reported company may be considering issuance and sale of additional common stock (par $10) which will involve about $200,000. **Underwriter**—Cruttenden & Co., Chicago, Ill.

★ **United States National Bank, Portland, Ore. (3/1)**
Jan. 8 it was announced company plans to offer to stockholders the right to subscribe for an additional 100,000 shares of capital stock (par $20) on basis of one new share for each six shares held. **Price**—$50 per share. **Proceeds**—To increase capital and surplus. **Offering**—Expected around March 1 to run for about 30 days. **Underwriters**—Blyth & Co., Inc., and Merrill Lynch, Pierce, Fenner & Beane, New York.

Virginia Electric & Power Co.
Dec. 12 it was announced that company expects to spend $40,000,000 or more for new construction in 1952, of which about $30,000,000 may be raised through new financing. The company is said to be considering a stock issue next spring and a bond sale in the fall. **Underwriters**—For stock, probably Stone & Webster Securities Corp. For bonds, to be determined by competitive bidding, with the following probable bidders: Halsey, Stuart & Co. Inc.; Union Securities Corp.; Salomon Bros. & Hutzler; Stone & Webster Securities Corp.; White, Weld & Co.; Kuhn, Loeb & Co. and Wertheim & Co. (jointly).

Washington Gas Light Co.
Jan. 12 reported that company is considering plans to raise about $4,500,000 from the sale of additional common stock to its stockholders (there are presently outstanding 734,400 shares). **Underwriters**—The First Boston Corp. and Johnston, Lemon & Co. handled the offering last year to stockholders. **Proceeds**—Together with bank loans and other funds to take care of proposed $6,000,000 expansion program.

Washington Water Power Co.
Jan. 9 company applied to the SEC for authority to make bank borrowings of $40,000,000, the proceeds to be used to finance contemporarily, in part, the company's construction program. Permanent financing expected later this year. Probable bidders: (1) For stock or bonds: Blyth & Co., Inc.; Smith, Barney & Co. and White, Weld & Co. (jointly); W. C. Langley & Co. and The First Boston Corp. (jointly); (2) for bonds only: Halsey, Stuart & Co. Inc.

West Penn Power Co. (4/1)
Dec. 28 it was announced company plans to offer $12,000,000 of first mortgage bonds early in 1952, probably in March. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; Lehman Brothers; Blyth & Co., Inc.; W. C. Langley & Co.; The First Boston Corp. **Proceeds**—For construction program. **Registration**—Tentatively scheduled for Feb. 28. **Bids**—Expected to be opened April 1.

★ **Winters National Bank & Trust Co., Dayton, O.**
Jan. 8 stockholders of record that date were offered for subscription 50,000 additional shares of capital stock (par $20) on basis of one share for each four shares held; rights to expire on Feb. 7. **Price**—$28 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—Greene & Ladd, Dayton, O.

★ **Wisconsin Power & Light Co.**
Jan. 23 it was reported company is planning issuance and sale of $8,000,000 of first mortgage bonds and $2,000,000 of convertible preferred stock (the latter to be offered first to common stockholders on a 1-for-10 basis, with Smith, Barney & Co., New York, and Robert W. Baird & Co., Inc., Milwaukee, Wis., probably acting as dealer-managers). **Underwriters**—For bonds, to be determined by competitive bidding in April. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Kidder, Peabody & Co. (jointly); Kuhn, Loeb & Co.; Salomon Bros. & Hutzler; Equitable Securities Corp.; Smith, Barney & Co. and Robert W. Baird & Co., Inc. (jointly); Equitable Securities Corp.

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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Our Reporter's Report

respecting the issuing company. The SEC should also permit the abbreviated statements to be used as a prospectus, Mr. Coggeshall said.

United Gas Corp. 3½s

Three groups bid for United Gas Corp.'s offering of $50,000,000 of new first mortgage and collateral trust bonds, due in 20 years, with the winning syndicate paying the company a price of 101.52999 for a 3½% coupon rate.

Bids all were relatively close with the runners-up offering to pay 101.199 for the same interest rate. The successful group was scheduled to reoffer the bonds today priced at 102.17 for an indicated yield of 3.35%.

Preliminary inquiry indicated a fairly lively demand, and while the undertaking was not tapped as a "sell-out," it was indicated that it would move to investors in a brief period.

Light Week Ahead

So far as corporate activity is concerned, the new issue market faces another of those rather dull interludes in the forthcoming week. Only a few offerings are on schedule and of these the majority are small.

Monsanto Chemical Co. is slated to market, through investment bankers, 400,000 shares additional of its $5 par common stock. This offering should reach market Monday or Tuesday as things now stand.

The following day two utilities are due to open bids. Pennsylvania Power Co. has an issue of $6,000,000 of new 30-year first mortgage bonds up for tenders, while Louisville Gas & Electric Co. will open bids for $12,000,000 of 30-year first mortgage bonds.

Texas Utilities Plan

In keeping with the rapid industrial growth of the Southwest, Texas Utilities Co. has plans for large-scale expansion over the next two years which promise to bring that firm into the money market for substantial new capital.

The overall program, it is calculated, will involve outlay of around $125,000,000. The initial step in raising this money will be an offering of 400,000 shares of the company's stock some time in March.

Thereafter, several of its subsidiaries will be in the market with small bond issues, Texas Power & Light being scheduled to finance in April, Texas Electric Service about a month later, and Dallas Power & Light early in June.

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The Security I Like Best

tarian control, are the determinants of money rates. The outlook, as most economists agree, is by no means clear. It is not possible to be at all sure which way the inflation-deflation balance will tilt during the next twelve months, but it is this which will dictate the level of interest rates a year from now.

In these circumstances one must hedge. The choice of a short-term Treasury bill, for instance, would implicitly forecast higher rates within three months; selection of the nearly 21-year Victory 2½% bonds would forecast lower rates and rising prices. I therefore believe as I did last year, that Treasury 2¼% bonds of June 15, 1962/59 will provide best average results under today's conditions.

This issue, yielding about 2.60%, matures in 10 years 5 months and is callable in 7 years 5 months. It is thus short enough to provide protection against a major market price loss in the event of a further rise in basic interest rates; it is long enough to share to a substantial degree in the profits which would result from a reversal of recent trends leading to a marked lowering of yield rates. Because of the major alteration in market yield patterns developed during the past year, this relatively short-term security, little less than one-half as long as the longest Government bond available, provides a yield less than one-sixteenth smaller. It is restricted as to ownership now, but within 5 months will become eligible for commercial banks' investment account.

The security, it goes without saying, is of the highest grade and widest marketability. For an investment officer with funds available for commitment requiring yield, safety of principal, possibility of profit and limited scope of loss, I think Treasury 2¼% bonds, June 15, 1962/59, will fill the bill.

COMING EVENTS

In Investment Field

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

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

Feb. 11, 1952 (Boston, Mass.)

Boston Securities Traders Association annual Winter dinner at the Copley Plaza Hotel.

Feb. 14, 1952 (Minneapolis, Minn.)

Twin City Security Traders Association annual winter party at the Normandy Hotel.

Feb. 21, 1952 (Philadelphia, Pa.)

Investment Traders Association of Philadelphia Annual Mid-Winter Dinner at the Benjamin Franklin Hotel.

April 17, 1952 (New York City)

Security Traders Association of New York-Investment Traders Association of Philadelphia bowling tournament.

April 18, 1952 (New York City)

Security Traders Association of New York annual dinner at the Waldorf Astoria.

DIVIDEND NOTICES

AMERICAN GAS AND ELECTRIC COMPANY

Common Stock Dividend

A regular quarterly dividend of seventy-five cents (75c) per share on the Common capital stock of the Company issued and outstanding in the hands of the public has been declared payable March 10, 1952, to the holders of record at the close of business February 11, 1952.

W. J. ROSE, Secretary.

January 30, 1952

Atlas Corporation

33 Pine Street, New York 5, N. Y.

Dividend No. 41 on Common Stock

A regular quarterly dividend of 40¢ per share has been declared, payable March 21, 1952, to holders of record at the close of business on February 27, 1952 on the Common Stock of Atlas Corporation.

WALTER A. PETERSON, Treasurer

January 26, 1952.

Allegheny Ludlum Steel Corporation

Pittsburgh, Penna.

At a meeting of the Board of Directors of the Allegheny Ludlum Steel Corporation held today, January 24, 1952, a dividend of fifty cents (50c) per share was declared on the Common Stock of the Corporation, payable March 31, 1952, to Common stockholders of record at the close of business on March 1, 1952.

The Board also declared a dividend of one dollar nine and three-eighths cents ($1.09375) per share on the $4.375 Cumulative Preferred Stock of the Corporation, payable March 15, 1952, to Preferred stockholders of record at the close of business on March 1, 1952.

S. A. McCASKEY, Jr.
Secretary

DIVIDEND NOTICES

Borden's

DIVIDEND No. 168

An interim dividend of sixty cents (60¢) per share has been declared on the capital stock of *The Borden Company*, payable March 1, 1952, to stockholders of record at the close of business February 9, 1952.

E. L. NOETZEL
January 29, 1952 *Treasurer*

The American Tobacco Company
INCORPORATED

111 Fifth Avenue New York 3, N. Y.

186TH COMMON DIVIDEND *and* AN EXTRA DIVIDEND

A regular dividend of Seventy-five Cents (75¢) per share and an extra dividend of One Dollar ($1.00) per share have been declared upon the Common Stock of THE AMERICAN TOBACCO COMPANY, payable in cash on March 3, 1952, to stockholders of record at the close of business February 8, 1952. Checks will be mailed.

HARRY L. HILYARD, *Treasurer*

January 29, 1952

AVCO MANUFACTURING CORPORATION *"A Family of Famous Names"*

The Board of Directors of Avco Manufacturing Corporation has declared a quarterly dividend of 15 cents a share on the Common Stock payable March 20, 1952, to stockholders of record February 29, 1952.

R. S. Pruitt, Secretary

420 Lexington Ave.
New York 17, N. Y.
January 25, 1952

DIVIDEND NOTICES

GREEN BAY & WESTERN RAILROAD COMPANY

The Board of Directors has fixed and declared $50.00 the amount payable on Class "A" Debentures (Payment No. 56), and a dividend of $5.00 to be payable on the capital stock, and $10.00 to be the amount payable on Class "B" Debentures (Payment No. 35), out of net earnings for the year 1951, payable at Room No. 3400, No. 20 Exchange Place, New York 5, New York, on and after February 21, 1952. The dividend on the stock will be paid to stockholders of record at the close of business February 7, 1952.

W. W. COX, Secretary

New York, New York, January 30, 1952

EATON MANUFACTURING COMPANY

Cleveland 10, Ohio

DIVIDEND NO. 117

The Board of Directors of Eaton Manufacturing Company has declared a dividend of Fifty Cents (50¢) per share on the 1,792,520 $2.00 par value common shares of the Company issued and outstanding, payable March 4, 1952, to shareholders of record at the close of business February 7, 1952.

H. C. STUESSY, *Secretary*

Declared on January 25, 1952

CREPED PAPERS • GIFT WRAPPINGS • MARKING DEVICES • GUMMED PAPERS • TAGS • SEALS • LABELS • JEWELRY BOXES • COMMERCIAL BOXES

DIVIDEND NOTICES

Debenture: The regular quarterly dividend of $2.00 per share on the Debenture Stock will be paid Mar. 3, 1952, to stockholders of record Feb. 11, 1952.

"A" Common and Voting Common: A quarterly dividend of 30 cents per share on the "A" Common and Voting Common Stocks will be paid Mar. 3, 1952, to stockholders of record Feb. 11, 1952.

A. B. Newhall, *Treasurer*

Dennison Manufacturing Co.

Framingham Mass. **108th year**

American

INVESTMENT COMPANY OF ILLINOIS

85TH CONSECUTIVE DIVIDEND ON COMMON STOCK

The Board of Directors declared a regular quarterly dividend on the Common Stock of 40 cents per share, payable March 2, 1952, to stockholders of record February 15, 1952.

D. L. BARNES, JR.
January 28, 1952 Treasurer

Financing the Consumer through nation-wide subsidiaries—principally:

Public Loan Corporation
Loan Service Corporation
Ohio Finance Company
General Public Loan Corporation

DIVIDEND NOTICES

The Singer Manufacturing Company

The Board of Directors has declared a quarterly dividend of sixty cents per share payable on March 14, 1952 to stockholders of record at the close of business on February 21, 1952.

D. H. ALEXANDER, Secretary.

January 28, 1952.

IOWA SOUTHERN UTILITIES COMPANY

PUBLIC I.S.U.Co. SERVICE

DIVIDEND NOTICE

The Board of Directors has declared the following regular quarterly dividends:

35⅝ cents per share on its 4¾% Preferred Stock ($30 par)

44 cents per share on its $1.76 Conv. Preferred Stock ($30 par)

30 cents per share on its Common Stock ($15 par)

all dividends payable March 1, 1952, to stockholders of record February 15, 1952.

EDWARD L. SHUTTS,
January 28, 1952 *President.*

O'okiep Copper Company Limited

Dividend No. 21

The Board of Directors today declared a dividend of twelve shillings per share on the Ordinary Shares of the Company payable March 7, 1952.

The Directors authorized the distribution of the said dividend on March 18, 1952 to the holders of record at the close of business on March 11, 1952 of American shares issued under the terms of the Deposit Agreement dated June 24, 1946. The dividend will amount to approximately $1.66 per share, subject, however, to any change which may occur in the rate of exchange for South Africa funds prior to March 7, 1952. Union of South Africa non-resident shareholders tax at the rate of 7½% will be deducted.

By Order of the Board of Directors,

H. E. DODGE, *Secretary.*

New York, N. Y., January 23, 1952.

ROBERTSHAW-FULTON CONTROLS COMPANY

Greensburg, Pa.

COMMON STOCK

A regular quarterly dividend of 37½¢ per share on the Common Stock has been declared, payable March 20, 1952 to stockholders of record at the close of business March 10, 1952.

The transfer books will not be closed.

WALTER H. STEFFLER
Secretary & Treasurer

January 24, 1952.

Hooker Electrochemical Company

$4.25 Cumulative Preferred Stock Dividend

The Board of Directors of Hooker Electrochemical Company on January 23, 1952 declared a quarterly dividend of $1.0625 per share on its $4.25 Cumulative Preferred Stock, payable March 26, 1952 to stockholders of record as of the close of business March 3, 1952.

Common Stock Dividend

The Board of Directors of Hooker Electrochemical Company on January 23, 1952 declared a quarterly dividend of Fifty Cents ($.50) per share on its Common Stock, payable February 27, 1952 to stockholders of record as of the close of business February 4, 1952.

ANSLEY WILCOX, 2nd
Secretary

HOOKER

DIVIDEND NOTICES

UGI

A quarterly dividend of 35c per share on the Capital Stock, par value $13.50 per share, has been declared, payable March 31, 1952, to stockholders of record February 29, 1952.

THE UNITED GAS IMPROVEMENT CO.

JOHNS HOPKINS, Treasurer

January 22, 1952 Philadelphia, Pa.

United States Pipe and Foundry Company

New York, N. Y., January 24, 1952

The Board of Directors this day declared a quarterly dividend of seventy-five cents (75¢) per share on the outstanding Common Stock of the Company, payable March 20, 1952, to stockholders of record on February 29, 1952.

The transfer books will remain open.

UNITED STATES PIPE AND FOUNDRY COMPANY
JOHN W. BRENNAN, *Secretary*

SOUTHERN NATURAL GAS COMPANY

Birmingham, Alabama

Common Stock Dividend No. 52

A dividend of 62½ cents per share has been declared on the Common Stock of Southern Natural Gas Company, payable March 13, 1952 to stockholders of record at the close of business on February 29, 1952.

H. D. McHENRY,
Secretary.

Dated: January 25, 1952.

SUBURBAN PROPANE GAS CORPORATION

REGULAR QUARTERLY DIVIDEND NO. 24 DECLARED

Common Stock — 25¢ per share

Payable March 3, 1952 to stockholders of record February 15, 1952.

R. GOULD MOREHEAD,
Treasurer

January 29, 1952

SOCONY-VACUUM OIL COMPANY
INCORPORATED

Dividend No. 164 **Jan. 29, 1952**

The Board of Directors today declared a quarterly dividend of 50¢ per share on the outstanding capital stock of this Company, payable March 10, 1952, to stockholders of record at the close of business February 7, 1952.

W. D. BICKHAM, *Secretary*

Southern Railway Company

SOUTHERN SR SERVES THE SOUTH

DIVIDEND NOTICE

New York, January 29, 1952.

Dividends aggregating $3.75 per share on the Preferred Stock of Southern Railway Company have today been declared, payable as follows:

Amount	Date of Payment	To Stockholders of Record at the Close of Business on:
$1.25	Mar. 15, 1952	Feb. 15, 1952
1.25	June 14, 1952	May 15, 1952
1.25	Sept. 15, 1952	Aug. 15, 1952

A dividend of One Dollar ($1.00) per share on 1,298,200 shares of Common Stock without par value of Southern Railway Company has today been declared out of the surplus of net profits of the Company for the fiscal year ended December 31, 1951, payable on March 15, 1952, to stockholders of record at the close of business on February 15, 1952.

J. J. MAHER, Secretary.

CITIES SERVICE COMPANY

Dividend Notice

The Board of Directors of Cities Service Company has declared a regular quarterly dividend of one dollar ($1.00) per share on its $10 par value Common stock, payable March 10, 1952, to stockholders of record as of the close of business February 15, 1952.

W. ALTON JONES, *President*

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—Despite the many "holes" in the budget submitted by President Truman, the informed are betting that Congress is unlikely to take any action which will have any material influence in reducing the total of expenditures below the $85 billion projected by the President.

Close analysis of this budget, like most of its predecessors, indicates that it is tricky as usual. For instance, after giving an over-simple table showing a cut of $2 billion in "non-security" expenditures as compared with the fiscal year 1950, the President observed:

"As the table on the following page indicates, expenditures for all other (i. e., non-security) programs have declined 9% since the fiscal year 1950. The decline has occurred during the period when the costs of goods and services which the Government buys has been rising."

The reduction was from $22.3 billion in fiscal 1950 to $20.3 billion, or $2 billion. At no point in even the enormous unabridged budget for '53 did the President give comparative figures back to, and including the fiscal year 1950, which would make possible an analysis and break-down of "non-security" payments, to show how the President arrived at this figure.

This could only be obtained by digging up older budgets. Against a proudly announced $2 billion cut in total "non-security" expenditures, it is found that expenditures for veterans actually decreased by $2,448 million. For this the President obviously could not take credit. Veterans' entitlement to jobless payments has run out, and their entitlement to free education is running out. This is simply inevitable under the GI statue which sets termination dates for these benefits.

So on the face of it, even using Mr. Truman's figures of the present and past years, but for the stautory dropping off of veterans' benefits, "non-security" expenditures would have increased $448 million.

However, this is only part of the story. In his text of budget discussion, the President uses the "functional" budget, a practice which has drawn much praise from persons outside Washington who haven't spent hours of painstaking care in comparative budget analysis. The beautiful use of a "functional" budget from Mr. Truman's viewpoint is that regular and recurring expenditures can be shifted about almost at will to give the budget a better facade.

Expenditures are constantly being shifted to and within these "functional categories." For instance, "international programs" includes the entire expense of the personnel of the State Department, and "defense" blankets in the enormous civilian bureaucracy of the defense agencies.

Without virtually a week or so of exhaustive comparative research, it is impossible accurately to analyze the meaning of the following figures, which list most of the actual outpayments for "non-security" expenditures for fiscal '50 versus projected totals as listed by Mr. Truman for 1953, but they do tend to indicate anything but a clear case of reduction of "non-security" expenses.

	Millions of $ Fiscal Year 1950	1953
Interest on public debt	$5,817	$6,256
Social Security	2,214	2,662
Housing, etc.	262	339
Education and gen. research	123	624
Agriculture	2,783	1,478
Natural resources	1,074	1,456
Transportation & communic.	1,603	1,479
Finance, commerce & indust.	775	31
Labor	262	243
"General government"	507	1,484

A curious and striking illustration of the way the budget is "jiggled" is afforded by analyzing this statement from the President's message for 1953:

"This Budget," said the President, "contains funds for only half as many general flood control projects as my Budget of 2 years ago."

For one thing, this sentence omitted the fact that the President was talking about combination multi-purpose projects, or for flood control AND power generation, as the official budget table itself discloses.

But the President nowhere gives figures comparable to the basis he set up two years ago to make it possible to compare actual figures with the President's assertion. In the budget message of two years ago the President did not separate multi-purpose flood control projects from rivers and harbors work, but lumped the two together. On the other hand, he in both budgets listed additional power generation, transmission, and reclamation projects separately, utterly confusing the picture.

The total of flood control multi-purpose projects in the 1953 budget, plus a proposed start on the St. Lawrence seaway of only $15 million, plus TVA, plus other reclamation and public power projects, as carried in the 1953 message tables, aggregates $1,111 million. As near as a comparable total can be obtained to the 1951 budget message, the total was $1,112 million two year ago.

For 1952 and 1953, the President used the same categories. These show that flood control multi-purpose projects for 1953 will separately amount to expenditures of $562 million for '53, versus $503 million for the current fiscal year.

* * *

These figures suggest to some that despite the President's claim for economy in "non-security" expenditures, there is room for economy. Nevertheless, the outlook is dim for economy. The greatest cause for pessimism on this score is that influential House elements who in the past HAVE tried to economize, even if without notable success, have given up the fight and in effect served notice in advance that they won't do more than appear to cut the budget. In the past several years, it usually has been these elements who have initially sought economy.

In the Senate, of course, there will be some determined economizers. The votes, however, are stacked against it. The word passed is that even if economy in military expenditures is possible without harming military efficiency, "a cut in military expenditures would be misinterpreted by our European friends."

One bloc of Republicans in the Senate, aided by a handful of conservative Democrats, will make a determined fight for economy. They will be opposed by perhaps a majority of Southerners who favor Mutual Aid and military expenditures at the Truman level; plus Truman's small personal following; plus a wing of Republicans who will stress necessity of "no let-down" in the country's military and foreign commitments.

In the end Congress probably will seem to cut appropriations below Truman's requests by maybe even something approaching the $4 billion cut made in 1952 appropriations. This $4 billion cut shows up, however, in a reduction of only $700 million in Mr. Truman's estimate for actual expenditures for the current year. This is because the "cuts" were in a large part merely postponements of appropriations for military and other statutorily-authorized welfare and "social progress" programs.

* * *

Until and unless the special SEC investigating subcommittee under the chairmanship of Rep. Louis B. Heller (D., N. Y.) recruits itself something of a staff, the SEC investigation is unlikely, it is reported, to amount to much. For one thing, the members of the subcommittee will be occupied entirely too much in the short session to give a real study close personal attention. The belief is that a staff consisting of accountants, analysts, and lawyers must do a lot of spade work before the committee can even get much of an idea what it should investigate.

* * *

The meat inspection division of the Department of Agriculture is striking for something which is the fond dream of any bureaucracy, or what amounts to a taxing system of its own, freeing it of dependence upon Congressional appropriations.

A few years ago the division actually sold an unalert Congress on the idea of abandoning appropriations for meat inspection, and charging the inspection cost to the packers. A 1906 law prohibits the interstate shipment of meat unless it is Federally-inspected. The theory was the protection of public health.

After a year of this deal Congress quickly repealed the meat inspection division's free ride on the packers. However, the division got Congress last year to allow it to nick packers if its appropriations proved to be "insufficient." So the division has given firing notices to 285 meat inspectors, and advises packers, mostly the big concerns only, that unless the packers pay $120 per week per inspector, their inspectors will be taken away from them. And then they couldn't sell meat. Congress, however, will shortly put an end to this little game.

(This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.)

BUSINESS BUZZ

"—— and now, gentlemen, since we have finally reached a unanimous vote, we stand adjourned!"

Two With J. W. Hicks

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Claude P. Macon and John E. Slothower have become affiliated with J. W. Hicks & Co., 1717 East Colfax Avenue.

Business Man's Bookshelf

Changing Concepts of Business Income: Report of Study Group on Business Income—The MacMillan Company, New York City—cloth—$2.00.

Consistent Profits in the Stock Market—Curtiss Dahl—Free descriptive literature or book may be purchased with 5-day examination period with refund if not satisfied—Tri-State Offset Co., 817-C Main Street, Cincinnati 2, Ohio.

Economic Survey of Europe in 1951 — (Provisional Edition circulated for the use of member governments of the Economic Commission for Europe and the press) with supplement of Tables —Research and Planning Division, Economic Commission for Europe, Geneva, Switzerland—paper.

Federal Income Tax Specimen Returns — Partnership, Fiduciary, Corporation—Completely worked out for filing in 1952—Prentice-Hall, Inc., 70 Fifth Avenue, New York 11, N. Y. — paper — $1.50 (lower prices in quantity)

Problem of the Uninsured Motorist, The—George H. Kline and Carl O. Pearson—Insurance Department, State of New York, 61 Broadway, New York 6, N. Y. —paper

Operating Results of Department and Specialty Store Branches —Milton P. Brown—Division of Research, Harvard Business School, Soldiers Field, Boston 63, Mass.—paper—$2.50

Silver Market, 1951—36th Annual Review—Handy & Harman, 82 Fulton Street, New York 38, N. Y.—paper

Taylor Trading Technique — Trading method composed of four components: the making of a trend; "Taylor Automatic Tape Reader," interpretation and use of this "reader" and basic method for buying and selling—$25—Lilly Publishing Co., P. O. Box 7265, Station G, Los Angeles 37, Calif.