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EDITORIAL

As We See It

The long drawn-out "negotiations" in Korea are tending to induce a certain weariness if not hopelessness on the part of the great rank-and-file in this country. To them it has become clear that we are really getting nowhere in these talks, and the question of what to do next is far too complex and difficult for the man in the street to cope with. The politicians responsible for it all would like nothing better—particularly in this election year—than to have it generally believed that the lack of results is to be charged to Communist perfidy. The "opposition," though in some instances at least ready enough to criticize, finds the subject "loaded," as the saying goes, and is not very much inclined to be specific.

The fact remains that we have here on our hands a long list of interrelated problems and difficulties, centered or represented in the public mind by the situation in Korea. It is perfectly true that the Communists are perfidious. It is in a sense a part and parcel of their admitted arsenal. They are also stubborn and endowed with almost endless patience in the pursuit of their objectives. They are masters of the art of propaganda; we are most certainly not, at least so far as the use of it to influence the thinking of peoples beyond our own borders is concerned. It has often appeared that we were coming out second best in the reports of what has been going on in the Korean talks. It may be that we have been outmaneuvered in the negotiations themselves. As to all this we express no opinion.

An Untenable Position

What seems to us to be beyond dispute is the circumstance that we find ourselves in a

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Happy Days Are Here—Still!

By EDWIN G. NOURSE*
Former Chairman, Council of Economic Advisers

Dr. Nourse, though predicting country is not going to witness in late 1950's as severe depression as during the 1930's, warns of possible difficulties and maladjustments when hump of defense program is passed. Stresses danger of ruptures in management-labor relations over disputes involving adjustment of wages to changes in costs and prices. Points out we have been living in unhealthy atmosphere of continuous inflation in which both management and labor can dodge real problem of adjusting conflicting claims. Concludes 1952 will prove a gradual transition to more competitive times.

If memory serves me correctly, the phrase "Happy days are here again" appeared as a campaign slogan when Al Smith was running for the Democratic nomination in 1928. Certainly, following the postwar recession of 1921-22, prosperity *was* back and seemed, in 1928, to be here to stay. Many people, sanguine by nature but economically naive, were hailing a "New Era," in which we were going to have perpetual prosperity. Of course, the collapse of 1929 and the prolonged bad times of the 30's considerably dampened faith in the New Era theory. But though the doctrine took a beating during the depression, it did not suffer a knock-out.

Edwin G. Nourse

World War II brought prosperity of a sort. There was not much time or inclination to philosophize about the future. The country, in spite of war scarcities, considered these years as happy days compared with the depressed and depressing 30's. But in time people began to ask: How long will it last? What will happen when peace breaks out? To this question those soothsayers whose method of divination is by anal-

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*An address by Dr. Nourse before Illinois Manufacturers' Costs Association, Chicago, Illinois, Jan. 15, 1952.

Ten Years of Investment Under Formula Plans

By CHARLES F. ZUKOSKI, JR.*
Vice-President & Trust Officer, First National Bank, Birmingham, Ala.

Prominent Southern trust officer, reporting on use of formulas in buying and selling programs of investment funds, describes types of plans that have been developed and advantages and disadvantages of each. Holds, despite shortcomings, formula planning offers better method for timing investment purchases and sales than mere personal judgment. Outlines "Variable Ratio Plan" used in his office, and tells of its merits and potentialities of further improvement.

Since the year 1942, when I delivered a paper before this Conference under the title "A Mathematical Plan of Trust Investment," there has been a broad increase in the use of formulas in the conduct of buying and selling programs of investment funds. The purpose of this paper is to summarize the types of plans which have been evolved and developed, to weigh some of their advantages and disadvantages, and to deal specifically with some of the problems affecting the particular type of plan with which our institution has had most experience. In presenting this paper I should like at the outset to recognize my heavy indebtedness to the trust investment officer of our bank, Carl P. Heartburg, and to his research assistant, Grover N. Allen, with whom for the past six years I have been closely associated in research and experience concerning the subject, as well as to the many other students and writers from whose ideas we have profited.

It is, of course, impossible to estimate with any accuracy the volume of investment funds which are today being administered subject to recognizable formula plans. The literature on the subject is increasing, though still of limited proportions. In addition to the earlier innovators and writers, as for example, Laurence G. Tighe of Yale University, Ray Morris of the Vassar College Committee on Investments, and H. G. Carpenter,

*A paper by Mr. Zukoski before the Fourth Session of the 33rd Mid-Winter Trust Conference, sponsored by the Trust Division of the American Bankers Association, New York City, 5, 1952.

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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

General American Transportation Corporation—Maurice S. Benjamin, senior partner, Benjamin, Hill & Co., New York City. (Page 2)

Chicago Pneumatic Tool Company—Charles T. Jawetz, partner, Daniel Reeves & Co., Beverly Hills, Calif. (Page 2)

Atlantic Refining Company—Chas. F. O'Reilly, J. W. Sparks & Co., Philadelphia, Pa. (Page 31)

Tejon Ranch Company—Everett W. Snyder, E. W. Snyder & Co., Syracuse, N. Y. (Page 31)

MAURICE S. BENJAMIN
Senior Partner, Benjamin, Hill & Co., New York City
Members, New York Stock Exchange

General American Transportation Corporation

The word "favorite" has such a personal connotation, that in using it, one merely hopes to reach a few others who "speak the same language"—so to speak.

Maurice S. Benjamin

During these critical times when the world faces war or peace and this country faces an election, the investor in choosing a favorite stock should think strictly in terms of safety—that is pick out a company which will survive and prosper more than others under any outcome of these conditions.

General American Transportation Corp. has a 53-year-old history and since 1916, when it became publicly owned, the company has reported continuous profits and dividends every year during wars and peace and depresssions and prosperity. That is quite a record.

The company is the major one in the world to lease its fleet of 58,000 tank, refrigeration and specialized railroad cars to industry. The largest users comprise the food, chemical and oil industries. This mostly accounts for the stability of operations. Supplementing these services are the great storage terminals at the ports of New Orleans, New York, Corpus Christi, Houston and Chicago.

In order to fully use its facilities for repairing and maintaining its own equipment, the company builds additional special tank and freight cars and consequently is one of the major railroad equipment companies in the country today. This business has been highly cyclical, but at present there is a shortage of cars, and the future holds the promise of excellent business, because the railroads may have to install new equipment in order to meet competition and economies just as they had to change over their hauling power to diesel locomotives.

The diversification program has been accelerated over the past decade by expanding manufacturing facilities for heavy welded steel equipment, precooling refrigerator cars, inter-city and intra-city automotive buses, plastic products and processing equipment for the chemical, paper, food, distilling and other industries.

It speaks well for the management, that General American Transportation will show higher earnings after taxes in 1951 than 1950 and expects 1952 net earning results to be the best in 20 years. Earnings in 1950 were $4.95; 1949, $5.62; 1948, $5.73; 1947, $6.60. Dividends last year were $3.50, returning a yield of 6.5% on the stock at 54. Excess profits tax exemption base is about $6. The financial position of the company is very strong with the book value about $75. Over 50 leading institutions hold the stock for investment.

The stock around 54 is selling in the low range of its long history. It sold as high as 123½ in 1929; 86½ in 1937, and 71½ in 1946.

CHARLES T. JAWETZ
Partner, Daniel Reeves & Co., Beverly Hills, Calif.

Chicago Pneumatic Tool Co.

This writer feels greatly complimented in being invited once again to contribute an article to a column that has received such wide acclaim in financial circles—"The Security I Like Best." In September, 1950, I chose Signal Oil & Gas, common stock, as the security I believed would best reward its owners. By changing my selection at this time, I do not in any way infer that I no longer like Signal Oil & Gas. In view of the fact that the market price of this stock has doubled (including stock dividends) since the time of selection, it appears logical to me to attempt a search for some different security in which large capital gains appear likely in spite of the historically high level of present security prices. Further, I believe the factor of possible price decline in the general market insofar as it might affect the market action of one's selection should be an important consideration. In other words, I feel that a partially defensive position should be maintained that will minimize capital investment deterioration in the event of a market break that could easily occur in these days of turbulent world conditions.

Charles T. Jawetz

I believe that I have such a desirable vehicle in the common stock of Chicago Pneumatic Tool Company, the world's largest manufacturer of portable pneumatic tools. This fine company, whose shares are listed on the New York Stock Exchange, is in its 51st year of operation, having been incorporated in New Jersey in December, 1901. Its record in the early thirties was unimpressive but beginning in 1936, its qualitative management began to reflect itself in piling up an enviable record of earnings. Going back 10 years, plus an estimate of 1951 earnings, we find figures that are almost unbelievably lush. They are, per common share: 1940—$3.01; 1941—$6.15; 1942—$3.97; 1943—$4.19; 1944—$4.25; 1945—$3.57; 1946—$5.01; 1947—$10.41; 1948—$11.21; 1949—$7.94; 1950—$10.22; 1951—(nine months ending September) $9.08 (estimate for year $12.00). The capital structure of the company is very simple. It has a minor mortgage indebtedness of less than $300,000, 181,000 shares of $3 cumulative convertible preferred stock (convertible into one and one-third shares of common stock with dilution protection) and 370,670 shares of common stock. As a result of this small capitalization, there have never been what might be termed as speculative excesses in the fluctuations of the share prices. The stocks, the preferred according to its convertible ratio with the common, have moved quietly upward with virtually no fanfare. My primary reason for this selection is my belief that the upward move has been much less than is justified by the company's earnings record in the past and the promise of future growth with commensurate improvement in earnings even beyond those previously described.

In 1949 and 1950, the company transferred manufacturing activities to a new modern plant of 500,000 sq. ft. on an 80-acre site in Utica, New York. It closed and sold old and outdated plants in Detroit and Cleveland. The cost of the new plant, as well as the large outlay of cash to cover moving expenses were borne without any new financing or recourse to borrowing. The next expansion phase in the company's forward march is the building of a new plant in the southwest, probably in Fort Worth, Texas. It is understood that the new plant will be a major manufacturing unit and that its cost will quite probably exceed that of the Utica plant. The entire program seems to indicate a determination on the part of the management to keep the company dominant in its field which, apart from its pneumatic tool division, embraces production of air compressors, electric and rock drills, pumps, hoists, portable and stationary compressors, fuel-oil engines and gas and oil engines of the Diesel and semi-Diesel types. The company serves many industries, particularly the structural building, road building, aircraft, railway construction, oil, mining, and now in particular, defense. In connection with the latter, it should be pointed out that the company's future is not dependent on defense but rather on the industrial growth of the nation in which we all believe. In addition to original purchases of the company's products, its parts replacement business accounts for substantial profits. This briefly summarizes the company's manufacturing activities and the role it will probably play in the nation's industrial future.

If one agrees with our belief in the quality of management and the soundness of the business, we can then go on to the reasons the stock itself appears attractive. Having paid $3.50 per share in 1951, the yield to those wanting high income is certainly inviting. The small capitalization makes it a very logical candidate for a stock split. This action should encourage institutions, only six of which now own the stock, to buy it, if for no other reason than the better market such a move would normally be expected to create. Another move that appears logical would be the calling of the preferred stock, most of which would almost certainly be converted into common. Although this would cause some dilution, it should be offset marketwise by the fact that the common would

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LETTERS TO THE EDITOR:

"Our Roads"

Letters received relative to article by Roger W. Babson in which he contended that overloaded trucks are ruining our highways faster than they can be replaced and expressed the opinion that truck owners are not bearing their share of the burden of maintaining them.

We are able to accommodate in this issue some of the letters received in connection with the views expressed by Roger W. Babson in the article "Our Roads" which appeared in the "Chronicle" of Jan. 24, on page 4. Mr. Babson, it may be recalled, blamed overloaded trucks as the principal reason for the continuing deterioration of the nation's highways and contended that truck owners are not paying their proper share of the cost of maintaining them. By way of contrast, Mr. Babson stated that the railroads "build and maintain their private roads."

Comments on Mr. Babson's article follow:

JOHN W. BARRIGER
President, Chicago, Indianapolis and Louisville Railway Company

I hope that some day within the foreseeable future such outstanding civic messages as that conveyed by Mr. Babson will be productive of a fair and equitable policy for the taxpayer, the truckers and all other aspects of American economy and personal life, which may be affected by the present situation.

John W. Barriger

W. H. EDWARDS
President, Lehigh & New England Railroad Company

I read with considerable interest Roger Babson's article, "Our Roads," which appeared in the Jan. 24 issue of the "Chronicle." I, naturally, agree in principle with everything as set forth in the article. I favor taxation on the basis of costs, both original and maintenance. A study made by the English years ago, which I believe unfortunately was never made effective in particular detail, outlined conclusions which appeal to me very much. The heavy trucks, by which I mean weight under load, are certainly damaging our roads as indicated by Mr. Babson, wearing them out faster than we can build them, regardless of cost and who pays the cost.

W. H. Edwards

In the English system to which I refer, developed through lengthy study by a Commission, the type of road as to width, depth, materials, etc., was determined for the various classes of vehicles. For example, a relatively narrow road, shallow in depth, was all that was required for passenger vehicles, other than buses, and lightweight, say half-ton trucks or maybe one-ton trucks for that matter. The cost of building and maintaining such a road was determined, the idea being that all vehicles would be taxed uniformly for such roads; then step by step a determination was made as to the width, depth, etc., of roads required say for vehicles weighing from one-to-four tons, and the cost, original and maintenance, of such roads less the cost of the type of road first mentioned would be distributed equally through taxation of all vehicles heavier than the type for which the first mentioned road was satisfactory, and so on step by step until the final added cost, both construction and maintenance, of the heaviest type road over and above the next heaviest type road would be supported by taxes levied against the heaviest trucks. The conclusions reached by the English Commission prove without the shadow of a doubt, in my estimation, that the heavy trucks pay far too little in the way of taxes of all descriptions in comparison with the taxes of all descriptions levied against the operators of smaller trucks and passenger vehicles.

J. D. FARRINGTON
President, Rock Island Lines

Mr. Babson's article is most interesting and worthwhile.

HON. DAVID McK. FERGUSON
Member of Ohio State Senate

I share completely Mr. Babson's views on so-called toll roads. I believe in free ways. If government should be in any business it is road building where ALL the people should be privileged to use them . . . and under ONE tax. I so argued in the Ohio Senate. I was the only one to vote NO on the Turnpike.

The government is in about 100 different kinds of businesses it has NO BUSINESS being in, but road building is not one of them. My thinking goes back to Adam Smith who gave reasons that are still tenable. Babson is not my authority.

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*No column by Mr. May this week.

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A Pair of Magnifying Glasses

By IRA U. COBLEIGH,

Author of "Expanding Your Income"

Some reflections on two fascinating enterprises that have shattered their prior records of gross earnings, and broken out with new uses, and substitutes for glass.

These words "growth stock," have been bandied about so loosely by market commentators that, in many cases, all a company now has to do to qualify in the category is to add 5% to its last year's earnings. Well today our nominees won't have to creep into the echelon of "growth companies"—they belong there in spades, and under glass! Both by pioneering new products—such as, of all things, glass fishing rods and bouncing bottles—and by demonstrating a dazzling dynamic surge in gross sales in just a few short years, these two enterprises deserve the attention of perceptive investors.

Ira U. Cobleigh

The first is the 630,000 share common stock issue of Owens-Corning Fiberglas Corporation which gave a jet propelled market performance when it was offered last Thursday. From the subscription price of $35.75 it took off like a space ship, reaching an 11-point premium on the day of offering. Many are unfamiliar with this company; and many who knew about it got only a soupcon of stock when they wanted a tureen. To both the uninformed and the unsatisfied—I propose today a novelty in financial writing —a book review of a prospectus.

As you well know, about a new issue, you can't receive an offering or make a purchase without receipt of a prospectus; and since my studies show that not one character in a hundred reads through a prospectus, I propose to capsule for you below the salient reasons why Owens-Corning Fiberglas may prove the most sought after equity of 1952. But remember to ignore completely what I may say, since on this planet, the only authentic and reliable source of data on this worthy issue is to be found in the prospectus, cheerfully supplied to you by any of the 133 investment houses, from here to 'Frisco, who belonged to the underwriting group.

Owens-Corning Fiberglas Corporation is the lusty corporate child of Owens-Illinois Glass Co. and Corning Glass Works who, after this underwriting, will each own ⅓ of the 3,149,364 common shares outstanding; preceded only by $25 million of 3½% notes due 1975.

If you are really impressed by growth, get a load of this—net sales of $3,878,791 in 1939 blossomed into $97,449,452 for 1951!

As its title suggests, this company makes glass fibers, ranging in diameter from the size of a broomstraw down to the merest filament. Five general fields of use have been developed for these fibers, the largest being glass wool for building insulation, accoustical applications and insulation of refrigerators, ranges, and water heaters, which accounted for more than 50% of gross in 1951. Fiberglas textile strands, yarns and cords have been used for electric insulation, tapes, and reinforcement for paper and rubber products. Yarns, plus plastics, have made possible glass fishing rods, and by strengthening plastic sections, have become part of 28-foot boat hulls. If you like your drapes in the glass of fashion, Fiberglas turns them out, as well as glass-woven Marquisette curtains. The company also makes Aerocor, a light weight Fiberglass wool useful for the aircraft industry; filter products for heating and ventilating; and mat products in the form of thin sheets especially useful in making storage batteries.

Altogether 80 different types of basic products are made now, and if the company continues to spend at the rate of over $2 million a year on laboratory and development work, as it did in 1951, then you may expect many new glassy marvels adding to the profits of Owens-Corning. 8,575 workers are busy in plants in Newark, O., Kansas City, Santa Clara, Calif., Huntingdon, Pa., Ashton, R. I.; and a new textile plant for glass yarns is nearly completed in Anderson, S. C. Not neglecting growing Canadian market the company owns 51% of Fiberglas Canada Limited.

The lure of the common stock of Owens-Corning Fiberglas is not so much in recent earnings ($2.25 per share in 1951) as in the velocity in growth of gross earnings. Expanding sales of existing products, development of new ones, all engineered by a highly glass-conscious management, suggest a bright future for this company and account for the recent scramble for its shares. Fact is the only regret you and I may have here, is that we couldn't buy it a couple of years back. You see the common was split 4 for 1 in 1950; then 3 for 1 in 1951, and we've missed them both, alas.

My second entry is Emhart Manufacturing Company, which, as the old Hartford Empire Company (until March 9, 1951), held patents for feeding, and automatic machinery which produced some 70% of all U. S. glass containers. Monopoly suits, ending in 1947, required the company to sell or lease its glass-making equipment. Emhart now produces a complete and highly diversified line of glass-making machinery plus automatic package handling machines, including rinsers, labelers and sealers, for efficient packaging of cans, bottles, cartons and boxes.

For 1951 gross income reached almost $31 million—up 22% from the year before—and created net income of $6.18 for each of the 329,886 shares of common. About 75% of gross came from the glass machinery and packaging section. The other 25% came from a wholly-owned subsidiary, the Plax Corp. In point of romance, however, the tail wags the dog; for Plax turns out a plastic squeezable bottle that has sold sensationally.

To digress a moment, take a look in the medicine cabinet in your home, and you'll probably find at least 15 small bottles—iodine, hair tonic, after-shave lotion, deodorant, vitamins, etc.—all made of glass! If one of these bottles falls on the bathroom tile, it's a real menace. In other words all of those bottles are expendable. They can, and maybe will, be replaced by a polyethylene plastic bottle that you can squeeze to use, and if you drop it, all it will do is bounce! This homely reference will give you a rough idea of the future of plastic bottles in the cosmetic and drug field. Conservative estimates suggest an annual demand for at least five million gross; against 1951 production of less than one million. Emhart also has a big two gallon plastic bottle which should importantly save freight and breakage charges in the shipping of acids and chemicals.

Emhart stock, traded over-the-counter, has varied from 34⅝ to 82 in the past year. Currently around 72, it is available at roughly 12 times net earnings. Read the annual report, just out, and you will perceive the sound and expanding position of Emhart in its field, and the solid character of its management. Fat cash dividends from Emhart seem an unlikely expectation, last year's declarations totaling $2.20 per share. Earned surplus, however, is at an interesting level, and gives some hint of the possibility of some sort of dividend in stock. A 20% stock dividend was paid (in addition to the cash) in 1951.

These two companies have been selected for you today as recognized leaders in their fields, and as "growth" stocks in every sense of that term. For those willing to forego large cash dividends in favor of an impressive plowback of earnings into research and expanded productive capacity, these two—Owens-Corning and Emhart—deserve your further study. Get the prospectus and the annual statement and perhaps you will agree with my title, that these enterprises are indeed a pair of magnifying glasses — magnifying their earnings, production, and perhaps, in due course, the market prices of their common shares.

Kenneth Cronyn Formed

RIDGEWOOD, N. J.—Kenneth W. Cronyn has formed K. W. Cronyn & Co., with offices at 4 Wilsey Square, to engage in the securities business. Mr. Cronyn was formerly with J. B. Hanauer & Co. and MacBride, Miller & Co.

S. F. Frohlich Co. Formed

S. F. Frohlich & Co., Inc., has been formed with offices at 90 Wall Street, New York City, to engage in the securities business. Officers are S. F. Frohlich, President, and S. H. Sleppin, Vice-President. Mr. Frohlich was formerly manager for George J. Martin Co.

H. Judwin Co. Formed

KEW GARDENS, N. Y.—H. Judwin is engaging in the securities business from offices at 83-57 118th Street under the firm name of H. Judwin Co. He was formerly with I. J. Schenin Co. and Hunter & Co.

A World Truce Needed

By ROGER W. BABSON

Mr. Babson deplores failure of missionary efforts in foreign lands and says it does not make sense to teach "heathen" Chinese love of God and later shoot and bomb these same people. Upholds Point IV Program, and concludes we need a World Truce, not simply a Korean Truce.

I am writing this column after returning from a Foreign Missions meeting. It has reminded me of the great missionary movements of my youth, which older readers will remember. Unfortunately, our children never experienced and hence will not be interested in what I am about to write.

Roger W. Babson

Those were great days! The country was then stirred up about foreign missions as it is now excited over inflation. We wanted to "save" the heathen of China, India and Africa. Great mass meetings were held when many of my friends dedicated themselves to go to foreign lands to tell of the "Love of Jesus." My father and mother were very active in raising funds to support the missionary cause.

Picking up an old hymn book of my boyhood, I note the songs which we all enthusiastically sang: "From Greenland's Icy Mountains to India's Coral Strand." Another was "Rescue the Perishing, Care for the Dying." Another, "Arise, Ye Soldiers of the Cross." Another, "Christ for the World We Sing." Then we all would repeat: "Take my life and let it be consecrated, Lord, to Thee; take my hands and let them move, —take my lips and let them be filled with messages from Thee,—take my silver and my gold . . . ."

I do not question the present military policy of President Truman. I am not a pacifist—if a mad dog should come into my house, I would shoot it. Probably the world is not yet ready for peace. Perhaps the Korean-Chinese campaign is sound.

It, however, certainly does not make sense to have been teaching the "heathen Chinese" of the Love of God in my youth and then now shooting and bombing these same people, many of whom are graduates of our missionary schools. They certainly must think we Christians are a nation of hypocrites.

It is popular for some conservative church people to wildly criticize President Truman. Probably he has been misled and has made many mistakes. His desire, however, to help backward nations surely accords with Bible teachings. All serious church members who believe in foreign missions should endorse Point Four.

We Americans cannot indefinitely "live the life of Riley" with our reckless waste and pleasures while so many of the world's people are starving. Ultimately, either our living standards will be lowered or else we must help other nations raise their living standards. Perhaps the first persecuted race we should help is the displaced Jews of Israel; but first we need a World Truce.

A professor under whom I once studied at the Massachusetts Institute of Technology would prove that God has given the world new discoveries only as soon as the people were ready for them. This was his interpretation of the old saying, "Necessity is the mother of invention." May this now bring us a World Truce.

I wish that preachers, instead of praying for peace, would pray that we be worthy of peace and be willing to make the necessary sacrifices therefor. Then peace will come naturally, as have other great blessings. The Apostle Paul must have had this in mind when he said: "Eye hath not seen, nor ear heard, neither have entered into the heart of man, the things which God hath prepared for them that love him." (1st Cor. 2:9)

It certainly seems as if some mistake has been made. Either the leaders of our mission schools did not properly teach the right Gospel, or else we in this country have set such a poor example as to undo all their efforts. Jesus said: "By their fruits ye shall know them." Did He expect this would be applied to our foreign missionaries or to us churchmen here at home who are urging Truman to bomb China?

The eleventh of February is the birthday of Thomas A. Edison for whom I once had the honor of working. When anything he did failed to give the desired results, he always blamed it on himself,—never on the chemicals or other materials with which he was experimenting. He would then try to find the mistake he had made. I believe in foreign missions and in present day churches, but certainly this Korean-Chinese situation makes me feel that there has been a mistake somewhere. Let us remember Edison and see that it will be corrected, if we hope to have further prosperity and avoid unemployment. We now need a World Truce,—not simply a Korean Truce.

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Call Emergency Meeting Of NY Dealers Ass'n

The New York Security Dealers Association will have an emergency meeting of its membership Thursday, Feb. 14, at 3:45 p.m. at the Bankers Club, 39th Floor, 120 Broadway. The Association will take up the Securities and Exchange Commission letter dated Jan. 31, sent to all registered dealers involving the proposal to adopt and amend rules with respect to fees and charges by the Commission; (2) the proposal of Mayor Impelliteri and the City's administration involving an increase of 400% payable by all investment dealers as a city business tax; and (3) the threatened sharp increase in state transfer taxes on securities.

With respect to the SEC proposal, the Commission has announced that the final date for submission of views by interested parties has been postponed from Feb. 20 to March 10. For further details see page 8.

Bond Club of Detroit To Hold Annual Dinner

DETROIT, Mich.—The Bond Club of Detroit will hold its annual dinner at the Hotel Statler, March 12. Speaker will be Thomas R. Reid, director of the office of information on governmental affairs for the Ford Motor Co.

Ernest B. Kelly, Jr., Halsey, Stuart & Co., is Chairman of the dinner. Frank P. Meyer, First of Michigan Corporation, President of the Club will preside.

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This ad first appeared in Barron's October 15 issue, just prior to the October break in the market.

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The State of Trade and Industry

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

There was no change of significance in overall industrial production in the United States the past week. However, it continued on a par with the high level of a year ago. The tempo of output for defense needs continued to climb and thus aided in sustaining aggregate production at a level of close to 10% below the all-time high point attained in the middle of World War II.

The employment situation in the week ended Jan. 19 revealed that continued claims for unemployment insurance benefits declined 4% but were 19% higher than a year ago. Initial claims fell 21%, but remained 31% above the level in 1951.

More idle workers got unemployment compensation in January than in any other month since mid-1950, according to Director Goodwin of the Bureau of Employment Security, adding that 1,420,000 persons received jobless pay during the month. This was 4.2% of workers covered by unemployment insurance. It compared with 3% in December and 3.8% in January, 1951. Along with seasonal factors, the director noted that weakened demand for some consumer goods contributed to idleness in January. He also blamed cutbacks in allotments of materials to the automotive, electrical products and fabricated metal industries.

Steel ingot output advanced for the sixth consecutive week to 100.6% of capacity and was the second highest on record and only fractionally under the record established in December of last year.

Labor trouble and scrap shortages are overshadowing a remarkable production record in the steel industry, "The Iron Age," national metalworking weekly, states in its current summary of the steel trade. Barring enforced shutdowns from these causes, record smashing steel production during the first quarter will be close to 27.3 million net tons of ingots.

During the same period last year the industry poured 25.7 million net tons. Thus, the extra million tons of first quarter steel production requested several months ago by National Production Authority may be exceeded by more than half a million tons.

Here are some of the reasons output seems likely to beat the NPA goal, this trade weekly states: (1) New capacity is being brought into production at a rate of almost a million tons a month. (2) The scrap industry has done a fine job of keeping metal flowing to mills, with an assist from allocation. (3) Leap year means an additional day of production in February.

In estimating first quarter output, March is the pivotal month, it adds, and this could easily prove to be the most critical month the steel industry will face this year. Historically a month of peak steel production March this year will likely be either a period of record-breaking output or frustrating mill shutdowns. It all depends on what happens in scrap and labor, and March should tell the tale on both.

Solution of the wage-price impasse is still locked in the White House, and the Feb. 24 strike deadline is getting uncomfortably close. But, if the mills are running at a high rate in March, it will probably be a banner year for steel production, continues this trade authority.

The steel market, continuing its easing trend, is becoming almost orderly. This isn't as good as it sounds, asserts this trade journal: to some small companies it spells real hardship. It means open space on the order books, unemployed facilities and sinking profits. Some small nonintegrated mills are now working only 4 to 5 days a week because of lack of orders.

This is adding more fuel to the fires of decontrol; the pressure is becoming very strong. Some observers believe some sort of temporary decontrol on certain steel products could be worked out, despite NPA inertia. It has been suggested that a moratorium on controls over certain easy steel items could be placed in effect until such time as demand for these items grows tighter. This suggestion is aimed at overcoming NPA's reluctance to decontrol anything that might become tighter at some later date. Some steel people insist that, unless controls are relaxed on more products, small companies are going to be hurt by the unrealistic position of NPA, "The Iron Age" points out.

In the auto industry production in the United States last week rose about 1% from that of the previous period to reach the highest weekly production total this year, but the output was about 17% under the total for the like week last year, according to "Ward's Automotive Reports."

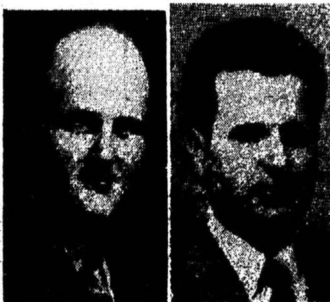
Continued on page 35

Stupendous Postwar Expansion Of Chemical Industry

By ROBERT S. ARIES and RUDOLF CZINER
Of R. S. Aries & Associates, New York City

Pointing to the doubling of capital investment in chemical industry since end of war, the authors state that, with an outlay of over $5 billion, the expansion exceeded in value even that of steel industry, thus placing chemical industry in second place only to petroleum industry. Statistical data furnished reveal increasing growth and importance of chemical industry for nation's economy.

In the six years from 1946 to 1951, the chemical industry spent more money for new plants and equipment than the value of the industry's gross capital assets at the end of 1945.* The chemical and allied industries spent a total of $5.4 billion during the last six years, a little over 11% of all the manufacturing industries investment of $48.1 billion. This ranks the chemical industry right behind petroleum and coal with an expenditure of $10.3 billion.


Dr. Robert S. Aries   Rudolf Cziner

This postwar phenomena in outlays for plants and equipment is the result of a number of economic and political factors. Among these are the natural reactions to a highly controlled and severely limited war economy. Stored up demand for most civilian goods, deferred for four years, was a prime factor in giving the chemical industry its initial impetus to spend money for fixed assets. The reconversion of plants from military production to civilian manufacture was a second important incentive to spend money in the early postwar period. The renovation and modernization of manufacturing plants, operated past their economic life and optimum efficiency during the war when replacements were unavailable, is another significant underlying force. In addition, the extreme needs of war-ravaged countries for both intermediate and finished chemicals and the Federal Government's liberal fiscal policy of providing dollar funds to foreign purchasers was added on top of the deferred domestic demand in the creation of a tremendous market for chemicals of all descriptions. During the last two years, the conflict in Korea and the economic and military aid to our Allies became the all important determinant for increasing industry's expenditure for plants and equipment.

The industrial expenditures by the chemical and other industries for fixed assets in the period 1946-51 are compared in Table 1 in relation to the value of the gross capital assets at the end of 1945. Three industries exactly doubled the value of their plant and equipment, six did better, and six spent less money than the worth of their fixed assets in 1945. The chemical industry increased its book values 129% while all industries registered only a 92% increase. Three facts should be remembered: (1) Dollar values are not constant, but increases in building and equipment costs are fairly uniform for all industries. (2) The data presented in Table 1 are relative. The beverage industry which leads all others, spent only $0.9 billion compared with the $4.2 billion for chemicals, $12 billion for petroleum and coal. (3) The expenditures considered in this article are for all plants, equipment, and machinery which is carried on the books as fixed assets only. Equipment charged to current accounts are not included. The data, therefore, are not comparable to figures previously published by government and private organizations. The fact that should be noted is that expenditures in the postwar period generally doubled the gross book value of fixed assets in most manufacturing industries.

The chemical industry, with its expenditures of over $5 billion, had the second highest postwar

Continued on page 22

*All values are expressed in current dollars. The costs for capital goods increased steadily since the end of the war, but deflation factors are not considered in this article. Similarly, the reduced costs for government "surplus" facilities sold to industry are incorporated at the actual sales price. Even at deflated costs, new investments since 1945 account for a sizable part of today's fixed assets.

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Business and Finance Speaks After the Turn of the Year

MORE BUSINESS FORECASTS

The following are the balance 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 and subsequent issues.—Editor.

KIRKE W. CONNOR

President, Micromatic Hone Corporation

Because of the ever increasing demand for both military and civilian production, the year of 1952 should be one of unparalleled machine tool production. Backlogs of orders are very high and the industry will be extending every effort to fulfill its present commitments.

Kirke W. Connor

Indications seem to be that governmental bureaus are beginning to realize the fundamental nature of the machine tool industry and will attempt to encourage enlarged facilities and the necessary allocations of scarce materials. Increased governmental understanding of the essential nature of the machine tool industry is, of course, of vital importance to our defense program as well as our civilian economic stability.

The immediate defense preparedness economy and how it affects the machine tool business is obvious. In the event of all-out war, the effect on the industry is equally obvious and needs little comment. What is more difficult to foresee is in what position the industry will find itself if a return to normalcy is accomplished within a reasonable period of time.

Because of the experience of the larger machine tool users after the last world war, it is my belief that new policies in regard to purchasing machine tools will be adopted. It seems unlikely that major changeover and modernization programs will be delayed and postponed for as long a period as they were after the termination of the second world war. It is more probable that in order to avoid major capital expenditures in any one year, and to obtain more favorable delivery commitments, companies will adopt a policy of a more consistent continuing modernization program. If this is accepted, there will evolve to the machine tool industry the benefit of a steady demand which will tend to eliminate the traditional "feast or famine" aspect under which the business has struggled for so many years.

On the termination of the defense program, there will undoubtedly be a period of re-adjustment and recession in the industry. Unless the government makes other provisions, a great many of the machines built for defense work will be converted to civilian production. This will be particularly true of the more standard types of machines, and to some extent also true of some of the special machines. However, my firm conviction is that the civilian demand for better, cheaper products will very shortly express itself in a demand for better machine tools. This has been historically true in the United States and is one of the basic, fundamental reasons for the economy of plenty which exists in this country. Those machine tool companies which are far sighted enough to anticipate the demand, and through research and development aggressively create the equipment to meet the demand, will not undergo any severe recession in the re-adjustment period.

DONALD W. DOUGLAS

President, Douglas Aircraft Co., Inc.

Since approximately 95% of all airframe contracts held by major airplane builders represent orders from the U. S. Armed Forces, our industry's immediate future must be linked closely with the nation's re-armament program.

Donald W. Douglas

Recently announced plans for further expansion of military air power make it evident that unless there is a change in Defense Department plans and policies, the swelling output of airplanes during 1951 will be increased materially during the ensuing 12 months.

At the same time, backlogs of commercial transports — all of which have a direct military potential— have reached an all-time high for the industry. Douglas Aircraft Company, alone, has unfilled orders for more than 140 four-engine airliners.

These are the circumstances which indicate that unless unforeseen conditions intervene, continued expansion of the aircraft manufacturing industry may be anticipated throughout 1952.

Nevertheless, rapid expansion poses a number of problems of considerable magnitude. Fortunately, we will be able to draw upon the experience gained during the unprecedented build-up of World War II to avert or minimize unfavorable aspects of skyrocketing production.

Expanded facilities, both through additions to existing plants and by wider sub-contracting, may be required to meet the production assignments of the Armed Forces. New machine tools will be needed to equip the new facilities, and manpower must be recruited and trained to meet additional labor requirements. Significant cash outlays are necessary to accomplish these objectives. We must look to the government for proper allocation of raw materials.

The Douglas Company was in the fortunate position of having production facilities well established on four of its major models when the U. S. embarked on its present policy of air power expansion.

Because of the company's commercial DC-6 transport plane was fully developed and in quantity production, it was relatively easy and economical for the Armed Forces to obtain military versions of this airliner without delay. Also in production were three purely military planes — the four-engine C-124 Globemaster Air Force transport, the AD-Skyraider Navy attack plane, and the F3D Skynight, twin-jet Navy nightfighter. For these models it has been necessary only to increase the production rate, some of which is being accomplished by plant expansion and some by subcontracting of components.

Sub-contracting will be even more extensive to reach production rates which may ultimately be required for the Douglas A2D Shyshark, turbo-prop powered Navy attack plane, and the fast, F4D Skyray, Navy jet interceptor.

As for earnings, a recent industry report by Admiral Dewitt Ramsey, U.S.N. (Ret.), President of the Aircraft Industries Association, stated: "It is not possible to estimate with any degree of accuracy the level of profits in the industry during 1951. Despite the increased sales volume, it is anticipated that profits will be substantially less than the $83,500,000 reported by the same 15 major companies in the 1950 period. This is attributable to the effects of the excess profits tax, delivery delays caused by materials and machine tools shortages, the effects of strikes, rising wage rates, increased cost of materials and the increased costs of inducting and training new employees."

De COURSEY FALES

President, The Bank for Savings in The City of New York

Employment should be good in the State of New York under the combined preparedness and civilian production plan of the government, thus affording the wage earner and the thrifty an opportunity to save, thereby keeping up the rate of net gain in the savings banks. The present policy of increasing the currency supply will probably continue as will the trend in increased savings.

DeCoursey Fales

It is true that at the present time the savings banks are having a difficult time in foretelling what the rules and regulations of the Internal Revenue Bureau will be governing the determination of taxes to be paid on the earnings retained for the protection of depositors. It is probable that the New York State Banking Board will at least allow the savings banks to pay dividends up to 2¼% —or perhaps to 2½%. The depositor should within the year receive a higher dividend than the present 2%. As a result there will be a tendency for savings banks to invest a larger percentage of their assets in mortgages than heretofore. Although not anticipated at this time, a drastic decline in housing construction or shortage of building materials would, of course, reduce the demand for mortgage credit.

It is hoped that the Legislature will permit the savings banks a greater latitude in new investments and in new services for the people of the state. As mutual banks they are organized and operated solely for the benefit of the public generally. Their accounts average only about $1,575. The safe investment of the public's funds would be facilitated if the banks could obtain permission to invest say 3% of their assets in rent paying real estate and 3% in common stocks. They should be given permission to increase the amount that may be loaned on real estate from 66⅔% to 70% of value so that it is possible to meet the competition of others in the mortgage lending field. Services may well be extended to include small personal loans to be made at low rates of interest. Permission to establish more branches would add greatly to the convenience of the public.

As the tax law permits a credit for dividends paid to depositors, there will be an inclination for each savings bank to be as liberal as possible with the dividend rate, and consequently the ratio to deposits of reserves and surplus may decline slightly until the combined reserves and surplus fall below 12%, when, generally speaking, savings banks are not to be taxed. It is hoped that the banks will be granted a bad debt reserve for loans similar to that granted commercial banks based on a moving average of experience. If this happens it will ease the tax burden.

Whether the gain to our government from the additional revenue it will receive from the new income tax on savings banks will offset the harm it will do to the financial institutions that are promoting and promulgating public thrift remains to be seen.

H. C. MURPHY

President, Burlington Lines

Our nation's railroads in 1951 made all-time record expenditures for new equipment and far-reaching improvements which helped bring about further enlargement of carrying capacity and greater operating efficiency. Despite the meager return on invested capital, our Class I railroads in 1951 spent an all-time record amount of more than $1,400,000,000 to enlarge capacity and to increase operating efficiency. Of this huge outlay, of capital spending, approximately $1,000,000,000 was allocated for the purchase of approximately 84,000 new freight cars and approximately 3,500 new locomotive units. The railroads entered 1952 with a heavy backlog of more than 120,000 freight cars and more than 1,700 locomotives on order, representing commitments to spend more than $1,000,000,000. These capital improvements, along with the many other phases of self-improvement which the railroads have undertaken, will require continued huge expenditures. The railroads are faced with a serious shortage of materials and funds required for continued expansion and improvement of facilities. The extent to which our program of improvement and expansion can be financed depends on our credit which is based on earnings or prospect of earnings. This in turn depends on relationships between railroad rates and operating costs. It is difficult to say what these relationships will be in 1952. The railroads will, however, continue to endeavor to meet national transportation needs to the limit of money and materials available to them.

H. C. Murphy

Granger roads, such as the Burlington, will suffer a decrease in the handling of grain and grain products in 1952 because of relatively small 1951 crops. This also applies to the 1951 corn crop because of the early freeze causing a high moisture content therein. The 1952 movement of livestock should be exceptionally good because of near record herds and good demand.

With shortages developing in many important materials and heavy allocations being made for defense purposes, we anticipate a reduction in 1952 in the volume of traffic from manufactures and miscellaneous. Since normally a substantial portion of freight revenue comes from this source, any substantial reduction in volume will, of course, have a serious effect on our revenue from this relatively high rated traffic.

Construction will decline during 1952 below its volume for 1951. Prospects are that the rate of private investment will decline during the year. Prospects are that investments in inventory will be less in 1952 than in 1951 for the reason that businesses in general will seek to reduce their currently high inventories. The buildup in military outlays during 1952 is expected to reach record proportions, but because of other Government curtailments and restrictions on use of critical materials by private business. 1952 traffic of Class I carriers will be approximately 5% under that of 1951.

JAMES F. OATES, JR.

Chairman, The Peoples Gas Light and Coke Company

It seems probable that the level of business and industrial activity maintained in the Chicago region throughout last year will continue during 1952. Consumption of the general customers of Peoples Gas showed increases last year in all classifications, and a new peak-day gas sendout record of 370,166,000 cubic feet was established on Jan. 29, 1951.

James F. Oates, Jr.

Completion in December of a 30-inch diameter, 1,400-mile natural gas pipeline from Texas Gulf Coast supply fields to the Chicago area in record time was an outstanding accomplishment in the broad expansion program of Peoples Gas and its subsidiary companies. The new $135,000,000 pipeline has a daily capacity of 374,000,000 cubic feet and was built by Texas Illinois Natural Gas Pipeline Company.

This is the third long distance pipeline which has been built to serve a six-state area with an aggregate population in excess of 6,500,000. The other two lines are owned and operated by Natural Gas Pipeline Company of America, which has been serving this area since 1931.

We like to think of natural gas pipelines as strong steel links in the chain armor of America. In war or in peace, these facilities are indespensable tools, making possible the economic transmission and delivery of large quantities of energy—Btu's in the form of gas.

We in the Peoples Gas enterprise are proud to have completed the Texas-Illinois line. But we are primarily proud because it will serve the interest of the public by supplying daily human needs which have so much to do with the welfare and comfort of all. We are fortunate, indeed, in finding in our daily work a field of activity, a purpose of existence and the means of making our own lives count in the public interest for it is my conviction that all business must represent the public interest if it is to be successful.

No thoughtful representative of management could honestly state anything else but that present-day man-

Continued on page 30

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When Will Metal Shortages End?

By SIMON D. STRAUSS*
Vice-President, American Smelting and Refining Company

After calling attention to confusion and contradiction in government and private circles regarding metal shortages, sales executive of leading metal refiners and distributors foresees no permanent or extended shortages, particularly of copper. Says copper producing capacity of nation has been increased by 200,000 tons annually or 20% in last four years and further expansion is forthcoming. Warns consumers against switching from copper to substitutes. Deplores errors in planning.

Metals are in the news. In organizing for defense, Washington has keyed its program to three metals—steel, copper and aluminum. The entire Controlled Materials Plan revolves about the allocation of these metals. By allocation, Washington decides the relation of military effort to civilian economy. The Nazis, faced with this same decision before launching the Second World War, used the striking phrase, "guns versus butter," to describe it. Many people in this country are using that phrase today, but personally I feel "war planes versus pleasure cars" is a more correct definition of our choice. After all, we have not yet had to resort to rationing of dairy products and Elsie, the contented cow, is not reporting to the NPA in quite the same red-tape-embroidered detail as are the producers of copper, zinc and lead.

Simon D. Strauss

To illustrate how much our industry is in the public eye, on a single day, two weeks ago, three leading articles in the financial sections of the New York newspapers dealt with the metal shortages. Speaking in Philadelphia, John Small, Chairman of the Munitions Board, told the Chamber of Commerce there that the three basic metals—steel, copper and aluminum—would continue short at least through June and probably through September, but that there would be a gradual easing in the second half of the year if world conditions do not get worse.

On the same day in Chicago, another high government official, Defense Mobilizer Charles Wilson, said this country "has gone over the hump" in steel supplies, but that copper and aluminum shortages threaten defense and civilian production quotas. Furthermore, he forecast "no help in the copper shortage situation until at least 1954," and what help does develop he said must come from substitution of aluminum in some items and from imports in increasing quantity. The newspapers quoted him as stating that "there are no big copper deposits in North America." This must be a misquotation. After all, Mr. Wilson can hardly say that a single mine that produces close to 300,000 short tons of copper a year—more than 10% of the world's production—is not big. I mean Kennecott's Utah mine, of course. The United States, Canada and Mexico together account for more than 40% of the world supply, so his remark must have been incorrectly reported.

The third news item on that day was perhaps the most interesting. Edwin Dale, a reporter for the New York "Herald Tribune," writing from Washington, stated that NPA officials admitted that the aluminum allotment to the automobile industry for the second quarter of this year "has given a hollow ring to the agency's earlier pleas for substitution of aluminum for copper." Mr. Dale explained that NPA had given the car makers enough steel to produce 900,000 cars in the second quarter, but only enough brass mill products to produce 800,000 cars, on the theory that they should substitute aluminum on the balance. But then when they allotted aluminum they cut the amount of that metal by 24% from the first quarter. This inconsistency is explained as resulting from incorrect guessing on the amount of aluminum available. Aluminum scrap supplies have dried up; military requirements for aluminum have increased; allocations of aluminum have been in excess of the supply; production has been curtailed by strikes.

Last week, the Small Business Committee of the United States Senate issued its annual report and, among other things, reviewed the aluminum picture. These are its comments:

"Your Committee feels that mobilization officials have not been sufficiently candid about the aluminum outlook. Many small fabricators have believed from quarter to quarter that plentiful aluminum supplies were only a few months ahead. They have continued unprofitable operations with the hope they could survive the period of shortage. Your committee believes that it has a fundamental obligation to make clear that for these fabricators the outlook is dim for anything near normal production for at least the next three years. Thus, it seems clear to your committee that the only hope for the 14,000 small aluminum fabricators lies in either switching to a substitute material or obtaining defense contracts or subcontracts."

There you are. Mr. Intelligent Citizen, the man who takes enough time to read the financial pages as well as the sports section and the comic strips, is supposed to read this budget of news from the planners in Washington and understand the metal situation. By one leader he is told that steel, copper and aluminum are short. By another, on the same day, he is told that steel is over the hump, but that copper and aluminum are still short and that copper is so bad that plans have to be made to use aluminum instead. And then he learns that the consumers that actually take that advice and switch over from copper to aluminum find that they are going to get less aluminum rather than more. In fact, a committee of the United States Senate says that they will have to switch from aluminum to still other substitute materials as yet unspecified.

Copper Shortage Will Not Be Permanent

Confusing, isn't it? So here I am in Denver, considerably further west than Messrs. Wilson or Small, with the effrontery to add my own opinions to all this conflicting information. I shall start off with three statements.

One: There is a copper shortage at present.

Two: The copper shortage will not be permanent and may end much sooner than Mr. Wilson predicts.

Three: Any consumer who is stampeded into planning a permanent switch from copper to some other material, inferior to copper for the specific use involved, will eventually regret his decision.

Let me amplify these statements. Copper is short today. If a producer had many thousands of tons of additional copper to sell he could do so with ease. But within two months the situation could change. I am not saying that it will change. I am frank to say that I don't know. And, may I add, I feel that the planners in Washington don't know.

Two months ago zinc and lead were short too. In September, for instance, the National Production Authority had requests from consumers for over 120,000 tons of lead and had a supply subject to allocation of 30,000 tons. In October and November the situation was the same. By December the picture was so bad that it was decided to take some lead out of the military stockpile—30,000 tons, which represented the quantity of lead lost through mine and smelter strikes during the fall months.

Although domestic mine production of lead was somewhat lower in 1951 than in 1950 because of an insufficient supply of miners in some areas, the principal drop in United States supplies had been the result of reduced imports. Foreign lead was attracted to markets outside this country by the higher prices being paid there. However, this premium price has gradually disappeared—mine production of lead abroad is increasing, notably in Africa; stocks in foreign consumers' hands are fairly large; and exchange difficulties have made it harder for foreign consumers to secure dollars with which to buy Western Hemisphere lead.

Consequently, imports of lead into the United States in 1952 probably will be larger than they were in 1951. Consumers in this country, therefore, now feel more confident of securing the supplies they require. The talk of a shortage is diminishing and will perhaps completely disappear. Of course, real requirements were never four times the supply—they only seemed that way. When people cannot get all they want, they usually ask for more than they really need in order to get the largest share possible of the restricted supply.

In zinc the picture has been quite similar. Until a few weeks ago every user was asking for more zinc than he could get. Here too, the foreign price has declined substantially in the last months—although it is still above parity with the U. S. ceiling of 19½ cents a pound at East St. Louis. Foreign mine production is increasing and is well in excess of foreign smelting capacity. Therefore, United States zinc smelters should receive enough foreign concentrates in 1952 to run at or close to capacity—which is about 300,000 tons of metal a year more than domestic mines are producing.

An added factor in the zinc position is a drop in U. S. demand caused by the civilian cutbacks —with fewer cars being made less zinc will be used in die-castings; with less brass available for civilian use, less zinc may be needed by the brass makers un-

Continued on page 28

*An address by Mr. Strauss before the Colorado Mining Association, Denver, Colo., Feb. 1, 1952.

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NEW ISSUE February 14, 1952

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(CANADA)

3% Serial Debentures

Amount	Maturity	Offering Price*	Approximate Yield to Maturity
$1,500,000	February 15, 1953	100.20%	2.80%
1,500,000	February 15, 1954	100.19	2.90
1,500,000	February 15, 1955	100.00	3.00
1,500,000	February 15, 1956	99.63	3.10
1,500,000	February 15, 1957	99.31	3.15

3⅝% Sinking Fund Debentures

Amount	Maturity	Offering Price*	Approximate Yield to Maturity
$22,500,000	February 15, 1977	99.75%	3.64%

*Plus accrued interest from February 15, 1952.

Principal and interest payable in lawful money of the United States of America, or, at the option of the holder, in lawful money of Canada except that principal and premium, if any, of 3⅝% Sinking Fund Debentures called for redemption and not presented within 15 days are to be payable only in lawful money of the United States of America.

Copies of the Prospectus may be obtained from any of the several underwriters only in States in which such underwriters are qualified to act as dealers in securities and in which the Prospectus may legally be distributed.

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Dealer-Broker Investment Recommendations and Literature

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

Bank Stock Analyzer—Comparative tabulation as of Dec. 31, 1951—Geyer & Co., Inc., 63 Wall Street, New York 5, N. Y.

Cyclical Analysis—Industrial Common Stock Index 1854-1951—22x32 wall chart in three colors showing index, components and forecasts; separate text and data—$10 per copy—Predix, P. O. Box 1245, Dept. C, Coral Gables, Fla.

Double Top?—Market analysis—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y.

German Securities—Analysis—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.**

High Grade Bonds—Analysis of outlook—Stanley Heller & Co., 30 Pine Street, New York 5, N. Y. Also available is a discussion of **Convertible Preferreds.**

Investment Selection—Bulletin—Dean Witter & Co., 14 Wall Street, New York 5, N. Y.

Investments During a Period of Inflation—Reprints of an address by W. H. Oppenheimer — Oppenheimer, Vanden Broeck & Co., 40 Exchange Place, New York 5, N. Y.

National Chemical & Manufacturing Co.—Card memorandum—Smith, Burris & Co., 120 South La Salle Street, Chicago 3, Ill.

Natural Gas News — Bulletin of information on **Arkansas-Western Gas, Commonwealth Gas, Delhi Oil, Kansas Nebraska Natural Gas, Mountain Fuel Supply, Petroleum Heat & Power, Republic Natural gas, Southern Production Co., Southern Union Gas, Southwest Gas Producing, Southwest Natural Gas, Tennessee Gas Transmission, Texas Eastern Transmission, Texas Gas Transmission, Texas-Illinois Natural Gas Pipeline, Transcontinental Gas Pipe Line, Western Natural Gas,** and **West Ohio Gas.**

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.

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.

Rail Divisional Liens—Analysis—Eastman, Dillon & Co., 14 Broad Street, New York 5, N. Y.—With Special reference to **Chicago, Terre Haute & Southeastern; Delaware, Lackawanna & Western, Lackawanna & Western, Denver & Salt Lake, Illinois Central, Chicago St. Louis & New Orleans, Lehigh Valley Terminal, New Orleans Great Northern, West Shore, West Virginia & Pittsburgh.**

Saskatchewan Economic Review—Development of minerals in Saskatchewan—D. H. F. Black, Director, Industrial Development Office of the Province of Saskatchewan, 401 Westman Chambers, Regina, Sask., Canada.

Stocks Which Might Earn More After Taxes in 1952 Than in 1951—List of 100 issues—Walston, Hoffman & Goodwin, 35 Wall Street, New York 5, N. Y.

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

Value Selections for February—Bulletin—Newburger & Co., 1342 Walnut Street, Philadelphia 7, Pa. Also available is a list of stocks considered legal investments for trust funds in the State of Pennsylvania.

What's Ahead—Analysis of 1952 market, industry by industry—Freehling, Meyerhoff & Co., 120 South La Salle Street, Chicago 3, Ill.

* * *

American & Foreign Power Co.—Memorandum—Kalb, Voorhis & Co., 25 Broad Street, New York 4, N. Y.

Associates Investment Company—Annual report—From the company, South Bend 24, Ind.

Berkshire Fine Spinning Associates, Inc. — Analysis — Barclay Investment Co., 39 South La Salle Street, Chicago 3, Ill.

Centennial Flouring Mills Co.—Memorandum—Pacific Northwest Co., Exchange Building, Seattle 14, Wash.

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

Chicago Transit Authority—Bulletin—Braun, Bosworth & Co., Inc., Toledo Trust Building, Toledo 4, Ohio.

Continental Illinois National Bank & Trust Co.—Memorandum—Illinois Company, 231 South La Salle Street, Chicago 4, Ill.

Dodge Manufacturing Corporation—Analysis—Central Republic Company, 209 South La Salle Street, Chicago 3, Ill.

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.**

Haile Mines, Inc.—Memorandum—Emanuel, Deetjen & Co., 120 Broadway, New York 5, N. Y. Also available is a memorandum on **M. A. Hanna Co.**

International Utilities Corporation—Analysis—W. E. Hutton & Co., 14 Wall Street, New York 5, N. Y.

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

McIntyre Porcupine Mines, Limited—Reappraisal—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

Minneapolis, St. Paul & Sault Ste. Marie Railroad Co. — Analysis—Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

National Tank Company—Bulletin—Dayton & Gernon, 105 South La Salle Street, Chicago 3, Ill.

Outboard Marine & Manufacturing Company — Analysis — Dempsey-Tegeler & Co., 210 West Seventh Street, Los Angeles 14, Calif.

Portland General Electric Co.—Memorandum—Fewel & Co., 453 South Spring Street, Los Angeles 13, Calif. Also available is a memorandum on **Rohr Aircraft Corp.**

Rotary Electric Steel Company—Review—Van Alstyne, Noel & Co., 52 Wall Street, New York 5, N. Y.

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

Steep Rock Story—20-page booklet on present position and future prospects of Steep Rock Iron Ore Mines Limited — W. C. Pitfield & Co., Inc., 30 Broad Street, New York 4, N. Y.

Texas Gas Transmission Corp.—Analysis—Dempsey & Company, 135 South La Salle Street, Chicago 3, Ill.

Trane Co.—Memorandum—Sills, Fairman & Harris, 209 South La Salle Street, Chicago 4, Ill.

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Prospectus on Request

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SEC Extends Date for Submitting Views on Proposed Fees, Charges

In a release, dated Feb. 11, the Securities and Exchange Commission announced that the closing date on which interested persons may submit their views and comments in writing on the Commission's new proposal to levy certain fees and charges, in addition to those already in force, has been extended from Feb. 20 to March 10, 1952. The proposal of the Commission, among other things, provides for:

(1) An annual registration fee payable by brokers and dealers of $50, plus $10 for each officer, partner, employee, etc., engaged in selling securities or supervising such activity;

(2) A registration fee running from $30 to $2,500 (depending upon value of total assets) payable by Registered Investment Companies;

(3) An annual registration fee from $500 to $25,000 (based upon corporate balance sheets) payable by Registered Holding Companies and Certain Exempt Holding Companies;

(4) An annual registration fee of $50, payable by investment advisers; and

(5) Increases in the present fees for photo-duplications, and a charge for each certification.

An editorial published on the cover page of last week's (Feb. 7) "Chronicle" voiced opposition to these projected charges and strongly urged all interested parties, particularly dealers and brokers, to submit their views, to the Editor of "The Commercial and Financial Chronicle," 25 Park Place, New York 7, N. Y., and to immediately register their protests with the Securities and Exchange Commission, at Washington, D. C., and to their Senators and Congressmen.

Fruin & Thornton Opens

BROOKLYN, N. Y.—Fruin & Thornton has been formed with offices at 221 Avenue S to engage in the securities business. Partners are A. T. Fruin and E. A. Thornton. Mr. Fruin was formerly with Bendix, Luitweiler & Co. and Hornblower & Weeks.

Now Askew Inv. Co.

DALLAS, Texas—Leslie Ellison Askew, National City Building, has announced that he is now doing business as the Askew Investment Co.

J. L. Ciccarello Opens

GARFIELD, N. J. — James L. Ciccarello is engaging in a securities business from offices at 158 Harrison Avenue.

Kahlmus & Co. Opens

MERIDIAN, Miss.—F. W. Kahlmus has formed Kahlmus and Co. with offices at 2304 Fourth Street to engage in the securities business.

Harry Malsbury Opens

MT. VERNON, Wash. — Harry O. Malsbury is engaging in a securities business from offices at 710 1st Street. He was formerly with Badgley, Frederick Rogers & Morford, Inc.

With Renyx, Field

(Special to THE FINANCIAL CHRONICLE)

NEW ORLEANS, La.—Gordon E. Nordgren is now with Renyx, Field & Co., Inc., 534 St. Peter Street.

COMING EVENTS

In Investment Field

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.

March 12, 1952 (Detroit, Mich.)
Bond Club of Detroit Annual Dinner at the Hotel Statler.

March 14, 1952 (Toronto, Ont., Canada)
Toronto Bond Traders Association Annual Dinner at the King Edward 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.

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

May 4-8, 1952 (San Francisco, Cal.)
National Federation of Financial Analysts Societies Fifth Annual Convention at the Fairmont Hotel.

May 9-10, 1952 (Los Angeles, Cal.)
National Federation of Financial Analysts Societies Fifth Annual Convention at the Ambassador Hotel.

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

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

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

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

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

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A REPORT OF Progress

ASSOCIATES INVESTMENT COMPANY
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and other Subsidiaries

Commercial and Installment Financing

AUTOMOBILE FINANCING is the principal business of the Associates Companies. Last year, Associates services made possible the sale and purchase of more than a half million automobiles and other motor vehicles.

Retail motor vehicle installment receivables are purchased on a discount basis from automobile dealers through 117 branches in key communities east of the Rocky Mountains. Automobile dealers are accorded wholesale advances to build inventories and to facilitate factory purchase of new vehicles. In conjunction with these transactions, insurance in the form of comprehensive, fire, theft and collision coverage on motor vehicles is provided by Emmco Insurance Company, a subsidiary. Direct and personal installment loans are made through 96 offices in 22 states.

The Commercial Division offers short and medium term credit to industrial firms against the assignment of accounts receivable, inventories, pledges of machinery, equipment and other eligible collateral. Rediscount advances secured by retail installment notes are made to finance and other companies.

ASSOCIATES INVESTMENT COMPANY ASSOCIATES DISCOUNT CORPORATION
ROBERT L. OARE, *Chairman of the Board*

CONSOLIDATED BALANCE SHEETS

ASSETS

	December 31, 1951	December 31, 1950
Cash	$ 45,053,492	$ 42,515,030
Marketable Securities:		
U. S. Government bonds at amortized cost (market $12,441,020)	$ 12,625,913	$ 13,270,450
Other bonds at amortized cost (market $522,017)	523,567	31,000
Short-term commercial notes	—	2,800,000
Stocks at cost (market $5,242,880)	3,706,087	4,353,636
Total marketable securities	$ 16,855,567	$ 20,455,086
Receivables (including installments due after one year):		
Retail motor vehicle installment receivables	$274,104,380	$259,904,446
Wholesale motor vehicle, short-term loans	46,560,752	37,622,698
Direct and personal installment loans	26,906,226	15,702,665
Other installment receivables	4,952,371	3,734,034
Accounts receivable assigned	5,206,550	4,697,652
Advances to other finance companies on collateral	8,308,185	7,778,394
Commercial loans on collateral	6,108,320	2,711,463
Miscellaneous	1,253,683	2,098,327
Total receivables	$373,400,467	$334,249,679
Repossessions	1,186,063	502,888
Less—Unearned discounts	*17,058,559*	*16,954,546*
Reserve for losses	*8,067,468*	*6,854,411*
Total receivables and repossessions, net	$349,460,503	$310,943,610
Inventories, at lower of cost or market	$ 496,407	$ 461,671
Prepaid Interest, etc.	1,376,212	1,093,284
Land, Buildings and Equipment, at cost less depreciation reserves of $1,458,903	1,206,920	1,045,712
Investment in stock of an affiliated finance company, at cost (50% owned)	150,000	150,000
	$414,599,101	$376,664,393

LIABILITIES

	December 31, 1951	December 31, 1950
Notes Payable, short-term	$245,636,000	$220,938,500
Accounts Payable and Accruals	3,567,787	2,859,672
Reserves for Unpaid Insurance Losses and Loss Adjustment Expense	2,867,237	2,161,008
Reserves for State and Federal Taxes	13,200,897	9,675,525
Reserves Withheld—Dealers and Others	4,490,342	4,115,598
Unearned Insurance Premiums	17,567,105	16,063,785
Preferred Stock Sinking Fund Requirement	100,000	100,000
Minority Interest in Insurance Subsidiaries	13,000	13,000
Total	$287,442,368	$255,927,088
Long-Term Notes due $26,670,000 in 1955, $6,670,000 in 1956, and $6,660,000 in 1957	$ 40,000,000	$ 40,000,000
Subordinated Long-Term Notes due in 1959, subject to annual sinking fund requirements of $1,800,000 beginning October, 1953	$ 22,500,000	$ 22,500,000
Capital Stock and Surplus:		
Cumulative preferred stock, authorized 199,000 shares of $100 par value each; outstanding 99,000 shares of Series A, 4¼%, $9,900,000 (all to be retired at par through sinking fund, at rate of 1,000 shares annually 1952-1953 and of 5,000 shares to 10,000 shares annually 1954-1967), less current sinking fund requirement of $100,000	$ 9,800,000	$ 9,900,000
Common stock, authorized 1,500,000 shares of $10 par value each; outstanding 1,041,824 shares	10,418,240	10,418,240
Paid-in surplus	3,600,000	3,600,000
Earned surplus (under provisions of the long-term notes payable, $28,490,202 is not available for cash dividends on, or reacquisition of, capital stock)	40,838,493	34,319,065
Total capital stock and surplus	$ 64,656,733	$ 58,237,305
	$414,599,101	$376,664,393

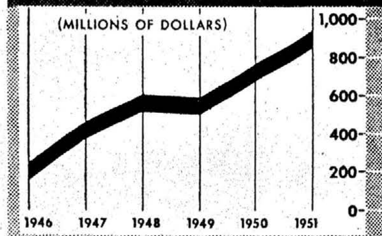
Certain banks have been authorized to honor manufacturers' drafts of not to exceed $1,264,000 in any one day covering shipments of automobiles.

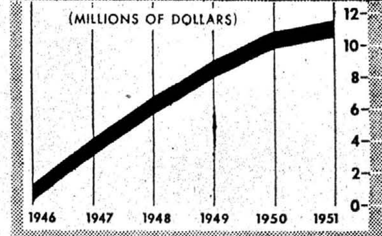
STATEMENTS OF CONSOLIDATED INCOME

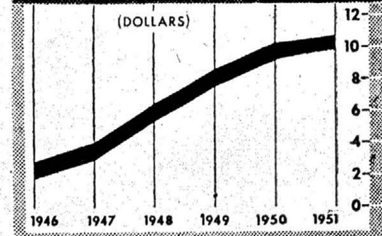
	Year Ended December 31, 1951	Year Ended December 31, 1950
Consolidated Gross Income	$65,801,881	$50,468,277
Deduct: Expenses	42,171,370	31,011,430
Consolidated Net Income before Federal Income Tax	$23,630,511	$19,456,847
Provision for Federal Income Tax	12,000,000	8,590,000
Consolidated Net Income	$11,630,511	$10,866,847
Consolidated Net Earnings per share after payment of preferred stock dividend	$10.76	$10.29

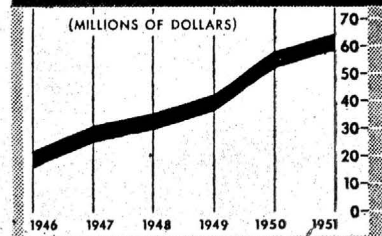
A copy of the Annual Report may be obtained on request.
ASSOCIATES INVESTMENT COMPANY, South Bend 24, Indiana.

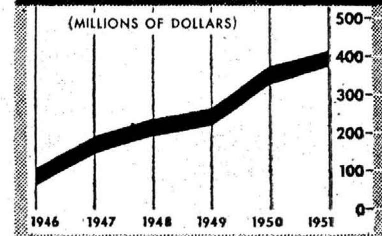
February 8, 1952











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The Stock Market in 1952

By JUSTIN F. BARBOUR*
Barbour's Dow Theory Service, Inc.

Mr. Barbour, holding major direction of market well into second half of year will be upward, bases belief on: (1) implications of Dow-Jones Averages; (2) precedent for rising market in Presidential election years; (3) income attractiveness of equities; and (4) the prevailing economy. Concludes "there is force, momentum and strength behind this current bull market."

I have a strong opinion as to the probable course of the market this year. Because the reasoning by which I reach my conclusions is somewhat involved, I will first tell you what I think and then endeavor to explain the justification for my opinion.

(1) I think the major direction of the market will be up at least well into the second half of the year.

(2) I believe the current rise, dating from Nov. 24, 1951, will continue until the averages are above their 1951 highs.

(3) I believe that the ensuing decline will culminate above 255.95 for the industrials and 77.91 for the rails, the lows of the September-October-November decline.

(4) The market is likely to rise in the second half of the year, and in advance of the election, with **the question of new highs depending on conditions expected to dominate the economy as a result of the election.**

The reasons for my conclusions are: (1) the implications of the averages; (2) the precedent for a rising market in years of Presidential elections; (3) the income attractiveness of equities; and (4) the prevailing economy.

As almost everybody knows, the major trend of the market has been up since June 13, 1949. **There is force, momentum and strength behind this bull market.** It is not a flighty, will-of-the-wisp. It better withstood the outbreak of war, (a great change in our political economy) than any other previous market withstood the impact of war. Major advance has continued though the economy is regulated, business activity restricted, earnings reduced by the squeeze between rising costs and price ceilings, and high taxes. Aggregate dividend payments are declining.

Yet under these conditions the three secondary declines have been of less than average proportions. Only as a result of Korea did the industrial average experience a decline exceeding 10%. Its May-June and September-November declines were less than 8%. **One indication of a strong market is its failure to decline far.**

Most of the time this market is rising. For each of the first 12 months the industrial average advanced to a new high. Within one month of Korea the rail average recorded a new high, and kept repeating the performance into last February for one of the greatest primary rises in its history.

The industrial average recorded successive new highs in October and November 1950; and January, February, April, May, August and September 1951. The Associated Press, and Standard & Poor's Index of 50 Industrial Stocks recorded new highs early this month, and again last week.

The stock market has never been confused as was "wrong way Corrigan" who started out from New York in a small plane for the West Coast and landed in England. **When a bull market is over, the market goes down,** and everybody knows it. **A bear market does not fight to go over the top. It succumbs to the pressure of liquidation.**

When a bull market is over, the market declines generally to a greater extent than it declined in October and November. Then a recovery sets in. The rise usually retraces from one-third to two-thirds of the preceding decline. Volume dries up on the recovery, and the market turns down, gathering speed, momentum and force as the decline proceeds.

We have not had that kind of a market. We have had a market of minimum declines for 31 months; a market that pushes upward; a market in which the best quality stocks make new highs, and a market where stocks severely affected by the war economy, as the motor stocks are, move sidewise.

For much of last year everything that ever haunted the Bears hit the television industry. Production was so excessive that it was difficult for manufacturers, distributors and dealers to find enough warehousing space to store sets. Yet the decline of the TV stocks as a group was of normal secondary proportions. In June, when conditions were about their worst, at least two of the group rose to new 1951 highs.

This month a number of TV stocks have recorded historical highs.

This is a strong bull market. Until it can no longer confound the bears, and then goes down, for say a count of nine, it is going to continue to find the upside the lines of least resistance.

The one performance that has questioned major advance was the rail average's failure to record a new bull market high last year, as the industrial average did in August and September.

For the record, it should be said that the 75.8% rise of the rails from June 1950 to February 1951 was so abnormal that it required an abnormally long period for consolidation. However, the negative implication in the rail average's failure to record a new high loses its significance with the passing of time.

Bull market peaks are usually followed by bear market confirmations within a matter of months. Eleven months and 16 days have elapsed since the highest close of the rail average was recorded. In the history of the averages, a bear market has always been confirmed in less time. For example, the 1946-47 bear market was confirmed within 14 weeks of the date the first average recorded its bull market peak.

Since Nov. 24—nine weeks ago—the averages have been rising and have closely approximated their September-October highs. If the peak of the bull market had been reached, **it is very unlikely that either average would have recovered so much of its September - October - November decline.**

Market Usually Rises in Years Of Presidential Elections

The next basis for anticipating a major uptrend for months is the pronounced characteristic of the market to rise in years of Presidential elections.

In nine of the 13 years of Presidential elections, the industrial average was higher the day before the election than the first trading day of the year. In eleven of the 13 years of Presidential elections, the market advanced preceding the election. It was up 4.8% in 1948; up 8.7% to 9.7% on four occasions; and up 22.8%; 26.5%, 39% and 40%, respectively, on four other occasions.

The four Presidential election years when the market was lower at election time than it was at the first of the year, were 1900, 1920, 1932, and 1940. In each instance, bear markets were in progress. In 1920, business and the stock market suffered from the postwar break in commodity prices.

The war in Europe dominated the stock market in 1940, and brought about the April-May panic decline. The first half of 1932 was the final phase of the 1929-32 bear market. Yet, in 1900, 1932 and 1940, the market experienced substantial rise in the last half of the year. Only in 1920 did the market seemingly ignore the Presidential election.

The history of the market indicates that it will be higher at election time than it is now, and that a rise in the second half of the year is probable.

Conditions Favor Continuing Bull Market, Barring World War III

(1) Though there will be further cutbacks during the first half of this year in much of the durable and semi-durable goods production — automobiles, building, household appliances, radio, TV, etc.—the accelerating defense program will insure a high level of overall business activity in 1952. **When businessmen anticipate good business, their instinct is to buy and hold equities—not to sell them.**

(2) Because aggregate employment and wages are at high levels, and those temporarily unemployed receive unemployment compensation, there is a lush market for those able to compete for the consumer's dollar.

(3) **Good stocks afford good income, and are reasonably priced in relation to earnings** on a historical basis. Aggregate dividends afford an average annual yield approximating 6%, and are well protected by net earnings. The ratio of the industrial average to estimated 1952 net earnings is about 11 to 1. These are much more favorable relationships than prevailed at previous bull market peaks.

At its 1946 high, the industrial average afforded a yield of 3.54%, and was selling at 15.6 times 1946 net earnings. At its 1937 high, the average afforded a yield of 4.53%, and was selling at 16.9 times 1937 net earnings.

Many companies are enjoying high pretax earnings. Were it not for the excess profits tax, stocks would be at a very low historical ratio to net earnings. The excess profits tax is a war tax, and conceivably may lapse at the end of 1953.

(4) Money is still losing purchasing power. Inflation is still a dominant factor.

(5) Under these conditions, I think the stock market will continue to move generally upward during 1952, somewhat slowly, as it has advanced over the past 16 months. In these 16 months of rising prices there have been two declines of secondary proportions. One or more such declines are likely to occur this year.

(6) In my opinion, two events would adversely affect the stock market. One is "all-out" war, and the other is a decisive political upset in the November election. I do not anticipate "all-out" war because no two opposing nations appear to desire a formal war to the finish, as were World Wars I and II.

I do think there is likely to be a political upheaval next November, because of the widespread dissatisfaction with existing conditions among many leaders of the Democratic Party, as well as among people in all walks of life, and in all sections of the country.

There is dissatisfaction with the kind of a war we are conducting in Korea. There is a sharp division of opinion as to our foreign policy. The masses are complaining about high taxes and high prices. They don't like scandals in high places or the kind of corrupt conditions that prevailed under prohibition and that are again with us because of big government and high taxes. People do not relish the thought that they may have been eating horse meat.

War Boom vs. Peace Boom

Because of World War II, and the prevailing defense program, business activity has been at an abnormally high level for 11 years. This does not mean that the country is near the end of a boom, for on balance, production has been for the military instead of the civilian economy. Significant overproduction is **unlikely** to *occur so long as the defense-regulated economy endures.* By summer, political exigencies are likely to result in a lessening of every restriction that brings about unemployment and irritates large groups of voters. Yesterday government officials talked about decontrols, and lifting the freeze on new telecasting stations. Freedom of operations is starting to improve.

Thus far in this bull market, security prices have only reflected boom conditions in isolated instances. The stock market was not seriously affected in 1951 by overproduction of automobiles, television sets, textiles, etc., or unemployment because (1) this overproduction was a temporary condition that was expected to correct itself within a matter of months; and (2) mass buying power was and is expanding.

Though tremendous investments have been made in new plants and facilities, the rate of activity has worn out much equipment, and new methods and machines have made other facilities obsolete. A large amount of office and institutional building awaits a period of freely available labor and materials. There is still a housing shortage. Urban and rural highways must be modernized and enlarged to handle prevailing and growing automotive traffic. Adequate parking facilities must be created in metropolitan areas.

There has been an increase of about 25 million people in the U. S. population. Chemistry and engineering have created new products. We have yet to learn the peacetime possibilities of atomic energy. Modern air transportation has reduced from days to hours the time necessary to span the nation. It has opened up heretofore inaccessible and potentially large markets. Television brings the magic carpet into our homes and before our eyes.

There is as much difference between the world of tomorrow, and the pre-1939 world, as there was between the automotive, and the pre-automotive ages. So long as the peace of the world is threatened, we will have a part peace, part war economy. The high level of business that is expected to continue for two or more years is a powerful force to offset other than secondary declines. On the other hand, the excess profits tax is likely to restrain advance.

This bull market has some distance to rise if it is going to compare with its predecessors. If it duplicates the 1942-46 rise the Industrial Average will sell at 360. If it approximates the smaller of the 1932-37 or 1923-29 rises, it will sell at 720.

Until there are strong indications of major reversal, I will assume that the bull market still has a considerable rise ahead of it. Bull markets frequently rise to extremes. The time to change from bull to bear is when the market gives reasonably positive indications that the show is over.

*A talk by Mr. Barbour before Stock Brokers' Associates, Chicago, Ill., January 29, 1952.

Joins Douglas Hammond

(Special to THE FINANCIAL CHRONICLE)

LONG BEACH, Cal. — Ernest Orgen and Sally Gleason have joined the staff of Douglas A. Hammond.

Steel Production Deemed Adequate

L. S. Hamaker, Asst. General Sales Manager of Republic Steel Corporation, lays blame for reputed shortages on "unnatural distribution" by govt. agencies.

Despite the fact that nine out of ten businessmen have all the steel they need, it appears doubtful that Washington will relax its restrictions, according to L. S. Hamaker, assistant general sales manager of Republic Steel Corporation.

L. S. Hamaker

Mr. Hamaker speaking on Feb. 6 in Cleveland before the Ohio Hardware Association convention, said an adequate supply of steel is being produced but that unnatural distribution is causing shortages in some instances.

"The people in Washington operate in a deceptive atmosphere," he said. "They come in contact only with businessmen who are in distress, and for every one in distress there are nine others who are getting along just fine."

Discussing the tremendous expansion in the steel industry, he declared the 10,000,000 ingot tons of capacity to be added by the end of 1952 will more than compensate for increasing defense requirements. The industry produced a record-breaking 105,000,000 tons in 1951.

"Structural steel is in short supply now, but that situation will ease considerably before the year is out," Mr. Hamaker asserted. "Almost all major defense plant requirements are under way and there are relatively few new big building projects on the drawing boards now for construction six months to a year hence."

He predicted that it will be well into 1953 before defense production will require a large amount of steel. The machine tool shortage, he said, will prevent large-scale defense production for many months.

Over a long range period, Mr. Hamaker sees a high level of business for 15 or 20 years even though delayed consumer demand from World War II has been satisfied and durable consumer goods now are on a replacement demand basis.

"The growing population, and the ensuing increase in family units, practically insures good business conditions, regardless of world developments."

He pointed out that the auto industry is planning important model changes — not just body modifications—which always signals the start of fierce competitive selling.

"Return to competitive selling is further indicated in the home appliance industry which has been on a replacement demand basis since before the Korean War," he said.

Regardless of Federal restrictions, Mr. Hamaker declared, the home building boom is well past its peak. There are still areas where housing is not adequate, but the country as a whole is well-situated.

With Inv. Service

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Paul M. Bunzel is now affiliated with Investment Service Corporation, 444 Sherman Street.

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1952 Stock Market Forecast: A Flare-Up, Then Slump

By JOSEPH G. BETTAG*
President, Joseph G. Bettag & Associates, Inc.
Investment Counsellors, Chicago, Ill.

Asserting "we are now traveling in most dangerous phase of the 1949-52 bull market," Chicago investment counsellor anticipates a flare-up into new high ground before Summer, to be followed by Slump. Predicts fantastic rise of at least 200 points in Dow-Jones Industrial Average in late '50s.

Just a year ago, I talked with several economists who were quite optimistic about the prospects for 1951. With few exceptions, those who broke into print were fearful of wild inflation and a scarcity of goods due to a sharp impact of increased defense spending. Washington, of course, as it is still doing today, fed the fuel of inflation propaganda. In many circles, it was quite popular to believe that stocks would rise sharply and might even reach the 300 level on the Dow Jones Industrials. About the only difference in these various forecasts was whether we were to have our impact during the first half or the last half of the year. You all read these forecasts in the daily newspaper, your various services and trade papers. As it turned out, most economists overestimated the impact of the defense program, underestimated the length of the transition from peacetime operation to defense production and overestimated the progress of inflation.

Joseph G. Bettag

What has happened to the widely-heralded inflation and defense production? If it is still ahead of us, when will it strike? Will it be like the so-called glorious Twenties? How will it affect us?

My carefully reasoned view is that we are not yet "out of the woods," but that we still face some further readjustments. Economically speaking, the financial weather this year is apt to be quite exciting and at times most disconcerting. The pattern that we see unfolding will be an opportunity for the investor who has the foresight and intestinal fortitude to act against the "crowd."

Let us take an appraisal now and see what interesting facts are revealed. Perhaps it will help us in our appraisal of business and finance if we first quickly review a few of the high points of 1951.

1951 was a period of confusion and deception. As the year progressed it was clearly apparent that growing deterioration was strongly underway.

Many peaks were seen during the first quarter of 1951. For example, the Dow Jones Commodity Futures, 40 Bond Average, Rail stocks and consumers' buying as well as earnings and dividends, reached their respective high points during the first two to three months of 1951. The volume of daily stock transactions attained its high level on Jan. 17, 1951, when 3,877,470 shares were recorded. Thereafter demand receded with the trend of bonds, commodities, earnings and consumers' buying pointing downward, while savings rose sharply.

During 1951 American corporations paid out over 50% of their reported earnings in dividends as compared to about 40% a year earlier. The payout for 1951 becomes the highest percentage since 1945. According to the Council of Economic Advisers, retained earnings (earnings after dividends and taxes) fell $5 billion in 1951 from $13.6 billion reported in 1950. This means that retained earnings last year were $8.6 billion, which is the smallest figure since 1936. Furthermore, retained earnings during the last half of 1951 were running at the annual rate of only a little more than $6 billion.

Due to the relative stability of commodity prices and the implications for lower prices, corporations will not have the benefit of inventory profits in 1952. Profits from this source contributed substantially to earnings in 1950 and during the first half of 1951. The Department of Commerce estimated inventory profits for 1950 at $5 billion. The elimination of these profits would cause a decline of $5 billion in profits before taxes or $2.5 billion after taxes.

Salaries and wages hit a new peak of $170 billion in 1951, with the strong probability that this level will rise further under the impetus of the forthcoming steel and other wage increases. Corporation income and excess profits taxes also weighed heavily in 1951 with a new record of about $27 billion or around 60% of reported gross profits.

Upon examining the Moody indices for high-grade bonds and stocks, we find that the spread between stock and bond yields has narrowed considerably. Taken as of Dec. 31, 1950, the average common stock yield was 6.89%, while the average corporate bond yield on high-grade bonds was 2.67%, or a difference of fully 4.22 basis points. On Dec. 31, 1951, the average common stock yield was 5.56%, while that on bonds was 3.04%, or a difference of 2.52 basis points. In other words, the spread between bonds and stocks has been reduced by 1.70 basis points during the last 12 months. While the yield differential could narrow still more, it is smaller today than it has been for several years.

The most significant barometric development during the past year has been the major decline in bank investments and the sharp expansion in commercial loans to record levels. These two strong trends taken together with the decline in commodities and bonds are the typical trends that have prevailed before each important downward adjustment in the stock market. This was true in 1919, 1929, 1937 and 1946.

We have just covered a few of the highlights of 1951, so let's see what is ahead of us.

Now that the peak of defense spending at an annual rate of $65 billion has been pushed ahead to mid-1953 to 1954, it would appear that the consumption of steel and other major materials for defense in 1952 will be much lower than planned. This suggests to us that steel will be in relatively free supply during the second half of 1952, which will be equally true of copper, aluminum and other critical items. Just yesterday the National Production Authority "decontrolled" chrome stainless steel since supply now exceeds demand. Very likely other items will be decontrolled soon—particularly textiles and shoes.

Also, since the "tooling-up" or "get ready" stage of the defense program is nearly completed, there is a strong likelihood that expenditures for plant and equipment are now running at a peak and will begin a slow decline during the second half of this year.

Furthermore, we know that the cushion protecting dividends became much narrower this past year. Under the impact of contemplated increases in salaries and wages, high taxes, loss of inventory profits and smaller profits on defense orders, we can only expect a further decline in overall corporate earnings. According to the SEC reports, a marked change in corporate liquidity has occurred. Cash and governments were 107% of current liabilities in 1949 and declined to 72% in the third quarter of 1951. Such a trend tends to restrain dividend payments and can well lead to the reduction of disbursements by many corporations.

What the Stock Market Will Do

Now a few words about the stock market. All bull markets are built and grounded in an atmosphere of gloom and conservatism, but always end in a "blaze of glory" with violent speculation. Therefore, until the secondary and low-priced situations participate more actively, our current bull market, based on precedent, has further to go. Sentiment, as well as economics, is the main driving force behind each bull market.

While this has always been true, we cannot lose sight of the fact that we have come a long way in this bull market. It must be admitted that we are nearer to its end than the beginning. Stocks certainly are not as attractive today as they were at the 160-174 area from late 1946 to mid-1949, or the 195-200 area in mid-1950 or even at the 240-250 area in 1951.

Actually, the divergent character of the market during the past 12 months, with its twisting, churning and deceptive swings, foretells a broad and decisive move. Since this market has established its own broad rhythm of 69 point swings, it would be logical in theory to expect the stock market to reach a level of around 309 before experiencing a major adjustment. Also, it might be added that inasmuch as most bull markets tend to appreciate 100% or more before they terminate, a level of 320 could also be considered a logical objective. On this basis we arrive at a theoretical objective of 309-320.

But the stock market is not always logical. Therefore, we must be practical. It is no secret that the stock market has established its own broad rhythm of 69 point swings. In fact, it is so well known now that it would seem in order to expect a double-cross or whipsaw movement.

At this time last year it was quite fashionable to be broadly bullish, with many of the experts projecting levels within the vicinity of the 300 level of the Dow Jones Industrial Average. Although some spectacular run-ups were witnessed in the rubbers, chemicals, drugs, coppers and oils, the majority of the stocks made their highs during the first quarter of the year. Now as we look back we find many economists referring to 1951 as a year of stability. And since most of us are affected by our most recent experience, these same economists are looking ahead to 1952 as another year of stability. This is understandable for the range on the Dow Jones Industrials during 1951 was quite narrow. More often than not, however, the annual spread in the stock market between highs and lows has been at least 20% to 25%. With sentiment currently predominantly cautious and with the majority opinion looking forward to a period of relative stability, we believe that it will be the better part of wisdom to expect instability, particularly since the driving forces, meaning expanding earnings and rising dividends, will not be present in 1952 as they were from mid-1949 to 1951.

There is always the distinct possibility that the stock market may absorb all the needed adjustments in a piecemeal and rotating fashion. Accepting this premise as being correct we would then find that it would be necessary for the market to spend a great deal of time in a trading range or trendless type market, until the various economic factors had developed some kind of economic balance. Such a pattern would provide ample opportunity for the reinvestment of reserve funds.

The picture as we see it is in the nature of a plateau covering about four months of alternating periods of strength and weakness with a tendency toward moderately higher prices, expanding volume and greater participation by secondary issues. Furthermore, we believe that the center of market activity will occur between February and mid-April with the practical objectives being 282-283 on the Industrials, 91-93 on the Rails and 51-52 on the Utilities. Rails should make their top late in this period. They will have the benefit of increased carloadings and improved earnings due to the better flow of defense shipments and recent freight rate increases plus a probable additional increase to be granted in the near future. While the stock market during election years usually follows the basic trend underway, with the close of the year higher than that existing on the first trading day of the year, it is our belief that the highs for 1952 will be made before election and probably before early May. Some kind of a slump during late spring into early summer should be followed by a late summer-election rally, but will probably fall short of the highs established during the first half of the year. The range during the year should be around 50 or more points with the low falling within an area of 10 points either side of the 230 level of the Dow Jones Industrials.

Definite Conclusions

Summarizing my findings, I arrive at the following definite conclusions:

(1) Commodity and bond prices will seek lower levels.

(2) Earnings and dividends will decline somewhat.

(3) Steel, copper, aluminum and other critical materials will be in relatively free supply during the last half of 1952.

(4) Plant and equipment expenditures are now at a crest and will start to recede after this spring.

(5) Consumers' durable goods will not be as tight as feared.

(6) The high-priced rubbers, chemicals, drugs, coppers and oils are decidedly vulnerable and in the order given. Situations benefiting by electronics and atomic energy would seem to be the outstanding long-term opportunities.

(7) We are now traveling in the most dangerous phase of the 1949-1952 bull market. Subject to some kind of a correction or shake-out *nearby*, we anticipate a *flare-up* into new high ground, with increasing activity and greater participation by secondary issues with the Dow Jones Averages attaining levels *within the vicinity of* 282 to 283 for the Industrials, 91 to 93 for the Rails and 51 to 52 for the Utilities, all to be attained before late April or early May.

(8) Some kind of slump is expected between mid-spring and early summer. This will be followed by a late summer rally falling short of first-half highs. Lower levels are anticipated after the national election.

(9) The range this year should be around 50 or more points with the low falling within an area of 10 points either side of the 230 level of the Dow Jones Industrials.

(10) Looking beyond the coming adjustment and a period of reaccumulation we anticipate a fantastic rise covering at least 200 points with a minimum upside objective of 420-430 on the Dow Jones Industrials to become an accomplished fact during the late Fifties.

*A talk by Mr. Bettag before the Stock Brokers' Associates, Chicago, Ill., January 29, 1952.

Chicago Analysts to Hear W. P. Scott

CHICAGO, Ill.—William Pearson Scott, Vice-President of Wood, Gundy & Company, Toronto, will address the Investment Analysts Club of Chicago at their meeting Thursday, Feb. 14, at 12:15 p.m., in the Georgian Room, Carson Pirie Scott & Company. Mr. Scott's subject will be "Canada as a Place for Investment."

SUN OF CANADA CUTS COST OF INSURANCE

Canada's leading life company again increases policyholders' dividends

With 47% of its assets invested in the United States and announcing a further increase in policy dividends, reducing insurance costs, the Sun Life Assurance Company of Canada has just released its 81st Annual Report revealing the largest volume of new life insurance issued by any Canadian company in 1951—over $461 million; an all-time high in benefits paid, and an increase in the interest rate earned on the assets last year.

George W. Bourke, President, in announcing 1951 figures for Canada's leading life company, stated that total Sun Life insurance in force now stands at $4,801,000,000, an increase during the year of $340 million. Annuities in force provide immediate or future payments to the amount of $104 million per annum. Group insurance in force now totals $1,254 million, an increase of $168 million (15.5%) during 1951. The rate of interest earned on the assets last year was 3.70% as compared with 3.61% in 1950; 3.48% in 1949 and 3.30% in 1948.

The Sun Life, a leading international life company with policyholder-service branches from coast to coast, last year paid out to policyholders and beneficiaries the all-time record sum of $125 million. $35 million was paid to beneficiaries of deceased policyholders, $16 million under annuity contracts, $36 million for maturing endowments, and the balance in dividends to policyholders, disability benefits, etc. Since the first Sun Life policy was issued in 1871, total benefits paid to policyholders and beneficiaries have amounted to $2,486 million. While the Company operates in 20 countries, 90% of the business originates in the United States, Canada and Great Britain.

A copy of the Sun Life's complete 1951 Annual Report to Policyholders, including the President's review of the year, may be obtained from any of the branch, group or mortgage offices of the Company in the United States, or from Sun Life of Canada, Transportation Building, Washington 6, D. C.

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The Stassen Gold Standard Plan

By PHILIP M. McKENNA
National Chairman, The Gold Standard League
President, Kennametal, Inc.

Mr. McKenna, though lauding ex-Governor Stassen's advocacy of return to gold standard, disputes contention that proposal might benefit Russia by permitting that country to suddenly ship its slave-produced gold to America and thereby upset our stable money. Asserts there should be no restrictions on international gold shipments, such as proposed by Mr. Stassen.

The recent expression by the Hon. Harold E. Stassen on Jan. 26, 1952, of the need of the American citizen for the protection afforded him by the gold standard is encouraging to me, and doubtless to millions of others. Until any newsboy who saves up $10 in pennies, nickels and dimes can obtain a $10 gold piece for them, we don't have the fully constituted gold standard. The humblest citizen, as well as the greatest international banker, should be entitled to have the best kind of money. And conversely the citizen should have the privilege of turning in his gold piece to have the Treasury keep it for him, giving him in exchange a convenient piece of currency in which he can have confidence because it is required to be redeemed in gold to any holder of it on demand. Then one dollar will be of the same value as any other dollar.

Philip M. McKenna

The American citizen deserves and has earned by his industry and efficiency the right to use the best kind of money. The best evidence of that is that the products of our work are sufficiently esteemed that gold flows into our Treasury from the world in exchange for the fruits of our toil at $35 for an ounce. Who has a better right to the gold than the American citizen whose efforts caused it to come into our Treasury? There is a higher ratio of gold there now compared to the total of money and near money—that is currency plus all net bank deposits—than we found necessary in the years when we maintained the gold coin standard with specie payments. Americans are tired of the worn-out game of irredeemable paper money systems now discredited even in Europe.

Outmoded currency systems now confessed as harmful expedients or apologized for by tired old men who tried them and found them wasteful and inimical to public well-being, peace and prosperity, should be replaced promptly by us with the gold coin standard. Schacht said, in his book "Gold For Europe" written after World War II:

"My first argument is fundamentally that no artificial system of currency, however ingeniously elaborated, can operate internationally with efficiency. Currencies accepted internationally cannot be based upon juridical agreements the foundation of which remain exposed to all the influences of misery, mismanagement and arbitrary power. Money, to be internationally stable, must be based upon a commodity which, independent of governmental and economic influence, is in demand and accepted everywhere and at any time. Of such commodities, gold is the one that has best stood the test of time."

Per Jacobsson, the advisor of the Bank Of International Settlement, reported in a talk Jan. 23, 1952, to a group of somewhat dazed American businessmen that the benefits of sound currency and convertibility are now being recognized by European leaders in politics, labor, business and finance. Those benefits flowing from the provision of incentive to work and to risk for good money have been promptly experienced by countries which moved last year toward sound money and freedom. Are Americans to be saddled with an outmoded, inefficient currency system until our otherwise strong people are weakened and perhaps defeated? Or do we possess the intelligent leadership necessary to lead us out of the bog of outmoded false money systems, the product of diseased minds in past decades particularly in England and Europe? As Per Jacobsson remarked, "If Keynes were alive today, he would be no Keynesian."

Russian Gold No Obstacle

In Stassen's speech of Jan. 26, 1952, he refers to possible obstacles to a return to the gold standard. I should like to allay any apprehension about one of the road blocks, namely that, "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 case an upset."

As to the first imaginary hazard, need we really fear Russian competition in gold production because of human slavery there? Gold is produced today by the acme of capital equipment and engineering skill. In the alluvial gold deposits dredges costing several millions of dollars and operated only by five or six men are used. Hand labor is only one-hundredth as effective as labor equipped by modern capital in the form of earth-moving equipment in which America excels. Moreover, slaves are not very alert to finding gold. As the scripture advises, "Thou shalt not muzzle the ox that treads out the corn." In deep mining for gold, tremendous capital is required in hoists, drilling equipment, ventilating equipment, and above all, exploration by diamond core drilling, well in advance of actual operation. Russia has no industrial diamonds for core drilling nor capital in the vast amounts required for exploring and opening up modern gold mines.

What effect have the present restrictive policies of the Western world in regard to free circulation of gold had upon the power of Russian gold, such as is available to the Communist government? It has commanded premium prices in countries having disordered currencies. The Russian gold has commanded as high as $70 an ounce, thus enabling them to buy two second-hand locomotives instead of one, or 20 carats of diamond bort on the black markets instead of only 10 carats as it would if gold were freely circulating at $35 per ounce. Freely offering gold at $35 per ounce, making it available in the world as well as domestically, would cut in half the power of Russian gold now being used by them to obtain vital goods from the world.

Communism has grown in the past two decades while managed money systems have been used in the world in place of the gold standard. Would communism not weaken and vanish when we put them to the acid test of the gold standard and the competition with the productive society which that standard evokes?

But suppose Russian energy were devoted to the mining and refining of the yellow metal? How could they be less harmfully employed? Should we rather see them employing what capital and human energy they possess in the building of war materiel? No, we'd rather see them engaged in mining the inert, harmless, glittering monetary metal than in mining and refining the explosive uranium. We should be better off with Russian manpower, slave or free, mining gold than in mining metals for munitions.

A further advantage in diverting Russians to mining gold rather than to making weapons, is that gold among the people is dangerous to any dictatorship. Presumably some of the gold dug by the government's orders will get into the hands of people. Otherwise there is no object in governments wanting gold, except for paying someone for delivering goods or services which the government wants and can get by offering gold for it. I imagine that far off Chinese, Tibetans, East Indians and even Hungarians, Czechs and Eastern Germans, fed up with paper currencies now worthless, will deal for gold. Now there is one thing about gold in the hands of individuals that is feared by dictators—it gives the possessor freedom. It will give the Russian, or Russian controlled person, a chance to escape from the country, once he has gold which he can carry with him for a new start in another place. It will give him power to resist tyranny. By all means, let's get gold circulating especially in countries around Russia. Some of it will seep in and out, encouraging that modicum of freedom which a dictatorship can't stand very long. And if we have the Western world freely circulating it at $35 per ounce it will cut the premium now enjoyed by the Russians for their small amount of slave-produced, or more likely, stolen, gold.

No Restrictions Needed on Gold Shipments

As to the precautions which Mr. Stassen mentions as possibly necessary for strict supervision over shipments of gold in or out of our country, let us consider Voltaire's comment:

"I will not speak of the innumerable adventures which have happened to money since it has been stamped, marked, valued, altered, increased, buried and stolen, having through all its transformations, constantly remained the idol of mankind. It is so much loved that among all Christian princes there exists still an old law which is not to allow gold and silver to go out of their kingdoms. This law implies one of two things, either that these princes reign over fools who lavish their money in a foreign country for their pleasure, or that we must not pay our debts to foreigners. It is however clear that no person is foolish enough to give his money without reason and that when we are in debt to a foreigner we should pay him either in bills of exchange, commodities, or legitimate coin. Thus the law has not been executed since we began to open our eyes —which is not long ago."

As an example of further cynical remarks of Voltaire as one

Continued on page 35

From Washington Ahead of the News

By CARLISLE BARGERON

Friends of Senator Taft are telling a story about him around Washington and it has been told to him and it caused the Senator to laugh heartily.

According to this Southern yarn a Virginian was proclaiming his enmity towards Mr. Truman.

"Well, suh," he said, "I would vote for a Negro rather than Truman."

Whereupon he was assured that he wouldn't have this opportunity, that quite likely his opportunity to vote his feeling against Truman would be to vote for Taft. He shook his head doubtfully and said:

"Well, suh, I don't think I can go quite that far."

Carlisle Bargeron

The story, although of course fictitious, is appropriate to the argument that the Republicans should nominate Eisenhower because he could carry several Southern States. That the Southerners are in a dilemma, there is not the slightest doubt. They have held to a one-party system because of the racial issue, and if you know anything about the South this is quite understandable. To have cheap white politicians down there in a two-party system cultivating the Negroes with a view to getting votes as is done in the East would be intolerable. The white man would cease to have any political influence at all.

But now the Democrats, the solid South Democrats, are up against the situation whereby the party of which they have long been the backbone, is the mechanism of bringing about the very predicament which they have feared, notwithstanding they have been solidly counted in this party's ranks for so many years to prevent this very predicament. What is worse, the party which the rank and file have always been taught is the enemy of the South on the matter of this problem, the Republican Party, has never, since the reconstruction days, been of the slightest annoyance.

The average person in the South doesn't know it, but it is not the Republican Party he has always been against, but the possibility of the two-party system whereby politicians seeking votes bid for the Negro vote to the exclusion of the whites.

Thus we now have this situation in the South, as expressed by the Virginian: The Southerners are bitter against Truman. They were becoming bitter against Roosevelt on the same score but with all his demagoguery he pursued this delicate matter with more finesse. Truman has pressed it ruthlessly. Four Southern States withheld their electoral vote from him in 1948 which made his victory that year all the more remarkable, or Dewey's campaign all the more stupid. Truman remarked after his victory that he was glad to have won without either the South or New York State which was an understandable expression of pride.

The chances are that this year even more Southern States will withhold their electoral votes from Truman. The contention of the Eisenhower managers is that he would get them. Why? He would not get them direct. He would be running on the Republican ticket, and the Southerners are not going to vote Republican. His managers apparently think they could put him across as a hybrid. In the South they would presumably portray him as not a Republican but a Democrat.

The plain fact is that the revolting Southern States will probably unite under another Dixiecrat banner. They could in this way insure Truman's defeat and possibly have a voice with the election outcome being thrown into the House of Representatives. Certainly that is their strategy and Eisenhower as a Republican nominee would have not the slightest chance of changing it than Taft.

Along with the argument that Republican Eisenhower would do so well in the South is the other one that he would do so well with the "independents," whatever in the name of heavens they are. Mrs. Roosevelt once described them, as I recall it, as people too lazy or unconcerned to register in either primary and who might be generally looked upon to be the same way on election day.

I have read a lot about and heard a lot about their importance and why the Republicans should name a candidate who would appeal to them. They must be such people as that crowd of Hollywood and theatrical stars that performed for Eisenhower at the New York rally the other night. Independent, or in this instance, "Eisenhower Republican" Faye Emerson, for example. They will come down to vote on Election Day unquestionably if their publicity men get them up and the photographers are on hand.

Political Washington's verdict is that if there are to be any more stupid performances, Cabot Lodge, Jim Duff and the other managers of Eisenhower, will concoct them.

Park Teter Joins Reynolds & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Park Teter has become associated with Reynolds & Co., 208 South La Salle Street. Mr. Teter was formerly President of E. W. Thomas & Company for many years.

Midwest Exch. Members

CHICAGO, Ill.—The Executive Committee of the Midwest Stock Exchange has elected to membership the following:

Walter R. Hurt, Walter F. Hurt Company, Tulsa, Okla.; Harry W. Puccetti, Hornblower & Weeks, Chicago, Ill.; John S. Vavra, John S. Vavra and Co., Cedar Rapids, Iowa.

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Government and the Corporation In a Changing World

By HON. ROBERT I. MILLONZI*
Commissioner, Securities and Exchange Commission

Newly-appointed SEC Commissioner traces highlights in the evolution of the American corporation to its present state of enormous size and importance in the community. Asserts intervention of government in business as well as growth of corporations have resulted from industrialization. States corporations are performing many useful functions in society, and living up to their responsibilities. Concludes present degree of Government regulation is undesirable, but necessary.

Since I am new to the Commission, it would be difficult to speak with any degree of authority upon the many subjects we are called upon to deal with every day. However, my business experience as a practicing attorney, corporation and bank director, viewed in the perspective of my short stay at the Commission suggested a subject which interests me and which from time to time must surely intrigue all of us—that subject is the changing role of the corporation in our lifetime.

Robert I. Millonzi

At law school I was taught that a corporation is a person. This notion struck me as being so utterly absurd that it has stayed with me to this day. The fact is, however, that from an artificial entity granted the power to hold property and to make contracts, which is what it appeared to be a generation ago, the modern corporation has become endowed with traits more nearly personal and human. The large streamlined American corporation has social responsibilities of the most basic sort; it has community responsibilities; and it even has a heart. The epoch in which corporations have reached this maturity has also been marked by an expansion of government activity in economic channels.

These developments have taken place, not because of a bright idea in somebody's head in 1933, but because of far-reaching trends arising from public necessities recognized by people of all political preferment and reaching far back into the past. It would appear, therefore, that whatever may happen at the polls in 1952 will not substantially reverse these trends. We shall have to live with them and understand them in order to utilize them for the best advantage of all.

As Justice Douglas remarked while he was a member of the Securities and Exchange Commission, "Today it is generally recognized that all corporations possess an element of public interest. A corporation director must think not only of the stockholder, but also of the laborer, the supplier, the purchaser, and the ultimate consumer." At about the same time, a President of the New York Stock Exchange was saying, "The old maxim 'to govern well, govern little' will not be applied by thinking people today to our problem. We do not regard government as a necessary evil. . . . There are some who find any supervision of business by government repugnant. We have no patience with that attitude. Such a viewpoint is unreal and is not likely to attract any substantial following among practical men and women."

*An address by Commissioner Millonzi before Calvin Bullock Forum, New York City, January 24, 1952.

The Berle and Means Thesis

Similarly, Berle and Means wrote about 20 years ago, "It was apparent to any thoughtful observer that the American corporation had ceased to be a private business device and had become an institution . . . The translation of perhaps two-thirds of the industrial wealth of the country from individual ownership to ownership by the large, publicly-financed corporations vitally changes the lives of property owners, the lives of workers and the methods of property tenure. The divorce of ownership from control consequent on that process almost necessarily involves a new form of economic organization of society."

The advantages of the corporate form of business organization, that is, the limited liability of stockholders, its extended or even perpetual period of life; its flexibility in financing and management, have attracted to it the greater part of the rapidly growing mass of American capital. Over a half-million corporations contributed 132.2 billions to the national income in 1950 as against 61.8 billions from sole proprietorships and partnerships, and 12.4 billions from all other forms of business. A single corporation like United States Steel, General Motors, or General Electric will have from a quarter to half a million stockholders, and American Telephone and Telegraph about a million. The corporation is the dominant and characteristic form of American business enterprise today; its productive capacity is the measure of total American capacity; its prosperity determines the prosperity of business as a whole; and its methods and standards tend to become those of American business everywhere.

Corporate Evolution

I should like to retrace some highlights in the evolution of the corporation to its present state.

Although the ancestors of the modern corporation can be traced back to the institutions of Roman law, the ecclesiastical corporations of the Middle Ages and the medieval guilds, the earliest corporations now existing were those formed in the great stock flotation boom of the late 17th century in England so vividly described by Macaulay. With a long interruption due to the explosion of the South Sea Bubble in 1720, the basis of the corporation until about the Civil War was a franchise or privilege or monopoly which was in effect a delegation of sovereign power. Whether it was the Bank of England, a railroad, a land-grant or trading company, the corporation was strongly affected with a public character and carried the attributes of sovereignty so far as in some cases to have its own private army and its own courts. Corporations formed to engage in manufacturing did not appear on the American scene until the 1830's and did not become significant or economically powerful until after the Civil War.

From the beginning, corporations were creatures of the State, which was the successor to the British Crown. Each was separately incorporated by an Act of the Legislature, often requiring a two-thirds majority vote of each House. The change in the juridical basis of the corporation was a by-product of the Industrial Revolution. The growing industrialism, the great improvements in transportation which provided markets for the products of that industrialism, and the growth of savings both here and abroad — all these factors combined to make the corporate organization of business the most efficient and satisfactory in a society of free enterprise. From an instrument of royal or sovereign monopoly, conceived with due formality, and jealously guarded by the power which created it, the corporation became more and more the vehicle by which ordinary business was conducted.

The new corporations were born with the filing of pieces of paper in the State Capitol or County Seat, and the restrictions which had attended the old corporations tended to disappear along with other vestiges of mercantilism. After the Civil War, general incorporation laws, following the pioneer example of Connecticut in 1837, were passed by many States. As corporations grew mightily, many of the States engaged in a popularity contest as to which could sooner and more completely relax its restrictions on the grant of corporate powers so as to attract the greatest number of new corporations. State after State removed limitations on the scope of corporate powers, on the right to hold stock in other corporations, on maximum capital, on preemptive rights, on dividend restrictions, on changes in the rights of stockholders. Thus, one by one, the safeguards which had been erected to protect the consumer, creditor, the stockholder, and the business community were gradually eliminated.

In the meantime, the corporations were rapidly increasing in size, a development made possible by the great growth in wealth and savings, and the spread of securities investment among millions of investors whose average individual stake was small in relation to the size of the company. They were neither willing nor able to contribute their personal efforts to supervising the business of which they were the legal owners. In many cases, upon the death of the founders of large enterprises their estates pasesd on to heirs, who inherited their wealth, but not their managerial capacity, and were glad to sell out their security holdings or turn over the management of the corporate property to full-time professional managers.

The New Managerial Group

Thus a new managerial group arose, comprised of business administrators, investment bankers and corporation lawyers. The control of the corporation by its stockholders was steadily weakened by the wide abuse of proxies, the use of voting trusts, non-voting or multiple stocks, and similar devices. The powers which had been surrendered by the states and the stockholders tended to become concentrated into the hands of the professional management, and the ownership of stock became divorced from the control of a corporation.

The new managerial class, often without a substantial stake in the corporation which it controlled, was subject at all times to the dangers of divided allegiance between its interest in making the maximum distributable profit for the stockholders of the corporation, and its personal interest in high salaries, bonuses, fees, stock purchase options, and sometimes trading in the corporation shares on the basis of inside information.

The corporation developed many of the characteristics of an institution, combining the efforts of many people through an organization for a socially desirable end. Its problems, like those of any institution, became those of selection of leadership, a permanent "civil service" or bureaucracy, policy-making and administration, centralization, and public relations with stockholders, dealers, consumers, the community and its working force.

Urgency of Democracy Program

Thus, the problem of democracy in the huge, institutional-type, publicly-owned, modern corporation became all the more urgent as the corporation became increasingly responsible for many other things than its own profits.

As the corporation grew to its present stature and significance, the functions of the State with respect to it have necessarily kept pace.

The truth is that at no time has absolute *laissez-faire* been insisted upon, or even recommended by any responsible thinker. Even Adam Smith formulated 26 exceptions to his rule that the State should intervene as little as possible in the affairs of business.

From the beginning of our Republic, the fundamental doctrine that the State has certain responsibilities for the economic welfare of its citizens was implicit in the Constitutional provisions for the regulation of foreign and interstate commerce, currency, bankruptcy, taxes, tariffs, money, banking and the like. A study made by the Brookings Institution roundly declares, "The need for a device with which to deal effectively with national economic affairs was the strongest force behind the creation of the Constitution."

However, for the first 100 years of national life there was little change in the relationship of government to business. The first wave of government "intervention" in business and corporation affairs was the Granger movement in the 1870's. This movement originated in the Mid-Western States as an agrarian countermove to the growing power of the corporations, particularly the railroads, in an effort to reform abuses such as excessive and discriminatory rates. It set the pattern of the movements of the future — looking toward reform by governmental regulation of corporate abuses. The reformers, caught between the fear of big business on the one hand, and of a powerful centralized Federal Government on the other, looked to the State governments for protection. First to the State legislatures and later to State regulatory Commissions. This regulation was attempted first by the States in such fields as railroad and public utility regulation, various types of anti-trust action, pure food controls, labor laws, securities regulation and many others. As State regulatory powers reached the limits of their effectiveness in dealing with corporations of national and international scope, the Federal administrative agency arose. The first of these grew out of the Granger agitation in the form of the Interstate Commerce Commission, created by the Interstate Commerce Act of 1887. This was followed shortly by the Sherman Anti-Trust Act of 1890.

Since then government regulation has advanced apace, not as a result of the ideology of any political group, but as the result of impersonal forces, so that the reforms which were denounced by the "outs," and introduced by the "ins," were never to any great extent repealed when the "outs" in their turn were "in," although it is not difficult to detect differences of rate and tempo among the major political parties. And from the days of the classic controversies between Hamilton and Jefferson there has been a continuous debate as to where to draw the line between the economic functions of the State and the initiative of private industry; what Jeremy Bentham called the "Agenda" and the "Non-Agenda"; the things that the State should do and those which it should not do. The answer which has been given throughout American history and to which the vast majority of our people adhere, is that the line should encompass at least three types of governmental activity:

(1) Governmental promotion of business having certain types of advantage to the public; such as merchant marine subsidies, public aid to railroads, tariffs, and such promotional aids as are provided by the Department of Commerce.

(2) Governmental regulation of business made necessary to act as a counter-weight on behalf of farmers, labor and the community at large, to the increasingly dominant power of the corporation.

(3) Governmental initiative in certain limited fields which are considered necessary for the good of the community, but where private industry will not venture because returns are inadequate, uncertain or remote, such as reforestation, the TVA and the RFC.

Advance of Government Participation

Since the first great rush in 1900-1901 in the formation of modern corporations, when the United States Steel Corporation, American Sugar Refining, American Tobacco, American Can, International Harvester and many others were organized, government participation in business life has advanced uninterruptedly. The legislative program of Theodore Roosevelt in the early 1900's, approved by William Howard Taft, who proposed to add to it the Federal incorporation of business, was followed by basic legislation in the next decade from 1910 to 1920. This was when the Federal income tax, central banking under the Federal Reserve System, the Clayton Act, the United States Tariff Commision, the Alaska Railroad, the New England Waterways Corporation, and the United States Shipping Board were variously created or enacted. In the Coolidge-Hoover decade, numerous efforts to deal with the farm problem were made by the Federal Farm Loan Board, the Grain Futures Administration, Packers and Stockyards Act, the Agricultural Credit Act, and the Cooperative Marketing Act. The first steps toward Federal regulation of radio and power were taken, and Federal aid to the oil conservation programs of the States became national policy. At the end of this decade, the depression forced the Government to deal with it at first through expenditure of large sums for the support of grain and cotton prices, early forms of unemployment relief, the creation of the Railroad Corporation; and, most significantly, the creation of the RFC for the aid of distressed banks and insurance companies, which has continued to perform needed functions to this very day.

Kefauver's Experience

Relative to excess of control by Government, Senator Kefauver tells of a very amusing experience he had at the last recess of Congress when he went back to Tennessee to do some "grass roots" fence building. He said he went to a remote part of Tennessee to a place called Madisonville where he was born. While there he ran into an old friend who complained rather bitterly about government intervention in his business. This man apparently had a small manufacturing operation up in the hills. He complained to Senator Kefauver that he had been going rather nicely with his operation when men came to him from the Department of Interior and told him that they were going to take the land for the purpose of creating a national park. He had to move all of his apparatus and

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Mutual Funds

By ROBERT R. RICH

WEEKLY BUSINESS Index compiled by Axe-Houghton has advanced during the last three weeks but is lower than the peak of Dec. 15. Although steel ingot production and electric power production are high, automobile production and railroad loadings of miscellaneous freight and forest products are lower than the levels reached during 1951.

The index of semidurable goods raw materials prices has declined because of the slack demand for cotton, wool and hides. The index has fallen below the September low point and is the lowest since the end of July, 1950.

Defense expenditures, the Axe-Houghton report stated, reached a rate of about $130 million per business day in November and remained there in December and January. This is an annual rate of about $39 billion—approximately the amount contemplated in the budget for the fiscal year ending June 30, 1952.

The report noted that the money market has been a trifle easier, as reflected in a moderate downturn in the discount on Treasury bills and slightly lower yields on Treasury notes and bonds and high-grade corporate bonds. The Federal Reserve System, by selling $873 million of government securities since Jan. 2, has thrown its immediate influence largely on the side of firm interest rates. Monetary gold stock, the report commented, has continued to increase and the reserve percentage has reached the highest level in a year. High tax receipts have reduced the need for heavy government borrowings, so that there has been little incentive for opposing the Federal Reserve firm money policy. Commercial, industrial and agricultural loans, seasonally adjusted, showed little change in January and are close to the end-of-the-year peak.

Consequently, the report concludes, short-term influences appear to be favorable for firm interest rates while longer-term factors suggest the improbability of anything more than a moderate advance.

POPULAR DEMAND for an investment system which permits buyers to purchase equities by "the dollars worth" may lead to an expansion of the Quinby Plan to other "blue chip" stocks, H. D. Quinby, President of Quinby & Co., stated.

Presently, Quinby plans are in operation for the accumulation of Eastman Kodak common and du Pont common stocks.

Mr. Quinby said that in the six years from Dec. 31, 1945 to Dec. 31, 1951 the number of depositors in the Kodak plan has increased from 240 to 1,850. Investments and cash dividends for reinvestment in the Kodak plan amounted to $668,579 in 1951 compared with $51,243 in 1945.

At present, 59,204 shares of Kodak common are outstanding under the plan and it is believed that this block of common stock is among the 20 largest in existence.

The Quinby plan for the accumulation of du Pont common, established in August, 1950, is now serving more than 500 depositors, who hold approximately 3,900 shares. Total deposits and cash dividends for investment in 1951 were $173,334.

Mr. Quinby observed that "the anxieties caused by inflationary pressures coupled with a natural desire on the part of millions of people to share in the ownership of great American companies have created wide interest in the advantages and conveniences to be derived from the purchase of sound equities by the 'dollars worth.'"

OPEN-END REPORTS

TOTAL NET assets of Dividend Shares, a diversified investment fund under Calvin Bullock management, amounted to $101,895,268 on Dec. 31, 1951, a new high record for any reporting period, the company announced. Net asset value on Dec. 31 was $1.86 per share on 54,813,934 shares outstanding, compared with total net assets of $89,593,745 a year earlier which were equal to $1.75 per share on 51,253,954 shares.

Holdings of common stocks on Dec. 31, 1951, amounted to 84.40% of total net assets; preferred stocks, 0.12%; U. S. Government securities, 8.87%; cash, etc., 6.61%.

Principal industry groups included in common stock holdings on Dec. 31, 1951, were oil, 15.14% of total net assets; utilities, 11.18%; retail trade, 7.28%; railroads, 6.29%; metals, 5.33%.

ANNUAL REPORT of Fundamental Investors nineteen-year-old common stock fund, shows net assets of $115,474,863 at the 1951 year-end, an increase of $31,776,594 over the $83,698,269 figure at the end of 1950.

This was one of the largest gains in assets recorded by a single mutual fund in 1951. Number of shareholders increased from 24,437 to 31,676 during 1951, and included residents of every state in the Union and of many foreign countries.

Net asset value per share was $19.55 on Dec. 31, 1951, comparing with $17.65 at the end of 1950, a gain of $1.90 a share. In addition to ordinary dividend payment the company made a year-end distribution of $3,042,223 from realized capital gains, or 53 cents per share. Investments at the year-end were diversified among 112 securities. During 1951, holdings were increased in chemical and drug, electronics, petroleum and natural gas, retail trade and rubber issues. Decreases in investments were reported in aircraft, building, insurance and finance, paper, railroad and steel issues.

REFLECTING the big expansion in the chemical industry since World War II, net assets of Chemical Fund, Inc. on Dec. 31, 1951 reached a new year-end high of $51,142,315, equivalent to $22.29 per share, compared with the previous year-end high of $37,365,718, equivalent to $18.82 per share on Dec. 31, 1950.

In a comprehensive review of the chemical industry's expansion, the fund points out that "capital expenditures estimated for 1951 and projected for the next two years comprise the biggest plant expansion program in the history of the chemical industry."

An estimated $1.5 billion was required for expansion by the Chemical Fund's portfolio companies during 1951 alone. This compares with $6.3 billion spent by the 41 portfolio companies during the period 1946-1950.

During the first nine months of 1951 it was further reported that the Fund's portfolio companies which published interim statements showed an average increase of 25% in net sales and 34% in net income before taxes over the corresponding 1950 period.

However, because of higher taxes, the report states that earnings of these companies, after taxes, averaged 6% less than those reported for the first nine months of 1950.

ASSETS OF Commonwealth Investment Company rose $2,156,629 during January 1952 to an all time high of $44,650,455. On Dec. 31, 1951 the assets figure stood at $42,493,826.

The company's month end statement reported shareholders increased to over 26,000 during January. Individual secruities were diversified as follows: Common stocks, 63.4%; preferred stocks, 22.6%; corporate bonds, 3.4%; net cash, receivables and governments, 10.6%.

Mutual Fund Notes

Speakers at the West Coast Mutual Fund Conference, to be held in San Francisco Feb. 18, 19 and 20, will include Douglas Laird, National Securities & Research; Herbert R. Anderson, Distributors Group; Eugene J. Habas, Hugh W. Long & Co.; Alec Brock Stevenson, Vance, Sanders & Co.; Harold Aul, Calvin Bullock.

The latest prospectus of the $3,000,000 Aberdeen Fund, dated Dec. 3, 1951, is now available to dealers.

Stocks added to Fundamental Investors' investment holdings during the final quarter of 1951 included Columbia Broadcasting, El Paso Natural Gas, Firestone Tire & Rubber, General Motors, Panhandle Eastern Pipe Line, Sears, Roebuck and United Air Lines. The Fund disposed of its holdings in Budd Co., Rock Island RR., Glidden Co. and the convertible 3½s of International Utilities Corp.

Changes in the portfolio of Dividend Shares during the three months ended Dec. 31, 1951, included the addition of the following shares of common stock: Air Reduction Co., Inc., 7,700; Aluminum Co. of America, 8,400; American Viscose Corp., 5,900; Borden Co., 4,200; El Paso Natural Gas Co., 10,500; J. P. Stevens & Co., Inc., 7,900. Eliminated from the portfolio were the holdings of common stocks of Cincinnati Gas and Electric Co., General Public Utilities Corp., Pittsburgh Consolidation Coal Co. and Union Oil Co. of California.

Common stock purchases during the quarter also included Allied Stores Corp., 5,200; Burlington Mills Corp., 2,000; Celanese Corp. of America, 2,000; Kansas City Power & Light Co., 4,300; Kansas City Southern Ry. Co., 2,000; Marshall Field & Co., 15,000; Southern Pacific Co., 7,500; Southern Ry. Co., 13,300; West Penn Electric Co., 7,000.

Common stock sales included American Tobacco Co., Inc., 2,000; Illinois Central RR. Co., 5,200; National Gypsum Co., 6,472; North American Co., 7,000; Public Service Co. of Colorado, 21,000; St. Joseph Lead Co., 7,800; Texas Utilities Co., 5,000.

PERSONAL PROGRESS

BOSTON FUND announces the election of Theodore T. Miller to its board of directors and the appointment of Henry Guild as a member of the advisory committee. Mayo Adams Shattuck, currently a director of the Fund, has also been elected as Chairman of its advisory committee, the other members of which in addition to Mr. Guild are Charles Francis Adams, Allan Forbes and George Peabody Gardner.

Mr. Miller, a Vice-President and director of the Dewey and Almy Chemical Co., is well known in chemical and allied industries. Among other affiliations, he is a member of the Massachusetts Institute of Technology Alumni Council, American Chemical Society and American Marketing Association.

Mr. Guild, a prominent Boston attorney, has long been active in civic and philanthropic affairs. He is Treasurer and trustee of Massachusetts General Hospital, director of Fiduciary Trust Co. and a director and member of the executive committee of Boston Edison Co. He is also a former general chairman of the Greater Boston Community Fund.

Mr. Shattuck, a past President of the Massachusetts Bar Association, is a well-known writer and lecturer on legal subjects and an authority on estate planning and trustee practice.

HIRSCH Co. has appointed William L. Cooney to be the manager of its newly created mutual funds department.

REGISTRATIONS

KEYSTONE Custodian Funds on Jan. 28 filed a registration statement with the Securities and Exchange Commission covering 100,000 shares of series B-1; 25,000 shares of series S-3; 50,000 shares of series S-2; 25,000 shares of series K-2, and 50,000 shares of series B-2. Offering will be made through Keystone Company of Boston.

STEIN, Roe & Farnham Fund on Feb. 4 filed a registration statement with the Securities & Exchange Commission covering 200,000 shares of capital stock to be offered at the market without underwriting.

STERLING Investment Fund, Charlotte, N. C., on Jan. 25 filed 500,000 shares of common stock with Securities & Exchange Commission. Underwriter is Interstate Securities Corp.

Fundamental Investors, Inc.

Manhattan Bond Fund, Inc.

Diversified Investment Fund

Diversified Preferred Stock Fund

Diversified Common Stock Fund

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The MUTUAL FUND RETAILER

By BENTON G. CARR

You will discover now in an article by our guest columnist, Anshell Gould, a fundamental direct-mail principle which, applied correctly to your prospecting and follow-up, can decidedly increase your results.

Mr. Gould, an account executive at Albert Frank-Guenther Law, is one of America's leading authorities in the field of direct-mail and mail-order (couponed) advertising. This is what he has to say to help you with your mutual funds direct-mail and couponed advertising:

Today I am going to give you a "formula" to use in the preparation of your mutual funds direct-mail and couponed advertisements. This "formula," so easy to grasp and so easy to remember, will automatically keep you on the right track in constructing your sales message.

The "formula" consists of five questions which you must *assume* your prospects are subconsciously asking themselves when they read your sales message. Consequently these are the five questions your sales message must answer:

(1) Why should I read this letter? (What's in it for me?) (2) What's your proposition? (What's in it for me?) (3) Why should I believe what you say? (What's in it for me?) (4) Why should I do what you ask? (What's in it for me?) (5) Why should I do it NOW? (What's in it for me?)

As you try to answer these questions, you will find yourself automatically getting the pattern for a successful mutual funds sales message.

Of course, you don't have to answer the questions in the exact order given above, but *all* the questions should be answered somewhere in your mailing or couponed advertisement.

And, whenever you formulate your answer to any of the questions, be sure you state it in such a way that the reader will see just how the "what's-in-it-for-me" applies to him.

You should apply this "formula" to any sales letter you write. As you may know, it is agreed that the *letter* is the most important factor in any direct-mail sales effort.

Yet you will find that the *letter* is the most neglected portion of the direct-mail sent out by mutual fund retailers.

You may have the most elaborate printed literature, filled with persuasive facts about your funds and showing the most impressive performance records—but the time and money and effort you've put into all this printed matter might as well be forgotten if your *letter* isn't right.

What you put into your sales letter (and the *way* in which you put it) means the difference between failure or success of your entire direct-mail program.

So, with realization of the importance of the *letter* and an overall idea of the "formula" to follow in preparing the direct-mail package, let us turn now to a consideration of one aspect of the "formula"—the vitally important Question No. 2, "What's your proposition?"

Unless you have a clear-cut proposition to offer the reader, you're just talking to yourself. You may be describing your merchandise, but you're not making a "deal," and, as you know, sooner or later in any business conversation where there is a deal to be consummated, you can expect one of the parties to pop up with the phrase, "What's your proposition?" And if the proposition is attractive, there's a good chance that the deal will go through.

So in your direct-mail sales message, it's the *proposition* that will determine which particular appeal you are going to use; it's the *proposition* that will determine what parts of your sales message you will put in and what parts you will leave out—and what the emphasis will be.

The big skill, of course, in doing effective direct mail work lies in determining what your proposition is going to be.

Sometimes you may have to invent a proposition if you are unable to find one that is inherent in the merchandise you are selling.

Most of the time, however, finding the proposition is simply a matter of selecting a particular angle of attack for the presentation of your message. Your skill in selecting this angle of attack will have a great deal to do with the results you get from your mailing.

Here is an example which will show you the difference between a weak and a strong proposition.

An advertisement for a book on carpentry appeared with the headline "EARN MORE." It pulled 60 replies.

Four months later, another advertisement was prepared with this headline: "CARPENTRY ESTIMATING—QUICK . . . EASY . . . ACCURATE . . . WITH THIS SIMPLIFIED GUIDE." It pulled over 400 replies.

The trouble with the first ad was that IT HAD NO PROPOSITION. "Earn More" is not a proposition, just standing by itself. It could be developed into a proposition, but just the phrase alone does not make any "bite" in the reader's consciousness.

If I were to say to you "Earn More" or "Be a Success" or "Live on Dividend Income," or some such exhortation, you're likely to react by thinking "I'll do that some time," but you are not moved to do anything at the moment because I haven't made you any proposition.

The second advertisement, on the other hand, has a clearly-expressed proposition: you get a simplified guide that provides a quick, easy, accurate way to do carpentry estimating. There is a "deal" whereby you GET SOMETHING that's of SPECIFIC BENEFIT to you, in exchange for sending in your reply.

How does this apply to you in preparing direct mail for mutual funds? You, too, have to express your proposition in such a way that the reader sees how he gets something of specific benefit to him, in exchange for replying to your letter. You can't just say "earn more" and let it go at that.

So, let's examine the proposition. First, you will notice that it has three attributes:

1. DESIRABILITY.
2. ATTAINABILITY.
3. BELIEVABILITY.

You should have all three attributes in the proposition in order to make it effective.

For example: I tell you about a wonderful yacht and describe all its appealing features. That may be very DESIRABLE—but then you consider the amount of your present income and you feel that a yacht isn't ATTAINABLE. So suppose I tell you that you could have such a yacht for only $500 down and $100 a month. That makes the proposition seem a little more attainable—but you still need plenty of evidence in order to feel that the proposition is BELIEVABLE, that you can really buy the yacht that way.

Your direct-mail on mutual funds needs to be built around a proposition which is DESIRABLE, ATTAINABLE, and BELIEVABLE.

What does your prospect really desire? You may think you know—but a little testing of different appeals may show you that your preconceived notion of his desire is altogether different from what he actually responds to.

How can you best show that your proposition is attainable?

How can you put across that all-important factor of "believability"?

These are problems you must solve in order to construct a direct-mail piece that will have maximum pulling power. Remember, all three ingredients must be included in every mailing you send out; you cannot put one factor in one mailing, one in another, and one in the third.

So, after you have written your direct-mail copy or couponed advertisement, check it against the five questions stated at the beginning of this article. See if you have answered each of these questions so that the reader knows "what's-in-it-for-me."

Then examine your basic proposition. See if it has the three attributes just mentioned.

These devices will keep you on the right track when you prepare your direct-mail, and they will also serve as a "check list" for examining your direct-mail after it is written. Properly applied, they will consistently give you excellent results in your mutual funds direct mail and couponed advertising.

FOUNDED 1925

INCORPORATED INVESTORS

Announces a new
SYSTEMATIC INVESTMENT PROGRAM
for Purchasing its Shares

Prospectus may be obtained from investment dealers or
THE PARKER CORPORATION
200 Berkeley St. Boston, Mass.

John S. Vavra Co. Formed in Cedar Rapids

CEDAR RAPIDS, Iowa—Announcement has been made of the formation of John S. Vavra Co., to continue the general investment business of Figge, Vavra & Co., which is dissolved. The new firm, which holds membership in the Midwest Stock Exchange, will maintain offices in the Merchants National Bank Building.

Emmett Lawshe With Bear, Stearns Co.

Bear, Stearns & Co., 1 Wall Street, New York City, members of the New York Stock Exchange, announce that Emmett Lawshe is now associated with the firm in its Bond Department. Mr. Lawshe was formerly a partner in Carl M. Loeb, Rhoades & Co.

With Raymond & Co.

BOSTON, Mass.—Russell Cameron is now with Raymond & Co., 148 State Street.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week—Insurance Stocks

Operating problems of the insurance industry are being dramatized in the 1951 annual reports of the different companies now being published.

Most of the institutions that have issued statements so far have shown only nominal underwriting profits in the general fire lines, while losses in casualty underwriting have been substantial.

Inflationary pressures resulting from the outbreak of fighting in Korea in 1950 caused a rapid rise in prices and as a consequence an increase in costs. This sharp increase in costs occurred at a time when the rate structure was in close balance. Thus underwriting operations deteriorated with the increase in prices. The situation was further complicated by a substantial increase in the frequency and severity of accidents.

An additional factor which had an adverse influence on underwriting results of the past two years was the disastrous windstorm which swept the northeastern section of the country in November, 1950. Claims from this catastrophe continued to affect the underwriting operations of the fire companies into 1951.

The combination of these different considerations resulted in lower statutory underwriting profits for fire companies and because of the very unfavorable experience on automobile liability coverages, a substantial loss on casualty underwriting. In fact, as the operating results of more casualty companies become available, it appears that 1951 will be the most unsatisfactory year for a long time in this business.

An indication of the operating results of the industry can be obtained from the figures of the Great American Insurance Group which were released last week. In order to obtain an idea of the overall result for the Group, we have adjusted and consolidated the figures for the principal subsidiaries. Operating results for the Group over the past two years are shown below.

	1951 $	1950 $
Underwriting:		
Net Premiums Written	97,760,801	88,250,600
Increase in Unearned Premium Reserve	7,102,022	8,293,401
Premiums Earned	90,658,779	79,957,199
Losses and loss expenses	53,756,853	43,358,410
Underwriting expenses	39,416,368	35,658,287
	93,173,221	79,016,697
Other profit and loss items net	13,065	39,822
	93,186,286	79,056,519
Statutory Underwriting Gain or Loss	2,527,507*	900,680
Minority interest	294,769	35,321
Net Statutory Under. Gain or Loss	2,232,738*	936,001
Investment:		
Interest dividends and rents	6,026,538	5,638,202
Minority interest	127,605	110,197
Net investment income	5,898,933	5,528,005
Total Net Income	3,666,195	6,464,006
Federal Income Taxes	721,747	1,346,595
Net Income	2,944,448	5,117,411

*Loss.

Net premiums written reached a new high. Although premiums earned showed a large gain, losses and loss expenses showed an almost similar increase. This combined with higher underwriting expenses, resulted in a statutory underwriting loss.

The investment results for 1951 were more favorable. Earnings from this source increased by $370,928 to a new high.

Federal income taxes were lower primarily as a result of the underwriting experience. Final net income showed a decline of about 42%.

The consolidated figures presented above obscure differences in results between the fire companies and the casualty company of the Great American Group. In other words the statutory underwriting loss occurred in the casualty company while a nominal underwriting profit was earned in the fire companies.

Of the consolidated statutory loss of $2,232,738, the indemnity company reported a loss of $2,282,247 and the fire companies an underwriting profit of $49,509.

Over the next several weeks other fire and casualty companies will be publishing their annual reports. Operating results are likely to show nominal underwriting earnings for fire companies and large losses for casualty companies.

DeGroot, Walters V.-Ps. Of Bateman, Eichler

LOS ANGELES, Calif.—Bateman, Eichler & Co., 621 South Flower Street, members of the Los Angeles Stock Exchange, announce that Willard G. De Groot and Otto P. Walters have been elected Vice-Presidents of their organization. Mr. DeGroot is manager of the firm's sales department. Mr. Walters has been serving as secretary and treasurer of the firm.

17 N. Y. City Bank Stocks

Breakdowns of:
Govt. Bond Portfolios
Sources of Gross Income

Laird, Bissell & Meeds
Members New York Stock Exchange
Members New York Curb Exchange
120 BROADWAY, NEW YORK 5, N. Y.
Telephone: BArclay 7-3500
Bell Teletype—NY 1-1248-49
(L. A. Gibbs, Manager Trading Dept.)
Specialists in Bank Stocks

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Canadian Securities

By WILLIAM J. McKAY

In a free market the Canadian dollar has demonstrated its ability to attain parity with the U. S. dollar. Once more however the timing of an important movement in this exchange has confounded the experts. At a time when the deficit in trade with the United States would normally have furnished grounds for a possible exchange crisis, and at the height of the period of seasonal weakness, the Canadian dollar nevertheless has displayed extraordinary strength. This somewhat strange phenomenon has of course a logical explanation which had not fully entered into the calculations of close observers of the Canadian picture.

Indeed the factor which has been mainly responsible for the unseasonal rise of the Canadian dollar vis-a-vis the U. S. dollar is not strictly related to this direct exchange. This factor commenced to operate strongly at a time when usually the Canadian dollar is subjected to seasonal pressure. The powerful influence that has served recently to offset the normal winter trend has been the influx of foreign flight capital in conjunction with heavy Canadian sales of sterling. The latter operations, in view of the Canadian system that requires all sterling transactions to be effected against U. S. dollars, translated sterling weakness into Canadian dollar strength. The removal of all Canadian exchange restrictions also served to attract foreign flight capital that was seeking refuge from the weakening currency centres of Europe. In recent weeks the greater exchange freedom given to British and French banks has led to further demand for the Canadian dollar.

It is apparent therefore that the recent spectacular rise of the Canadian dollar has been largely due to weakness of other currencies rather than to the basic strength of Canadian exchange. Thus at the present level the Canadian dollar is extremely vulnerable to any change of international sentiment or European currency devaluations that would probably lead to liquidation of Canadian dollars purchased in anticipation of this eventuality. It is also not unlikely that in the event of a devaluation of the pound the parity of the Canadian dollar might be more appropriately fixed at 5% discount vis-a-vis the U. S. dollar rather than at par.

The spectacular foreign hot money influence has also tended to obscure the underlying weaknesses of the Canadian exchange position. The obvious superficial strength of the Canadian economy constituted by the highly publicized Alberta oil discoveries, Labrador iron development, and other displays of wealth of natural resources, has been an irresistible magnet for nervous foreign capital. This attraction was enhanced at an opportune time by the removal of all impediments on capital movements, although it can be observed that the previous restrictions already permitted adequate scope for movement of foreign funds.

For purely psychological reasons the complete abolition of exchange restrictions has assisted the capital flow towards the Dominion, but in effect it was not so much the external investor who benefited as a direct result of the new freedom, but rather every resident of Canada. Furthermore as far as the foreign investor is concerned, freedom of action is no greater than before with regard to the movement of funds into Canada, but whereas previously there were certain impediments on withdrawal of external capital, there is now complete freedom. Thus although the initial effect of the removal of restrictions has been an accelerated influx of funds into Canada, mainly as a result of unrelated external developments, so far little advantage has been taken of the new opportunities afforded for the movement of capital out of Canada.

At the present time perhaps there is little advantage to be gained from switching from Canadian to U. S. stocks. Also while the Canadian dollar appears strong, the foreign investor will maintain and possibly tend to increase in his Canadian holdings. It must be remembered however that before the removal of exchange controls the volume of the external capital influx was on an unprecedented scale that will be difficult to maintain under any circumstances. For a relatively small country such as Canada this huge foreign capital investment constitutes a formidable responsibility. Although a large proportion of the total can be considered to be of a permanent or semi-permanent nature, there has been recently a considerable volume of essentially flight capital of a type that has embarrassed small countries such as Uruguay.

In addition to the hot money movement that could be abruptly reversed in the likely event of European currency devaluations, the Canadian dollar is also vulnerable to an oxodus of funds of Canadian residents who have not yet profited from their new freedom. Apart from unlimited tourist expenditures it must be remembered that Canada is now in the midst of an unprecedented boom, and the possessors of recently acquired fortunes might very well prefer the less rigorous climate south of the border as well as the more favorable standard of living. The recent sharp rise of the Canadian dollar also provides a tempting opportunity for favorable conversion into U. S. dollars, and as recent precedents have demonstrated, the Canadian authorities will not hesitate to reimpose any restrictions considered necessary to protect the national economy.

During the week interest in the external section of the bond market was largely confined to the new $30 million British Columbia issues, the proceeds of which will be utilized to finance the ambitious construction developments in the province. There was little activity in the internals apart from scattered liquidation which failed to make any impression on the price level. In a mostly lower market the industrials provided the weakest feature with the Western oils and base-metals displaying considerable resistance to the downward trend. The golds also attracted increased investor interest and made a moderate recovery from their recently depressed level.

CANADIAN BONDS

GOVERNMENT
PROVINCIAL
MUNICIPAL
CORPORATION

CANADIAN STOCKS

A. E. Ames & Co.
INCORPORATED

Two Wall Street
New York 5, N. Y.

WOrth 4-2400 NY 1-1045

Fifty Congress Street
Boston 9, Mass.

NEW HORIZONS — IN CANADA!

Canada offers many sound opportunities for investment or speculation in one of the few remaining favourable areas of the world. To those interested in Canadian securities, the facilities of our Research and Trading Departments are always available.

Ross, Knowles & Co.
(formerly Milner, Ross & Co.)
Members:
The Toronto Stock Exchange
The Investment Dealers' Association of Canada
330 Bay St., Toronto, Canada
Hamilton Brantford Windsor
Sudbury Brampton

Toronto Bond Traders Annual Dinner

TORONTO, Ont., Canada.—The Toronto Bond Traders' Association is holding its Nineteenth Annual Dinner at the King Edward Hotel, Toronto, on Friday, March 14.

Michener to Address Women Shareholders

Dwight W. Michener, director of research of the Chase National Bank, will speak on the subject, "How Current Events Affect Your Investment Planning," at Monday's (Feb. 18) opening session of the Spring Request Course to be conducted by the Federation of Women Shareholders in American Business.

Using the theme, "Investing in 1952," the course will be held every Monday afternoon from Feb. 18 through March 24 in New York City's Waldorf - Astoria Hotel on a fee basis.

Mr. Michener, who joined the Chase National Bank's economic staff in 1930, has an impressive economic background. A native of Iowa, he graduated from Penn College with an A.B. in 1922 and took his Master's degree the following year at Haverford College. From 1923 to 1928, he taught economics at Pacific College while taking additional graduate courses at the Universities of California and Washington. For six years he lectured on banking at Columbia University and currently is a member of the committee on monetary policy of the United States Council of the International Chamber of Commerce. He also is a member of the Research Council of the American Bankers Association.

To Be Kaufman, Alsberg

Effective Feb. 15 the firm name of Richard K. Kaufmann, Alsberg & Co., 61 Broadway, New York City, members of the New York Stock Exchange, will be changed to Kaufmann, Alsberg & Co. On the same date Alvin W. Seligman and Ronald M. Belin will become partners in the firm.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

Along with various other local savings banks in New York City, and elsewhere, the **New York Savings Bank,** at 8th Ave and 14th St., **New York** has made known the intention of the trustees to pay a dividend at the rate of 2½% per annum on April 1. It is noted by the bank that the New York State Banking Board has amended its regulations so that the 2½% rate is now the highest permitted by law. Richard L. Maloney Jr., President of the bank, in his announcement Feb. 7, also noted that William A. Lyon, New York State Superintendent of Banks and Chairman of the Banking Board, recently said:

"In this matter, the interest of the depositor is sovereign. Our common purpose is to see that the dividends he gets on his deposits are as large as possible consistent with the safety of his principal."

Among the various other savings banks of the City which plan to increase the rate to 2½% per annum for the quarter ended March 31 is the **Bank for Savings** whose President De Coursey Fales says, "this is the 311th consecutive dividend since 1819 when the bank opened as New York's first savings bank."

The **Central Savings Bank of New York,** similarly, through its President, James T. Lee, on making known that its interest dividend for the quarter ending March 31 will be increased to 2½% likewise noted the banks decision to compound interest quarterly at the new increased rate.

The Dime Savings Bank of Brooklyn which will also increase its dividend rate to 2½%, quoted George C. Johnson, President of the 92-year old bank as saying, "the Dime has been in position to pay the higher rate for some time, and we feel that the State Banking Board is to be congratulated in relaxing the restrictions which have been in effect since 1935."

* * *

The Corn Exchange Bank Trust Company of New York announces the promotion of James H. Pinckney to the office of Vice-President, and Hamilton M. Love and A. Karl Pons to the post of Assistant Vice-President.

* * *

William C. McAdam and Albert W. Doyle have been appointed Assistant Secretaries of **Chemical Bank & Trust Company of New York,** it was announced on Feb. 11 by Harold H. Helm, President. Mr. McAdam formerly was manager of Chemical's 29th Street at Fifth Avenue office. He will become associated with the loan department of Chemical's Metropolitan Division with headquarters at 165 Broadway. Mr. Doyle will continue his duties in the corporate trust department of Chemical's Fiduciary Division.

* * *

In recognition of the increasing importance of trade and financial relationships between Canada and the United States, the **Chase National Bank of New York** has asked Thomas H. McKittrick, Senior Vice-President, to assume active supervision of Chase banking and business relationships in Canada. Nicholas J. Murphy, Vice-President in the bank's foreign department, will be associated with Mr. McKittrick and several assistants in this assignment. Widely known in international banking, Mr. McKittrick joined the Chase National Bank after serving for six years as President of the Bank for International Settlements at Basle, Switzerland. Prior thereto he was a partner in Higginson & Co. in London, where he was active as a director of the American Chamber of Commerce. He recently was named to the Executive Committee of the U. S. Council of the International Chamber of Commerce. His associate, Mr. Murphy, in his more than 30 years with the Chase National, has devoted his interests exclusively to international finance and has been active in various foreign banking and trade councils.

* * *

E. Chester Gersten, President of **The Public National Bank and Trust Company of New York,** announced on Feb. 5 the appointment of Emanuel Schwartz as Vice-President. Mr. Schwartz, formerly Assistant Vice-President at Delancey Street Office, will head the bank's new office at 682 Broadway, Manhattan, which is expected to open for business the latter part of March after alterations are completed. Barnet Port, formerly Manager of Pitkin Avenue Office, and Jerome Twoney, formerly Assistant Cashier, Broadway Office, were advanced to Assistant Vice-Presidents and will be associated with Mr. Schwartz at the new office. The following appointments were also announced: Philip Greene, formerly Assistant Cashier, Delancey Street Office, advanced to Assistant Vice-President; and Jack Jasper, also of that office, promoted to Assistant Cashier. In the Branch Office Credit Department, Irving Grosswald, formerly Assistant Cashier, was appointed Assistant Vice-President; and Jacob Bobrow and Irving Volen, formerly Managers, were advanced to Assistant Cashiers.

* * *

The Board of Trustees of **The Bowery Savings Bank of New York** has elected Henry Bruere Honorary Chairman of the Board. Mr. Bruere, on attaining age 70, retired at his request on January 1 last, under the bank's retirement plan, after nearly 25 years as a ranking officer of the bank, 19 years as President and three years as Chairman of the Board and Chief Executive Officer. As Honorary Chairman, Mr. Bruere will serve as requested in an advisory capacity without executive responsibility or compensation. The Bowery Savings Bank is one of the various savings institutions which will raise its dividend rate to 2½% a year beginning April 1. The Bowery now credits and compounds dividends four times a year.

* * *

On Feb. 9 the Elmhurst Office of **Manufacturers Trust Company of New York** celebrated its 25th Anniversary. The office was originally opened on Feb. 9, 1927, as the **Elmhurst National Bank.** In 1934 the assets of that bank were purchased by the newly organized **Fidelity National Bank.** The assets of that institution were subsequently purchased by Manufacturers Trust Company in 1947. Today, Manufacturers Trust Company has more than 100 offices throughout Greater New York, and the Elmhurst Office is one of 14 of those offices located in the Borough of Queens.

* * *

The New York Agency of the **Swiss Bank Corporation** has announced receipt of cable advices to the effect that directors of the bank, at a meeting held in Basle,

Continued on page 34

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Forecasting the Business Outlook in 1952

By WALTER E. HOADLEY, JR.*
Economist, Armstrong Cork Company

After stressing need of forecasting by business concerns, in order that they may be prepared for what could happen, Dr. Hoadley analyzes and summarizes what forecasters predict in 1952. Sets up a composite forecast and dissects the basic assumptions set up by the forecasters. Concludes 1952 will be another high year for business in general, measured at least in dollar sales, but warns individual lines may face lagging consumer demand or curtailed production. Says profit outlook is quite "spotty."

It's customary at the beginning of any talk on the business outlook for the forecaster to: remind the audience how dangerous it is to try to forecast, to admit that he has no foolproof crystal ball, and to apologize for attempts to forecast in general. All this leaves me pretty cold. The plain fact is that there is no escape from forecasting—in fact, no alternative. To claim that we cannot or will not forecast really is to say that we expect no change; in other words, the *status quo* is here to stay more or less indefinitely. If there is any forecast which is almost certain to be wrong, particularly under present unsettled conditions, it is one that foresees no change. I can't buy that, and I'm sure you won't either.

W. E. Hoadley, Jr.

The principal question, therefore, is not—shall we forecast? But rather, how can we do a better job of forecasting?

Much of the skepticism about forecasting arises because we expect a forecast primarily to pinpoint future events rather than to provide information which will make possible both a reasonable course of action and an awareness of other possible developments which may intervene to change our plans. We forecast to minimize surprise—to try to determine what will happen, but also if we are realistic, to prepare ourselves, at least to some extent, for what could happen.

Fifteen to twenty years ago there was almost no interest among business managements in discussions of national business. These always seemed too vague or general to be of much use to the average executive in a particular company in a specific industry. Recently, however, interest in general business trends has picked up considerably because of the growing realization that few companies can escape the effects of changes in general business developments upon their own operations. The war and postwar years have made it clear that the success of any individual business depends not only upon its people, their know-how, financial resources, and their ability to meet ordinary competition, but also upon many general conditions beyond management control. The overall level of spending—general wage-price trends—government policies and expenditures—in fact, all the aspects of total business developments—"outside the company"—have come increasingly into the forefront as factors influencing management planning and decision-making.

One of the best means of making an effective forecast is to start with a careful appraisal of business prospects on the basis of information and judgments at hand, and then to check closely these views with those of other people. It is, of course, foolish to adopt blindly the views of others. But, usually our individual understanding can be broadened and our judgments sharpened if we compare our own forecast of general business and the reasoning which underlies it with what other informed people believe on the same subject. As a rule, only as we have a forecast of our own to check can we benefit appreciably from learning someone else's viewpoint on future development.

By mid-January the annual forecasting season is well under way, and probably even drawing to a close. Over my desk during the past few weeks have come hundreds of forecasts—as prepared or in summary form—of what lies ahead for business in 1952. No doubt an avalanche of forecasts has reached your desk too. This poses a real problem for anyone who is asked to add another forecast to your pile.

Keeping in mind my contention that an exchange of views on business prospects can be valuable in sharpening our individual judgments, I intend: First, to give you a consensus of about 200 very current forecasts of 1952 business; Second, to screen out and evaluate critically the key assumptions or contentions underlying these forecasts; and Third, to summarize my own views and suggest a few barometers to watch as a running guide to what actually will happen to business in 1952.

What the Forecasters Predict For 1952

Let's begin with a composite forecast of what roughly 200 forecasters drawn from a cross-section of business, labor, government, and universities across the nation, have to say about the next 12 months. While there are a few noticeable differences of opinion, the consensus, nevertheless, is striking. Over 80% agree almost exactly on what lies ahead. By and large, the forecasters are optimistic. They expect the coming rise in total business (i.e., gross national product) from now until next December to be about 6%, which compares with an 8% expansion in 1951. Roughly, two-thirds of the expected growth in general business this year will come from larger physical production, and the remainder from fairly limited price increases. More specifically, physical output is forecast to rise 4%, and the general price level, as well as the consumers' price index, about 2%.

The most common view is that 1952 will be marked by a fairly gradual advance in overall business during the first quarter. Thereafter the general expansion is expected to be more pronounced through successive quarters to the end of the year. Because the rise foreseen is moderate, the general outlook from these forecasts might be described as, and in fact has been called, "stabilized inflation."

In greater detail, the composite forecast calls for the following developments this year:

A 5% rise in personal disposable income (after taxes).

A 7% rise in general consumer spending, and a consequent slight reduction in the current rate of consumer saving.

A rise in employment of roughly one million, and a drop of 500,000 in the unemployment total, with an average of 1,500,000 unemployed for the year.

Little net change in inventories and in business expenditures for plant and equipment.

An increase of 10% in corporate profits before taxes, but a 5% decline after taxes.

A 10% drop in aggregate dividend payments.

A slight decline in the stock market with some further firming of interest rates.

A drop of 10% in new houses started.

Five Basic Assumptions

Underlying these generally optimistic views are several highly significant basic assumptions:

(1) Pretty much continuation of the *status quo* in international relations; neither all-out war nor conclusive settlement of hostilities.

(2) Rising defense expenditures close to the officially announced schedules, with a substantial government deficit in the second half of the year.

(3) Tight supplies of several critical materials throughout most, if not all, of the year.

(4) Little vigorous action by government either to tighten or relax controls over wages, prices, credit and materials or to increase taxes further.

(5) Some step-up in business and consumer buying as an aftermath of inventory liquidation and high personal savings during the past year.

Forecasting becomes fairly mechanical once the basic assumptions have been made. Consequently, let's now consider the merits of each of these underlying contentions which give rise to the generally optimistic view on business prospects which has been presented. Unless we agree with these basic views, it is obvious that we cannot accept the composite forecast of 1952 business.

The first assumption is that neither all-out war nor a final peace settlement will occur this year. It doesn't take much study to visualize what far-reaching changes would take place in general business as well as in the operation of our own companies if this basic assumption proved to be incorrect. All-out war, of course, would touch off further waves of scare buying and an unprecedented era of rigorous controls over most phases of economic and personal life. In contrast, any marked easing in international tension almost certainly, in time, would bring a noticeable psychological "letdown," reducing the present urgency to buy among both civilians and government in this country and abroad. A sharp setback in business would be virtually inescapable.

No one, including Joe Stalin, knows what actually will happen in world affairs in 1952. As prudent people we would be very shortsighted not to include in our general plans for the year some allowance for a deviation from this *status quo* assumption covering international relations. My own feeling is that defensive strength on both sides is so great now that no one will start an all-out war soon. Mr. Churchill's foreign policies, designed to ease the economic burden of defense in Britain, must be rooted in this same conviction. These factors, together with the mounting defense power of our own nation during the coming year, I believe, will shift the precarious balance somewhat further away from the prospect of World War III. If so, at least some additional psychological letdown is in prospect. This can only mean increased need for hard selling among virtually all civilian goods.

The second assumption underlying the composite forecast of 1952 business is that defense expenditures will rise steadily throughout the year. By December they are expected to be roughly $20 billion higher than the present $45 billion annual rate. An accompanying substantial deficit in the second half of the year is deemed inevitable.

How much the government actually will spend for defense in 1952 is a popular guessing game. Virtually everyone agrees that strong national defenses are essential, but the precise requirements and the time involved to achieve them still are unsettled issues. Whatever actual spending rate occurs, there is good reason to believe that we have already at least passed the midway point in the upward climb in defense expenditures arising from the present emergency.

Quite understandably in light of the dramatic publicity accompany the defense program, the public at large seems to have a distorted view of the importance of rising government spending for munitions. We must not forget that production for civilians today is still eight times as large as production for defense purposes, and could be higher in many lines if orders warranted more output. This ratio is unlikely to fall to less than four- or five-to-one in favor of civilian output over the next 12 months. Current defense spending, moreover, is overwhelmingly concentrated in two highly specialized industries—aircraft and atomic weapons. Rising defense expenditures as presently scheduled do not provide for a broad mobilization and are still dwarfed by civilian spending.

National defense policy at present wisely aims to develop unequalled industrial capacity for war, rather than the building of large stockpiles of potentially obsolete weapons. Numerous delays in the defense program already have occurred and more are in prospect so long as partial mobilization conditions prevail. To an overwhelming extent, delays in defense production can be traced to the desire of defense authorities to avoid "freezing" blueprints of specific types of weapons for mass production. Intelligence reports from Korea and elsewhere continually reveal that further developmental work is needed to achieve or maintain superiority over fighting equipment in the hands of Communist forces.

While there is no reason to doubt a further substantial rise in government spending, there is a strong possibility that the rate of increase will continue below general expectations. Moreover, once American industry becomes tooled for heavy production of munitions items, the flow of war goods can reach staggering proportions in a relatively few months. Under these circumstances, it would seem wise to anticipate a tapering off of munitions output soon after the tooling up stage is completed and as stockpiling limits are approached. If so, defense spending by the government will tend more to level than to rise later this year.

To mention government expenditures is really to consider only one phase of the government's economic role in the present situation. As we all know from painful experience, Uncle Sam collects money as well as spends it. From the present time until about next May the Federal Government will be operating in the black, that is, with a cash surplus, because of record tax collections in the weeks just ahead. Corporations in particular face a squeeze on their cash positions during the next six months which will put a firm check on business spending. Beyond midyear, I would agree with the forecasting group that enlarged government spending will put the government in the red again, with some inflationary consequences. The extent of the deficit will be directly related to the rise in defense spending and the extent of economy in non-defense activities of government. Consequently, if for any reason a slow-up occurs in defense operations, it will be immediately reflected in a smaller cash deficit. Should tax collections exceed current estimates—a reasonable possibility—the deficit in the second half of the year may also be smaller than expected by our composite forecasters, with resultant less inflationary repercussions.

The third general premise supporting the composite forecast of general business in 1952 is that several raw materials, and especially metals, will remain critically short this year. From the scare announcements emanating from Washington currently and in recent months, one might easily gather the impression that the nation is rapidly running out of metals and facing no real prospect for improved supplies this year. The contrary view seems much more plausible to me if full-scale war is avoided.

No informed person doubts that some specific materials are temporarily in short supply or that their availability may very well become tighter before the situation eases. But there is reason to doubt that the shortages are either as general or as pronounced as officially contended. Unfortunately, government control authorities at present don't seem to know with much precision the degree of shortages—e.g., 100%, 50% or 5%—(it makes a lot of difference). A relatively small and temporary shortage obviously prompts a very different public reaction, in contrast to the severe and indefinite shortages during World War II.

A very pointed question today is where is all the metal going? The editors of "Iron Age" magazine says it's "(1) being used, and (2) being stored in inventory." Their very recent poll revealed only "slightly unbalanced" overall steel inventories among metal-working companies "despite widespread reports to the contrary." Production of most metals is at or close to all-time record levels. Steel production in the United States last year nearly equalled the combined output of all other countries in the world, including Soviet Russia. Barring interruptions in production, it is expected that 7% more steel will be produced in United States mills in 1952 than in 1951. This will be possible because of operating improvements, including a planned 10% addition to steel-making capacity this year which itself will be equivalent to more than two-thirds of estimated direct defense requirements for steel. Aluminum production is approaching the peak World War II output level and further increases in capacity are a near-term prospect; yet aircraft production, the chief user of aluminum, is running at but a small fraction of the nearly 100,000 planes per year rate achieved in 1944. Copper now poses a serious problem, but here again output is at a record level and substitution is proceeding to a marked degree.

While not denying the current tightness of some specific material supplies, I am, nevertheless, skeptical as to the probability of

Continued on page 20

*An address by Dr. Hoadley before the Chamber of Commerce of Greater Philadelphia, Philadelphia, Pa., Jan. 15, 1952.

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"I Am A Woman Investor"

By WILMA SOSS*

President, Federation of Women Shareholders in American Business, Inc.

Mrs. Soss cites data to demonstrate great growth of the woman's market for securities, including proportion of stock ownership and of bond and brokerage house customers. Gives results of recent survey, indicating women emphasize desire for liberal dividends; get information largely from brokers and are satisfied with them; read the financial pages; and are eager for greater knowledge and training.

I am a woman investor. Like all women, I want to be loved. I want to be loved whether I am a large or a small stockholder, whether I am "frankly 50," a fussbudget, or have sales appeal.

Wilma Soss

I am younger than I used to be when railroad bonds and governments were in flower. Since inflation, and the Prudent Man law made a "good woman" out of common stocks, so that more women have confidence in buying them, the average woman investor is younger than ever before.

The Woman's Market

About 40% of the customers of all investment bond houses are said to be women. As you know, 52% of the stockholders in 1,000 major corporations recently surveyed for "Good Housekeeping" proved to be the *women.* In most of the ten largest corporations, women lead over men in numbers as stockholders. And in the No. 1 non-financial corporation (size of assets), American Telephone & Telegraph, almost twice as many of its stockholders are women as men. This doesn't count joint accounts or trusts in which women are beneficiaries. However, the men still have an edge on the women in the number of shares of common stock individually owned. Nor does this take into account the women who are stockholders by marriage, more and more of whom, having more leisure than the men, may represent their husbands as proxies and will inherit their stock.

Men no longer can pooh pooh the significance of these statistics on the grounds that women have most of it "in name only," that it is merely put there for tax purposes—not since 1948 and the joint income tax return!

Women have 85% of the spending power but that is peanuts compared with her potential voting power in industry. Don't forget she only has an economic vote when she owns voting stock. That may be important one of these days when women are educated to the constructive power of their economic suffrage and learn to make their investment dollars talk for the principles for which they stand.

Chances are that our woman investor may have inherited her money, since women are beneficiaries of 80% of the life insurance policies and 65% of the value of all legacies. With education in money management more prevalent today there is no reason why she should lose that inheritance in the traditional seven years.

If cash is what makes an ideal prospect, I've got it because women have 65% of all deposits in mutual savings banks in their names.

*A talk by Mrs. Soss before Standard and Poor's First Annual Advertising-in-Action Awards Convention, New York City, Jan. 18, 1952.

Don't think all this money was gifted to us by you great big generous American men. Women saved some of it for generations in our cookie jars. We earned it — in and out of matrimony. Chances are today we make a lot of it since one-third of all the women in the U. S. work. Women contribute 25% or more of the total income for one out of every four families.

Eight percent of the women are single and may have to take care of themselves—that means taking care of their money. 62% of the 92% who marry are widowed. Of the widows 8% remarry and three-quarters of them are widowed again and again inherit. So be good to the widows and they will be good to you!

According to the 1950 census, alas! there are 1,920,000 more women than men. In 1960 if there are no more wars or immigration changes there will be 3,867,000 more women than men. In 1970 there will be 4,091,000 more women than men—and you can begin to promote polygamy!

It looks as if the woman's market is here to stay!

Getting in on the Ground Floor

But, 37.2% of the customer's women and 50% of the customer's men, in a survey by the Federation of Women Shareholders, say they preferred to handle men's to women's accounts. The brokers who won't woo the woman's business may be like the men in radio who didn't want to be "bothered" to get in on the ground floor when television came. Yet 58% of the customer's women and 40% of the customer's men surveyed said inflation has increased their business with women; that women are "more loyal" once their confidence is won, and women are more likely than men to recommend customers. When Standard & Poor's chose for my subject: "I Am a Woman Investor," the Federation of Women Shareholders was holding a course for women on "How To Analyze a Stock" right in this room (Starlight Roof, Waldorf Astoria). So I thought it would be interesting to get some of the answers from those women. At the same time we were running an evening course for both men and women for the Adult School of the Montclair Board of Education; and I thought we should ask some of those women their views. Then to broaden our public, we sent 100 questionnaires to some of our out-of-town members and gave 50 more to a picked group of customer's men and women to pass on to their women customers.

Questionnaire to "Customers' Women"

What a brave questionnaire! It has 38 questions!

Then, because we thought women might be able to size up other women better than men, we sent a companion questionnaire to 350 registered women representatives with the N. Y. Stock Exchange, and I think that may be the first such survey anyone ever bothered to make of customer's women! You professional pollsters will shudder again. It has 42 questions. Then we sampled some of the customer's men.

Investors and Customer's Women Results of Survey of Women

We received replies from 32% of the women investors from 14 states, including Washington, D. C., and 12% of the women brokers from 19 states from Maine to California and as far south as Texas.

Who Answered

85.6% of the replies came from members of the Federation of Women Shareholders and/or those who had taken our courses at the Waldorf or in Montclair. 14.4% of the replies came from clients of cooperating brokers.

Of the women who replied: 15.1% are single; 45.2% married, 39.7% widows. Divided into income groups: 10.3% say they have "less than $5,000" invested in stocks; only 2.1% report $5,000 to $10,000 in the market; but 18.5% have $25,000; 17.9% report $50,000 in stocks and 28.1% have portfolios of $100,000 or over.

The Woman Investor and Mutual Funds

17.2% report they hold mutual funds and in my opinion mutual funds are likely to capture the business girl. 32.6% of the customer's women say their women clients are buying mutual funds instead of government bonds, and customer's men and women appear to be selling more mutual funds to women than to men.

No Longer "In Name Only"

As for that old cliche that women have their stock in their names "only"—91% of the women reported they have stock in their own names, only 4.8% in their husband's names, 11.6% in joint accounts and 4.1% in trust accounts. 10.3% have stock in Street names and 11.6% have discretionary accounts.

4.8% say they are buying or contemplating buying stocks for the first time. 51% say they have a systematic plan of investment and only 18.5% say they buy on the spur of the moment. 95% do not believe investing in the stock market is "all luck"; 83.6% think their chances can be improved by professional advice, and 77.4% by personal study. 83.6% report they buy and sell their securities through a broker, 13.7% use investment counselors and as many — 13% — buy and sell through their banks; 4% are still to be had.

Studying Stockholder Satisfaction and Dissatisfaction

For Standard & Poor's Convention, the Federation of Women Shareholders divided its survey into investors who are satisfied and dissatisfied with their advisers and then proceeded to analyze them according to the manner in which they chose their brokers or counselors, stockholder education, customer habits and so forth.

Wall Street Triangle

61.5% of the women who replied indicate that they are satisfied, but even among this number there are some who have more than one broker. It may come as a shock to you but there may be another customer's man or woman in the life of your favorite account. You may know it for a fact, suspect it, or your woman client may be as cute about it as if this was a domestic triangle. 35.6% of the women who answered our questionnaires admitted to having more than one professional adviser. In addition, 22.6% lean on friend husband. One of our members who inherited a sizable estate came to us for advice. We noted her husband was an economist and asked why she didn't consult him. "Oh," she said, "he is a good economist but he doesn't know how to make money!" 15.8% of the women say their banker also advises them on securities; 11.6% consult their friends. Fathers are consulted about as frequently as lawyers (both get a niggardly 3.4%), and brothers barely rate.

14.4% of those surveyed, report they are "dissatisfied" and 19.2% "don't know" or otherwise indicate they aren't completely counselor happy.

Small Holders Most Dissatisfied

Standard & Poor's statisticians particularly called my attention to the number of small stockholders who appear to be dissatisfied—although not exclusively so!

The fact is: despite advertising to the contrary, nobody but nobody really wants to be bothered with the small stockholder. Stockholders who were attracted by advertising crying: "Come to my house, I'll give you apples and pears . . . an' everything" were the most disappointed because the personal interest and service falls short of the advertising.

Do You Remember When?

Back in 1947 or '48 when you were down to 400,000 share days on the New York Stock Exchange, you were mighty glad to have the small stockholders. With more and more of the largest stockholders being taxed out of the market or into relative inactivity, the small stockholder may be your survival or your downfall.

Stockholder Education on National Scale Needed

Let's face it—it isn't economic to service the small stockholder properly. He or she takes too much time for the mature counselor or customer's man who has just so many hours a day in which to produce. I have heard you tell here today how you build customer's men. The kind of training you can give them in an intensified course streamlined to so many hours, or the estimate of an investment of $10,000 per man in a single year of grooming, isn't good enough to give real customer satisfaction. Public education of the small stockholder is needed on a national scale to make serving these accounts properly economic and to keep the securities investment business healthy.

Shopping for Investment Counsel

We looked to see if it made any difference in broker satisfaction if a woman had education. She appears to be easier to deal with once she gets over the early stages of that education. Also if she is educated properly she appears to be better able to select the right person to handle her investment problem. If women would give as much time to the selection of their brokers and investment counselors as they do to their milliners and corsetieres, you both would have more peace of mind. However, 51.2% of registered women representatives say now women are "shopping" for investment counsel; the customer's men sampled on this question replied they "don't know." Now you do!

The high percentage of those who say they are "satisfied" with their counselors or brokers may be due to the fact that 70% of the women have taken a financial course; 75% of the women read a financial page or financial paper and 28% subscribe to a financial service.

Choice of a Broker

Asked how they chose their brokers or counselors, 51% of the women said they were "recommended by a friend." Recommendation frankly ranked first among customer's men and women. Brokers report "widows beget widows." Many widows inherit their brokers from their husbands—but brokers do not always make the proper adjustment to hold this business. Institutional advertising and public speaking were found by out-of-town women representatives to be next most helpful.

The second largest percentage, 21.9% of women investors, yield to personal solicitation by friends, phone, or mail. 10.3% pick their brokers because of an office in the neighborhood. Advertising attracted 7.5% of the business but their ire was aroused when the personal attention and results didn't live up to the advertising.

Stockholder Meetings a New Place for "Leads"

One shareholder replied that she had picked up her broker at an annual meeting. We checked this without interest—found she has a portfolio of more than $100,000 and is single. Women stockholders who are single or widows would do better attending stockholder meetings—and chances are meet men who can support them —than taking cruises. Well, my advice to you is to go to stockholder meetings; but, if you want to attract women investors, don't just sit there, show them that you are working in the stockholders' interests.

Incidentally, nothing is such a letdown to your women customers who may have attended a stockholder meeting and want to gossip with you about it, as to find you have never been to an annual meeting and don't know the ropes.

You should encourage your clients to support management or independent stockholder resolutions to move the annual meetings to be more accessible, not only because it is in the interest of the public stockholders but in self-interest. You cannot afford to take the time unnecessarily to run to Flemington and Wilmington, or other out-of-the-way points, nor can a lot of other business people waste time traveling needlessly.

More than 25% of the women who replied to the questionnaires attend stockholders meetings; 32% belong to a stockholder organization; 35% of them say they vote their own proxies; 14.4% still throw them in the waste basket and 9% say they let their broker or banker handle them; 20% pool their proxies with other stockholders. Sometimes big stockholders support little stockholders because they realize without "the masses" they cannot survive.

Where there is a division of interest between the management and the stockholder, don't forget it is a stockholder right to expect you as her agent to uphold her interest—that ought to be the first rule of the Stock Exchanges.

What Services Women Investors Want

48.6% report that what they look for in the way of service is portfolio analysis and "carrying out orders." Only 38.4% checked "timing in buying and selling" but 48.6% want company and industry research material; 25.9% want market letters from the houses they do business with, but double that number say they read market letters; 19% subscribe to more than one "letter" and 37% of the customer's women thought they should, but male security analysts say it is too "confusing" or "women shouldn't read any market letters" or "Show me one that is 75% right" and one says: "Tell her to stick to the Woman's Home Companion." But 60.4% of the customers women say that women investors are influenced in buying and selling by market letters.

Women Want Dividends

32% of the women stockholders admit they take tips but their brokers say this figure is too low and that women speculate more than men, watch commissions more, tend to diversify more. 91.8% of the women say they want dividends, whether they are married or in the high income brackets! Only 2.7% are satisfied with capital gains without divi-

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dends. Women appear to feel they want what's coming to them and do not want it ploughed back into the company and siphoned off in management and labor incentives without getting their cut. Brokers who tell women that bonus and pension plans, and stock options amounting to millions of dollars are either the "fashion" and "cannot be helped" or "negligible," instead of using every effort to protect stockholder-incentive-dividends will find they are making a big mistake. When dividends dry up, so may their business.

What women say they appreciate most in broker service is "attention," being kept informed whether the news is good or bad; and "results." What brokers say women appreciate most is sincerity, frankness, courtesy, personal attention, conscientious effort. Women say their pet peeves are: "overloading me with mutual funds," too much switching—72.1% of the customer's women say women investors switch less than men—unloading stocks on them, and "talking down to me." What brokers say women resent most is: decline in market value, smoking, high pressure and "treachery"—the word is a man's. What pays off most is: patience, "letting them talk," sympathy, continually reviewing their portfolios.

In looking to see if there was any difference in the method of customer contact between satisfied and dissatisfied customers, we found the dissatisfied customers more inclined to do business on the telephone, to under- or over-diversify. 65.1% of all the women investors report they deal most by telephone with their counselors but 38.4% call regularly or are called upon and 4% once a week! Only 1.4% never call on their advisers.

Cocktails and Customers

7.5% of the women expect their brokers to work after business and during cocktail hours but the women registered representatives say it is just the other way round with their men customers. 72% of them say women expect them to work after hours—the younger men report that it pays but takes discretion: but one of the die-hards of the old school wrote emphatically on this point: "Not mine, they don't expect and I don't call!"

More Stockholder Interest or Government Control

If you do not want more government control, encourage more stockholder interest. Identify yourself more with the stockholder. Remember management will always manage. Labor will always be employed, whether slave or free. The bankers will always be needed if only to finance governments and wars. You promotion men will always promote new ideologies. But the stockholder can become merely the taxpayer. The stockholder can be wiped out and then where will you be?

If you want to increase your business, identify your interest more clearly with the stockholder's interest. If you put your house's interest ahead of the investor's you will always be looking for a new job or new business, or at new regulations. Be good to the stockholder is the tip from women investors, if in days of fabulous plenty or financial famine you want the stockholder to be good to you!

Cantor, Fitzgerald Adds

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif. — Pierce L. Howe is now with Cantor, Fitzgerald & Co., Inc., 224 North Canon Drive.

Vital Issues Facing Realtors

By JOSEPH W. LUND*

President, National Association of Real Estate Boards

Newly installed executive of largest real estate organization warns, despite our progress in recent years, heavy, wasteful government spending and high taxation are pushing us toward more and still more inflation. Attacks restrictions on home building while government, at same time, is selling millions in tax exempt bonds to erect public housing projects.

In looking ahead, which is a risky business, I have tried to discover the most vital issues on which we should concentrate. There are so many problems, such rapid changes in the scenes, that we are often tempted to scatter our efforts in all directions. Our fighters in Korea have learned that only concentrated fire power can win the ultimate victory.

Joseph W. Lund

We on the home front must guide our course by the same fundamental principles. We represent the basic forces of freedom, the right of the individual to own and to reap the benefits of the land which lies under all. The preservation of this right must be the rallying point for our greatest effort.

In all walks of life, here and throughout the world, we continually hear the phrase "human rights." Let us ever keep in mind that there can be no rights, human or property, without responsibility. If we in this country lose our rights, it will be because we have refused to accept responsibilities. Thirty years ago, the Russians, and now the Chinese, who were totally untrained for responsibilities, have lost the right to own, to work, to live, to love, or even to think, except at the end of a lash or the point of a gun.

We here have almost lost sight of the basic principles which made this country great. Since 1933, the leaders in the national government have been trying to have us scatter our fire power by popping off in defense against one alleged emergency after another. I'm tired of emergencies. The one clear purpose through it all has seemed to be a long-range never forgotten attempt by invisible forces to break down our principles and our wills. This attempt has been so successful that we are often caught, like Don Quixote, hopelessly wasting our strength, charging with lance and spear at imaginary windmills.

However, in spite of all the crazy experiments, in spite of venal dishonesty in high places, and in spite of the destructive efforts of the so-called planners, our country is strong today, and, by the grace of God, still solvent. This miraculous state of affairs cannot continue unless we, and those who believe with us, are willing to make the same sacrifices which our forefathers made when they wrested our continent away from the British Dictator in 1776. Are we too fat, too prosperous, and too lazy to make these sacrifices? Sometimes, I must confess, I think we are. We have been lulled into a sense of false security by the joys and easy money of the first stages of inflation.

History, since the time of Augustus Caesar, tells us what is going to happen unless we wake up and act. So far, although our efforts have been hard fought and sincere, they have been too little. Unless we get going, and at once, we'll find they have been too late.

Our Progress

Since 1940 the population of this country has increased by 23,500,000 people. This is almost twice the population of all Canada today. These new citizens are mostly Americans, born in America. In order that this huge new segment of our population can have the kind of a life which we have been privileged to enjoy, it is our responsibility to produce enough food, clothing, housing, schools, and opportunities for useful service for all. This can be done, with our proved productive capacity, if we can throw off the shackles of planned scarcity and unproductive bureaucracy. Nor do we need to neglect the demands of rearmament and aid to our friendly neighbors throughout the world.

The only way we can provide for all these people is by more and more production. No production system ever devised can come close to ours, which is based on free markets and a reward for initiative. Only through full use of our productive capacities can inflation be held in check. In order to produce enough, we need the savings of our millions to provide the efficient but expensive tools of modern industry.

Mr. Benjamin Fairless told us in Cincinnati that the United States Steel Corporation will invest $90,000 per worker in the new plant on the Delaware River in Pennsylvania. The total anticipated investment is to be $450,000,000. This additional plant, therefore, will give useful employment to over 5,000 people. In addition to the plant, a whole new city is being built by our past-president, John Galbreath. In less than a year, 1,100 homes are under roof. Shops, schools, and town facilities must be built for these 1,100 families, with 3,000 more to come. Assuming an average investment of $12,000 per family, we see a brand new real estate and building business costing $50,000,000 just for the bare necessities.

A $75,000,000 plant to process low-grade iron ore is to be built in the wilderness, 55 miles northeast of Duluth on Lake Superior. Another 2,500-worker city must be built there.

These examples show the opportunities which exist today for imaginative Realtors in the vast changes which go with scientific gains in industry and greater production. It is our primary job to provide proper housing for the workers in the new developing areas. Who can say that our economy is stagnant?

We Have Enough Capital

What about our capital? Is it enough? Yes, it will be if we reverse the proportion of the national income which goes to unproductive government. Here is how it looks today.

Corporate dividends in 1950 were more than double those of 1940. National income is about three times that of 1940. Wages and salaries are three times what they were in 1940. But — the taxes paid by our citizens are ten times what they were in 1940.

On this score we have passed the danger point. For every extra dollar government takes, there is that much less for the citizen to put into the tools of production. And in spite of this mammoth expansion in the take of government, the estimated Federal deficit next year will be $15 billion. This deficit is an absolute prime mover toward further inflation.

Government says we must build fewer houses, because residential building is inflationary. Has an increase in the supply of any article ever caused the price of that article to rise? And yet, based on this false premise, we are being hamstrung by credit controls which are unnecessary and un-American. Every Realtor should learn the true facts and tell his elected representative what he learns.

And now for the real joker in the government deck of phony cards. While the independent builder is being restricted, restrained, and reviled—the government is selling millions in tax exempt bonds—to build expensive political housing units—which are exempt from local taxes—to rent to political favorites below cost—and the remaining struggling taxpayers will be taxed to make up the difference. When the people of Los Angeles learned the facts of the public housing lie, they rose up in wrath and threw the whole program in the ash can.

So much for history, and the present state of our bewildered country. Where do we go from here?

In order to stop the burden of Federal taxation from completely destroying us, Congressman Ralph Gwinn of New York has introduced Joint Resolution No. 252 in the House of Representatives. This resolution would limit Federal taxes for non-military purposes to not over 5% of the national income. In the event of war, of course, special levies would be resolution would limit Federal course, special levies would be required. Also there would have to be additional taxes to service and retire national debt. If this proposal had been in effect this year, savings of $9 billion would have been effected—the same amount which Senator Harry Byrd of Virginia told us could be cut from the Truman budget. This is a measure we can be for. It is a measure which could go a long way toward turning the tide against further inflation and ultimate disaster.

Last year we finally obtained a change in the income tax laws. This change eliminated the capital gains tax on the profit from the sale of a home. I remember working on this here in Washington with the Internal Revenue Department in 1948. It was not a new idea even then, four years ago. At least six years were needed to obtain sufficient backing for this simple, sound measure. Achieving a realistic Federal tax limitation program, like Resolution 252, is a far more difficult task. Paul Guthery and his splendid Realtors' Washington Committee will lead the fight. It is our responsibility to back him up.

Realtors, this is our first area of attack on the national front in 1952. It is a job which can be done, it is our job to do it, and if we can unite together behind the banners of freedom, we will do the job.

What must we do in our own field—the field of real estate? We must keep alive that will to learn, that will to improve, that will to achieve, without which there can be no progress. We must live by the principles on which our association was founded. Remember, under all, is the land.

We must make the people we deal with look to us as friends, advisers, and experts in our respective fields. We must always put integrity before profit.

We have gone far in the past 25 years. Our institutes and councils have brought us professional standing in many fields. We must not stop our educational programs until every Realtor, new as well as old, is looked upon as we look upon our doctor and our lawyer.

It makes no difference if it's a million dollar deal or the rental of a $50 per month apartment. To each principal for whom we act, his deal is important. You can't be a leader unless you have learned to be led. You can't win in the big leagues if you always strike out in the sand lots. Your responsibility to the humble client is just the same as to the leading banker in town. And forget about your rights—except those you earn for yourself through honest effort.

We must help solve the problems which confront our cities. Traffic, taxes, and decentralization need the Realtor's daily attention. We have a new frontier to explore in this country — schools, then homes, and finally, opportunities for the 23½ million new citizens.

There will be new and unforeseen trends. There is nothing certain except the certainty of change. If a Realtor doesn't think that change is good for his business, he might as well go out on the corner and sell pencils.

Let all Realtors join us, who, with God's help are trying to steer the NAREB ship through perilous waters. Let us keep faith with ourselves. Let us face the mighty challenge we have to preserve and improve this wonderful land of opportunity.

We will not fail those leaders of the past who have given us the torch to blazon our way to newer and greater heights.

*An address by Mr. Lund at his installation as President of the National Association of Real Estate Boards, Washington, D. C., Jan. 29, 1951.

A. C. Allyn Exhibit At Chicago Auto Show

CHICAGO, Ill.—A. C. Allyn and Company, Incorporated, 100 West Monroe Street, investment bankers, will exhibit at the Chicago Automobile Show, marking the first time in the history of this show that an investment firm has taken a booth and told the story of investments. It is not a new role for Allyn to be the only investment firm at such an exhibit, as this 40-year old organization has been following a consistent pattern of showings at various fairs and shows throughout the country.

The Allyn Company exhibit features showings of the film, "Money At Work." It also includes a dramatic illuminated display of large silver dollars telling the story of current investment opportunities. The Allyn Company booth has appeared at the Wisconsin State Fair, the American Royal Show in Kansas City, the National Dairy Cattle Congress Exposition in Waterloo, and at shows in Boston, Portland, Maine, Aurora, Illinois, and Rockford, Illinois. This is the first time Allyn has exhibited in Chicago, the firm's home office.

"Through our booth we have reached many people who otherwise might not have become acquainted with the many opportunities that exist for investing money in common stocks," according to Arthur C. Allyn, Jr., who manages the firm's advertising. "Our booth has attracted attention and interest everywhere it has been shown, and we consider it a very effective way of helping educate the public about investments," Mr. Allyn said.

Earl Holtham Opens

(Special to THE FINANCIAL CHRONICLE)

MODESTO, Calif. — Earl A. Holtham has opened offices at 1024 J Street to engage in the securities business. Mr. Holtham was formerly for many years Modesto manager for Raggio, Reed & Co.

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Applying Remedies for Britain's Economic Woes

By PAUL EINZIG

Commenting on wide range of measures adopted or proposed to remedy Britain's adverse balance of payments, Dr. Einzig points out it will take some time before these measures produce their full effect. Sees need of drastic and large-scale cuts in public expenditure or drastic credit restrictions to break inflation spiral.

LONDON, Eng.—Chancellor of the Exchequer Butler lost no time in announcing the new measures decided upon by the government in face of the gold drain resulting from the adverse balance of payments. He did so on the very first day when Parliament reassembled after the long Christmas recess. The measures announced on Jan. 29 constitute the second instalment of the fight against the adverse balance of payments. The first instalment, consisting of import cuts and credit restrictions, were announced in November, and the third instalment will be announced on Budget Day, March 4. The present measures cover a wide range. They include further import cuts, reduction of tourists' allowances, the running down of commodity stocks, cuts in capital investment, diversion of productive capacity from serving domestic consumption to serving rearmament and export trade, restrictions on selling against deferred payments, and reductions in government expenditure.

Dr. Paul Einzig

Other things being equal, when all the measures will produce their full effects the gold drain should cease. It takes some time, however, before the measures will produce their full effect. The import cuts announced in November are only just beginning to result in a reduction of the amounts spent on imports from the European Payments Union area. Mr. Butler did not make any further cuts in imports from Western Europe. The countries concerned accepted the November cuts with good grace, being fully aware that they were inevitable. There were no retaliatory measures. Further cuts would have aggravated, however, the position of Western Europe. In any event, Western European countries will be affected by the reduction of the foreign exchange allocations to British tourists on the continent from £100 to £50 per annum in November and to £25 per annum in January.

Import cuts from other parts of the world, which were announced in January, were comparatively unimportant. Instead the Chancellor has decided to allow stocks of tobacco, food and certain raw materials to run down. On the face of it this appears to be an ill-advised move, because as a result of a decline of stocks of essential goods the British Isles will become more vulnerable to the Russian submarine menace. In spite of this the government considered it necessary to adopt this measure, as it tends to produce an immediate relief on the gold position. Most other measures are not expected to produce any effective results for many months, and meanwhile the outflow of gold continues at a disquieting pace. It is true, there appears to be little point in saving gold through reducing the supplies of goods that gold can buy. After all, the reason why a depletion of the gold reserve would be a calamity is precisely because it would deprive Britain of the means with which to buy food and raw materials. Nevertheless the decision must be regarded as correct. For, while the gold reserve figures are published, those of the stocks of many commodities are kept secret. This means that a further decline of the gold reserve would create a very bad impression even if the gold were to be spent on essential commodities. In order to avoid the psychological effect of a further outflow of gold it may be worthwhile for the government to allow commodity stocks to decline. In any event a government spokesman made the reassuring statement that at the end of 1952 the stocks of vital commodities will not be lower than they were at the end of 1950. During that year the Labor Government allowed commodity stocks to decline in spite of the influx of gold, for the sake of accentuating that influx. There was considerably less justification for that than there is for the present decision to allow stocks to decline for the sake of mitigating an outflow of gold.

One of the effects of the improvement of the balance of payments resulting from the combination of import cuts with an export drive will be an accentuation of the inflationary trend. During 1951 prices were rising sharply in spite of the adverse balance which tended to mitigate inflation by increasing the volume of goods available. If the government should succeed in eliminating or drastically reducing the adverse balance it will mean a corresponding decline in the volume of goods on the domestic market. Much depends of course on the types of goods the supply of which will decline. In any event, unless the demand for goods is also reduced at the same time, the improvement of the balance of payments would be accompanied by an accentuation of the rise in prices.

The measures announced in January contain relatively little that would tend to mitigate inflation. Restrictions on sales of certain goods against deferred payments serve that end, but since they are not applied to necessities such as household furniture their effect is bound to be limited. In fact, if people are prevented to mortgage their incomes by buying television sets against deferred payments they will have more money to spend on essential goods. Here again, however, it was necessary to bring about an immediate improvement even at the cost of a further increase of the buying pressure in the long run.

Unfortunately the government did not succeed in effecting an actual reduction in public expenditure. The result of the economy drive was that in spite of the rise in prices during 1951-52 expenditure in 1952-53 will not be higher. In a negative sense this means an economy of some £200 million. The relative burden of the public expenditure to total national income has been reduced slightly, but its absolute figure will remain the same. The reason why Mr. Butler was unable to go any further in this direction lies in the anti-economy campaign waged by the Socialist Party which came out firmly against any form of economies. Yet there seems to be no hope of breaking the viccious spiral of inflation unless something really drastic is done either in the form of large-scale cuts in expenditure or in the form of drastic credit restrictions.

In respect of the latter the government appears to be satisfied by the way in which the measures decided upon in November are working. It seems probable, however, that before very long the Treasury will feel impelled to reinforce these measures considerably. In spite of the mild credit restrictions which are in operation over-full employment continues unabated. The result is that hardly a week passes without the appearance of some major wages claim. Admittedly each individual claim is justified by the rise in the cost of living. But if the claims are satisfied the cost of living is bound to rise further, whereas if they could be resisted the cost of living would fall. So long as there are many vacancies for each unemployed it will remain impossible to resist wages demands and the vicious spiral is bound to continue to move in an upward direction.

Possibly the Budget may contain some remedies against inflation. For in the long run the balance of payments could only be corrected through deflation. It is bound to be a painful process but it is unfortunately necessary.

Continued from page 17

Forecasting the Business Outlook in 1952

prolonged severe metal shortages, if strikes can be avoided. I for one will not be surprised if the supply story on the best known metals this year in some respects repeats the synthetic rubber story of 1951—scattered shortages early in the year, spotty surpluses by fall, and virtual collapse of controls by the year-end. Whatever backlog of unsatisfied demand for civilian goods made of metal may build up this year very likely will be quite small and in no way compare with backlogs existing at the end of the war.

The fourth major assumption underlying the composite forecast is that there will be little change in government controls and no further tax increases. Government controls, which have accomplished relatively little during the Korean emergency, seem likely to become even more ineffective during coming months, if current international trends persist and material supply conditions show the expected improvement.

The control program expires on June 30, 1952. It's very likely that Congressional action on renewal of the Defense Production Act, as last year, will be held up until almost the actual expiration date because of widespread uncertainty regarding the need for many controls, and particularly those covering wages and prices. To date, wage stabilization has meant little more than Federally legalized wage increases, and price controls have deteriorated to the point where "ceilings" frequently are well above actual market prices. Weaker controls after mid-year should be viewed as a real possibility in planning for the year ahead.

There is danger that public apathy toward direct controls will soon reach the point where the possible use of such controls at a time of future emergency will be seriously threatened. It is commonly stated that even though much of the present control program may not be needed now, there is always the chance that a new need will arise at any time in light of unsettled international conditions. More particularly, it takes a long time to organize control machinery and get into action.

While there may be real force behind this viewpoint, its very logic almost certainly means an indefinite period of comprehensive direct controls over our national life. For, how can we ever be sure when the present emergency will be over? Since direct controls inevitably stifle initiative, impede production, and raise government expenditures, it is absolutely essential to the future of our economy that controls be lifted promptly whenever urgent need for them has disappeared.

The answer to the problem of disrupting control machinery is to be found in a well-organized system of standby or reserve control administrators and technicians, authorized by Congress, and patterned in some respects after the military reserve program. Such a plan would unquestionably attract more high calibre people into the exceedingly difficult and thankless control jobs because of the assurance of a real job to do when called, as well as a prompt return to regular civilian employment when emergency conditions subside.

It seems generally agreed that for political reasons alone, there will be no further tax increases in this election year; so I have no quarrel with this phase of the fourth assumption.

The fifth and final key expectation contributing to the optimism foreseen for business this year is rooted in the belief that some step-up will occur in business and consumer buying after more than six months of substantial inventory liquidation and an even longer period of high personal savings. Past experience clearly lends support to this view, and it is indeed reasonable to anticipate that a pick-up in spending lies ahead. The principal question, however, is still—how much?

In the months immediately ahead and perhaps throughout 1952, most business firms will be confronted with some of the most serious shortages of working capital in years. This promises to dampen business spending for almost all purposes, including new plant and equipment. The cause of this tight financial condition is a combination of lower profit margins (after taxes), higher receivables and inventories, heavy capital expenditures, plus the accelerated tax payment program for corporations. In the first half of 1952, contrary to the experience in recent years, taxes paid by corporations will exceed taxes accrued. Free cash and equivalent funds among manufacturing companies now are only about half their pre-Korea level, and only a third of what they were at V-J Day. There is increasing concern over the extent to which business is prepared to meet its skyrocketing tax liabilities. It's clearly going to be important in the months ahead to keep a close watch on the financial position not only of our own companies, but also those of our suppliers and customers.

The lowering of total business inventories from their all-time peak last September is proceeding in orderly fashion. Retailers, being closest to the final consumer, regularly are the first to build inventories and the earliest to start liquidation. As a result, the average retail store has worked down inventories over the past several months to a level only about 5% higher in physical units than just before the outbreak of the Korean War. On the average, wholesale inventories across American business are roughly 10% higher in units than in mid-1950. Among manufacturers generally—who are farthest from the consumer and hence last to build as well as to reduce inventories—the increase in physical stocks has been much larger, 25%. In any step-up in business spending for inventories takes place during the next few months—which now seems unlikely—pretty definitely it can be expected to occur among retailers and wholesalers rather than manufacturers of civilian goods. Completions of record amounts of new plants and equipment will hold up expenditures for these purposes during the first half of 1952. Thereafter, some decline in at least the civilian sector is a strong probability in my opinion because existing capacity will be ample to meet demand.

Following the wave of scare buying early last year, consumers quite understandably reduced their spending rate, with depressing effects upon most civilian goods industries. Consumers' shelves, attics, basements and garages were filled. Credit was pretty well extended, and cash reserves relatively low. The result was a subsequent rise in personal savings from roughly 5% from income after taxes to 10% at the present time.

Some slight reduction in this savings rate is a reasonable prospect for 1952. I would doubt, however, that it will fall again to the 5% rate which is commonly accepted as "normal," because roughly this percentage prevailed for several years before the war. As a word of caution, prewar savings rates are likely to be misleading in judging 1952 prospects because the economic position of most families is now much stronger than during the closing years of the depression. A longer range study of savings over several decades reveals that the "normal" rate may be closer to 10% than 5%. If so, no sudden, pronounced upturn in consumer spending is to be expected in 1952 without some new "shock" to public thinking. Many competent analysts believe that aggregate personal savings this year will equal last year's level, and I concur with this view.

In the year ahead, virtually all businesses will face the selective buying policies of a "choosey" public. So long as the average consumer is able to see ample quantities of the goods he might desire in the stores of America (and he shouldn't be seriously disappointed in 1952), why should he rush to buy anything? Consumers as a whole definitely have the purchasing power to embark upon a new wave of scare buying if another international incident occurs. But even so, I would guess that they would do less scare buying than following the outbreak of the Korean War, unless, of course, full-scale hostilities developed. The general prospect of orderly consumer purchasing keeps me, at least, from getting very disturbed about runaway inflation in this country in the months ahead.

1952 Will Be Another High But "Spotty" Year

From my general appraisal of the "typical" forecast of national business for 1952, I am sure you can detect that I have some moderate reservations regarding the degree of optimism expressed. I am convinced that 1952 will be another high year for business in general, at least measured in

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dollar sales. This will be small comfort, however, to many individual lines facing lagging consumer demand or curtailed production because of government controls. The success of an individual business this year, to an unusually large degree, will be dependent upon the precise nature of the business itself and its financial resources as well as the general calibre of its management. As a result, the profit outlook is quite spotty. Defense industries will receive most of the publicity, but civilian buying will still account for the bulk of the nation's business. Most companies will be facing competitive selling and trying to show a satisfactory return in spite of rising costs and high taxes.

We, of course, can never be sure what actually lies ahead. The most sensible policy, therefore, is to lay our plans on the basis of our best judgments now, but keep our thinking as flexible as practicable in light of the uncertainties on the horizon. What actually happens to business—yours and mine—in 1952 will be determined primarily by developments in: (1) the international situation, (2) consumer and business spending psychology, (3) government policies and expenditures, and (4) the level of production attained in meeting both civilian and military demands. Our job will be to keep our forecasts continually up to date by watching closely how these developments actually unfold as the year progresses.

David Haley With Goldman, Sachs & Co.

BOSTON, Mass. — Goldman, Sachs & Co. announce that David A. Haley is now associated with the firm as manager of the municipal department of the firm's Boston office, 75 Federal Street. Mr. Haley was formerly manager of the municipal department for Paine, Webber, Jackson & Curtis. His association with Goldman, Sachs & Co. was previously reported in the "Chronicle" of Jan. 31.

David A. Haley

Consol. Uranium Mines Stock at 42c a Share

Tellier & Co. on Feb. 7 offered "as a speculation," 357,000 shares of common stock of Consolidated Uranium Mines, Inc., at a price of 42 cents per share.

Of the proceeds of the offering, $76,000 will be used by Consolidated Uranium Mines to redeem, in whole, the outstanding production notes of the company and the remainder will be used for working capital and general corporate purposes, including mining operations, exploration and development work on the company's claims, and for the acquisition, exploration and development of new mining claims.

Consolidated Uranium Mines holds under lease and under the mining laws of the United States and of Utah, an aggregate of 153 mining claims in the Temple Mountain Mining District, Emery County, Utah. The Exploration Section of the Atomic Energy Commission is presently engaged in drilling, without cost to the company, a number of the company's principal Temple Mountain Claims.

Industry Spending Will Remain High

Companies already have expansion plans for 1955 exceeding those of 1950, survey finds. Total 1952 spending to be 13% above 1951.

After 1952 plant and equipment expenditures will remain relatively high. Companies already have plans for greater investment in 1955 than they made in 1950, according to a survey of business plans made by the McGraw-Hill Department of Economics. **Defense Industry** plans taper off sharply after this year. But in other fields, plans call for well-maintained or increased spending as the mobilization phase is passed.

In 1952 industry plans to spend more money on new plants and equipment than ever before.

Total spending in 1952 will be 13% greater than in 1951, but it will be concentrated heavily in defense-related lines. Other industries will spend less than last year.

The survey, made in January, covers a representative sample of companies throughout industry. Firms participating, most of them large, account for over 60% of employment in the industries where capital investment is highest—steel, autos, chemicals, petroleum, and utilities.

To Double 1939 Capacity

The survey shows that manufacturing industries plan an 8.5% increase in capacity during this year compared with last year's 7% increase. By the end of this year manufacturing capacity will be more than double the 1939 level.

Plans also are already substantial for the years beyond 1952. Eight out of ten manufacturers answering the McGraw-Hill survey plan substantial modernization and replacement of equipment. Half the companies will need more capacity to make their present products and one-third are planning new capacity to make new products.

Railroads and utilities plan a continuous high level of spending from now through 1955. Airlines are planning to increase their capital expenditures to acquire fleets of ultra-modern planes.

This year will see the peak of the wave of capital expansion that began right after Korea. Defense industries — steel, automobile, machinery and transportation equipment companies — are making very large additions to their capacity.

1953-1955 Investment Above Pre-Korea

Expansion in some defense-supporting industries — chemicals, petroleum, and electric power—will not reach its peak until 1953, but for industry as a whole, plans call for 1953 expenditures well below those of 1952. However, considering that distant future plans are always less complete, the actual drop in spending from 1952 to 1955 may amount to no more than 20 to 25%. This would leave investment within 10 to 15% or 1951, and well above pre-Korea.

Non-defense industries are already spending less on plant and equipment. Textile and food manufacturing companies, many small machinery makers, and firms in such industries as apparel, furniture and building materials all plan lower expenditures in 1952 than they made in 1951.

In general, the non-defense industries are spending most of their money now for modernization and replacement, not for more capacity, the survey shows. Since the readjustment is being made this year, investment in these industries is not scheduled to drop much further in 1953-55.

One of the most significant findings of the McGraw-Hill survey is that industry is planning its plant and equipment expenditures several years into the future. A majority of the companies participating said they make it a regular practice to budget these expenditures several years ahead, usually from three to five years. This is one explanation for the relatively high level of plans already being considered for the period 1953-55.

It also suggests, the survey concludes, that plant and equipment expenditures may be considerably less cyclical in the future than they have been in the past.

BUSINESS CAPITAL EXPENDITURES
(Millions of Dollars)

	*Actual	Planned	—Preliminary Plans—		
	1951	1952	1953	1954	1955
Steel	1,310	1,638	1,048	934	901
Machinery	638	636	443	424	414
Electrical Machinery	355	809	712	372	299
Autos (incl. defense)	797	781	406	297	289
Transport Equipment	227	404	145	40	40
Food	930	769	710	816	754
Chemicals	1,266	1,464	1,323	1,191	1,179
Petroleum & Coal Products	2,040	2,815	2,477	2,111	2,055
Textiles	676	396	396	383	394
Other Manufacturing	2,902	3,209	2,368	1,957	1,869
ALL MANUFACTURING	11,141	12,921	10,028	8,525	8,194
Mining	806	943	415	321	358
Railroads	1,564	1,642	1,248	1,117	1,002
**Electric & Gas Utilities	3,676	3,948	3,360	3,204	2,748
Other Transportation and Communications	1,592	1,721	1,671	1,943	1,839
ALL INDUSTRY	18,779	21,175	16,722	15,110	14,141

* U. S. Department of Commerce.
** *Electrical World*, American Gas Asociation.

With Waggenseller Durst

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Richard A. Gadbois and Richard C. Vernon are now affiliated with Waggenseller & Durst, Inc., 626 South Spring Street. Mr. Gadbois was previously with Douglass & Co.

Three With Cooley

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, Conn.—William F. Ebling, Howard G. Keogh, and Eugene J. Guilbert are with Cooley & Company, 100 Pearl Street, members of the New York Stock Exchange.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The Government market is doing a great job of bouncing all over the lot, on light volume and restricted activity. Thinness of the market makes quotations easily subject to professional maneuvering in both directions without a great deal being accomplished as far as trades and business are concerned. The longer term obligations are the ones mainly concerned in this operation. The short-term securities continue to be in demand, even though there is not quite as great a scramble for these issues as there was a short time ago. The competition, nevertheless, is still keen and it is not likely to lessen very much as long as the liquidity preference continues to rule the market for the shorts.

"Open Mouth Operations" and predictions that the 2¼s of 1952/54 would not be retired on the first call date came into play in the longer-term issues and had an adverse psychological effect upon quotations of these securities. This time, however, the "Open Mouth Operations" were not of the makings of the monetary authorities, but of the professionals and for a time resulted in prices being quoted down rather sharply.

Long Treasuries Unstable

The Longer Treasury obligations are being batted around from pillar to post, because of the nervousness that surrounds the future of these issues. Activity and volume, however, is as limited as ever and because of this, the professional element is in full control of the situation. This means prices are moved up or down depending upon the direction in which they believe the wind is likely to be blowing. When there are rumors, reports or even just beliefs or opinions that certain things may or may not take place or that the savings banks or other institutions might be in the market as sellers, quotations are given the fadeaway treatment. On the other hand, when the much feared, but rather hallucinatory selling does not materialize, prices are given the shot-in-the-arm treatment, which pushes them up about as easily as they went down. For the present no important changes are looked for in this type of market action, because it will take time to resolve some of the uncertainties that face the higher income Government securities.

Savings banks, so far, have not made any important substitutions of assets, and the expected action along this line has been postponed temporarily at least, because of the continuing increase in deposits. Also, it is reported these banks are going to be very selective in the non-Government obligations that might be acquired. The fact that selling has not come into the long market from the savings banks is probably one of the main reasons for the constructive tone that has been in evidence from time to time in the higher income obligations.

The thin and inactive market for all of the Treasuries, other than the shorts, does not mean, however, that a certain amount of constructive work is not being done in these issues. Buyers, as a whole, have shown no tendency to reach for bonds as prices advance but, on the other hand, they have not been scared away from scale purchases when the market declines. This has given many of them favorable prices on the average, and there are no indications that this policy will be greatly modified unless unforeseen developments come into the entire monetary situation.

Restricteds in Demand

There is no denying that the fear of large institutional selling does keep the pressure on the market for the higher income obligations but, in spite of this, the restricted bonds continue to move out of the market in small amounts, and it is reported these purchases are going into strong hands. Nevertheless, the size of the commitments currently being made are not large enough to be a deciding force, if there should be important institutional selling in the market. With this group, which is mainly private pension funds and trust accounts, it is reported the 2½s of June and December 1967/72 are the favored obligation. This means that income is still the prime requisite of these buyers.

The near-term eligible tap bonds are not without their following and in not a few instances switches are being made into these obligations from the longer maturities of the restricted issues. The June 1959/62s appear to have a slight edge over the 2½s of 1962/67 in the swaps that are presently being reported.

Pacific Coast commercial banks, it is reported, have been buyers of the later maturities of the partially exempts, and some of the 1956 taxables as well as the longest eligible obligation. Also, banks in the Southern part of the country have been in the market for certain of the higher yielding eligible obligations.

Treasury Ignores Call Date

More than a little discussion had been going on about the 2¼s due 6/15/52-55, as to whether or not this issue will be called for payment on June 15. Secretary Snyder put an end to all speculation regarding the matter in announcing late last night that the Treasury would not exercise the option to redeem the issue on the first call date.

The ides of March is also getting more than a passing amount of attention from many followers of the money markets. The heavy income tax payments that must be made on March 15 has created concern as to whether or not there will be another debacle in the short-term market such as took place at the end of 1951. It is believed the monetary authorities have learned a lesson and they will be prepared to handle this one much more efficiently.

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Public Utility Securities

By OWEN ELY

Carolina Power & Light

Carolina Power & Light Company emerged from the National Power & Light System in August, 1946, when the controlling interest in the company was distributed to National's stockholders. At that time Electric Bond & Share acquired about 46% of the outstanding shares, which it subsequently disposed of through sale and distribution to its own stockholders.

Carolina is currently merging with Tide Water Power Co., the preferred and common stocks of the latter company being exchanged for those of the former. Assuming that the merger is completed, as now appears likely, the combined company will serve a population of about 1,360,000 and its service area will cover about 47% of the State of North Carolina and 37% of both the Carolinas.

Carolina (excluding Tide Water) renders retail electric service to some 271,000 electric customers in 272 communities, including Asheville, Raleigh and Goldsboro in North Carolina, and Florence and Sumter in South Carolina; also wholesale service is rendered to 23 communities. The territory served includes portions of the coastal plain and the lower Piedmont section in North and South Carolina, as well as a separate area in western North Carolina in and around Asheville. The territory served by Tide Water is along the Atlantic Coast of North Carolina from the Pamlico River to the South Carolina border.

North Carolina is considered the leading industrial state in the Southeast, being first in terms of value added by manufacture, in employment in manufacturing establishments, and also in the value of farm products. It leads the world in the production of flue-cured tobacco and in the manufacture of tobacco products, with a cash income from the crop alone amounting to $502 million. Of the 1,208,000 employed persons in the state, about one-third are in agriculture, forestry and fishing; one-third in manufacturing, and the remaining one-third in business and commerce. The coastal plains region accounts for most of North Carolina's agricultural production, but while most of the state's industry has in the past been centered in the Piedmont region, industrial development in recent years has favored the eastern section. The mountain region derives its income principally from industry, dairying and tourist business.

Tide Water Power services approximately 52,000 electric customers, 12,000 gas customers and 3,000 water customers in a service area having an estimated population of 360,000. Electric service is furnished to some 46 municipalities, including Wilmington; gas service is supplied in Wilmington and some other communities.

North Carolina has the greatest number of developed beaches of any state except California and Florida, and most of them are located within the Tide Water service area. These beaches are popular summer resorts and account for a sizable part of the state's growing tourist business. The ports at Wilmington and Morehead City are being improved and expanded at a cost of $7.5 million, which program is attracting major industries to the area.

Carolina's common stock earnings advanced sharply during the period 1939-1946 and have remained at about the same level in later years, as follows:

Year	Revenues	Earned per Share
1951	$39,900,000	$2.97
1950	34,200,000	3.40
1949	29,500,000	3.37
1948	26,200,000	3.36
1947	22,100,000	2.92
1946	19,400,000	3.40
1945	18,600,000	1.50
1944	18,100,000	1.41
1943	17,800,000	2.07
1942	16,100,000	1.46
1941	16,000,000	0.70
1940	14,500,000	0.75
1939	12,000,000	0.37

Apparently the merger with Tide Water Power will have little immediate effect on share earnings. Based on the pro forma consolidating statement of earnings for the 12 months ended Sept. 30, 1951, adjusted to take into account full interest requirements on debt outstanding at the end of the period as well as the pro forma preferred dividend requirements of $1,095,000, share earnings were equivalent to $2.97 per share on the 1,731,000 shares of common stock to be outstanding.

Carolina Power & Light initiated dividends at the rate of $2 per annum late in 1946, which rate has been continued since. Despite the fact that the percentage payout is below average (about 68% compared with the general average for the industry around 77%) it appears unlikely that the dividend rate will be raised this year. Presumably the management wants to work out merger problems and further strengthen the earnings position before considering any increase in the dividend rate, since it is interested primarily in maintaining and improving the investment status of the common stock, according to President Sutton. Carolina itself has low residential rates (averaging 2.21c in the 12 months ended Sept. 30). This is due in part to hydro power, which in the September period accounted for less than one-third of power generated, but would normally furnish a larger proportion. Tide Water's residential revenues averaged 3.24c per kwh., and it is understood that rates may be reduced and an effort made to build up greater residential usage.

With Davis Skaggs

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—William M. Sutherland is with Davis, Skaggs & Co., 111 Sutter Street, members of the San Francisco Stock Exchange.

With Consolidated Inv.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Henry L. Clark has joined the staff of Consolidated Investments Inc., Russ Building.

Continued from page 5

Stupendous Postwar Expansion Of Chemical Industry

outlay for new plants and equipment for any of the industrial groups listed in Table 2. Even the iron and steel industry spent less than chemical manufacturers. The chemical industry accounted for more than 1/6th of the investments of the non-durable group and 11% of all industries. Only petroleum and coal exceeded this high rate of spending.

The postwar activities of the chemical industry, together with the rest of the economy, can generally be divided into three phases: (1) the immediate postwar adjustment phase, (2) the leveling off, from the latter part of 1948 to the first half of 1950, and (3) the resurgence of expansive activities resulting from the conflict in Korea and increased military production for countries allied with the United States. Table 2, which details the capital outlays during the years since World War II, reflects this three-period development. With the end of the war, chemical manufacturers were faced with an extensive pent-up demand for all types of goods, both industrial and consumer. These accumulated needs were noticeable specially in the consumer goods fields, such as plastics, insecticides, antibiotics, but raw material requirements passed this demand right down the line through intermediates to basic raw materials. Some plants, furthermore, had deteriorated during the war and needed both replacement and modernization. Consequently, the chemical process industries undertook extensive rebuilding, modernization and expansion of their facilities. This is demonstrated in the doubling of expenditures for the chemical industries in 1946 over 1945. Some durable goods industries spent at a greater rate. Primary iron and steel alone spent 150% more. Motor vehicles, electrical machinery and a few other industries also increased their expenditures by more than 100% during 1946. Non-durables, on the other hand, rose only a little more than 50%. The chemical industry spent $800 million in 1939 before the war. In contrast, rubber manufacturers increased their plant and equipment additions in 1946 only slightly over 1945. Such non-war industries as furniture registered the smallest increases during the immediate postwar period.

This general trend in spending for fixed assets continued during 1947, at a lower rate, however. The rate of increase for both durables and non-durables was off, with chemicals spending about 33% more during that year. For the next year, 1948, the level of investments declined for the chemical industries ($941 million from $1,060 million in 1947). Only four other industries experienced a similar decrease in expenditures, while the all manufacturing industries total was a little higher in 1948 than in 1947.

The year 1949 really reflected the end of the postwar adjustment period, with a definite slowing up of expenditures for plants and equipment. This economic leveling-off is clearly demonstrated in investments made by the chemical industry, which, together with all other manufacturing industries, decreased its expenditures drastically. $271 million less was spent by chemical manufacturers in 1949, while, similarly, all manufacturing industries spent nearly $2 billion less. Both durables and non-durables cut their expenditures at fairly similar rates.

During the last half of 1950, the advent of the Korean War injected a new need for expanded manufacturing facilities. The overall totals for the year, although higher than for 1949, do not accurately reflect the extent of the rise in expenditures during the latter part of the year. For the whole year, only two industries exceeded previous high levels of expenditures for plant and equipment in the postwar period. Chemical manufacturers spent $101 million more than during the previous year, but a full $289 million less than during the peak year, 1947. Manufacturing industries as a whole spent only $342 million more. In fact, all non-durable goods industries invested less money in 1950 than in 1949, most increases occurring in durable goods. The rising trend of the last part of 1950 continued through 1951, at greater rates, however. Last year, all manufacturing industries, except four non-durables, attained their highest levels of spending since the war. Greatest increases in capital expenditures occurred in those industries directly supporting the military establishments. Primary iron and steel, for example, more than doubled its investments in new plants and equipment, spending over $1.3 billion compared with a little less than $600 million for 1950. In contrast, civilian goods industries spent only slightly more in 1951 than during the previous year. In between, industries supporting defense activities, but not directly supplying most of their output to the military, increased their expenditures appreciably, but at lower rate than durable goods primarily concerned with the defense economy. Chemical manufacturers, for example, spent $1,266 million in 1951 against $771 million in 1950. In effect, the more di-

TABLE I

Capital Expenditures (1946-'51) as a Percent of Capital Assets in 1945

INDUSTRY—	Gross Capital Assets Year Ended 1945 (Billions of dollars)	Increase for Expenditures 1946-1951 (Percent)
Beverages	0.9	156
Electrical machinery and equipment	1.2	142
Chemicals and allied products	4.2	129
Transportation equip. incl. automobiles	3.7	124
Textile-mill products	2.7	111
Machinery except electrical	3.6	108
Paper and allied products	2.1	100
Stone, clay and glass products	1.6	100
Tobacco manufactures	0.2	100
Nondurable goods industries	29.1	97
*Other durable goods industries	2.4	96
Total manufacturing	52.1	92
*Other nondurable goods industries	2.1	91
Petroleum and coal products	12.0	86
Durable goods industries	23.0	85
Food and kindred products	4.0	85
Rubber products	0.9	78
Basic and fabricated metals	11.4	70

*See Table 2.
Source: U. S. Department of Commerce, Office of Business Economics, and Securities and Exchange Commission.

TABLE II

Manufacturers' Expenditures for New Plant and Equipment By Industry, 1939 and 1946-1951

(Millions of dollars)

INDUSTRY—	1939	1946	1947	1948	1949	1950	*1951	TOTAL 1946-1951
Petroleum and coal products	403	1,087	1,736	2,100	1,789	1,587	2,040	10,339
CHEMICALS AND ALLIED PRODUCTS	176	800	1,060	941	670	771	1,266	5,508
Primary iron and steel	122	500	638	772	596	599	1,310	4,415
Food and kindred products	205	513	669	721	626	523	631	3,683
Motor vehicles and equipment	133	591	504	474	348	510	797	3,224
Textile mill products	136	342	510	618	471	450	676	3,067
Machinery except electrical	100	511	519	527	383	411	638	2,989
†Other durable goods industries	118	360	406	449	304	452	672	2,643
‡Other nondurable goods industries	113	380	486	398	333	330	281	2,208
Fabricated metal products	91	356	370	343	271	350	430	2,120
Paper and allied products	67	232	371	383	298	327	494	2,105
Electrical machinery and equipment	49	282	304	289	216	245	355	1,691
Stone, clay and glass products	71	241	326	269	181	280	380	1,677
Beverages	38	157	277	332	249	237	299	1,551
Primary nonferrous metals	30	93	178	193	151	134	312	1,061
Rubber products	38	139	143	102	81	102	187	745
Transportation equipm't excl. motor vehicles	42	109	95	106	87	82	227	706
Professional and scientific instruments	--	69	67	61	56	72	92	417
Tobacco manufactures	11	28	44	56	38	29	54	249
Durable goods industries	756	3,112	3,407	3,483	2,593	3,135	5,213	20,943
Nondurable goods industries	1,187	3,678	5,296	5,651	4,555	4,356	5,928	29,464
Total manufacturing	1,943	6,790	8,703	9,134	7,149	7,491	11,141	50,408

*Data for fourth quarter based on anticipated expenditures.
†Include lumber products furniture and fixtures, ordnance and miscellaneous manufactures.
‡Include apparel, and related products, leather and leather products, and printing and publishing.
Source: U. S. Department of Commerce, Office of Business Economics, and The Securities and Exchange Commission.

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rectly an industry is connected with military needs, the greater was its increase in expanding facilities. The allocation of materials by the government had a substantial effect on the ability of industries to expand since the latter part of 1950. The procurement of certificates of necessity provided further incentive by permitting rapid depreciation of essential plants.

The quarterly data for three process industries detailed in Table 3 and trace the decline of expenditures during 1949 and the consequent rise after the start of the Korean War much better than the annual data of Table 2. The chemical industry shows a fairly uniform retrenchment in capital outlays for 1948 from the high of 1947 and a far more drastic cutback in the following year. The low point was reached during the first quarter of 1950. The third quarter of that year reflects the influence of new military demands and introduces the high expansion activity of 1951.

The immediate postwar peak in spending for petroleum and coal products occurred in 1948 with decreases for both 1949 and the first three quarters of 1950. Again during the last quarter of that year the increases in spending was started which established the general trend for 1951. Rubber products had a fairly steady drop in the investment rate from the high of 1947. Of special note is the immediate rise in expenditures with the start of the war in Korea. The third quarter of 1950 already reflects the immediate need for new and rehabilitated facilities for the production of rubber and its products. All three process industries, it should be noted, reached their highest postwar levels of plant and equipment expenditures during the last quarter of 1951. Some idea of the magnitude of the investment of the chemical industries can be gotten from the expenditures of individual process companies during the fiscal year 1950. Ten process companies, which spent more than ten million dollars, are listed in Table 4.

A McGraw-Hill survey indicates that during 1950 about 80% of all capital expenditures by the chemical industries (not comparable with data previously cited) were expected to be used for plant expansion. This fully indicates that the industry is principally concerned with increased capacities. An index, based on data also compiled by McGraw-Hill, estimates that the chemical industry increased its capacity by 224% since 1939. Since the end of 1945, the increase was close to 89%. This agrees fairly well with the percent increase in value of fixed assets since 1945 reported in the early sections of this article, if 25% is deducted for replacement.

TABLE III

Expenditures for New Plant and Equipment by Selected Process Industries, Quarterly 1947-1951

(Millions of dollars)

	Chemical and Allied Industries	Petroleum and Coal Products	Rubber Products
1947—			
I	254	318	35
II	289	377	36
III	237	454	35
IV	280	587	37
1948—			
I	232	556	29
II	252	492	28
III	201	444	23
IV	256	607	22
1949—			
I	160	431	20
II	189	484	22
III	154	418	21
IV	167	456	18
1950—			
I	140	325	20
II	179	374	19
III	191	403	25
IV	261	485	38
1951—			
I	253	365	41
II	339	490	43
III	319	512	42
IV	355	682	61

Source: U. S. Department of Commerce, Office of Business Economics, and the Securities and Exchange Commission.

TABLE IV

Capital Expenditures in 1950 (*)

E. I. du Pont de Nemours & Co.	$114,000,000
Union Carbide and Carbon Corp.	70,000,000
Eastman Kodak Co.	30,506,000
Dow Chemical Co.	29,000,000
Allied Chemical & Dye Corp.	24,182,000
American Cyanamid Co.	21,619,000
Pittsburgh Plate Glass Co.	16,600,000
Monsanto Chemical Co.	14,039,000
B. F. Goodrich Co.	12,250,000
Minnesota Mining & Mfg. Co.	11,400,000

*These expenditures are for the fiscal year 1950 for every company.

Source: Bohmfalk, John F., Jr., What's Ahead for the Chemical Industry, V. 29, No. 30, Chem. & Eng. News (1951).

TABLE V

Expansion of Manufacturing Industries Since 1939

(Index: 1939=100)

Industry	1939	Jan. 1946	Dec. 1948	Dec. 1949	Dec. 1950	Planned for 1951
Chemicals	100	172	250	265	292	324
Autos	100	104	130	140	153	179
Food	100	112	135	138	143	153
Petroleum Refining	100	122	159	170	176	181
Machinery	100	154	200.	216	236	260
Steel	100	111	115	121	126	139
Electrical Machinery	100	175	278	300	322	369
Transportation equipment	100	242	250	265	288	397
Other manufacturing	100	110	120	125	134	142
All Manufacturing	100	131	156	164	175	190

Source: Based on a McGraw Hill Survey.

Continued from first page

Ten Years of Investment Under Formula Plans

now of W. E. Burnet & Co., we have had in recent years other studies and articles by writers and organizations, such as C. Sidney Cottle, of Emery University (see Southern Economic Journal, Vol. XVI, No. 1, July 1949), Lucille Tomlinson, writing under the title "Successful Investing Formulas" (Barron's Publishing Company, 1947, 1950), Marshall D. Ketchum and Ezra Solomon, of the University of Chicago (see Journal of Business of the University of Chicago, Vol. XX, No. 3, July, 1947, Vol. XXI, No. 1, January, 1948, Vol. XXI, No. 2, April, 1948, Vol. XXII, No. 1, January, 1949), and the Keystone Company of Boston, Formula Plan Investing, June, 1947. Known users of some type of formula plan include the Yale University Endowment Fund, Sheffield Scientific School Endowment Fund, Vassar College Endowment Fund, the University of Chicago, Kenyon College, Oberlin College, American Board of Commissioners for Foreign Missions, American Baptist Foreign Missionary Society, Francis I. du Pont and Company, Oglebay Norton and Company, The Keystone Company, the Rittenhouse Fund, the Diocesan Investment Trust of Boston, a number of large private pension funds, and a lengthening list of banks and trust companies. By 1947 one writer had estimated that between a half-billion and a billion dollars of funds were being guided by formula plans of various types, and today there can be no doubt that the total figure is much larger.

Let me state at the outset just what formula plans in general attempt to accomplish. They proceed upon the assumption that a sound investment program calls for a proper balance as between fixed-income, defensive types of securities, which for brevity I will hereinafter refer to as bonds, and income-dependent, equity, and more aggressive types of securities, which I will hereinafter refer to as common stocks, or simply as stocks. The plans assume that the stock market will continue to fluctuate, that it is wise to increase holdings of stocks in a low stock market and to decrease them in a high, and that the best way in which to control the relationship of bonds to stocks, in the different phases of the business and stock market cycle, is to substitute the law of averages and a predetermined formula for individual judgment in the timing of purchases and sales. Formula plans have nothing to do with the judgment to be exercised in the selection of particular investments or in changes from one investment to another at any stage in the market cycle. They relate solely to the timing of changes in the bond-stock ratio.

There are perhaps four different types of formula plans somewhat generally in use in this country at this time. Variations of them are undoubtedly legion. These four types are: (1) the constant dollar fund, (2) dollar averaging, (3) the constant bond-stock ratio or equalizing plan, and (4) the variable ratio plan.

The constant dollar fund is perhaps the simplest of all formula plans. It consists of determining the dollar value in stocks which it is desired to have maintained in a fund, and to sell to reduce stock holdings to that dollar value in a rising stock market, and to increase such holdings to that dollar value in a declining market, all at predetermined time intervals. Take a fund of $100,000. The stock proportion is fixed at $50,000. Stocks rise in value. At fixed time intervals, sales of stocks are made to reduce their total value to $50,000. Later, stocks decline in value. Purchases are made to increase their value to the same total. The system is simple and easy to operate. It will show limited results, though unless the total dollar value of stocks is increased as the fund grows in value, it will become progressively less effective.

The dollar averaging plan is one specially adaptable to a fund which is being built up through new cash deposits. It consists of investing similar specific amounts of money in stocks at regular predetermined intervals, thereby averaging the cost at which they are bought. Curiously enough, this average cost will be less than the average unit price of the stocks bought, due to the fact that the same money buys more units in a depressed market than in a high one. The plan is not essentially a formula balancing of bonds and stocks, but it deserves mention in any consideration of stock investment programs based on predetermined plans.

The two formula plans which have the widest vogue are the constant ratio or equalizing plan, and the variable ratio plan. In the former the bond and stock proportions of the fund are maintained at the predetermined relationship regardless of the level of the stock market; in the latter the proportions are varied on a sliding scale in accordance with changes in the market level.

Suppose, for example, it is determined that 70% of the fund is to be kept in bonds and 30% in stocks. As the stock market rises to a point where the value of the stocks increases to 35%, sales are made to cut back to 30%. Similary as the market declines to a point where stocks constitute only 25% in value of the fund, stocks are purchased to bring their proportion back to 30%. This is a constant ratio plan, the type of plan utilized in the so-called Yale Plan outlined by Mr. Tighe at our Conference here in 1940 and reported in the Trust Bulletin for February of that year. It works well within limits, but tends to operate only in comparatively wide swings of the stock market, thereby depriving the investor of the advantage of more frequent transactions in the narrower fluctuations of the market.

To meet this difficulty the variable ratio plan was devised. Instead of a more or less constant ratio of stocks to the total value of the fund, several new factors are introduced. First, the operation of the plan is based upon variations up or down of some well-established stock market average, most usually the Dow-Jones Industrial Average. Secondly, a bracket table is constructed, upon which all future relationships between bonds and stocks held in the fund are based. This bracket table provides for variations in this relationship or ratio whereby at various predetermined rises in the average, the percentage of stocks is decreased and the percentage of bonds is increased, and whereby at various predetermined declines in the average the percentage of bonds is decreased and the percentage of stocks is increased. This process of change in the stock-bond ratio is accomplished either with or without reference to a norm or median point in the market fluctuation. If such a norm is used, then a third factor is introduced, a so-called median line or zone, expressed in terms of the market average at or within which the normal bond-stock relationship is established—for example, a relationship of 60% in bonds and 40% in stocks at the Dow-Jones Industrial Average level of 200.

The variable ratio plans we use are based upon the median line or zone device (see Chart 1), and in the remainder of this paper that type of plan will be under discussion. Where it is employed stocks are sold only at predetermined points above the median, and are bought only at predetermined points below the median, and in each case stocks are not again bought or sold on a subsequent decline or rise respectively until the market average returns to the median, at which time the normal bond-stock relationship is once more established.

Now it is mathematically demonstrable that a plan so constructed, which incidentally was originally and is sometimes still known as the Vassar Plan, will produce better than average results in the appreciation of a fund and in the maintenance of income, provided (1) the stock market will continue to fluctuate; (2) the median is fixed reasonably close to the center of the field of such fluctuation, and (3) reasonable judgment and care are exercised in the selection of the particular items of investment which are purchased, retained, or sold for the fund. Under such conditions the results will be better than those achieved by the constant ratio plan, for the reason that under the variable ratio plan advantage will be taken of more moderate swings of the market, and the holdings of stocks will be built up to much larger percentages at low levels of the market and will be sold down to much smaller percentages at high market levels. Studies we and others have made over the years, both retroactively and on the basis of actual experience un-

Continued on page 24

CHART 1

BRACKET TABLE, DOW-JONES INDUSTRIAL AVERAGE

BONDS	STOCKS	1946	1947	1948	1949	1950	1951
RATIO							
100	0	288.33	304.05	330.27	356.48	379	416
95	5	266.23	280.75	304.96	329.16	350	384
90	10	245.83	259.23	281.59	303.93	323	355
85	15	226.99	239.36	260.01	280.64	299	327
80	20	209.59	221.02	240.08	259.13	276	302
75	25	193.53	204.08	221.68	239.27	255	279
70	30	178.70	188.44	204.69	220.93	235	258
MEDIAN		165.	174.	189.	204.	217.	238.
70	30	153.78	162.17	176.15	190.13	202	222
60	40	143.32	151.14	164.17	177.20	188	207
50	50	133.57	140.86	153.01	165.15	176	193
40	60	124.49	131.28	142.61	153.92	164	180
30	70	116.02	122.35	132.91	143.45	153	167
20	80	108.13	114.03	123.87	133.70	142	156
10	90	100.78	106.28	115.45	124.61	133	145
0	100	93.93	99.05	107.60	116.14	124	135

Change percentages as the average rises but mak no change as it declines until it crosses the median line

Change percentages as the average declines but make no change as it rises until it crosses the median line

+8.3% CHANGE POINTS ABOVE MEDIAN · 6.8% CHANGE POINTS BELOW MEDIAN

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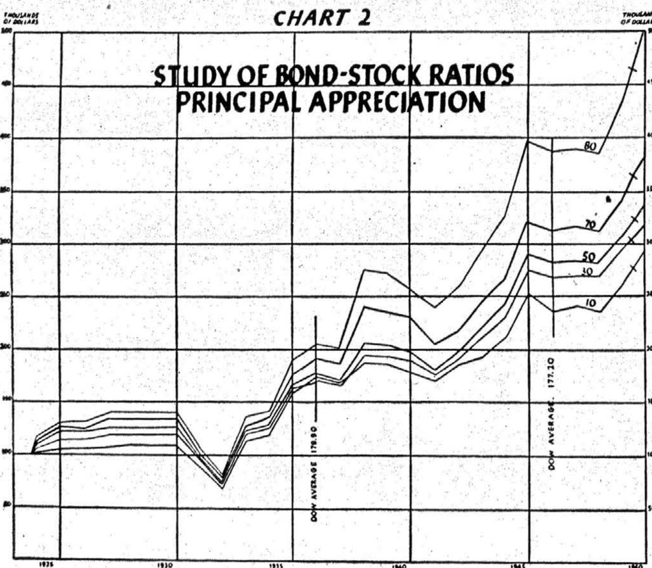
Ten Years of Investment Under Formula Plans

der the plan, have satisfactorily proven this fact.

Now I need hardly question in the presence of this audience that the stock market will continue to fluctuate or that we trust men will continue to supply a high degree of judgment and care to the choice of our investments. The questions I think you will be more interested in, with reference to the type of variable ratio plan I am discussing, will be (1) what should be the normal ratio of bonds and stocks at the median; (2) what are the most advantageous intervals at which purchases and sales should be timed; (3) what is the most desirable extent of the selling and buying zones, and (4) how can the median line or zone of the plan be fixed and maintained reasonably close to the center of the field of market fluctuation. It will not do much good if in the process of examining those questions I merely give you what others have explored and reported on the subject. I have mentioned in the course of this paper other studies which have been made and to which those of you who are interested will refer. Here I propose merely to give you the results of the thinking and study which our particular organization has done, influenced, of course, as all human thought and effort are, by what others have previously done.

(1) What should be the normal ratio of bonds and stocks at the median under a sound variable ratio plan? To determine the answer to that question, we have run some careful studies over a period of years, based upon a changing median line determined from time to time as will be explained later in this paper, and upon bracket tables calling for reduction of stocks above the median in steps of 10% in the balances between bonds and stocks until the averages had risen to 175% of the median, at which point all stocks were assumed to have been sold, and calling for increases of stocks below the median in such steps of 10% until the averages had declined to 57% of the median. The studies covered the period from Oct. 27, 1924, when our median of 102 coincided with the Dow-Jones Industrial Average of that day, to May 6, 1950, when, after "the New Era" of the late '20s, the deep depression of the early '30s, the war period of 1939-1945, and the great inflation of recent years, the Dow-Jones average again coincided with our adjusted median of 217. The studies compared ratios of stocks and bonds at the median line ranging from 10% in bonds and 90% in stocks to 90% in bonds and 10% in stocks. The studies assumed that the stocks held were the stocks composing from time to time the Dow-Jones average, that the average fluctuated as in fact it did, and that sales and purchases were made rateably from and of all of the stocks composing the average. The studies further assumed that there were no capital gains or losses on the bond side of the portfolio. No allowance was made for taxes on capital gains in the sale of stocks because of the added complexity of this factor and because it was felt that omission of this calculation in the testing of each ratio would not destroy the relative accuracy of the comparison being made.



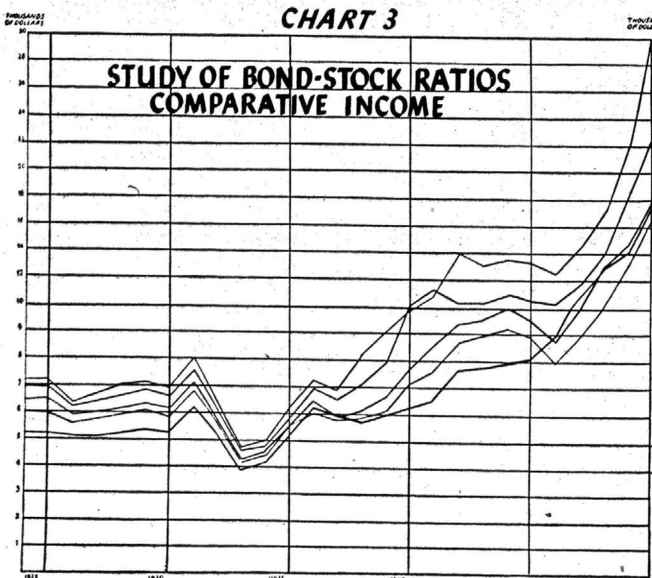


Chart 2, marked "Study of Bond-Stock Ratios—Principal Appreciation," sets out graphically the results which would have been achieved, during the period and under the conditions stated, through use of a number of representative ratios compared, specifically 90% in bonds and 10% in stocks at the median, 70%-30%, 50%-50%, 30% in bonds and 70% in stocks, and 20%-80%. It is interesting to note that all of the ratios showed good performance, but that the degree of appreciation was directly in the order of the percentage of common stocks held at the median. Assuming a value of the total fund at the beginning of the study in 1924 represented by 100, a fund operated on a 90% bonds-10% stocks normal ratio would in May, 1950, have had a value of 275, one operated at 70%-30% would have climbed to 302, one at 50%-50% to 323, one at 30% bonds-70% stocks to 361, and one at 20%-80% to 463. It is also observable from the chart that the variation in results as between ratios which might be regarded as reasonably conservative and most likely to be used by institutional investors, 70% bonds-30% stocks, 60%-40% and 50%-50% at the median, is relatively slight. Note, too, that the funds using ratios with the higher percentages of stocks did not fall in value below those using the lower percentages of stocks even in the depression years of the '30s or in the market breaks of 1937 and 1942. Certainly there is good support here for use of a ratio of not less than 50% in stocks at the median. Note, also, that although the Dow-Jones average was in December, 1946, about two points under its level in December, 1936, the values of the funds under all of the ratios rose during this period very substantially. This is graphic evidence of the efficacy of formula planning.

Chart 3, marked "Study of Bond-Stock Ratios—Comparative Income," reflects relative income earned by total bonds and stocks held under each of the different plans during the years covered. The ratios compared are the same as those compared in the chart on principal appreciation. Here again, while there is some slight crossing of lines and the ratio 70% bonds-30% stocks at the median makes the poorest final showing, the size of the income was generally in the order of the percentage of common stocks held at the median. Assuming in each case a $100,000 fund in 1924, the poorest performing fund, the 70% bonds-30% stocks, showed an increase in income from approximately $6,000 in the first year to one of $13,200 in 1949. The 90% bonds-10% stocks climbed from $5,350 to $14,000, the 50%-50% from $6,300 to $14,800, the 30% bonds-70% stocks from $6,900 to $18,300, and the 20%-80% from $7,200 to $22,100. Here again, from the point of view of income, is good evidence in favor of emphasis on stock holdings.

We also undertook a subsidiary study of results achieved under the various ratios, in an effort to show a comparison of income in terms of purchasing power. Actual income in each year under each ratio was adjusted to the real value of the dollar, using the dollar of 1926 as the norm. It is interesting to note that in terms of purchasing power the sharp drop in dollar income of the great depression of the early '30s was substantially lifted and the high dollar incomes of the latter '40s were markedly leveled off. Look, for example, at Chart 4, entitled "Income in Terms of Purchasing Power." There the $4,200 income of the 50%-50% ratio in the low year of 1933 was worth $6,350 in terms of 1926 money, and the high income of $14,800 of that ratio in the year 1949 was worth only $9,550 in the 1926 medium. The results with respect to other ratios were, of course, similar. The relatively stable purchasing power of income from plans operated subject to formulas was thus demonstrated, as well as the need of realizing an appreciation of principal in an inflationary period if the productive power of the invested fund is not to lose ground. Here again is illustration of the fact that we must run fast in this modern age if we are to stand still enough to keep the widow living as her husband thought he had provided.

(2) We have secondly undertaken to test the intervals at which it is most desirable to make purchases and sales of stocks and bonds under our variable ratio plan. See Chart 5, entitled "Comparative Performance of Change Intervals." Intervals of 5% and 10% were tested, i. e., decreases or increases in stock or bond holdings of 5% or 10% of the total fund at each selling or buying point. Under the 5% method, it was assumed that stock holdings of 50% at the median, for example, would be reduced to 45%, then to 40% and so on until sold out at the final point of 175% of the median line. Under the 10% method, it was assumed that such stock holdings would be reduced first to 40%, then to 30% and so on to the final point of sale. The 5% method obviously would require more frequent transactions and might take advantage of narrower market swings. The 10% method would be more economical in transactions and, if as good or better in results, would be preferable. The study covering the 70% bonds-30% stocks, 60%-40% and 50%-50% ratios, those most commonly in use by us, actually showed a moderately better result for the 10% method than for the 5% method for the 25-year period covered. The difference is not great but it is a steadily increasing difference apparently operative in all types of market.

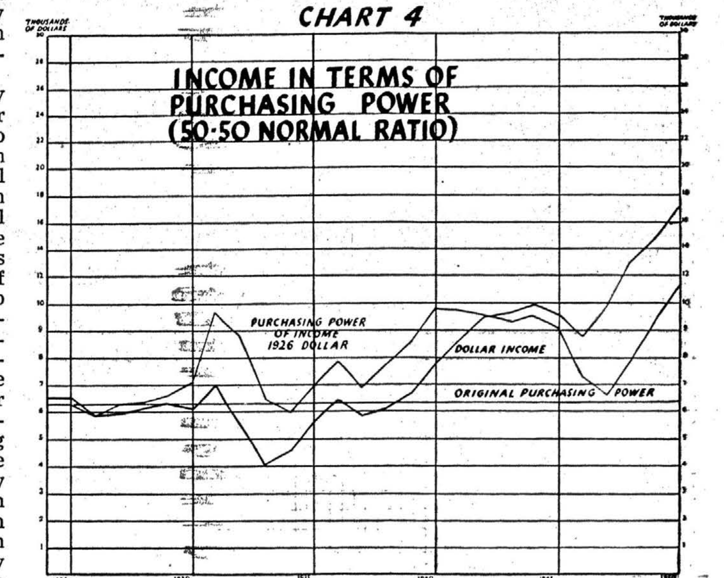
(3 The third question to which we have given attention in our efforts to improve our variable ratio plan has related to the extent of the zones of buying and selling. Is it desirable to limit the zone of stock selling above the median line so that stocks will be completely sold at the peaks of moderate market swings, or is it more desirable to defer the last sales to the higher stock levels achieved in such years as 1929? Conversely, should stocks be bought below the median to take full advantage of moderate swings or should final purchases be deferred to benefit to the maximum from the extraordinary declines of years such as 1932? And collaterally to this question, is it ever safe to sell all stocks above the median or to go to 100% in stocks below?

While recognizing no fixed rule will produce best results under all circumstances, our judgment and experience has been that it is best to rely upon the averages. That after all is the basic principle of all formula planning. Based upon careful consideration of the market fluctuations since 1900, we have concluded that it is best to restrict the zones of buying and selling to the highs and lows which have characterized the usually moderate swings of the market. In terms of percentages we have in most of our plans fixed the top limit at which stocks will be finally sold at 175% of the median, and the bottom point at which the fund will become wholly invested in stocks at the reciprocal 57% of median, a band or zone encompassing all bull and bear markets except those of 1929-32. The studies of the bond-stock ratios earlier reported on in this paper were based upon such limits.

There may nevertheless be some reason for deliberating the safety of placing any conservative investment fund all in stocks or all in bonds no matter what the apparent extreme of the market may be. In such an inexact subject as formula planning, one could never be certain that he had appraised all of the factors with sufficient accuracy to say that even the approximate high or low of the market had been attained, or that conditions had not changed to a point where his median was no longer close to the center of the field of fluctuation. There is always the possibility of run-away inflation or complete economic collapse. In view of these considerations some may prefer never to reduce stocks or bonds below a certain minimum percentage of the total fund, say 15% to 25%, and, after such minimum has been attained, merely to adjust at the predetermined change points to that minimum as higher or lower market averages are reached.

(4) Fourthly I would like to consider the all-important problem of adjusting the median line. Obviously the efficacy of the variable ratio type of formula timing we have been discussing depends upon a soundly placed median. If the field of market fluctuation rises substantially above or falls substantially below the median line, the plan simply will not operate satisfactorily. This actually happened some years ago with respect to a pioneer fund operated under such a variable ratio plan. The fund found itself sold out of stocks at the Dow-Jones average of about 175 and has not since attained a buying point. But how shall the median line be adjusted, without relying simply on spot judgment and departing from the formula character of the plan? The answer is not easy.

A number of methods for this adjustment have been devised and put in use. The simplest is merely an extension of the historical trend of the mean of market fluctuation, accomplished either by visual analysis or by computations on either arithmetic or geometric



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lines. This assumes that the rate of long-term growth which has prevailed in the past will continue in the future and that accordingly the median of the future can best be plotted as a projection of the trend of the past. If you look at the Dow-Jones Average on Chart 6, it is fairly easy to draw a straight line for the years from 1900 to 1925 which will evenly split fluctuations above and below it and which would have served as an excellent basis for operation of the plan. But if you project that line beyond 1925, or seek to draw another for the years between then and now, you will be unimpressed by the sureness of the method. To our way of thinking it relies too largely upon the past and not sufficiently upon the current factors so important to the value and market level of common stocks.

A second basis for median line adjustment is the so-called moving average. The average of the market for the past 10 years, for example, is taken as the present median. Each year thereafter, the average for the earliest year is dropped from the calculation and the average of the year just ended is added. This method has the advantage of tending to keep the median line within the actual range of market fluctuation, at least in a period of moderate fluctuation. But in years of rapidly rising or rapidly declining prices, the moving average tends to fall so far behind the prevailing levels as no longer to serve as a reliable base. This may best be illustrated by a consideration of the 1924-'29 bull market and of the depression years which followed. The high levels of the late '20s and the low levels of the early '30s would have influenced the moving average of that period to a degree where purchases would have been begun at about 160, much too early, on the sharp down-swing of the market following the 1929 high, and where sales during the post-1933 recovery would have begun much too early at about 120, a figure actually well below that of the preceding purchases. The moving average simply does not adjust satisfactorily in such a movement.

For these reasons we have worked out in our research a third or so-called "sound value" plan for adjusting our median. This plan is predicated upon the idea that the stock market will tend to fluctuate above and below the basically sound or intrinsic value of the various stocks which compose it. Accordingly we have devised a method whereby semi-annually, based upon a systematic study of invested capital and its earning power, we evaluate the stocks which make up the Dow-Jones Industrial Averege, average the total unit value of those stocks by applying to that total the factor which is used in arriving at the daily Dow-Jones averages, and base the adjustment of our median upon that resulting average. By this method we have adjusted our median from a level of 135, which I reported in my paper of 1942, to our present general median of 215. This sound value plan for adjusting the median has points of similarity to the so-called Central Value approach discussed by Benjamin Graham in his book entitled "The Intelligent Investor" and in Graham and Dodd's "Security Analysis," 1951 Edition.

The apparently high level of the median we have presently arrived at may cause surprise to some of you. Actually it should not. Consider the fact that the American dollar at the end of 1951 had a value in terms of the 1926 dollar of only about 56¢. Consider also Chart 7, on which we have superimposed on the chart showing the Dow-Jones Average and our median, the additional data of national income and net corporate earnings from 1929 to 1951. When you think of the expansion of our economy and the enormous growth in invested capital, sales, and earnings after taxes which has characterized, almost without exception, the companies whose stocks make up the Dow-Jones Average, when you observe how much more sharply national income and corporate earnings have risen since 1933 than our value line, you are surprised, rather, that the rise in our median has not been greater.

Actually our method of adjustment of the median calls theoretically today for a median of 250. Except for a selected number of accounts where an aggressive portfolio is desired and where we can share responsibility with the parties in interest, however, our committee has thought it fit to discount that figure to 215. This has been done, not because of lack of confidence in our method, but rather as a means of allowing for the intangible limiting force of high taxes, high wages and other production costs, governmental regulation and the trend toward socialization of our economy, which are bound to cause us all to reflect as we contemplate the whole future of our industrial companies.

* * *

Well, what of the success of this kind of investment timing? Do the results justify it? No one could be certain of the answer to that question, for no one could say what alternatives he would have followed had he not chosen that particular route. We have been using the plan in an increasing number of accounts for more than ten years. During that period we have reached points at which we have bought as well as sold. We have our common fund and other trusts totaling $30 to $40 million subject to the plan. Frequent additions to and distributions from those trusts make it difficult to check with certainty the precise results achieved. But we have made some tests and the results have been favorable.

I have time for only one example, a group of three very substantial companion trusts we have been administering under a relatively conservative 70% bonds-30% stocks plan since 1940. These had a composite value then of $1,641,607. By 1951, after adjustment for additional property conveyed to the trusts from time to time by the grantors, the assets of these trusts had a total value of $2,705,190, an increase of 64.8% in the total funds. On the stock side alone the fund showed a total appreciation of $1,043,584 on an average investment of $906,808. Only in one year, 1948, was there any decline in the total value of the fund and for the entire period stocks averaged a 5.25% dividend return. This was a measurably better performance, we believe, than would have resulted from ordinary fiduciary management.

From the tests we have run, and from our general observation of the build-up in values which has occurred, we believe that the variable ratio plan we are using has produced better than average appreciation and income and that it has in addition brought to us these not inconsiderable collateral advantages:

(1) It has kept us sleeping at night. Under formula plan timing, the investor is not particularly concerned whether the stock market goes up or down. In fact at this time, he would relish a substantial drop for the buying opportunity it would give him.

(2) It has made for easier investment committee work and action. We proceed no longer on the hunches or prejudices or even on considered judgments of the most outspoken committee members. We are not deflected in our action by the optimism of a bull market or the pessimism of a bear market. We have a plan, and so far at least we have stuck to it and thought it good.

(3) Our customers like it, including especially those of them who have had business and investment experience. They like it as a substitute for guess-work. They talk to others about it. It has definitely brought us a substantial volume of new business.

Finally, what are the principal problems relating to operation of the variable ratio type plan we are using which require our continuing attention? I would suggest the following:

(1) The best means of adjusting the median line. I have discussed the various means now being used, but they require further experience and study.

(2) The question of whether it is better to delay all purchases of stocks after a market rise and all sales of stocks after a market decline until the market average has returned to the median, or to schedule certain purchases and sales prior to that time. Our thinking to date has been that stock purchases above the median and sales in the ranges below the median will merely cancel out the benefits derived from the preceding sales and purchases respectively, but a number of plans now in operation are undertaking such a program and perhaps deserve study.

(3) Are there any effective means whereby sales of stocks in a rising market or purchases in a declining one can be deferred until the extremes of the market fluctuation are nearly attained? Obviously if such means can be devised results under the plan, both from the point of view of principal appreciation and income, are likely to be improved. Various means have been suggested in this direction. One example is Carpenter's so-called Federal Reserve Board Index rule which provides that no stocks shall be bought in a declining market until the decline in the Federal Reserve Board Index of Industrial Production, from one month's release to the next, is less than 1%. Another is the use of stop-loss orders, whereby when a change-point is reached orders of sale or purchase are placed within a few points below or above the then existing level and are not executed if the current market trend continues. So far we have not persuaded ourselves that any of these means are sufficiently reliable, and they all have the defect of adding academic complexity to a plan which we believe must remain relatively simple and understandable if it is to command the confidence of those with whom we work and whom we serve.

(4) Is there danger that the American economy is now hopelessly and permanently embarked on an inflationary trend which will see so little interruption that the stock market will never, or not frequently enough in the future, drop to levels at or below the median, however frequently or carefully adjusted, thereby forcing a progressive reduction in stock holdings for the replacement of which no adequate buying opportunities will again be indicated? Should this be the character of our present inflation, there is little hope for any investment program, but nevertheless this question must give us pause.

(5) Is the Dow-Jones Industrial Average the best available index for formula timing? This Average is sensitive to market changes, has been in operation for more than 50 years, and is the best known of all market indices. These important advantages are offset by the fact that this Average is over-weighted in companies of some industries and under-weighted or entirely unrepresented in companies of other important groups. Stock splits and the addition or dropping from time to time of stocks of various companies have created an artificial pattern in the calculation of the daily figures. Serious comparison of the Dow-Jones with the efficacy of other market averages would seem to be in order.

Ten years of formula planning have convinced us that it has merit. In spite of its unsolved problems, and recognizing its imperfections and limitations, we believe it offers a better method for the timing of investment purchases and sales than that of individual judgment reached at the time for action. We recommend it for your consideration.

CHART 5

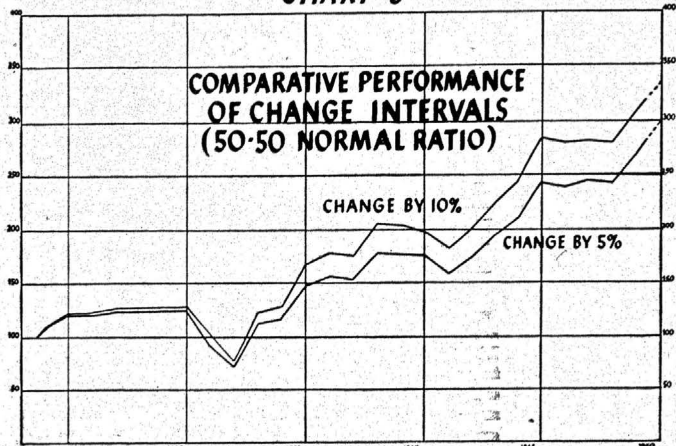


CHART 6

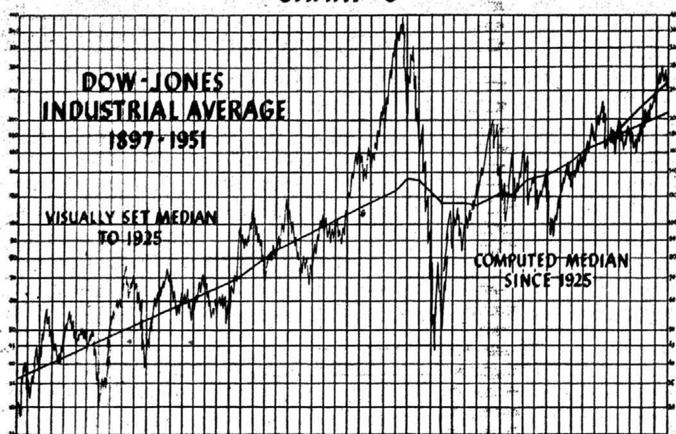
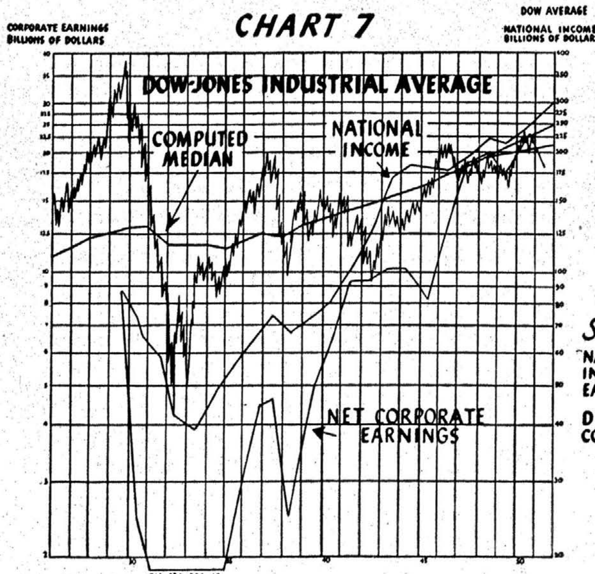


CHART 7



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Thomas McCance Director

Thomas McCance, a partner of the banking firm of Brown Brothers Harriman & Co., has been elected a director of Union Sulphur & Oil Corporation, it was announced by Herman F. Whiton, President.

Thomas McCance

Mr. McCance is also a director of Austral Oil Exploration Co. Inc.; the Commercial Pacific Cable Co.; Manhattan Fire and Marine Insurance Co. and Chairman of the U. S. Finance Committee of the London Assurance, as well as a trustee of the Seamen's Bank for Savings.

E. B. Hamburg Opens

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—E. Billy Hamburg is engaging in a securities business from offices at 143-145 South Sweetzer Avenue.

To Be Kerngood & Co.

On Feb. 1 the firm name of Kerngood & Eising, 39 Broadway, New York City, members of the New York Stock Exchange, was changed to Kerngood & Co.

Two With First California

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Raymond F. Bjorkquist and Jack H. Canvin have joined the staff of First California Company, 300 Montgomery Street.

With Schwabacher Co.

(Special to The Financial Chronicle)

OAKLAND, Calif. — Arthur E. Stewart is now with Schwabacher & Co., Central Bank Building. He was previously with E. F. Hutton & Company and Frank Knowlton & Co.

With J. Arthur Warner

(Special to The Financial Chronicle)

PORTLAND, Maine — A Clair Currey has joined the staff of J. Arthur Warner & Co., Inc., Clapp Building.

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Continued from first page

Happy Days Are Here—Still!

ogy replied: "Not long. You always have a depression following a war boom. Beware the bread lines of V-J Day plus one." But then we got by a first and a second and a third year of reconversion—1946, 1947, 1948—without a slump, and "Happy Days Are Here Again" would not have seemed an inappropriate theme song. The little dip in early 1949 brought a few I-told-you-so prophets out of hiding. But when things picked up in the Fall and prosperity rolled along in early 1950, the Administration was neither cautious as to the lasting qualities of this prosperity nor modest about claiming credit for it. Instead, the President in his Midyear Economic Report (July, 1950) revived both the Rooseveltian "we-planned-it-that-way" theme and his own "built-in stability" keynote. He said:

"Viewed in its entirety, the economy at midyear 1950 had made a remarkable recovery from the moderate recession of 1949. New records of peacetime production, employment, and real incomes were reached. Reasonable balance of prices had been achieved. The outlook in mid-June was for stability and new growth on a sound basis.

"We have gathered a wealth of practical experience about how our economy works, and about what promotes its strength and progress. Five years after the greatest of all wars, and even before the events of last month [the Korean outbreak], we had reached the highest levels of peacetime production and employment ever known. We had passed through a period of inflation and conquered a postwar recession without permitting it to deepen into a depression. Based upon this record, those who work in private enterprise and those who work in Government — of both political parties—have reached agreement upon many national economic policies."

As the Korean war boom has developed, the Administration has remained complacent. In his speech at the dedication of the General Accounting Office building last June, President Truman asserted: "The country is stronger economically than it has ever been before." And in his recent State of the Union Message, he said:

"Economic conditions in the country are good. There are 61 million people on the job; wages, farm incomes, and business profits are at high levels. Total production of goods and services in our country has increased 8% over the last year—about twice the normal rate of growth."

Economic Meaning of the Facts

Now Mr. Truman didn't believe everything I told him when I was Chairman of the Council of Economic Advisers, and I reserve the right not to believe all his pronouncements in the fields of economics. I, of course, am not questioning the bald figures that he cites. But I do think we can profitably go beneath the statistical surface to examine the economic meaning of the facts.

I am not here to tell you that the country is unsound or on the brink of disaster. I am not here to "give you the answer" to the economic riddle of '52 or any future year. I am not an economic soothsayer and, if I did embark on that extra-hazardous occupation, I certainly would not employ the method of analogy. And I am definitely not going to suggest that the optimism of 1952 is going to be stultified by a business depression of the late 50's comparable to that of the early 30's. In fact, I would be ready, out of my thin wallet, to place a little side bet that the country is not going to witness such a depression.

Arguing by analogy never gets you anywhere. Those who argued that we would have a depression right after World War II because we had one after World War I, the Civil War, and similar occasions, were confounded. But likewise anyone who argues, as a brother economist of mine did recently, that we were going to get off the present rearmament boom and move smoothly into post-mobilization prosperity just because we got off the World War II boom into reconversion prosperity seems to me to be drawing an utterly unwarranted inference. Analysis of the factors which explain the success of the '46 to '48 reconversion and the factors which pretty clearly will make up the situation of the mid-50's are quite different.

This, therefore, outlines the question or the challenge which I intended to imply in the title which I chose for my remarks tonight. It was stated in the announcement of this meeting which was sent to members of the Association. I there said:

"Today we can look back on a decade of prosperous or even boom years. Happy days are still here. The people are being told, 'You never had it so good.' But it behooves us to consider carefully how valid that claim is. How much longer can this kind of prosperity last? And what will we all have to do if we are going to see really happy days in 1952 and '53 and '55 and '60?"

A Bit of Recent History Reviewed

I want to begin with a seven league boots' journey over the economic history of the last six years, ending with a quick cross-section appraisal of the situation as of now. This I shall follow with a skeleton statement of what seem to me the strains by which our economy will be confronted as we pass from what is currently referred to as "the hump" of the rearmament effort to the conditions of sustained preparedness which seem to set the pattern for our national economy for some decades ahead. I will close with a brief statement of my personal belief as to the sort of issues businessmen will be confronted by and the decisions and action they will have to take if we are going to avoid a serious recessionary smash-up.

First, then, it is easy to see why we found the transition from World War II to a rather extended period of postwar prosperity so easy. In briefest terms, there was on the demand side an enormous accumulation of postponed consumer wants and industrial needs from the depression period of the 30's and the shooting-war civilian-restriction period of 1942-'45 inclusive. To make these demands effective in the market as a motive power to business activity, there was an accumulation of liquid assets which, with ample credit facilities, kept both the country's prospensity to spend and its ability to spend at a very high level. Full employment and rising wages in industry and the equivalent situation in agriculture and in the professions kept the tide of current consumer income high, and it was supplemented by cashing in on the savings of the war period and mortgaging the earnings of the future through vast extension of credit for consumer durables through abnormally easy mortgages and liberal installment selling contracts.

It is trite to say that this process went beyond the mere healthy vigor of a self-sustaining prosperous economy and partook at various times of varying degrees of inflationary fever. It was a fever that, fortunately, did not get into the fatal range of temperatures. Nor were its causes unknown to the profession or not amenable to control measures. After the peak of the price rise in 1948, there were clear indications that a showdown between the supply-and-demand situation of the market could not much longer be postponed if we were to get on a basis of continuing or stabilized peacetime prosperity. That would mean arresting the inflationary trend without going into a deflationary tailspin.

I was pleased to describe what was needed at that time as conscious and intelligent "disinflation." In fact, on March 18, 1949, I delivered an address to the Executives' Club of this city under the title, "The Gentle Art of 'Disinflation'." The essence of my message on that occasion was this:

"The current dip [simply] marks the abatement of pressure of monetary purchasing power on scarce goods, and the transition from sellers' markets to buyers' markets — which are the normal estate of a productive and competitive economy. Now the fundamental question is: Are we going to show the ability of free business enterprise to meet the challenge of real competition, or can American businessmen make the grade only when we have the external stimulus of government orders and a deficit economy and its brief aftermath?

"I suggest that disinflation is a rational and guided action by responsible and economically sophisticated persons. It is capable of warding off the unforeseen and catastrophic deflation and depression that would result from blind and impersonal forces. I [want to] express my belief that we may, through the process of intelligent diagnosis of business conditions and economic needs, formulate and execute policies and programs to prolong our period of economic health. We may take off some fat, but we shall not die and need not really suffer."

As events worked out, business management and labor mutually, though rather subconsciously, refused to accept the showdown of permanently workable wage-price adjustment. There was a still unexhausted inflationary potential in the system, and both management and labor, with farmers, bankers, and government agencies concurring, preferred to accept the easy and pleasant "out" of inflation to the grim realities of adjusting their practices and their rewards to the straight and narrow path that lies between dangerous inflation and demoralizing deflation.

As I read the signs, this inflationary rebound from the little flurry of consumer resistance and inventory nervousness of the Spring of 1949 was still present in our market in June, 1950 when the North Korean forces precipitated World War II½ and our big rearmament undertaking. The Wholesale Price Index rose rather steadily from 151.2 in December, 1949 to 157.3 in June, 1950, and the Consumer Index from 166.5 to 170.2 during approximately the same period.

Then came Korea! The story of the post-Korean scramble for goods and its inflationary consequences in known to you all. The wholesale index jumped from 157.3 in June, 1950 to 184 in March, 1951, and the consumer index from 170.2 in June, 1950 to 188.3, its latest figure (old B.L.S. series; the figure is 188.6 in the new series). Whereas the wholesale price index ended 1951 about where it began (a brisk rise and comparable decline in the first half of the year and a sidewise movement in the second half), the consumer index has continued to advance—with probably more rise still ahead.

How Solid Is the Ground We Tread?

With this background, reviewing the steps by which we have come to where we are today, I want to make a quick appraisal of this present situation. The emphasis will not be at all on how happy the days of 1952 will be to the uncritical individual who thinks merely in terms of this week's paycheck. The whole purpose of my analysis will be to see how solid this prosperity is or whether we can expect happy days to last not merely through 1952 but, let us say, for the rest of this decade. Eight years would, I think, be a very good perspective for the businessman or the thoughtful citizen to operate on.

As to this year's economic situation of the nation, the first thing I want to say is by way of assurance. We certainly are not in a desperate situation or on the brink of economic disaster. Even though the government ran a deficit in the first half of fiscal 1952, there will almost certainly be a substantial surplus in the second half—that is, January to June. As a charter member of the economy-in-government-spending group, I derive a good deal of satisfaction from the fact that both the lavishness of New Deal spending and the hysteria of war spending have now somewhat abated. We have some active "watch-dog" committees in Congress. Senator Douglass isn't laughed off the floor as he was a year ago. And my distinguished colleague, Professor Slichter, has even come out with a piece in the "Atlantic Monthly" under the title "Rearmament: Too Much, too Soon."

On the other side of the picture, tax rates have been brought up to a point where we are not a great distance off the pay-as-you-go basis if we can keep the air-minded boys from soaring up into the "wild blue yonder" of an 160-group air force. From the monetary side as well as the fiscal, we have made progress toward national economic sophistication and self-control. The cheap money "peg" has been removed so that more reality and some measure of flexibility has been restored to the money market. At the same time, reasonable credit control is operating as a brake on inflation.

The Federal Reserve group, the Economic Stabilization Agency crowd, and the Administration intelligentsia in general support the optimism and even share the smugness of the Administration in feeling that we are doing pretty well with our national economic problem. What may be referred to loosely as the Wall Street crowd, the Chamber of Commerce crowd, and the N. A. M. crowd are corroded with dissatisfaction, both over the bite of the tax collector and the pinch of materials controls and, beyond this, are gnawed by apprehension over a possible depressionary break at the end of these happy days of a seller's market. In some departments, and probably in increasing degree during 1952, they will be saying that we have already passed the seller's market and that, although production indexes, employment indexes, and most price indexes remain high and will probably rise somewhat further during this year, we are sliding back toward a "profitless prosperity" vaguely reminiscent of 1928 and early 1929 up to the time of the break.

Now that is the very crux of the problem that I want to discuss with you tonight — the issue of "happy days" or days of gloom, of stabilized prosperity or of a ruinous kind of depression after the present rearmament stimulus or prop is removed from our economy. A year ago, I was apprehensive lest an unbridled increase in government spending, refusal to accept comparable increase in taxes, reckless expansion of credit, and the leap-frogging of wage and price rises would cause the process of inflation to get out of hand. 1951 did something to dispel that fear. But the safe course of economic stability must follow a tortuous channel between the Scylla of inflation and the Charybdis of deflation. This means—if I may be permitted a different figure of speech—that we can be shifted quickly from one horn of the economic dilemma to another, or indeed that some parts of the economy are inpaled on the inflationary danger while others are caught by deflation.

My title reflects a question that more and more people are beginning to talk about—namely what will happen when support to the economy from $40 to $50 billion of military spending annually drops to $25 or $30 because of completion of the tooling up stage or to $15 billion, plus or minus, because a partial understanding or reasonably firm truce between East and West has been arrived at?

What Are We Going to Do About It?

I would put this issue before you as businessmen and manufacturers in the following terms. When a substantial part of our productive capacity no longer has to go for munitions plants, military "hardware," and even soft goods for a defense force of between 3½ and 4 million, there will be a great deal of productive capacity available to produce goods and services for civilian needs. The consumer will expect, and be entitled to, the rising standards of living or of real income which he has been dreaming of and seen only partially realized since World War I. The question then will be: how can the manufacturer and distributor handle his costs and his cost accounting, his pricing and his sales promotion so that the total product of a well employed labor force, with the fully adequate plant capacity which we have built up, will be currently absorbed from the market? If current absorption fails to match the level of current production, unemployment starts and can rapidly spiral into general depression.

Now there can be no question but that there is a broad difference in the philosophy of organized labor and of management as to what can and should be done to solve this problem. The difference came out a year ago when the labor members withdrew from the Wage Stabilization Board, and it was by no means solved when they returned. It is acutely present in the pending fact-finding process of the steelworkers wage negotiations.

The United Steel Workers assert that the fact-finding procedure sidesteps the American free enterprise method of collective bargaining. It substitutes an official computation for a business compromise. There is some validity to this proposition in general terms, but there is validity also to the claim of the United States Steel Corporation that this was not a normal collective bargaining situation; they could not bind themselves on a wage issue when they were not free agents on the price issue—and much at sea as to what the price control agency would do. But in a broader sense, it is true that the solution of the problem of maintaining prosperity under peacetime conditions must come down to business adjustment or, if you please, collective bargaining between the people who in this modern age of big economic organization administer the wage-cost and those who administer

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price-profit sides of our economic process.

What I fear most and what could cause the happy or semi-happy days of '50, '51, and '52 to slide down into depression days in '53, and '54, and '55 would be an impasse between labor and management on this very issue. Labor interprets the country's demonstrated great productive capacity as meaning that it is possible to turn out products that would spell adequate food, decent housing, good clothes, a nice automobile, and a large-screen TV set for everybody. They look enviously at what seem to them the big profits of industry and claim that employers have an ability to pay wages that would buy all these good things for the worker. Management, on its side, looks with concern at any pinching down of the profit margin to where they could not equip themselves to serve tomorrow's consumers not merely as well as, but better than, today's consumers. This means plant enlargement in step with population growth, plant improvement in the interest of greater efficiency, and research to push technological development ahead as fast as possible. But beyond this, management is, and must be, concerned not merely about replacement reserves and improvement reserves. It is also concerned with contingency reserves. This primarily means depression reserves.

I am peculiarly pleased to be talking to you not merely as a great state manufacturers' association but as the costs section of that association. The science and art of cost accounting have been developed as a major tool of management, and it is through the data gathered, the interpretations placed upon them, and the techniques developed in cost accounting and analysis that management derives its policy of pricing, of capital formation, of investment, and of wage payment, with all the fringe issues that that involves. Conversely, it is the economic philosophy of top management that determines the decisions of broad strategy that govern reserve policy and like matters that sets certain benchmarks for costing practices.

As I see it, the bone of contention between management and labor which is developing increasingly during 1952 and will come to acute stages when and as military expenditures drop is between ability to pay and ability to keep business healthy and growing, primarily as a job-giving and wage-paying institution. That will necessitate vigorous, but frank and sincere, demonstration by management to labor negotiators of the need of maintaining plant, providing capital, and sustaining research. That is a difficult educational job, but it must be done from both sides if collective bargaining is to work. Both labor and management must be willing to face facts even when they are unpleasant.

Still more difficult is the resolving of this problem of contingency or depression reserves. This is a problem which is up to the businessman if we are to have a practical interpretation and get a workable answer to the desire of our people to find a way of having sustained employment opportunities, of using our plant resources steadily rather than intermittently, of avoiding the wastes of periodic depression. This problem falls in the area of calculated risks which, whether in military or civilian affairs, presents the greatest difficulty and challenge to the human mind.

Let me put this matter to you as cost specialists in the simplest economic terms. I think, however, that they are not oversimplified terms. The problem of sustained high-level production means disbursing—primarily as wages, including salaries, secondarily as payments to capital—all the income of business in such ways that it will move promptly back into current consumption and active investment, thus providing management with funds for a full-scale next round of disbursement which, round after round, will keep the process of business going steadily at approximately full capacity. Now if, while the business machine is humming along in prosperous times, management withdraws substantial reserves for an expected depression of, say, the magnitude and duration we experienced in the 30's, they are not disbursing into the spending stream an amount which fully matches the output of goods and services. Thus, at various points, sales will lag. This will generate unemployment or partial employment in those areas. This in turn will impair market absorption, and thus induce new unemployment in the typically downward spiral of a business depression.

Of course there are many details related to how reserves are set up for accounting purposes and how reserve funds are actively invested or passively held. But I think the basic proposition remains, that if we use the reserve method for making ourselves safe against expected depression, we are thereby making it certain that sooner or later such a depression will come. In other words, a system of practical business management which assures sustained high employment and plant use will not be attained (1) until management believes that this is possible but is a calculated risk which they must take if it is to be brought about and (2) until labor understands the basic economics of this process and is willing to live within it. This is not inconsistent with the demand that the wage payer and the price maker translate into the level of real wages the actual productivity which is being engendered under sustained capacity operation with the efficient plant and advanced technology which is provided through a proper profit margin.

We Must Accept Genuine Competition

I have said that this regime of "happy days" entails a great educational effort. This educational process will need a lot of needling from practical events. We have not had it during recent years. We have not been forced to an intellectual showdown. We have been living in the unhealthy atmosphere of continuous inflation in which both management and labor could dodge the real problem of mutually adjusting their conflicting claims. If we are going to meet the test of the day of reduced armament expenditures, we have got to face up to these issues and get at some basic settlements which are workable within the limits of price-profit-wage mechanics, and not longer rely on the pleasant but enervating habits of "inflation as a way of life."

Finally, I want to say that it seems to me that instead of griping at 1952 as a year of profitless prosperity or a mild form of economic recession, we should welcome it as part of gradual transition to still more competitive times ahead. In 1949, I recall hearing certain businessmen say to others, "It sounds funny to hear you asking whether we are going to have a depression. In our business we have already had a depression and got through it," or in other cases, "We are right now in a recession." This is true. An economy is not all of a piece. If conditions of competitive readjustment from the overblown seller's market comes to certain parts of the economy while the economy as a whole continues in a prosperous condition, they can stand it and get readjusted to a sound basis most easily. This is sometimes called a "rolling readjustment," and it is to be hoped we shall see much of it in the next year or two or three. If all branches of business should go on booming ahead until a substantial cut in military expenditures came, it would be extremely difficult to avoid a real depression. On the other hand, if the TV business, textiles, and various other branches of business get shaken down during '52 and perhaps '53 while general employment is good in steel and aluminum, aircraft, machine tools, and many other lines, we shall have gone part way toward meeting the adjustments that will be needed some time in the later 50's.

Gentlemen, we are not playing for peanuts. We are trustees of a productive machine which has demonstrated its capacity to turn out more than $300 billion worth of products a year. I think we have dispersed through the ranks of management, labor, finance, government, and academic halls, enough understanding of how that economic machine works so that we need not fail to keep it going. With the war drain abated, we could turn its full powers to producing a better material basis of life for all of us. We could justify our position as leader of the free world that Fate has placed upon us. Whether we have happy days for ourselves and our children depends on whether we are willing to pull together as a team or insist on kicking each other to pieces.

Mann Reelected Chairman of Curb

John J. Mann, chairman of the board of the New York Curb Exchange, has been reelected to that post for the ensuing year, Edward T. McCormick, exchange president, announced following voting by market members at the Curb's annual elections. A former page boy on the trading floor of the Curb, Mr. Mann has been a regular member of the institution since 1933 and a member of its governing board since 1948.

John J. Mann

The entire slate proposed by the nominating committee was elected to office. Elected to serve a one year term as Class A governor of the exchange was Edwin Posner of Andrews, Posner & Rothschild. Posner served three terms as vice chairman of the board and in 1945 and 1946 was elected chairman and appointed president of the exchange. Elected to three year terms as Class A members of the governing board were Charles J. Bocklet, O. F. Browning, Jr., George C. Donelon, A. Philip Megna of Francis I. duPont & Co. and Sterling Nordhouse. Browning and Nordhouse were members of the 1951 board. Bocklet, Donelon and Megna have not served in the past.

Joseph Gimma, Hornblower & Weeks; Charles King, Charles King & Co.; Walter T. O'Hara, Thomson & McKinnon; and Albert G. Redpath, Auchincloss, Parker & Redpath were elected to three year terms as Class B governors of the exchange. Gimma and O'Hara served during the past year. Redpath is a former board member. King is new to the governing board. Class B governors are either associate members of the exchange or non member partners in Curb member firms.

Mr. King, a British subject with membership in the Toronto Stock Exchange, will be the first representative of that or any other foreign securities market on the governing board of the New York Curb Exchange.

George Herrel and E. E. Spencer were elected trustees of the Curb Exchange gratuity fund to serve three years. Austin K. Neftel was elected to a two year trusteeship of the gratuity fund.

Gary Onderdonk, L. A. Mathey & Co. was chairman of the nominating committee which included Charles Leichner, Robert A. Kugler, Shearson, Hammill & Co.; Edwin P. Wheeler, Frederick A. Mumford, Andrews, Posner & Rothschild; N. Matthew Nilssen, J. A. Hogle & Co. and Fred G. Gurke, Pershing & Co.

Mr. Mann began his Wall Street career during the summer of 1925 while a student at Fordham University, New York City. In 1928, after receiving his A. B. degree he became one of the first specialist's clerks on the Curb's trading floor and five years later became a regular member of the exchange and was registered as a stock specialist. Since becoming a governor in 1948 he has been very active in the affairs of the exchange and has served on most of the Curb's standing committees.

While the average age of the three new Class A governors is 44 years, they have a total of 84 years' experience in the securities business. Mr. Bocklet began his Wall Street career as an office boy in 1923 and became a member of the New York Curb Exchange in 1936. Mr. Donelon, a New York Stock Exchange page boy in 1925, also worked as an order clerk and bought a Stock Exchange seat in 1929. He acquired his New York Curb Exchange membership in 1932.

Mr. Megna launched his Wall Street career as a clerk in 1927. When Francis I. duPont & Co. was founded, he joined that organization, and was elected a general partner in 1941 when he became a member of the Curb.

Securities Salesman's Corner

By JOHN DUTTON

There is a dearth of information for investors concerning such matters as their inheritance tax liabilities, and the laws of the state in which they reside pertaining to these problems. The subject is so important! Almost any securities man who will take the time and trouble to do a bit of studying on this subject, is going to discover that he will open doors to substantial accounts that would otherwise never have been opened to him. That's a long sentence—but read it again, anyway.

Believe it or not—many lawyers are asleep at the switch. There are hardly any securities men who are alert to the possibilities of performing a service for clients in this important field. The public in general doesn't know more than the bare fundamentals of the problem and that possibly someday, their heirs will have to pay a tax. Many of them would be amazed if they knew that it eventually will take a great slice out of their present estate. They also would be even more amazed if they could be shown how substantial savings could be achieved.

The other day I heard of a case where a securities man called upon a prospect for the first time. He started off by telling his prospect that he was there to see if he could be of any assistance regarding information—analysis of holdings—taxes—or any other problems. He explained that he wasn't a tax expert, but from the way he talked, his prospect knew that this man was informed. He was invited into the prospect's private office. One thought lead to another. Finally the prospect said, "I hold $60,000 worth of government bonds and I am trying to decide if I should convert all, or part of them, to another form of investment." Some salesmen would have jumped right into a heavy discussion, and would have possibly discussed inflation, declining purchasing power of the dollar, and the other hazards which surround such an investment today. But this man did not do this.

Find Out What the Prospect Needs

Instead, he said, "Mr. Prospect, there are two major classes of investments, as you know. There are dollar assets such as savings accounts and government bonds. There are also fluctuating assets such as your business, your stocks, your real estate. Now, before I can tell you what to do about your government bonds there are some questions I must know. I am telling you frankly that what we are discussing is in absolute confidence—it is serious business to you and to me. If I were your Doctor, and also your best friend, and you asked me to help you make a decision about your health you would want to give me the facts, isn't that right? Well it's the same with this important matter of your finances—may I ask you a few questions, please?"

Here were the questions: "Do you own this business?" Answer, "Yes!" "Is it in corporate form?" Answer, "Yes, my wife and I own all the stock, with the exception of one share owned by my daughter!" "Do you hold other real estate?" "Yes." "How much is its fair value?" "What stocks do you own?" He was given the list. "How much do you have in other assets, in cash in the bank, mortgages due you, life insurance?" He was told. There was no difficulty in securing this information. You see, our salesman had mentioned to his prospect that in the event of his death he might need liquid assets that could be passed on to his heirs in order to pay inheritance taxes, and that government bonds, especially the 2½s of 1967-72, could be used for inheritance tax payment at par, regardless of what they were selling at in the market. He also mentioned, "You know you can cut your inheritance taxes substantially if you leave at least a half of your property to your wife in your will." The prospect had never heard of the marital deduction which is now allowable.

The salesman left the prospect with a promise to come back later with a complete analysis of his entire estate setup, and also the answer to his question, "What shall I do with my governments?" The prospect thanked the salesman, he held our his hand and said, "I really appreciate that you came by to see me. I hope you can help me make some decisions. I surely need someone that can give me the assistance I need." Suffice to say, the salesman in this instance also made it clear that he could not give legal, or tax advice. However, before any moves are made with the prospect's securities account, it is quite likely that from this point on a very excellent relationship can be established.

When you perform a real service—you are no longer a salesman—you don't have to sell—you **help others to solve their problems.** And the nice part of it is that you **get paid for it!!!**

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As We See It

difficult and an embarrassing, if not quite an untenable, situation, and that despite far more effective military operations than at one time seemed possible our position is basically about as weak as it was when we made the eleventh-hour decision to defend Southern Korea. It may or may not be true that the willingness, the determination if you please, of the United States to go to arms to halt the march of Communism across the Far East has given the Kremlin something of a surprise and caused it to reconsider some of its plans. We suspect that he who professes to know whether this is true or not is deceiving himself if not his fellow countrymen. It may be, we suppose, that our fight in Korea has had other effects favorable to the so-called free nations. So far, so good.

What we are certain of is that our stand in Korea, taken together with policies pursued during the year or two prior to that stand, has rendered it more difficult at several points for us to get on a sound and enduring footing in world affairs. Despite all that has been said of late about the attitudes of our so-called Allies in Korea, it is clear enough that they are no more enthusiastic about the venture than they were in June, 1950. We are still holding the bag, and we are likely to continue to hold it for as far in the future as one may readily or certainly see. Our associates know, as all intelligent men and women everywhere know, that despite our proved ability to hold a large part of Korea against all that the Communist elect to send against us, or have so far elected to send against us, our position on the mainland of Asia is in any broad or basic sense untenable.

Any lingering doubt would, we should suppose, be quickly dispelled by the simple and obvious fact that we are in a quandary as to what to do even if the Chinese Communists marched out of Northern Korea. Obviously they will continue to dominate Northern Korea in any event, and they are so close to the scene of operations that they could march back into Korea overnight in such force that, along with the North Koreans, they could quickly overwhelm any truly Korean forces in the south not supported with equal vigor and with equal dispatch by the United States. But are we prepared to keep forces and equipment adequate for this purpose poised in Japan indefinitely? It is clear enough that, whatever we should like to do or think it best to do, we are in no position to attract effective support for wider action against Communist China—and even if we were we might very well find ourselves at the end of a successful campaign still facing basically the same problems we now face in Korea.

Our adventure in Korea has, moreover, greatly complicated our relations with Peiping. We have repeatedly charged that Communist China was trying to "shoot its way into the United Nations." It may be a good bit of propaganda, this phrase, or it may not, but it has rendered it doubly difficult for us to adjust our policy to the cold facts of the Far East. It may or may not be true, as is so often charged, that it was the stumbling policy of Washington that permitted the rise of Communism in China, but the fact remains that as of now the Communists are in the saddle in that bedeviled land, and there appears to be little likelihood that they will or can be ousted in the foreseeable future. Can we indefinitely avoid facing these facts—as some of our associates with far more experience in international relations have long ago done?

Some History

There was a time when all the world's ills were charged to our unwillingness to enter the League of Nations after World War I and to become an active and vigorous participant in the affairs of that organization. However that may be, it soon became apparent that the League was not able to cope with the rivalries and the jealousies among its members. In any event, certain other pacts were developed and joined by the United States—indeed some of them were initiated by this country—designed to do some of the work of war prevention that the League had been intended to do but was obviously unable to do.

One of these in particular was known as the Kellogg-Briand pact. Japan, which was a member of the pact, very soon started out on a course of conquest on the Continent of Asia. Although the American public and the American government felt outraged by what was taking place, there was no joint action to stop Japan. There are those, of course, who would say that this failure of a number of the large powers made it possible for Japan to do so much damage in World War II. This always seemed to us to be an over-simplification of a complex and difficult situation, but in any event the fact remains that the powers did not and would not stand shoulder to shoulder in matters that did not immediately concern them nearly so much as other matters about which they had to concern themselves.

This time it is Communist China (and Russia)—and this time the United States is going it alone—but where?

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When Will Metal Shortages End?

less military requirements increase substantially.

What has happened in lead and in zinc could happen in copper and just as suddenly. This is not a prediction that it will happen. Far from it. Balancing all the factors in the copper situation—and there are many—it seems probable that copper will continue to be tight for some months. But this is quite different from saying, as has been said, that copper will be permanently short or even that there will be "no help in the copper shortage situation until at least 1954."

Of course, in drawing its plans for military production, the government must make an estimate of the probable supply of all essential materials. The copper industry can have no quarrel with such an estimate, if made honestly and intelligently. It does, however, have a quarrel with flat unqualified official predictions of permanent or prolonged shortages that are used in an effort to wean our customers away. Experience over the years has clearly shown that demand for copper is highly cyclical and that surplus periodically follows shortage just as dusk follows dawn.

Factors Easing Shortages

Factors that may tend to ease, if not correct, the copper situation well before 1954, are:

(1) Possible exchange difficulties that will make it hard for foreign consumers to buy copper in dollars. A far greater proportion of Europe's copper needs are filled with metal from hard-currency areas than is the case with lead. If dollars are not available, European copper consumers will be unable to secure Western Hemisphere copper.

(2) A somewhat freer movement of scrap. Authorities differ as to the amount of copper scrap being held back; undoubtedly there is some, however. The official ceiling price on copper scrap is based on 24½¢ for refined metal, whereas everybody who can read knows that foreign copper is selling in the United States today for 27½¢. The possibility that the domestic scrap price will rise is not overlooked by the scrap dealer. If the domestic price of copper were raised to 27½c, hoarded scrap would be sold.

(3) An increase in production from existing mine operations. It would be a mistake to set too much hope on this, bcause most existing mines are running at or close to capacity and can increase output only slowly. Nevertheless, elimination of differential pricing between domestic and foreign copper by increasing the domestic price to 27½ cents would give domestic producers an incentive to step up production. It appears probable that existing mines in the United States could produce 50,000 to 100,000 tons more copper in 1952 than in 1951.

(4) New copper projects. There are at least four substantial additions to copper production capacity scheduled to come into operation during 1952—the Greater Butte project in Montana; the Chile copper sulphide project in Chile; the additions to the N'Changa capacity in Rhodesia; and the new Mount Isa copper smelter in Australia.

(5) The possibility that our own copper requirements have been overstated. With all due deference to the military authorities and the economic planners, requirements figures are subject to large margins of error. Furthermore, it is usually the case that estimates of requirements are overstated rather than understated. Our military people tend to ask for more than they need. This was evident throughout the Second World War. The example of the aluminum allocation to the automobile industry, already cited, shows that Washington can still make mistakes.

(6) Fear of a shortage itself tends to create shortage. When a manufacturer is uncertain if he can get a replacement part he will not scrap an item that he would normally consider obsolete. This does not mean that he relaxes his effort to obtain the replacement. On the contrary, he redoubles that effort. The consequence is that his contribution to the scrap flow is smaller than normal while his apparent demand is greater than normal. As soon as he stops worrying about shortages the picture is reversed. He scraps a good deal of equipment that he may have been keeping as reserves and he may delay the placing of orders for new equipment. This change-over can come very rapidly. We need only go back as far as the three month period from December 1948, to March 1949, for a striking illustration. In December 1948, demand for copper appeared insatiable; in March 1949, copper was virtually unsalable.

These are factors that may come into play fairly soon. No one can predict with accuracy when.

My second categorical statement was that the copper shortage will not be permanent.

What basis is there for making that sweeping generalization? Simply this:

Projects for the expansion of copper production now under way will add at least 450,000 tons a year to mine output available to the Western democracies by the end of 1955. This figure takes into account the probable depletion of some mines and excludes certain major projects which will not be completed until after 1955. It also assumes that the price of copper maintains its present relationship to the prices of other commodities and the cost of production. If prices fall, production will fall also. But falling prices are hardly to be expected in times of shortage.

Now 450,000 tons represents an expansion of 17% in four years. Of that 450,000 tons, moreover, I calculate that 200,000 tons, net, will be in the United States. And 200,000 tons is over 20% of domestic mine capacity.

People have become so used to enormous expansion of industry that 20% growth over four years for domestic copper mining may not seem very high. Actually, however, this is as large an addition to capacity as the copper industry has undertaken in any four-year period since the age of electricity arrived.

The Need for Copper

The need for copper goes hand in glove with the need for steel and with the general rate of industrial production. The capacity of the steel industry is being expanded by about 15%. The projected increase in copper supply will more than maintain the normal relationship between these two metals. A 20% increase in total industrial production over a four-year period, considering that the increase would be beyond the record-breaking level of output now in effect, is a major step forward. Even though individual industries may do much more, one is entitled to doubt that the nation's economy as a whole can be expanded so quickly.

It is certainly true that aluminum is growing at a more rapid rate. But aluminum is a new material. Its production on a commercial scale dates back less than 70 years. Its uses are in many cases centered in other new and growing industries—notably aircraft.

By comparison copper is more widely diversified in its uses; it has been available to mankind since the dawn of civilization. Judged by any fair standard, a 20% expansion of the copper industry is a major step forward.

The propaganda emanating from Washington about copper shortages and the need for substituting other materials is doing our industry real harm. It is creating the false impression that the industry is content to rest on its laurels without participating in this country's major effort to rearm and to maintain a high standard of living simultaneously.

Nothing could be further from the truth. I have already mentioned that total domestic mine capacity to produce copper will be increased by 200,000 tons annually in four years. This figure is net. The projects under way actually will produce between 250,000 and 300,000 tons of copper a year—but some existing capacity will be lost.

For comparison the steel industry is adding about 15,000,000 tons to its capacity as against a 1951 production of 105,000,000 tons. The aluminum industry is adding 700,000 tons to its capacity as against a 1951 production of 800,000 tons. Those additions — 15,000,000 tons of steel and 700,000 tons of aluminum—bulk large against the 250,000 to 300,000 tons of copper.

But consider this. For every ton it produces the steel industry consumes, roughly, one ton of iron ore — the balance coming from scrap. For every ton of aluminum the aluminum industry produces it consumes four tons of bauxite.

That means the iron-ore miners will be increasing capacity by 15,000,000 tons a year and the bauxite miners by 2,800,000 tons a year.

New domestic copper production is coming almost exclusively from ore containing less than one per cent copper. For every additional ton of copper metal, therefore, the copper miners will have to extract 125 additional tons of ore. That means that copper ore production of the new projects will be from 30,000,000 to 37,500,000 tons a year.

This is the point that must be driven home to our government in Washington. The preparations for expanding copper capacity in terms of locating new mineral resources are vastly more complex than for steel or for aluminum. The time required is longer, the investment uncertainties far greater. And of course expansion is only possible if prices compensate the producer for the constantly increasing cost of finding and ex-

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tracting metals and transporting them to market.

No Need to Switch From Copper

And now I come to the final statement I made—that any consumer who plans a permanent switch from copper to some other material, inferior to copper for the specific use involved, will eventually regret the day he made the switch.

Of course, nothing can or should stop the march of progress. The buggy whip became obsolete with the advent of the automobile and has all but disappeared from the scene. If other materials are more suitable and more economic to use than copper they should and will displace copper.

Moreover, there are some uses for copper that permit relatively rapid and inexpensive substitution of other materials on a temporary basis when copper is short. During World War II, manufacturers saved many thousands of tons of copper for the war effort by such substitution—yet when the war ended, they promptly switched back to the metal which they had long used.

The copper industry does not object to such temporary measures. It objects to the efforts being made to promote substitutions involving redesign and retooling on a major scale for industries which are basic users of copper. These changes are time-consuming and in themselves will require large quantities of scarce materials and equipment. They can be justified only if copper will indeed be permanently short. And that is not the case. Provided the price is remunerative, copper will be available.

The hysterical atmosphere now current in Washington may induce some manufacturers to make large capital investments on the basis of the alleged permanent shortage. Once these investments are made consumers may hesitate to return to copper when it is again freely available if such a return entails large monetary losses. For example, the automobile industry is being urged to use other materials than copper in the radiators of its new cars—on the ground that copper will not be available in the future for this purpose. Any such change will entail huge investments—not only in the manufacturing facilities themselves but in the enormous industry that has been established for the servicing of cars. To date, there is no evidence that any other material is as suitable as copper for this particular use. In fact, one automobile manufacturer has actually experimented with a substitute material and it is reliably understood that this experiment has proved unsatisfactory and that the loss to the manufacturer caused by the necessity for replacing the defective substitute material may run $17,000,000 to $20,000,000. Before any other manufacturer undertakes a similar expensive and hazardous experiment, therefore, he should ponder the evidence as to the copper shortage with considerable care.

What I have said about copper is equally true of lead and zinc. The uses of these metals have been established over the years and have been thoroughly tested by time. Consumers should look carefully before they leap into the arms of substitute materials.

I have taken a good deal of your time to review a subject which may seem rather remote to those of you faced with the daily problem of locating, extracting, and processing the complex base-metal ores of Colorado. Let me assure you that it is of vast importance to you—that unless our customers understand the true situation in regard to future metal supplies, the entire economic basis of our industry may be threatened.

And, finally, does not this misconception, sponsored in Washington, regarding the real position of the copper industry also make clear the dangers inherent in centralized control of the nation's economy? No small group of men, patriotic or intelligent though they may be, can have the knowledge and the wisdom to exercise complete control over our nation's economic machine. Each step taken to lean on the government — whether in determining the amount of subsidy a mine should get for producing metals or in deciding the kind of material to use in making an automobile—is a step toward centralized planning and away from the American concept of initiative and individual resourcefulness.

Alan Browne Promoted By Bank of America

SAN FRANCISCO, Calif—Promotion of Alan K. Browne to Vice-President in the municipal bond division of Bank of America's Bond Investment Department has been announced by L. M. Giannini, President of the Bank.

Alan K. Browne

Mr. Browne, who has served as Assistant Vice-President in this department since 1946, entered the field of bond investments in 1929. He was appointed manager of the municipal bond department of the former Bankamerica Company in 1936, was made Assistant Vice-President of the firm in 1940.

Employed by Bank of America's Bond Investment Department in 1941, he took military leave shortly afterwards and returned in 1946 to take charge of the municipal bond division. He is Chairman of the California Group, Municipal Securities Committee, Investment Bankers Association of America, and as such is a member of that group's national Municipal Securities Committee. Also, Browne is Vice-Chairman of the Western Investment Banking Voluntary Credit Restraint Committee and of the Citizens' Advisory Committee for San Francisco-Bay Area Metropolitan Rapid Transit District.

San Francisco Clubs in which Mr. Browne is active include the Bond Club and Municipal Bond Club. He is also a member of the Municipal Forum of New York, Olympic Club, and Merchants Exchange Club.

A native of Alameda, California, Mr. Browne attended Berkeley High School and the University of California. He is married and resides in Millbrae Highlands.

Blair, Rollins Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — William J. Lochhead has been added to the staff of Blair, Rollins & Co., Incorporated, 135 South La Salle Street.

Two With Shields Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — F. D. Schmieder and Robert M. Sohus are with Shields & Company, 510 West Sixth Street. Mr. Schmieder was formerly with Sutro & Co.

Joins Income Funds

(Special to THE FINANCIAL CHRONICLE)

NEW HAVEN, Conn.—Sidney Jacobs is with Income Funds, 152 Temple Street.

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Government and the Corporation In a Changing World

went back further into the hills and got his operation going once more when the Atomic Energy people came to him. They allowed as how he also was making a very powerful product, but indicated that the development of the atom made it necessary for them to take the land on which he had set up his equipment. Whereupon, it became necessary for him to move once more into another county. He bemoaned all this governmental interference and expressed a great desire to have the good old days when the only government man he had to worry about was the Revenue Agent. I am quite sure that there are many in America who feel much the same way.

New Deal-Fair Deal Acceleration

With the New Deal of President Roosevelt and the Fair Deal of President Truman, these trends in the relationship of government to business, were accelerated until the present scope of government activity includes labor and farm legislation; the regulation of transportation and communications; of utilities, securities, and securities exchanges. Also the regulation of soft coal, oil and milk; of banking and currency and insurance; the creation of great lending agencies to deal with real estate, farms, railroads and general business where a public interest is involved; and the creation of great public works of more than local significance.

In the present period of the "cold war," the inescapable needs of mobilization have led to a still greater, but we hope temporary, expansion of government controls.

The distinctive features of the government regulation of business since 1933 grew out of the historic background in which they originated, but they run back long before the New Deal or the Fair Deal. Because the New Deal grew out of the depression and abuses in corporate life laid bare by the depression, its characteristic feature was the search for stability and reform.

The far-reaching needs of the second World War imposed a new direction on the government program. Because the Fair Deal grew out of problems created by the end of the second World War, its characteristic feature has been the search for stability on the international scale, the support of the United Nations, containment of Russia, Point 4, and foreign aid.

The existing functions of government in business are the product of industrialization just as is the growth of corporations themselves and the concentration of their economic power.

The corporation today as an institution in our community, is stronger than ever before and is performing many more useful functions in our society than ever before. Furthermore, if trends could be discerned, they would indicate that the role of the corporation in our community life is going to be much greater in the future. It is axiomatic in many communities these days that a Community Chest Drive cannot succeed without corporation gifts. It may be that favorable tax laws have accounted for corporation generosity in this direction. However, I think it is the growing awareness on the part of corporation officials of their civic responsibility. But, it does not stop with Community Chest Drives. The great educational scientific foundations that have been created out of corporation assets are proof that corporations are indeed measuring up to their responsibilities. Opportunities provided by these corporate grants are making possible the education of many of our youngsters, who in turn are doing their part to make the world a better place in which to live. Contributions to scientific research have done much to alleviate the ills of mankind and to prolong life. In addition, there is much that has been done in the field of the humanities and the arts and in the field of social behavior. These charitable endeavors with Rockefeller and Carnegie at the forefront, include as well Eastman, Mellon, Rosenwald, Guggenheim, Ford, The Harkness, and many others. Raymond Fosdick has recently written a book about the Rockefeller Foundation in which he indicates that the purpose of the foundation was "to promote the well-being of mankind throughout the world." Mr. Rockefeller gave to the various foundations $446 million and in the course of 50 years grants of more than $821 million were made. Recently Beardsley Ruml has suggested that corporation contributions should be raised so as to give away 5% of their profits. This would mean an annual gift of $2 billion, and it in turn would be more than $5 for every $1 that is being contributed now.

Pension Funds

The establishment of pension funds on behalf of employees and their families, which in scope embrace the highest executive to the plant guard, is another interesting development indicating a role the corporation would not have played in the past. The granting of hospitalization and sickness disability benefits, along with life insurance, and other types of insurance, marks another step down the road of greater participation by the corporation in the problems of its employees and consequently the community. Whether these and similar benefits are accorded by legislative action or through unilateral action by the corporation, or through a joint program of corporation and labor unions, the picture that emerges shows the corporation engaged almost in every aspect of community life. In spite of this, and perhaps because of it, the corporations of America today are at the height of their power. Recent statistics issued by our Securities and Exchange Commission indicate that from 1942 to Sept. 30, 1951, the total current assets of all United States corporations, excluding banks and insurance companies, went from $83.6 billion to $162 billion and net working capital went from $36.3 billion to $79.2 billion. It is possibly true that inflationary pressures have caused an increase in these figures, but I think these data do reflect a very healthy and prosperous condition.

In many of our industries, and certainly in our mass production industries, the large corporation is now synonymous with American business. We no longer think so much of doing away with the large corporation as we think of ways to get along with it. Thus, large steel producing companies are the backbone of our industrial strength, and with a modern steel plant costing $100 million or more, there are few who concern themselves any more with the academic problem of bigness in steel.

The role of the government in attempting to keep down inflation with devices such as price control, keeping production rolling by maintaining the free flow of raw materials, and at the same time stabilizing labor markets, makes the government by all odds the most important single factor in the economic world today.

It is curious too, that all this has taken place at a time when corporations have been growing in power and size to the point where some of the larger units have, as in an earlier day, many of the significant attributes of sovereignty, and in this regard approximate the role of government itself. It was stated to me some time ago that it was General Motors Corp. which taught the government something about bureaucracy. From the point of view of the resources they control and the number of people whose lives they intimately affect, some of our larger corporations are more significant elements in the body politic than many of our states. As their wealth and power have grown, so too has their susceptibility to pressures of the type that traditionally govern political action. It is also significant that in this posture the large corporations must inevitably have their share of officiousness, of petty corruption, of nepotism and power politics.

The fights for control within corporation management are frequent and wasteful. To this extent, the corporation follows a pattern that has existed in governments from time immemorial.

The sophisticated corporate management is concerned not only with the problem of competition in the market place, which is unfortunately nonexistent in some cases, but also with the power of labor, the power of agriculture, the power of the consumer, and the power of public opinion generally. Wages, prices and production may be determined by governmental processes, by nongovernmental processes, or by a combination of both, but in any event the determining pressures and forces are largely the same.

We are living in an economy new to the Western World—an economy that apparently was not envisaged by any of the brilliant theoreticians who have from time to time made contributions to economic science.

At the Securities and Exchange Commission, it has been my privilege to observe at close range a small yet significant and sensitive area where government and business interact. From my vantage point, it has become clear to me why there was a need for a certain type of regulation, and my contacts with persons in the securities industry have convinced me that by and large they have recognized that this regulation has brought great benefits to the persons in the business. I understand that this recognition was not always forthcoming.

If a moral of general application is suggested, I wish to assure you that none is intended. Taken all in all, I do not believe that the degree of government regulation we have today is desirable, but I do believe it is necessary, and that forces over which we have no control will make it necessary for a considerable time to come. If assurance is necessary, I can state, upon the basis of my short experience with the SEC, under circumstances where I cannot as yet claim any personal credit, that regulation can be intelligent, effective and understanding. I have been very impressed with the fair-minded attitude I have found and the high purpose with which the staff goes about its work—and I am encouraged to believe that Americans can solve the newer problems of regulation, and that the flexibility and adaptability of the modern corporation will prove more than a match for the economic organizations of the states behind the iron curtain.

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Business and Finance Speaks After the Turn of the Year

Continued from page 6

agement not only does, as a matter of sound business philosophy, but **must**, as a matter of self-interest represent the public interest in the America of today.

It is my view that neither labor nor management can prosper without conscientious service of the public interest. Both groups have vital stakes in the preservation of our proven economic and political system, which system has produced both groups. If that system is to prevail, each side must give full recognition to its responsibilities to represent the public.

Each businessman knows the inexorable law that if he betrays the public in terms of price, quality, or representation, his competitors will take away his business with startling rapidity. We have heard in recent years a considerable amount of talk about the evils of bigness *per se* and doubtless certain of these views have merit in certain quarters—but bigness is not evil *per se* for many reasons which we are beginning to comprehend. We have learned that big organizations have the resources, means, and talent to produce new products which bring health, comfort, and welfare to the nation. We have learned that big business is capable of meeting national military emergencies and that this is done, in part, through the employment as sub-contractors of countless thousands of small businesses.

Little recognition has been given to the further fact that the bigger a business is, the more conscious management must be of its public and social responsibilities. This is spectacularly true of the utility business which deals with vast numbers of people. Its consumers are, in fact, the whole public. It has large numbers of employes and stockholders who are also the public. Short would be the success, indeed the life, of a privately-owned public utility which sought to operate without public confidence and good will. Public good will can be neither acquired nor retained by either conduct or a product which is shoddy, cheap, or dishonest. The American public cannot long be deceived. The people of our country require truth and reliability. These same rules apply to all business, although with perhaps somewhat less obvious relevance than exists in the public service field. But the fact remains that the quick turn operator is so soon out of business that his promotion is called "fly-by-night."

E. A. ROBERTS

President, The Fidelity Mutual Life Insurance Co.

Peering into a crystal ball rightfully should be classified as an extra hazardous occupation and as such be given the "risk" appraisal that is traditional in life insurance underwriting. A review of my cautious forecast of last year, however, offers sufficient evidence of validity to justify a new attempt at divination.

E. A. Roberts

Proceeding from the known to the speculative, we can first report a continuation in 1951 of the widespread acceptance of life insurance. The record of the year closed at a high level for most companies. In my own company the sales during 1951 surpassed the record of any previous year.

The record of the industry is significant in view of the curtailment of group coverages. Such coverages are frequently "fringe benefits" under wage contracts. Wage Stabilization controls, temporarily at least, slowed down the rapid expansion of this form of life insurance protection—yet the over-all volume of life insurance maintained a most satisfactory growth.

There is every indication that this growth will continue in 1952. The national income is rising, with personal savings averaging about 5% of disposable income according to the estimate of the Joint Committee on the Economic Report.

Many economists regard this estimate as conservative.

Life insurance is one of the most important forms of personal savings. Furthermore, the replacement of earned income at time of death, disability or old age, under the poltical and economic trends of today, has become a problem which only life insurance can solve.

Even so, the wide distribution of life insurance today is a direct reflection of the professional ability of our highly trained sales forces. The economy of the nation will profit by the stabilizing effect of life insurance purchases in 1952 as it has in prior years.

Desipte some material shortages and the credit curbs under Federal Reserve Schedule X, mortgage financing continued at a high level in 1951. The demand for housing has by no means been fully met, but the building program in this field will be at a substantially lower level in 1952. On the other hand, the demand for funds to provide plant and equipment in private industry is scheduled to continue at the current peak levels.

The program for Voluntary Credit Restraint imposes some curbs on industrial expansion, but only as to projects that are considered inflationary. The life companies are supporting the program. In our case we have not found that it imposes undue restrictions on sound financing.

The yield on investments showed improvement in 1951, due primarily to the building up of mortgage portfolios during recent years. At the same time, bond interest rates improved and the yield on new bond purchases is at a much more satisfactory level than a year ago. At that time the artificially high price being maintained for (long-term) governments produced a pattern of interest yields on other long-term bonds that was in turn artificially low.

The withdrawal last March of Federal Reserve support of an above-par market for long-term governments did much to create a free and realistic market for all bonds. The interest rate on most other types of securities moved up. Many life companies with previous commitments for the purchase of mortgages were unable to purchase as large a volume of the new bond offerings as they otherwise would have taken.

SAMUEL SENNET

President, Howard Stores Corporation

I would that these few words be viewed not as a prediction, but rather as an outlook expressly confined to the men's clothing business.

It would be very pleasant to start off by saying that the New Year will be better than the year just completed. Experience and history teaches us though that business, like life, is not that simple. Progress very often moves along with faltering and stumbling gait and then again takes giant strides with seven league boots—and the men's clothing business is no exception to this general observation.

Samuel Sennet

One thing is certain—the cost of living is high and going higher. Men as the heads of families provide first for the needs of their families and leave themselves for last consideration. Unfortunately, there isn't a great deal of money left after the wife and children are clothed, the food bought and the taxes paid. Then again, the Korean situation takes out a great many young men from our country who under normal times are the buyers and lifeblood of the clothing business.

However, if there is a continuation of steady and full employment and if peace be the blessing of the New Year, we will have the prerequisites for economic prosperity.

Under these conditions, men will be in a better position to adjust their incomes to the inclusion of more of their personal needs than they have in the past. Primary among these needs is clothing.

I therefore look forward to a great deal of improvement in the months that lie ahead.

J. K. THOMPSON

President, Union Bank of Commerce Cleveland, Ohio

The year 1952 should be a good year from the standpoint of gross business handled. There will, of course, be low spots during the continuing period of adjustment in many businesses from civilian production to defense production but the over-all gross should be larger than in 1951.

J. K. Thompson

Due to increases in costs and in taxes, the profit results will be disappointing and the harassments to business generally will probably be even greater than they were in 1951. It will continue to be difficult to know what the material supply situation will be, what you can properly do wage-wise, and what you can properly do price-wise.

And if you surmount all of these difficulties reasonably well, you have the Federal tax problem to contend with, not only the amounts to be accrued based on 1952 operations, but the 35% to be paid in March, 1952, and 35% in June, 1952, of your 1951 tax liability because of the provisions of the Mills Bill.

There should be very little unemployment in 1952 except, again, during conversion periods in particular businesses. There will be continuing demands for wage increases and there is bound to be a further increase in the wage level. The people generally should, therefore, have more than the usual amounts to spend and during the year their spending for a smaller volume of civilian products should again result in increased prices and some further extension of the inflationary spiral and consequent cheapening of the dollar. I do not believe, however, that this cheapening will be half as great as from June, 1950, to date.

The banks and other financing institutions should continue to have a substantial demand for loans in connection with defense production, the necessity of carrying larger cost inventories and larger amounts of receivables, and increased tax payments. On a supply and demand basis, and due to increased costs and taxes, money will cost more. The banks will continue to do all they can to channel borrowed money into worthwhile uses.

It is hoped that during the year 1952 the Korean situation will be settled and the defense program spread over a workable period, and that defense and foreign aid expenditures will be realistically limited to what we can afford to spend.

It is hoped, too, that our people will return to their old ideas of thrift and that their savings, instead of spending, will help to prevent a further cheapening of our dollar. I realize that the reduced purchasing power of the dollar with a probability of a continuance of that trend and current governmental actions make such a policy more difficult to follow but it is a wise policy for an individual or a government.

ARNULF UELAND

President, Midland National Bank of Minneapolis Minneapolis, Minn.

Both agriculture and business have shown growth in volume and good net earnings during the past year, but steadily mounting operating expenses and the heavy burden of higher taxes are an ever increasing problem. Banking is no exception to the general rule. The banks of the country have given a good account of themselves, both in providing credit and other services for all essential productive needs and also in the restraint of credit for unnecessary, speculative and inflationary purposes.

Arnulf Ueland

Business loans have increased about $3¾ billion, or 21%, during the year; interest rates and bond yields have accordingly advanced sharply. Total cash farm incomes, including Government subsidies, reached a new high of about $33 billion. Employment has continued at a very high level but the immense scale of defense production threatens shortages in metals and some other materials, and brings concern about dislocation of production and possible shut-downs and unemployment in some areas.

There is no change in the underlying inflationary trend which has reduced the purchasing power of the dollar to 53% of its 1935-1939 value. This presents a continuing and increasing challenge to bankers to assert their leadership in resisting inflationary forces and preserving the financial stability of our economy. Aside from the wise conduct of their own banks and restraint of undesirable credit expansion, bankers' efforts must be directed strongly against unnecessary non-defense Government spending and, in fact, against wasteful spending anywhere.

Banking cannot be indifferent to the forthcoming Patman hearings which will apparently bring up again the division between the U. S. Treasury and the Federal Reserve System, and the issue of Government-controlled cheap money and further devaluation of the dollar versus a free and natural market for money and the preservation of the integrity of our currency. The banks have performed an excellent public service during 1951 and I hope they will meet the important challenges that are before them in 1952 by resisting pressure for cheap money and Government domination, and by withholding credit for wasteful spending, non-essential capital expenditure and speculation, and thus contribute to the restoration of the traditional way of stability and freedom in banking.

With Sutro & Co.

(Special to The Financial Chronicle)

LOS ANGELES, Calif. — Rex J. L. Heymann has become connected with Sutro & Co., 210 West Seventh Street.

Joins Waddell & Reed

(Special to The Financial Chronicle)

LAINGSBURG, Mich. — James R. Middaugh is with Waddell & Reed, Inc.

Waddell & Reed Add

(Special to The Financial Chronicle)

BOSTON, Mass. — Kenneth R. Leonard is with Waddell & Reed, Inc.

Halbert, Hargrove Adds

(Special to The Financial Chronicle)

LONG BEACH, Cal.—John B. Halbert, Jr., is with Halbert, Hargrove & Co., 115 Pine Avenue.

Three With Hooker & Fay

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Gerald T. Eaton, John K. Lynch and William Wehrmeister, Jr. have become affiliated with Hooker & Fay, 340 Pine Street, members of the San Francisco Stock Exchange. Mr. Lynch was formerly with William R. Staats & Co. and Schwabacher & Co. Mr. Wehrmeister was with Francis I. du Pont & Co.

Joins Fabian Co.

(Special to The Financial Chronicle)

BEVERLY HILLS, Cal.—Herald Stendel is with Fabian & Co., 9500 Santa Monica Boulevard.

With Minneapolis Assoc.

(Special to The Financial Chronicle)

MINNEAPOLIS, Minn. — Minneapolis Associates, Inc., Rand Tower, have added N. D. Underhill to their staff.

Joins Shearson, Hammill

(Special to The Financial Chronicle)

LOS ANGELES, Calif. — Joyce Brown has joined the staff of Shearson, Hammill & Co., 520 South Grand Avenue.

With Samuel Franklin

(Special to The Financial Chronicle)

LOS ANGELES, Cal.—Clarence E. Parker has joined the staff of Samuel B. Franklin & Co., 215 West Seventh Street.

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The Security I Like Best

become the senior issue, thereby improving its quality.

Very few companies enjoy as fine an excess profits tax base as does Chicago Pneumatic Tool. It will undoubtedly be faced with tax problems, as will all corporations and individuals, in the coming years but there seems to be little that can be done about this. It is our belief that industrial stocks will one day return to public favor and will enjoy equal prominence with groups such as oils, chemicals and electronics, that have dominated the stock tape for well over a year.

Summarizing, there is so much of a constructive nature that looms in Chicago Pneumatic Tool's future that the outlook for the company's securities cannot be anything but bright. I enthusiastically select this as the security I like best.

CHARLES F. O'REILLY
J. W. Sparks & Co., Philadelphia, Pa.

The Atlantic Refining Company

For the investor seeking a growth situation, Atlantic Refining Company common stock is attractive as an essential industry with capable experienced management, marketing its products in the industrial Eastern states, a record of consecutive dividend payments since 1927, and its securities listed on the major stock exchanges for ready marketability. The growth of earnings and estimated reserves of crude oil and natural gas, of this producer and refiner, with favored tax position, gives this stock particular appeal as an investment. Preliminary reports estimate earnings in 1951 of $12.20 per common share. The 20% stock dividend paid in 1951 capitalized retained earnings of previous years, and the $4.00 annual cash dividend now being paid will most likely be maintained until the planned expansion of refining capacity out of earnings permits an increase in dividend that can be maintained. For residents of Pennsylvania it is free of personal property taxes and is considered to be legal for trust investment in the recently revised Fiduciaries Act of the Legislature, subject to certain restrictions.

Charles F. O'Reilly

Latest report of Atlantic's capital structure shows: Long-term debt, $33 120,557; $3.75 cumulative "B" $100.00 par preference, $35,200,000; common stock $25.00 par, 3,584,791 shares outstanding.

The Atlantic Refining Company was incorporated in Pennsylvania in 1870 and for many years was dominated by the old Standard Oil group until divorcement by court order in 1911. The business of the company is the development of oil and gas lands, production, transportation and refining of crude oil and the marketing of the petroleum products in the United States and certain foreign countries. Company has domestic and foreign production of crude oil; at the end of 1950 had oil rights on 2,453,000 acres domestic and 1,064,000 acres foreign; had 3,167 operating oil or gas wells; crude reserves estimated at 507 million barrels and natural gas reserves of 1.97 trillion cubic feet. Company is now producing 56% of own crude requirements, has refining capacity of 167,000 barrels daily and distributes the finished products through bulk stations, pipe lines, water terminals and 11,000 dealers and service stations, mostly operated independently.

The company has been most successful in recent years in its drilling operations. Domestic crude production is from eleven states, and a subsidiary, Atlantic Pipe Lines Company, owns and operates 2,179 miles of crude oil gathering and trunk pipe lines in Louisiana, New Mexico and Texas, terminating at deep water terminals in Texas. The major foreign production is in Venezuela and another subsidiary, Venezuela-Atlantic Refining Company, owns and operates 54 miles of crude oil pipe lines. Company owns or operates on long-term lease a fleet of 21 ocean tankers. The 50,000 barrel daily capacity refinery in Atreco, Texas, is equipped to produce principally gasoline and fuel oils. The 117,000 barrel daily capacity refinery in Philadelphia, Pa., is equipped to produce a full line of products. Keystone Pipe Line Company, a subsidiary, owns and operates a products pipe line originating in Philadelphia and extending to Pittsburgh, with a branch line to Williamsport, Pa., and on to the New York State line to connect with the line of another subsidiary, Buffalo Pipe Line Company.

The production of 26,203,000 barrels of crude oil in the first nine months of 1951 reflects the great improvement in the company's crude position in recent years, due to the aggressive campaign of the management to develop greater reserves. Company has leased oil rights in over 1,000,000 acres in the Williston basin in the United States, and Canadian geophysical surveys indicate prospects on 9,000,000 acres on exploratory permits in Saskatchewan, in which the company has a 20% interest.

Atlantic Refining Co. has an excellent research department, active in developing new refining processes, petroleum chemicals and synthetic rubber. Oil products are marketed in 15 Eastern states, the centers of population and industry, and Atlantic "White Flash" and "Hi-Arc" gasolines are well advertised and accepted by the motoring public.

EVERETT W. SNYDER
E. W. Snyder & Co., Syracuse, New York

Tejon Ranch Company

As my favored security selection for 1952, I may appear to be getting a bit off shore—considering that my clientele largely comprises the type of investor who only asks complete safeguards as to principal — a good income, anywhere from 5% upward, and, of course, a nice profit somewhere along the line. I've been looking for one like that for more years than I care to admit and am reaching the conclusion that there is "no such animal."

Everett W. Snyder

I hesitate to bring into this discussion the much overworked word "inflation," but will throw it in as a suggestion and leave it to your readers to decide whether or not it has a bearing on the subject of this article. A year or two ago I became impressed with the growing interest in natural resources as a safeguard against depreciating currency. About that time one of your contributors presented Placer Development as his favorite security. Their holdings of gold, lead, oil, zinc and tungsten struck a responsive cord and we did quite a job of distribution at $18 to $20 per share. Our clients were happy when it passed through the middle 40's and on toward $50 a share and my only regret was we had not been sufficiently touched by our own enthusiasm to hold a few hundred in our own account. How truly it has often been said, "A broker makes money for everyone except himself and his wife."

So much for the build-up. Here's my choice for what might be termed a highly promising venture capital situation. Running almost due north of Los Angeles through Bakersfield and on to Sacramento is U. S. Highway 99. About 60 miles above Los Angeles this road splits two sizable land areas—Kern County Land on the west and Tejon Ranch on the east. Much has been heard of Kern County—very little of Tejon—so let's take a look at it. Its properties comprise 274,810 acres which, prior to 1937, had given no indication of value beyond that for grazing or growing of crops. In 1937 a more or less sporadic program of exploration of oil resources was undertaken. In the late 1940's development of oil resources became a primary activity, competent geological opinion having established that 100,000 acres were to be considered as potential oil lands. Now 70,000 acres are under lease to 84 or more operators, of which Reserve Oil & Gas Co. holds master leases on upwards of 50,000 acres. Reserve, in turn, has farmed out leases to others so that we now find mentioned such prominent companies as Standard Oil of California, Richfield Oil, Ohio Oil, Western Gulf, Texas Co. and British American Oil, all engaged in drilling operations.

Production has been and is being obtained from sands at depths as low as 500 feet and upwards to 4,500 feet. These shallower depths involve relatively inexpensive drilling costs so that complete "pay out" takes place in about 90 days.

Indications of growth already established and continually under way is revealed in reports of oil revenues and bonuses since 1946. In that year a modest total of $59,149 was reported. The four years following show increases to $129,710 in 1947, $230,760 in 1948, $270,053 in 1949 and $370,939 in 1950, an over-all increase of 527% in a five-year period.

The report of 1951 operations due in April should be pleasant reading to stockholders, considering that the 1950 royalty figure of $370,939 resulted from a daily average of 3,245 barrels with 170 producing wells at the year-end. These figures rose to 233 wells yielding 5,500 barrels daily at the end of the third quarter of 1951. It seems not overly optimistic to envision royalties in excess of $50,000 monthly when figures for the entire year are released.

None of the foregoing takes into consideration two important developments toward the end of 1951—the signing of a lease covering more than 3,000 acres by the Texas Company and the bringing in of a producing gas well by Reserve Oil & Gas Co. This well is reported to have potentials up to ten million cubic feet of gas daily and contracts have been entered into with General Petroleum for its distribution when necessary facilities are available. Thus we find one more source of eventual income underlying the lands of Tejon Ranch.

Were it not for limitations of space, I could relate an equally intriguing story of the utilization of surface lands for crops and beef cattle. The latter provided nearly 53% of income during 1950—as compared with 37% from oil. Even though the herd was drastically reduced in 1949—the proceeds being used for the liquidation of a long standing debt—cattle and other livestock sales, along with range rentals, provided $520,724 of gross revenue and I understand the herd is to be increased as feed resources are further developed.

On the subject of crops, it appears that potatoes and cotton are of main importance, although grains and other products common to the area are produced in varying amounts. The acreage for agricultural use is leased to tenants, generally for five years, at moderate rentals. Operators are required to install necessary water and irrigation facilities, which, at the termination of the lease period, revert to the ranch company. Thereafter, the lease continues on a "20% of crop basis."

Admittedly, I would not undertake to glamorize Tejon on the basis of past earnings, book value or balance sheet statistics, although working capital seems adequate for an enterprise of this nature. It must be remembered that its real growth started but a few years ago—about seven to be exact—and competent engineers have estimated that pools in some of the areas now producing should have a life of 20 to 50 years.

The company's corporate existence dates back to 1936. Capitalization started with 108,000 shares of common stock, half of which was owned by the Los Angeles "Times Mirror" and the descendants of the original owners. This left a meager floating supply for public ownership, only a little over 50,000 shares. Small wonder that it skyrocketed to around $200 when news of oil discoveries became known. The directors, therefore, wisely declared a 900% stock dividend early in 1951, which increased the common to 1,080,000 shares and brought the price to a more comfortable trading range of a little under 20.

There'll be dividends we have no doubt—one came along last December — 40 cents per share — but I like Tejon Ranch best for capital gains and an opportunity to buy an interest in California land with a future—about a quarter of an acre for every share of stock. It's still a venture but there's venture capital around. I have found quite a bundle of it here in Syracuse and have no reason to believe that Tejon will hurt anyone willing to take a fair risk for high stakes. After all, the land will always be there.

F. P. Ristine Co. Celebrates 50 Years

PHILADELPHIA, Pa. — The New York Stock Exchange firm of F. P. Ristine & Co., 123 South Broad Street, on Feb. 10 celebrated the 50th anniversary of its founding.

The firm's golden jubilee is unique among stock exchange houses because it has the same head today as when it was started on Feb. 10, 1902. He is Frederick P. Ristine.

Mr. Ristine was graduated from Haverford School and Haverford College. He entered the employ of the Real Estate Trust Company upon his graduation in 1894 and left there in 1902 to launch the business that bears his name. At that time, his partner was Frank H. Conklin who subsequently retired. The business was extended to New York and New York partners were admitted. Still later, the New Jersey offices in Elizabeth, Westfield and Ridgewood were opened.

With King Merritt Co.

(Special to THE FINANCIAL CHRONICLE)

FARMINGTON, Mo.—Buford L. Mabery is with King Merritt & Company, Inc.

No Possible Argument About the Objective

WASHINGTON, Feb. 6—The House Republican Policy Committee unanimously endorsed today a resolution that would direct President Truman to submit a new balanced budget to Congress within thirty days.

Hon. J. W. Martin, Jr.

The resolution, introduced in the House by Representative Frederic R. Coudert Jr., Republican of New York, would call on the President to trim $14,400,000,000 from expenditures budgeted in the 1953 fiscal year, which begins July 1, and thus bring them in line with estimated receipts of $71,000,000,000.—From a special dispatch to the New York "Times."

"We believe this is a wise and practical step because it would force the President to seek new estimates from each department, bureau or agency which participated in the original estimates.

"There is little room for doubt that if departmental budget officers applied themselves diligently to one of the most urgent tasks before the American people—the maintenance of the solvency of their government and their country—they could assist the President in reducing the budget to an amount commensurate with the anticipated revenues."—Joseph W. Martin, Jr., Chairman of the Committee.

We are hardly in a position to appraise the tactics of the unusual maneuver, but we have no hesitancy in giving our hearty support to its objective.

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Comment on "Our Roads"

DONALD GORDON
Chairman and President, Canadian National Railways

I find myself very much in agreement with the views Mr. Babson expresses, and I think your paper does well to bring this serious problem before the public.

A. W. HERRINGTON
Chairman of the Board, Marmon-Herrington Co., Inc., Indianapolis, Indiana

Frankly, Mr. Babson's treatment of the subject does not impress me; it leaves me with the feeling that his name and standing as an economist has been used to gloss very lightly over an extremely serious economic subject.

With the rapid growth of population in our country, there must be an equivalent expansion of our transportation systems. Due to the existing vested interests of both the rail and motor transportation industries, it seems to me that there has been much more heat than light shed upon the solution of a problem which we must solve.

While my letterhead may indicate that my company is in the business of making motor trucks, we are, in fact, manufacturers of that type of motor truck which does not normally use the public highways. Our All-Wheel-Drive vehicles are particularly used where highways do not exist. For this reason, it is possible for me to plead that my viewpoint may not be as biased as would be that of a company primarily engaged in the manufacture of trucks for highway transport use.

This great and serious problem is one which is worthy of the attention of our best minds. Eighty-nine percent of all agricultural products in the United States are hauled from farms directly to initial markets by truck. Eleven percent are hauled to the railroad, or to shipping docks for further shipment. The feeding of our ever-growing population is in itself a highly organized industry. Unexpected and sudden snow storms which have immobilized vehicles on the highway have frequently brought sizable towns to the point of lacking sufficient food for their people. Our transportation systems have been developed to the point where the food inventories of any particular locality would scarcely sustain the population for four days.

This presents a problem of working out the possible means of providing the highways that will do the job. Certainly we will not get those highways by politically attempting to burden the expense of building them on some small segment of the population, as Mr. Babson proposes, the truck operators.

After all, this increase in taxes will certainly find its way into the price of the final food product, and who pays it in the end but the consumer? The fact remains, it must be paid for. Simply reducing the loads which our trucks now carry only aggravates our traffic problem by putting more trucks on the highway to transport the required tonnage to feed the people. Our traffic congestion is already great enough without such a synthetic complication of the problem. A good many of our highways are old and of a design which cannot possibly stand up to the demands of today's traffic—they should have been replaced years ago.

If Mr. Babson had addressed himself to the problem of the amount of gasoline tax money collected in the United States every year, ostensibly for highway use, which actually comes to be spent on the highway, he might find some enlightening facts. This gasoline tax has become such an easy and prolific source of revenue that high percentages of it are diverted to other uses than on highways. If the taxes collected from the users of highways were actually devoted to highways, I feel we would have no problem. This, however, might necessitate a further increase in taxes to meet the other governmental demands, and this proposition, of course, is always politically unpopular. The reason for our present highway problem can probably be found right at this point.

Mr. Babson charges that railroads build and maintain their own private roads. One who knows anything of the history of how the railroads acquired their present rights of way could hardly sustain such an argument in a debate. He further charges that the trucks on the highway today are negligently operated and are contributing to the ever-increasing accident rate which we are observing on our highways.

While it is to be admitted that individual operators will handle themselves in an irregular manner and will operate a vehicle in such a way as to present a hazard on a highway, the cold, hard facts do not sustain Mr. Babson's position. May I refer you to the report of the National Safety Council on motor truck accidents per 100,000 miles, from 1934 through 1950. During that period of time the curve shows a continuous downward trend as far as trucks are concerned, and an overall decrease of 63% in truck vehicle accidents per 100,000 miles between those years. These figures are just as available to Mr. Babson as they are to me.

It may be interesting to observe that 30% of the trucks operated in the United States are in 115 counties. This would indicate that the highway problem involved may not be quite as insoluble as it looks at the present time.

Now to the subject of overloading. I does occur, it has occurred and it is occurring today. Grave injury can occur to certain classes of highways if the overloading practice becomes common. The fact remains that every state has a load law and those load laws are usually determined in consultation with engineers of the state highway departments, who are familiar with the load carrying capacity of the specific road designs which have been used, and if the truck load limits are adhered to, no grave injury to the highway will result. The power of enforcement rests with the states. If the law is properly administered, there is no reason why the overloading abuse cannot be cleared up within the framework of existing regulations. Those states where enforcement has taken place and where offenders have met with heavy penalties, have overcome the situation with no difficulty whatsoever.

There are 9,150,000 trucks registered in the United States in 1951. In eight states the trucks in use have doubled since 1941. One person out of every eleven employed in the United States works in the truck transportation industry. Whereas, in 1934 the trucks in the United States paid taxes amounting to $250 million, in 1950 they have paid taxes equal to $1,200,000,000. By taxes I mean state registration fees, state motor carrier and trailer fees, gasoline tax, special city and county taxes, bridge, tunnel and ferry road tolls and federal excise taxes.

The relative position of the motor truck and the railroad in the transportation field is best illustrated by the following figures: In 1949 trucks hauled 8.3 billion tons of material, or 75% of the total hauled in the United States. The railroads hauled 1½ billion tons, or 14%. The balance went to pipelines, waterways and airways.

On a ton-mile basis, trucks in the same year accomplished 122 billion ton miles, or 11% of the total, and the railroads 569 billion ton miles, or 49% of the total. It is perfectly plain that the railroads are a long range transportation agency and that the trucks are for short haul. They each have their place in an integrated transportation system and the attempt of one to foist its burdens on to the other, for political reasons, will be no solution of our problem.

H. J. HORAN
Vice President, Crowe & Co., Inc., Waterbury, Conn.

First of all, I think the article should be captioned, "Ignorance Speaks," because it appears that Mr. Babson is better qualified to talk on financial matters.

H. J. Horan

I must agree that overloading is a bad practice and we must admit there are violators, just the same as those who violate the code of ethics in Mr. Babson's field.

The Maryland road test proved one thing: that the concrete slabs that did fail were poured over improper sub-soil which caused the slabs to "pump" and crack up. Had the bed been properly prepared the sections would not have failed. Too, if Mr. Babson were to drive over that same road today he would be unable to locate the test sections, yet the road has not been rebuilt.

Mr. Babson suggests that a similar test be made of pleasure cars to determine how fast they pound a road to pieces. Such a test is unnecessary because our own Merritt Parkway has provided that test. This facility is closed to commercial traffic yet the roadway has failed at several points.

I do agree with Mr. Babson's views on toll roads. Besides being self-perpetuating, they do to all intents and purposes create a taxation on taxation condition.

Now we arrive at the "Railroads and Trucks" portion of Mr. Babson's article. Here Mr. Babson sounds like an executive of a railroad.

Let's consider the claim that trucks do not pay their share of building and maintaining the roads. Using a Connecticut vehicle registered for 50,000 pounds gross as an example, we start off with the purchase of the vehicle. The unit fully equipped cost $12,000 and the Federal tax is about $500. We then have to pay a use tax to Connecticut on the gross cost, including the Federal tax, of 2% or $240. The registration fee is $250, a P.U.C. plate $5. The unit averages 50,000 miles per year and averages two-and-one-half miles to a gallon of gasoline. Twenty thousand gallons of gasoline times 6¢ gas tax equals $1,200. The unit will use up two sets of tires in 50,000 miles so we again pay state and Federal taxes on the replacement tires. Therefore the first year of use provides a tax of $2,200 plus.

Now let's take a pleasure car on the same basis, using $3,000 as the average cost. Federal tax about $130, state tax $60, registration $9 and an average yearly mileage of 10,000, with an average of 12 miles to the gallon, showing a yearly consumption of 835 gallons at 6¢ tax per gallon equals $50.10, which adds up to about $250 in round figures.

The average tractor-trailer in the North Eastern States is 40-feet long. A pleasure car of today is close to 20 feet long. So if we consider road space, the commercial vehicle is paying nine times more than the passenger vehicle for a little more than twice the space of the passenger vehicle. If weight is a factor, several paving institutes claim it costs 20% more to build a road to carry the heaviest commercial vehicle. The trucking industry is most willing to pay its fair share, but what and who is to consider what constitutes a fair share?

Regarding Mr. Babson's advice to truck drivers: we do not condone careless or reckless driving and we spend hundreds of thousands of dollars yearly preaching and practicing safety and we stand on our record.

And last but not least, I would comment that even Mr. Babson might very well find that trucks are of more importance to his way of life than he thinks, and I am certain that it would be brought to his attention most forcibly should trucks be eliminated even from congested areas.

We must never forget that trucks are on the streets and highways only because **you** put them there. Our American economy requires them.

HON. J. BRACKEN LEE
Governor, State of Utah

Mr Babson's article is most timely and certainly hits at the roots of a difficult situation.

W. B. LOVE, JR.
General Manager, Motor Transportation Association of South Carolina, Inc., Columbia, S. C.

The Roger W. Babson article entitled "Our Roads" is very unfortunate. Unfortunate for two primary reasons. The first one is that it contains so many untruths and the second one is that Mr. Babson elected to enter a field of writing with which he is totally unfamiliar and the things he had to say rings so clearly with the old anti-truck propaganda released through press and radio by a competitive form of transportation.

The attached mimeographed sheet have just been released by our national organization, the American Trucking Associations, and although it probably has been called to your attention before we send it to you and invite your attention to a thorough reading of the proven facts contained therein.

The trucking industry has chosen not to dignify the attacks made upon it by making an attempt to reply in kind. We are in possession of facts to prove that we are more than paying our way and we are also in possession of figures which prove conclusively that the deterioration of our highways is very largely by reason of the fact that they were built to bear the traffic of 20 or 30 years ago and upon which in the meantime has passed the terrific strain of the transportation of critical war materials of 2 wars.

Motor transportation makes attacks upon no competing form of transportation but on the contrary we take the position that the shipping public is entitled to make its own decisions as to which form of transportation more nearly fits its peculiar needs.

We are not afraid of the truth and it is to be regretted that Mr. Babson did not make his own independent research before writing an article based upon information which could not possibly have reached him but from one source.

RICHARD A. MORAN
General Manager, W. J. Halloran Trucking Co., Providence, R. I.

It has been my observation, traveling through 39 of our 48 states, that highways that handle truck traffic are in no worse condition than those without truck traffic. This condition is in spite of the fact that during our war years adequate road construction and maintenance was sadly neglected. The fast, flexible, and personal transportation afforded by automobiles, trucks, and busses, is an economic necessity to the well-being of all the people in the United States.

Richard A. Moran

It is high time that the responsible authorities, be they at local, state, or national level, recognize the importance of an integrated highway program that will adequately serve our present needs, and at the same time plan for the future.

We in the trucking industry have not in the past, and are not presently receiving a "free ride." Right here in our own State of Rhode Island, revenues derived from gasoline and other automotive and truck sources which should be dedicated to a highway and bridge program and proper maintenance thereof, are diverted so greatly that the State of Rhode Island leads the parade with a percentage of approximately 50%. It is reasonable to assume that we in this small state would have a much better system of highways and bridges if it were not for this diversion.

In addition to this, the trucking industry pays local property taxes, employs substantial quantities of labor in various classifications, and is an important and vital part of our American Way of Life. I firmly believe that a little commendation, rather than condemnation, would be helpful to all concerned.

H. C. MURPHY
President, Burlington Lines

Mr. Babson's article is a timely and excellent statement and a real contribution to intelligent thinking on an important subject.

ALLAN M. SHIRLEY
Secretary-Manager, North Dakota Motor Carriers Association

BISMARCK, N. D. (via Western Union)—Re: article "Our Roads" by Babson. Portland Cement Association says no cracks in non-pumping cement slabs. Furthermore, conclusions of Maryland test not issued to date. Truck taxes in North Dakota pay 40% of total license fees received by state, and trucks in North Dakota pay 45% of total gas tax. Overloading frequency greatly reduced each year over previous year. Third from last paragraph from article recommends a ton-mile tax. This will rule trucking off the roads and deter progress of the nation. Check with the National Highway Users Conference, Washington, D. C., Re.: the evils of ton-mile tax. Strenuously object to next to the last paragraph. Have never heard of such a com-

Allan M. Shirley

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plaint about truck drivers in North Dakota. If trucks limited to after 6 p.m. traffic in municipalities, the towns may well fold up and blow away. Believe every merchant in every town will seriously object to any such regulations.

JOHN RICE
Rice Truck Lines, Great Falls, Montana

Although not many would question the standing of Mr. Babson as an expert in the financial field, I'm afraid he may not be too well qualified as a highway engineer or in matters of highway taxation.

From a better qualified source you might receive an article more sympathetic to the trucking industry and if you were to print such an article, I believe, you would be performing a great service to the public generally and to the trucking industry in particular.

R. H. SMITH
President, Norfolk & Western Railway Co.

Mr. Babson condensed a lot of facts into a few words.

It does seem to me though that he overlooked one important fact. A lot is being said and done about "super-highways," which generally are toll roads built mostly by bond issues, the interest and amortization cost of which is expected to be met by the toll charges.

R. H. Smith

These projects are a start in the right direction, but an important and overlooked fact is that they are generally financed by completely tax-free bonds.

In this time of high taxes, money raised by tax-free bonds costs only half as much as money raised with bonds issued by ordinary transportation and other industries. At the present time of desperate governmental need for tax raised money, this means that the users of highways financed in this manner are still being subsidized to the extent of about 50% of their roadway costs by the general taxpayer. And the commercial vehicles which will use these toll roads are directly in competition with the freight carrying railroads, which must provide their own facilities at their own cost and pay all taxes on them, and finance them with fully taxed fund raising devices.

I think this fact is being overlooked generally.

A. A. STAMBAUGH
Chairman of the Board, The Standard Oil Company Cleveland, Ohio

I do not entirely agree with Mr. Babson's article. My difference is entirely one of "emphasis."

Of course, I am entirely against the overloading of trucks, and I agree that many trucking companies abuse the privileges of the highway. Furthermore, I also agree that our highways will not and cannot carry axle loads that some day will be general. In my opinion, of course, the size, weight and speed of trucks must be adapted to our highways, such as they are, but, after all, trucks are only a type of service to the public. Their development has made available many types of service that the public did not enjoy before the advent of good roads and the savings in the cost of these deliveries has been passed on to the consumer.

A. A. Stambaugh

It is in the interest of our economy to plan and build roads that will make possible not only a general use of the highway by motorists, but also by the trucks which render these services. The fact that a truck sets up certain problems that require different handling from those of the average motor car should not set apart the truck user from any other user. If we eliminated trucks from our highways it would result in a great difference in cost and type of highway construction. In northern climates, frost is the enemy of the road, and not the vehicle.

Of course, trucks should and do pay a greater charge for use than do motor cars. I doubt whether it should be on a tonnage basis because they do not occupy anything like that amount of the road space. I do not profess to have in mind a formula that would fit the truck. I am sure it will not be arrived at emotionally in setting up a highway class feeling, although I do admit that the bad manners of some truck drivers are heading us in that direction. What we do need more than anything else is long range highway plans that fit our pocketbooks and that provide facilities that achieve the maximum in public service of all types and kinds. In developing these plans we should determine as nearly as possible the cost of not building highways; what are the potential contributions of new highways in increased service, reduced costs and increased safety, and what is the economic loss of killing 37,500 people a year on our highways.

HON. EDWARD S. SWARTZ
Member of Pennsylvania House of Representatives

The problem of truck transportation and road construction and maintenance is a very serious one and needs to be given thorough study by competent people who can approach the problem without bias.

Edward S. Swartz

When a bill came before the House of Representatives, one which would have given truckers the right to carry additional pay loads, I voted against the bill. I felt that additional weights would be a serious blow to highways already overburdened. Recently my home County of Dauphin instituted suit against a trucker to recover money which had been spent to erect a new bridge, the original bridge having dropped into the stream when the trucker took his overloaded truck across it. I believe the cost of the new bridge, which was not large nor on a main highway, was more than $30,000.

I would not attempt to say just what the solution may be. However, I do feel that a farsighted and long-range program must be instituted and that such a program cannot be undertaken until an extensive survey has been made by a group of impartial persons whose main interest is to do a good job in the public interest.

WALTER J. TUOHY
President, The Chesapeake and Ohio Railway Company

Mr. Babson presents some good points for consideration. There is no question of the advantages the truckers have over the railroads by reason of their practically free use of the public highways as against the private rights of way built and maintained at the railroads' sole expense. Certainly, it would be reasonable to assess the truckers a fair share of the cost of construction and maintenance of the roads they use. Too, it has been proven pretty conclusively by tests that heavy trucks do cause ruinous damage to the highways. Truck weights certainly should be limited by legislation and strictly enforced by the various states.

Walter J. Tuohy

Constructive action along these lines would help materially in affording the railroads a more equal opportunity to compete with the trucks.

R. L. WILLIAMS
President, Chicago and North Western Railway System

To my way of thinking, Mr. Babson's article is a very clear and concise statement of facts.

I think the public generally has come to realize that the highways are being worn out faster than they are being repaired and certainly the railroads are not wearing them out although some part of our taxes go towards the maintenance of them and I seriously doubt if they are being worn out by your Ford or Cadillac.

R. L. Williams

In connection with this general subject and knowing the interest of the "Chronicle" in it, I wonder if by any chance your attention has been called to "A Report to the Governors' Conference on Highway Safety and Motor Truck Regulation" by Hubert R. Gallagher, Director of Research of The Council of State Governments, which was copyrighted in 1950. It is the most complete analysis of the highway situation that I have seen and includes, among other things, quotations from reports made by the heads of the State Highway Departments of the various states in answer to the following questions:

Question 1: Are overloaded trucks severely damaging highways in your state?

Question 2: Are overweight and oversize trucks an apparent safety hazard on your highways?

Brand, Grumet to Admit

On March 1 Samuel Greenman will be admitted to partnership in Brand, Grumet & Tenser, 120 Broadway, New York City, members of the New York Stock Exchange.

To Be Pearsall Co.

Effective Feb. 15 the firm name of Hernon, Pearsall & Co., 120 Broadway, New York City, will be changed to Pearsall & Co. On the same date Jayne B. Pearsall will be admitted to limited partnership in the firm.

Railroad Securities

Baltimore & Ohio

Although one would hardly think so from the action of the stocks, Baltimore & Ohio had quite a good year in 1951—its performance was considerably better than that of its major competitors in eastern trunk line territory. Net income of $19,151,708, after taxes, fixed charges and contingent interest, but before sinking and other reserve funds, was more than 27% above the level of a year previous. In contrast, both New York Central and Pennsylvania Railroads reported earnings declines for the year and Erie's 1951 showing was virtually unchanged from that of 1950.

There are two factors that may have something to do with the failure of Baltimore & Ohio stocks to react more dynamically to the far better than average earnings performance of the road last year. One is that no dividend has been paid on the common stock since 1931. In view of the sinking fund and capital fund requirements incident to the company's debt readjustment plan of a few years ago, the feeling has spread that the dividend drought may be prolonged for a further fairly extended period. At best, it is felt that if any dividend is paid on the common in the intermediate future, it will be little more than a token distribution. The preferred, however, has paid its regular $4.00 in each of the past two years. It is noncumulative.

The second factor that may be exerting a psychological drag on the stocks is the publicity given over the past year or so to the company's dealings with RFC. The legality of the proceedings under which the agency purchased a substantial amount of the road's Collateral Trust bonds has been questioned and there have been complaints that the bonds held by RFC are not being retired at a sufficiently rapid rate. Regardless of the question of the legality of the proceedings (this was threshed out at great length at the time of the plan) there is obviously little, if anything, that could be done about it now.

Certainly B & O could not pay off the bonds, nor could it likely refund them publicly, at this time. The road did, however, step up the rate of principal repayments last year and presumably this policy will be continued. With application of the proceeds from the recent sale of some of the collateral behind the bonds the amount outstanding (entire issue is owned by the RFC) apparently has been, or shortly will be, reduced to around $70 million. Originally the bonds were issued, on Jan. 1, 1945, in the amount of $80 million.

One encouraging feature of the Baltimore & Ohio picture has been the consistent downtrend in the transportation ratio in recent years. The company has had a considerable measure of success in offsetting the postwar rises in wages and other costs that have been such a plague to the entire industry and which, generally speaking, have hit the Eastern roads particularly hard. One reason presumably is that the road is not handicapped by so large a volume of passenger and l.c.l. freight business as are New York Central and Pennsylvania. Also, dieselization has apparently been quite effective. Finally, the company has benefited considerably from the exploitation of relatively new coal fields on its lines in West Virginia.

Last year earnings of Baltimore & Ohio before sinking and other reserve funds, but after the preferred dividend requirement, worked out to $6.55 a share on the common stock. This was appreciably better than the $4.95 a share reported on the same basis in 1950. Granting that such earnings are not available for the equity directly because of fund requirements under the readjustment plan, the stock still appears considerably underpriced in comparison with a large number of other rail stocks. It should be remembered, also, that utilization of the funds for property improvements, debt retirement, etc., must ultimately redound to the benefit of the stock in the improvement in the company's credit and operating efficiency.

Max Graff Director

Max Graff

Max Graff, founder and senior partner for 20 years of Townsend, Graff & Co., members of the New York Stock Exchange, has been elected to the board of directors of Audio & Video Products Corp.

Straus & Blosser and Geo. McDowell to Merge

CHICAGO, Ill.—On March 1, George A. McDowell, C. Edwin Mercier, and MacKenzie C. Baird of Detroit will become partners in Straus & Blosser, 135 South La Salle Street, members of the New York and Midwest Stock Exchanges, and the firm name will be changed to Straus, Blosser & McDowell. Messrs. Mercier, Baird and McDowell, who is a member of the Detroit Stock Exchange, are partners in George A. McDowell & Co.

B. G. Phillips to Have Mutual Fund Exhibit

A new exhibitor at the fifteenth annual National Sportsmen's Show at Grand Central Palace from Feb. 16 to 24 will be the Wall Street investment firm of B. G. Phillips and Company, 44 Wall Street, New York City. Believed to be the first such firm to invade the realm of fly casting, log rolling, and canoe tilting, B. G. Phillips will feature a Mutual Fund exhibit. Representatives will also be on hand to give information and distribute literature on all the leading Funds, and to answer questions on other types of investments as well.

With Remer Mitchell

(Special to The Financial Chronicle)

CHICAGO, Ill. — Harry W. J. Peterson is now associated with Remer, Mitchell & Reitzel, Inc., 208 South La Salle Street.

With Hannaford Talbot

(Special to The Financial Chronicle)

SAN FRANCISCO, Cal.—Hers S. Horowitz is with Hannaford & Talbot, 519 California Street.

Leo J. Nied Opens

YONKERS, N. Y.—Leo J. Nied is engaging in a securities business from offices at 88 Ash Street.

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Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

If you've been watching the Dow Averages you're probably on the verge of nervous collapse. So far this year the industrials have threatened new highs at least twice; the rails, though acting comparatively better than their older brother, have been equally shy. Yet, while these averages were threatening to establish new highs, the realization of this threat seemed so imminent that many people probably jumped the gun, got in, only to see a retreat a few days later.

* * *

There's little point in starting an argument as to whether penetration of old highs by either or both of the averages is significant. Because if they're not actually so, they're most certainly so psychologically. You don't argue with either success or the stock market. If enough people believe something is so and put their money on such beliefs, anybody who fights it is almost certain to come out of it with less money than he started. Putting it another way, once a trend has been started the astute trader stays with it until it changes. If the trend is undiscernible the trader stays out. Maybe such practice won't make money. But it will certainly stop losing it.

* * *

All this boils down to the apparent fact that the current market isn't so clear in its immediate potential to warrant any full buying programs. Here and there you'll find some special situations surrounded by pink clouds and romance that may make their buying profitable. It has been my experience, however, that even individual situations, run into soggy opposition if the general market runs up against a stone wall.

* * *

For the past few weeks (or maybe months — my memory's poor — and I don't have the time to look up records) I've been recommending various amusement issues; prior to that it was the oils and nonferrous stocks. The amusements have been comparatively stronger than the general market. If the market itself were to throw off its damp blanket, I'll venture to say the amusements could have quite a move. In any case so long as they're paying better than 6%, retention is still advisable. The same thing applies to the nonferrous stocks.

* * *

The oils, however, present a different picture. Today anything with oil seems slated for the clouds. All sorts of companies, whose prime business is something else, get a shot-in-the-arm because derricks are erected on their properties. The situation is too pat; too easy. I wonder what would happen to some of these stocks if crude prices were suddenly cut.

[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.]

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Per 100 Shares

duPont ......@90	Mar. 29	$487.50
Allied Chem...@76¾	Apr. 21	562.50
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Cities Service@108	Apr. 5	500.00
Gulf Oil .....@54⅛	Apr. 7	212.50
Armco Steel..@39¾	Apr. 26	275.00
U. S. Smelting @74½	May 6	475.00
Mo. P. 5% pf.@23¾	May 3	237.50
No. Pacific...@63¾	Apr. 15	437.50
Canadian Pac.@37⅜	Mar. 27	337.50
Hooker Elec..@59¾	Mar. 22	487.50
St. L.-S. Fran.@24	Mar. 18	175.00
Zenith Radio..@69	Mar. 21	137.50
Crane Co.....@37⅝	Apr. 28	300.00
Buckeye Pipe.@17¼	May 12	187.50
Chrysler .....@70¼	6 mos.	400.00

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Tullis, Craig Firm, New NYSE Members

NEW ORLEANS, La. — Tullis, Craig & Bright, Marine Building, will become members of the New York Stock Exchange, Feb. 21, when Garner H. Tullis acquires New York Stock Exchange membership. Other partners are Robert E. Craig, II, and Edgar A. G. Bright. On March 1 Morell F. Trimble will also become a partner in the firm.

J. R. Boyce With Auchincloss, Parker

Auchincloss, Parker & Redpath, members New York Stock Exchange, announce that J. Raymond Boyce has become associated with the firm in its New York office, 52 Wall Street. Mr. Boyce was formerly with Eastman, Dillon & Co.

Howard Eells Opens

(Special to The Financial Chronicle)

CLEVELAND, Ohio. — Howard P. Eells, Jr., is engaging in the securities business from offices in the Hanna Building.

Continued from page 16

News About Banks and Bankers

Switzerland, approved the accounts for 1951. The accounts showed net profits of 18,320,250 Swiss francs for 1951 compared with 15,506,221 francs for 1950. Total assets of the bank as of Dec. 31, 1951, amounted to 2,734,097,053 francs against 2,670,682,131 francs a year earlier. At the general meeting of stockholders in Basle on Feb. 20 it will be proposed to pay a dividend of 7%, as against 6% last year; to donate 1,000,000 francs to the bank's pension fund; to add 1,000,000 francs to the reserve for proposed new bank buildings; tnd to credit 4,000,000 francs to a special reserve account. An amount of 2,153,049 francs will be carried forward as against 1,448,811 francs for the previous year.

It may be noted that the name of Swiss Bank Corporation in German is Schweizerischer Bankverein; in French, Societe de Banque Suisse; and in Italian, Societa di Banca Svizzera.

* * *

Andrew Wilson, Chairman of the **County Trust Company of White Plains, N. Y.**, has made known that William A. Lyon, New York Banking Superintendent, has announced officially the approval by the State Banking Board of the merger of the **Mount Vernon Trust Company** with The County Trust Company. Details of the plans for the merger, which became effective the current month, were given in our issue of Dec. 27, page 2527.

* * *

New highs in gross and net operating income as well as operating costs and taxes were reported by Edward L. Clifford, President of the **Worcester County Trust Company of Worcester, Mass.**, at the annual stockholders' meeting on Jan. 8. H. Ladd Plumley, President of the State Mutual Life Assurance Company was elected a director to succeed the late George Avery White. At the annual meeting of the directors immediately following the stockholders' meeting, Sidney E. Hartwell was elected Assistant Vice-President, being promoted from Assistant Treasurer. Alfred L. Stoliker was elected an Assistant Treasurer; Lincoln W. Bennett was elected Personnel Manager and William F. Daigle, Jr., was elected Manager of the Pearl Street office.

* * *

Appointment of Geo. A. Reilly as Manager of the Melrose Office of the **Lincoln National Bank of Newark, N. J.**, and John P. Williams, as Assistant Manager of the bank's Colonial Office was announced on Jan. 16, by Carl K. Withers, President. The promotions were ratified at the annual meeting of the Lincoln's shareholders on Jan. 15. At the same time, Mr. Withers announced that the first quarterly dividend of 1952 in the amount of 50 cents per share would be paid on Jan. 21 to shareholders of record at the close of business Jan. 18.

* * *

Adrian D. Joyce, founder and Chairman of the Board of the Glidden Company has been elected to the Board of Directors of the **Cleveland Trust Company of Cleveland, Ohio.** Mr. Joyce, a leader in the paint, chemical and food industries, founded the Glidden Company in 1917 when he was 45 and guided its growth from a small paint and varnish company into a widely diversified enterprise with, it is stated, gross sales of more than $228,500,000 in 1951. He is a director of the Wheeling & Lake Erie Railway, a trustee of Fenn College, Cleveland, and Chairman of the Cleveland Museum of Natural History.

Kenneth E. Wrenn has been named Vice-President at **Standard State Bank, of Chicago**, it was announced on Feb. 7 by Bartholomew O'Toole, President. Mr. Wrenn has been associated with Standard Bank since April, 1947, and was previously Assistant Vice-President of Chicago Terminal National Bank. Before that he was with the Reconstruction Finance Corporation and was Manager of the Milwaukee, Wis., office of Universal Credit. He also continues his duties as Vice-President of Pullman Trust & Savings Bank of Chicago.

* * *

Walter H. Ehrmann has been elected Assistant Vice-President at **Pullman Trust & Savings Bank of Chicago**, it was announced on Feb. 7 by Bartholomew O'Toole, President. Mr. Ehrmann, son of Walter C. Ehrmann, former President of the South End Chamber of Commerce, received his Bachelor of Arts degree at the University of Chicago in 1948 and his Masters degree in Business Administration also at the University of Chicago in 1949. He served three years in the Army Air Corps and joined the staff of Pullman Bank on Oct. 1, 1949. He is a member of the Commercial Loan Department of the bank and assistant to Paul E. Pearson, Vice-President.

* * *

The First National Bank of Chicago, Ill., increased its capital, effective Dec. 18 from $75,000,000 to $90,000,000 by a stock dividend of $15,000,000.

* * *

The capital of the **North Shore National Bank of Chicago, Ill.**, was enlarged from $500,000 to $600,000 by a stock dividend of $100,000, effective Dec. 18.

* * *

Edwin J. Spiegel, President of Gaylord Container Corporation, was elected a director of **First National Bank in St. Louis** at a meeting of the bank's board on Jan. 18. Mr. Spiegel is Vice-President and a director of the Fairfield Paper & Container Co., of Baltimore, Ohio, and of the Dresden Paper Mills Company, Dresden, Ohio.

* * *

Announcement of three new promotions at the **Trust Company of Georgia, at Atlanta, Ga.**, was made recently by Marshall B. Hall, President. Promoted were Jack Burton and Norman Welch, both elected Assistant Vice-Presidents, and Ray Wilhoit, elected a Trust Officer. The promotions were approved at a recent meeting of the Trust Company's Board of Directors, Mr. Hall said. Mr. Burton, a native of Canon (cq.), Ga., has been associated with the Trust Company since Aug. 17, 1936. He has served in the bank's Transit, Loan and Discount and Consumer Credit departments, being made Consumer Credit Manager in 1947. He was elected Assistant Secretary on Jan. 13, 1948, and moved to the Commercial Banking Department in April of 1949. A Charleston, S. C., native, Mr. Welch joined the Trust Company in 1944 and is associated with the Economic and Investment Analysis Department of the bank. Prior to joining the Trust Company he had been connected for nine years with the **Guaranty Trust Company of New York.** He was elected Assistant Secretary of the Trust Company of Georgia in 1948 and two years later he was named Trust Investment Officer. Mr. Wilhoit, an Atlanta native and graduate of Georgia Tech and the Atlanta Law School, first joined the staff of the Trust Company in 1938. In 1940, he was made Manager of the Tabulating Department, where he served until entering the Army Air Force in 1941. Returning to the bank in December of 1945 after serving as a Captain and transport pilot in Africa, India and the Middle East, Mr. Wilhoit was made Administrative Assistant in the Trust Department. He was elected an Assistant Trust Officer in April of 1948.

* * *

The election of Norman W. Burnes, Jr., civic and business leader, as a director of the **First National Bank of Rome, Ga.**, and the promotion of five members of the bank staff was announced recently by T. A. Lamar, President, following the 75th annual meeting of shareholders and the board of directors. Those promoted at the directors' meeting were C. H. Booker, from Vice-President and Trust Officer to Executive Vice-President and Trust Officer; W. A. Lyman, from Cashier and Assistant Trust Officer to Vice-President and Assistant Trust Officer; R. P. Hutchins, from Assistant Cashier to Cashier; J. W. Frank, from Head Paying and Receiving Teller to Assistant Cashier, and C. D. Selman, from Note Teller to Assistant Cashier. The board also reelected Mr. Lamar as President, and both C. L. Hampton and C. J. Warner, as Assistant Cashiers.

The steady growth of the First National Bank in three-quarters of a century of service to Rome was emphasized by Mr. Lamar in his report to shareholders.

* * *

Promotions of 12 officers of the **National Bank of Commerce of Seattle, Wash.**, were announced on Jan. 8 by Andrew Price, Chairman of the Board, and Maxwell Carlson, President, following the annual meeting. Robert M. Mills, for the past four years an Assistant Vice-President at the head office in the Banks and Bankers Department, was elected Vice-President. Mr. Mills, who has been active in the American Institute of Banking, began with the National Bank of Commerce as a messenger in 1925; he is presently director of the Pacific Coast Banking School. Robert P. Ellick was elected Trust Officer at the head office. Mr. Ellick began his banking career with the Harris Trust & Savings Bank in Chicago in 1927; he has been with the National Bank of Commerce trust department since 1946. Erling M. Hansen was elected Assistant Trust Officer of the Seattle bank at the head office where he has been since 1947, having been transferred from the Yakima Branch. E. Carter Shannon, who has been manager of the credit department at the head office for the past four years, was designated Assistant Cashier at the main office Mr. Shannon joined the National Bank of Commerce in 1946, having moved to Seattle from the Hanover Bank in New York City. Kenneth Weeks was promoted to manager of the credit department at the head office, succeeding Mr. Shannon; Urban E. Schmitt was elected Assistant Cashier at the main office; he will transfer from the Coulee City Branch; Henry O. Schlag was promoted from Chief Clerk in Charge of Operations to Assistant Cashier at the Central Branch of the National Bank of Commerce; Robert W. Johnson becomes Assistant Cashier at the Richland Branch; Joseph B. Dillon, who has been Assistant to the manager at the Northgate Branch since 1950, was promoted to Assistant Cashier; James H. Horgdal was promoted to Assistant Cashier at the Colville Branch; Vincent W. E. Francke was promoted to Assistant Cashier at the Ilwaco Branch; Bendy M. Reese was elected Manager of the Coulee City Branch.

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The Stassen Gold Standard Plan

who would rather be clever than wise:

"In general the art of government consists in taking as much money as possible from one part of the citizens to give it to the other."

"It is demanded if it be possible radically to ruin a kingdom of which the soil is in general fertile. We answer, that the thing is not practicable, since from the war of 1689, to the end of 1769, in which we write, everything has continually been done which could ruin France and leave it without resource, and yet it could not be brought about. It is a sound body which has had a fever of 80 years, with relapses, and which has been in the hands of quacks, but which will survive."

Voltaire spoke too complacently. Twenty years later France reaped the whirlwind in the bloody revolution of which one of the causes at least was loose fiscal policy. The same delusion then in France that now possesses the minds of too many Americans in political power, that we can get along with our present irredeemable paper money, came to its classical and dramatic end in France in 1796, when Napoleon recognized the irredeemable paper assignats and mandats as worthless and in time of national danger from enemies without, returned the country to metallic currency, gold and silver, as the only legal tender. Under Napoleon's policy France had no currency failure, even though in constant war until 1815.

America can't afford the luxury of continued experimentation with the irredeemable paper currency system begun in 1933 for political purposes if we are really in a contest upon which our survival depends. France in 1787, like America today, was one of the wealthiest countries in the world. She possessed half of the specie in Europe. Yet the revolutionary money managers with issues of bonds in the form of paper assignats and mandats, based upon vague promises of being "backed by land," deprived France of a sound currency upon which modern organized production under free contracts depends. France was torn and disordered from within by loose thinking. We must not let that happen in America. There is no substitute for the thoroughly constituted gold standard for justice and freedom and for economic efficiency.

In urging the reform of our irredeemable paper currency, Stassen has struck a responsive note among many citizens.

Joe McAlister Adds

(Special to THE FINANCIAL CHRONICLE)

GREENVILLE, S. C.—Oscar B. Jones has become affiliated with Joe McAlister Co., 8 South Church Street.

Joins Francis I. du Pont

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Max M. Jacobs is with Francis I. du Pont & Co., 1010 Euclid Avenue.

Vercoe & Co. Adds

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, Ohio — John C. Swan, II has become affiliated with Vercoe & Co., Huntington Bank Building, members of the New York Stock Exchange.

With William J. Collins

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Ore.—Kenneth L. Cooper is with William J. Collins & Co., U. S. National Bank Building.

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The State of Trade and Industry

The increase in auto output the past week was attributed by "Ward's" to Packard's resumption following a 10-day shutdown and gains by both Chrysler and Ford. This more than offset a return to single-shift assembly at Studebaker and "more normal" operations at General Motors, following a strong month-end performance in the preceding week, the agency reported.

Steel Output to Drop 0.5 Point to 100.1% of Capacity

In the steel industry partial decontrol of steel distribution is urged for the near future, according to "Steel," the weekly magazine of metalworking. With certain tonnage products in better supply, and continuance of this trend indicated, threat of surpluses is becoming increasingly serious. Government control authorities appear cognizant of the situation, and the National Production Authority is setting up a task force to look into the matter, it adds. NPA already has decontrolled chrome-stainless steels. Industry representatives now urge decontrol of secondary tin mill products, cold-rolled sheets and strip, merchant pipe (small diameter), and merchant wire products (fencing, barbed wire, etc.). All these items are in adequate supply, and, it is claimed, should not be continued under the Controlled Materials Plan. But whether the government will accede to the industry's request presents a big "IF" even though asurances have been given that controls would be lifted as quickly as supply conditions permitted, the magazine observes.

Evidence accumulates of rising stocks although over-all supply-demand balance still appears months distant. Many consumers are carrying in excess of 45 days' inventory permitted under government regulations. Others are still pinched for tonnage. Generally, few are carrying anything like their normal inventory which averages 60 days and better, this trade paper states. In some instances, inventories in excess of government limitations are attributable to distortions in supply arising from awkward distribution under CMP. Large tonnages also are being immobilized through stockpiling for defense production, even though the steel will not be required for months to come, "Steel" asserts.

There is always the question of how much steel is going into direct defense. Figures are hard to pin down. But from the scanty evidence available the tonnage in relation to total production is relatively small. It is clear, however, defense demand, while rising month by month, still is relatively small, according to "Steel." Some manufacturers think it will be well into 1953 before peak defense steel needs will be encountered, if for no other reason than the fact machine tools first must be made available on a much larger scale, continues this trade magazine.

Currently, steel products in most evident over supply are secondary tin mill items, merchant pipe in small sizes, merchant wire trade products, and cold-rolled sheets and strip, concludes "Steel."

The American Iron and Steel Institute announced this week that the operating rate of steel companies having 93% of the steel-making capacity for the entire industry will be 100.1% of capacity for the week beginning Feb. 11, 1952, equivalent to 2,079,000 tons of ingots and steel for castings, or a decrease of 0.5 of a point below last week's production of 2,090,000 tons, or 100.6% of rated capacity which recently was revised upward.

A month ago output stood at 98.7%, or 2,051,000 tons. A year ago production stood at 98.5%, or 1,969,000 tons.

Electric Output Continued to Dip in Latest Week

The amount of electric energy distributed by the electric light and power industry for the week ended Feb. 9, 1952, was estimated at 7,455,509,000 kwh., according to the Edison Electric Institute.

The current total was 116,923,000 kwh. less than that of the preceding week. It was 498,225,000 kwh., or 7.2% above the total output for the week ended Feb. 10, 1951, and 1,484,590,000 kwh. in excess of the output reported for the corresponding period two years ago.

Car Loadings Rise Slightly Above Previous Week

Loadings of revenue freight for the week ending Feb. 2, 1952, totaled 731,006 cars, according to the Association of American Railroads, representing an increase of 3,073 cars, or 0.4% above the preceding week.

The week's total represented an increase of 79,841 cars, or 12.3% above the corresponding week a year ago when loadings were reduced by a strike of railroad switchmen, and a rise of 118,542 cars, or 19.4% above the comparable period two years ago, when loadings were reduced by restricted coal mining operations.

U. S. Auto Output in Latest Week Advances to Highest Level for 1952

Passenger car production in the United States the past week, according to "Ward's Automotive Reports," rose to 72,601 units, compared with the previous week's total of 71,687 (revised) units, and 87,032 units in the like week a year ago.

Passenger car production in the United States rose last week about 1% above the previous week, but fell about 17% under the like week of 1951.

Total output for the current week was made up of 72,601 cars and 22,250 trucks built in the United States, against 71,687 cars and 24,637 trucks last week and 87,032 cars and 19,348 trucks in the comparable period a year ago.

Canadian output last week rose to 3,325 cars and 3,015 trucks, against 3,203 cars and 2,875 trucks in the preceding week and 7,006 cars and 2,685 trucks in the similar period of a year ago.

Business Failures Reverse Upward Trend

Commercial and industrial failures declined to 134 in the week ended Feb. 7 from 164 in the preceding week, Dun & Bradstreet, Inc., reports. Casualties were down about 30% from the 1951 and 1950 totals of 191 and 195, respectively, and 58% from the prewar level of 318 in the similar week of 1939.

Failures involving liabilities of $5,000 or more decreased to 111 from 140 in the previous week and 146 a year ago. Small casualties, those with liabilities under $5,000, dipped to 23 from 24 and were only one-half as heavy as in 1951.

Wholesale Food Price Index Holds at Previous Level

Despite a generally lower trend in foodstuffs, the Dun & Bradstreet wholesale food price index for Feb. 5 held to its previous level of $6.61, largely due to a sharp rise in butter prices the past week. The current index compares with $7.21 on the corresponding date a year ago, or a drop of 8.3%.

The index represents the sum total of the price per pound of 31 foods in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Level Holds to Mildly Lower Trend

Continuing its mildly downward movement, the daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., declined to 306.25 on Feb. 5, from 308.63 a week previous. The 1951 high was 312.13 on Jan. 5. The latest figure compares with 326.37 on the like date a year ago, or a drop of 6.2%.

Leading grain markets were under pressure of long liquidation, resulting in substantial declines for most grains, particularly rye. Despite the recently announced higher parity prices, wheat markets weakened during the week influenced by a less active export and demand and reports of more favorable progress on the cease-fire negotiations in Korea. Stocks of wheat in all positions on Jan. 1, as reported by the Department of Agriculture, totaled 857,000,000 bushels, or about 145,000,000 bushels less than a year ago.

Corn prices moved sharply lower although offerings were less than the previous week, with some improvement noted in quality of the corn marketed.

Export business in corn was in good volume but domestic shipping demand was only fair. Oats prices also declined despite a sizable decrease in marketings. Trading in all grain futures on the Chicago Board of Trade increased moderately over the preceding week, but was down sharply from the corresponding 1951 week.

Flour prices developed a weaker tone as the week closed. Trading continued slow with demand limited mostly to nearby needs. Trading in cocoa was fairly active with final prices slightly higher than a week ago. Warehouse stocks of cocoa were reported at 96,121 bags, up about 6,000 bags for the week, and compared with 84,981 bags at this time a year ago. Business in coffee was somewhat slower with roasters and importers generally holding to the sidelines. Primary markets were also quiet with offerings from Brazil and Columbia very light.

The raw and refined sugar markets continued strong, reflecting anxiety over the continuation of the Puerto Rican dock strike.

Butter prices moved sharply higher under broadening demand and very limited supplies of fresh and storage goods throughout the country. In the Chicago livestock market, cattle and hog values held fairly steady.

Cotton prices fluctuated irregularly in a fairly narrow range during the past week. Buying by domestic mills was only fair but there was a good demand from foreign interests for both forward and prompt shipment.

The parity price for cotton as of mid-January was reported at a record high of 34.35 cents a pound.

This represents a rise of 25 points over a month ago, and 137 points over the same date a year ago. Sales of cotton in the 10 spot markets last week totaled 145,600 bales, as against 192,100 bales in the week previous. Repossessions of 1951 loan cotton were reported running well in excess of loan entries.

Trade Volume Increased by Sales Promotions

Spurred by many reduced-price promotions, shoppers increased their purchasing perceptibly in the period ended on Wednesday of last week. The total dollar volume of retail sales was virtually unchanged from the level of a year ago, Dun & Bradstreet, Inc., reports in its current summary of trade. An increased number of merchants noted a favorable comparison with the sales figures of a year ago when the wave of scare buying began to ebb.

There was a mild flurry of interest in many household goods last week as retailers conducted their traditional February furniture promotions. Aggregate demand, however, did not attain the high level of a year before. Incidental furniture, bedding, and lamps were mainly responsible for the current rises. Decorating materials, washers, and hardware were widely popular.

However, the demand for television sets continued to be languid.

Total retail dollar volume in the period ended on Wednesday of last week was estimated as from 2% below to 2% above the level of a year ago. Regional estimates varied from levels of a year ago by the following percentages:

New England —2 to —6; East +1 to —3; Midwest and Southwest +2 to +6; Northwest —1 to —5; South 0 to +4; and Pacific Coast —4 to —8.

Department store sales on a countrywide basis, as taken from the Federal Reserve Board's index for the week ended Feb. 2, 1952 increased 5% from the like period of last year. In the preceding week a decrease of 14% was registered below the like period a year ago. For the four weeks ended Feb. 2, 1952, sales declined 10%. For the period Jan. 1 to Feb. 2, 1952, department store sales registered a decline of 12% below the like period of the preceding year.

Retail trade in New York the past week continued to show an unfavorable comparison with the like 1951 period. The decline in sales volume, according to trade estimates, was placed at 11%.

According to Federal Reserve Board's index, department store sales in New York City for the weekly period ended Feb. 2, 1952, decreased 6% below the like period of last year. In the preceding week a decrease of 16% was recorded below the similar week of 1951, while for the four weeks ended Feb. 2, 1952, a decrease of 15% was registered below the level of a year ago. For the period Jan. 1, to Feb. 2, 1952, volume declined 17% below the like period of the preceding year.

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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. 17	100.1	100.6	98.7	98.5
Equivalent to—					
Steel ingots and castings (net tons)	Feb. 17	2,079,000	2,090,000	2,051,000	1,969,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output — daily average (bbls. of 42 gallons each)	Feb. 2	6,225,300	6,194,300	6,186,700	5,938,500
Crude runs to stills—daily average (bbls.)	Feb. 2	†6,545,000	6,584,000	6,803,000	6,395,000
Gasoline output (bbls.)	Feb. 2	21,566,000	21,649,000	22,354,000	19,981,000
Kerosene output (bbls.)	Feb. 2	2,662,000	2,865,080	2,865,000	2,843,000
Distillate fuel oil output (bbls.)	Feb. 2	9,866,000	10,391,000	10,478,000	9,785,000
Residual fuel oil output (bbls.)	Feb. 2	8,891,000	9,222,000	9,598,000	9,561,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Feb. 2	135,894,000	133,861,000	125,209,000	129,700,000
Kerosene (bbls.) at	Feb. 2	20,101,000	21,180,000	24,172,000	15,634,000
Distillate fuel oil (bbls.) at	Feb. 2	62,390,000	66,450,000	79,336,000	56,776,000
Residual fuel oil (bbls.) at	Feb. 2	38,076,000	38,725,000	41,857,000	40,371,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Feb. 2	731,006	727,933	*609,967	651,165
Revenue freight received from connections (number of cars)	Feb. 2	671,060	663,873	564,068	595,016
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Feb. 7	$167,130,000	$212,468,000	$280,707,000	$555,721,000
Private construction	Feb. 7	86,935,000	106,358,000	138,400,000	473,533,000
Public construction	Feb. 7	80,195,000	106,110,000	142,307,000	82,188,000
State and municipal	Feb. 7	52,464,000	58,672,000	91,511,000	73,431,000
Federal	Feb. 7	27,731,000	47,438,000	50,796,000	8,757,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Feb. 2	10,430,000	11,220,000	9,195,000	9,415,000
Pennsylvania anthracite (tons)	Feb. 2	852,000	857,000	730,000	859,000
Beehive coke (tons)	Feb. 2	134,900	*147,900	136,100	156,100
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE = 100	Feb. 2	246	240	225	234
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Feb. 9	7,455,509	7,572,432	7,665,643	6,957,284
FAILURES (COMMERCIAL AND INDUSTRIAL)—DUN & BRADSTREET, INC.	Feb. 7	134	164	164	191
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Feb. 5	4.131c	4.131c	4.131c	4.131c
Pig iron (per gross ton)	Feb. 5	$52.72	$52.72	$52.72	$52.69
Scrap steel (per gross ton)	Feb. 5	$42.00	$42.00	$42.00	$47.75
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Feb. 6	24.200c	24.200c	24.200c	24.200c
Export refinery at	Feb. 6	27.425c	27.425c	27.425c	24.425c
Straits tin (New York) at	Feb. 6	121.500c	121.500c	103.000c	182.500c
Lead (New York) at	Feb. 6	19.000c	19.000c	19.000c	17.000c
Lead (St. Louis) at	Feb. 6	18.800c	18.800c	18.800c	16.800c
Zinc (East St. Louis) at	Feb. 6	19.500c	19.500c	19.500c	17.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Feb. 11	96.66	96.65	96.10	101.31
Average corporate	Feb. 11	109.97	109.79	108.52	116.02
Aaa	Feb. 11	114.85	114.46	113.12	119.82
Aa	Feb. 11	113.12	113.12	111.81	118.80
A	Feb. 11	108.52	108.34	107.09	115.63
Baa	Feb. 11	103.80	103.47	102.30	110.15
Railroad Group	Feb. 11	106.39	106.04	103.97	112.93
Public Utilities Group	Feb. 11	109.79	107.79	108.70	115.82
Industrials Group	Feb. 11	113.70	113.70	112.93	119.41
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Feb. 11	2.73	2.73	2.76	2.40
Average corporate	Feb. 11	3.17	3.18	3.25	2.85
Aaa	Feb. 11	2.91	2.93	3.00	2.66
Aa	Feb. 11	3.00	3.00	3.07	2.71
A	Feb. 11	3.25	3.26	3.33	2.87
Baa	Feb. 11	3.52	3.54	3.61	3.16
Railroad Group	Feb. 11	3.37	3.39	3.51	3.01
Public Utilities Group	Feb. 11	3.18	3.18	3.24	2.86
Industrials Group	Feb. 11	2.97	2.97	3.01	2.68
MOODY'S COMMODITY INDEX	Feb. 11	442.5	452.0	459.1	531.9
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Feb. 2	236,845	187,553	§149,591	345,524
Production (tons)	Feb. 2	205,239	201,284	§82,568	240,200
Percentage of activity	Feb. 2	85	85	§64	103
Unfilled orders (tons) at end of period	Feb. 2	405,520	376,678	422,412	761,828
OIL, PAINT AND DRUG REPORTER PRICE INDEX — 1926-36 AVERAGE = 100	Feb. 8	145.4	145.5	146.9	152.4
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. 26	38,975	37,290	23,777	44,711
Number of shares	Jan. 26	1,129,949	1,056,792	669,151	1,316,015
Dollar value	Jan. 26	$53,153,912	$49,687,391	$30,372,989	$60,156,890
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Jan. 26	32,777	28,899	18,589	39,461
Customers' short sales	Jan. 26	142	203	91	264
Customers' other sales	Jan. 26	32,635	28,696	18,498	39,197
Number of shares—Total sales	Jan. 26	939,882	806,863	545,268	1,123,561
Customers' short sales	Jan. 26	5,175	7,554	3,230	10,531
Customers' other sales	Jan. 26	934,707	799,309	542,038	1,113,030
Dollar value	Jan. 26	$40,273,722	$35,065,905	$22,433,856	$46,131,138
Round-lot sales by dealers—					
Number of shares—Total sales	Jan. 26	248,860	201,000	159,420	324,140
Short sales	Jan. 26	------	------	------	------
Other sales	Jan. 26	248,860	201,000	159,420	324,140
Round-lot purchases by dealers—					
Number of shares	Jan. 26	443,300	462,270	268,460	522,200
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR—1926 = 100:					
All commodities	Feb. 5	175.8	176.3	177.2	183.3
Farm products	Feb. 5	189.1	190.8	193.9	201.2
Grains	Feb. 5	190.9	196.1	198.1	190.7
Livestock	Feb. 5	233.9	235.6	236.5	263.9
Foods	Feb. 5	185.6	185.8	188.8	187.6
Meats	Feb. 5	259.9	262.5	268.7	274.4
All commodities other than farm and foods	Feb. 5	164.8	*165.3	165.3	171.7
Textile products	Feb. 5	157.1	157.5	159.5	181.6
Fuel and lighting materials	Feb. 5	138.8	138.9	138.8	137.5
Metals and metal products	Feb. 5	192.9	192.6	190.8	188.1
Building materials	Feb. 5	221.6	222.7	223.5	228.1
Lumber	Feb. 5	342.6	342.6	346.1	‡
Chemicals and allied products	Feb. 5	132.5	*132.8	137.8	146.0

*Revised. ‡Not available. †Includes 462,000 barrels of foreign crude runs. §Five days ended Jan. 5, 1950.

	Latest Month	Previous Month	Year Ago
AMERICAN PETROLEUM INSTITUTE—Month of November:			
Total domestic production (bbls. of 42 gallons each)	206,340,000	215,777,000	192,931,000
Domestic crude oil output (bbls.)	183,149,000	197,610,000	176,725,000
Natural gasoline output (bbls.)	18,146,000	18,123,000	16,251,000
Benzol output (bbls.)	45,000	44,000	5,000
Crude oil imports (bbls.)	12,760,000	13,054,000	13,992,000
Refined products imports (bbls.)	11,297,000	10,778,000	12,736,000
Indicated consumption domestic and export (bbls.)	242,299,000	232,569,000	214,936,000
Increase—all stocks (bbls.)	‡‡11,902,000	7,040,000	4,773,000
COKE (BUREAU OF MINES)—Month of Nov.			
Production (net tons)	6,478,523	*6,733,876	6,308,700
Oven coke (net tons)	5,868,307	6,114,103	5,702,700
Beehive coke (net tons)	610,216	*619,773	606,000
Oven coke stocks at end of month (net tons)	1,757,985	1,814,586	1,102,453
COTTON SEED AND COTTON SEED PRODUCTS—DEPT. OF COMMERCE—Month of December:			
Cotton Seed—			
Received at mills (tons)	598,443	*1,005,522	368,990
Crushed (tons)	652,542	*776,093	432,968
Stocks (tons) Dec. 31	1,880,613	*1,934,712	1,138,343
Crude Oil—			
Stocks (pounds) Dec. 31	186,292,000	*184,843,000	100,065,000
Produced (pounds)	206,095,000	*244,053,000	138,678,000
Shipped (pounds)	197,129,000	201,438,000	132,706,000
Refined Oil—			
Stocks (pounds) Dec. 31	279,881,000	225,137,000	171,591,000
Produced (pounds)	182,865,000	186,793,000	122,009,000
Consumption (pounds)	118,578,000	122,100,000	107,832,000
Cake and Meal—			
Stocks (tons) Dec. 31	55,430	*60,316	190,875
Produced (tons)	303,841	*361,949	193,620
Shipped (tons)	308,727	*374,487	210,669
Hulls—			
Stocks (tons) Dec. 31	36,285	*32,741	83,192
Produced (tons)	149,459	*172,361	99,614
Shipped (tons)	145,915	*175,089	99,057
Linters (running bales)—			
Stocks Dec. 31	198,918	*173,613	102,703
Produced	205,138	*246,838	145,238
Shipped	179,833	*209,093	125,157
Hull Fiber (1,000-lb. bales)—			
Stocks Dec. 31	1,793	1,322	477
Produced	1,725	2,543	965
Shipped	1,254	2,059	971
Motes, Grabbots, etc. (1,000 pounds)—			
Stocks Dec. 31	8,089	*7,120	4,808
Produced	4,131	*3,972	2,811
Shipped	3,162	*2,646	2,256
DEPARTMENT STORE SALES (FEDERAL RESERVE SYSTEM—(1947-49 Average = 100 Month of January:			
Adjusted for seasonal variations	107	*109	*125
Without seasonal adjustment	81	*183	*96
METAL PRICES (E. & M. J. QUOTATIONS)—Average for month of January:			
Copper (per pound)—			
Electrolytic domestic refinery	24.200c	24.200c	24.200c
Electrolytic export refinery	27.425c	27.425c	24.425c
Lead (per pound)—			
Common, New York	19.000c	19.000c	17.000c
Common, St. Louis	18.800c	18.800c	16.800c
Silver and Sterling Exchange—			
Silver, New York (per ounce)	88.000c	88.000c	88.709c
Silver, London (pence per ounce)	77.000d	77.000d	76.568d
Sterling Exchange (Check)	$2.78034	$2.79269	$2.79972
Zinc (per pound)—East St. Louis	19.500c	19.500c	17.500c
Tin (per pound)—			
New York Straits	109.404c	103.000c	1.71779c
§§New York, 99% min.	108.404c	102.000c	1.70779c
Gold (per ounce, U. S. price)	$35.000	$35.000	$35.000
Quicksilver (per flask of 76 pounds)	$206.346	$213.200	$195.000
¶Antimony (per pound) (E. & M. J.)	53.350c	53.350c	38.742c
Antimony (per pound) bulk, Laredo	50.000c	50.000c	35.462c
Antimony (per pound) in cases, Laredo	50.500c	50.500c	35.962c
Antimony (per pound) Chinese Spot	------	Nominal	Nominal
Platinum, refined (per ounce)	$90.000	$90.000	$90.000
†Cadmium (per pound)	$2.55000	$2.55000	$2.55000
‡Cadmium (per pound)	$2.67500	$2.67500	$2.67500
§Cadmium (per pound)	$2.80000	$2.80000	$2.80000
Cobalt, 97%	$2.40000	$2.40000	$1.80000
Aluminum, 99% plus, ingot (per pound)	19.000c	19.000c	19.000c
Magnesium, ingot (per pound)	24.500c	24.500c	24.500c
**Nickel	56.500c	56.500c	50.500c
SELECTED INCOME ITEMS OF U. S. CLASS I RYS. (Interstate Commerce Commission) —Month of November:			
Net railway operating income	$95,008,469	$121,899,695	$109,874,446
Other income	16,904,528	18,244,433	18,737,457
Total income	111,912,997	140,144,128	128,611,903
Miscellaneous deductions from income	4,543,891	4,214,377	3,581,547
Income available for fixed charges	107,369,106	135,929,751	125,030,356
Income after fixed charges	70,864,515	100,840,276	89,231,505
Other deductions	2,806,294	3,000,767	3,145,871
Net income	68,058,221	97,839,509	86,085,634
Depreciation (way & structures & equip.)	38,110,553	37,729,060	36,486,851
Amortization of defense projects	5,585,978	5,306,080	1,128,103
Federal income taxes	66,204,686	71,238,939	68,770,893
Dividend appropriations:			
On common stock	54,684,807	14,649,827	73,180,993
On preferred stock	7,894,884	4,773,286	12,814,806
Ratio of income to fixed charges	2.94	3.87	3.49
U. S. GOVT. STATUTORY DEBT LIMITATION As of Dec. 31 (000's omitted):			
Total face amount that may be outstanding at any time	$275,000,000	$275,000,000	$275,000,000
Outstanding—			
Total gross public debt	259,775,389	259,418,600	256,124,468
Guaranteed obligations not owned by the Treasury	37,753	42,177	17,774
Total gross public debt and guaranteed obligations	$259,813,143	$259,460,778	$256,142,642
Deduct—other outstanding public debt obligations not subject to debt limitation	655,613	666,762	699,595
Grand total outstanding	$259,157,529	$258,794,016	$255,443,047
Balance face amount of obligations, issuable under above authority	15,842,470	16,205,983	19,556,952
UNITED STATES GROSS DEBT DIRECT AND GUARANTEED—(000's omitted):			
As of January 31	$259,813,143	$259,460,778	$256,142,642
General fund balance	3,879,414	4,294,675	4,453,643
Net debt	$255,933,729	$255,166,303	$251,688,999
Computed annual rate	2.311%	2.308%	2.224%

*Revised figure. †Based on the producers' quotation. ‡Based on the average of the producers' and platers' quotations. §Based on platers' quotations. ¶Domestic, five tons or more but less than carload lot packed in cases, f.o.b. New York. **F.O.B. Port Colburne, N. S., U. S. duty included. §§Tin contained. ‡‡Decrease all stocks.

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Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● ITEMS REVISED

★ American Business Shares, Inc., New York
Feb. 8 filed 2,000,000 shares of capital stock (par $1). **Price**—At market. **Proceeds**—For investment. **Underwriter**—Lord, Abbett & Co., New York.

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.

★ Apple Capitol Manufacturing Co., Inc., Wanatchee, Wash.
Feb. 1 (letter of notification) 500 shares of common stock. **Price**—At par ($100 per share). **Proceeds**—For new equipment, etc. **Address**—Box 612, Wanatchee, Wash. **Underwriter**—None.

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.

★ Automatic Equipment Manufacturing Corp., Omaha, Neb.
Feb. 8 (letter of notification) 145,000 shares of common stock. **Price**—$20 per share. **Proceeds**—For working capital. **Office**—314 So. 12th St., Omaha, Neb. **Underwriter**—None.

★ Bal Harbour Club, Inc., Miami Beach, Fla.
Feb. 5 (letter of notification) $200,000 of first mortgage non-interest bearing bonds. **Price**—At par (in denominations of $1,000 each). **Proceeds**—To purchase property. **Office** — 10201 Collins Ave., Miami Beach 41, Fla. **Underwriter**—None.

● Basic Refractories, Inc., Cleveland, Ohio
Jan. 2 filed 63,585 shares of common stock (par $1) being offered to common stockholders at rate of one share for each five shares held as of Feb. 6; rights to expire on March 10. **Price**—$10 per share. **Underwriter**—None. **Proceeds**—To H. P. Eells, Jr., President, who is the selling stockholder. Statement effective Jan. 30.

★ Belle Island Corp., New York
Feb. 1 (letter of notification) 5,000 shares of capital stock (par 20 cents). **Price**—At market (estimated at $3.50 per share). **Proceeds**—To selling stockholders. **Underwriter**—None, but sales will be handled through Tucker, Anthony & Co., New York.

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.

★ Benson & Hedges, New York
Feb. 5 (letter of notification) not in excess of 3,500 shares of common stock (par $4) to be offered to employees under "Restricted Stock Option Plan." **Price**—Estimated at $21.50 per share (but at not less than 95% of the market value of the stock on the date options are granted). **Proceeds**—To be added to working capital, to be used for general corporate purposes. **Office**—600 Fifth Ave., New York. **Underwriter**—None.

★ Black Hills Power & Light Co.
Feb. 13 filed 33,730 shares of common stock (par $1) to be offered for subscription by common stockholders at rate of one share for each six shares held. **Price**—To be supplied by amendment. **Proceeds**—For construction program and to repay bank loans. **Underwriter**—Dillon, Read & Co. Inc., New York.

Bowman Gum, Inc.
Jan. 28 (letter of notification) 15,000 shares of common stock. **Price** — At market. **Proceeds** — To Harry and David V. Shapiro. **Office**—4865 Stenton Avenue, Philadelphia, Pa. **Underwriter**—Paine Webber, Jackson & Curtis, Philadelphia, Pa.

● Burlington Mills Corp.
Jan. 30, 1952, filed (by amendment) 2,500 shares of cumulative convertible preference stock (par $100). 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. **Withdrawal**—Statement withdrawn Feb. 7.

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 shares of the new stock. **Underwriter**—None.

★ Capital Music-Go-Round Theatre, Inc., New York
Feb. 1 (letter of notification) 500 shares of 5% non-cumulative preferred stock (par $100) and 250 shares of common stock (par $1). **Price**—At par. **Proceeds**—For organizational expenses, etc. **Office**—c/o Edward Stephen Slane, 415 East 64th Street, New York. **Underwriter**—None.

● Central Illinois Electric & Gas Co.
Jan. 18 filed 64,000 shares of common stock (par $15) being offered to common stockholders of record about Feb. 6 at rate of one share for each 10 shares held with an oversubscription privilege; rights expire Feb. 21. **Price**—$20 per share. **Dealer—Managers**—Stone & Webster Securities Corp. and Allen & Co., both of New York. **Proceeds**—For new construction and to repay bank loans. Statement effective Feb. 6.

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.

Chain Belt Co. (2/19)
Jan. 30 filed $4,000,000 of 20-year sinking fund debentures due Feb. 1, 1972. **Price**—To be supplied by amendment. **Proceeds** — For construction and acquisition of new facilities. **Underwriters** — Morgan Stanley & Co., New York, and Robert W. Baird & Co., Inc., Milwaukee, Wis.

Chain Belt Co. (2/19)
Jan. 30 filed 81,512 shares of capital stock (par $10), to be offered for subscription by stockholders at rate of one new share for each six shares held on Feb. 19; rights to expire about March 6. **Price**—To be supplied by amendment. **Proceeds**—To retire $2,100,000 of 2% notes and for expansion program. **Underwriters**—Morgan Stanley & Co., New York, and Robert W. Baird & Co., Inc., Milwaukee, Wis.

● Cinerama, Inc., New York
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." Date not set.

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.

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

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NEW ISSUE CALENDAR

February 19, 1952
Chain Belt Co. — Debentures & Common
(Morgan Stanley & Co.; Robert W. Baird & Co., Inc.)
Dayton Rubber Co. — Common
(Lehman Brothers)
Delaware, Lackawanna & Western RR. — Equip. Trust Ctfs.
(Bids noon EST)
Koppers Co., Inc. — Common
(First Boston Corp.)

February 20, 1952
Erie Forge & Steel Corp. — Preferred
(Lee Higginson Corp.; P. W. Brooks & Co.)
Russell Reinforced Plastics, Inc. — Common
(Aetna Securities Corp.)
Southern Ry. — Equip. Trust Ctfs.
(Bids noon EST)
United Canadian Oil Corp. — Common
(Aigeltinger & Co.)

February 26, 1952
Central Illinois Electric & Gas Co. — Bonds
(Bids 10:30 a.m. CST)
Denver & Rio Grande Western RR. — Bonds
(Bids invited)
Delaware Power & Light Co. — Preferred
(Bids 11:30 a.m. EST)
Mississippi Valley Gas Co. — Common
(Equitable Securities Corp.)

February 27, 1952
Trans World Airlines, Inc. — Common
(Offering to stockholders)

February 28, 1952
Chicago, Milwaukee, St. Paul & Pacific RR. — Equip. Trust Ctfs.
(Bids noon CST)

March 3, 1952
Daitch Crystal Dairies, Inc. — Common
(Hirsch & Co.)
Southwestern Associated Telephone Co. — Pfd.
(Mitchum, Tully & Co.)

March 4, 1952
Central Power & Light Co. — Bonds
(Bids to be invited)
Continental Air Lines, Inc. — Common
(Lehman Brothers)
Interstate Oil Pipe Line Co. — Debentures
(Morgan Stanley & Co.)
Oklahoma Gas & Electric Co. — Bonds
(Bids to be invited)
United Biscuit Co. of America — Debentures
(Goldman, Sachs & Co.)
United States National Bank, Portland, Ore. — Common
(Probably Blyth & Co., Inc.; Merrill Lynch, Pierce, Fenner & Beane)

March 5, 1952
Detroit Steel Corp. — Bonds
(Halsey, Stuart & Co. Inc.; Van Alstyne, Noel & Co.; Crowell, Weedon & Co.)
Detroit Steel Corp. — Preferred
(Van Alstyne, Noel & Co.; Crowell, Weedon & Co.)
El Paso Natural Gas Co. — Preferred
(White, Weld & Co.)

March 6, 1952
Schering Corp. — Common
(Bids 3:30 p.m. EST)

March 11, 1952
Inland Steel Co. — Bonds & Debentures
(Kuhn, Loeb & Co.)
Metropolitan Edison Co. — Bonds & Preferred
(Bids noon EST)
Ohio Edison Co. — Preferred
(Bids 11 a.m. EST)

March 12, 1952
Narragansett Electric Co. — Bonds
(Bids noon EST)

March 18, 1952
Interstate Power Co. — Bonds & Common
(Bids to be invited)

March 25, 1952
Southern California Gas Co. — Bonds
(Bids to be invited)

March 31, 1952
Mountain States Tel. & Tel. Co. — Common
(Offering to stockholders. No underwriting)

April 1, 1952
West Penn Power Co. — Bonds
(Bids to be invited)

April 3, 1952
Metals & Chemicals Corp. — Common
(Beer & Co.)

April 10, 1952
Merritt-Chapman & Scott Corp. — Common
(Offering to stockholders)

April 15, 1952
Columbia Gas System, Inc. — Debentures
(Bids to be invited)

April 22, 1952
Alabama Power Co. — Bonds
(Bids to be invited)

May 20, 1952
National Fuel Gas Co. — Debentures
(Bids to be invited)

June 24, 1952
Gulf Power Co. — Bonds
(Bids to be invited)

July 8, 1952
Georgia Power Co. — Bonds
(Bids to be invited)

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funds of the Association and used for all corporate purposes. Underwriter—None.

★ Continental Air Lines, Inc. (3/4-5)
Feb. 12 filed 75,000 shares of common stock (par $1.25). **Price**—To be supplied by amendment. **Proceeds**—For general funds and other corporate purposes. **Underwriter**—Lehman Brothers, New York.

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.

Daitch Crystal Dairies, Inc. (3/3-8)
Jan. 31 filed 147,000 shares of common stock (par $1), of which 125,000 shares will be offered by company and 22,000 shares by present stockholders. **Price**—To be supplied by amendment. **Proceeds** — To open additional supermarkets. **Underwriter**—Hirsch & Co., New York.

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, Ohio. (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 11:30 a.m. (EST) on Feb. 26 at 600 Market St., Wilmington, Del.

Detroit Steel Corp. (3/5)
Feb. 5 filed $25,000,000 of first mortgage bonds due March 1, 1967. **Price** — To be supplied by amendment **Proceeds**—To retire $13,950,000 of presently outstanding first mortgage bonds and for expansion program. **Underwriters**—Halsey, Stuart & Co. Inc. of Chicago and New York; Van Alstyne, Noel & Co., New York; and Crowell, Weedon & Co., Los Angeles, Calif.

Detroit Steel Corp. (3/5)
Feb. 5 filed 600,000 shares of convertible preferred stock (par $25). **Price**—To be filed by amendment. **Proceeds**—For expansion program. **Underwriters**—Van Alstyne, Noel & Co., New York, and Crowell, Weedon & Co., Los Angeles, Calif.

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 Ventures, Ltd., Reno, Nev.
Feb. 1 (letter of notification) 200,000 shares of common stock. **Price**—50 cents per share. **Proceeds**—For mining operations. **Office** — 43 Sierra St., Reno, Nev. **Underwriter**—None.

★ Dixie Fire & Casualty Co., Greer, S. C.
Feb. 8 (letter of notification) 9,000 shares of common stock (par $10). **Price**—$20 per share. **Proceeds**—For working capital. **Underwriter**—None.

★ Dole (James) Engineering Co., San Francisco, California
Feb. 8 (letter of notification) $7,613 of convertible 5% income notes due Jan. 1, 1957. **Price**—$4.50 per $1 face value. **Proceeds**—To A. E. Post and H. R. Goff, two selling noteholders. **Underwriter**—The Broy Co., San Francisco, Claif.

★ Ducommun Metals & Supply Co., Los Angeles, California
Feb. 7 (letter of notification) 8,695 shares of common stock (par $2). **Price**—$11.50 per share. **Proceeds**—To Charles E. Ducommun and Virginia Ducommun Ward. **Underwriter**—Hill, Richards & Co., Los Angeles, Calif.

● Erie Forge & Steel Corp., Erie, Pa. (2/20)
Feb. 8 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.
Jan. 21 (letter of notification) a maximum of 14,814 shares of $1.20 cumulative preferred stock (no par) being offered to stockholders of record Jan. 28 through negotiable stock warrants; rights to expire Feb. 20. 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). **Price**—To stockholders, $20.25 per share; and to public, $21 per share. **Proceeds**—To expand business. **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.

★ Forbes & Wallace, Inc., Springfield, Mass.
Feb. 5 (letter of notification) 700 shares of class B common stock (no par). **Price**—$20 per share. **Proceeds**—To R. W. Demarest, the selling stockholder. **Underwriters**—Tifft Brothers, Springfield, Mass.; and F. S. Moseley & Co., Inc., Boston, Mass.

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.

★ General Telephone Corp.
Feb. 12 filed 206,918 shares of 4.75% convertible preferred stock (par $50), to be offered in exchange for a like number of outstanding shares of 4.40% preferred stock on a share-for-share basis, but subject to a charge of $3.68 per share. The offer will expire April 30, 1952. The new preferred stock will be convertible into 1.65 shares of common stock through December, 1956; 1.50 shares thereafter through December, 1961; and 1.40 shares thereafter. **Proceeds**—Any cash proceeds will be used to make additional investments in or advances to subsidiaries. **Underwriter**—None.

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

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.

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.

● International Glass Fibres Corp., Baltimore, Md.
Jan. 28 (letter of notification) 200,000 shares of common stock (par $1). **Price**—$1.50 per share. **Proceeds**—For construction and working capital. **Office**—10 Light St., Baltimore 2, Md. **Underwriter**—George F. Breen, New York.

★ Interstate Oil Pipe Line Co., Shreveport, La. (3/4)
Feb. 13 filed $25,000,000 of 25-year sinking fund debentures, series A, due March 1, 1977. **Price**—To be supplied by amendment. **Proceeds**—For expansion program. **Underwriter**—Morgan Stanley & Co., New York.

● Kansas-Nebraska Natural Gas Co., Inc.
Jan. 14 filed 77,355 shares of common stock (par $5) being offered first to common stockholders of record 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. Statement effective Feb. 4.

● 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 $13.50 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. **Offering**—Expected today.

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.

● Maine Public Service Co.
Jan. 15 filed 35,000 shares of common stock (par $10) being offered first to common stockholders at rate of one share for each five shares held on Feb. 4, with oversubscription privileges; rights to expire Feb. 25. **Price**—$15.25 per share. **Underwriters**—Merrill Lynch, Pierce, Fenner & Beane, and Kidder, Peabody & Co., both of New York. **Proceeds**—To repay bank loans and for new construction. Statement effective Feb. 4.

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.

★ Mathieson Co., Inc., East Rutherford, N. J.
Feb. 5 (letter of notification) $125,000 of first mortgage bonds, dated March 1, 1952 and due March 1, 1967. **Price**—At principal amount (in units of $100 each). **Proceeds**—To complete building program, to purchase and retire preferred stock and for working capital. **Underwriter**—Mohawk Valley Investing Co., Utica, N. Y.

McKay Machine Co., Youngstown, Ohio
Jan. 14 (letter of notification) 6,399 shares of common stock (no par), being 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.
Jan. 15 filed 100,000 shares of 5½% cumulative convertible preferred stock (par $50). **Price**—$52.50 per share. **Underwriter**—Reynolds & Co., New York. **Proceeds**—For expansion program. **Withdrawal** — Request filed Feb. 8 to withdraw statement.

Metropolitan Edison Co. (3/11)
Jan. 30 filed $7,800,000 of first mortgage bonds due March 1, 1982. **Proceeds** — For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: 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. **Bids**—To be received at Room 2703, 67 Broad St., New York 4, N. Y., up to noon (EST) on March 11.

Metropolitan Edison Co. (3/11)
Jan. 30 filed 40,000 shares of new cumulative preferred stock (par $100). **Proceeds**—For new construction. **Underwriters** — To be determined by competitive bidding. Probable bidders: 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**—To be received at Room 2703, 67 Broad St., New York 4, N. Y., up to noon (EST) on March 11.

● Mississippi Valley Gas Co. (2/26)
Feb. 4 filed 400,000 shares of common stock (par $5). **Price**—To be supplied by amendment. **Proceeds**—From sale of stock, together with proceeds from private sale of $7,700,000 4½% first mortgage bonds due 1972, to be used to purchase gas properties of Mississippi Power & Light Co. The transaction is to be consummated on Feb. 29, 1952. **Underwriter**—Equitable Securities Corp., Nashville, Tenn.

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.

★ Morrison-Knudsen Co., Inc., Boise, Ida
Jan. 28 (letter of notification) 9,716 shares of common stock (par $10), to be offered to employees of company and of Broadway Holding Co., a wholly-owned subsidiary. **Price**—At 95% of market value. **Proceeds**—None.

Moshannon Valley Gas & Oil Co., Inc.
Jan. 18 (letter of notification) 6,000 shares of class A common stock. **Price**—At par ($50 per share). **Proceeds**—To lease and own, develop and operate gas and oil wells. **Office**—19 Water Street, Philipsburg, Pa. **Underwriter**—None.

★ Narragansett Electric Co., Providence, R. I. (3/12)
Feb. 8 filed $7,500,000 of first mortgage bonds, series C, due March 1, 1982. **Proceeds**—To repay bank loans incurred for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsay, Stuart & Co. Inc.; Harriman Ripley & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.; The First Boston Corp.; Lehman Brothers; White, Weld & Co. **Bids**—To be received up to noon (EST) on March 12 at company's offices, Room 516, 49 Westminster St., Providence, R. I.

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.

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★ Newport Steel Corp., Newport, Ky.
Feb. 5 (letter of notification) 1,200 shares of common stock (par $1). **Price** — At market (estimated at about $11.84 per share). **Proceeds** — To Bernard A. Mitchell, the selling stockholder. **Underwriter** — Merrill Lynch, Pierce, Fenner & Beane, Louisville, Ky.

Noranda Oil Corp., San Antonio, Tex.
Jan. 29 (letter of notification) 10,000 shares of common stock (par $1). **Price** — At market (approximately 75 cents per share). **Proceeds**—To Aristide M. Joncas. **Office**—2101 Transit Tower, San Antonio 5, Tex. **Underwriter**—C. K. Pistell & Co., Inc., New York.

★ Nylonet Corp., Opa-Locka, Fla.
Feb. 6 (letter of notification) 125,000 shares of 12-cent cumulative preferred stock and 125,000 shares of common stock to be offered in units of one share of preferred and one share of common stock. **Price**—$1.50 per unit. **Proceeds**—Of 100,000 shares each class to company, for working capital, and proceeds from 25,000 shares each class to two selling stockholders. **Underwriter**—None.

● Oklahoma Gas & Electric Co. (3/4)
Jan. 30 filed $12,000,000 of first mortgage bonds due March 1, 1982. **Proceeds**—To retire bank loans and for new construction. **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). **Bids**—Expected to be received early in March.

Oliver Corp., Chicago, Ill.
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.

● Oregon Fibre Products, Inc., Pilot Rock, Ore.
Feb. 1 filed $2,500,000 5% sinking fund debentures due Jan. 1, 1968 (in denominations of $100 each); 5,000 shares of 6% cumulative preferred stock (par $100) and 50,000 shares of common stock (par $1) to be offered in units of $100 of debentures and two common shares or one share of preferred and two common shares. **Price**—$102 per unit; debentures and preferred stock may also be purchased at face value separately. **Proceeds**—For new construction and equipment. **Business**—Softboard and hardboard plant. **Underwriter**—None.

★ Paragon Mines, Inc., Ophir, Colo.
Feb. 6 (letter of notification) 100,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For labor, supplies, etc. **Underwriter**—None.

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.

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.

★ Perma Line Corp. (Del.), New York
Feb. 1 (letter of notification) 299,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For general corporate purposes. **Underwriter**—Hunter Securities Corp., New York.

Phillips Packing Co., Inc., Cambridge, Md.
Jan. 30 (letter of notification) 3,000 shares of common stock (no par). **Price**—At market (approximately $8.87½ per share). **Proceeds**—To Theodore Phillips. **Underwriter**—Alex. Brown & Sons, Baltimore, Md.

Feb. 1 (letter of notification) 2,000 shares of common stock (no par). **Price** — At market (about $8.62½ per share). **Proceeds** — To Albanus Phillips, Jr., the selling stockholder. **Underwriter**—Alex. Brown & Sons, Baltimore, Md.

Pioneer Air Lines, Inc., Dallas, Tex.
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**—Temporarily delayed.

★ Pioneer Finance Co., Detroit, Mich.
Feb. 8 (letter of notification) 24,826 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—For working capital. **Office**—National Bank Bldg., Detroit, Mich. **Underwriter**—None.

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.
Jan. 17 filed 434,189 shares of common stock (par $5) being 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**—$8 per share. **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. Statement effective Feb. 4.

Reis (Robert) & Co.
Jan. 29 (letter of notification) 7,000 shares of $1.25 dividend prior preference stock (par $10) and 40,000 shares of common stock (par $1). **Price**—$7.37½ per share for the preferred and $1.12½ per share for common. **Proceeds**—To Estate of Arthur M. Reis, deceased. **Underwriter** — None, but Lehman Brothers, New York, will act as broker.

★ Rheem Manufacturing Co., Richmond, Calif. (2/28)
Feb. 8 filed 225,000 shares of common stock (par $1), of which 200,000 shares are to be offered by the company and 25,000 shares by certain stockholders. **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Business** — Manufacturer of steel containers and home appliances. **Underwriter**—Blyth & Co., Inc., New York and San Francisco.

★ Richey Oil Co., Billings, Mont.
Feb. 7 (letter of notification) 9,977 shares of class A common stock and 289,000 shares of class B common stock. **Price**—At par ($1 per share). **Proceeds**—To drill wells. **Address**—P. O. Box 2105, Billings, Mont. **Underwriter**—None.

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. Statement effective Jan. 28.

● Schering Corp., Bloomfield, N. J. (3/6)
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.; Smith, Barney & Co.; Estabrook & Co. **Proceeds**—To the Attorney General of the U. S., the owner of the shares. **Business**—Manufactures and sells pharmaceutical cosmetic products. **Bids**—To be received up to 3:30 p.m. (EST) on March 6 by Office of Alien Property, 120 Broadway, New York, N. Y. Statement effective Jan. 31.

★ Shaw Oil & Chemical Corp., Howe Cave, Ky.
Feb. 8 (letter of notification) 750,000 shares of common stock (par 5 cents). **Price**—40 cents per share. **Proceeds**—For new equipment and working capital. **Underwriter**—Hunter Securities Corp., New York.

★ Southwestern Associated Telephone Co. (3/3)
Feb. 11 filed 75,000 shares of 5½% cumulative preferred stock. **Price**—At par ($20 per share). **Proceeds**—To retire short-term loans and for new construction. **Business Adviser**—Mitchum, Tully & Co., San Francisco, Calif.

Spear & Co., New York
Dec. 31 filed 9,026 shares of $5 cumulative convertible second preferred stock, (no par), of which 7,526 shares are being 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. Statement effective Jan. 30.

★ State Bond & Mortgage Co., New Ulm, Minn.
Feb. 12 filed $1,500,000 of accumulative savings certificates, series 7, and $15,000,000 of accumulative savings certificates, series 17. **Proceeds**—For investment. **Underwriter**—None.

Sun Electric Corp., Chicago, Ill.
Jan. 29 (letter of notification) 3 000 shares of 6% cumulative preferred stock. **Price**—At par ($100 per share). **Proceeds**—For working capital. **Office**—6323 Avondale Ave., Chicago 31, Ill. **Underwriter**—None.

★ Teleprompter Corp., New York
Feb. 1 (letter of notification) 3,494 shares of common stock. **Price**—$12.75 per share. **Proceeds**—To selling stockholders. **Underwriter**—L. H. Rothchild & Co., New York.

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.

★ Trans World Airlines, Inc. (2/27)
Feb. 8 filed 242,987 shares of common stock (par $5) to be offered for subscription by common stockholders of record Feb. 27 at rate of one share for each 10 shares held. **Price** — $21.25 per share. **Proceeds**—For working capital and new equipment. **Underwriter** — None, but Hughes Tool Co., owner of 74% of TWA's common stock, has agreed to purchase sufficient unsubscribed shares to provide company with $5,000,000 proceeds.

★ Tri-Boro Finance Co., Inc., No. Attleboro, Mass.
Feb. 5 (letter of notification) 1,000 shares of 7% cumulative preferred stock (par $100); 1,000 demand treasury certificates, series D (par $50); 400 certificates, series C (par $100); and 100 certificates, series L (par $500). **Price**—At par. **Proceeds**—For increased capital. **Office**—11 So. Washington St., North Attleboro, Mass. **Underwriter**—None.

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, President of company.

★ 25 Broad St. Realty Associates, New York
Feb. 11 filed 490 participations in individual joint venturers' undivided interests. **Underwriter**—None.

★ United Biscuit Co. of America (3/4)
Feb. 13 filed $10,000,000 of debentures due March 1, 1977. **Price** — To be supplied by amendment. **Proceeds**—For plant and equipment replacements and additions and for general corporate purposes. **Underwriter** — Goldman, Sachs & Co., New York.

● United Canadian Oil Corp. (2/20)
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.

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.

● Welex Jet Services, Inc.
Jan. 25 (letter of notification) 2,000 shares of common stock (no par). **Price**—$20 per share. **Proceeds**—To W. H. Thompson, the selling stockholder. **Underwriters**—Barron McColloch, Ft. Worth, Tex.; Dewar, Roberston & Pancoast and Russ & Co., both of San Antonio, Tex.; and Laird & Co., Wilmington, Del.

West Penn Electric Co.
Dec. 28 filed 440,000 shares of common stock (no par) being 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 Gold Mines, Inc., Carson City, Nev.
Feb. 6 (letter of notification) 10,000 shares of common stock (par 10 cents). **Price**—At market (approximately $2.75 per share). **Proceeds**—For working capital. **Offices**—First National Bank Bldg., Carson City, Nev., and 42 Broadway, New York 4, N. Y. **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.

★ Alabama Power Co. (4/22)
Feb. 8 it was announced company plans to issue and sell about $12,000,000 of first mortgage bonds. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Kuhn, Loeb & Co.; Lehman Brothers; The First Boston Corp.; Blyth & Co., Inc.; Union Securities Corp.; Equitable Securities Corp. and Drexel & Co. (jointly); Shields & Co. and Salomon Bros. & Hutzler (jointly); Harriman Ripley & Co. Inc. **Bids**—Tentatively expected to be opened on April 22.

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.
Feb. 5 directors approved the raising of $50,000,000 of new money to provide for the company's plant improvement program and for additional working capital. C. H. Black, Chairman, said the board's plans call for providing half of the new money through the sale of debentures and the remaining $25,000,000 through the sale of additional common stock which would be offered to common stockholders for subscription. The details of the financing plan will be completed and announced at an early date. Stockholders will vote April 29 on approving financing plans and proposed 4-for-1 split-up of preferred and common stocks. **Underwriter**—Morgan Stanley & Co., New York.

★ American Gas & Electric Co.
Jan. 31 Philip Sporn, President, stated that the company may undertake additional common stock financing in 1952 and that additional financing will be done by some of the company's subsidiaries in order to carry out the system's construction program to cost about $120,000,000 this year. Previous common stock offer to common stockholders was not underwritten.

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★ American Tobacco Co.
Feb. 8 it was announced company is considering issuing approximately $100,000,000 of new securities, approximately one-half to be in the form of long-term debentures. The balance will consist of common stock to be offered for subscription by common stockholders. **Proceeds**—To reduce bank loans. **Offering**—Expected in March. **Underwriter**—Morgan Stanley & Co., New York.

Atlantic City Electric Co.
Jan. 21, B. L. England, President, stated that the company expects to issue and sell $5,000,000 of first mortgage bonds during the first half of 1952, and $4,000,000 of preferred stock in the last half of the year. **Underwriters**—For bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Drexel & Co. (jointly); Union Securities Corp. and Smith, Barney & Co. (jointly); Lehman Brothers; White, Weld & Co. and Shields & Co. (jointly). Previous preferred stock financing was done privately through Union Securities Corp. and Smith, Barney & Co. **Proceeds**—For construction program.

Bell Telephone Co. of Pennsylvania
Jan. 2 it was announced that company's construction program for next three years calls for the expenditure of $247,000,000 of which about $81,700,000 will be spent in 1952. **Underwriters**—For bonds to be decided by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and Lazard Freres & Co. (jointly); Morgan Stanley & Co.; White, Weld & Co. and Union Securities Corp. (jointly); The First Boston Corp.

Bridgeport Hydraulic Co., Bridgeport, Conn.
Jan. 15 it was announced that company plans to offer to common stockholders 44,000 additional shares of common stock. **Price**—Between $24 and $26.75 per share. **Underwriter**—Smith, Ramsey & Co., Bridgeport, Conn. **Proceeds**—To finance improvements and additions and to liquidate short term bank loans. **Offering**—Expected in March.

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)
Feb. 11 company filed an application with SEC for authority to issue and sell $10,000,000 first mortgage bonds, series D, due March 1, 1982. **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, Milw., St. Paul & Pacific RR. (2/28)
Bids will be received by the company up to noon (CST) on Feb. 28 for the purchase from the company of $2,400,000 equipment trust certificates, series PP, to mature semi-annually over a period of 15 years. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Chicago & Western Indiana RR.
Jan. 23 company sought ICC permission to issue $52,500,000 of first and refunding mortgage bonds, series E, 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 & Trust Co. of Chicago
Feb. 11 common stockholders were given the right to subscribe on or before Feb. 25 for 40,000 additional shares of common stock (par $25) at rate of one new share for each five shares held. **Price**—$40 per share. **Proceeds**—To increase capital and surplus. **Underwriters**—Merrill Lynch, Pierce, Fenner & Beane; Central Republic Co. (Inc.); Bacon, Whipple & Co.; A. C. Allyn & Co., Inc.; Paul H. Davis & Co. and The Illinois Co.

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. (4/15)
Feb. 7 it was announced company plans sale of $60,000,000 of new debentures. **Proceeds**—To repay $20,000,000 of bank loans and for 1952 construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Registration**—Tentatively scheduled for March 19. **Bids**—To be opened April 15.

● Consolidated Edison Co. of New York, Inc.
Feb. 6 company applied to New York P. S. Commission for authority to issue and sell $50,000,000 of 30-year first and refunding mortgage bonds, series H, due 1982. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp. **Bids**—Scheduled for late March, with registration expected late in February.

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.

● Delaware, Lackawanna & Western RR. (2/19)
Bids will be received up to noon (EST) on Feb. 19 by the company at Room 2008, 140 Cedar St., New York 6, N. Y., for the purchase from it of equipment trust certificates, series K, to be dated March 1, 1952, and to mature in 15 equal annual instalments of $198,000 from 1953 to 1967, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Lee Higginson Corp.; Harris, Hall & Co. (Inc.); The First National Bank of New York; Harriman Ripley & Co. Inc. and Lehman Brothers (jointly).

Denver & Rio Grande Western RR. (2/26)
Feb. 6 it was announced that the RFC will receive bids on Feb. 26 for the purchase from it of $8,700,605 par value of 4½% income mortgage bonds, series A, due Jan. 1, 2018. Probable bidders—Halsey, Stuart & Co. Inc.; Bear, Stearns & Co.

★ El Paso Natural Gas Co. (3/5)
Feb. 11 it was reported that registration is expected this week of 100,000 shares of preferred stock (par $100). **Proceeds**—For construction program. **Offering**—Expected first week of March. **Underwriter**—White, Weld & Co., New York.

Florida Power Corp.
Jan. 11 it was announced that additional financing will be necessary to complete the company's construction program and it is contemplated that the balance of new capital needed will be obtained from the sale of common stock and first mortgage bonds. Company has borrowed $4,000,000 under a bank credit recently arranged which provides for short-term bank borrowings of not more than $10,000,000. Previous bond financing was done privately. Common stock may be offered to common stockholders, with Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane acting as agents.

★ Florida Power & Light Co.
Feb. 11 directors approved a $22,100,000 construction budget for 1952 and $27,800,000 for 1953. This is part of a 10-year program estimated to cost $332,000,000. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Harriman Ripley & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane; Lehman Brothers; Shields & Co.; The First Boston Corp.; Carl M. Loeb, Rhoades & Co. and Bear, Stearns & Co. (jointly); White, Weld & Co.

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.

★ General Fuse Co., South River, N. J.
Jan. 28 Nelson O. Burt, President, announced company is discussing the marketing of unsubscribed 5½% convertible preferred stock with several underwriters. A total of 50,000 shares were recently offered to common stockholders at par ($5 per share).

★ General Public Utilities Corp.
Feb. 6 it was reported the corporation is expected to sell this summer more than 500,000 additional shares of common stock. Stockholders on April 7 will vote on proposal to authorize issuance of common stock without requiring preemptive rights. **Underwriters**—If stock is sold at competitive bidding, probable bidders may include: Lehman Brothers; The First Boston Corp. In July, 1951, Merrill Lynch, Pierce, Fenner & Beane acted as clearing agent for an offering of common stock to stockholders.

★ Georgia Power Co. (7/8)
Feb. 8 it was announced company plans issuance and sale of $20,000,000 of first mortgage bonds. **Proceeds**—For new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp.; Lehman Brothers; Kuhn, Loeb & Co.; Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); Shields & Co. and Salomon Bros. & Hutzler (jointly); Union Securities Corp. and Equitable Securities Corp. (jointly); Harriman Ripley & Co. Inc. **Bids**—Expected on July 8.

★ Gulf Power Co. (6/24)
Feb. 8 it was announced company plans to issue and sell $7,000,000 of first mortgage bonds. **Proceeds**—For new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Coffin & Burr, Inc.; The First Boston Corp.; Kidder, Peabody & Co.; Union Securities Corp.; Equitable Securities Corp. **Bids**—Expected to be opened on or about June 24.

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.
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.

● Inland Steel Co. (3/11)
Jan. 31 it was announced company plans issuance and sale of $25,000,000 first mortgage bonds, due 1982, and about $25,000,000 of convertible debentures, due 1972 (latter to be first offered to common stockholders). **Price**—To be announced later. **Proceeds**—For expansion program. **Underwriter**—Kuhn, Loeb & Co., New York. **Registration**—Expected about Feb. 20.

★ International Bank for Reconstruction and Development ("World Bank")
Feb. 5 it was reported bank expects to issue and sell $50,000,000 to $100,000,000 additional bonds in April or May.

★ Interstate Petroleum Co.
Feb. 14 a secondary offering is expected today of 250,760 shares of class B stock. **Underwriter**—White, Weld & Co., New York.

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:

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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.

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.

★ Merritt-Chapman & Scott Corp. (4/10)
Feb. 11 company announced plans to issue and sell to its common stockholders, of record April 10, approximately 110,000 shares of common stock on a 1-for-4 basis; rights will expire on April 28. Plans to issue a preferred stock issue will be withdrawn. **Proceeds**—For expansion program. **Underwriter**—Reynolds & Co. had been named for preferred stock.

● Metals & Chemicals Corp., Dallas, Tex. (4/3)
Jan. 23 it was announced company plans registration about March 14 of 162,500 shares of common stock (par 10 cents). **Price**—To be supplied by amendment. **Proceeds**—For new mill and equipment and for working capital. **Underwriter**—Beer & Co., Dallas, Texas, and others.

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.

Mountain States Telephone & Telegraph Co. (3/31)
Jan. 25 it was announced stockholders will vote March 18 on increasing authorized capital stock (par $100) from 1,500,000 to 2,000,000 shares. It is planned to offer stockholders of record March 28 a total of 318,624 new shares at rate of one share for each four shares held; rights to expire about April 29. **Price**—At par. **Proceeds**—For repayment of indebtedness. **Control**—American Telephone & Telegraph Co. owns a majority (over 80%) of present outstanding stock. **Underwriter**—None.

National Fuel Gas Co., N. Y. (5/20)
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. **Bids**—Expected on or about May 20.

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.

★ Nevada Natural Gas Pipe Line Co., Las Vegas, Nevada
Feb. 8 company applied to FPC for authority to construct a 114-mile pipeline from near Topock, Ariz., to Las Vegas, Nev., at an estimated cost of $2,400,880, to be financed by sale of $1,600,000 first mortgage bonds, $500,000 preferred stock and $402,500 common stock.

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); Kidder, Peabody & Co. and White, Weld & Co. (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.

● New York State Electric & Gas Co.
Feb. 1 it was announced company plans to raise a total of approximately $40,000,000 in 1952 and 1953 to take care of its construction program involving $51,000,000. Of the new financing, $10,000,000 of new 3¾% debentures will be sold to three institutional investors. **Underwriter**—Most recent equity financing was handled by The First Boston Corp.

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.

★ Ohio Edison Co. (3/11)
Feb. 5 company applied to SEC for authority to issue and sell 150,000 shares of new preferred stock (par $100). **Proceeds**—For new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Morgan Stanley & Co.; W. C. Langley & Co.; Glore, Forgan & Co. and White, Weld & Co. (jointly); First Boston Corp.; Lehman Brothers and Bear, Stearns & Co. (jointly). **Bids**—Tentatively scheduled to be opened at 11 a.m. (EST) on March 11. **Registration**—Expected today (Feb. 14).

Pacific Northwest Pipeline Corp.
Jan. 7 the company applied to the FPC for authority to build a 2,175-mile natural gas pipeline from southern Texas to the Pacific Northwest at an estimated cost of $174,186,602. The line is sponsored by Fish Engineering Corp. of Houston, Tex. Probable underwriters: White, Weld & Co. and Kidder, Peabody & Co., New York. (See also accompanying item on "Spokane Gas & Fuel Co.")

● Pacific Power & Light Co.
Feb. 8 Paul B. McKee, President, announced company is now seeking competitive bids for the sale of $12,500,000 of first mortgage bonds as the next step in its 1952 financing program. It had originally been planned to place the securities privately. Probable bidders may include: Halsey, Stuart & Co. Inc.; Carl M. Loeb, Rhoades & Co.; Union Securities Corp.; Kidder, Peabody & Co.; Lehman Brothers; W. C. Langley & Co. and The First Boston Corp. (jointly); Blyth & Co., Inc.

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.

★ Philadelphia Electric Co.
Feb. 6 it was announced stockholders on April 9 will be asked to approve an increase in the authorized indebtedness of the company to $400,000,000 from $265,430,000. No additional financing is contemplated until 1953.

● Portland General Electric Co.
Feb. 9 Thomas W. Delzell, Chairman, announced company plans to issue and sell this spring 250,000 shares of common stock and by Nov. 1 an issue of first mortgage bonds. **Proceeds**—To finance, all or in part, $9,000,000 of bank loans maturing May 1, 1952. **Traditional Underwriter**—Blyth & Co., Inc.

★ Public Service Co. of Indiana, Inc.
Feb. 6 it was reported company may issue and sell about $20,000,000 of first mortgage bonds. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Salomon Bros. & Hutzler and Union Securities Corp. (jointly); Blyth & Co., Inc.; The First Boston Corp.; Glore, Forgan & Co.; Merrill Lynch, Pierce, Fenner & Beane; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Harriman Ripley & Co. Inc.

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.

★ Quaker Oats Co., Chicago, Ill.
Feb. 11 John Stuart, Chairman, announced company is negotiating with Glore, Forgan & Co., New York, for the underwriting of an issue of approximately 410,000 shares of common stock which will first be offered for subscription to common stockholders on a 1-for-7 basis. Proceeds from sale of stock, together with other funds, will be used to reimburse company's treasury for plant expenditures already made, for working capital and modernization program.

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.

Russell Reinforced Plastics, Inc. (2/20)
Feb. 6 it was reported company plans to issue and sell 150,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—For expansion. **Underwriter**—Aetna Securities Corp., New York.

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 Co.
Feb. 8 it was announced company is planning to issue and sell later this year additional common stock. **Proceeds**—To increase investments in subsidiaries in furtherance of their construction programs. **Underwriters**—May be determined by competitive bidding. Probable bidders: Lehman Brothers; Morgan Stanley & Co.; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Blyth & Co., Inc.; Union Securities Corp. and Equitable Securities Corp. (jointly); Harriman Ripley & Co. Inc.

Southern Ry. (2/20)
Bids will be received up to noon (EST) on Feb. 20 for the purchase from the company of $5,850,000 equipment trust certificates to be dated March 15, 1952 and due in 30 equal semi-annual instalments 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.

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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 Eastern Transmission Corp.
Feb. 7 it was reported company is considering an offering of additional common stock to common stockholders on a 1-for-8 basis. **Probable Underwriter**—Dillon Read & Co. Inc., 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 Gas Corp.
Feb. 6 the SEC ruled that 3,165,781 shares of common stock (approximately 27% of total outstanding) must be disposed of by Electric Bond & Share Co. **Underwriters**—If competitive, probable bidders may include Lehman Brothers.

● 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 4 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)
Feb. 6 directors approved issue and sale of $12,000,000 of first mortgage bonds due 1982. **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. **Common Stock Offering**—Company also plans to issue and sell to common stockholders about $8,000,000 of common stock. About 5.4% of present outstanding common stock is owned by public. Balance is owned by West Penn Electric Co., the parent. Offering of stock also expected around April 1.

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 (to preferred stockholders) and additional common stock (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 for both issues). **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); Union Securities Corp.; First Boston Corp.; Glore, Forgan & Co.

Wisconsin Public Service Corp.
Sept. 4 C. E. Kohlepp, President, announced company plans to build a $12,000,000 steam turbine power plant in Marathon County, Wis. Method of permanent financing has not yet been determined. If bonds, probable bidders may include: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Harris, Hall & Co. (Inc.); Kidder, Peabody & Co.; Carl M. Loeb, Rhoades & Co.; Salomon Bros. & Hutzler; Union Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane; Shields & Co.

Our Reporter's Report

Although the futures roster is being fattened by new registrations and corporation announcements of plans for additional financing, the underwriting industry finds itself with time aplenty on its hands at the moment.

There is always the possibility that negotiated deals now pending may be brought out, particularly those involving equities, provided the stock market throws off its current tone of heaviness and points higher again.

But currently the tendency on the part of issuers is to tread lightly. Merritt-Chapman & Scott for example, decided to postpone a projected preferred stock flotation indefinitely because of prevailing conditions.

Meantime, investment banking firms and their dealer organizations find themselves with very little left over from recent offerings. This naturally makes for a condition which is not, to say the least, palatable.

It tends, once more, to turn attention to the complaint of underwriters against the limitations imposed on both issuer and underwriter by the competitive bidding rule which is operative on utility and railroad securities.

These parties have little in the way of latitude in the matter of meeting market conditions which can and do develop in between the time a group bids for an issue and its subsequent offering, 48 hours or so later upon clearance of the terms by the Securities and Exchange Commission.

In the case of negotiated flotations once the required period of hibernation is passed, it is argued, those involved can time and price the security in keeping with conditions of the market.

Koppers Co. Inc. Stock

Lean pickings for underwriters seem destined to continue for a spell so far as new corporate issues are concerned. This week was certainly bereft of anything in the way of offerings that would have required the efforts of any great part of the investment banking fraternity.

And the immediate prospect looks pretty much the same. There is only one issue definitely in the works and that involves the large block of additional stock to be sold by the Koppers Co., Inc.

A prime industrial name, the negotiated marketing of this firm's 250,000 shares of additional common will, it appears, attract plenty of investor interest. Here again, as in the case of recently successful flotations, proper pricing is the key.

Really Too Good

Underwriters naturally are grateful when a security which they are sponsoring meets with brisk demand and quick over subscription. But once every so often, success can smile too fully on a given operation.

This was the case in the recent enormous oversubscription received for the 630,000 shares of $5 par common stock of Owens-Corning Fiberglas Corp. When it is necessary to allot stock against such enormous subscriptions it is almost impossible to satisfy everyone concerned. Some feelings are bound to be hurt.

One need look no further than the when-issued trading in this particular issue to realize the scope of the oversubscription that was rolled up. A premium of some 11 points was registered. And this included a heavy outright interest, not only of domestic origin, but much of its represented by orders from abroad.

Backlog Building Up

Next month gives promise of bringing along a substantial pick-up in new corporate financing. Utilities still loom as the major borrowers through the medium of debt securities, in competitive bidding.

Columbia Gas System, Inc. reports plans for seeking to raise $60,000,000 in April, through the sale of that amount of new debentures. About a third of the total would be used to liquidate short-term loans and the balance for financing current construction.

Consolidated Edison Co. of New York, meanwhile, is preparing an extensive program of new borrowing which involves initial flotation of $50,000,000 of new mortgage bonds late in March.

A number of industrial concerns have indicated plans for raising new capital through negotiated flotations. American Tobacco will seek $50,000,000; Detroit Steel, $25,000,000 and Inland Steel and American Can plan to raise similar amounts.

$30,000,000 Issue of British Columbia Placed on Market

Financing to the extent of $30,000,000 is being undertaken today (Feb. 14) by the Province of British Columbia, Canada, with the public offering in the United States of an issue of $22,500,000 of 3⅝% sinking fund debentures due Feb. 15, 1977, and an issue of $7,500,000 of 3% debentures due serially Feb. 15, 1953 through 1957. The 3⅝% debentures are priced at 99.75 and accrued interest to yield approximately 3.64% to maturity; the 3% debentures are being offered at prices scaling down from 100.20 for the earliest due date to 99.31 for the 1957 maturity. Principal and interest are payable in U. S. and Canadian dollars.

The First Boston Corp. and A. E. Ames & Co., Inc., jointly head the underwriting group which includes: Smith, Barney & Co.; Harriman Ripley & Co. Inc.; Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Wood, Gundy & Co., Inc.; The Dominion Securities Corp., and McLeod, Young, Weir Inc.

Following conversion into Canadian dollars, proceeds from the sale of $10,000,000 of the 3⅝% debentures will be advanced to the British Power Commission which will, in turn, repay $9,650,000 outstanding notes which are guaranteed by the Province and incurred by the Commission under its construction program to increase the Province's electric generating capacity and transmission and distribution facilities. The balance of proceeds from the sale of the remainder of debentures will be used to pay outstanding Treasury bills issued by the Province for public improvement purposes.

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NSTA Notes

SECURITY TRADERS ASSOCIATION OF NEW YORK

Security Traders Association of New York (STANY) Bowling League standing as of Feb. 7, 1952 are as follows:

TEAM	Points
Kumm (Capt.), Ghegan, R. Montanye, Krassowich, Manson	70
Mewing (Capt.), G. Montanye, M. Meyer, LaPato, Klein	61
Goodman (Capt.), Weissman, Farrell, Valentine, Smith	59
Bean (Capt.), Lax, H. Frankel, Workmeister, Ried	58
Donadio (Capt.), Rappa, O'Connor, Whiting, DeMaye	55½
Serlen (Capt.), Gold, Krumholz, Young, Gersten	53
Krisam (Capt.), Gavin, Gannon, Jacobs, Murphy	50
Leone (Capt.), Tisch, O'Marra, Nieman, Bradley	50
Hunter (Capt.), Craig, Gredericks, Weseman, Lytle	49
Burian (Capt.), Siepser, Gronick, Growney, Kaiser	43½
H. Meyer (Capt.), Swenson, A. Frankel, Wechsler, Murphy	42
Greenberg (Capt.), Siegel, Cohen, Strauss, Voccoli	39

200 Club
J. Manson 213

5 Point Club
Hank Serlen

Ehrman Director

Frederick L. Ehrman

Frederick L. Ehrman, a partner of Lehman Brothers, has been elected a director of Beckman Instruments, Inc., of South Pasadena, Calif., a leading manufacturer of electronic instruments. Mr. Ehrman is also a director of Park & Tilford Distillers, Continental Air Lines, B. T. Babbitt, Monterey Oil and Jergins Oil Companies.

N. Y. Curb Board Makes Appointments

James R. Dyer, Dates & Dyer, a regular member of the New York Curb Exchange since September, 1929, was elected Vice-Chairman of the Board for the ensuing year at the 42nd annual organization meeting of the governing board Feb. 13, Edward T. McCormick, President of the Exchange, announced. Mr. Dyer succeeds Charles J. Kershaw, Vice-Chairman for the preceding year.

The newly elected and retiring members of the board, together with incumbent members, were tendered a dinner at the New Amsterdam Room of the Netherland Club by the market president.

Other standing committee chairmen approved by the Board of Governors include: Committee on Securities, Benjamin H. VanKeegan, Frank C. Masterson & Co.; Committee on Outside Supervision, Robert C. VanTuyl, Shearson, Hammill & Co.; Committee on Finance, Charles W. Halden, H. L. Buchanan & Co.; Committee on Public Relations, Thomas H. Hockstader; Realty Committee, Carl F. Cushing, W. E. Burnet & Co.; Committee on Business Conduct, Andrew Baird, Josephthal & Co.; Committee on Admissions, O. F. Browning, Jr.; and Committee on Arbitration, Walter T. O'Hara, Thomson & McKinnon. John J. Mann, reelected Chairman at Monday's elections, will head the Executive Committee.

The Board of Governors approved the reappointment of George Rowland Collins, Dean, New York University School of Commerce, Accounts and Finance and the university's Graduate School of Business Administration; Edward F. Barrett, President of Long Island Lighting Co. and Benjamin H. Namm, Chairman of Namm's, Inc., as Public Governors of the Curb Exchange.

Curb Exchange officers appointed by the President and approved by the Board include Charles E. McGowan, Vice-President and Secretary; Christopher Hengeveld, Jr., Vice-President and Treasurer; Martin J. Keena, Vice-President, and Joseph R. Mayer, Assistant Treasurer and Director of the Department of Finance. Michael E. Mooney was appointed assistant to the President; Arthur Bellone, Director of the Department of Floor Transactions; Edwin J. O'Meara, director of Floor Supervision: H. Vernon Lee, Jr., Director of the Department of Admissions and Outside Supervision; Bernard H. Maas, Director of the Department of Securities; Wilmont H. Goodrich, Building Director, and John J. Sheehan, Director of the Department of Public Relations.

Francis I. du Pont Adds

(Special to THE FINANCIAL CHRONICLE)

MIAMI BEACH, Fla.—Emanuel Kahn has become associated with Francis I. du Pont & Co., 2809 Collins Avenue. In the past he was with Bache & Co.

Joins Fla. Securities

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, Fla.—Edward R. Dunn has joined the staff of Florida Securities Company, Florida National Bank Building. Mr. Dunn was previously with Goodbody & Co.

With James E. Bennett

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Walter F. Pauly, Jr. is now affiliated with James E. Bennett & Co., 141 West Jackson Boulevard, members of the New York and Midwest Stock Exchanges. He was previously with Rodman & Linn.

R. H. Johnson Adds

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Maine—Julian K. Croxford has become associated with R. H. Johnson & Co. Mr. Croxford has recently been with du Pont, Homsey & Co. and Draper, Sears & Co.

With Morfeld, Moss Co.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—Sharron R. Fowler has become associated with Morfeld, Moss & Hartnett, 721 Olive Street, members of the Midwest Stock Exchange. Mr. Fowler was previously with Dempsey-Tegeler & Co.

Two With Bisno & Bisno

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Ralph M. Watson and James W. Lynch have joined the staff of Bisno and Bisno. Mr. Watson was formerly with Capital Securities Co.; Mr. Lynch was with Waldron & Co.

With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Henry T. Ritchie has been added to the Staff of Merrill Lynch, Pierce, Fenner & Beane, 301 Montgomery Street.

Rockwell-Gould Adds

ELMIRA, N. Y. — Rockwell-Gould Co., Inc., 159-167 Lake Street, announce that David T. Davies has been added to their sales staff.

Einstein & Stern Admit

Einstein & Stern, 14 Wall Street, New York City, members of the New York Stock Exchange, admitted Marion S. Stern to limited partnership Feb. 1.

Davies & Co. Adds

(Special to THE FINANCIAL CHRONICLE)

LONG BEACH, Calif.—George M. Baumgardner has become affiliated with Davies & Co. of San Francisco. He was formerly with the Long Beach office of Morgan & Co.

Joins Francis I. du Pont

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—John A. Armstrong, Jr. is now affiliated with Francis I. du Pont & Co., 722 South Spring Street. Mr. Armstrong was formerly with Dean Witter & Co.

Milton Meyer Co. Opens

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Milton Meyer is engaging in a securities business from offices at 39 Sutter Street under the firm name of Milton Meyer & Co.

Joins Waldron Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Vincent R. Caserta has joined the staff of Waldron & Company, Russ Building.

A. O. Steward Opens

Alvin A. Steward is engaging in the securities business from offices at 63 Park Avenue, New York City.

Joins Crowell, Weedon

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif. — Edmund M. Adams is now affiliated with Crowell, Weedon & Co., 27 South Euclid Avenue.

With First Boston

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Cal.—Eugene V. Koch has become associated with The First Boston Corp., 405 Montgomery Street.

Laidlaw Co. Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Walter J. Casey has become connected with Laidlaw & Co., 80 Federal Street.

With Edward E. Mathews

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—David J. Kingsbury has become affiliated with Edward E. Mathews Co., 53 State Street.

With Ballou, Adams

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Henry R. Newitt is now with Ballou, Adams & Company, Inc., 75 Federal Street, members of the Boston Stock Exchange.

Joins Walter Johnson

(Special to THE FINANCIAL CHRONICLE)

MONROE, La.—Dallas Wales, Jr. has become associated with Walter H. Johnson, 1312 North Third Street.

Joins R. H. Johnson

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Alfred J. Dineen is with R. H. Johnson & Co., 31 State Street.

Joins Highland Secs.

(Special to THE FINANCIAL CHRONICLE)

WALNUT CREEK, Cal.—Jess H. Carter, Robert H. Clough and Melvin L. Jory, Jr., are now affiliated with Highland Securities Co., Inc., 1521 Locust Street.

Hall & Hall Add

(Special to THE FINANCIAL CHRONICLE)

FRESNO, Calif.—Byron E. Thomas is now with Hall & Hall, Bank of America Building.

Francis E. Miller Opens

Francis E. Miller is engaging in a securities business from offices at 70 Pine Street, New York City.

With First So. Inv.

(Special to THE FINANCIAL CHRONICLE)

BOYNTON BEACH, Fla. — Frederick W. Schwarz has joined the staff of First Southern Investors Corporation, 524 Jasmine Street.

McDonald, Evans Adds

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Arthur J. Brunner is with McDonald, Evans & Co., 1009 Baltimore Avenue.

With D. J. St. Germain

(Special to THE FINANCIAL CHRONICLE)

SPRINGFIELD, Mass.—Fredrick A. Maxson has joined the staff of D. J. St. Germain & Co., 1490 Main Street.

DIVIDEND NOTICES

CANCO AMERICAN CAN COMPANY

PREFERRED STOCK

On February 5, 1952 a quarterly dividend of one and three-quarters per cent was declared on the Preferred Stock of this Company, payable April 1, 1952 to Stockholders of record at the close of business March 13, 1952. Transfer books will remain open. Checks will be mailed

EDMUND HOFFMAN, *Secretary.*

AMERICAN-Standard

PREFERRED DIVIDEND
COMMON DIVIDEND

A quarterly dividend of $1.75 per share on the Preferred Stock has been declared, payable March 1, 1952 to stockholders of record at the close of business on February 19, 1952.

A dividend of 25 cents per share on the Common Stock has been declared, payable March 24, 1952 to stockholders of record at the close of business on February 19, 1952.

AMERICAN RADIATOR & STANDARD SANITARY CORPORATION
JOHN E. KING
Vice President and Treasurer

AC ALLIS-CHALMERS MFG. CO.

COMMON DIVIDEND NO. 111

A regular quarterly dividend of one dollar ($1.00) per share on the issued and outstanding common stock, without par value, of this Company has been declared, payable March 31, 1952, to stockholders of record at the close of business March 3, 1952.

PREFERRED DIVIDEND NO. 22

A regular quarterly dividend of eighty-one and one-quarter cents (81¼¢) per share on the 3¼% Cumulative Convertible Preferred Stock, $100 par value, of this Company has been declared, payable March 5, 1952, to stockholders of record at the close of business February 20, 1952.

Transfer books will not be closed.
Checks will be mailed.

W. E. HAWKINSON, *Secretary.*

February 6, 1952.

Manufacturers of **AE** WALL & FLOOR TILE

AMERICAN ENCAUSTIC TILING COMPANY, INC.

Common Stock Dividend

The Board of Directors has today declared a quarterly dividend of 12½ cents a share on the Common Stock, payable March 3, 1952, to stockholders of record on February 25, 1952.

G. W. THORP, JR.
Treasurer

February 8, 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

MIAMI COPPER COMPANY

61 Broadway, New York 6, N. Y.
February 8, 1952.

A dividend of fifty (50c) cents per share has been declared, payable March 28, 1952, to stockholders of record at the close of business March 12, 1952.

An extra dividend of twenty-five (25c) cents per share has been declared, payable March 28, 1952, to stockholders of record at the close of business March 12, 1952.

The transfer books of the company will not close.

JOHN G. GREENBURGH, *Treasurer.*

pf PACIFIC FINANCE CORPORATION

DIVIDEND NOTICE

A regular quarterly dividend of 50 cents per share on the common stock ($10 par value) payable March 1, 1952 to stockholders of record February 19, 1952 was declared by the Board of Directors on February 6, 1952.

B. C. REYNOLDS, *Secretary*

TEXACO

Faithfully yours for Fifty Years 1902 1952

THE TEXAS COMPANY

——198th——
Consecutive Dividend

A dividend of sixty-five cents (65¢) per share on the Capital Stock of the Company has been declared this day, payable on March 10, 1952, to stockholders of record at the close of business on February 8, 1952. The stock transfer books will remain open.

ROBERT FISHER
Treasurer

January 25, 1952

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Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — For those who have forgotten or were in the lollypop stage when it was first played some 15 years ago, here is a re-recording of the Roosevelt "no third-term" horse opera, as it is being sung today, if with somewhat less a sweet voice and one that flats horribly now and then:

Feb. 28, 1937: Arthur Krock wrote of the President expressing the thought, "When I retire to private life on Jan. 20, 1941."

March 4, 1937: The President told a Democratic "Victory" dinner of his "great ambition on Jan. 20. 1941," to turn over the nation intact to his successor.

June 29, 1937: A press conference questioner who asked him his intentions about a third term was told by Mr. Roosevelt to go put on a dunce cap and stand in a corner.

July 18, 1939: Mr. Roosevelt laughed off a press conference question about his future intentions. July 28, the same. August 1, the same.

Sept. 23, 1939: President Roosevelt smiled off an appeal from Alf M. Landon, 1936 Republican nominee for President, that he, Mr. Roosevelt, disavow any intention of obtaining a third term. He told his questioner that he would have no comment on Mr. Landon's suggestion until he had seen the full text of the statement.

Oct. 31, 1939: Mr. Roosevelt told a press conference questioner that talk about a third term was "somebody's invention."

Nov. 17, 1939: The President admitted to a press conference that that he had made a reference to a third term in a speech but said that this was done just for a laugh. He told his press conference that day that he enjoyed speculation. Nov. 28 he again added he enjoyed prompting speculation.

Dec. 1, 1939: He sidestepped two queries. Dec. 15, he laughed at questions about the third term. Said he was too old to fall for such leads. Dec. 22, Mr. Roosevelt had another good laugh at a third-term query. He explained that he had too much on his mind to talk about his own future.

Jan. 26, 1940: He refused to comment on a third-term remark. Feb. 5, the press reported that he was obviously annoyed at third-term questions and that further efforts to draw him out were "silly" since he would not be hurried into announcing his plans. Mr. Roosevelt said he was tired of such talk. Further questions of this character would only put the questioner in an immature and ridiculous position.

March 19, 1940: Mr. Roosevelt denied at a press conference that he had ever discussed the third term with any Congressman.

(Note: James A. Farley, his Postmaster General and Democratic National Chairman, declared that Roosevelt solemnly assured him, Farley, that he had no third-term intentions).

May 22, 1940: The White House announced that Mr. Roosevelt was too busy with national problems to make any reply on Alf Landon's demand that Roosevelt eliminate himself from the race.

July 2, 1940: Mr. Roosevelt refused to comment on Wendell Willkie's challenge that he, Roosevelt, become a candidate.

July 9, 1940: During a half-hour press conference Mr. Roosevelt sidestepped a long series of questions about his political plans.

July 12, 1940: The last press conference before the 1940 Democratic national convention (P. S. and after the stage had been completely set for the "draft" by Roosevelt's managers), he refused to say whether he would accept the third-term nomination or address the National Convention.

July 16, 1940: Alben Barkley, permanent chairman of the convention, read a Roosevelt statement in which the President express "no desire" to be a candidate.

July 19, 1940: Mr. Roosevelt accepted the nomination protesting his "firm intention" in 1936 of turning over the reins of government to his successor on Jan. 20, 1941 . . . (turn the record over to the 2nd movement of the horse opera). . . .

Oct. 16, 1940: Mr. Roosevelt dodged a question about the fourth term.

Nov. 4, 1940: He told his neighbors at Beacon, N. Y., that this was obviously the last time that he would come to them as a candidate for office. . . . Similar evasions for four years, on fourth-term questions.

June 14, 1944: Mr. Roosevelt told Democratic Chairman Hannegan that the delegates must decide who should be the candidate.

* * *

There is much more method than meets the eye to the hearings of Eddie Hebert's committee on waste in national defense expenditures, even though the hearings have initially developed more trivial than substantial cases of waste in the Services.

Rep. F. Edward Hebert (D., La.), a smart former New Orleans city editor, is chairman of a House Armed Services subcommittee probing waste in the Defense establishment. It is this committee which developed that different prices are paid for everything from soup bowls to towels by each of the three "unified" services, and that the Air Force had attempted to fit its stenographers out with super-duper plush-bottomed chairs.

All of these little things add up to peanuts. However, no subcommittee of Congress, even if it met for a decade continuously, could begin to catch up on the waste which could develop from the activities of some 3,500,000 persons in uniform.

Furthermore, if the subcommittee attempted to develop the more expensive cases of waste, it would find that the public would not understand them, and it might take weeks of painstaking investigation and several days of hearings to ascertain definitely, say, that a mythical decision to build a plush airport in Zulululand and abandon it one month afterward was a blunder, or why the Defense department actually canceled construction of the carrier United States at a cost approaching $10 millions only to resume construction.

On the other hand, such things as different prices for blankets and soup bowls and the acquisition of luxury chairs are things which make a dramatic appeal to mass minds, and irritate the military mind no end.

Eddie Hebert knows his military. There is nothing that causes action faster than holding the military up to ridicule. A few weeks of Hebert's operations, and the military itself, for fear of further ridicule, will be policing itself on extravagance, or at least on the more readily uncoverable forms thereof.

Once something gets the commanders of 3,500,000 uniformed personnel hot and bothered, some substantial progress will be made toward economy, even if not on big matters. The unforgiveable sin in the military service is to take a course of action which holds up the military to ridicule.

* * *

There is a possibility that the Frear subcommittee of the House Banking Committee may sit jointly with the Senate Foreign Relations Committee when hearings are held on the treaty with Canada designed to put a stop to the telephone soliciting of the purchase by U. S. customers of fraudulent Canadian securities. The Frear subcommittee has jurisdiction over the SEC. The Foreign Relations Committee, however, will actually process the treaty through the Senate.

* * *

Industry representatives report that an important reason why the Wage Stabilization Board is hopelessly behind on wage cases is that it has taken an extraordinary interest in promoting health and welfare plans. In fact, it is asserted, the Board is more sympathetic to the health and welfare benefits than it is to wage settlements. The Board is especially favorable to non-contributory plans of this sort, they say.

* * *

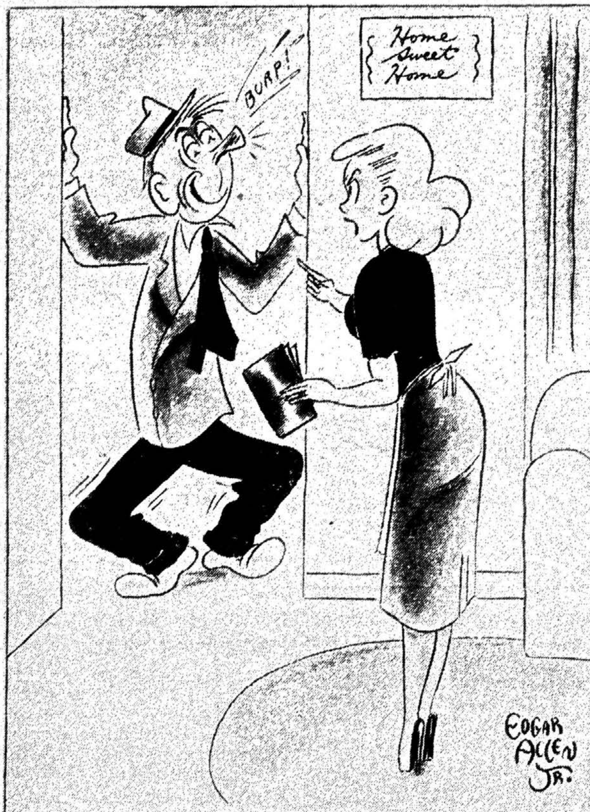
Rep. Brent Spence (D., Ky.), the Chairman of the House Banking Committee, has introduced a new bill amending the provisions of law regulating bank holding companies.

The bill, however, proposes for the most part that the regulation shall be one of broad discretion, of the type sought by the former Eccles-McCabe dynasty at the Federal Reserve Board. Specifically, it would empower the Board to determine, after a hearing, that a corporation "directly or indirectly" controlled two or more banks, regardless of the fact that it did not own as much of 15% of the shares of each of these banks.

The Senate Banking Committee is adamantly opposed to any such broad discretionary power, and it is altogether possible the new Reserve Board does not want it either. For these reasons, the bill is given small chance of final passage this year.

(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 I'm supposed to believe the missing money from your pay is another deduction, eh? ——"

Business Man's Bookshelf

Economic Development of Iraq —International Bank for Reconstruction and Development, Washington, D. C.—paper.

Human Resources — Dael L. Wolfle and others—University of Pittsburgh Press, Pittsburgh, Pa. —cloth—$1.

Individual in Society, The — Ludwig von Mises — Foundation for Economic Education, Inc., Irvington-on-Hudson, N. Y. — single copies, free of charge; quantity prices on request.

The 1951 Black Market Yearbook (on International Currency, Gold, Diamonds) — Franz Pick, Pick's World Currency Report, 75 West St., New York 6, N. Y.—$25.

War and Defense Economics: Containing Text of Defense Production Act Incorporating 1951 Amendments—Rinehart & Company, Inc., 232 Madison Avenue, New York, N. Y.—cloth—$4.50.

Your Federal Income Tax—Revised 1951 edition containing changes in the Federal Income Tax law — Publications Section, U. S. Department of Commerce, 2 West 43rd Street, New York, N. Y. —25c.

Factors Affecting the Demand for Consumer Instalment Sales Credit — Avram Kisselgoff — National Bureau of Economic Research, 1819 Broadway, New York 23, N. Y.—Paper—$1.50.

Pound Sterling, The — Roy F. Harrold — International Finance Section, Department of Economics and Social Institutions, Princeton University, Princeton, N. J. — Paper—Copies on request.

Some Current Features of Bank Liquidity in the United States— Henry C. Wallich — Reprinted from the Quarterly Review of the Banca Nazionale del Lavoro, Rome—May be obtained from Henry C. Wallich, Yale University, New Haven, Conn.

Cyclical Analysis — Industrial Common Stock Index, 1854-1951 —22 x 32 wall chart in three colors showing index, components and forecasts; separate text and data, $10 per copy—Predix, P. O. Box 1245, Dept. C, Coral Gables, Fla.

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