UNIVERSITY
OF MICH GAN

FEB 25 1952

BUSINESS ADMINISTRATION
LIBRARY

ESTABLISHED 1839

# The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 175 Number 5092 New York, N. Y., Thursday, February 21, 1952 Price 40 Cents a Copy

EDITORIAL

## As We See It

With wage negotiations under way which are supposed to "set a pattern" of labor policy for at least a year to come, it seems appropriate to reconsider certain notions about wages which appear rather widely if not almost universally accepted at the present time. It is not only appropriate that the people of this country give these matters more careful and realistic thought than they have received of late, but it is imperative that they do so. Otherwise we are certain to find at some later date that grievous blunders have been made in the management of our affairs, blunders which can hardly fail in the long run to cost us all, including the members of the unions themselves, a pretty penny.

It is all the more vital that basic principles be studied now by reason of the fact that all such concerns have become affected with a political interest, and this is a year of national elections. Not only the parties directly concerned with the so-called steel case, and all the others to follow, are concerning themselves with the outcome of current deliberations. An Administration, or certainly a political party, which must face the electorate next autumn, and which will without doubt feel itself under the necessity of making all the demagogic appeals ordinarily accompanying such elections, is standing amid the shadows keeping watch above its own.

What concerns us here, however, is not the specific issues now being argued in any current case or controversy. We refer rather to certain assumptions which seem nowadays to underlie virtually all negotiations or discussion concerning

Continued on page 40

## UMT—Why It Is a Mistake

By NEIL CAROTHERS

Dean Emeritus of The College of Business Administration, Lehigh University

**Prominent economist, after reviewing recent moves to inaugurate Universal Military Training, gives his reasons why statistically, economically, and strategically it would be a mistake. Points out military training tends to create a rigidity of mind which automatically resists new facts. Points out greatest power in modern warfare is application of progressive science. Says even in event of all-out war with Russia and China, manpower alone will not win it. Advocates greater and more intense scientific and engineering training, and greater industrial capacity as a better means of national defense. Holds Universal Military Training would grow into "cancerous financial evil."**

In June, 1951, Congress passed an administration measure which set up a commission to work out a plan for a "National Security Training Corps." The commission, made up of three civilians and two military men, was appointed by the President. In October the commission reported. It recommended Universal Military Training. It provides for six months of compulsory military training for some 800,000 boys reaching age 18 each year. Half of the group will be trained by the Army, 28% by the Navy, 22% by the Air Force. After completion of the course the trainees will be part of a compulsory "reserve" for 7½ years. The trainees will receive $30 a month. The military forces estimate that the cost in the first year will be more than $4,000,000,000. In later years, they estimate, the cost will be something over $2,000,000,000. There has recently been introduced

Neil Carothers

Continued on page 36

*EDITOR'S NOTE: Dr. Carothers had four years' training in the R.O.T.C. in College; was a Captain on the General Staff in the First World War, and was Chairman of a U. S. Selective Service Appeal Board in the Second World War. His three sons were officers.*

## Alerting Opposition to SEC Tax Proposal

**Reaction to SEC proposal taxing securities industry. All business subject to regulation by Federal Agencies in jeopardy. Independent Offices Appropriations Bill is for period ending June 30, 1952. Unlikely that SEC will construe Title V thereof as expiring then. Permissible SEC fees already defined by statute. Present proposal requires an amendment. Congressional opportunity for immediate repeal of Title V.**

On the cover page of our issue of Feb. 7 we published an editorial, entitled "Closing In," wherein we took emphatic exception to the proposal of the Securities and Exchange Commission to tax the securities industry under guise of implementing the Independent Offices Appropriations Act.

We alerted our readers to the dangers implicit in the bill and its response has been heartwarming.

If that condition of awareness had existed when the bill was originally under consideration we feel certain that Title V of that bill—the precursor of so much woe for our industry—would never have found its way into the Act.

Organizations which have already voiced opposition to the proposal, and those contemplating taking a similar stand, include the Investment Bankers Association of America; New York Stock Exchange; Midwest Stock Exchange; and the New York Security Dealers Association. The National Association of Securities Dealers, Inc., in a circular letter sent to its members under date of Feb. 9, stated that adoption of the SEC proposal "will have a substantial impact on Association members" and urged them to submit their views to the Association prior to Feb. 29 or to

Continued on page 14

PICTURES IN THIS ISSUE—Candid shots taken by "Chronicle" photographer at the Annual Winter Dinner of the Boston Securities Traders Association appear on pages 25, 26, 27 and 28.

DEALERS in U. S. Government, State and Municipal Securities
TELEPHONE: HAnover 2-3700
CHEMICAL BANK & TRUST COMPANY
BOND DEPARTMENT
30 BROAD ST., N. Y.

R. H. Johnson & Co.
Established 1927
INVESTMENT SECURITIES
64 Wall Street, New York 5
BOSTON, Troy, Harrisburg, Wilkes-Barre, Washington, D. C.
PHILADELPHIA, Albany, Scranton, Williamsport, Allentown

STATE AND MUNICIPAL BONDS
THE NATIONAL CITY BANK OF NEW YORK
Bond Dept. Teletype: NY 1-708

UTAH Oil and Mining Securities
Direct Private Wires
J. A. HOGLE & CO.
ESTABLISHED 1915
Members of all Principal Exchanges
50 Broadway New York
Salt Lake City, Los Angeles, Denver, Spokane

State and Municipal Bonds
Bond Department
THE CHASE NATIONAL BANK
OF THE CITY OF NEW YORK

NATIONAL BANK of INDIA, LIMITED
Bankers to the Government in Kenya Colony and Uganda
Head Office: 26, Bishopsgate, London, E. C.
Branches in India, Burma, Ceylon, Kenya Colony, Kericho, Kenya, and Aden and Zanzibar
Subscribed Capital £4,000,000
Paid-up Capital £2,000,000
Reserve Fund £2,500,000
The Bank conducts every description of banking and exchange business
Trusteeships and Executorships also undertaken

Pacific Coast & Hawaiian Securities
Direct Private Wires
DEAN WITTER & CO.
14 Wall Street, New York, N. Y.
Members of Principal Commodity and Security Exchanges
San Francisco • Los Angeles • Chicago
Boston • Honolulu

CANADIAN SECURITIES
CANADIAN DEPARTMENT
GOODBODY & CO.
ESTABLISHED 1891
MEMBERS NEW YORK STOCK EXCH.
115 BROADWAY NEW YORK
105 W. ADAMS ST. CHICAGO

CANADIAN BONDS & STOCKS
DOMINION SECURITIES CORPORATION
40 Exchange Place, New York 5, N.Y.
Teletype NY 1-702-3 WHitehall 4-8161

Tucson Electric Light & Power Co.
COMMON
Analysis upon request
IRA HAUPT & CO.
Members New York Stock Exchange and other Principal Exchanges
111 Broadway, N. Y. 6
WOrth 4-6000 Teletype NY 1-2708
Boston Telephone: Enterprise 1820

Digitized for FRASER
http://fraser.stlouisfed.org/

TRADING MARKETS IN
United Utilities
Morris Plan, Preferred
American & Foreign Power
4.8% Deb. & Common W. I.
Puget Sound Power & Light

New York Hanseatic Corporation
Established 1920
120 Broadway, New York 5
BArclay 7-5660 Teletype NY 1-583

Specialists in
Rights & Scrip
Since 1917
McDONNELL & Co.
Members
New York Stock Exchange
New York Curb Exchange
120 BROADWAY, NEW YORK 5
Tel. REctor 2-7815

Trading Markets
American Furniture Co.
Dan River Mills
Moore Handley Hardware Co.
Scott, Horner & Mason, Inc.
Lynchburg, Va.
Tele. LY 83 LD 33

We will buy
MUNICIPAL BONDS
of any locality in the United States
LEBENTHAL & Co.
135 BROADWAY, NEW YORK 6, N.Y. • REctor 2-1737
Oldest House in America Specializing in ODD LOT MUNICIPAL BONDS

Established 1856
H. Hentz & Co.
Members
New York Stock Exchange
New York Curb Exchange
New York Cotton Exchange
Commodity Exchange, Inc.
Chicago Board of Trade
New Orleans Cotton Exchange
And other Exchanges
N. Y. Cotton Exchange Bldg.
NEW YORK 4, N. Y.
CHICAGO DETROIT PITTSBURGH
GENEVA, SWITZERLAND

ACTIVE TRADING MARKETS IN
UTILITY STOCKS
Direct Private Telephone to New York
CAnal 6-1613
J. B. Maguire & Co., Inc.
Members Nat'l Assn. of Securities Dealers Inc.
31 Milk St., Boston 9, Mass.
Tel. HUbbard 2-5500 Tele. BS 142
Portland, Me. Enterprise 2904
Hartford, Conn. Enterprise 6800
Open End Phone to New York Canal 6-1613

# 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**

Southern Advance Bag & Paper Company—Fred N. Ogden, New Orleans, La. (Page 2)

General Fireproofing Company—Harry G. Ziegler, Vice-President, Securities Counsel, Inc., Jackson, Mich. (Page 2)

**FRED N. OGDEN**

New Orleans, La., Member of New Orleans Stock Exchange

**Southern Advance Bag & Paper Co.**

With somewhat the feeling of a second offender, I present to you the security I like best—Southern Advance Bag & Paper Co. common.

Fred N. Ogden

The company is quite mature, the present Southern Advance Bag & Paper Co. representing the outgrowth of companies which, beginning in 1901, were important factors in the paper and bag industry in Maine and Ohio. Operations now, however, center in north Louisiana, where the company has a magnificent plant for the production mainly of paper bags.

With no debt, no preferred shares, and ample working capital, the company is indeed financially strong. It also has no competitive disadvantages, inasmuch as there is a large and sufficient supply of pure water, and a very tried and proven process for making pulp or kraft papers without the use of sulphur or chlorine, eliminating worry over supply of critical, allocable products.

Southern Advance Bag & Paper Co. has long enjoyed the good fortune of cashing in on a long-range program of reforestation. Millions of seedlings are given to farmers in the vicinity for planting under company supervision, to ensure an adequate and continuous pulp supply, with the result that the company purchases most of its slash pine from farmers, thus promoting good will in the neighborhood and avoiding depletion of its own large and valuable reserves.

Southern Advance Bag & Paper Co. makes good bags. It makes good money, and it pays good dividends. But, you might ask, what has this paper bag company got that other good paper bag companies lack? The answer to that query is why I like this stock best.

In addition to 62,000 acres of land in the State of Arkansas, Southern Advance Bag & Paper Co. owns approximately 133,000 acres of land in close proximity to its plant. Already, some natural gas has been, and is being, produced on the company's property. I have been informed that, from now on, the company intends to utilize some of its excess earnings in taking a working interest in the development of the gas potential of its properties. It is quite conceivable that with patience and good luck, the gas production of Southern Advance Bag & Paper Co. might form an important part of its monetary income. Every hit is the company's for retention—every miss is just another deduct from the tax collector.

Further, Southern Advance owns 95% of the North Louisiana & Gulf Railroad Co., which has earned its way into complete Dieselization, and is in excellent physical condition.

That is what Southern Advance Bag & Paper Co. has that most other paper bag companies have not. That is why I like it best.

The shares are traded actively over-the-counter in New York, Philadelphia and Boston, and are selling, as this is written, in the $24 range. The annual dividend rate for 1951 was $1.50 per share in cash. That's good enough for me. As for other investment sources, I feel that the stock is suitable for the conservative businessman and for any individuals willing to undertake a slight speculative risk.

**HARRY G. ZIEGLER**

Vice-President, Securities Counsel, Incorporated, Jackson, Mich.

**General Fireproofing Company**

Most securities are bought by or for people who need income, so all common stock funds cannot be invested in the growth or romance stocks whose present cash yields run 3% or less, with little chance for increase while we have excess profits taxes. We like, therefore, a stock which is cheap on earnings, generous in yield, and which has good balance sheet characteristics even though the earnings trend may not be as dynamic as the growth trend of chemical, miracle drug, or other romance stocks.

Harry G. Ziegler

General Fireproofing's corporate career started just 50 years ago, early years being devoted to metal lath production while in more recent years the company has attained a leading position in the metal furniture and office equipment field. Peacetime products now include all types of metal furniture and equipment for offices, hospitals and other institutions, well-known trade-names including GF, Superfiler, and Goodform.

During this half-century the management has established a good record for a manufacturing firm, dividends having been paid in all years since 1905 with the exception of 1909 to 1912, 1933 and 1934. Of more specific comfort is the fact that General Fireproofing stayed in the black and paid a fair dividend in the 1938 recession, although balance sheet structure was not nearly as strong then as now.

Our initial interest in the company was aroused by kind words about General Fireproofing from a competitor to whom we had gone for a complete refitting of our offices at the end of World War II. We did not buy the GF line but we checked the financial record and found the stock interesting, hence some of our clients acquired modest holdings during the postwar period. All went well until war came in Korea, whereupon GF common fell out of bed as holders jumped to the conclusion that steel and aluminum for office furniture would be no more. The statistical record indicated that GF had stayed in business during the last war, but our curiosity was aroused and we hied ourselves to Youngstown to find out just what they did in War II and what they planned to do now.

We found that General Fireproofing had gone completely out of the office furniture business in War II, but had increased employment by 50% and had made a good share of the seats for airplanes as well as important surface assemblies. The company worked primarily with Bell Aircraft and Republic Aviation, and at the time of our visit back in 1950 those concerns already had approached GF for a resumption of the previous relationship.

To make a long story short, General Fireproofing has continued in the office equipment business to the extent permitted by steel and aluminum supplies, but at the same time has begun already to build up an important volume of aircraft work, this time keeping up with the world by contracting to make the new type ejector seats for jet fighter planes. A news item early this month indicated a defense backlog around $30,000 000, but total order backlog probably is larger as President Bender told us late in October that orders then were around $40,000,000. Guns and butter will continue to come off the assembly line together, and a good share of war production will be handled in a new plant to cost $1,500,000 and through a substantial new addition to office facilities.

For the past five years, GF earnings have averaged around $5.00 per share, ranging from a low of $4.62 in 1949 to a high of $5.79 in 1948, with both 1950 and 1951 profits at the $5.00 level. Dividends have been maintained at $2.50 annually for the past four years, and with an increase in sales volume anticipated for 1952, an EPT exemption around $4.00, and a strong balance sheet, we are counting on $2.50 this year, a 9% yield at the current price, 27½.

Balance sheet position is especially clean, with nothing ahead of the common, book value equal to market price, and with a seven-to-one current ratio and a three-to-one cash ratio at the end of 1950. Despite capital expenditures the 1951 balance sheet should look good when it is published, hence we feel justified in anticipating continuation of the generous dividend and an increase in the percentage pay-out when and if earnings decline.

With all the uncertainties ahead we find comfort in a stock which seems to be selling for less than it is worth, and if GF sells some day on a more normal price-earnings ratio and at a more normal yield we may make as much money as in a "growth" stock. Certainly the office equipment business will go up and down with the general economy, but General Fireproofing will survive the armament period or a war, and the management believes it will take 20 years to make all of our business homes as beautiful as the GF-equipped offices which win quite regularly the "office of the year" awards.

Alabama & Louisiana Securities
Bought—Sold—Quoted
STEINER, ROUSE & Co.
Members New York Stock Exchange
Members New York Curb Exchange
25 Broad St., New York 4, N. Y.
HAnover 2-0700 NY 1-1557
New Orleans, La. - Birmingham, Ala.
Mobile, Ala.
Direct wires to our branch offices

MAINE CENTRAL R. R.
Information on request
Raymond & Co.
148 State St., Boston 9, Mass.
Tel. CA. 7-0425 : Teletype BS 259
N. Y. Telephone WOrth 4-5000

Georgia & Florida 6s, 1946 "A"
New York, New Haven & Hartford C.B.I.
Missouri Pacific Serial 5¼s
Wisconsin Central Ref. 4s, 1959
GERSTEN & FRENKEL
Members N. Y. Security Dealers Assn.
150 Broadway New York 7
Tel. DIgby 9-1550 Tel. NY 1-1932

Bank and Insurance Stocks
Bought—Sold—Quoted
ALLEN & COMPANY
30 Broad St., New York, N. Y.
Phone HA 2-2600 — Tel. NY 1-1017

Placer Development, Limited
LEAD—ZINC
TUNGSTEN - OIL - GOLD
Analysis available on request
JOHN R. LEWIS, INC.
1006 SECOND AVENUE
SEATTLE
Teletype SE 105 ELiot 3040

Over-the-Counter Quotation Services for 39 Years
National Quotation Bureau
Incorporated
Established 1913
46 Front Street New York 4, N. Y.
CHICAGO SAN FRANCISCO

Digitized for FRASER
http://fraser.stlouisfed.org/

# Are We Riding the High Plateau of Inflation?

By MELCHIOR PALYI

**Dr. Palyi, in reviewing developments of 1951 relating to prices, points out highest level of prosperity is compatible not only with stable but even with sliding wholesale prices. Sees at present a period of consumer hesitancy as to price trends, and says overall outlook for 1952 is clouded by this basic uncertainty. Concludes, however, "inflation is not dead as yet."**

To business, the outstanding lesson taught by 1951 should be most instructive.

It was a year of inflationary expectations; the stage was set for the continuation of the post-Korean trend that culminated a year ago in a rise of the wholesale price level by about 15%. Since, the money volume kept rising, both in the form of cash in circulation and of demand deposits. The 1950 record high rate of new equipment and construction was well maintained, at least dollar-wise; military orders took care of that. Employment volume increased; so did national income and output, by about 10% each, and so forth. Even dwelling construction, which was supposed to fall to 800,000 units, instead produced 1,100,000 new units—only about 24% less than the all-time high of 1950.

Dr. Melchior Palyi

Indeed, the stage was set in 1951 for fresh price boosts. Yet, instead of rising, wholesale prices have been corrected since the spring, reducing their previous increase by almost 50%.

Top-level prosperity of the economic system as a whole—at stable or slowly declining prices: does it not sound like the Economic Paradise? The Controllers may not like it; no-inflation spells no-controls. The unions may be unhappy; it vitiates much of the force of their argument for future higher wages. The fact is that we seem to have reached the dream of money managers: the High Plateau of Prosperity comparable to 1926-29. True, many consumer goods industries have suffered setbacks; some are actually depressed. But was not the farm depressed while the Prosperity of the 1920's rolled on?

The similarity with the late Eternal Prosperity is too striking for comfort. However, there is a basic difference between that era and the current High Plateau: that this time, no one (except perhaps Mr. Truman's own Dr. Keyserling) feels sure that the thing will last.

At any rate, the lesson of 1951 is this: that **highest level prosperity is compatible** not only with fairly stable but **even with actually sliding wholesale prices.** And there is nothing paradoxical about that.

### The Law of Inflation

Inflation is fed by the expectation of more inflation. To maintain an inflated price structure, more and more money has to be infused into the body economic. But our active money volume is rising by such tidbits as an annual $4.5 billion only. The slowdown in the **rate** of expansion denotes the prospect that the process may stop, or might even reverse itself.

In other words, there is no such thing as a "High Plateau" except for the very short term, and then only as a misleading mirage. Whether based on deficit financing or on commercial credit expansion, or on both — as is the case — an inflation-ridden structure of prices calls for an ever-increasing money flow. Otherwise, consumer and speculator anticipation go in reverse. A falling-off of the **rate** of expansion creates the presumption that a deflation of prices is in the offing.

It is this change of expectations — that intensive military preparations will not proceed indefinitely, still less will they keep growing beyond the coming fiscal year—that has brought about a reorientation, to some extent, of **consumer behavior.**

### Period of Hesitancy

What we are witnessing now is the period of hesitancy in which the consumer has to make up his mind which way the wind will blow before choosing his own pattern of market action.

But why this doubt about the further continuation of inflation? Surely, an $8 billion deficit in the current fiscal year's national budget should not hold a promise of deflation. Mr. Truman's new fiscal message promises roughly $85.5 billion expenditures. Since in an election year taxes could not be raised effectively, a $14 billion deficit looms for 1952-53, which offers scant assurances for trusting the dollar's future purchasing power.

Evidently people do not believe, or hesitate to believe, that the soup will be eaten as hot as it is served. They have seen the preparedness program lag and have heard their Congressmen publicly state that it is preposterous. Already, a $4 billion "saving" on the Air Force's 126 combat group program—the one item on which there should be no economy—has been announced in spite of all expert insistence on the prime necessity of our acquiring unquestioned air supremacy.

Also, the conviction that the Russians are not likely to start "real" trouble—which this writer has emphasized since the summer

*Continued on page 39*

# INDEX

## Articles and News


| | Page |
|---|---|
| UMT—Why It Is a Mistake—Neil Carothers | Cover |
| Are We Riding the High Plateau of Inflation?—Melchior Palyi | 3 |
| Stock Market Offers a Wealth of Opportunity—S. B. Lurie | 4 |
| Capital Gains Taxes and Profits—August Huber | 5 |
| Tax-Exempt Bonds as Savings Bank Investment —Alfred J. Casazza | 6 |
| Preferred Stocks for Banks—Morris A. Schapiro | 7 |
| The Quest for Yield—Ira U. Cobleigh | 9 |
| Canada as a Place for Investment—William Pearson Scott | 11 |
| Inflation Has Been Stopped!—Arthur R. Upgren | 12 |
| A New Era in Savings Bank Mortgage Lending —August Ihlefeld | 18 |
| A Practical Program for Gold—Harry Sears | 20 |
| What to Expect in Monetary and Banking Legislation —Raymond Rodgers | 22 |
| Our Present Troubles—Roger W. Babson | 30 |
| The Woman Investor and Free Enterprise—Evelyn D. deBebian | 33 |
| Taxes and Inflation—How High Can Each Go? —John K. Langum | 37 |
| * * * | |
| Alerting Opposition to SEC Tax Proposal (Editorial) | Cover |
| What Others Say About the SEC Tax Proposal (Letters and communications sent to "Chronicle" in reference to Commission's Fees Proposal) | 14 |
| Merrill Lynch, Pierce, Fenner & Beane Report on 1951 Operations | 33 |
| NYSE Adopts Fourth-Day Delivery and Clearance | 33 |
| FIC Banks Place Debentures | 37 |
| SEC Estimates Income from Proposed New Fees | 40 |


## Regular Features


| | |
|---|---|
| As We See It (Editorial) | Cover |
| Bank and Insurance Stocks | 31 |
| Business Man's Book Shelf | 5 |
| Canadian Securities | 32 |
| Coming Events in Investment Field | 10 |
| Dealer-Broker Investment Recommendations | 8 |
| Einzig—"Inflation vs. Deflation in Britain" | 30 |
| From Washington Ahead of the News—Carlisle Bargeron | 8 |
| Indications of Current Business Activity | 44 |
| Mutual Funds | 38 |
| News About Banks and Bankers | 34 |
| Observations—A. Wilfred May | 5 |
| Our Reporter's Report | 8 |
| Our Reporter on Governments | 35 |
| Prospective Security Offerings | 48 |
| Public Utility Securities | 34 |
| Railroad Securities | 39 |
| Securities Salesman's Corner | 36 |
| Securities Now in Registration | 45 |
| The Security I Like Best | 2 |
| The State of Trade and Industry | 5 |
| Tomorrow's Market (Walter Whyte Says) | 42 |
| Washington and You | 52 |


Published Twice Weekly
**The COMMERCIAL and FINANCIAL CHRONICLE**
Reg. U. S. Patent Office

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

HERBERT D. SEIBERT, Editor & Publisher
WILLIAM DANA SEIBERT, President

Thursday, February 21, 1952

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

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

Copyright 1952 by William B. Dana Company

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

**Subscription Rates**

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

**Other Publications**

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

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

B. S. LICHTENSTEIN AND COMPANY

**SOUND OFF!**

For the pay-off on obsoletes—sound off for 99 Wall Street. We buy fast what others are slow to bid on!

*Ad suggested by Arnold J. Wechsler*

*Obsolete Securities Dept.*
99 WALL STREET, NEW YORK
Telephone: WHitehall 4-6551

*Primary Trading Markets*

*Amurex Development Corp.
Canadian Superior
Dome Exploration
*Western Leaseholds Ltd.

**Prospectus on request*

**J. F. Reilly & Co.**
Incorporated
61 Broadway, New York 6
BO 9-5133 Teletype NY 1-3370
*Direct Wires*
*Philadelphia and Los Angeles*

ASSOCIATED DEVELOPMENT and Research Corporation

•

SINGER, BEAN & MACKIE, Inc.
HA 2-0270 40 Exchange Pl., N. Y. 5
Teletype NY 1-1825 & NY 1-1826

Air Products
Baker-Raulang
Collins Radio
Dictograph
Di-Noc
Hoving Corp.
Stromberg-Carlson
Whitin Machine Works

*Bought—Sold—Quoted*

THEODORE YOUNG & CO.
40 Exchange Place, New York 5, N. Y.
WHitehall 4-2250 Teletype NY 1-3236

*We are interested in offerings of*

High Grade Public Utility and Industrial
PREFERRED STOCKS

Spencer Trask & Co.

*Members New York Stock Exchange* — 25 Broad Street, New York 4 — HAnover 2-4300
*Members New York Curb Exchange* — 50 Congress Street, Boston 8 — Hubbard 2-8200
Teletype—NY 1-5
Albany - Chicago - Glens Falls - Schenectady - Worcester

Digitized for FRASER
http://fraser.stlouisfed.org/

# Stock Market Offers A Wealth of Opportunity

By S. B. LURIE*

Paine, Webber, Jackson & Curtis, Members N. Y. S. E.

**Market economist maintains while bull market has grown stale, nevertheless the nimble and alert can enjoy a private bull market. Over long-term predicts a New Era supported by following long-term factors: (1) new products; (2) economy's growth; (3) enlargement of purchasing power, and (4) growth in size and maturity of stock ownership.**

It's a privilege—and an honor — to appear before your group today. A privilege—because most people, including myself, prefer to give—rather than take—advice. An honor — because I know that your group is vitally interested in the answers to the problems posed by these troublesome times. And I am flattered that Mrs. Soss felt I could help clarify the issues which face you —the security buyer—in today's economy. Even the professional at times unavoidably wallows in a sea of uncertainty.

S. B. Lurie

This is by way of emphasis, not apology; mine really is a fascinating business. Just as Diogenes sought an honest man — so the analyst seeks the truth. The sifting, the weighing of the pros and cons, is a constant challenging to the intellect. More often than not, for example, the intangibles have as much bearing on the end conclusion as the tangibles. Mine also is a stimulating business—for industry never stands still; the stars of today were the lusty infants of yesteryear. Above all, you and I are living in a dynamic era—and ours is the most prosperous, the strongest, nation in the world. We've achieved a new stature in the scheme of things.

In contrast, your business—and it is "business," for it's a full time job — is a comparatively simple one. Yes, I realize that this unorthodox observation challenges the popular belief. The problem of safeguarding your capital can be free of pitfalls — provided you recognize two basic realities: 1—Being a free democratic auction place, the stock market tends to mirror all the human frailties — our hopes, our fears, our disappointments. 2—In the final analysis, the stock market is no different than life itself: it doesn't offer security—but it does offer a wealth of opportunity.

*A talk by Mr. Lurie before the Federation of Women Shareholders, New York City, February 18, 1952.

Let me emphasize this point—for it's the keynote of my remarks today, the reason why your task can be less difficult than you realize: There's no more risk to owning stocks than there is to life. And it has the promise of an ultimate reward—just as there is reward in following the precepts of the Bible.

All of you are familiar with the adage that the future belongs to those who prepare for it. In stock market terms, this means that perspective is a vital necessity for economic survival. By "perspective" I mean recognition of the fact that neither I nor anyone else has a magic key to the market. The "secret" is an open one: The same common sense you apply to your every day business. For example, as a business woman as well as a security buyer, you know there is no easy road to riches. As a security owner as well as an American, you know that if eternal vigilance is the price of liberty, it also is the price of a successful portfolio.

Perhaps the simplest way for you to apply this premise is to establish a guide book of rules for common sense market operation. As a starting point, I suggest you post the following axioms in your scrap book:

### Recognize Your Losses!

(1) Those of you who are in the retailing field know that when a particular style doesn't find favor with the public, the wisest course to follow is to mark the number down and clear out your shelves. This, on the tried and true merchandising principle that the first inventory loss usually is the smallest. Don't you agree that stocks also represent merchandise? Thus, if you make a mistake in stock selection, recognize it—and limit your losses. Guard against the frailty of stubbornness.

(2) Those of you who are manufacturers know that when you need new equipment the price is secondary to the potential advantages that can be obtained. Yet, the average stock buyer is inclined to place particular emphasis on the relationship of current price to the past. Obviously, this approach overlooks the fundamental fact that the market makes history — history doesn't make the market. The stocks that have rewarded their holders the most in recent years are those which were purchased at prices without historical precedent. Thus, you must guard against the natural tendency to "bargain hunt."

(3) No matter what your business is, I'm sure you always find that there are one or two items which go over particularly well. Chances are, some of your better competitors have made it a point in recent years to simplify their activities by cutting down the number of lines handled. In the stock market, however, the average investor seems to make a fetish of diversification—a fetish which only magnifies the problem of selection and supervision. No question about it, there is safety in spreading risk; but the theory usually is carried to a point where the objective is defeated. The stock market is no place for the timid; you must guard against the frailty of lacking faith in your judgment.

(4) I'm sure you'll agree with me that most successful businessmen have a special knack of being able to anticipate a trend — develop an item before competition enters the market. I think you'll also find that the successful businessman is wary of a crowded, competitive market; that he looks for new fields to conquer when "doing nothing" is popular. In effect, the same principles can be applied to the stock market via issue selection and the timing of your buying and selling. Be wary of any unanimously held opinion —and guard against the frailty of acting with your emotions rather than your intellect.

### Be Patient!

(5) If there's one question typical of the average customer—it's "What do you think of the market?" Basically, however, security and market analysis is too inexact a science to provide a set of facts which always leads to an unqualified opinion — or to an idea requiring immediate action. Thus, the theory of calculated risk does not suggest continuous —or aggressive—activity in the market place. In terms of the human frailties, you must guard against impatience.

I'd like to emphasize the last point—for past market history indicates that there are only a few times in the course of a given year when it's wise to be very active on either the buying or selling side of the market. As a matter of fact, there are only a few times in every span of years when it's wise really to "bet the bankroll" and be completely invested in common stocks. This observation undoubtedly raises an almost automatic question in your mind: Where do we stand today? Before offering a specific answer, permit me to make a few general observations which have a pertinent bearing on the long-term outlook.

### A "New Era"

Much as I dislike to use the term, I think we're in a New Era —one which may later be called the "Buoyant 50s" or "Fabulous 50s." In particular, there are four factors which suggest that the security buyer has the benefit of a basically favorable long-term background.

(1) This is a vigorous country and our inventive genius is constantly developing new products that create new businesses. If you look around your kitchen, you'll find such things as a detergent for the dishes, fluorescent lighting, copper bottomed pots and pans, etc. If you look in your medicine chest, you'll find toothpaste made with chlorophyll, the new wonder drug antibiotics, etc. None of these products were made before the war. And when you turn on your television set, remember that you're looking at a new multi billion dollar industry. Others are on the horizon—for our war economy and the excess profits tax will accelerate the pace of research.

(2) Perhaps even more important, ours is a growing rather than a mature economy. For example, by the end of this year our population will have increased by some 27 million people since 1940—a gain which is nearly double the population of Canada. Moreover, continued rapid population growth is in prospect over the next 25 years—for the birthrate is remaining high, and life expectancy has increased. Even if we're not manufacturers of baby carriages or children's clothes, we can't help but benefit from the fact that there's a new scale of demand on which industry can capitalize. In other words, the postwar "normal" is far greater than our prewar "normal"—and we can "grow up" to our vastly expanded plant capacity.

(3) No matter whom you blame —or which political party takes the credit—we're living in an era where the privileges are going to the many, rather than the few. The work week has been shortened and paid vacations today are almost universal practice. Moreover, there has been a redistribution of our national income—with the spending ability of the lower and middle income groups boosted sharply. This segment of our population proportionately spends more of their income for the purchases of goods and services than the higher income groups. All of which also adds to the new base on which industry can plan its "normal" production.

(4) For better or worse, we're living in an era of managed economy—one where the administration's power will take an aggressive part in attempting to shape the business trend. Even if a Republican administration is elected next fall, the political realities—and the public interest—will prevent a return to the "do nothing" government attitude of the 1920s. In terms of market planning, this means that the security owner must accept the inevitability of comparatively high taxes and/or deficit spending as part of the national scheme of things. Which is both a threat and a promise—for the government doesn't have unlimited power to keep the economy in gear.

### The New Look

On a long-term basis, the security buyer also benefits from the fact that there's a New Look to the stock market — one which means common stocks today are more respectable than they've been at any time in the past 25 years. Let me develop this thought with you—for it indicates there's a new plateau on which the market can settle.

(1) Contrary to the bull market of the 1920s which fed on margin speculation, the current demand for securities in large part is from semi-permanent holders. By semi-permanent, I mean not only the trustee who now is permitted to invest up to 35% of a trust fund in common stocks—but the life insurance companies — and the pension funds. As you'll recall, the philosophy of pensions for workers grew by leaps and bounds after the steel strike was settled some two years ago. Today, there is a multi-billion dollar stream of new capital which must be invested annually. While many pension plans are funded with insurance companies, and only a portion of all types of fiduciary capital is invested in common stocks, the fact remains that the demand potential is impressive. In short, stocks today are in stronger hands than ever before in our history.

(2) The financial community itself has done an excellent job of re-popularizing the common stock idea — of bringing Wall Street to Main Street. When I speak of the financial community, I have in mind not only the aggressive advertising programs of many brokerage firms, but more particularly the excellent distibution job done by the so-called open-end investment trust. Furthermore, management has helped us spread the ownership of American industry via stock split-ups and stock purchase plans. Net result of the foregoing is that Wall Street no longer is an exclusive "carriage trade" business; it has become a "commuter train" occupation. But if we've lost glamour—we're gained customers.

(3) Equally important, our customers today are displaying an emotional maturity they never possessed before. By emotional maturity, I mean a sounder approach to the problems of stock ownership. Recognition of the simple fact that the rewards go to the risk taker. Appreciation of the fact that a stockholder is a partner — and partnerships don't change every 30 or 60 days. This spells relative indifference to the temporary uncertainties which in the past would have led to frightened selling. Furthermore, present tax laws place a premium on long-term holding—which further adds to an environment where less

Continued on page 40

February 15, 1952

*We take pleasure in announcing the association of*

Dewey F. Gruenhagen

*with our firm as Manager of our Underwriting Department*

Crowell, Weedon & Co.

*Members Los Angeles Stock Exchange*

650 S. SPRING ST. • LOS ANGELES 14 • TRinity 0281

Pasadena • Long Beach • San Diego • Laguna Beach

We take pleasure in announcing that we have become members of the

SAN FRANCISCO STOCK EXCHANGE

American Securities Corporation

25 BROAD STREET, NEW YORK 4, NEW YORK

BOSTON CHICAGO

February 19, 1952

Digitized for FRASER
http://fraser.stlouisfed.org/

# The State of Trade and Industry

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

A slight decline was noted in nation-wide industrial production in the period ended on Wednesday of last week, but it continued to reflect a level about even with that of one year ago. The defense effort accounted for a steadily broadening share of over-all output.

Continued claims for unemployment insurance benefits in the week ended Jan. 26, declined 3% but were 21% higher than a year previous. Initial claims, falling for the second successive week, were down 7% but were 38% above the level of a year ago.

It was reported this week that the United States Labor Department has given "labor surplus" designations to 18 large areas and five smaller ones. This, according to the report, makes them eligible for special government help in getting defense contracts under a policy announced by Defense Mobilizer Wilson. He had specified that United States contracts could go to areas of heavy unemployment, even if bids were higher than from other sections of the country. Later this week, it is understood, a special committee will decide what types of contracts should be given each area, and set standards as to how much higher bids from contractors in these areas can be. Among the large "labor surplus" areas were New York, Detroit and Providence.

In the steel industry last week, steel ingot production slipped for the first time in seven weeks. At 100.1% of capacity it was fractionally under the record attained in December last.

For the first time since scrap prices were frozen, Feb. 7, 1951, prices of some grades quoted in "The Iron Age" have fallen below ceilings. Declines range up to $5 a ton, this trade weekly states.

In some instances high quality material is being billed as a secondary grade—a sure sign of weakness in the market, "The Iron Age" states. Some brokers are finding it necessary to pay the freight in order to move cast grades, and founders are becoming more choosey about quality and are shortening their supply lines. A number of large foundries were completely out of the market early this week.

The main reason for the price declines in cast scrap is poor foundry business. Except for heavy castings, the foundry business never did show the expected upsurge of defense business. Instead of improving, their business has been getting worse. New orders haven't matched production and backlogs have shrunk. In many areas foundries have had to cut their work week and are living off inventories, thus causing cast scrap demand to sink, this trade journal notes.

In addition to disappointing defense business, foundry business has been hurt by cutbacks of their customers who make civilian goods. The same holds true for founders who sell automotive castings.

Also contributing to the cast decline is an improvement in the outlook for steel-making grades of scrap. For the first time in many weeks the steel industry reflects guarded optimism over its scrap supply outlook. In all major steel-making centers the pressure on openhearth grades is just a bit easier, it adds.

Steel-making scrap is still in very short supply, but the industry is hopeful it can squeeze through the winter without losing production for lack of scrap.

A peaceful settlement of the steel wage-price fracas would mean more pressure for decontrol of steel, and Washington is in no mood to do much about lifting controls while the spectre of a strike threatens loss of production. But, after a wage-price settlement is reached, reluctant officials will find it hard to counter growing demand that they relax their grip on the steel market.

Demand for decontrol is based on a rapidly softening market for some steel products. So far, agitation for total decontrol of steel is little louder than a whisper, and steel leaders won't raise

Continued on page 43

# Capital Gains Taxes and Profits

By AUGUST HUBER
Spencer Trask & Co.
Members, N. Y. Stock Exchange

**Discussing the idea expressed by many security holders "I would sell now and take my profit, if it weren't for the tax," Mr. Huber shows how profits in securities transactions can be made under present capital gains taxes.**

Apart from whether a stock should be sold on its merits, or overvaluation, or the expectation of a general market decline, the generalization is often heard — "I would sell now, but with taxes what they are, I may as well hold on."

August Huber

For example — 100 shares of stock purchased at 50, and now selling at 100 — the maximum long-term capital gains tax of 26% would reduce the profit of $5,000 by $1,300. Thus, the stock would have to react 13 points, or from 100 to 87, for the investor presumably to repurchase and be even.

However, there is another view to be considered—(1) the shares presumably will be sold and the tax paid eventually, unless simply carried on through life with no regard to interim market fluctuations, which, of course, are at times substantial; and (2) the sale of the stock at a relatively high price, and paying the tax, then repurchasing at a lower level would produce an additional profit (in spite of taxes) when the stock recovers in price. For example:

100 shares bought at 50___ $5,000
100 shares sold at 100____ 10,000

Net Profit after 26% maximum long term capital gains tax, $3,700.

**Then assume the shares react merely 10%.** After deducting the $1,300 tax paid, there is about $8,700 left for reinvestment. Hence, if the investor has no additional capital to employ he can

Continued on page 9

# Observations . . .

By A. WILFRED MAY

## Insurance Regulation and Our Corporate System

*This column is glad to publish the following communication from Richard H. Wels, together with our comment thereon, because it highlights broad questions implicit in the management-ownership relationship, as well as specific insurance company voting practices.*

A. Wilfred May

Richard H. Wels

*Mr. Wels was formerly a member of the legal staff and an assistant to the Chairman of the Securities and Exchange Commission. While with the SEC, he was one of its lawyers assigned to the study of life insurance companies made by the Commission for the Temporary National Economic Committee.*

Dear Mr. May:

Both as a journalist and as a former official of the Securities and Exchange Commission, you have taken an active interest in the problems of corporate democracy and in assuring to the owners of American corporations honest and adequate disclosure of essential facts concerning their companies. I am sure that you must have given some thought to the acute nature of those problems as they relate to mutual life insurance companies chartered by the State of New York.

Recent reports in the press as to investigations now being conducted by the New York State Insurance Department raise again a question as to the adequacy of the laws regulating the life insurance companies enacted by the Legislature in 1906 as a result of the sweeping investigations made by the late Chief Justice Charles Evans Hughes. The importance of the New York laws to the industry is indicated by the fact that more than 80% of all assets of all American life insurance companies are held by companies operating under New York law, and that more than 80% of all life insurance written in the United States is written by New York companies.

**The Hughes Laws**

The effect of the Hughes laws was to transfer ownership of the life insurance companies from their former stockholders to the policyholders themselves. Through this so-called mutualization it is the policyholders who are the owners of the large life insurance companies which operate under New York law. Yet under that law these owners have virtually no opportunity to participate in the selection of those who manage the enterprises which they own.

To be nominated on a so-called "administration slate," which is a slate of directors selected by the incumbent board of directors, is in New York to be assured of election. To get on the ballot as an independent candidate for director of a life insurance company it is necessary to be nominated by a petition signed by one-tenth of 1% of all the company's policyholders.

In the last 25 years there has been but a single contested election for director of any life insurance company chartered under New York law. The enormous expense of soliciting signatures for an independent petition is indicated by the fact that a single New York company has more than 25 million policyholders.

**Policyholders' Lack of Control**

The SEC in a report after a study made 12 years ago

Continued on page 16

*We are pleased to announce the installation of a*

DIRECT PRIVATE WIRE
to
SILLS, FAIRMAN & HARRIS
Incorporated
Members Midwest Stock Exchange
209 South La Salle Street
CHICAGO 4, ILL.

W. E. HUTTON & CO.
ESTABLISHED 1886
Members New York Stock Exchange and other leading exchanges

UNDERWRITERS • BROKERS • DEALERS

NEW YORK CINCINNATI
Philadelphia, Pa. Baltimore, Md. Boston, Mass. Dayton, Ohio
Lexington, Ky. Easton, Pa. Portland, Me. Lewiston, Me. Hartford

# Business Man's Bookshelf

**Capital Formation in the Petroleum Industry**—Frederick G. Coqueron and Joseph E. Pogue—Petroleum Department, The Chase National Bank of the City of New York, Pine Street, corner of Nassau, New York 15, N. Y.—paper.

**Chemonomics**— quarterly bulletin of Chemical Economics: Commercial Chemical Development—R. S. Aries & Associates, 400 Madison Avenue, New York 17, N. Y.

**Rated vs. Actual Capacity for Power Production**—Hendrik A. Diamant—Reprinted from the Jan. 17 issue of the Public Utilities Fortnightly — paper — Hendrik A. Diamant, Baker, Weeks & Harden, 1 Wall Street, New York 5, N. Y.

WE ANNOUNCE THE REMOVAL OF OUR CHICAGO OFFICES TO

39 SOUTH LA SALLE STREET
RAndolph 6-6400

Smith, Barney & Co.
Members New York and Midwest Stock Exchanges

NEW YORK PHILADELPHIA BOSTON
Albany Allentown Hartford

February 11, 1952

gitized for FRASER
tp://fraser.stlouisfed.org/

# Tax-Exempt Bonds as Savings Bank Investments

By ALFRED J. CASAZZA*
Vice-President, Savings Banks Trust Company, N. Y. City

**Commenting on recent legislation making mutual savings banks, within certain limitations, subject to Federal corporation income taxes, Mr. Casazza traces probable effects of this legislation on savings bank investment and dividend policies. Points out one method of escaping tax is by purchase of tax-exempt obligations since net effective yield on these securities is relatively higher when compared with other bonds. Also cites disadvantages of tax-exempts, such as their low absolute yield and risk of price depreciation by reduction of income tax rates and by excessive new issues.**

Until this year, savings banks were not subject to the Federal income tax.

If you look at the record of savings bank investments for 50 years or more, you will find that in years past when tax rates were low, substantial amounts of municipal bonds were held by many savings banks since yields then offered by municipal obligations were not much lower than the return obtainable from taxable bonds. For example, in 1915, municipals comprised over 60% of total bond investments of New York State savings banks. However, when high tax rates sharply depressed yields on tax-exempt bonds during the World War II period, savings banks for the most part shifted out of these securities and into long-term United States Government bonds. At the end of 1947, municipals held by all savings banks in the United States had dropped to a mere $55 million, only ¼ of 1% of their total assets.

Alfred J. Casazza

The Revenue Act of 1951 has aroused a new interest among mutual savings banks in the purchase of tax-exempt bonds. One evidence of this is that the Investment Committee of the New York State Savings Banks Association has drafted for introduction in this session of the New York State Legislature certain proposals to broaden the municipal section of the Banking Law. Included in the proposals are provisions to make legal for savings banks revenue bonds of certain monopolistic utilities such as those providing water, electricity, gas and sewage service. In addition, this Committee proposes to add more municipal obligations to the Legal List by reducing the population requirement.

Mutual savings banks are now subject to the Federal income tax. Briefly stated, this means that their earnings, after deducting operating expenses and interest-dividends, are now subject to the 52% corporate normal and surtax where the surplus and reserves of a savings bank are not less than 12% of deposits. Retained earnings are not taxed if surplus and reserves are less than 12% of deposits. This provision is designed to assure protection for savings bank depositors against possible future losses, since as mutual institutions the savings banks have no source but their earnings for building up their surplus to margin their deposit growth.

We thus see that the savings banks to be taxed are those whose ratio of surplus and reserves to deposits exceeds 12%. Furthermore, the tax status of a savings bank could change from one year to another, as for example if its ratio were to increase from 11% to over 12% in a given year. To determine whether a given savings bank is subject to the income tax, you must know the current ratio of its surplus and reserves to its deposits. In addition, since a savings bank may be valuing its bank building or other assets at figures lower than those acceptable to the Bureau of Internal Revenue, the bank could be subject to tax even though the surplus and reserves shown on its published statement are less than 12% of deposits.

Until the Bureau of Internal Revenue issues regulations to govern the application of the Federal income tax to mutual savings banks, some institutions may not be certain whether they are presently subject to the tax or not. It is probable, however, that for income tax purposes a majority of the savings banks in New York State will be found to have surplus and reserves at the end of 1952 in excess of 12%.

*An address by Mr. Casazza before Municipal Forum of New York, New York City, Feb. 15, 1952.

### Higher Interest-Dividend Rates and Deposit Growth

The amount of taxable income a mutual savings bank has, and so the extent to which it may want to buy tax-exempt obligations to minimize its tax, will be affected to a major extent by the rate of interest-dividend paid its depositors.

The maximum rate savings banks in New York State may now pay is 2½%. Savings banks that raise their rate to 2¼ or 2½% on deposits will have less taxable income. When a savings bank raises the dividend rate, it pays out more of its earnings, and thus slows down the rise in surplus. And if the higher return paid depositors attracts more deposits, then an increased dividend rate will tend to bring down the ratio of surplus and reserves to deposits all the more rapidly, in time perhaps below 12%, at which level no Federal income tax would be payable.

As a general rule, mutual savings bank deposits are likely to expand more rapidly than surplus and reserves for institutions subject to the tax. One hypothetical example will illustrate why this is so. A savings bank that now has, let us say, a 14% surplus ratio and which gains deposits at a rate of 5% per annum would have to increase its surplus by the same rate as its deposits to maintain the ratio at 14%. That would mean an annual increase in surplus equal to .70 of 1% or deposits. It is extremely difficult, however, for a New York savings bank under existing investment restrictions to earn enough to cover expenses of say .75 of 1% of deposits, to pay 2% to its depositors, and to have .70 of 1% left for surplus after paying the Federal income tax. If a higher return is paid depositors, it becomes impossible to maintain the surplus ratio under existing investment restrictions in the case mentioned.

We thus find that:

(1) Not all savings banks will have to pay a Federal income tax, only those with a surplus and reserve ratio of 12% or more of deposits.

(2) The tax liability would be reduced considerably where savings banks pay higher dividend rates to their depositors.

(3) Individual savings banks would not have to pay the income tax if the growth in surplus and reserves should lag so far behind deposit growth that the ratio drops below 12%.

### Alternative Investment Policies

For mutual savings banks that will this year pay a Federal income tax on retained earnings, and that expect to remain subject to the tax for years to come, there are several alternative methods of minimizing the tax liability.

The method of most interest to you is the purchase of tax-exempt obligations. This alternative needs to be analyzed carefully and objectively. Only by considering all the pros and cons of mutual savings bank purchases of tax-exempts can one make an intelligent guess of the probable extent and timing of savings bank investment in these securities.

But, before doing this, I will consider the other methods of reducing the potential tax liability that are open to mutual savings banks. We must analyze the alternatives, to judge realistically the probable future role of tax-exempts in portfolios of savings banks now subject to Federal income tax.

One alternative course of action that could reduce the tax burden of individual mutual savings banks temporarily is the sale of United States Government and other bonds that have depreciated in price, so as to realize net losses which may be deducted from taxable income. Holding long-term, high-grade bonds for income, savings banks are in position at today's market prices to utilize substantial capital losses. Obviously, a bank subject to the tax has good reason to make desirable switches which will also, incidentally, provide a deduction from taxable income. Where realization of bond losses could wipe out a large part of the tax liability for a year or more, there is less urgency about taking other steps to attain this same end.

Another alternative is the purchase of amortizing mortgages. Stated very simply, a good conventional mortgage yielding 4% after expenses gives a savings bank about the same effective yield after taxes as a municipal obligation yielding 2%. However, quality and marketability considerations may make the municipal bond the more attractive investment. But so far as yield alone is concerned, a 2% municipal does not do materially more for a savings bank subject to Federal income tax than a mortgage that leaves 4% after deducting origination and servicing costs.

Thirdly, and perhaps most significantly, mutual savings banks are hopeful that the New York State Legislature this year will authorize them to invest in preferred and common stocks up to 5% of assets or one-half the amount of their surplus and undivided profits, whichever is lower. Only 15% of the amount of dividends received by a corporation is subject to the 52% corporate income tax rate, which is equivalent to a tax rate of 7.8% on total dividends received. Yields on equities, as we know, are much higher than on high-grade bonds and mortgages before considering the tax. Standard & Poor's composite yield index of common stocks was 5.78% at the end of January, 1952, and 4.21% on 11 high-grade non-callable preferred stocks for the same date.

The effective rate of return on equities, after tax, is so much higher than that obtainable from any other class of investment that a mutual savings bank which is subject to the tax may want to await the action of the Legislature on the equity proposal before adopting other investment policies to minimize the tax. As you know, savings banks in Massachusetts and Connecticut have long had the power to invest in bank stocks, and those in New Hampshire can buy into all classifications of equities. There is thus ample precedent in the laws of other States, as well as in what has been done for trustees and life insurance companies in New York, to justify the grant of this requested authority to mutual savings banks.

It must be remembered that the income tax applies only to the retained earnings of a savings bank. Income used to defray expenses or to pay interest-dividends to depositors is not subject to the tax. Hence, once a savings bank has taken steps to reduce its taxable income to a relatively low point, the problem will have been solved for that institution and further steps in this direction would not be required for the time being.

Against this background, I shall now attempt to list and appraise the advantages and disadvantages of buying tax-exempt bonds for savings banks which are subject to the Federal income tax.

### Advantages of Tax-Exempts

The strongest argument for the purchase of tax-exempt bonds by mutual savings banks which have substantial amounts of taxable income is the relatively higher effective yields these investments provide as compared with other bonds.

The highest market yield obtainable from a government security is less than 2.75%. After deducting the 52% tax, these bonds yield not more than 1.32%. In terms of effective yield, not taking into account the non-risk classification of Treasury obligations and their high degree of liquidity, tax-exempt obligations thus provide a considerably higher rate of return than do government bonds.

Following the rise in interest rates of the past year, savings banks can secure a yield of 3.15% or so from desirable corporate bonds, especially among new offerings. After a 52% tax, this means an effective return of only about 1.50%.

Savings banks can obtain higher effective yields from tax-exempts. They can get a net return of about 1.85% from long-term New York State bonds. They can get

Continued on page 31

An Important Announcement to
HOLDERS of MUNICIPAL BONDS
It pays to use vigilance even on securities as generally sound as Municipal and Revenue Authority issues. Ira Haupt's unique "Watching Service" on Municipals carries out this task *for you* — and at no cost to you in time or money.
Originally developed for banks and their trust departments—several hundred are using it—this Service is now being extended as a safeguard for individual investors. Its main purpose is to supply you with prompt reports and significant changes that may alter the status of any of your municipal holdings.
Reports are brief, and cover only those issues which you hold. The Service will keep you informed of possible changes in ratings and keep you abreast of news affecting municipal credit.
*If interested, write for our "Municipal Watching Service Folder" M-4 no obligation.*
IRA HAUPT & Co.
*Members New York Stock Exchange*
*Members New York Curb Exchange*
*and all principal exchanges*
111 BROADWAY NEW YORK 6, N. Y.
*WOrth 4-6000*

GULF SULPHUR CORPORATION
OF DELAWARE
*10c par value*
BOUGHT—SOLD—QUOTED
*Prospectus on request*
PETER MORGAN & CO.
31 Nassau Street, N. Y. 5
Tel.: DIgby 9-3430 Tele.: NY 1-2078

L. A. DARLING COMPANY
It is expected that this company will have the largest earnings in its history but is selling 1/3 less than its 1946 high.
8% Yield Based on 1951 Dividend
*Latest information upon request.*
Moreland & Co.
*Members:*
*Midwest Stock Exchange*
*Detroit Stock Exchange*
1051 Penobscot Building
DETROIT 26, MICH.
Bay City Muskegon

igitized for FRASER
http://fraser.stlouisfed.org/

# Preferred Stocks for Banks

By MORRIS A. SCHAPIRO*
M. A. Schapiro & Co., Inc., New York City

**Bank stock specialist, calling attention to inability of most banks to obtain needed additional capital by sale of common shares, proposes resort to issues of preferred stock. Says taxes prevent increase in earnings and dividends despite expanding business of the banks. Finds trend toward bank mergers forcing consideration of preferred stock issues, and maintains a broad market for bank preferred stocks now exists.**

Banks need more capital. With present high taxes, their earnings are not large enough to attract it. Therefore, banks should consider the sale of preferred stock.

Morris A. Schapiro

We know that present limitations of Federal income and excess profits tax laws as applied to bank earnings make it increasingly difficult for bankers to justify their stockholders' investment. Your shares are at a discount. It is hard for you to attract new capital and almost impossible to do so on terms fair to your present stockholders. But, for banks to keep pace with the economy, they must find additional capital.

Today, the strength and liquidity of the banking structure are unquestioned. But this does not lessen the need for additional capital. Banks must expect to furnish even greater services in the future and they must prepare for the rainy day with larger reserves.

The future is always unknown. Blueprints of the past provide no dependable clue to possible disasters of tomorrow. Your solidity will depend on how your assets will fare under adversity. Your liquidity, your capital strength, and your earning power are your lifelines. The world we live in must be continuously reappraised and your current position constantly weighed. After the future has disclosed the losses will your judgment and wisdom be evident, for then only will a true accounting of your transactions be possible.

### Additional Banking Capital Necessary

The already high level of loans in our expanding defense economy makes additional banking capital necessary. This is generally understood by the banking world and by that important section of your customers, those large companies doing a nationwide business, interested in the standing of their depositors.

The Federal Reserve System is the foundation of the liquidity of our banking structure. Its powers to maintain the stability of financial institutions were immeasurably strengthened after the experience of the late depression. Nevertheless, the fact is that banks are no longer as liquid as they were. The high level of loans and the fluctuating market for government and other securities have created new sources of potential losses.

Despite these compelling circumstances additional capital cannot readily be obtained through traditional common stock financing. But capital for banks is there for the asking, lots of it, through preferred stock financing. But you must first face realities.

To do this—to face the facts—you must break with tradition and overcome your understandable uncertainty regarding public reaction. Let us remember, although taxes remain high, the volume of banking business was never greater. That is why more capital is needed. Now is the time for bankers seeking additional capital to consider the sale of preferred stock to private and institutional investors.

Despite the traditional aversion among conservative bankers to senior capital, this now provides a practical means whereby independent banks can continue their growth. You will be interested to know that in New York City, as well as in other centers, many banks, large and small, have become aware of the advantages of preferred stock. This year may well see offerings by a number of them, including nationally prominent names.

What is likely to be the reception of such offerings among private and institutional investors? Bank preferred is senior capital and as such would be generally recognized as a top-flight security. We all know that the prevailing discount on bank shares reflects the low rate of earnings on stockholders' money and is no indication of any internal weakness in banks. Senior capital would be the equivalent of bank debt since banks will utilize retained earnings to periodically retire preferred stock. Thus, such an issue might well be retired out of earnings in 10 to 15 years. Because of its intrinsic merit and the tax exemption of its dividend, bank preferred would command wide acceptance among institutional investors, such as savings banks, insurance companies, and others.

### Gross Income Increasing

Meanwhile, looking ahead, there is no dearth of operating income for banks. Loans are high, rates are good. If the present volume of loans is maintained, banks will experience a very substantial increase in gross income during 1952. With the defense program under way, the demand for credit is more likely to be concentrated among the larger borrowers. The ability to accommodate these borrowers will continue to feature lending operations.

Heavier credit needs of business under current conditions are making necessary fuller utilization of the great lending power of the New York City banks. The large concentration of bank capital in New York City is, therefore, assuming greater national importance, and this apparently accounts for the fact that banks in New York City are no longer losing deposits to the rest of the country. The relative deposit trend of these banks seems to have been halted. Central Reserve City member banks in New York last year are estimated to have held 19.3% of the total deposits of all member banks. In 1950 the percentage for this New York City group was 18.9, lowest point in the previous decade, a period of uninterrupted decline from 30.5% in 1940.

For the smaller banks in this district, as well as everywhere else, this development is not without significance. Borrowers, naturally, prefer to do business where their credit needs can most readily be met. If you are interested in retaining your present relative position, the problem of adequate capital is of immediate concern.

Nearly 25% of the nation's commercial banking capital is concentrated in New York City, and this largely held by a dozen banks. Not so many years ago, this was a fact of academic interest. Today with the demand for credit coming from larger borrowers, this great lending power is naturally attracting business. The competitive situation in New York City is illustrated by three banks each of which has combined capital and surplus of $300 million and a legal lending limit of $30 million. The emphasis today is on lending power, therefore the greater significance of adequate capital.

### Merger Trend Continues

Meanwhile, with rising costs, heavy taxes, and bank stocks at a discount, the merger trend continues. In the past, these mergers, were frequently effected on a cash basis, and capital was withdrawn from the banking system. This procedure has created understandable concern among our banking authorities.

So important to the economy has banking capital become that the Federal agencies recently obtained legislative power to discourage "cash" mergers. This means that bank mergers resulting in the withdrawal of capital are considered undesirable. In effect, "cash' mergers can now be accomplished only if the cash received by stockholders of the selling bank is replaced by the buying bank, resulting, therefore, in no net loss of capital to the system. Stockholders, of course, are still free to liquidate their business.

The trend toward mergers forces consideration of preferred stock issues especially where a major transaction is involved and where the stock of the buying bank is at a discount. The benefits of a "cash" merger for stockholders of the surviving bank can now be realized only if the consideration is effected through preferred stock. Otherwise, they must suffer the resulting dilution and penalties of common stock offering in a discount market.

Apart from the merger aspect, however, bankers naturally are concerned with the cost of new capital. The burden of the preferred dividend would be materially reduced for banks subject to excess profits taxes of which there is a growing number. In fact, under certain conditions, the accrual for preferred dividends might be offset by a like reduction in income tax accruals. But, above all, the costly dilution which shareholders would suffer would in this way be avoided.

### There Is Market for Preferred Stocks

A broad market for senior securities of banks exists, but this will not be demonstrated until at least one nationally prominent bank undertakes to do so. It is perhaps significant that only recently the largest bank holding company in the East successfully marketed $11 million of preferred stock. Its convertible shares, now listed on the New York Stock Exchange, command a premium of approximately 10% over the issue price.

In sum, banks are caught in a squeeze between penalizing taxation and the urgent need for new capital. The reluctance of banking authorities to approve preferred stock for unit banks under their jurisdiction is known. Preferred stock will not remedy the basic earning ills of banks. But, unless tax inequities are corrected, senior capital offers the only constructive alternative.

Refusal of banking authorities to approve preferred stock offerings would make tax adjustment for banks of the utmost urgency if private banking is to carry on. Even with eventual tax relief, the case for senior capital is strong and is likely to remain sufficiently compelling for many banks to adopt this form of capitalization.

*An address by Mr. Schapiro before Passaic County Bankers Association, Paterson, N. J., Feb. 19, 1952.

*This announcement is neither an offer to sell nor a solicitation of an offer to buy any of these Shares. The offer is made only by the Prospectus.*

*81,512 Shares*

**Chain Belt Company**

*Capital Stock*
*(Par Value $10)*

*Rights, evidenced by subscription warrants, to subscribe for these shares have been issued by the Company to the holders of its Capital Stock, which rights will expire at 3 o'clock P.M. Eastern Standard Time on March 6, 1952, as more fully set forth in the Prospectus.*

*Subscription Price $34 a Share*

*The several underwriters may offer shares of Capital Stock at prices not less than the Subscription Price set forth above (less, in the case of sales to dealers, the concession allowed to dealers) and not greater than either the last sale or current offering price on the New York Stock Exchange, whichever is greater, plus an amount equal to the commission of the New York Stock Exchange.*

*Copies of the Prospectus may be obtained from only such of the undersigned as may legally offer these Shares in compliance with the securities laws of the respective States.*

MORGAN STANLEY & CO. — ROBERT W. BAIRD & CO., Incorporated
GLORE, FORGAN & CO. — PAINE, WEBBER, JACKSON & CURTIS
DEAN WITTER & CO. — THE MILWAUKEE COMPANY
FIRST OF MICHIGAN CORPORATION — LOEWI & CO.
McDONALD & COMPANY — NEWHARD, COOK & CO.

*February 20, 1952.*

5 MINUTES FROM WALL ST.
N. Y.'s largest Hotel offers foremost facilities for
banquets
meetings
office parties
Outstanding values—for large or small groups! Clark St. sta. 7th Ave. IRT subway in hotel. Telephone MAin 4-5000.
HOTEL ST. GEORGE
Clark St. Brooklyn, N. Y.
Bing & Bing, Inc., Management

Digitized for FRASER
http://fraser.stlouisfed.org/

# From Washington Ahead of the News

By CARLISLE BARGERON

Just about one of the most powerful men in Washington in World War II, or in the country, for that matter, was the late Sidney Hillman. He was co-director of the War Production Board, but more important, he was one of the master minds of the New Deal. Because of this, the war can be said to have cost more than it would have otherwise; not so much more in the billions that were thrown down the sink, but more nevertheless. This extra cost was the tribute that had to be paid to Mr. Hillman's garment workers. He got himself in the position, the envy of all the other labor leaders, of where every contract awarded in the needle goods' industry had to be cleared with him. This was not where the expression "clear it with Sidney" originated, but it might as well have.

Carlisle Bargeron

Sidney said who were to get the contracts and he fixed the price. A bonus necessarily had to be paid to his higher cost manufacturers.

It looked for a while that we might escape this additional cost in the so-called Cold War. Mr. Hillman has gone, passed on, as his devoted followers would say, and of course, he hasn't been here to throw his weight around.

But we reckoned without his successor as head of the Amalgamated Garment Workers, Mr. Jacob Patosky. Mr. Patosky has not, or so I had assumed, attained the eminence of Mr. Hillman in labor and political circles. But it appears that his training under Hillman has not been lost.

At the expense of Defense Mobilizer Wilson, Patosky seems to have moved into a position of power very similar to that held by his predecessor.

Orders issued by the Defense Mobilizer set up 23 "depressed" areas in the country, or as the Labor Department euphoniously puts it, areas where there is a "surplus" of employment. As I understand it, to the needle goods' industry has largely been assigned the job of relieving or lifting these areas up. At least in those areas contracts for needle goods are to be awarded without competitive bidding and with a view to relieving unemployment.

It appears to be a big break for the needle goods' industry, and certainly that portion of it that deals with Mr. Patosky, because if I have been reading the trade journals correctly, that industry has been pretty generally depressed as the result of over inventory. But the "depressed" areas now described by the Defense Mobilizer are not confined to this particular industry; it is just that the industry is assigned the delightful job of bailing them out.

In this situation Patosky is said to hold the strong hand, and it would not be surprising at all if the order "Clear it with Patosky" did not soon come to take the place of those immortal words "Clear it with Sidney." As Snuffy Smith would say, "it's a scandal to the jaybirds."

Patosky is certainly the one that brought the set-up about. President Truman had hardly got the words out of his mouth ordering intervention of our armed forces in Korea before this labor leader was down here pressing his plan. That it has taken him this long to accomplish it attests to the fortitude of Mobilizer Wilson, but the experience has nevertheless added to the latter's Washington education. It marks his second major defeat at the hands of "labuh."

I suppose it comes as no general surprise that there are "depressed" areas in our economy of "prosperity" and inflation. But it must be a surprise that there are so many. We have been hearing, and I am reasonably certain, that it will be Truman's main appeal for reelection, that we have full and prosperous employment. I have even heard Republicans say mournfully that corruption and scandals in the government notwithstanding, you can't beat a full dinner pail.

It is a peculiar full dinner pail that we have, one that could only be had in a "managed" economy. We have become so organized in this country that we can have a shortage of labor in Flint, Mich., say, and high relief rolls a few miles away in Detroit. For workers to get on a street car or a bus and go seeking employment is just simply not done; as the debutantes would say, "it is passe." It takes rare governmental skill to bring about such a situation as this.

We Take Pleasure in Announcing the Formation of

**VICKERS BROTHERS**

*Members National Association of Securities Dealers, Inc.*

**BROKERS AND DEALERS in INVESTMENT SECURITIES**

**37 Wall Street - New York 5, N. Y.**

**Telephone WHitehall 3-0990**

February 15, 1952.

JAMES S. VICKERS
SYDNEY G. VICKERS, JR.

# Our Reporter's Report

Current tendency toward easiness in the secondary corporate bond market is regarded in most quarters as a reflection of preparations among major institutional investors for new issues which should be reaching the public offering stage in greater volume within a fortnight.

**At the moment the market appears to be suffering from a dearth of interest with buyers showing a disposition to back away rather than reach for bonds at these levels. The market has enjoyed a substantial recovery since the turn of the year and at the moment is considered in process of correction.**

It could be that there is a little preliminary realizing where necessary against impending March 15 tax liabilities but the general belief is that those interested in corporate paper are building reserves against forthcoming issues.

**Insurance companies are well aware of the fact that the new financing calendar is building up even though two or three weeks will pass before offerings attain any real volume. Trusts and pension funds, likewise, are fully appraised on that score.**

Meanwhile investment bankers and dealers are virtually free of inventories. Current indications are that little more than $5 million remains unsold of recent undertakings in corporation bonds and stocks, and similar conditions prevail in the railroad equipment trust field.

### March Holds Promise

Next month holds promise of bringing out a substantial volume of new business in the corporate field. In fact the opening week will provide bankers and their dealer organizations with enough work to keep them busy.

Curiously enough March will be ushered in with an outpouring of negotiated underwritings which will bulk large in total and provide the banking fraternity with the type of business it much prefers.

On March 4, Interstate Oil Pipe Line Co., is slated to bring out $25 million of 25-year sinking fund debentures; and United Biscuit Co. is slated to offer $10 million of 25-year debentures also. On the same day Oklahoma Gas & Electric is due to open bids for $12 million of 30-year first mortgage bonds.

### Two Big Ones Loom

The following day should, if things go along as expected, bring out American Tobacco Co.'s offering of $50 million of new 25-year debentures and 1,075,685 shares of additional common stock, the latter to be offered first to shareholders at the rate of one new share for each five held.

On the same day Detroit Steel Co., through negotiation, will float $25 million of 15-year first mortgage bonds plus 600,000 shares of $25 par convertible preferred stock.

Funds raised through the sale of bonds will be used to retire outstanding bonds and to finance expansion. Receipts from the stock sale likewise will go for development costs and working capital.

### Really Looking Ahead

Meantime it is reported that one of the best known of the larger underwriting houses is working on

Continued on page 50

# Dealer-Broker Investment Recommendations and Literature

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

**Airline Securities**—Bulletin—Goodbody & Co., 115 Broadway, New York 6, N. Y.

**Capital Formation in the Petroleum Industry**—Frederick G. Coqueron and Joseph E. Pogue—Petroleum Department, Chase National Bank of the City of New York, Pine Street, corner of Nassau, New York 15, N. Y.

**Capital Gains**—Descriptive literature on common stock with large appreciation possibilities (company established 1862)—Raymond & Co., 148 State Street, Boston 9, Mass.

**Chemonomics**—Quarterly bulletin of Chemical Economics and Commercial Chemical Development—R. S. Aries & Associates, 400 Madison Avenue, New York 17, N. Y.

**Department Stores**—Review—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y. Also available is a memorandum on **Fownes Brothers & Co.** and an analysis of the **Buda Company.**

**Guaranteed Rail Stocks**—Income opportunities—Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y.

**Natural Gas**—Analysis with particular reference to **Northern Natural Gas Company, United Gas Corporation,** and **Panhandle Eastern Pipeline Company**—E. F. Hutton & Co., 61 Broadway, New York 6, N. Y.

**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, Scherck, Richter Co.,** Landreth Building, St. Louis 2, Mo.

**New York City Bank Stocks**—Comparison and analysis of 17 issues—Laird, Bissell & Meeds, 120 Broadway, New York 5, New York.

**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.

**United States Government Securities and the Money Market**—Review of 1951 and outlook for 1952—Bankers Trust Company, 16 Wall Street, New York 15, N. Y.

* * *

**Atok-Big Wedge Mining Co.**—Memorandum—Aetna Securities Corp., 111 Broadway, New York 6, N. Y.

**Berkshire Fine Spinning Associates, Inc.**—Analysis—Scherck, Richter Company, Landreth Building, St. Louis 2, Mo.

**Brad Foote Gear Works—Memorandum**—White & Co., 506 Olive Street, St. Louis 1, Mo.

**Cenco Corporation**—Bulletin—O. B. Motter & Associates, 500 Fifth Avenue, New York 18, N. Y. Also available is a bulletin on **Muntz TV, Inc.**

**Central National Bank of Cleveland**—Memorandum—Gottron, Russell & Co., Union Commerce Building, Cleveland 14, Ohio. Also available are memoranda on **National City Bank of Cleveland,** and **Union Bank of Commerce.**

**Chicago & Eastern Illinois Railroad**—Discussion in current issue of Gleanings"—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. In the same issue is a discussion of **Illinois Central Railroad** and a list of 36 common stocks on which payments have been made consecutively for at least each of the past 25 years. Also available is a list of stocks selling above and at discounts from the September-October, 1951, highs.

**Chicago Title & Trust Co.**—Memorandum—Illinois Co., 231 South La Salle Street, Chicago 4, Ill.

**Cleveland Cliffs Iron Co.**—Memorandum—Fewel & Co., 453 South Spring Street, Los Angeles 13, Calif. Also available is a memorandum on **Photon.**

**L. A. Darling Company**—Late data—Moreland & Co., Penobscot Building, Detroit 26, Mich.

**Erie Railroad Company**—Analysis—Sincere and Company, 231 S. La Salle Street, Chicago 4, Ill.

Continued on page 50

**National Alfalfa D. & M. Co.**
**Brown Oil & Chemical**

**Primary Markets**

**TROSTER, SINGER & CO.**

*Members: N. Y. Security Dealers Association*
**74 Trinity Place, New York 6, N. Y.**
Telephone: HA 2-2400. Teletype NY 1-376; 377; 378
Private wires to
Cleveland-Denver-Detroit-Los Angeles-Philadelphia-Pittsburgh-St. Louis

Digitized for FRASER
http://fraser.stlouisfed.org/

# The Quest for Yield

By IRA U. COBLEIGH

*Author of "Expanding Your Income"*

**Containing some current ideas about the age-old search for high income without incurring destructive risk.**

Before you get down to the meat of today's economic distillation, you are respectfully urged to read a famous essay by Ralph Waldo Emerson, entitled, I believe, "Compensation." The general idea of this is that to get something, you have to give up something else in this vale of tears. This is not only practical philosophy, but a wonderful background for those who want big returns and, in searching for same, hope to miss the pitfalls of disheartening declines in market value.

Ira U. Cobleigh

If you'll pardon a stroll down memory lane, consider that high yield securities have not always proved disastrous. For instance, in August, 1921 there was offered an issue of Goodyear Tire and Rubber 1st mortgage 8s at 98½. Well, they paid interest unfailingly, and were redeemed Aug. 12, 1927 at 120. Fact is, I remember back in 1927 a fellow who made quite a study of high returns. He wouldn't look at a security unless it yielded 8% or better. In his fashion he accumulated quite a bizarre list—Bolivia 8s (then selling around 82); Italy 7s; French 7½s; Poland 8s; Santa Catarina 8s, and as I recall it, Empire Gas and Fuel 8% preferred. Nor was he content with these fat returns—he pyramided them a bit. He found a bank where he could borrow 80% of market value and pay only 5½% interest; so here's what he worked out:

| | |
|---|---|
| Purchase a list of above items for | $100,000 |
| Annual coupon income | 8,400 |
| Bank loan | 80,000 |
| Annual interest on same | 5,500 |
| Money invested (by him) | 20,000 |
| Net return on same | 2,900 |
| Dollar return on capital invested | 14½% |

In addition, of course, this character counted in, as so much found money, the proceeds from bond redemptions, and any increase in market value over prices paid. If the depression had never come along, this lad would have had a really perfect system. But in practice his scheme was badly loused up by defaults by Poland, Italy, Bolivia and Brazil, by sickening price declines, and by nasty and inconvenient margin calls.

From the foregoing, it is surely sound to conclude that if you're going to reach for extra returns, you shouldn't do it on borrowed money; and at best, safety, marketability and yield are a tripod—too much of one disturbs the balance of the other two.

However, just because the hunt for high yields has been historically hazardous, has not, and will not discourage many from hoping they may be luckier in the attainment of exalted dividend or interest return.

So, with the veritable welter of "hedge clauses" offered above, the stage is now set for us to explore together some of those issues, in today's market, whose returns dwarf that of standard socially acceptable preferreds, and the blue chip commons.

Apart from thin-credit bonds, the best yields have traditionally been found in the so-called extraction industries, like coal and copper, the volatile-price industries like sugars and textiles, and the highly-cyclical items like the steels. So let's look around and see, in today's list, what opportunities may exist for fat income without taking on too brutal a risk liability.

If an 8% return (on the basis of 1951 dividends of $2 per share) is of interest, then by all means you should look into Grumman Aircraft Engineering Corp. Its dividend record among plane manufacturers is unique, since some payment has been made in each year since 1933, with a 2-for-1 stock dividend in 1948 and 1950. 1951 dividends were well supported by earnings of about $3.25 a share; and 1952 looks better. Only this week, Grumman announced a new swept-wing jet fighter, the F9F-6 Cougar, reputedly faster than the 600 mile-an-hour Panther. Estimated sales for 1952 are $250 million. In a quasi-war economy, it would appear that Grumman common around 25½ gives not only a fascinating yield but a security which it would be difficult to describe as over-priced.

Next let's move into the depressed industry department—coal. You have two types here—bituminous (soft coal) and anthracite (hard). Of the two divisions, the first has stood up better since demand for industrial coal has continued and prices have stayed competitive, while hard coal, primarily used in home heating, has taken a heavy beating at the hands of oil and natural gas. However, here, as in every other industrial field, research is at work. New methods of combustion and ash disposal are constantly sought, and there is always in the background the possibility of coal being converted into power at the mine, or synthetically changed into oil at low cost. Meanwhile, certain companies have still proved they can stay in business and pay dividends, even though the trade is not exactly basking in economic clover. Hence, I urge you to examine two.

Philadelphia and Reading Coal and Iron is an anthracite producer much in the news because a big block was recently bought by the Graham-Newman interests—traditionally astute appraisers of security values. Its operating costs are low in comparison with other units in the industry, the great portion of production being turned out by the strip method. 1951 earnings are estimated at roughly $3 a share against dividends totaling $1.90 on the 1,428,000 common shares outstanding. Here's a well managed low cost producer earning fairly well and currently selling on a 10% basis in relation to 1951 cash disbursements. Perhaps a new ownership group, a resurgent demand, or a new use for hard coal may one day improve the quality of this ebony equity.

Switching to soft coal, West Kentucky Coal would get my vote in the present market at around 25, yielding just 8% on 1951 dividend of $2. This dividend was substantially covered in each of the last five years, per share earnings reaching a high of $4.26 in 1948. Whereas there is constant concern about the relatively short life of our oil and natural gas reserves, there is enough soft coal in our country for a millenium of use at current rates of consumption. West Kentucky has many decades of inventory underground and—who knows—that might turn out to be a good inflation hedge. For sizable, but smoky, dividends, West Kentucky may burn brightly for you.

Steels have not exactly been gazelle boys in recent markets and it's still possible to buy such a relatively sturdy stock as Republic at 42, yielding over 9% in relation to the $4 1951 dividend. Per share net was $7.61 in 1948, $7.54 in 1949, $10.53 in 1950 and, I'm sure, above $9 for 1951. Management has been aggressive in its search for ore and new Liberian supplies may well prove of enormous worth to Republic. Frankly, it doesn't seem here that a high yield commitment should involve great hazard, particularly in view of our indefinitely sustained defense program.

Then what's so dreadfully wrong with Chrysler Corp. at 70? Above 10% return assuming the $7.50 dividend 1951 rate. With some $400 million current assets, Chrysler presents a sturdy balance sheet indeed, and boasts an unbroken dividend record since 1926. Surely reaching for yield in a stock as good as Chrysler does not appear to be exercising rash investment judgment.

As a final nominee in the high yield field, let me suggest New Haven income 4½s due July 1, 2022. On each May 1 since 1948, $45 per bond has been paid and the outlook for continued payment is good. If they do miss up, interest is cumulative up to 13½%; and you are further benefited by the road's aggressive sinking fund purchase which has, since issuance, drawn well over $16 million principal amount of income bonds into the Treasury. Management is extremely cost-conscious, and the physical condition of the road is excellent. At 56 these 4½s yield 8%. They are listed on the New York Stock Exchange where they have sold as high as 67.

If the king-size yield items I've listed above seem an incomplete list, then look into Public Service of New Hampshire yielding around 7%, Louisville and Nashville, and National Tea, around 7½%, Phelps Dodge and General Motors. Southern Pacific today yields over 8½%.

Now please bear in mind that this selection of investments, sort of Chinese fashion, is not the best way. High yields have in many cases in the past been danger signals—harbingers of the dull thud caused by later dividend reduction or passing. Occasionally, however, choice selection from among high yielders has paid off nicely not only in income but capital gains as well. Just by the law of averages two of the issues I've mentioned are likely to advance impressively. I'm sure I don't know which these two are but one of them might be Grumman. May your quest for yield be rewarding!

## Hays Partner in Will S. Halle Co.

CLEVELAND, Ohio — G. H. Hays, Jr. has become a partner with A. D. Metzenbaum in Will S. Halle & Co., Swetland Building. Mr. Hays in the past was with Asiel & Co. and Bache & Co.

## Wire Between W. E. Hutton & Sills Fairman Harris

W. E. Hutton & Co., 14 Wall Street, New York, and Sills, Fairman & Harris, Inc., 209 South La Salle Street, Chicago, announce the installation of a direct private wire between the two offices.

## Stephenson, Leydecker Add

(Special to THE FINANCIAL CHRONICLE)

OAKLAND, Calif.—H. S. Anderson has been added to the staff of Stephenson, Leydecker & Co., 1404 Franklin Street.

## Penington, Colket Partner

Penington, Colket & Co., 70 Pine Street, members of the New York and Philadelphia Stock Exchanges, will admit Fredric H. Winter to partnership on March 1.

## H. Judwin Co. Opens In New York City

Harry Judwin has formed H. Judwin Co. with offices at 32 Broadway, New York City, to engage in the securities business.

## Two With Investment Serv.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Donald M. Cox and Lester C. Young are now connected with Investment Service Corporation, 444 Sherman Street.

## With F. I. du Pont Co.

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—Joseph W. Davis is with Francis I. du Pont & Co., 121 Southeast Second Aveune.

*Continued from page 5*

# Capital Gains Taxes and Profits

repurchase fewer shares. However, this works out as follows:

| | |
|---|---|
| Repurchases 96 shares at 90 | $8,700 |
| Recovers to 100 after 6 months and sold | 9,600 |
| Net Profit after 26% maximum tax | 665 |
| Net Profit on first transaction | 3,700 |
| Total Net Profit | 4,365 |

Briefly, by selling the stock at 100 and paying the tax and repurchasing on a reaction at 90, an eventual recovery to the old high produces a total net profit of $4,365, **after paying the tax twice.** Simply holding the shares through the entire period of decline and recovery would still leave a net profit of only $3,700.

This assumes a six months' holding after the repurchase which the long-term investor would have done in any event, since presumably, he elects to hold the shares indefinitely. On the other hand, even on a "short-term" basis for the repurchase, it will be noted there is no tax of 100%.

It should be pointed out the 26% rate is the maximum applicable to securities held six months or more. A married couple filing a joint return could show a net taxable income of approximately $28,000, before the 26% maximum tax would apply; an individual about $14,000.

If after reacting from 100 to 90, the stock fails to recover, the long term holder who has not sold (because of taxes) is no better off, having lost a good part of his earlier gain. Of course, the other consideration is that the shares may not decline after the sale, but that is beside the point in this discussion, which deals with the idea expressed by many investors—"I would sell now and take my profit, if if weren't for the tax."

*This is not an offering of these shares for sale, or an offer to buy, or a solicitation of an offer to buy, any of such shares. The offering is made only by the Prospectus.*

171,090 Shares

**The Oliver Corporation**

Common Stock

($1 Par Value)

*Rights, evidenced by Subscription Warrants, to subscribe for these shares have been issued by the Company to holders of its Common Stock, which rights expire February 27, 1952, as more fully set forth in the Prospectus.*

Subscription Price to Warrant Holders

$30 per share

*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.*

Blyth & Co., Inc.

Merrill Lynch, Pierce, Fenner & Beane — Paine, Webber, Jackson & Curtis

February 19, 1952.

gitized for FRASER
tp://fraser.stlouisfed.org/

# Missouri Brevities

A nation-wide group of 144 underwriters, headed by Smith, Barney & Co., on Feb. 5 publicly offered an issue of 400,000 shares of common stock (par $5) of **Monsanto Chemical Co.** at $98 per share. It was quickly oversubscribed and the books closed. The Missouri bankers who participated in this offering were: **Newhard, Cook & Co.; Reinholdt & Gardner; Smith, Moore & Co.; Edward D. Jones & Co.; I. M. Simon & Co.; Stifel, Nicolaus & Co., Inc.; Stix & Co.; Metropolitan St. Louis Co.;** and **A. G. Edwards & Sons.** The net proceeds from the sale of the additional shares will be added to the general funds of **Monsanto Chemical Co.** and used, among other things, to further the company's expansion program, which involves capital additions to plants and facilities.

* * *

Three St. Louis investment firms participated in the public offering on Feb. 19 of 250,000 shares of Koppers Company, Inc., common stock (par $10) at $45 per share. They were **Stifel, Nicolaus & Co., Inc.; Newhard, Cook & Co.;** and **Reinholdt & Gardner.** The offering was reported to be quickly oversubscribed.

* * *

**Reinholdt & Gardner** also on Feb. 19 particpated in a public offering of 85,000 shares of common stock (par 50 cents) of The Dayton Rubber Co. at $22.62½ per share.

* * *

Sales of **Western Auto Supply Co. (Missouri)** during 1951 were the highest in the history of the company, according to the annual report for the year ended Dec. 31, last, issued for publication today by P. E. Connor, Chairman of the Board and President. Sales for the year totaled $160,066,094 compared with $156,093,143 in 1950, an increase of 2.5%.

Net income after taxes amounted in 1951 to $5,579,388, equal to $7.43 a share on the outstanding common stock. For the year 1950 the company reported net income of $6,842,292, or $9.11 per common share. Mr. Connor pointed out that gross profit margins were lower in 1951 due to competitive conditions which developed in many of the company's lines in the second quarter of the year and continued through the remainder of the year.

Net current assets of **Western Auto Supply Co.** as of Dec. 31, 1951, including cash and U. S. Government securities of $18,267,755, totaled $47,673,264 and the ratio of current assets to current liabilities was 4.3 to 1.

* * *

**Rice-Stix, Inc.,** St. Louis, reports that earnings for the year ended Nov. 30, 1951, were $1,035,175, equal to $3.35 per common share. This compares with a net of $1,711,694, or 6.22 per share for the previous fiscal year.

**Curtis Manufacturing Co.,** St. Louis, for the year ended Nov. 30, 1951, reports that earnings, after providing for Federal and State income taxes, amounted to $545,659, equivalent to approximately $2.82 per share on the 193,365 shares of common stock outstanding at the end of the year. This compares with $338,105, equal to $1.75 per share, earned in the previous fiscal year. No excess profits tax was incurred for the year.

* * *

The United States Court of Appeals on Feb. 15 upheld an order of the District Court approving payment of $35,088,575 in accrued interest on bonds of the Missouri Pacific RR. and its subsidiary, International-Great Northern RR.

If no request for a re-hearing or a stay of mandate is filed within 15 days, the District Court's payment orders will become effective. The accrued interest payment includes $33,478,575 on the first and refunding MoPac bonds, which is equivalent to three years' interest, and $1,610,000 on International first mortgage bonds, the equivalent of one year's interest.

* * *

**Edward D. Jones & Co.** and associates on Feb. 8 offered and quickly sold an issue of 40,000 shares of **Columbia Terminals Co.** 6% convertible preferred stock at par ($25 per share). Each share is convertible, at the option of the holder thereof, into 1¼ shares of common stock, subject to adjustment. The net proceeds are to be used to purchase new equipment required to meet increased demand for company services. The participating underwriters, other than **Edward D. Jones & Co.,** were: **Dempsey, Tegeler & Co.; A. G. Edwards & Sons; Hill Brothers; McCourtney-Breckenridge & Co.; Metropolitan St. Louis Co.; Newhard, Cook & Co.; Reinholdt & Gardner; Smith, Moore & Co.; Stifel, Nicolaus & Co., Inc.; Stix & Co.; Taussig, Day & Co., Inc.;** and **G. H. Walker & Co.**

* * *

An all-time record high of $223,317,150 in net sales by **International Shoe Co., St. Louis,** during the fiscal year ended last Nov. 30 is shown in the company's annual report mailed recently to stockholders. The 1951 sales were $24,677,132 above the previous year's total of $198,640,018, and were $3,512,270 above the company's previous high of $219,804,880 in 1948.

Net income of $8,978,018 compared with $10,957,707 the year before, and was equivalent to $2.64 per share of common stock in 1951 against $3.22 in 1950. A huge increase in Federal income taxes — $11,343,000 in 1951 compared with $8,193,703 in 1950 — more than accounted for the entire decrease in net income. Income before Federal income taxes was $20,321,019 against $19,151,410 the year before.

Production by **International's** 53 shoe factories totaled 48,333,381 pairs for the year, or more than 10% of all shoes produced in the United States. While pairs produced were about 6% under International's total for the year before, the report points out that the decrease is "roughly in line with the experience of the industry which will probably show a similar or slightly greater decrease for the year when the final Bureau of Census figures are published."

Military sales by **International** last year amounted to $33,248,604, against none for the previous year. Of total sales, the remaining $190,068,546 represents a 4% decrease in civilian sales for the year.

Olin Industries
Ely Walker Dry Goods Com. & Pfds.
First National Bank
Owens Corning Fiberglas
Mercantile Trust
Moloney Electric Class "A"
Scruggs-Vandervoort-Barney Com. & Pfd.
St. Louis Union Trust
Stix Baer & Fuller Dry Goods Com. & Pfd.
Wagner Electric

*Bought — Sold — Quoted*

**SCHERCK, RICHTER COMPANY**
Member Midwest Stock Exchange
Landreth Building
Bell Teletype SL 456 | St. Louis 2, Mo. | Garfield 0225 L. D. 123

## COMING EVENTS
In Investment Field

**Feb. 21, 1952 (Philadelphia, Pa.)**
Investment Traders Association of Philadelphia Annual Mid-Winter Dinner at the Benjamin Franklin Hotel.

**Feb. 28, 1952 (Boston, Mass.)**
Boston Investment Club dinner meeting at the Yacht Club.

**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.

# Connecticut Brevities

**La Pointe-Plascomold Corporation,** producer of television antennas, has purchased the Springville Mills. This sale is the fourth out of the seven J. P. Stevens & Co. mills in the former Rockville Division. The Springville Mills, which formerly employed 380 persons, will probably be used to manufacture special communications equipment, now being produced by the newly-acquired Press Wireless Manufacturing Company, Hicksville, Long Island. La Pointe produces television antennas and a second subsidiary Sculli Machine Co. is making aircraft parts in East Hartford.

* * *

The Federal Power Commission has issued to Windsor Locks Canal Company, subsidiary of **Connecticut Light & Power,** a three-year permit covering a proposed hydroelectric project. The new development at Enfield Rapids on the Connecticut River in Hartford County and Hampton County, Massachusetts, would include four generators with a total capacity of 42,000 kilowatts. Conversion during January of Connecticut Light & Power 3% debentures due Jan. 1, 1959 brought the amount outstanding down to $987,100 compared to an original issue of $8,156,650 in 1949. The conversion rate was changed on Jan. 1, 1952 to four shares of common for each $50 of debentures plus $4 cash. The number of common shares outstanding increased to 5,793,828 at the month-end.

* * *

The annual report of **Emhart Manufacturing Company** for 1951 shows that sales for the year increased to $30.8 million from $25.4 million in 1950. With the assistance of a good EPT base the company was able to increase net after taxes by $95,242 to $6.18 a share. While the amount of production for the defense program has been increasing, only a small percentage of the year's sales is believed to be subject to renegotiation. During 1950 and 1951 some $4 million was spent on new plant and equipment for expansion and modernization. Of this amount about $1.2 million is covered by Certificates of Necessity.

* * *

At the annual meeting of **Hartford Fire Insurance Company** on Feb. 28, stockholders will vote on a proposal of the Board of Directors to increase the authorized capital stock from 2,000,000 to a maximum of 4,000,000 shares of $10 par. The proposal has previously been approved by the 1951 session of the Connecticut General Assembly.

* * *

The annual report of **Wauregan Mills, Inc.,** shows that the compan's operations for 1951 ran counter to the trend of most textile companies. Sales increased from $2.9 million in 1950 to $4.5 million, and net income was $419,753 or $36.27 a common share as against a loss of $161,171 or $19.06 a year earlier. Net working capital more than doubled to $978,345 at the year-end.

* * *

**United Aircraft Corp.** has received a Certificate of Necessity on 65%-75% of a total of $4,205,177 to be spent at its Bridgeport plant. The company plans to expand its helicopter production.

* * *

On April 27, **New York, New Haven & Hartford Railroad** plans to discontinue use of steam locomotives. Current deliveries of 23 Diesel-electric locomotives will complete the changeover which was started 12 years ago.

* * *

The prospectus in connection with the offering of 70,000 shares of common of **The New Britain Machine Co.** on a 1-for-2 basis at $20 a share reveals that on Dec. 3, 1951, the company had unfilled orders of about $40 million, of which 86% is classified as for defense production. During 1951, production was expended to twice the 1950 rate. In addition, large amounts of work were subcontracted, amounting in the last quarter of 1951 to 50% of the number of manufacturing hours worked in the company's machine tool division. Some 30 subcontractors have been used. The heavy demands of the defense program have increased the percentage of machine tool production to total sales from 50% in 1947 to 72% in 1951.

* * *

Sales of **Russell Manufacturing Co.** amounted to $18.3 million in the fiscal year ended Nov. 30, 1951, compared to $12.3 million the previous year. Military sales were up from $482,000 in 1950 to $2,230,000, or 12% of the total in 1951. In 1951, the company adopted Lifo for computing inventories in an effort to stabilize earnings. The adoption of Lifo resulted in a reduction of net income before taxes of $270,829. Net earnings were equal to $318,831 or $2.18 a share on the number outstanding at the year-end against $357,560 or $2.68 a share in 1950.

## Cook & Quinlan Formed In New York City

Emerson C. Cook and Eldridge E. Quinlan have formed Cook & Quinlan with offices at 149 Broadway, New York City, to act as dealers in state and municipal securities.

## Smith, Barney in New Chicago Location

CHICAGO, Ill.—Smith, Barney & Co., members of the New York and Midwest Stock Exchange, announce the removal of their Chicago offices to 39 South La Salle Street.

## With Pacific Coast Secs.

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Albert G. Ewart is now affiliated with Pacific Coast Securities Company, 634 South Spring Street.

*We maintain primary markets in:*

**CONNECTICUT SECURITIES**
CONNECTICUT LIGHT & POWER • UNITED ILLUMINATING
CONNECTICUT POWER • NEW HAVEN GAS LIGHT
HARTFORD ELECTRIC LIGHT • HARTFORD GAS

*Descriptive memoranda available on request on these and other Connecticut companies.*

**CHAS. W. SCRANTON & CO.**
MEMBERS NEW YORK STOCK EXCHANGE
NEW HAVEN Telephone 6-0171
New York: REctor 2-9377 Teletype: NH 194 Hartford 7-2669

Digitized for FRASER
http://fraser.stlouisfed.org/

# Canada as a Place for Investment

By WILLIAM PEARSON SCOTT*
Vice-President, Wood, Gundy & Co., Toronto, Canada

**Among advantages of investment in Canada, Mr. Scott lists: (1) Canada's fiscal policy which does not tax capital gains; (2) sound financial condition of government and nation; (3) larger scale capital expenditures and rising interest rates; and (4) expanding industries and greater utilization of natural resources. Foresees favorable balance for Canada in trade with United States.**

All North America, United States as well as Canada, was founded by small groups of courageous men who had vision, faith and enterprise, and who were willing to invest their lives, as well as whatever wealth they possessed, in a Search for New Worlds to conquer. I use the word "conquer" because these men had to conquer difficulties and tribulations in the opening up and development of this Continent, the like of which we in our generation have never experienced. I strongly suspect many of them were little better than what we should now term "buccaneers."

W. P. Scott

One of the earliest of these groups of adventurers received its charter from King Charles II of England in 1670. They were known as "The Governor and Company of Adventurers of England trading into Hudson's Bay." There were, I believe, originally 17 or 18 of them, and their idea at that time was to establish trading posts in Canada where English goods could be exchanged for furs with the Eskimos and Indians, at that time the sole residents of all Northern and Western Canada.

That small group of men founded what is now known as "Hudson's Bay Company," still a great and flourishing trading enterprise. The nature of its operations altered as circumstances changed in Western Canada. For 200 years its profits were derived from trading with trappers. As farming grew during the last 75 years, it profited through establishing retail stores to serve the new and growing communities.

Shortly after the formation of the Dominion of Canada, the governing of the West, previously the function of the Hudson's Bay Company, was taken over by the Dominion and a deal was made whereby this company was compensated by the grant of large acreage in Prairie Provinces. Today another miracle has been happening to this company in that they are the holder of oil and gas rights in probably the second or third largest acreage in Western Canada.

I cite this example as this company is certainly one of the oldest, and over a period of close to 300 years has been one of the best, investments which the British ever made in another country.

Basically, the people of Canada and the United States are much alike. In the early days our country was settled by two main racial groups, French and English. Then to add to their numbers came the best of the German, Scandinavian, and other enterprising peoples of Europe, seeking freedom and an opportunity to advance their station in life.

With the opening up of our Western Provinces, free land was offered which attracted not only many more people from Britain and Central Europe but farmers from your country who sold their land and moved across the border to take up their share of this free land. Our Prairie Provinces have been referred to as the Granary of the Empire, as Canada has the second largest exportable wheat crop in the world, next only to your country.

Canada has been a full-fledged Dominion for 85 years. Over that period, I know of no country in the world whose government has shown greater stability. Canada is self-governing and has complete autonomy in both domestic and international affairs. I mention this because there are still some people who think that Canada, as a member of the British Commonwealth, is bound to support whatever action the Government of the United Kingdom may take. That is not the case.

To illustrate: while the United Kingdom declared war on Nazi Germany on Sept. 3, 1939, it was not until we decided to convene Parliament seven days later that war was declared by us, on Sept. 10, 1939. We made this decision of our own accord—we were free to stay out of the conflict if we so decided—but I may add that the realization of the seriousness of this situation prompted us to take this action. On a later date we declared war against Japan on Dec. 7, 1941, prompted by the dastardly attack at Pearl Harbor on our friendly neighbor.

### Canada's Fiscal Policy

Having given you this sketchy background of Canada, I would like now to try and outline in more specific detail why it is my conviction that Canada is a good field for investment for either men or money.

Firstly, I would like to deal with our fiscal policy. During the war we had a pay-as-you-go policy in so far as it was practical to do so, and we financed the war by approximately 50% taxes and 50% borrowing. Our war borrowing was done approximately one-third from individual citizens, one-third from our insurance and institutional buyers, and one-third from bank borrowing.

Our net debt increased, between 1939 and 1946, from $3,200,000,000 to $13,400,000,000. While our taxation was almost confiscatory, industry was able to improve its facilities through the medium of special depreciation allowances. Since the end of the war we have continued this pay-as-you-go policy.

Our corporation taxes in Canada this year will amount to over 52%. Our rates of individual taxation in varying brackets for married people are as high or higher than similar rates in your country, and in addition we have a sales tax which creates a very heavy penalty on the purchase of many articles, such as motor cars, household appliances, etc. As a matter of information, a car of a well-known make costs a purchaser in Toronto $2,311—as opposed to the same car costing in Chicago $1,760.

Our theory of taxation in Canada, however, does have this redeeming feature—that so long as a man is alive we attempt to tax only his income, we do not have a capital gains tax until death and estate duties ovecome him. As a result of this high taxation Canada has accumulated surpluses since March 31, 1946, up to the end of the last fiscal year, namely March 31, 1951, amounting to nearly $2,000,000,000. During this current fiscal year the surplus for the first nine months exceeds $720,000,000.

The net result of all these surpluses will be a reduction in our net debt in Canada since the war of roughly $2,500,000,000 or approximately 20%.

Like you, we have a central banking system which controls the quantity of credit available in the country. When it became evident that a fairly heavy percentage of Canada's gross national product would have to be diverted to defense purposes, thereby resulting in heavy inflationary pressures, the central bank took appropriate action, and so far we have successfully reduced these pressures through monetary and credit means, rather than by means of bureaucratic controls which are almost impossible to maintain.

The rate of interest available to investors has risen from a low of around 2⅝%·on long-term Dominion of Canada bonds to around 3.50%, and while the consequent drop in prices comes as a bit of a shock to some investors, thinking people are convinced that the consequences of this drop are much less than the consequences would have been had the inflationary pressures been permitted to continue.

Two months ago the government removed all remaining exchange controls. Canada thereby established the same freedom for money and securities to move into and out of the country as we had in prewar days. I think the United States and Switzerland are the only other countries in the world with this freedom for money and capital investment. The government's measure reflected confidence in Canada's credit position. Clearly, it left the United States and other outside investors free to take their capital out of Canada; at the same time it left Canadians free to invest their money outside. So far events have amply justified the government's action. As I speak to you today, the Canadian dollar is quoted around par—a year ago it was at a discount of around 5% in relation to the U. S. dollar.

Canada today stands fourth among the major trading nations of the world—but she stands first in exports and imports per capita. The per capita foreign trade of Canada was three times as great as that of the United States in the year ending September, 1951. Our trade balance has generally been favorable with the world, but I would like here to suggest that some improvement in trade might reasonably be expected between our two countries. Canada last year spent over $2.8 billion on imports from the United States—but our exports to the United States required to pay for these goods only amounted to $2.3 billion. To put it different, Canadians spent roughly $13 per capita on United States imports for every $1 per capita spent by United States citizens on goods from Canada.

### Canada's Postwar Capital Expenditures

The postwar capital expenditures in Canada have more than doubled those of the war period. In the six war years, 1940 to 1945 inclusive, new public and private investment in Canada aggregated over $8,000,000,000. In the six postwar years, 1946 to 1951 inclusive, the aggregate was about $19,250,000,000.

You might like to know how this $19¼ billion was spent. Residential housing absorbed $4 billion; power developments and other utilities over $3½ billion; manufacturing industries $3⅓ billion; primary industries including mining, logging, agriculture and construction, $3¼ billion. The remainder went into trade, commercial and financial undertakings and governmental purposes not already covered in other groups. Roughly, three-fourths of the total represented new investments by private or non-government concerns.

In considering the basic industries in Canada, one of the important factors in our industrial growth has been the development of our water power resources. Throughout Canada we have added to our installed water power capacity since the end of 1945 about 2,800,000 horsepower. In the Province of Ontario alone we have developed in that period increased generating production amounting to 1,350,000 h.p. We are still short of power in Ontario and are presently engaged in building further developments at Niagara, and are hopeful of being able to commence developments on the St. Lawrence in the near future. As you know, the power phase of the St. Lawrence River project is a joint development in the International Rapids between the State of New York and the Province of Ontario. The installation should produce 2,200,000 h.p.

The seaway aspect of the plan can also be a joint development, if your Congress will approve United States participation; otherwise the Canadian Government has announced it is prepared to carry it through alone.

Nowhere in the world has a continent the good fortune which this continent possesses in our joint system of fresh water lakes reaching, as they do, into the very heart of North America. Not only do they provide fresh water sufficient for a vastly increased population, but with the development of a short stretch of the St. Lawrence River could bring the trade of the world into the heart of the continent at a fraction of the cost now prevailing.

### Newsprint Industry

Our largest manufacturing industry is pulp and paper. It falls into two classifications—one being newsprint, and the other pulp and fine papers. There have been great strides made in this industry since the period prior to the war. When war broke out, the newsprint industry of Canada had just come through 10 years of drastic de-

*Continued on page 32*

*An address by Mr. Scott before the Investment Analysts Club of Chicago, Chicago, Ill., Feb. 14, 1952.

U. S. OIL & GAS CORP.
COMMON STOCK
Price $50 Per Unit
*Unit consists of 100 shares & 50 warrants*
Copies of the Offering Circular may be obtained from your investment dealer or the undersigned.
WEST & CO.
UNDERWRITER
26 Journal Square
Jersey City 6, New Jersey
*N. J. Phone—JOurnal Sq. 2-5045*
*N. Y. Phone—DIgby 4-3588*

$5,850,000
Southern Railway
Equipment Trust, Series SS
2⅞% Equipment Trust Certificates
(Philadelphia Plan)
To mature $195,000 semi-annually from September 15, 1952 to March 15, 1967, inclusive
*To be guaranteed unconditionally as to payment of the par value and dividends by endorsement by Southern Railway Company.*
Priced to yield 2.00% to 3.00%, according to maturity
*Issuance and sale of these Certificates are subject to authorization by the Interstate Commerce Commission. The Offering Circular may be obtained in any State in which this announcement is circulated from only such of the undersigned and other dealers as may lawfully offer these securities in such State.*
HALSEY, STUART & CO. INC.
IRA HAUPT & CO. McMASTER HUTCHINSON & CO.
February 21, 1952.

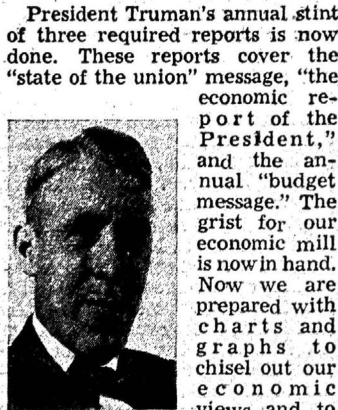
gitized for FRASER
p://fraser.stlouisfed.org/

# Inflation Has Been Stopped!

By ARTHUR R. UPGREN*
Economic Consultant, Minneapolis "Star and Tribune"
Professor of Economics, University of Minnesota

**Asserting backbone of inflation has been broken, Prof. Upgren ascribes as causes: (1) high taxation; (2) restricted credit; (3) increase in annual rate of savings; and (4) decline in inventory accumulations. Predicts, by proper controls, defense expenditures can be increased $18 billion this year without inflation. Outlines proposals for reducing impact of reduced defense expenditures in coming years.**

President Truman's annual stint of three required reports is now done. These reports cover the "state of the union" message, "the economic report of the President," and the annual "budget message." The grist for our economic mill is now in hand. Now we are prepared with charts and graphs to chisel out our economic views and to obtain an idea of "what's ahead?"



Arthur R. Upgren

Last August in an address before the Graduate School of Savings and Loan, conducted annually at Bloomington, Indiana, by the Indiana University, an address published by the "Commercial and Financial Chronicle," August 30, 1951, I discussed the question of inflation. In it I asserted and showed that the deflationary factors had come into preponderance.

Since August, 1951, and estimating the price movements for February, 1952, I think we can safely say that the rise in the cost of living in the past six months has been no more than 2% and in the same six months past, the wholesale price level has declined by 1%. These are indeed small changes in our price levels.

In the preceding fourteen months or from mid-June, 1950, immediately before the outbreak of conflict in Korea, to August of 1951, the cost of living rose by 9% and wholesale prices by 13%.

Thus, in the past six months we have seen, to be precise in the calculation, the rate of rise in the cost of living halved, and we have seen wholesale prices decline where they had previously risen. If we consider the price level for farm products we find that an earlier rise of 25% also has been "bent" downward into a decline of 6%. The prices of 28 important commodities which rose 48% after Korea have since lost one-third of that rise.

*An address by Prof. Upgren at the Midwinter Meeting of The Mortgage Bankers' Association, Chicago, Ill., Feb. 14, 1952.

### Inflation Backbone Broken

The backbone of inflation has been broken. Just as a physiological "fracture" must have its causes, this downward price break from the earlier inflationary trend has had its causes too. If we have succeeded in stopping inflation, and if we can learn of the causes, which achieved it, we can come by the important economic knowledge of how to keep inflation in check. In fact we can also learn of the economic forces which are being built up in strength in the present to shape the future. Therefore, we can have hope of discerning tomorrow's as well as today's "Economic State of the Nation."

We know now in retrospect that three compelling economic forces were being built up in the war years from 1941 to 1945 which became completely determinative of the economic state of the nation from 1946 to 1950. Those forces were *a monetary national income of twice* any previously known amount, an *accumulation of fresh, liquid assets* in the amount of 225 billion dollars, and concomitantly with this huge growth in income and reserves, there was accumulated a huge amount of "starved" demand or deferred demand represented by the automobiles, refrigerators, and radios, for example, that we failed to produce during the war years. Now when price levels were officially freed with the demise of WPB and the anesthesia of OPA, these powerful economic forces—huge income and liquidity pressures abetted for power within the same economy by a vacuum of durable goods and housing—pushed the economy upward to output levels that became the envy of the world.

In 1950 we produced 8,003,000 automotive vehicles, 10,490,000 refrigerators and washing machines, 14,590,000 radios, not to mention 7,464,000 television sets and 92,700,000 tires. This scoreboard is available each year in the February issue of the "Survey of Current Business." The 1951 "economic league" official statistics, therefore, will soon be available.

### Pressures That Have Stopped Inflation

Now let our analysis revert to two principal lines. These are the analysis of the pressures which stopped inflation in 1951 and the more difficult problem of looking into the forces being built up behind those pressures. These can give us clues as to "the economic shape of things to come."

When three major price indexes out of four have been bent from a sharply rising trend into positive declines, powerful hands have been at work. What were the gradually rising tides which brought a check to inflation and which promise that a check to the yet slightly rising cost of living may soon be administered?

The forces which have been thus resisting inflation are four in number:

*First,* taxation was increased sufficiently to produce a surplus of $3,510,000,000 in the traditional or administrative budget and an excess of no less than $7,635,000,000 in cash operating income over cash outgo for the federal treasury in the fiscal year which ended June 30, 1951. Such surplus "tax takes" are powerfully deflationary. These billions of dollars were *not* returned by the federal government for spending and re-spending.

*Second,* in addition to restricting the flow of total purchasing power by excess tax receipts, we administered further restriction by credit policy. This restriction was in three main, classifiable, forms. Regulation X increased down payment on houses. Regulation W increased, similarly, down payment requirements in the purchase of consumers durable goods on the installment plan, and the period of repayment was required to be substantially shortened. This action held back demand and the prices demanders could afford to pay. The prices of consumers durable goods were checked and supplies too have since been adequate. The final form of credit restriction was brought about by allowing federal security issues to sell at prices below the "pegged" prices of "100 or better." Such prices had prevailed for many years and until February 1951 throughout the postwar years. As a result of the decline below 100 in government bond prices, the Federal Reserve authorities, to that extent, withdrew their hitherto "open" and "standing" offer to anyone to convert without penalty, a government bond into immediately spendable cash. Similarly for banks was withdrawn the standing offer to convert any *bank-held bonds* into Federal Reserve credit for banks against which banks in turn could lend upon a basis of six to one due to our fractional reserve system.

*Third,* there were two "spending drives" by consumers, following invasion first by the North Koreans and later by the Chinese Communist "volunteers." Each of these drives had driven department store sales up from 290 to 362 in July and December, of 1950 (1935-39 average=100). Consumers became so sated with goods that their purchases declined substantially. In fact, consumers themselves applied their own "non-spending" brand of astringent to a rising flow of personal disposable incomes so as to result in $11,500,000,000 increase in their annual rate of savings. This increase in the annual rate of savings by $11,500,000,000 (from the first to second quarter of 1951) was the result of a $5 billion increase in personal disposable income and a $6,500,000,000 decrease in personal consumption expenditures. Thus consumer demand, a great inflationary pressure in 1950, was voluntarily converted into a great deflationary force for 1951. The "conversion" produced in due course, a decline of 40% in the rate of production of all consumer durable goods (as revealed by a new consumers durable goods index, initially published in a special article in the Federal Reserve Bulletin for October, 1951).

*Fourth,* after building up inventories in response to rising "new orders" induced by 1950's rise in consumer purchases, the rate of accumulation of business inventories declined most substantially in the second quarter of 1951. After a loss in inventories caused by consumers' rapacious, instant, demand for goods in the third quarter of 1950 following the outbreak of conflict in Korea, business enlarged its inventories at the annual rate of more than $10 billion in the next two quarters. With the cessation of consumers' high rate of purchase in the second quarter of 1951, this inventory build-up rate rose to the huge figure of $15,900,000,000 in the spring quarter of 1951. Orders of business were filled by factories, consumers abated their purchases, inventories rose. In the subsequent quarters business cut-back production schedules and thus brought about a reduction in this rate of inventory accumulation to only $4 billion in the final quarter of 1951.

### Economy Strengthened

We have now reviewed and measured quantitatively the four major pressures which brought the cost of living index under fair degree of control in 1951 and which bent all other rising price indexes downward. In doing this we have enormously strengthened our economy. In doing this we have done our part as the world's largest buyer of all raw materials and many foods and fibres, to give a sound, solid, and stable price platform upon the basis of which other nations may now build their own fiscal solvency.

What consequences are likely to stem into 1952 from these events of 1951? What lessons are helpful for the management of a successful economy in 1952? What economic prospects are being built up for the remainder of the decade, particularly the years of this decade which will witness military security expenditure reduction?

The forces which caused the fracture of the price curves in 1951 are in three instances out of four available for our use in 1952. Though I suggest the history of the past 20 months, since the outbreak of conflict in Korea, should prevail upon us to reduce our outlays for military and economic and government expenditure, I would point out that if they are not to be reduced, taxation must be increased to avoid inflation. This is the first force. Credit restriction, the second force, continues available for further use. If the authorities in the central banking system of the United States become convinced of the desirability of curbing inflation, should it again arise seriously, they could institute very fractionally higher interest rates to curb credit. The authorities in the United States Treasury should recognize that last year in the final quarters every form of savings increased, but theirs. United States Savings Bonds, Marion B. Folsom, Treasurer of Eastman Kodak Company and Chairman of the Committee for Economic Development, recently pointed out, are a 1941 model and a 1952 model could be designed to promote the maintenance of the past, recent past, high rate of personal saving. In fact, the only place where the American consumer "can have his cake and eat it too" is in increasing savings. When in a war production period the flow of goods to consumers must be limited by the war production authorities, the consumer has two choices:

(1) All consumers can spend all of their incomes, now swollen by the money incomes won from both war goods and civilian goods production, only on consumer goods; Result: they get no more goods but only pay higher prices for the goods they get.

(2) All consumers can save at greatly increased rates; Result: they get all the goods at more nearly constant prices **and they can have their savings too!**

Clearly, every encouragement to saving should be made.

Only in the field of inventories is one of our four inflation control devices not available in 1952. But we could somewhat curb business plant expansion to take its place.

By the use of these controls we should be able to increase defense expenditures by this year's planned $18,000,000,000 without inflation. Last year (from 1950 to the peak in 1951) total national production of every kind rose by $65,000,000,000. Of this $18 billion was defense outlays. The remainder was "private boom." *In that private boom was contained many expenditures which can be called "anticipatory defense expenditures."* Thus, much of our defense outlay this year, 1952, was contained within the economy's output last year. The inflationary pressure this year will not be as high. But if we fail to use our general or indirect controls, inflation will revive as defense expenditures mount, as

Continued on page 16

*This advertisement is neither an offer to sell nor a solicitation of offers to buy any of these securities. The offering is made only by the Prospectus.*

NEW ISSUE February 19, 1952

250,000 Shares

Koppers Company, Inc.

Common Stock

($10 Par Value)

Price $45 per share

*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 such Prospectus may legally be distributed.*

The First Boston Corporation

Blyth & Co., Inc. — Goldman, Sachs & Co. — Harriman Ripley & Co. Incorporated
Lazard Frères & Co. — Stone & Webster Securities Corporation — Union Securities Corporation
White, Weld & Co. — Hemphill, Noyes, Graham, Parsons & Co. — W. C. Langley & Co.
A. C. Allyn and Company Incorporated — Clark, Dodge & Co. — Coffin & Burr Incorporated — Hallgarten & Co.
Moore, Leonard & Lynch — G. H. Walker & Co. — Wertheim & Co. — Dean Witter & Co.
Chaplin & Company — Hornblower & Weeks — McDonald & Company
A. E. Masten & Company — Singer, Deane & Scribner — Stifel, Nicolaus & Company Incorporated
Stroud & Company Incorporated — Tucker, Anthony & Co. — Robert W. Baird & Co. Incorporated
Bosworth, Sullivan & Company, Inc. — Alex. Brown & Sons — Crowell, Weedon & Co.
Farwell, Chapman & Co. — Fulton, Reid & Co. — Lester, Ryons & Co. — McCormick & Co.
The Milwaukee Company — The Ohio Company — Chas. W. Scranton & Co.
Shuman, Agnew & Co. — William R. Staats & Co. — Sutro & Co. — Whiting, Weeks & Stubbs
Baker, Watts & Co. — Butcher & Sherrerd — J. M. Dain & Company
First of Michigan Corporation — Hallowell, Sulzberger & Co. — Hayden, Miller & Co.
Newhard, Cook & Co. — Stein Bros. & Boyce — Watling, Lerchen & Co.
Arthurs, Lestrange & Co. — J. C. Bradford & Co. — Brush, Slocumb & Co. Inc.
C. C. Collings and Company, Inc. — DeHaven & Townsend, Crouter & Bodine
Fauset, Steele & Co. — First California Company — First Southwest Company
J. J. B. Hilliard & Son — Janney & Co. — Kay, Richards & Company — Laird, Bissell & Meeds
McJunkin, Patton & Co. — Reinholdt & Gardner — Rotan, Mosle and Moreland
Russ & Company Incorporated — Silberberg & Co. — Sills, Fairman & Harris Incorporated — Wurts, Dulles & Co.
Geo. G. Applegate & Co. — Chace, Whiteside, West & Winslow Incorporated — S. K. Cunningham & Co., Inc.
Glover & MacGregor, Inc. — Jenks, Kirkland & Grubbs — R. C. Schmertz & Company, Inc.
Thomas & Company — Vietor, Common, Dann & Co. — Wagenseller & Durst, Inc.

Digitized for FRASER
http://fraser.stlouisfed.org/

# This is National Steel

**MAJOR DIVISIONS OF NATIONAL STEEL**

**NATIONAL MINES CORPORATION.** Coal mines and properties in Pennsylvania, West Virginia and Kentucky. Supplies high grade metallurgical coal for National's tremendous needs.

**GREAT LAKES STEEL CORPORATION,** Detroit, Michigan. The only integrated steel mill in the Detroit area. Produces a wide range of carbon steel products, N-A-X Alloy Steels . . . is a major supplier of all types of steel for the automotive industry.

**WEIRTON STEEL COMPANY.** Mills at Weirton, West Virginia, and Steubenville, Ohio. World's largest independent manufacturer of tin plate. Producer of a wide range of other important steel products.

**STRAN-STEEL DIVISION.** Unit of Great Lakes Steel Corporation. Plants at Ecorse, Michigan, and Terre Haute, Indiana. Exclusive manufacturer of world-famed Quonset buildings and Stran-Steel nailable framing.

**HANNA IRON ORE COMPANY,** Cleveland, Ohio. Produces ore from extensive holdings in Great Lakes region. National Steel is also participating in the development of new Labrador-Quebec iron ore fields.

**THE HANNA FURNACE CORPORATION.** Blast furnace division located in Buffalo, New York.

**NATIONAL STEEL PRODUCTS COMPANY,** Houston, Texas. Recently erected warehouse, a Quonset building supplied by the Stran-Steel Division, covers 208,425 square feet. Provides facilities for distribution of steel products throughout Southwest.

## National's own mines supply essential coal for its steel-making needs

Coal is indispensable to steel production. In the form of coke, it is the blast-furnace fuel that produces the incandescent heat necessary to convert iron ore into pig iron—the basic ingredient of steel.

For every ton of steel produced, approximately 1½ tons of coal must be mined and made into coke. And it cannot be just ordinary coal. It must be of special types, free from harmful impurities and carefully blended for the exacting requirements of steelmaking.

National Steel is exceptionally well provided with coal. Extensive holdings in Pennsylvania, West Virginia, and Kentucky yield an abundant supply of high-grade metallurgical coal. National's mines are equipped with the most modern facilities for the preparation of coal for blast furnace use.

Foresighted provision of raw materials for present and future steel-making is another mark of National's progressiveness . . . another reason why National Steel is one of America's leading producers of steel.

SERVING AMERICA BY SERVING AMERICAN INDUSTRY


gitized for FRASER
tp://fraser.stlouisfed.org/

*Continued from first page*

# Alerting Opposition to SEC Tax Proposal

communicate directly to the SEC or their Senators or Representatives. Likewise, the National Association of Investment Companies has requested its members to comment on the proposal by March 1.

Among the many letters which we received and which are published hereunder are communications from Hon. Styles Bridges, Senator from New Hampshire, Hon. Thurmond Chatham, Congressman from North Carolina, and Hon. Harold C. Hagen, Congressman from Minnesota.

**In the light of our contention that Title V was a "slip-in" provision, Senator Bridges' letter is particularly enlightening. He said, among other things: "Under these circumstances the sequence which obtained in the passage of the 1952 Independent Offices Appropriations Bill reveals in part the method by which the proviso you question became law. Hearings of witnesses on the SEC were held by the Senate on April 11, 1951, at which time the proviso was not a part of the bill. On April 27, 1951, the House Committee reported the bill with the fee proviso added by the House Committee. The Senate Committee, prior to its report, asked the SEC for any additional testimony they desired to provide concerning the House bill. In reply to the Senate, request, the SEC made no protest against the proviso, nor did any other public or private group."**

Title V was not originally a part of the Appropriations Bill in question. The report of the House Committee made by Mr. Thomas of the Committee on Appropriations contained the following comment:

**Fees and Charges**

"The Committee is concerned that the government is not receiving full return from many of the services which it renders to special beneficiaries. Many fees for such services are specifically fixed by law, and in some cases it is specifically provided that no fees shall be charged. In other cases, however, no fees are charged even though the charging of fees is not prohibited; and in still others fees are charged upon the basis of formulae prescribed in law, but the application of the formulae needs to be re-examined to bring the actual charges into line with present-day costs and other related considerations.

"It is understood that other committees of the Congress have interested themselves in this matter and that studies now are under way which may result in further legislation to require that adequate consideration be received for such services. However, such studies are necessarily time-consuming and the required legislation may not be enacted for a considerable period. Accordingly, the Committee has inserted language in the bill (Title V, page 60) which would authorize and encourage the charging or increasing of fees to the extent permitted under present basic laws, but which would in no way conflict with studies now under way to effect changes in such basic laws.

"It is estimated that in 1952 the government will receive more than $300,000,000 in fees from sources of the type here under consideration. It seems entirely possible that many of these fees could be raised, and that fees could be charged for other services of similar types in cases where no charge is now made, to the extent that the government might realize upwards of $50,000,000 additional revenue.

"The bill would provide authority for government agencies to make charges for these services in cases where no charge is made at present, and to revise charges where present charges are too low, except in cases where the charge is specifically fixed by law or the law specifically provides that no charge shall be made. It is not the Committee's intention in including this provision to disturb existing practices with respect to charges for postal services, sales of power, or the interest on loans by the government."

The above quotation indicates how Title V found its way into the Act.

This, and the statement in Senator Bridges' letter that no protest was made against the proviso by either the SEC or any other public or private group, is significant.

While the SEC was aware of the proviso, it is quite clear that the public generally, and particularly the securities industry, were not. Title V has been appropriately referred to as a "sneak" provision.

The Independent Offices Appropriations Act recites that it is for the fiscal year ending June 30, 1952.

**Clearly, the efficacy of the Act terminates on that date since the appropriations are made only for the period of one year.**

The logical conclusion would therefore be that the whole of the Act terminates as of June 30, 1952, and that whatever authorizations are given by its terms lose their effectiveness then.

However, can anyone conceive that the SEC will adopt that attitude, or that the period during which it will cease to exercise the powers that it seeks under its present proposal will end with the termination of the statute?

There can be no doubt that unless the Commission is compelled by the tide of public opinion to alter its course, or by a specific decision of the courts to do so, that it will continue to exercise its taxing power until there has been a specific repeal by Congress of Title V.

We take the view that Title V is permissive and not mandatory despite the fact that thereunder Congress has expressed its opinion that government agencies shall be self-sustaining to the full extent possible; for later on the Act continues to provide that the head of each Federal Agency is authorized to prescribe such fees, charges or prices, if any, as "he shall determine," in case none exists, or redetermine in case of an existing one, to be fair and equitable.

This allows wide latitude and it may well be found by the head of a Federal Agency that the statutory fees already set up constitute a limitation which is fair and equitable.

This construction is particularly appropriate in view of the following provision of Title V:

"Provided further, That nothing contained in this title shall repeal or modify existing statutes prescribing bases for calculation of any fee, charge or price, but this proviso shall not restrict the redetermination or recalculation in accordance with the prescribed bases of the amount of any such fee, charge or price."

**At present, the charges now made by the SEC, other than charges for copies of documents, are specified in the Acts of Congress administered by the Commission. These are: (1) the registration fee specified in Section 6(b) of the Securities Act of 1933; (2) the annual registration fee for national securities exchanges specified in Section 31 of the Securities Exchange Act of 1934; and (3) the filing fee specified in Section 307(b) of the Trust Indenture Act of 1934 for trust indentures relating to securities not required to be registered under the Securities Act of 1933.**

If changes in charges and fees levied by the SEC are demanded, in following out a precedent such changes should come about through amendment by Congress of the acts in question.

The Commission has thus far extended to March 10 the time within which those interested might give their views on the SEC proposal to tax the securities industry. Considering the far-reaching effect of such taxes not only to the securities industry but to all business in general regulated by Federal Agencies and thus affected in one way or another by the contemplated action, which if permitted to stand will be followed by those agencies, we feel that this time limitation is utterly inadequate and that a further liberal extension of time should be granted.

The result of the instant editorial on Feb. 7 was truly electric. The response in alerting the securities industry for united opposition to the SEC proposal has been most gratifying.

Financial writers of various dailies have taken up our attack and are opposing the SEC proposal.

**Congress is presented with a genuine opportunity to be of immediate service to the public. Since Title V was a "slip-in" provision into an Appropriations bill, it was not given adequate consideration and was improperly encompassed in that Act, and since its implementation now by the SEC, later by other Federal Agencies, will cause no end of havoc in the business world, and will submit that world to taxes in the form not authorized under our Constitution, our Federal legislators would do well to immediately repeal Title V of the Independent Offices Appropriations Act.**

In our editorial of Feb. 7 we indicated that we would welcome comments from our readers on the SEC proposal. As many of those already received as currently can be accommodated follow. Others already in hand or received at a later date will appear in subsequent issues.

# What Others Say About the SEC Tax Proposal

**MURRAY HANSON**
**General Counsel, Investment Bankers Association of America**

*Editor's Note: The Investment Bankers Association of America, in a circular letter to members, dated Feb. 13 and signed by Murray Hanson, its General Counsel, and approved by the Board of Governors, calls upon the groups and the membership of the organization to "take all appropriate measures to oppose the adoption of the proposal and to secure repeal or change in the law under which it is made." The text of Mr. Hanson's letter follows:*

Murray Hanson

**To All Members:**

**Re: Proposed New SEC Fees and Charges to Be Levied Against Broker-Dealers and Others.**

There is enclosed:

(1) A copy of the SEC's "Notice of Proposal to Adopt and Amend Rules with Respect to Fees and Charges by the Commission";

(2) A copy of Title V of the Independent Offices Appropriations Act of 1952 (which is the provision of the law under which these proposed new charges are being made); and

(3) A list of the membership of the House and Senate Appropriations Committees.

You should note particularly that the SEC proposes among other things:

"Annual registration fee payable by brokers and dealers—$50 plus $10 for each officer, partner, employee, etc., engaged in selling securities or supervising such activity."

This proposal was discussed at length at the Winter Meeting of the Board of Governors of the Association last weekend, and it was the sense of the Board that it, the Groups and the membership should take all appropriate measures to oppose the adoption of this proposal and to secure repeal or change in the law under which it is made.

The following are some of the reasons for the Governors' feelings in this matter:

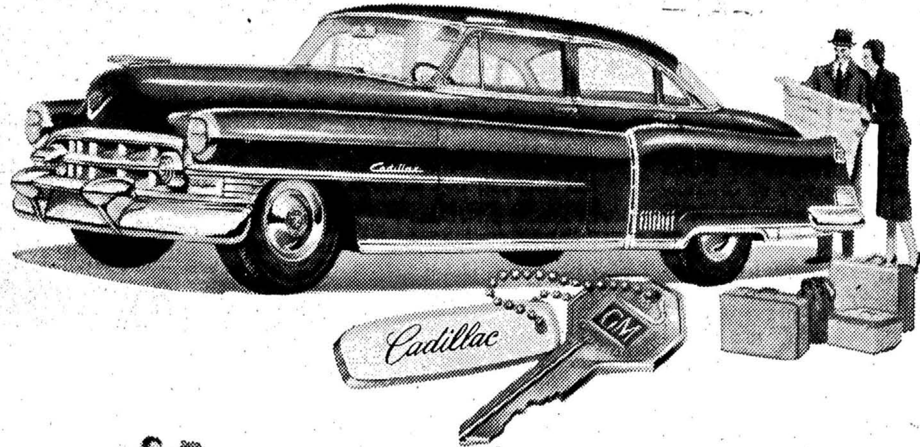
(1) As Title V is presently written, it would be possible for the SEC to impose fees and charges on those under its jurisdiction to cover the entire cost of its operations, and as the Commission presumably is operating in the interest of investors and the public generally, it is believed that it should be supported out of the general revenues of the Government and not by fees, charges, or taxes on only those coming under its jurisdiction. This Title applies equally to other independent agencies of the Government.

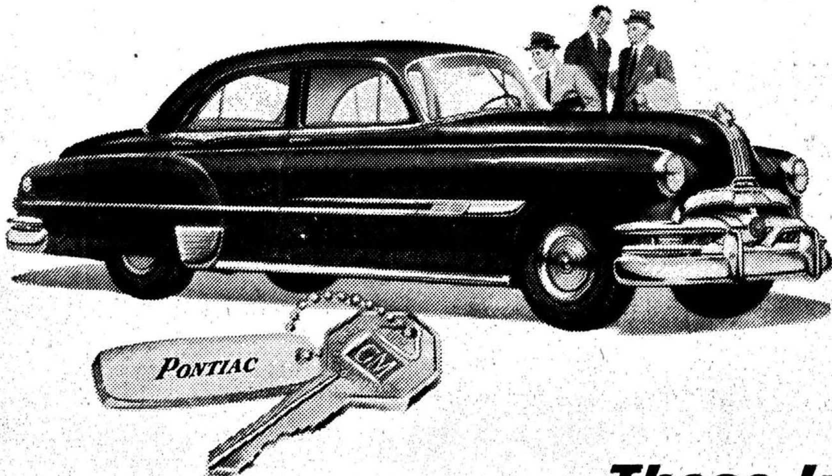
(2) We can think of no more likely way to stimulate the growth of bureaucracy in government than to authorize and direct agencies of government to levy fees, charges or taxes to make themselves "self supporting."

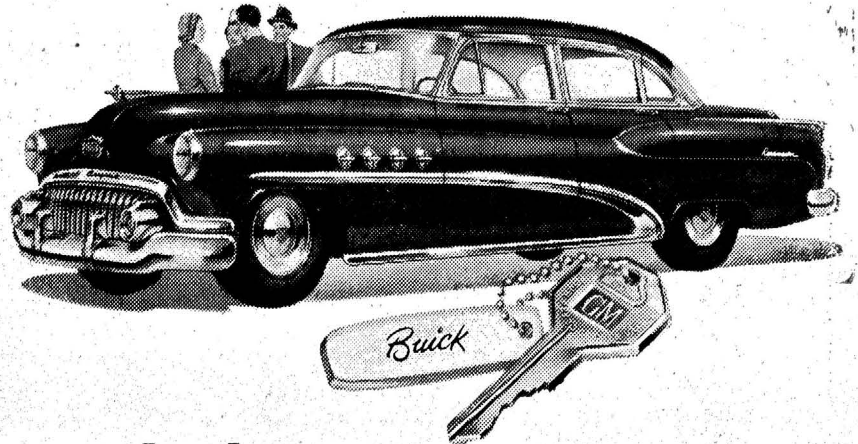
(3) The law under which this proposal is made provides, among other things, that such fees or charges should "be **fair and equitable taking into consideration** di-

*Continued on page 41*

igitized for FRASER
tp://fraser.stlouisfed.org/

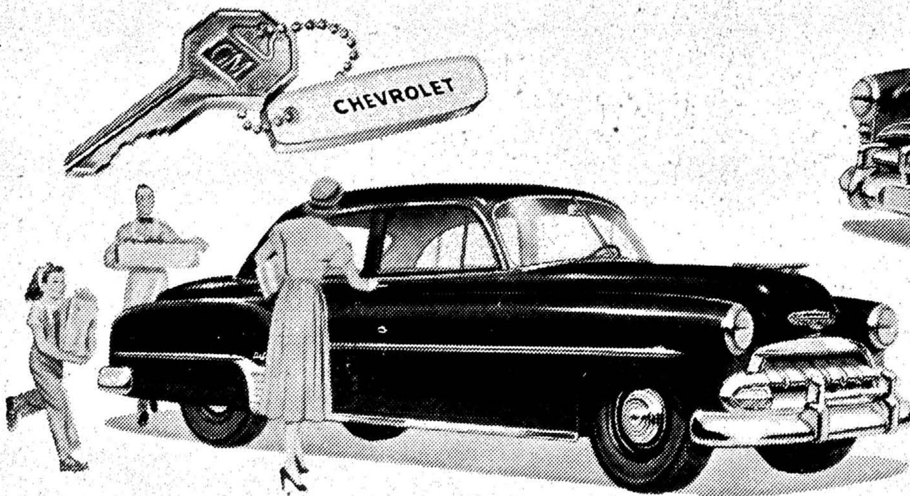


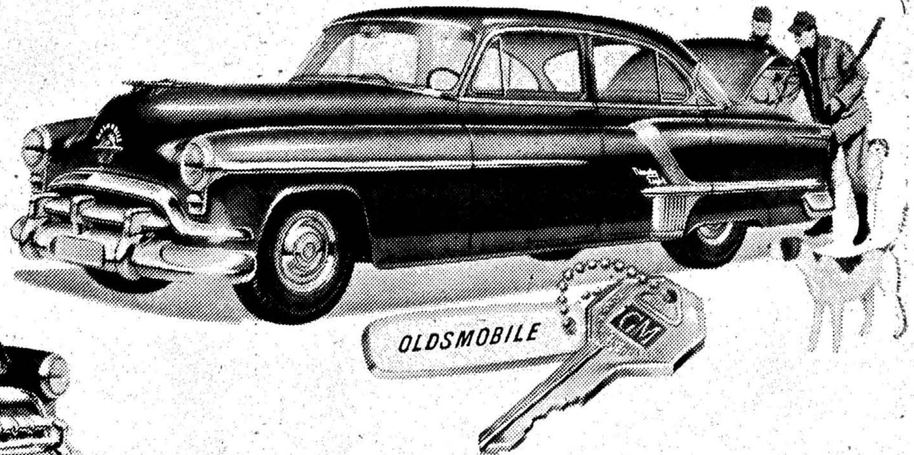




**These keys unlock**

# GREATER VALUES FOR YOU IN '52!




HERE are the five new cars General Motors offers you for '52.

Each has a famous name of its own: Chevrolet, Pontiac, Oldsmobile, Buick, Cadillac.

Each has its own personality in styling, appointments, features, power.

But all enjoy an advantage which stems from the research into better ways to do things—the testing of everything from the integrity of metal to the soundness of design—the broad knowledge of engineering and manufacturing methods which General Motors provides.

The results, as you will discover, are comfort, convenience, performance unknown a few years ago.

Each year witnesses new advances—and we believe you will find these newest cars, now readied for the market, the finest we have built thus far.

We invite you to see them now at your local GM dealer's—and you will know why "your key to greater value" appears on the key of every car.

"MORE AND BETTER THINGS FOR MORE PEOPLE"

**GENERAL MOTORS**

*Your Key to Greater Value • The Key to a General Motors Car*

*Hear HENRY J. TAYLOR on the air every Monday evening over the ABC Network, coast to coast.*


gitized for FRASER
tp://fraser.stlouisfed.org/

Continued from page 5

# Observations . . .

concluded that the policyholders have no control over the management of the New York mutual companies, and that the directors are completely self-perpetuating. It was the SEC's conclusion that the present laws have the effect of disfranchising the policyholder and entrenching the management. The commission was concerned by the fact that the directors of these companies are in fact not selected by the policyholders, elected by them, or even subject to removal by policyholders in the event that their actions should be contrary to the interests of the policyholders. Necessarily these companies were bound to be managed on an autocratic basis until some mechanism could be devised to give the real owners some voice in the management of them.

In its report the commission detailed particular abuses which had resulted from the self-perpetuating control of the life insurance companies. It is not surprising that the Superintendent of Insurance has uncovered additional abuses.

**"Corporate Democracy" and the Life Companies**

Today we are very conscious of our democracy. It is the trademark which we merchandise in the propaganda war against the authoritarian regimes of the Iron Curtain. In recent years the term "corporate democracy" has come into vogue, and every year responsible managements of industrial companies have recognized the importance of giving their stockholders an increasing role in company affairs. The sole exceptions have been the life insurance companies, which have managed to maintain their enormous and ever-increasing empires on an authoritarian and self-perpetuating basis.

The Legislature of 1906, under the late Chief Justice Hughes' leadership, took what was an enormous stride for 1906 toward the democratization of the life insurance companies. The Legislature of 1952 has the opportunity of taking up, 46 years later, the business of perfecting those earlier reforms. Another legislative committee should be promptly organized to review the present adequacy of the 1906 reforms and to draft legislation which will give the owners of the companies some voice in their own houses.

—RICHARD H. WELS.

New York City, Feb. 18, 1952

* * *

Mr. Wels's depiction of the virtual disfranchisement of the policyholder-owners of the mutualized life insurance companies is valid. But such exclusion of the owners from their institutions' affairs (as in the case of the mutual savings banks) merely constitutes an extension of the persisting basic evil in our general American corporate set-up under which ownership is divorced from control. Hence Mr. Wels's suggested remedy of merely new legislation to restore voting rights falls far short of satisfying the basic needs of insurance democracy.

Under the Securities and Exchange Commission's proxy rules and enforcement machinery applicable to all registered companies, the attempt is being made legally to safeguard the privileges of voting democracy in our industrial corporations. But in the translation of such legally guaranteed privileges into practical effect, after almost two decades of SEC regulation the wide and distinct gap between the owners and the actual management of their property remains unbridged. Stockholder apathy renders his annual meeting largely unattended and his company's reports unread; and when individual stockholder attempts to remedy blatant abuses occasionally do crop up, the results are usually futile.

Organization is the most important key toward remedying the plight of the nation's community of 10 million-or-so scattered shareholders; yet their own apathy and voluntary abdication are the main obstacles barring such joint protection. Thus it is that the stimulation of stockholder interest has been largely confined to the hands of "public relations" experts or to a few colorful individuals eliciting attention through antics at annual meetings. In lieu of basic corporate questions, they concentrate their efforts on superficial issues as management compensation (appealing to the envy motive), harp on company "manners," or plead for director representation according to sex.

Remedy for absentee ownership via the director system, has seemed feasible; but actual attempts have fallen short, and current proposals seem impracticable. The outside paid "professional director" has provided no cure-all either in England, Holland, or here. Quite apart from the manner of his selection, or whether thde "window-dressing" motive enters, there is no warrant for the assumption that the professional director will protect the interests of the public or non-management shareholders; that the receipt of a fee gives him greater integrity than the non-salaried director in resisting the influence of management. In the State of New Jersey, under a law now extinct, the State Chancellor appointed three public members of the mutual insurance companies boards. But such members would seem to add little to the protection already coming from supervisory authorities, and to harbor many of their faults (as currying to management).

In Canada, where it is provided that one-third of the directors must be elected directly by the policyholders, it seems doubtful whether they any more than the stockholder—representing directors, offer solution to the absentee-ownership problem.

*Disclosure*, in the absence of joint ownership, constitutes the most effective safeguard for good corporate practice. This is so not because of stockholder action on matters disclosed, or even his interest; but through management's consciousness of putting itself on record. In the case of the life insurance companies, both the mutualized and the stock entities, much more could be done along these lines—their income and asset reporting being as inscrutable as the Einstein Theory to the professional analysts as well as to the public holders of shares or policies.

But neither disclosure, nor Mr. Wels's voting reform, nor any other device, can substitute adequately for the active interest of the public owners—either in the case of the industrial corporation or the insurance company. And in no other way than their interest coupled with organization can the paternalistic state be kept out, and free enterprise saved from socialization!

EST. 1894

STATE AND MUNICIPAL BONDS
CORPORATE BONDS
LOCAL STOCKS

The Robinson-Humphrey Company, Inc.

RHODES-HAVERTY BLDG. ATLANTA 1, GEORGIA
WALNUT 0316 LONG DISTANCE 421

Continued from page 12

# Inflation Has Been Stopped!

many lines of production are increased, and as inventories will have been reduced all the way possible.

The outlook for a hot war seems much reduced since the days of the North Korean invasion and the Chinese Communist "volunteers" entrance into the Korean war. We need this year to reconsider whether we are engaged in a long run production struggle or a short run effort. My view is that we are not now, nor likely in the visible future, to be engaged in a hot war. Therefore, our real contest is a production contest, not an arms contest, with Communism.

**Direct Controls Should Not Be Continued**

To win that contest and to win Allies from all the world, we shall not have to demonstrate so much the superiority of our arms as demonstrate the superiority in freedom and in welfare of our free enterprise state. So, we must keep it a free state. The continuance of direct controls that fetter and strait-jacket our economy and its production mechanism should not be allowed.

Our objective should be a freely producing economy, neither suffering inflation nor using direct controls to stop inflation. Our objective should be an economy in which we obtain our defense production needs by indirect or general controls. That objective requires this year no increase in taxation; it should require abolition of the excess profits tax by mid-year; and it should make these two goals attainable by the reduction in military security outlays, by reduced economic assistance outlays, and by the reduction in government spending in other areas. Such a free, unfettered economy can outproduce any nation on earth.

**Forces to Counteract Reduced Defense Outlays**

A final review should be made of the forces that are now building up which will be determinative of the kind of economy we shall have as defense outlays are reduced. Such reduction may be this year, as I would urge, or from 1954 to 1956. In the latter year, the military production outlays would have declined by $20,000,000,000 down to the $35,000,000,000 level anticipated and discussed by the National City Bank of New York in its *"Monthly Letter"* for October. These forces I view as wholly and powerfully favorable to a strong economy in the years of this decade which shall follow its first years of high military outlays. The forces may be briefly summarized in the following paragraphs:

(1) As defense expenditures are decreased, tax reduction can occur simultaneously, dollar for dollar, with such reduction in defense outlays. In the first World War, our taxes covered only 32% of total costs. In the second World War taxes covered 46% of total costs. Inasmuch as the budget in the second World War attained a peak of $100,000,000,000 in expense and $47,000,000,000 in receipts, there was required a $53,000,000,000 expense reduction before there could be any tax reduction at all and yet have a balanced budget. Fortunately, war outlays declined by 1946 in the amount of $68,000,000,000. As a result, two general tax reductions were passed. They probably had a value of $15,000,000,000. Tax revenues fell only by one-half this amount because of bouyancy in the tax base, i. e., because the national income was enlarged. Thus, after the second war, we enjoyed only $1 of tax reduction for each $5.50 of reduction in expenditures within the federal budget.

*After the present military production effort, we shall be able to enjoy $1 of tax reduction for every $1 in expense reduction. That will be enormously stimulating to our economy.*

(2) We are building up individual incomes as the result of increased productivity (due mostly to business's $130 billion increase in capital investment since the end of the war).

Incomes are also growing as the result of enlarged employment and the wise use of the General Motors type of wage contract which shares and induces productivity increases with its workers.

As the result of growing incomes, from 65 to 80% of American families can afford to own a new home with the proviso that they have such homes at a price ranging from the middle average and lowest one-quarter average respectively.

With such an enormous enlargement in the ability of families to buy, we can expect to have a 1,500,000 a year housing market for all the 1950 decade after defense. We can also plan on terminating much of our public housing except for the lowest group of families and expect where some assistance is required to promote slum clearance and urban redevelopment. Such a huge market will mean a replacement rate so rapid as to make adequate housing available for lower income families without any important dependence upon publicly assisted housing. But it will require a considerable lapse of time for the politicians and the public housing enthusiasts to discover these facts and the significance of them.

(3) We are enjoying a very rapid population growth. Agriculture will remain prosperous. As this fact becomes evident to political bodies and farm organization leaders, a successful "dash for freedom" can be made by agriculture. Our banking system has enormously improved its liquidity. Housing, installment and business finance are upon a sound basis.

These are a few of the reasons why the way for prosperity is cleared once superiority over Communist production has been so completely proved that the danger of war and the need for hampering controls and defense outlays on a large scale have been removed.

# Leaman Hallett With Goldman, Sachs & Co.

Leaman F. Hallett

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Leaman F. Hallett has become associated with Goldman, Sachs & Co., 75 Federal Street. Mr. Hallett was formerly associated with Draper, Sears & Co. for many years as trader.

# Halsey, Stuart Group Offers Equip. Tr. Ctfs.

A group headed by Halsey, Stuart & Co. Inc. is offering $5,850,000 principal amount of Southern Railway series SS 2⅞% equipment trust certificates at prices to yield from 2% to 3% for maturities ranging from Sept. 15, 1952 through March 15, 1967.

The certificates, issued under the Philadelphia Plan, are offered subject to Interstate Commerce Commission approval. They have the unconditional guarantee of the road by endorsement and are secured by various types of switching locomotives with an estimated value of $7,312,500.

Also participating in the offering are: Ira Haupt & Co. and McMaster Hutchinson & Co.

# E. S. Gregory With Auchincloss, Parker

Auchincloss, Parker & Redpath, members of the New York Stock Exchange, announce that Edward S. Gregory, Jr. has become associated with the firm in its New York office, 52 Wall Street. Mr. Gregory was formerly associated with Lee Higginson Corporation and Shields & Company.

# Robt. Allen Joins Aubrey G. Lanston

Robert D. Allen has become associated with Aubrey G. Lanston & Co. Incorporated, 15 Broad Street, New York City, specialists in United States Government, State and Municipal obligations.

Mr Allen was formerly an officer of Briggs, Schaedle & Co., Inc.

## Two With J. Barth

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — James J. Carroll and E. F. Prescott have become affiliated with J. Barth & Co., 404 Montgomery Street, members of the New York and San Francisco Stock Exchanges. Mr. Carroll was previously with Davies & Co.

Digitized for FRASER
http://fraser.stlouisfed.org/

# The VALUE that cannot be measured...

This is the time of year when The Home Insurance Company reports on its operations and progress for the previous year. In so doing, as you will note, we list the physical assets of the company.

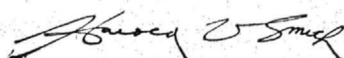
One of our most fundamental assets, however, cannot be listed and evaluated in dollars. That asset is the close bond of personal interest and friendship that has always existed between The Home and the policyholders it serves.

This asset has a threefold source. In part, it springs from the very nature of the business in which The Home is engaged. No field of activity is more deeply personal than the field of property insurance . . . the protection of a man's home, his business, his cherished possessions. Another underlying stimulus of this friendly relationship is the natural concern any policyholder feels regarding the company which provides him protection, and his loyalty to a company which proves itself worthy of loyalty. The third source lies in the whole business philosophy of The Home and its more than 40,000 agents and representatives . . . a warm and human way of doing business on the directly personal level; a relationship of *people* with *people*—people supplying service to people with a need for that service.

To the stockholders who own The Home, no asset is of greater value. Every premium payment, every policy, every claim and every benefit that make up the story of The Home for 1951 is a direct outgrowth of that bond of friendly interest.

It is the foundation on which The Home builds.

*Sincerely,*



President

## Balance Sheet

| ADMITTED ASSETS | December 31, 1951 |
|---|---|
| United States Government Bonds | $ 94,712,097.11 |
| Other Bonds | 61,066,023.83 |
| Preferred and Common Stocks | 137,331,389.75 |
| Cash in Office, Banks and Trust Companies | 34,525,001.17 |
| Investment in The Home Indemnity Company | 16,775,982.44 |
| Real Estate | 6,804,977.76 |
| Agents' Balances or Uncollected Premiums | 19,562,958.04 |
| Other Admitted Assets | 4,154,929.80 |
| Total Admitted Assets | $374,933,359.90 |
| **LIABILITIES AND CAPITAL** | |
| Reserve for Unearned Premiums | $163,843,315.15 |
| Unpaid Losses and Loss Expenses | 33,259,160.83 |
| Taxes Payable | 7,500,000.00 |
| Reserves for Reinsurance | 1,783,086.36 |
| Dividends Declared | 3,600,000.00 |
| Other Liabilities | 4,596,351.05 |
| Total Liabilities | $214,581,913.39 |
| Capital Stock | $ 20,000,000.00 |
| Surplus | 140,351,446.51 |
| Surplus as Regards Policyholders | $160,351,446.51 |
| Total | $374,933,359.90 |

NOTES: Bonds carried at $5,514,759 Amortized Value and Cash $80,000 in the above balance sheet are deposited as required by law. All securities have been valued in accordance with the requirements of the National Association of Insurance Commissioners. Based on December 31, 1951 market quotations for all bonds and stocks owned, the Total Admitted Assets would be $371,808,657 and the Surplus as Regards Policyholders would be $157,226,744.

## Directors

Lewis L. Clarke
*Banker*

George McAneny
*Trustee, Title Guarantee & Trust Company*

Harold V. Smith
*President*

Frederick B. Adams
*Chairman of Executive Committee, Atlantic Coast Line Railroad Co.*

Robert W. Dowling
*President, City Investing Co.*

George Gund
*President, Cleveland Trust Co.*

Harold H. Helm
*President, Chemical Bank & Trust Co.*

Charles A. Loughin
*Vice President & General Counsel*

Ivan Escott
*Vice President*

Percy C. Madeira, Jr.
*President, Land Title Bank & Trust Co.*

Earl G. Harrison
*Schnader, Harrison, Segal & Lewis*

Champion McDowell Davis
*President, Atlantic Coast Line Railroad Co.*

Warren S. Johnson
*Vice Chairman, Peoples Savings Bank & Trust Co. of Wilmington, N. C.*

Roger W. Babson
*Chairman of Board, Babson's Reports, Inc.*

Henry C. Brunie
*President, Empire Trust Company*

Harbin K. Park
*President, First National Bank of Columbus, Ga.*

Boykin C. Wright
*Shearman & Sterling & Wright*

Leroy A. Lincoln
*Chairman of Board, Metropolitan Life Insurance Company*

Thomas J. Ross
*Senior Partner, Ivy Lee and T. J. Ross*

Henry C. Von Elm
*Honorary Chairman of Board, Manufacturers Trust Company*

John M. Franklin
*President, United States Lines Co.*

Lou R. Crandall
*President, George A. Fuller Co.*

Kenneth E. Black
*Vice President & Assistant to the President*

Leonard Peterson
*Vice President & Controller*

Herbert A. Payne
*Vice President & Secretary*

J. Edward Meyer*
*President, Cord Meyer Development Company*

*Elected January 14, 1952

PROPERTY INSURANCE

# ☆ THE HOME ☆
## *Insurance Company*

FIRE · MARINE AUTOMOBILE

Home Office: 59 Maiden Lane, New York 8, N. Y.

**The Home Indemnity Company, an affiliate, writes Casualty Insurance, Fidelity and Surety Bonds**

gitized for FRASER
p://fraser.stlouisfed.org/

# A New Era in Savings Bank Mortgage Lending

By AUGUST IHLEFELD*
President, Savings Banks Trust Company

**Though pointing out mutual savings banks since World War II have invested virtually all their new deposits in mortgages, Mr. Ihlefeld finds as factors discouraging further expansion of mortgage lending (1) many banks now have full limit of mortgages in their portfolios; (2) decline in prices of government bonds below par, thus discouraging their replacement by mortgages; and (3) greater attractiveness of other types of investment now potentially available to savings institutions. Predicts savings banks will exercise more care and selection in mortgage lending field.**

The mutual savings banks of the country are currently passing a notable landmark in their mortgage lending. For the first time in almost a decade, their real estate mortgage portfolios should exceed their holdings of Government securities this month.

August Ihlefeld

This landmark becomes the more significant when we remember that six years ago the savings banks had fully two and one-half times as much money invested in Government obligations as in mortgage!

Since the end of World War II, mutual savings banks have invested virtually all their new deposits in mortgages. In addition, they have switched out of Government securities and into mortgages to a moderate extent. As a result, from the end of 1945 to date, mortgage holdings of the savings banks have expanded from $4¼ to $10 billion, while Government security investments have declined from a peak of $12 billion to less than $10 billion.

Mutual savings banks have increased their mortgage portfolio each year since 1945, but the pace of the rise has been accelerating rapidly. The year 1950 was the first in history in which mutual savings banks expanded their mortgage holdings by more than a billion dollars. The net rise, in fact, was somewhat over $1.5 billion for that year, and for 1951 it was close to $1¾ billion.

Why have mutual savings banks expanded their mortgage investments to so great an extent and at so rapid a rate since the end of the war? Will this trend continue, or is it coming to an end? How will new forces such as the taxation of retained earnings of mutual savings banks affect mortgage lending by these institutions? These are basic questions that are of importance to you as mortgage bankers, as they are to us as savings bankers.

### Why Mortgages Have Been Favored

There have been three basic reasons for the extent and rapidity of the expansion of mortgage lending by mutual savings banks.

First and foremost has been the pressure to secure higher rates of return on earning assets. As mutual institutions, savings banks owe a duty to depositors to obtain higher returns on assets, with due regard to safety and liquidity, so that more can be paid out in interest on deposits in consonance with the higher rates of return afforded by other avenues available for investment of the public's savings. More income on earning assets is required also to keep pace with rising expenses, and to provide additions to surplus that will margin the growth in deposits.

Mortgages have hitherto offered savings banks substantially higher rates of return than any other important class of assets. At the end of 1950, for example, when savings banks were very eager to lend on mortgage, the average return on long-term Government bonds was 2.39% and on corporate bonds 2.87%. But net returns averaging close to 3.75% could be obtained on FHA mortgage loans, and more on conventional mortgages.

A second reason for the rapid growth of savings bank mortgage holdings over the past six years has been the improved quality of mortgages available. In common with other lenders, savings banks suffered losses on mortgages during the 1930's. That experience fostered a cautious attitude towards real estate lending. But general adoption of regular amortization of mortgages, elimination of costly second mortgages and the great rise in personal incomes, which made mortgage servicing less burdensome for most borrowers, have revived confidence in mortgages. A powerful added stimulus was FHA insurance and VA guarantees, which provided mortgages on which possible losses were limited even in the event of default to relatively small amounts.

A third reason has been the excess liquidity mutual savings banks possessed because of the huge Government security holdings acquired during the war. As custodians of personal savings mutual savings banks do not need the very high degree of liquidity that commercial banks, which hold demand deposits, require. Hence, savings banks have not hesitated to acquire large amounts of mortgages, relatively the least liquid type of investment, not only with new deposits received, but even with the proceeds of the sale of moderate amounts of Government securities.

These factors adequately explain, I believe, why savings banks have favored mortgage investments to so marked an extent during the past six years.

Will these influences continue to determine savings bank investment policy, or are new forces coming to the fore to slow down or halt the expansion of mortgage loans of mutual savings banks? I shall next attempt to answer this question of what future mortgage lending policy of savings banks is likely to be.

### Factors Discouraging Further Expansion of Mortgage Lending

There are several influences that will tend to slow down the further expansion of the mortgage portfolios of mutual savings banks from the current $10 billion level.

For one thing, there are a number of savings banks that have now invested in mortgages about as high a percentage of their resources as they desire. Mortgage holdings currently equal about 48% of deposits for the savings bank system as a whole, as compared with less than 28% at the end of 1945. This is an average ratio. Some individual banks have close to 65% of assets in mortgages, which is the legal limit in New York State exclusive of FHA-insured and VA-guaranteed mortgages. The trend over the longer term will be for mortgage loans to constitute more than half of the total savings banks assets. However, some institutions at present reflect a preference for keeping mortgage holdings around 50% of deposits as a matter of policy, so as to have a high percentage in bonds, especially Governments, for the added liquidity they provide. The fact that a great increase in mortgage portfolios would lower the ratio of surplus to risk assets is another factor that could cause some banks to move less rapidly in their mortgage lending at this time.

A second influence which tends to slow up the expansion of mortgage holdings is the unpegging of the Government bond market and the decline in prices of Government bonds well below par. Banks dislike to take losses, although this dislike is less strong where realized losses can be charged off against taxable income. The attraction of mortgage lending is lessened where Governments must be sold at a considerable and uncertain discount to obtain funds for the purpose.

More important than any broad influence in shaping the future mortgage lending policies of savings banks, however, is the greater relative attractiveness of the several other types of investment now or potentially available to mutual savings banks.

### The Changed Competitive Position of Mortgages

Yields on high-grade bonds have risen over the past year, particularly since the Federal Reserve banks ended their pegging of the Government bond market on March 7, 1951.

The longest-term marketable Government bonds now yield over 2.70% to maturity, as compared with about 2.40% a year ago.

Yields on corporate bonds have shown even a more striking rise. Moody's average of corporate bond yields was 3.19% at the end of January, as compared with 2.85% a year before. New offerings are available at higher yields than outstanding bonds, since it is found necessary to price them attractively in order to induce buyers to place orders. Life insurance companies with their large forward commitments and savings banks with their immediate investment requirements substantially met, are both hesitant buyers in today's markets.

Tax-exempt bonds may appear more attractive than other investments to some savings banks that find themselves subject to Federal taxation for the first time. Beginning this year, mutual savings banks are subject to the corporate income tax on retained earnings if surplus and reserves exceed 12% of deposits. A savings bank which has taxable income will find that the effective yield from a mortgage which gives a net return of 4% after expenses is slightly less than 2% at prevailing tax rates. While tax-exempt bonds can be regarded as competitive primarily with Government obligations and corporate bonds, there may be instances where a savings bank, paying Federal taxes, would consider them relatively more attractive than mortgage loans, not only for their greater tax-free net yield but also for their greater marketability.

A development that could further affect adversely the relative position of mortgages among savings bank investments would be the grant by the New York Legislature of authorization to invest in equities. Such authority was given life insurance companies in New York State last year, and mutual savings banks have requested that the Legislature provide them with similar power. Savings banks in Massachusetts and Connecticut have long been authorized to invest in bank stocks, and in New Hampshire all equities may be purchased.

Since only 15% of corporate dividends received by a corporation are taxed at the regular 52% rate, a good preferred stock with a 5% dividend would give a net return after taxes of 4.6%. Needless to say, it is not possible to obtain any such return, after taxes, from mortgages, once additional income from mortgages becomes part of the income on which the savings bank is required to pay a tax. Common equities would offer even higher rates of return, if their purchase is authorized and if savings banks are willing to assume the risks incurred through investment in common equities.

With national agency policy virtually pegging the FHA interest rate at 4¼% for small home loans and the VA rate at 4%, it is apparent that these investments have become relatively less attractive, particularly when yields after taxes are compared. Even conventional mortgages, where interest rates are more flexible, are in a poorer competitive position, especially where a savings bank is subject to Federal income tax. If authority is granted New York savings banks to invest in equities, a part of the current demand for mortgage loans among these savings banks could be shifted to equity investments.

### The Future Place of Savings Banks in the Mortgage Market

The considerations outlined make it virtually certain that the mutual savings banks of the country will not continue to make mortgage loans on the huge scale of the past two years.

This is not to say that savings banks will not occupy an important place among the leading mortgage lenders of the country. Even under the most conservative assumptions, savings banks will provide a market for a large volume of mortgages each year. The savings banks of New York State alone had outstanding commitments to take up over $500 million of mortgage loans at the beginning of this year.

The funds received as amortization payments and satisfactions of mortgages held will provide the savings banks nationwide with upwards of $800 million annually for reinvestment. Any rise in mortgage holdings of mutual savings banks will further increase this annual replacement demand. In other words, unless mutual savings banks make more than $800 million of new mortgage loans yearly, their portfolio of mortgages will actually decline. It is evident that, in order merely to stand still as regards its mortgage holdings, a mutual savings bank must make more and more new mortgage loans from year to year.

In addition to the need for new mortgages to replace amortization and satisfaction payments received, savings banks as a whole will undoubtedly want to invest some part of the new deposits they receive in mortgages. Last year and the year before, as we have seen, the increase in mortgages far exceeded the rise in deposits. Henceforth, it is probable that only a percentage of the year's deposit gain will go into mortgages, the size of that percentage depending upon the relative attraction of alternative investments and the impact of Federal taxation. There has been an increased flow of deposits into mutual savings banks this year, so that the deposit gain for 1952 could exceed $1 billion for the first time since 1946. Even if savings banks display a preference for alternative investment outlets, the mere taking up of outstanding mortgage commitments should assure that in the neighborhood of one-half of the aggregate new deposits and mortgage payments received will go into new mortgage loans this year.

The mortgage market is affected not only by the volume of new lending on the part of savings banks, but also by the types of loans they will make. So long as the rate structure on FHA-insured and VA-guaranteed mortgage loans remains rigid, and conventional mortgage loans are available at better net yields, the savings banks will tend to seek out conventional loans. A number of savings banks in the East will prefer to lend in other parts of the country, so as to secure greater geographical diversification in their portfolios, whenever their legislature grants the request to permit conventional lending by mutual savings banks on a nationwide basis, as is now permitted for FHA and VA loans.

### Individual Bank's Mortgage Lending Policy

One cannot emphasize too strongly the wide variation in mortgage lending policy that exists and will continue to exist among individual savings banks. Generalization in this field may be particularly misleading.

One factor that will affect the mortgage lending policy of individual banks is the existing ratio of its mortgage loans to deposits. Banks with low mortgage ratios may be more eager to expand their holdings in the future than banks whose mortgage ratio is well above the average.

A second factor affecting the mortgage lending policy of individual banks is the rate of deposit growth enjoyed. Other things being equal, the best prospects for placing mortgage loans will be among the faster growing banks, those in communities gaining population most rapidly, and those opening new branches in promising areas.

A third factor is the volume of other risk assets held by the indivdiual savings bank. Obviously, a bank that decides to buy corporate and tax-exempt bonds in volume, and that plans to acquire equities in substantial amounts whenever authorized to do so, is less likely to add to its mortgage portfolio than a bank that prefers to maintain the bulk of its resources invested in mortgage and government securities.

Another respect in which mortgage lending policies of individual savings banks differ widely is the attitude towards conventional as against FHA and VA mortgages. Some banks feel that, in view of the relatively high level of realty values prevailing and the overbuilding that may be induced in time by government and other policies, the protection of FHA insurance and VA guarantees should be sought to the maximum feasible extent. Other banks believe that through careful selection and more conservative lending ratios they can do better with conventional loans, using part of the added interest return received to build up a reserve against possible future losses. The fact that additions to such a reserve may not be deducted from taxable income where the surplus and reserves of a savings bank now exceed 12% of its deposits, could have some discouraging effect on this policy in certain cases.

Finally, the tax status of the individual bank will prove important over the long run. A bank with a surplus and reserves ratio of over 12%, so that it is subject

*An address by Mr. Ihlefeld at the Mid-Winter Mortgage Conference of the Mortgage Bankers Association of America, Chicago, Ill., Feb. 14, 1952.

Digitized for FRASER
http://fraser.stlouisfed.org/

to the Federal income tax on retained earnings, is likely to proceed more slowly in increasing its mortgage loan ratio to assets than a bank that is not subject to the tax and can retain all net income derived from mortgage loans.

**Conclusions**

One conclusion clearly indicated by this discussion is that mutual savings banks will provide a smaller market for mortgage loans than in the recent past. The net increases of close to $1.6 billion in mortgage loans in 1950, and almost $1¾ billion in 1951, may not be repeated for many years to come. These spectacular increases reflected a situation in which mortgages were unusually attractive by comparison with all other investments available to mutual savings banks at the time they were acquiring and making commitments for mortgage loans.

A second conclusion is that savings banks will offer a much more selective market for mortgages in the future. Some savings banks will be much more eager to make such loans than others. Mortgage bankers will be able to learn which banks are more eager to make mortgage loans by examining their existing mortgage ratios, their attitude towards other competing investments, and the rate of deposit growth. They will also want to take into account a bank's partiality for conventional or insured or guaranteed mortgages.

In the third place, savings banks will provide a more competitive market for mortgages than hitherto. Savings bankers, we may be sure, will regard yield and other terms more critically before making decisions, since they will be comparing mortgages with other investments now available to them on a considerably more attractive basis than in the recent past.

Mortgage bankers would do well to recognize the changes that have come over the mortgage market provided by savings banks, and to adjust their own operations accordingly. The product offered savings banks by mortgage bankers is meeting more effective competition than for several years past from corporate bonds, tax-exempt bonds and, where the legislature permits, equities. Sound mortgages, offered to savings banks at competitive yields, will continue to find a good market, but you are going to find savings bank lenders more and more selective.

## Gruenhagen Joins Crowell, Weedon Co.

LOS ANGELES, Calif.—Association of Dewey F. Gruenhagen with Crowell, Weedon & Co., 650 South Spring Street, members of the Los Angeles Stock Exchange, and his appointment as manager of the firm's Underwriting Department has been announced.

Mr. Gruenhagen has been actively engaged in the investment banking business for the past 30 years and is well known in investment circles throughout the Middle West and East. From 1921 to 1933 he was associated with the Minnesota Loan and Trust Co., Minneapolis, which was the trust and securities affiliate of the Northwestern National Bank. He was made Manager of the corporation underwriting department in 1925 and when a separate securities subsidiary, BancNorthwest Company was founded in 1929, he became Vice-President and Director, continuing in that capacity until 1933. From 1933 to 1943 he was associated, as Vice-President and Director, with Thrall-West Company, which was formed as a private investment firm to succeed to the business and assets of BancNorthwest Company.

Mr. Gruenhagen served in the Army in World War I and in World War II was with the Air Transport Command of the Army Air Forces for 3½ years.

Following release from service in 1945 he joined the investment division of Investors Syndicate, Minneapolis, and in 1946 was elected Vice-President of that company and its affiliated Mutual Fund Companies, continuing until 1950 when he moved his residence to Los Angeles.

He is a Director of Capital Airlines, Inc., Washington, D. C., Hugoton Plains Gas and Oil Company, Tulsa, Oklahoma and Air Cargo Equipment Company, Los Angeles.

## With Robert C. Conolly

(Special to THE FINANCIAL CHRONICLE)

WAUKEGAN, Ill. — Albert C. Schmitt has been added to the staff of Robert C. Conolly, 223 Washington Street.


# 90 YEARS

A LITTLE LESSENING of worry — the softening of tragedy — the greater extension of opportunity — *the history of life insurance could be written almost that briefly and be complete.*

And so because of what it is and does life insurance has become a tremendous force in the land. Over sixty-eight billions of assets guarantee the things which life insurance provides.

These assets are part of the life blood of industry, of commerce and of agriculture.

They are the bricks and mortar of thousands of our factories, the iron and steel of their machinery.

They are the foundations and structures of millions of our homes, and thousands of our schools.

They make possible the cultivation of broad acres of farm lands. They help to build the barns and storage bins to contain the products of those lands.

They are woven into the wires of our communication and electric services and welded into the pipes of our gas and water systems.

They have helped to make it possible to build railroads and highways that link communities together so that the products of industry may flow easily and rapidly from one section of the country to another.

*This is the many-sided history of life insurance.*

No life insurance man or woman can look at that history and not be glad to have been a part of it.

Today the John Hancock insures nearly nine million people, one in every nine of those insured in the country. To them and to the other millions who share the comforts and the benefits of life insurance we extend our greetings and best wishes in this year of 1952, the ninetieth year of our existence.

**STATEMENT OF FINANCIAL CONDITION, DECEMBER 31, 1951**

ASSETS

| | | |
|---|---|---|
| **Bonds** | | $2,266,418,015 |
| United States of America | $460,016,772 | |
| Dominion of Canada | 33,377,044 | |
| State and other civil division | 119,111,146 | |
| Public utility | 947,044,131 | |
| Railroad | 190,837,388 | |
| Industrial | 516,031,534 | |
| **Stocks** | | 165,696,207 |
| Preferred or Guaranteed | 70,974,114 | |
| Common | 94,722,093 | |
| **Mortgage loans on real estate** | | 524,192,679 |
| Residential and Business | 417,181,964 | |
| Farm | 107,010,715 | |
| **Real estate** | | 61,749,679 |
| Home office, Housing and other properties acquired for investment | 60,724,371 | |
| Foreclosed properties | 1,025,308 | |
| **Loans and liens on Company's policies** | | 88,313,353 |
| **Cash in banks and offices** | | 42,933,024 |
| **Premiums due and deferred** | | 52,662,583 |
| **Interest and rents due and accrued** | | 27,082,551 |
| **Other assets** | | 11,017,082 |
| **Total Assets** | | $3,240,065,173 |

OBLIGATIONS

| | |
|---|---|
| **Statutory policy reserves** The amount determined in accordance with legal requirements which will, with future premiums and interest, assure payment of all future policy benefits | $2,538,957,840 |
| **Policyholder and beneficiary funds** Proceeds from death claims, matured endowments and other payments, including dividends left with the Company at interest | 213,857,587 |
| **Dividends payable to policyholders in 1952** | 45,742,736 |
| **Policy benefits in process of payment** Including claims in process of settlement and an additional sum for claims not yet reported | 25,177,946 |
| **Other policy obligations** Premiums paid in advance of due date $34,167,174 and reserve for ultimate changes in policy valuation standards $55,500,000 | 89,667,174 |
| **Valuation reserve for bonds and stocks** As required by the National Association of Insurance Commissioners | 10,155,032 |
| **Accrued taxes payable in 1952** | 11,494,000 |
| **Other obligations, including accrued expenses** | 20,559,104 |
| **Total Obligations** | 2,955,611,419 |

SURPLUS TO POLICYHOLDERS

| | |
|---|---|
| **Contingency reserve for Group Insurance** | 6,976,000 |
| **Contingency reserve for fluctuation in security values** | 44,814,000 |
| **General surplus** | 232,663,754 |
| **Total Surplus** | 284,453,754 |
| **Total Obligations and Surplus** | $3,240,065,173 |

*All securities are valued in conformity with the laws of the several States and as prescribed by the National Association of Insurance Commissioners.*
Securities carried at $511,740 in the above statement are deposited for purposes required by law.

DIRECTORS

Charles L. Ayling, Charles F. Adams, Guy W. Cox, Carl P. Dennett, Sidney W. Winslow, Jr., Albert M. Creighton, Joseph E. O'Connell, Paul F. Clark, William M. Rand, Edward Dane, Daniel L. Marsh, Byron K. Elliott, John M. Hancock, Ralph Lowell, Charles E. Spencer, Jr., Karl T. Compton, Thomas D. Cabot, Merrill Griswold, Samuel Pinanski, Philip H. Theopold, Olen E. Anderson, E. Taylor Chewning

MUTUAL LIFE INSURANCE COMPANY
BOSTON, MASSACHUSETTS

A COPY OF THE COMPANY'S COMPLETE REPORT WILL BE SENT ON REQUEST


gitized for FRASER
p://fraser.stlouisfed.org/

# A Practical Program for Gold

By HARRY SEARS*
President of Calaveras Central Gold Mining Co., Ltd.
Director, California Gold Committee

**Mr. Sears, declaring dollar is no longer tied to gold and maintaining departure from gold standard and nationalization of newly mined gold is a deprivation of citizens constitutional rights, decries fixing price of gold at $35 an ounce. Says gold, in relation to purchasing power of dollar, should be around $75 an ounce, and presents program to permit free gold markets; to establish price of gold by Consumers Price Index; and to provide for inspection and audit of Treasury's gold assets.**

Throughout history gold has stood as the symbol for value, in human minds. Whether for personal adornment, as a safeguard against future financial need, as a measure of solvency and wisdom in the fiscal affairs of nations, or as the object of greed and the spoils of war, gold's place in the lives of men has withstood every device of twisted thinking which schemers and dictators could bring against it.

Harry Sears

Thus, combining its use in commerce with its use as a store of value, and as the foundation for money, gold for decades has occupied the highest pinnacle of importance among metals.

The values of copper, lead, zinc, chrome, steel and many other important metals are all measured in terms of gold, because they are paid for in dollars. We propose to consider, in a somewhat new light, the value of gold and its price in dollars.

Although the largest use for gold is as reserves for the money and currencies of the world, it remains a basic commodity, privately owned and produced. Its legal status and the rights of its producers rest on these facts.

As an aid to freedom this magic metal ranks with our Bill of Rights, but as the basic guarantees of that document have been under attack by forces seeking to entrap us, those seeking to impose financial slavery on us have constantly attacked gold.

The confidence of our citizens in our national economic strength lies in their belief that the national gold stores in Fort Knox form the background for our money. It would profoundly shock the nation to learn that the security they visualize in Fort Knox does not at present exist.

### Dollar No Longer Tied to Gold

Because of the fiscal policies and practices of the government, our dollars are no longer tied to gold, and its security, but they have become mere printed tokens and gold has been tied to them and is rapidly going down the drain and sharing the fate of all inflated currencies.

In order that we may understand the facts discussed we must be prepared to alter, and reverse, much of our thinking.

We are told that we had a gold standard until 1934 with the right to convert our currency into gold, but that we now have a gold currency standard and although we can no longer demand and receive gold, the currency is safeguarded by the gold reserve.

Therefore we face two questions. How is the currency safeguarded by the gold reserve and how safe is our gold?

*An address by Mr. Sears at the 55th Annual Meeting of the Colorado Mining Conference and the Western Mining Conference, Denver, Colorado, February 1, 1952.

During other discussions of gold here in former years you will doubtless recall that I have stressed the independent rights of producers, that neither the Treasury Department nor any other arm of the government had any proper moral or legal right to force its price on the owners of gold properties, nor any right to limit their freedom of action to process and sell their products in such places, at such times, and under such conditions as they may negotiate. I stressed the facts that gold, in the hands of producers, is not money or monetary backing, unless the government buys it and applies it to those purposes.

We shall see by direct example that the Treasury has used a great part of its gold holdings for purposes entirely disconnected with money and has entered unfairly into the commercial sale of gold, which they sell to manufacturers and to the arts, all of which sales they deny to producers, a market which under any fair interpretation of our free American system, should be ours to serve, and supply.

Holding firmly to all these past views our purpose in reviewing gold in its monetary application is twofold, we are dealing with its price, and developing procedure which should cure many of the ills and inequities that have grown up during the 20 years since gold was seized by a wanton government order, and the Constitutional property rights of all our citizens were wilfully violated.

### What Is Meant by "Gold Standard"

Let us consider just what was meant by the term "Gold Standard," a subject of much debate and careless thinking. It has become a byword of misunderstanding.

Its original purpose was to give stability and universal acceptance to currency through exchange for gold coin. The paper was to be redeemable in gold therefore gold was the standard. Money thus became a store of value, not merely a widely fluctuating medium of exchange.

The original formula for redemption here in the United States was naturally based upon the purchasing power of the dollar of that day which was nearly seven times greater than it is at present.

I have a copy of what is said to be the first printed menu in New York listing prices at Delmonico's Restaurant in 1834, where a regular dinner was 12c, roast beef 5c, beefsteak 4c, soup 2s, and coffee 1c. Considered against the background of these and similar facts, the original gold price of $20.67 per ounce actually represented purchasing power of more than $50 compared with 1934, a century later, when the present statutory price of $35 per ounce for gold was established.

The same purchasing power still held good during the gold rush period of 1849 and was but slightly diminished for some years later, thus explaining the willingness of the pioneers of those days to accept the hardships and risk their lives to obtain gold.

In actual experience under the gold standard the government was faced with many problems, growth of populations, credit demands, wars, lack of gold, and desire or opportunity to manipulate money for political power. It was found that the power to demand gold could to a great extent curb financial excesses of the government, but that through the years the purchasing power of dollars moved downward. Temporary wild fluctuations could be restored, but not the slow and gradual decline.

During the century of its existence the gold standard developed both friends and enemies who could be met fairly in open debate, with knowledge of where they stood, but there was another development of so-called economists and monetary advisors who claimed to be experts and who professed to defend the gold standard, but who have proved to be the source of most of its difficulties. They have grown to occupy a dream world of theories and have conjured up their own definitions of words, perhaps as a protective armor to impress others with their pretense of importance.

Under their guidance the theory became widely accepted that the gold standard must be maintained always on the fixed ratio of dollars, regardless of the loss in purchasing power of the dollars themselves. Thus they were destroying the power of the gold standard to represent ultimate safety in money, as a store of value, for they dragged down the value of gold with the decline in the dollar value.

### Fixing the Price of Gold

The lessons and experience of nearly 125 years have demonstrated that gold cannot properly function when rigidly tied to dollars, at a fixed ratio, that the price of gold in dollars must be changed after periods of years if gold is to be maintained as a living and dynamic force.

Since gold is basically a commodity it is subject to the same combination of forces which increase the cost and prices of all other commodities. Without recognition of this fact there can be no adequate future supplies of gold to meet the ever-expanding needs created by growths of populations (improved living conditions and the generally more expensive tastes of the human family).

What we have said should demonstrate the principle that there cannot be intelligent and realistic appraisal of gold for any purpose without considering its price in relation to the purchasing power of the dollars in which that price is measured.

We are all faced in our daily experience with the effects of the tragic blunders committed by the political group who have attempted management of our money. Under their guidance the purchasing power of dollars has dropped to the lowest point in the history of this nation.

Basing this upon the average of the combined labor, raw materials, and consumers' indices and the reports of the National Industrial Conference Board the dollar today represents less than 42c in purchasing power compared with a dollar of 100c in 1934, when the present official ratio of dollars to gold was placed at $35 per ounce, with each dollar representing 1/35th of an ounce of gold.

In the previous 100 years the price of gold, expressed in the purchasing power of dollars, had declined from $20.67 in 1834, to $7.85 per ounce in 1934.

In establishing the new statutory price of $35 per ounce at that time the government only brought gold back to 70% of the former purchasing power. It should have been priced at $50 instead of $35.

### Gold Price vs. Dollar's Purchasing Power

It is my firm conviction that no lasting cure of the distress and injustices caused by failure to deal with gold upon the basis of a price reflected in the purchasing power of dollars, can be effective.

We can foresee violent disagreement on the part of some economists, financial advisors, bankers, and those in government in charge of monetary policy. They will attempt to hide their lack of logic behind a wall of words, but history and arithmetic is against them.

Our unit of currency is the dollar, and its value is limited to what it will buy. The amount of goods or services we receive for dollars fixes its value from a practical standpoint. It has been devalued down to this point, no matter what a lot of stuffed shirt theorists may claim as to their formulas or dream values.

Engineers and mining operators cannot be dreamers but they must possess vision. Therefore as practical men and women we will deal with realities. We, and others like us, must be the ones to provide for the future monetary stability of the world, through the mining and production of the gold upon which that future must be based.

We seek no special privilege but are content to rest our future upon the honest and wise application of the formula of adjustment of the value of gold which is under discussion.

Because we know its cost, and realize its value, we are particularly qualified, as citizens, to press for the general adoption of the program we propose, which will provide for a degree of solvency and safety, for all citizens, and which will have equally beneficial effects throughout all forms of business, and in all social relations.

Our country is now suffering from a creeping, crippling inflation. Our leaders have failed to suggest a cure and the government is committed to a program of political power madness through which either intentionally or through ignorance, we will all face loss of liberty and property in an appallingly short span of time.

Acting in the same manner as the notorious John Law, our rulers regard money only as a token, a voucher to purchase. Our dollar is not even as stable as a hat check. That is a legal token to get back your hat, you know the value of it, but when we take paper dollars today we do not know the value of what we may buy with them tomorrow.

### Decline of Gold Mining

The direct effect of this principle has been disastrous to the gold mining industry where the fictitious $35 gold price is still in effect. Ninety per cent of the gold mines of the United States have closed down and 41% of the gold mines in Canada have suffered the same fate. The prime cause has been the same in each case, greatly inflated costs of operation because of the devaluation of dollars. The producers are unable to operate and meet their costs with 42c dollars.

When we apply the formula that a dollar represents 1/35th of an ounce of gold we find that 35 of the 42c dollars gives a present-day actual gold price of $14.70. The realistic price of gold in the United States today should be $84 (in the depreciated 42c dollars now in use) merely to return gold to the equivalent statutory value declared in 1934.

There are several groups of economists trying to whip up public demand that Congress pass bills calling for the conversion of the present devalued currency dollars into gold on the 1/35th per dollar ratio. In Congress were so foolish as to enact such a law it would effectually rob the American people of 58% of the true value of all the gold we possess.

If the dollar continues to lose purchasing power at the present rate of loss for another five years, it will be worth 17c and 35 of these dollars would fix the gold price of $5.95 per ounce. In eight years the dollar would be worth only 2c and on the ratio of 35 such dollars the practical price of gold would be 70c an ounce.

These are direct examples to show the danger we face unless the present absurd gold price formulas are changed.

The Treasury statement of gold on hand claims $22,821,908,674.27 as of Jan. 15, 1952. Since this is valued in 42c dollars an honest and factual report should place the figure at $54,337,877,700, for the great bulk of this gold was bought and paid for with dollars of greater purchasing power than 42c. Therefore to the extent that the Treasury may sell gold out of its present supply, to foreign nations, or to industry and the arts, the American citizens are robbed of 58% of the practical value of that gold.

### Gold Reserve Act

When the Treasury Regulations under the Gold Reserve Act of 1934 were issued they undertook the sole privilege to supply gold to industry and the arts, and denied this market to American gold producers. As a result of this practice the Treasury has supplied gold to American industry, during the past 10 years, to the full amount of the total United States gold production and in addition has taken more than $266,775,000 of gold out of monetary stocks and likewise channeled this to industry. Since this has all been sold at the phony $35 price, the American citizens have been robbed of the difference between the actual value and the phony value of the gold sold.

In selling this gold to industry, the Treasury has practically canceled its pretense that gold must be sold to it to add to the national monetary stock, for the record proves that not one ounce of United States gold production has reached United States monetary stocks in 10 years.

These examples, briefly outlined, show that the danger facing the citizens of this country, through the continuation of the present suicidal gold policy places them at greater peril than threats of war, or the various other emergencies which have been dished up to mask the mistakes or incompetence of our present government leadership.

Those who stand by, with complacency, and assume that everything will come out all right, may waken with a sickening thud in far less than the eight years given in illustrating the drop to the 2c dollar. And they may find themselves engulfed in financial ruin of panic proportions, with the values of bank deposits and insurance policies swept away, with no value in pension or retirement funds and with property values in chaotic confusion.

That's exactly the way the Politburo planned it in carrying out the greatest tenet of Marxism, that the destruction of capitalism will come through the debauch of the currency.

That's exactly the way our government is now leading us. It is immaterial whether they are doing it intentionally or through stupidity. The effect can be equally deadly in either case.

### A Practical Gold Program

As practical men who know and respect gold we can chart a program which will avoid the disasters outlined. This is not merely a program for mining, but a plan for national safety which can add to the security of all our citizens.

Our beloved Will Rogers once said:

"We are all ignorant. We are just ignorant about different things."

Unfortunately the great majority of our people are completely ignorant of the great benefits they

Digitized for FRASER
http://fraser.stlouisfed.org/

may have if they will support and assure the passage in Congress of the following definite measures planned for our mutual protection.

First—A Bill or a Joint Resolution declaring gold as a critical and strategic metal, so that it may be so classified for all production purposes and necessities.

Second—A Bill to permit all citizens of the United States to buy, sell, and possess gold in any form, basing this on their Constitutional property rights.

Third—A Bill to permit the sale of domestically mined gold within the United States, freely and without any requirement for license from the Treasury. This Bill would also prohibit the Treasury from selling any gold in the monetary stocks in any open market or to any commercial user or processor of gold in the arts or in industry.

Fourth—A Bill or a Joint Resolution declaring that the sense and meaning of Congress in interpreting the statutory price of gold to be 1/35th of an ounce to the dollar, shall be construed to be dollars of equal purchasing power to those current at the time said statutory price was declared, and that all gold sales hereafter, or transfers of gold, shall be priced accordingly—also establishing the Consumers Price Index as the method of determining the dollar purchasing power, during any month, to control the price level for gold transactions during the following month.

Fifth—A Joint Resolution or a House Resolution authorizing a special committee which shall cooperate with the Controller General and such employees as he may designate to inspect and audit the gold assets of the government, at Fort Knox or wherever they may be situated, and to report in detail every obligation against said gold.

These bills have been thoughtfully prepared and preliminary plans for their actual filing and submission have already been discussed with various members of Congress, of both parties, so that the bills will be nonpartisan in nature.

Because of the necessity of advising the public and securing their support, a nationwide public relations movement should be conducted, so that people generally will realize the benefits they may receive through the actual passage of these bills and resolutions into law.

In a recent talk on these subjects with one of my business associates, the Honorable Herbert Hoover, expressed himself as favoring the ultimate return to a new gold standard, that likewise he favored free trading in gold in an open public market, and the rights of American citizens to acquire and hold gold, also the opinion that under such circumstances the price of gold should reach at least $75 per ounce.

This gold price closely approaches the figure we have named, of $84, which results from a return to the statutory price, with the present devalued dollars compensated by adding enough of them to represent the original 100c purchasing power of the dollar on which the statutory price was based.

## Three Join Staff of Walston, Hoffman Co.

Walston, Hoffman & Goodwin, members of the New York Stock Exchange, announced today that Albert G. Roth, Arthur Goldberg and Abraham Deutsch have become associated with that firm. Mr. Roth will be with the Company's Waldorf-Astoria Hotel office, Mr. Goldberg at the 1370 Broadway branch, and Mr. Deutsch will be affiliated with the firm's Brooklyn office.

## National Analysts 5th Annual Convention

The National Association of Financial Analysts Societies will hold their fifth annual convention May 4 to 10 in San Francisco and Los Angeles. It is anticipated that the registration fee will be $25 per person, which will include admission to all conferences, luncheons and annual dinner, and field trips in San Francisco. Registrants will be the guests of the Los Angeles Society for the closing dinner and field trips in southern California. Hotel reservations should be made direct with the Fairmont, Mark Hopkins, Huntington or St. Francis in San Francisco, and at the Ambassador in Los Angeles.

Speakers scheduled for the convention are G. Keith Funston, President of the New York Stock Exchange; Benjamin Graham; George K. Whitney, Massachusetts Investors Trust; James B. Black, Pacific Gas and Electric Co.; W. J. Braunschweiger, Bank of America; Paul L. Davies, Food Machinery & Chemical Corp.; R. G. Follis, Standard Oil Co. of California; Frank Freeman, Paramount Pictures Corp.; Fred H. Merrill, Fireman's Fund Insurance Co.; Fred C. Whitman, Western Pacific Railroad Co.; J. D. Zellerbach, Crown Zellerbach Corp.

## Congratulations to Edwin J. Markham

Edwin J. Markham, of the trading department of Wertheim & Co., 120 Broadway, New York City, is celebrating his birthday tomorrow. Mr. Markham was born Feb. 22, 1909, at Colonia, N. J. Mr. Markham specializes in gas and oil stocks and there may be a connection between this and his pet hobby of boating (with a motor) off the Rockaways.

Edw. J. Markham

## Oliver Stock Offer Underwritten

The Oliver Corp. is offering to its common stockholders of record Feb. 13 the right to subscribe on or before Feb. 27 for 171,090 additional shares of common stock (par $1) at $30 per share on the basis of one new share for each five shares held. The offering is underwritten by Blyth & Co., Inc.; Merrill Lynch, Pierce, Fenner & Beane; and Paine, Webber, Jackson & Curtis.

The net proceeds of the offering are to be used to retire outstanding short-term bank loans.

The Oliver Corporation's regular business consists of the manufacture, assembly and sale of farm and industrial equipment.

## Bowling & Co. Formed

KINGSPORT, Tenn. — Bowling & Co., Inc. has been formed with offices at 201 West Sullivan to engage in the securities business. Officers are J. C. Bowling, President; J. S. Foley, Vice-President, and C. W. Garritson, Secretary-Treasurer. Mr. Bowling was formerly associated with Pioneer Enterprises, Inc.

## Joins Harris, Upham

(Special to The Financial Chronicle)

PALM BEACH, Fla. — Ormond A. Hutton has been added to the staff of Harris, Upham & Co., 316 South County Road.

## Witherspoon Adds

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Edwin L. Spight has become connected with Witherspoon & Company, Inc., 215 West Seventh Street.

## With A. G. Becker

(Special to The Financial Chronicle)

CHICAGO, Ill.—John Friedlich has become affiliated with A. G. Becker & Co., 120 South La Salle Street.


# HOOKER ELECTROCHEMICAL COMPANY

## *Annual Report*

**FOR THE YEAR ENDED NOVEMBER 30, 1951**

### *Highlights of the 1951 Report*

Sales up 42% and earnings before taxes up 49%—new highs for second successive year.

After increased taxes, net earnings declined 5% . . . $3.46 per common share on 971,470 shares compared with $3.84 for 1950 on 879,514 shares.

$5,700,000 expended for plant expansion at Niagara and Tacoma to provide greater future capacity.

Significant new product developments expected to further increase diversified chemical production now 70% of total sales.

### *Results of Operations*

| | 1951 | 1950 |
|---|---|---|
| Sales of chemical products and services | $39,687,600 | $27,897,300 |
| Plus: other income | 716,400 | 513,800 |
| Equals: Our total income | $40,404,000 | $28,411,100 |
| Less: Our costs of doing business: | | |
| Wages, salaries, payroll costs | $ 8,786,500 | $ 7,638,800 |
| Raw materials, power, fuel, transportation, local and state taxes, other costs | 19,109,500 | 12,202,300 |
| Depreciation on buildings, equipment | 1,980,800 | 1,514,200 |
| | $29,876,800 | $21,355,300 |
| Leaves: Profit before income taxes | $10,527,200 | $ 7,055,800 |
| Less: Federal income taxes | 6,950,000 | 3,285,500 |
| Leaves: Net profit | $ 3,577,200 | $ 3,770,300 |
| Less: Cash dividends | 2,155,300 | 2,088,200 |
| Leaves: Retained for use in business | $ 1,421,900 | $ 1,682,100 |
| FINANCIAL POSITION AT NOVEMBER 30 | | |
| Current assets | $13,100,600 | $10,884,600 |
| Less: Current liabilities | 4,697,300 | $ 2,531,800 |
| Leaves: Net working capital | $ 8,403,300 | $ 8,352,800 |
| Current ratio | 2.79 to 1 | 4.30 to 1 |
| Total assets | $35,106,600 | $29,127,300 |
| Less: Total liabilities | 8,297,300 | 3,731,800 |
| Leaves: Net worth | $26,809,300 | $25,395,500 |

*1951 Annual Report, including 10-year Summary, Available on Request*

*From the Salt of the Earth*

**HOOKER ELECTROCHEMICAL COMPANY**

25 FORTY-SEVENTH ST., NIAGARA FALLS, N. Y.

NEW YORK, N. Y. • WILMINGTON, CALIF. • TACOMA, WASH.

*MANUFACTURERS OF OVER 100 CHEMICALS FOR MORE THAN 30 INDUSTRIES*


Digitized for FRASER
http://fraser.stlouisfed.org/

# What to Expect in Monetary And Banking Legislation

By RAYMOND RODGERS*
Professor of Banking, New York University

**Dr. Rodgers, in calling attention to the Congressional Subcommittee, headed by Representative Wright Patman, which is to investigate and hold hearings on monetary and banking problems, says Mr. Patman's opposition to an independent Federal Reserve, together with his inflationary principles, are threats to the national economy. Urges bankers and businessmen awaken public to this danger, and calls for impartial investigation of Federal Reserve System so as to maintain its independence.**

The open hostilities between the Treasury and the Federal Reserve authorities, which were temporarily abated by the uneasy truce of March 4, 1951, will be aired by a Congressional subcommittee of the Joint Committee on the Economic Report, in hearings now scheduled for March, 1952.

Raymond Rodgers

At the outset, it should be understood that disagreement between the Treasury and the Board of Governors of the Federal Reserve is nothing new. The conflicting nature of their responsibilities makes a large measure of disagreement inevitable. In the long struggle between them, however, the Federal Reserve authorities have, in general, been on the losing side. This has been especially true since the Congress in the early '30s reorganized the System, giving many powers formerly held by the regional Reserve Banks to the Board and transferring physical responsibility for the monetary gold stock from the Reserve banks to the Treasury. This trend, unfortunately, has now reached the point where a rebirth, or a funeral, is the only sensible solution. Halfway measures will no longer suffice.

### Debt Management vs. Credit Management

Obviously, debt management and credit policy cannot work separately; but, whether debt management is to be subordinated to credit management or whether credit management is to be subservient to debt management is quite another matter. In fact, it is the real issue between the Treasury and the Federal. It is no less than the question of which of these two agencies shall make the credit decisions for the nation. This issue is, thus, not only a matter of principle, it is basic to our whole concept of money and credit management. Put in everyday terms, shall the economy be fitted to the Treasury's ideas of debt management, or shall the debt management be fitted to the economy? The Treasury has all along conveyed the idea that the issue is merely the question of a small change in the interest rates on the public debt. In fact, in January, 1951, Mr. Snyder, the Secretary of the Treasury, pointedly asserted: "The delusion that fractional changes in interest rates can be effective in fighting inflation must be dispelled from our minds. . . ." The Treasury views notwithstanding, the issue is far more than interest rates.

Access to Federal Reserve credit is the real issue. The burning question is: Shall this access be under the control of the Treasury? Or, the owners of government securities? Or, the monetary authorities? This is of the greatest possible importance as control of access gives control of the creation of Reserve balances. Since these reserves are the very heart of our monetary system, control of them gives a large measure of control over the entire economy—business, as well as finance. The stakes in this controversy are so high and so basic to the future of our great country, that the more important ones should be carefully analyzed.

### The Stake of the Government

Confronted with an extended period of deficit financing, beginning this summer, the Treasury will undoubtedly insist on a much more firmly pegged bond market. Although the debt managers may not insist on a return to the rigidity of the previous pegs, they certainly will not be satisfied with the present arrangement. In this connection, it is particularly disquieting to note that the President himself declared at a press conference last month that he had never favored the so-called "accord" between the Treasury and the Federal Reserve authorities last March, under which the policy of "orderly market conditions" was substituted for that of "fixed pegs." Also, Secretary Snyder, is understood to have already informed the Patman subcommittee that the continued independence of the Reserve System may ultimately depend on its ability to cooperate with the debt management policies of the Treasury!

This, of course, means a continuation of the persistent "easy-money" bias the Treasury has evidenced through alternating periods of inflationary and deflationary pressures in recent years. It is in line with the aims of the Council of Economic Advisers, as expressed to the Douglas subcommittee in January, 1950, namely that "our view is that low interest rates are always desirable."

That insistence on a low interest policy at the cost of inflation, rising prices and further decline in the purchasing power of our money is especially shortsighted in these days, when the government must make such heavy rearmament purchases, is brushed aside by the National Administration. The Treasury still seems to believe that credit restraint can be exercised by the monetary authorities without increases in interest rates. In addition to the Treasury stake of maintenance of low interest rates, the sitting national administration desires easy access to Federal Reserve credit because it gives greatly increased power to influence business activity. The easier it is to borrow, the easier it is to spend and perpetuate control through artificially maintaining boom conditions in business and employment.

### The Stake of the Federal Reserve System

The stake of the Federal Reserve System in this all-out controversy is nothing less than its very existence — at least, as we know it. If the monetary authorities are to make their contribution to maintenanec of reasonable stability in the economy, they must have control of the creation of the reserves of the banking system. The importance of this was spotlighted by the dilemma in which they found themselves in the 1948-50 period, when they had to "carry water on both shoulders." With one hand, they raised reserve requirements to fight inflationary pressures by reducing the reserves available for credit expansion, but with the other they were forced to increase reserves through the purchase of government bonds to support the market at the pegged prices.

If the Federal Reserve System is to carry out its primary function in our credit economy, it must be independent. But that does not mean "free," as, obviously, it cannot follow a path which runs counter to the national economic policies. In the words of President Sproul of the Federal Reserve Bank of New York "An independent Federal Reserve System is one that is protected both from narrow partisan influence and from selfish private interests."

In order for the Federal Reserve to carry out its responsibilities, it must have the confidence of the American people, as money and credit management is, to a large extent, a matter of public confidence in leadership. This means that it must have sufficient autonomy and independence to attract men who have the capability to develop; and there must be opportunity for them to develop such leadership.

### Stake of the Commercial Banks

The stake that the commercial banks have in this controversy cannot be overemphasized. In fact, to the extent that the Reserve banks lose their independence, commercial banks lose their independence. It's as simple as that. At best, such a loss would mean more political domination; at worst, it would mean the end of banking as we know it. Remember, he who controls the banks controls the economy!

### Stake of the Public

If the Federal Reserve System should be delivered to the political keeping of the Federal Government, it would be a great tragedy for the American people. With the door open to the creation of reserve balances, there would be increased exploitation by pressure groups. Raids on the Treasury would becme even more commonplace than now. The creeping inflation which we have had under our system of economic checks and balances between the Treasury and the Federal Reserve would be succeeded by galloping inflation.

As is well known, politicians always prefer inflation to deflation. There are many indications that the general public also prefers inflation to deflation or, for that matter, even to stability. Certainly, most labor and farm leaders and many businessmen have done all they could in the cause of inflation. To make the inflationary process easier by restricting the powers of the monetary authorities to cope with such dangers, could prove to be a very seductive form of social suicide. Certainly, the risk is too great to hazard in these uncertain and troublous times.

### The Investigation

Against this background of "clear and pressing danger," we now have a Congressional investigation of the relationship between the Federal Reserve System, especially the Board of Governors, and the Treasury. More than a thousand long questionnaires have been sent out and public hearings by a subcommittee, on which both the Senate and the House are represented, are scheduled for March. The stated aim is to investigate: "general credit control and debt management." An unbiased, objective investigation along these lines is desirable as, in the words of President Sproul, "It will be good for the country and for the Federal Reserve System to have an intelligent airing of some of the ideas about money and credit and its management, which are always latent in this country and sometimes come to the surface."

Such a survey is needed, also, because: (1) The Federal Reserve Act was passed in 1913 when the national debt was infinitesimal by present standards. In fact, it was so small that management of the public debt was not even considered in the Act! (2) At present, the public debt is very large and every prospect indicates that it will get larger. (3) The two most important amendments to the Act were in 1933 and in 1935, and were born, primarily, of the depression period. (4) The American economy has become increasingly dynamic in recent years, and this necessitates dynamic banking and dynamic central banking. Money and credit management becomes an empty shell if alternating policies of restraint, "neutrality" and ease cannot be promptly inaugurated when required. As these indicate, changes in the Federal Reserve Act are undoubtedly needed. After all, the Act is nearly 40 years old! Furthermore, perfection is not of this earth!

### Hearings Must Be Impartial

Widespread fears have been expressed as to the impartiality and objectivity of the current investigation. Rarely has a legislative inquiry caused so much genuine concern in business and financial circles as this one; and there are, indeed, real grounds for these fears. First, despite official denials the title of the subcommittee and the information sought through the questionnaires indicate that the inquiry will cover substantially the same ground as the Douglas subcommittee did two years ago. In fairness, however, it must be admitted that no legislative action was taken on the Douglas report, and from that standpoint, another effort is necessary.

The second ground for suspicion that these hearings will be little more than a new attack on the integrity and non-political character of the Federal Reserve System is the fact that the subcommittee was appointed almost immediately after the so-called "accord" between the Treasury and the Federal Reserve was reached last March. This near coincidence naturally raises the question as to whether the investigation reflects Administrative dissatisfaction with the accord and is designed to "clip the wings" of the Federal!

Regardless of whether these first two fears are well-grounded, there can be no question as to the justification for a third fear. I refer to the Chairman of the subcommittee, the Honorable Wright Patman, Representative in the Congress of the United States from the First Congressional District of Texas. Even a casual scrutiny of his long record in public life indicates that those who fear this investigation will be a "let's give 'em a fair trial and then hang 'em" deal have ample grounds for alarm.

### Inflation As a Goal

That this subcommittee charged with investigating the most critical and crucial area in our economic life should be headed by an avowed inflationist of such long standing, is indeed disturbing. In the words of Edward H. Collins, the distinguished financial columnist of the New York "Times," "Mr. Patman was, and is, a devotee of inflation, not as a means to an end, but as an end in itself."

It is not too much to say that the Chairman of the sub-committee, as the following highlights indicate, has virtually made a Congressional career of advocating and proposing inflationary legislation. A few months after his election to the 71st Congress in 1928, he came into national prominence by demanding the immediate "cash" payment to World War I veterans of the paid-up life insurance which had been voted them as a bonus in 1924. His formula was quite simple; make it "costless" by paying it in printing press money! By using fiat money, it was claimed, the payment would be financially painless, as there would be no increase in government borrowing, no interest to be paid and no increase in taxes. Fortunately, the common sense of the American people, the conviction that you can't get something for nothing, resisted the shouting minority and when the bonus was finally paid in 1936, it was not paid in fiat dollars.

In 1937, Mr. Patman attempted to include in the general farm bill which was then being considered, a provision which would have made "parity" loans mandatory on all crops. Although he was unsuccessful, the effort shows that he is generic when it comes to inflation. In 1941, on March 15 to be exact, in a radio address he urged that the war effort be financed by direct Treasury borrowing from the central bank. This recommendation in spite of the fact that wherever in all history, it has been tried, it has caused galloping inflation!

In 1949, again in March, he called upon the Board of Governors of the Federal Reserve System to reduce the margins on stock trading from 75% to 50%. In connection with this proposal, he was quoted as saying, "The American stockholder has become the forgotten man." In short, he was even willing to take the political risk of befriending "Wall Street" to further his perennial campaign for inflation!

### Congressman Patman versus the Federal Reserve System

His appointment to the House Banking and Currency Committee in 1937, put him in a position to introduce a measure which has since assumed the dimensions of an obsession with him. His proposal that the Reserve Banks be taken over by the Government through the simple expedient of the purchase of their stock (now held by the member banks) would deliver the Federal Reserve System completely into the power of the sitting national administration. But he has persistently urged that this be done! He has also proposed legislation providing for the appointment of all directors of the regional Reserve Banks by the President of the United States. His main objection to the principal recommendation of the Douglas sub-committee was that it did not "make the Federal Reserve System sufficiently responsible to the executive department of the Federal Government."

His basic monetary philosophy with respect to the payment of interest by the Federal Government is the most dangerous of his economic fallacies. He has repeatedly expressed the opinion that the Federal Government should not pay interest on its debt. It is a basic tent of his monetary philosophy that payment of interest to the banks by the government is in the nature of a subsidy given the banks of the country, or a "tribute" exacted by them! In 1942, for example, he told Congress that "we should consider causing the Secretary of the Treasury to issue noninterest-bearing United States Government bonds to the Federal Reserve banks and compel the Federal Re-

*An address by Dr. Rodgers before the Fifth District of the Texas Bankers Association, Dallas, Texas, Feb. 12, 1952.

Digitized for FRASER
http://fraser.stlouisfed.org/

serve banks to give credit therefor when the money is needed to finance our program."

**Congressman Patman Should Disqualify Himself**

Congressman Patman's long record (of which time has permitted me to give only a few highlights) of lack of understanding of money, credit and interest would automatically disqualify him as chairman of such an investigation by any conceivable non-political standard. His past attitude toward money and credit conveys the inescapable impression that he views the Federal Reserve System with its opposition to chronic inflation as an enemy within our gates. In fact, again quoting the financial columnist of The New York "Times," "He has displayed an animus toward the Federal Reserve System that borders at times on the fanatical."

His persistent inflationary bias, his deep-seated animus toward the Federal Reserve System, and his complete lack of understanding of the simplest monetary principles, make a continuation of his chairmanship of the sub-committee a real threat to American banking—the most highly developed and the most modern banking system in the world—and, in turn, a threat to the entire American economy.

**A Positive Program**

There is an old, and very true, saying that you can't lick "something" with "nothing." If bankers are to make their proper contribution to the solution of this debt management - credit management impasse, they must present positive proposals as well as attack dangerous ones.

With this in mind, we must first frankly admit that any realistic recommendation necessarily must recognize three fundamental and inescapable facts: (1) The national debt is very large, and it will get larger. (2) The national debt is very real, and it must be held by somebody. (3) The national debt is the very cornerstone of our financial structure, and it must be managed. And, I might add, for the sake of all of us, *well managed!*

In the same vein, any realistic recommendation must recognize that one of the most pointed and inescapable lessons of history is that money does not manage itself in the best interest of society. Moreover, although monetary policy bears a major part of the responsibility for maintaining reasonable stability in the money and credit side of the economy, it cannot do the job alone. Although monetary policy can greatly influence the cost, the availability and the actual supply of money, many other policies, especially the fiscal, debt management and economic policies of the government, greatly affect the demands made on the banking system.

These conflicting forces (and conflicting personalities!) must be reconciled on some workable basis—the national interest requires no less than this. This does not mean that either the Treasury or the Federal Reserve should be given unlimited power to solve the inherent conflicts between debt management and credit management. But it does mean that the power of the Treasury in the field of money and credit management should be limited. In short, the Congress, as a matter of national policy, should define the limits of the Treasury's power in terms which can be neither misunderstood nor disregarded.

As leaders in your communities, as trustees of our unparalleled credit system, bankers have a positive duty to point out the dangers inherent in this latest attempt to destroy the independence of our central banking system. Don't let the old "bogey" of the evils of "Wall Street" and the myths about "finance-capitalism" and the money power misguide you. Awaken the public to the dangerous character of this "investigation." Now is the crucial time for those who oppose control of credit by the administration in power—whatever political party it may be—to declare themselves in no uncertain terms. It may be their last chance to preserve a free and independent credit system. Nationalization of credit is but the first step in the nationalization of production and distribution. We must avoid that at all costs. In particular, bankers should emphasize to businessmen that this is a matter which transcends the banking business; that it affects the daily life of every man, woman, and child in this country.

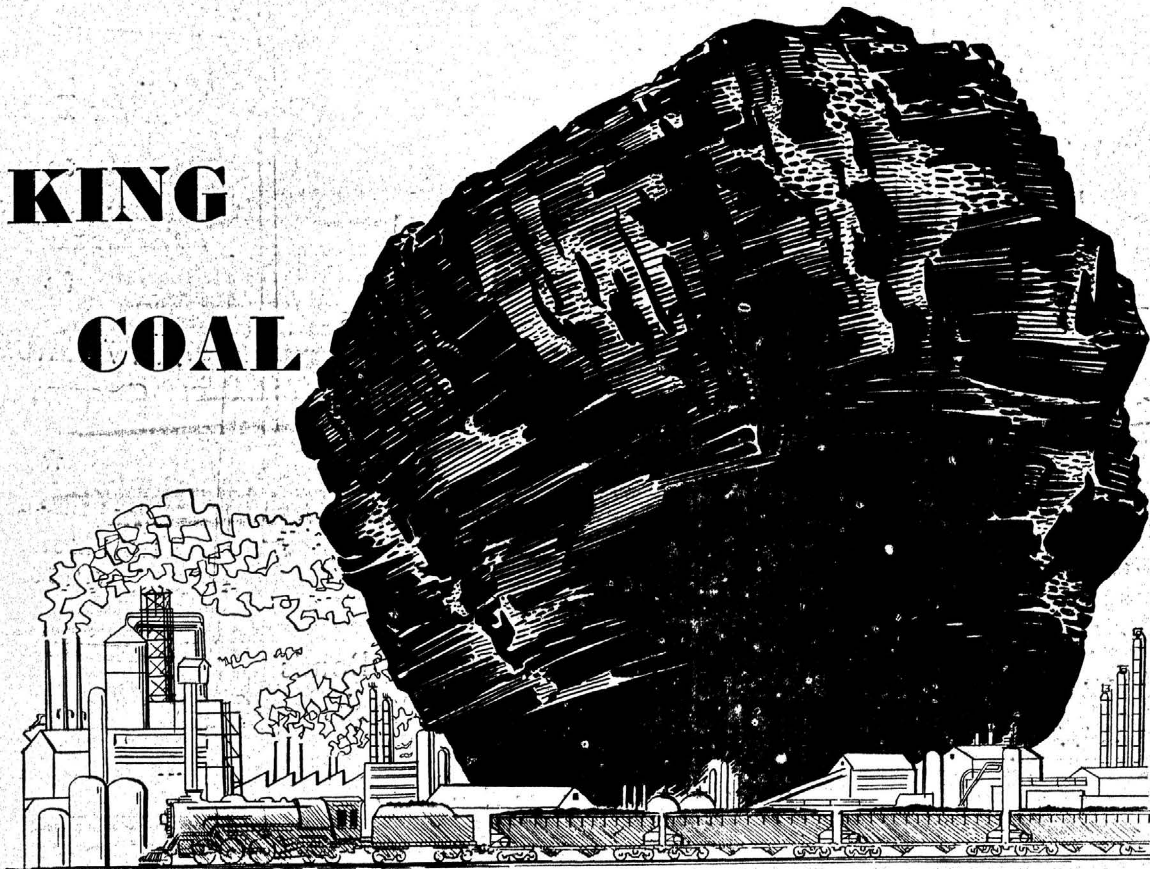
Awaken your politicians to the dangerous character of this "investigation." Don't just sit back and rely on the protests of organized banking. In addition to action through your associations, why not remind your politicians that you also vote? Let your Representative and Senator know what you want; and what you intend to do if you don't get it! A liberal use of colorful Texas idiom will undoubtedly be helpful, as some of them have eaten the lotus fruit of Washington so long that they have forgotten who they work for! And, finally, above all, disavow Patman and his monetary aberrations. Don't let the American people mistakenly think that the great state of Texas, the land of the Lone Star and the Alamo, the land of oil, freedom and enterprise, marches behind one who would turn our independent banking system over to the Washington politicians!

## N. Y. Stock Exchange Requests Nominations

An open meeting of the Nominating Committee of the New York Stock Exchange will be held at 3:15 p.m. March 5 for the purpose of receiving suggestions for the positions to be filled at the annual election to be held on May 12. Anyone who is unable to attend the open meeting may suggest nominees either by letter or personal appearance. Appointments may be arranged through Edwin B. Peterson, Secretary of the Exchange.

Nominations are to be made for Chairman of the Board of Governors, nine governors; two trustees of the Gratuity Fund, and nine members of the nominating committee. No governor and no member of the present nominating committee is eligible for election to the nominating committee for 1953.

Members of the 1952 Nominating Committee are: John J. Pheland, Chairman; E. Jansen Hunt, White, Weld & Co., Secretary; Thomas H. Benton, Benton & Co.; Charles L. Bermann, R. W. Pressprich & Co.; Abner Bregman; Bertram F. Fagenson; Charles C. Lee, Robert F. Whitmer, Jr., and Walter W. Wilson, Morgan Stanley & Co.


Coal is a mighty fundamental national asset. It *still* accounts for over 92% of all estimated recoverable reserves of mineral fuels! A plentiful supply of coal *and power* is the basis for thriving basic industries and diversified manufacturing in West Penn Electric's territory.

Bituminous coal mines have long been among our most important power customers. Electrically operated cutters, fans, pumps, and haulage systems are in general use. Now, in many new and ingenious ways, mines are using more and more power, increasing production and decreasing costs. West Penn Electric's constant expansion of power facilities keeps pace with the great coal area it serves.

Information regarding West Penn Electric's operations may be obtained at the Company's office, 50 Broad Street, New York 4, N. Y.

THE West Penn Electric Company (INCORPORATED)

*Principal operating subsidiaries:*
**Monongahela Power Company**
**The Potomac Edison Company**
**West Penn Power Company**


Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

We Recommend

**BETTINGER CORPORATION**
(A Massachusetts Corporation)

Common Stock
**Price Around 4½**

*Orders executed by your own investment dealer or the undersigned*

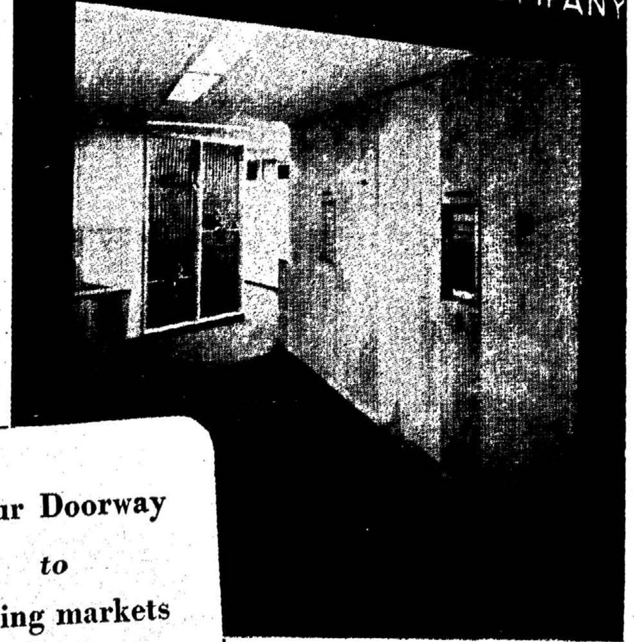
*Phone or write*
**JACKSON & COMPANY, INC.**
31 Milk St., Boston 9, Mass.
Tel. LIberty 2-2515

**Are You Seeking Capital Gains?**

A Common Stock that could appreciate 100% in the next few years * * * Company established 1862 * * * Stockholders' equity in tangible property $165 a share plus * * * Average earnings for the last 10 years $6.46 * * * Earned in 1951 $10.03 a share * * * Management owns a substantial amount of stock * * * Large Excess Profits Tax basis * * * Recent price 20½.

*Descriptive memorandum available*

**Raymond & Co.**
148 STATE STREET, BOSTON 9, MASS.
Tel. CApitol 7-0425 : Teletype BS 259
N. Y. Telephone WOrth 4-5000




**RALPH F. CARR & Co., INC.**
31 Milk Street, Boston 9, Mass.
Bell Teletype Boston 328 — Telephone HUbbard 2-6442

Balatoc Mining Co.
Boston Real Estate Trust
Boston Wharf Co.
Boston Woven Hose & Rubber
A. S. Campbell
Chain Store Investment Corp.
Consolidated Investment Trust
Eastern Racing Assoc.
Eastern Util. Assoc. Conv.
Mexican Lt. & Pr. Co. Ltd. com.
Middlesex County Nat'l Bank
National Research Corp.
National Shirt Shops
Newport Electric Corp.
Newton Waltham Bk. & Tr. Co.
Sprague Electric Co.

*BOUGHT — SOLD — QUOTED*

**Coffin & Burr**
Incorporated
*Founded 1898*

INVESTMENT SECURITIES

BOSTON
NEW YORK — PORTLAND — HARTFORD — CHICAGO — BANGOR

*MEMBERS*
Boston Stock Exchange — Midwest Stock Exchange
New York Curb Exchange (Associate)

**Your Doorway to trading markets in NEW ENGLAND SECURITIES**

★

*Teletypewriter BS-424*
*Private wire to New York CAnal 6-8100*

Members New York & Boston Stock Exchanges

31 MILK STREET
BOSTON 9, MASS.
*Telephone HAncock 6-8200*

Springfield — Fitchburg — Worcester

*Underwriters, Dealers and Brokers*

State and Municipal Bonds — Corporate Bonds and Stocks

*Retail Distribution in New England*

**Chace, Whiteside, West & Winslow**
INCORPORATED
24 Federal Street, Boston 10
Phoenix Bank Bldg., Providence 3

**CHAS. A. DAY & Co.**
Incorporated
**LISTED and UNLISTED BONDS and STOCKS**
*Particularly of*
**NEW ENGLAND CORPORATIONS**
*Inquiries invited from Dealers and Financial Institutions*
Maintaining a Retail Department with Distribution in New England

**WASHINGTON AT COURT STREET**
*Member Boston Stock Exchange*
Telephone LAfayette 3-0695 — Teletype BS-165

*Established 1926*

**H. D. KNOX & CO., Inc.**

•

**UNLISTED SECURITIES**

•

11 Broadway
NEW YORK 4
Telephone DIgby 4-1388
Bell System Teletype NY 1-86

27 State Street
BOSTON 9
Telephone CApitol 7-8950
Bell System Teletype BS 169

**TOWNSEND, DABNEY AND TYSON**
ESTABLISHED 1887
*Members New York and Boston Stock Exchanges*
*Associate Members New York Curb*
**30 STATE STREET, BOSTON 5**

**UNLISTED SECURITIES**

ORDERS EXECUTED ON ANY EXCHANGE OR MARKET

Private Wire System
New York Telephone Canal 6-1540
Teletype BS-346

Branches: Portland, Me. Lewiston, Me. Augusta, Me. Bangor, Me.

Branches: Fitchburg, Mass. Greenfield, Mass. Lawrence, Mass. Keene, N. H. Manchester, N. H.

TELEPHONE BOSTON: LAFAYETTE 3-7010
CABLE ADDRESS "SENDANTHY"

*Primary Trading Markets in*

**NEW ENGLAND SECURITIES**

Your Inquiries Are Invited

**J. ARTHUR WARNER & Co.**
Incorporated

120 Broadway, New York 5 — Telephone WOrth 4-2300 — TWX-NY 1-40
89 Devonshire St., Boston 9 — Telephone LAfayette 3-3300 — TWX-BS 208

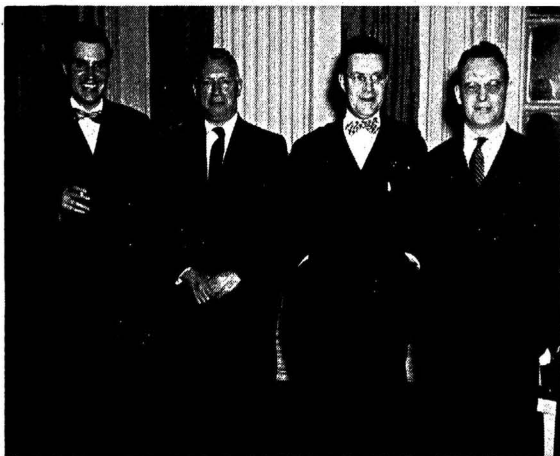
*Direct private telephones between our offices in New York, Philadelphia, Boston, Hartford, Providence and Portland, Me.*
*Direct private wires to Chicago and Los Angeles*

Digitized for FRASER
http://fraser.stlouisfed.org/

# Boston Securities Traders Association

Leo Newman, *J. Arthur Warner & Co., Inc.;* Frank S. Breen, *Schirmer, Atherton & Co.;* Bill McCullen, *Hendricks & Eastwood, Inc.,* Philadelphia; Henry E. Tabb, Jr., *Townsend, Dabney & Tyson*

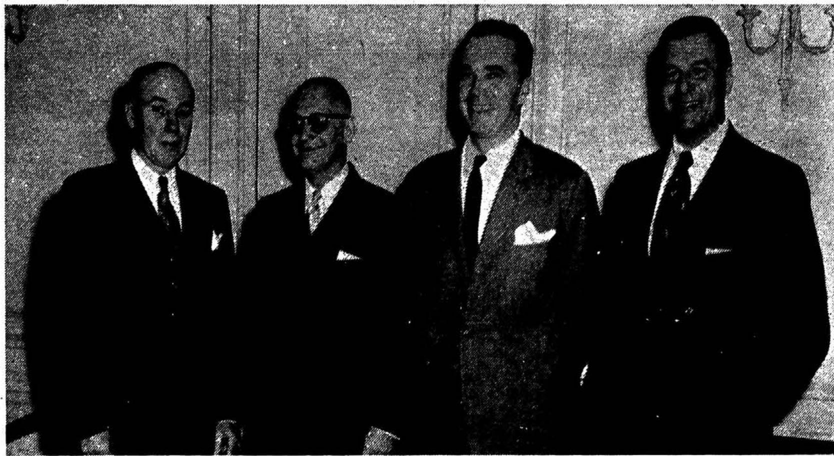
John J. D'Arcy, *F. L. Putnam & Co., Inc.;* Calvin C. Clayton, *Clayton Securities Corp.;* Alex. W. Moore, *J. Arthur Warner & Co., Inc.;* Edward Hines, *Chace, Whiteside, West & Winslow, Inc.*



John Fielding, *C. J. Devine & Co.,* Boston; Carl Levine, *May & Gannon, Inc.;* Larry Connell, *Wellington Fund,* Boston; John Meyers, Jr., *Gordon Graves & Co.,* New York City

George Stanley, *Schirmer, Atherton & Co.;* Jim Kelly, *Tifft Brothers,* Springfield, Mass.; Carroll Williams, *Laird, Bissell & Meeds,* New York City

Walter Eagan, *Harris, Upham & Co.,* Boston; Francis C. Doyle, *National Association of Securities Dealers;* Hal G. Hoyt, *Securities Commission of State of Maine*



Russ Hastings, *Crouse & Company,* Detroit, Mich., President of the National Security Traders Association; Anthony Tomasic, *Thomas & Company,* Pittsburgh; Bill Burke, *May & Gannon, Inc.;* Harry Arnold, *Goldman, Sachs & Co.,* New York City

Cy Murphy, *John C. Legg & Company,* New York City; Charles Smith, *Moors & Cabot;* Bill Thompson, *Ralph F. Carr & Co., Inc.;* Bob Carr, *Ralph F. Carr & Co., Inc.;* Philip F. Kenney, *E. M. Newton & Co.*

Joseph M. Batchelder, *Joseph M. Batchelder & Co., Inc.;* Birney S. Halliwill, *F. S. Moseley & Co.;* Bob Ingalls, *Tucker, Anthony & Co.;* Ray Murray, *Tucker, Anthony & Co.*

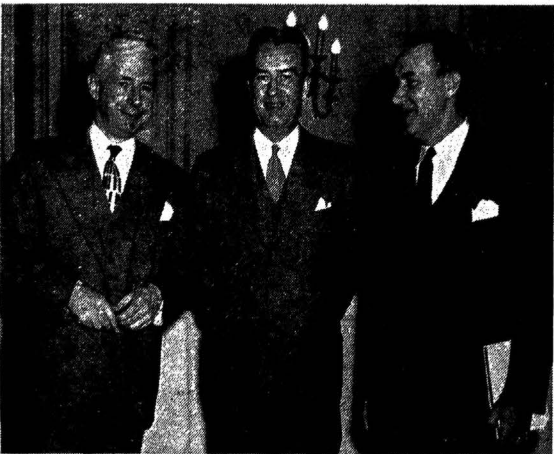
Frank Ward, *H. C. Wainwright & Co.;* Gene Hussey, *First Boston Corporation;* "Speed" Hughes, *J. Arthur Warner & Co., Inc.;* Jack Altmeyer, *Hayden, Stone & Co.*

igitized for FRASER
p://fraser.stlouisfed.org/
ederal Reserve Bank of St. Louis

# Annual Winter Dinner

George C. Kealey, *Second National Bank;* Carl K. Ross, *Carl K. Ross & Co., Inc.,* Portland, Maine; Jim Moynihan, *J. B. Maguire & Co., Inc.;* Burton Whitcomb, *Harriman Ripley & Co., Incorporated*

Felix Maguire, *Stroud & Company, Incorporated,* Philadelphia; Harold Scattergood, *Boenning & Co.,* Philadelphia; Reg Whitcomb, *Spencer Trask & Co.;* James B. Maguire, *J. B. Maguire & Co., Inc.*


Timothy D. Murphy, *Chace, Whiteside, West & Winslow, Inc.;* Frank T. Harrington, *H. D. Knox & Co., Inc.;* Hal Murphy, *The Commercial & Financial Chronicle,* New York

Ray Doheny, *Mixter & Company;* King Ghegan, *Edwin L. Tatro Company,* New York City; Nip Strothmann, *A. M. Kidder & Co.,* New York City

Arthur H. Reilly, *Josephthal & Co., Boston;* Richard Doliber, *G. H. Walker & Co.,* Providence, R. I.; Bill Conary, *G. H. Walker & Co.,* Providence, R. I.

Al Crosby, *F. S. Moseley & Co.;* Lloyd Canfield, *New England Trust Company;* Eddie Opper, *J. B. Maguire & Co., Inc.;* John Sullivan, *F. L. Putnam & Co., Inc.;* George Kilner, *Brown, Lisle & Marshall,* Providence, R. I.

Henry Oetjen, *McGinnis & Company,* New York City; Dayton Haigney, *Dayton Haigney & Co., Inc.;* Jim Campbell, *H. C. Wainwright & Co.,* New York City; Bill Kumm, *Dunne & Co.,* New York City; Frank Rowan, *J. F. Reilly & Co., Incorporated,* New York City

Harry Welsh, *Lilley & Co.,* Philadelphia; Eddie Williams, *Hooper-Kimball, Inc.;* Irv Maxfield, *Cohu & Co.,* New York City; Lewis McDowell, *Chas. A. Day & Co., Inc.*

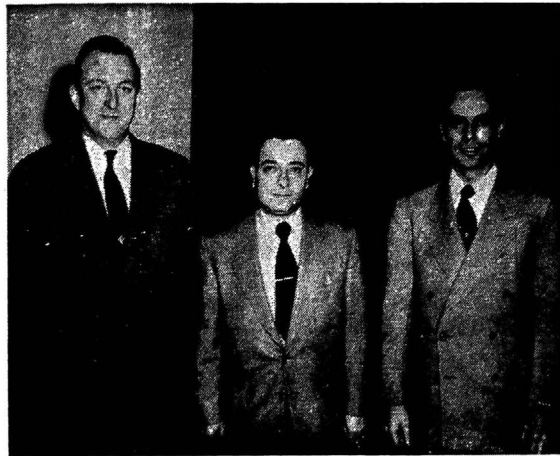
Harry Crockett, *Coffin & Burr, Incorporated;* Jim Atkinson, *C. J. Devine & Co.;* Marcus Chandler, *Bartlett & Clark Co.,* Portland, Maine; Mark A. Means, *F. L. Putnam & Co., Inc.,* Portland, Maine

Digitized for FRASER
http://fraser.stlouisfed.org/

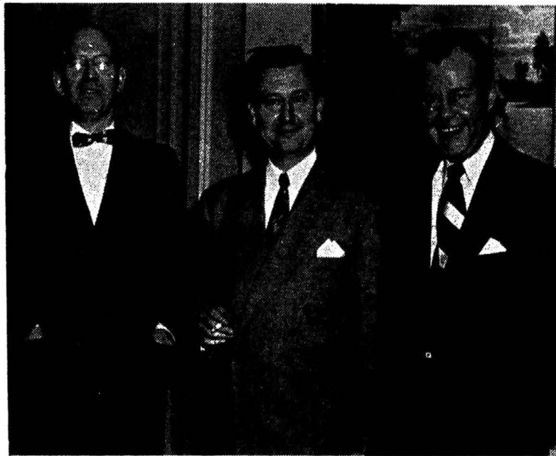
# At the Copley-Plaza Hotel

Henry Walker, *White, Weld & Co.;* Burt Burbank, *White, Weld & Co.*, New York City; Henry Mader, *White, Weld & Co.*, New York City; Homer Wirth, *Mabon & Co.*, New York City; Red Monsen, *Keystone Company of Boston*

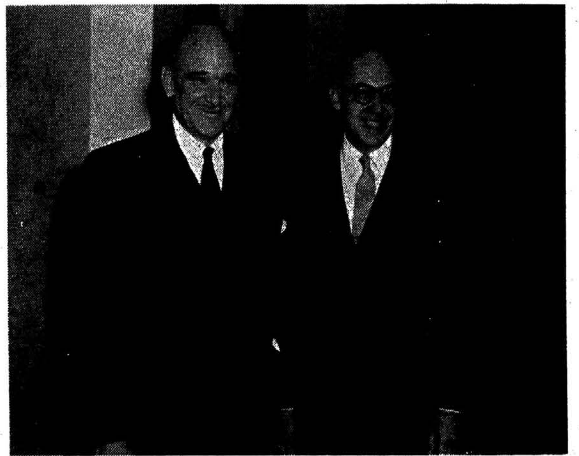
Henry Oetjen, *McGinnis & Company*, New York City; Al Leland, *Geyer & Co., Incorporated;* Charles Bodie, *Stein Bros. & Boyce*, Baltimore; Dayton Haigney, *Dayton Haigney & Co., Inc.*, Boston; Emil Kumin, *Estabrook & Co.*



Lowell Warren, *First Boston Corporation;* Joe Rinaldi, *Lerner & Co.;* Al Zuccaro, *First Boston Corporation*



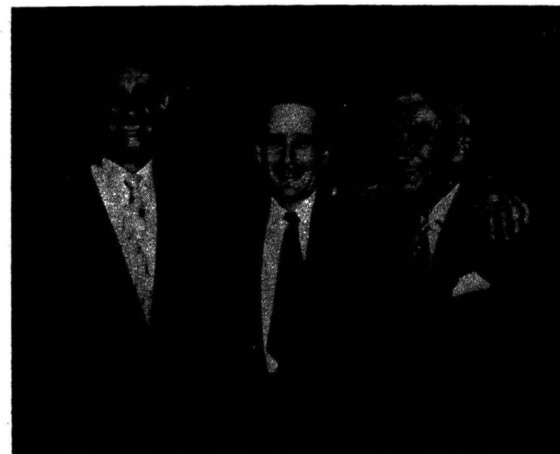
Fred McVey, *Childs, Jeffries & Thorndike, Inc.;* Vic Dugal, *J. B. Maguire & Co., Inc.;* John L. Daley, *J. B. Maguire & Co., Inc.*



Jack Hunt, *Stroud & Company, Incorporated*, Philadelphia; Lester Frenkel, *Gersten & Frenkel*, New York City

John Ryan, *Goodbody & Co.;* Jim Conway, *Moors & Cabot;* Gene Shea, *Josephthal & Co.;* William H. McHugh, *White, Weld & Co.;* Gordon B. Hanlon, *Gordon B. Hanlon & Co.*

Bernard J. Hughes, *Boston Post;* Barney Bernard, *Schirmer, Atherton & Co.;* Harold C. White, *Securities Division*, State of Massachusetts; Frank Daley, *Securities Division*, State of Massachusetts



Milton Capper, *Edelmann & Capper*, New York City; Jack Putnam, *W. E. Hutton & Co.;* "Duke" Hunter, *Hunter Securities Corporation*, New York City

Sumner Wolley, *Coffin & Burr, Incorporated;* Wallace Mossop, *Barrett & Company*, Providence, R. I.; Tom O'Rourke, *Stroud & Company, Incorporated*, Philadelphia

Francis R. Cogghill, *White, Weld & Co.;* Andrew J. Raymond, *Dominion Securities Corporation*, New York City; John L. Daley, *J. B. Maguire & Co., Inc.*

gitized for FRASER
p://fraser.stlouisfed.org/
deral Reserve Bank of St. Lo

# February 11th, 1952

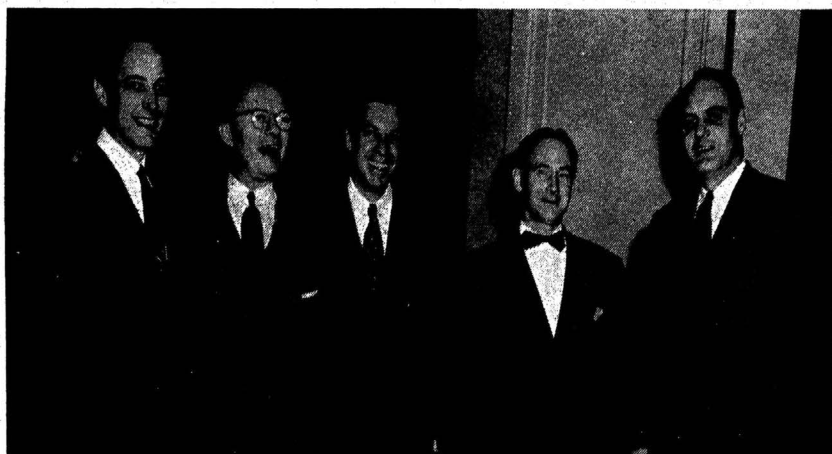
Horace Wells, *Shelby Cullom Davis & Co.*, New York City; Jim Lynch, *Paul D. Sheeline & Co.;* Bill Perham, *Coburn & Middlebrook, Incorporated*, Boston; Jim McCormick, *A. C. Allyn and Company, Inc.;* Paul Lane, *Kidder, Peabody & Co.*, New York City

Francis J. Cunningham, *Kidder, Peabody & Co.*, New York City; Gus Levy, *Goldman, Sachs & Co.*, New York; Arthur Engdahl, *Goldman, Sachs & Co.*, Boston; Skip O'Rourke, *Goldman, Sachs & Co.*, New York City

James Lynch, *Securities & Exchange Commission;* Phil Kendrick, *Securities & Exchange Commission;* Jim Duffy, *Paine, Webber, Jackson & Curtis;* Anthony E. Tomasic, *Thomas & Company*, Pittsburgh

Crandon Leahy, *National Quotation Bureau*, Joe Krasowich, *Bonner & Gregory*, New York City; George Moore, *Mixter & Company;* George M. Hughes, *Massachusetts Department of Public Utilities*

Pete Stevens, *A. C. Allyn and Company, Inc.*, New York City; Albert G. Woglom, *A. G. Woglom & Co., Inc.;* William J. Candee, *Butler, Candee & Moser*, New York City; Jim Morrison, *Townsend, Dabney & Tyson*



Charles Stevens, *L. H. Rothchild & Co.*, New York City; Henry Larson, *First Boston Corporation;* C. Terry Collens, *Mixter & Company;* T. Lester Doucet, *Salomon Bros. & Hutzler;* Robert S. Weeks, Jr., *Whiting, Weeks & Stubbs*

Carl Wells, *Paine, Webber, Jackson & Curtis;* Gene Brady, *Herbert E. Stern & Co.*, New York City; Bob Warren, *Geyer & Co., Incorporated.* Boston; Jim Leff, *James J. Leff & Co., Incorporated*, New York City

Bruce Beal, *Kennedy-Peterson, Inc.*, Hartford; Herman J. Keller, *Hodgdon & Co.;* Fred Moore, *J. Arthur Warner & Co., Inc.*

Henry Larson, *First Boston Corporation;* Lewis McDowell, *Chas A. Day & Co., Inc.;* Lou Walker, *National Quotation Bureau*, New York City; Tom Noonan, *R. L. Day & Co.*

Don Homsey, *du Pont, Homsey & Company;* Wilfred N. Day, *Chas. A. Day & Co., Inc.*

Digitized for FRASER
http://fraser.stlouisfed.org/

**WHITE, WELD & CO.**

*Members of the New York Stock Exchange*

111 Devonshire Street, Boston 9

*We maintain active markets in securities of Natural Gas Companies*

New York Chicago Philadelphia New Haven Providence London Amsterdam



TRADING MARKETS

RIVERSIDE CEMENT
BOSTON HERALD TRAVELER
CARIBBEAN SUGAR
GEAR GRINDING MACHINE
NATIONAL CO.
SENECA FALLS MACHINE
EASTERN RACING

A MARKET PLACE FOR INACTIVE STOCKS ODD LOTS OR BLOCKS

**LERNER & CO.**

10 POST OFFICE SQUARE
BOSTON 9, MASSACHUSETTS
Telephone—Hubbard 2-1990 Teletype—BS 69

*Investment Bonds and Stocks*

United States Government Securities

International Bank for Reconstruction and Development Bonds

State, Municipal and Revenue Bonds

Industrial Public Utility • Railroad Bonds and Stocks

Bank and Insurance Company Stocks

Canadian Bonds

Foreign Dollar Bonds

*Underwriter Distributor • Dealer*

New York Boston Pittsburgh Chicago Philadelphia Cleveland San Francisco

*Private Wires to all offices*



SPECIALISTS IN RHODE ISLAND SECURITIES

Distributors and Dealers
MUNICIPAL - UTILITY - INDUSTRIAL
BANK AND INSURANCE STOCKS

**BROWN, LISLE & MARSHALL**

*Members Boston Stock Exchange*
201 Turks Head Building
Providence 3, R. I.



DEALERS . . . TEXTILES INDUSTRIALS PUBLIC UTILITIES BANKS INSURANCE

Telephone LAfayette 3-0460

Cable Address "Tockin"

**HOTCHKIN CO.**

*Dealers in Unlisted Securities*
*Established 1908*
53 STATE STREET
BOSTON 9, MASS.



**NEW ENGLAND SECURITIES**

Our Trading Department Invites Your Inquiries on All New England Securities

**G. H. WALKER & CO.**

ESTABLISHED 1900
MEMBERS
NEW YORK & MIDWEST STOCK EXCHANGES
NEW YORK CURB EXCHANGE (ASSOC.)

15 WESTMINSTER ST. PROVIDENCE 3, R. I.
TELEPHONE UNION 1-4000 BELL TELETYPE PR 43

DIRECT PRIVATE WIRES TO NEW YORK, ST. LOUIS, BRIDGEPORT AND HARTFORD OFFICES



**Kidder, Peabody & Co.**

Founded in 1865

*Members New York, Boston and Midwest Stock Exchanges and New York Curb Exchange*

Trading markets in New England Bank, Utility and Industrial Stocks

75 Federal Street, Boston
Telephone: LIberty 2-6200 Teletype: BS 338

NEW YORK PHILADELPHIA CHICAGO

New England Branches:
Lowell • New Bedford • Newport • Providence • Springfield • Taunton



*Specializing in*

Maine
New Hampshire
Vermont
Massachusetts
BANK STOCKS

**Paul D. Sheeline & Co.**

31 Milk Street, Boston 9, Mass.
Telephone Hancock 0170
Teletype BS-51



Specialists in Rhode Island Securities

**BARRETT & COMPANY**

930 Hospital Trust Building
PROVIDENCE 3, R. I.

Telephone: DExter 1-1180
Bell Teletype: PR 74

Open End Phone to Boston
CApitol 7-1229



***J. B. MAGUIRE & CO., INC.***

*Specialists in Unlisted Securities*

**Active Trading Markets for Brokers and Dealers**

*31 Milk Street, Boston 9, Massachusetts*

*Direct Telephone Wire to New York*

*New York—CAnal 6-1613* *Boston—HUbbard 2-5500*

*Bell System Teletype—BS-142*

Providence, R. I.—Enterprise 2904 Portland, Maine—Enterprise 2904 Hartford, Conn.—Enterprise 6800


Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

# Inflation vs. Deflation in Britain

By PAUL EINZIG

**Dr. Einzig, in calling attention to concurrent inflationary and deflationary trends in Britain, says this condition can continue for considerable time because of difficulties in transferring laborers from over-employment to under-employment zones. Says wages are continuing to rise and it may be necessary to administer much heavier doses of deflation before inflationary spiral can be broken. Sees Conservative Party losing ground.**

LONDON, Eng.—There are indications that in certain sections of Britain's economic life inflation has given way to deflation. In other sections, however, inflation continues unabated. In some branches of business unemployment is developing, or shorter hours are worked. In other branches, however, the inflationary boom continues and there is an acute shortage of labor. This paradoxical state of affairs is due to the rigidities in Britain's economic structure. In the old days the conflicting currents could not continue to move in opposite directions for any length of time. They would soon have merged into one single current representing the combination of the participating currents, according to their respective strength.

Dr. Paul Einzig

In conditions prevailing in present-day Britain, however, inflation and deflation can run concurrently for a considerable length of time. Simultaneously with acute labor shortages in some districts, acute unemployment can develop in other districts. It is apt to take a very long time before the conflicting tendencies could cancel each other out. The reason for this lies partly in inadequate housing accommodation, partly in the highly developed system of social security, and partly in the conditions created by over-full employment.

Lack of housing accommodation makes it difficult, if not impossible, to move unemployed workers to some other part of the country where they could easily be absorbed. The houses are either not there or they are so unsatisfactory that the unemployed workers prefer to stay where they are in the hope of finding employment there. One of the major problems of British rearmament is to overcome this difficulty. It is in many instances very difficult for arms industries to expand in order to cope with the increased orders for war material, because they are unable to house the additional thousands of workers needed. The problem is relatively simple in the case of young unmarried workers, but when it comes to family men the difficulty is virtually insuperable.

Thanks to the highly developed social security system, workers are now in a better position than they were in the past to wait in the hope of being reemployed in the same district or in the same occupation rather than change their place of residence or their occupation for the sake of finding a new job. Although there is everything to be said for mitigating the hardships resulting from involuntary unemployment, there is this other side of the picture. Adjustments have become much more slow and much more difficult.

Over and above all, the conditions resulting from scarcity of labor have made the adjustment between conflicting currents very difficult. From the point of view of employers it is of the utmost importance in existing circumstances not to lose their workers, because it might be difficult, if not impossible, to replace them when they are needed once more. This means that employers are reluctant to dismiss their workers if they have to curtail their output—whether through lack of raw materials or through lack of orders—unless and until they are satisfied that the reduction of their productive activities must be regarded as permanent. They prefer to work shorter hours, and even to work at a loss by paying wages to workers they are unable to use, rather than let the workers go. They are anxious not to give up their capacity to resume full output at the earliest possible moment, because owing to the rising trend of prices they hope to recover easily any loss they may suffer by retaining workers they cannot use for the moment.

From the point of view of the workers there is now much more opportunity for finding new jobs than there was before the war. Any worker willing to move to some other district, or even willing to take up a new kind of work, could be reemployed immediately. Many workers prefer to wait, however, in the hope of being reemployed without having to make inconvenient changes. Precisely because there is over-full employment, they are not prepared to accept any work that would involve sacrifices or major inconvenience. They have taken it for granted that sooner or later they can be reemployed on their terms.

As a result of the difficulties arising from these circumstances, any deflationary measure the government has adopted or will adopt is bound to take long in producing its effects. In spite of the existence of a certain amount of local unemployment in various districts and in various branches of production, firms which want additional hands find it as difficult as ever to satisfy their requirements. This means that in the negotiations on wages and labor conditions the workers continue to hold all the trumps. Notwithstanding the moderate increase of unemployment, the level of wages continues to rise. Heavy wage demands continue to be presented. The Trades Unions are now more inclined to back up wages claims than they were during the Socialist Government's term of office, because they are no longer so anxious to fall in with the government's policy aiming at a resistance to rises in wages. Indeed, during the 3½ months of Conservative regime, there were a number of substantial wages claims accepted.

This means that, even though the rise in prices has curtailed materially the purchasing power of those with rigid or comparatively inelastic incomes, wages continued to rise, so that the millions of wage-earners have succeeded in retaining their full purchasing power. This being so, there can be no material decline in the demand for consumer goods.

Owing to the rigidity of the economic structure, it might become necessary to administer a much heavier dose of deflation before the inflationary spiral can be broken. This seems to be at present politically impossible. The findings of public opinion surveys and the results of recent by-elections indicated that even the very moderate anti-inflationary devices adopted by the government have turned British opinion strongly against the Conservative Party. There can be little doubt that, should there be a general election in the immediate future, the Socialist Party would secure a substantial majority. There is, of course, no reason for expecting a general election. The government has a working majority, and nothing short of the loss of a number of seats at by-elections could force it to resign or to dissolve Parliament. Nevertheless, the indication that British public opinion does not welcome measures of austerity, however necessary they may be, does not encourage the government to go very far in the same direction. Instead, it may prefer to await a favorable change in world trends.

# Our Present Troubles

By ROGER W. BABSON

**Mr. Babson discusses Korean War, graft in government, inflation and other matters disturbing the nation. Sees need of spiritual awakening and new sources of power from either gravity or the sun.**

Since leaving Massachusetts for my usual winter in Florida, I have had a chance to observe and ponder. Perhaps readers will be interested in my conclusions.

Roger W. Babson

I find very little interest in the Korean War, except to get the boys home! Most people can't tell you where Korea, Indo-China or Iran are located. There is no "will-to-fight." I have been through World Wars I and II, but never experienced the present indifference.

The United Nations—under our leadership—did right in attempting to defend South Korea. Since, however, the North Koreans got the backing of China and Russia, the situation does not look good. If we attempt to defend Indo-China, Iran, the Suez Canal and Persia, we may get licked or busted. We must, however, hold Japan and Formosa.

### Graft in Government

President Truman is probably doing his best to eliminate the graft. But it has started a "chain-reaction," which is spreading over the entire country. It is "smart" to beat the tax collector today, the same as it was smart to beat the prohibition officer 25 years ago.

The exposures have made the racketeers more careful; but the public is turning to more gambling, liquor drinking, and sex carelessness than ever. Only a religious awakening can save us.

### Commander Wilson Praised

Church attendance is falling off, especially among the youth. Sunday schools are folding up. Sunday observance and Family Prayers have almost entered "horse-and-buggy" history. But the American Legion has started what may cause a great religious revival, backed by Com. Wilson.

Newspapers give too much space to sports. High schools and colleges foolishly give too much emphasis to football, baseball and basketball. Chambers of Commerce had better work to have their communities lead in spelling, arithmetic and decent English!

### Are Wages too High?

Another mistake is the Minimum Wage Law, giving youth so much wild money to spend. A Minimum Wage Law should only apply to those who have worked a required number of years. Present Wage Laws are unfair to experienced workers and are harming millions of young people. Salaries, wages, and even profits, should be dependent upon production. For wages to be increased with the cost of living will hasten the next depression. It is like trying to put out a fire with kerosene.

### Truth About Inflation

I am tired of hearing politicians talk about inflation, without explaining that it is a **result** of our troubles, rather than a **cause.** When labor asks for more wages "because of inflation," its leaders are "putting the cart before the horse." Their arguments are false.

Inflation starts from three causes: (1) Higher wages, (2) Higher taxes and (3) Reduced production compared with demand for goods. When wages, taxes and demand increase, then farmers, manufacturers, merchants, doctors, lawyers and everyone else raise their prices to cover this increase in wages, taxes, etc. This is the real truth about Inflation.

### A Warning

Doubtless pensions, subsidies, and old-age benefits are temporarily good for business, but someday this bubble will burst. Automobiles, movies and radio — plus TV — have their usefulness, but these inventions are also responsible for wasting billions of dollars. In a way, the same reckless spending is proportionately going on in England, France, Germany and South America. The motto there is "Eat, drink and be merry for tomorrow Russia may strike."

Without a world spiritual awakening and new sources of power—from gravity or the sun — the United States and our Allies may be beaten in our Asiatic **mainland** war campaigns. If so, this will be followed by an economic collapse in the United States, with unemployment and lower wages and lower prices for everything. Russia hopes this will lead to Communism in this country and make the entire world Communistic. This latter I do not fear. **Rather, I believe that such an economic collapse could redeem our people's souls — like purifying gold with fire—and be followed by many years of great prosperity.**

# Irwin Renneisen Joins First Securities Corp.

PHILADELPHIA, Pa. — First Securities Corporation, 1520 Locust Street, members of the Philadelphia - Baltimore Stock Exchange, announce that Irwin Renneisen is now manager of their trading department. Mr. Renneisen was formerly with Hecker & Co.

Also associated with First Securities Corporation as registered representatives are Edgar M. Boyer, Phillip E. Hawley, J. Kenneth Love, William G. Nelson, and Edward G. Wyckoff.

# First Boston Group Offers Koppers Co. Stk.

Public offering of 250,000 shares of common stock of Koppers Co., Inc., was made on Feb. 18 by an underwriting group comprising 79 investment firms headed by The First Boston Corp. The stock was priced at $45 per share.

Proceeds from the sale of these authorized but previously unissued shares, with other funds of the company, will be used in furtherance of its intensive long-term program of property acquisitions and improvements designed to increase operating efficiency and to develop new products and processes, particularly in the chemical field. The company expects to spend approximately $15 million for this purpose in 1952 and around 75% of the expenditures will be made by the Chemical and Tar Products Divisions. Many activities of the latter division are in the chemical field.

Immediate projects include an ethylbenzene plant now under construction at Port Arthur, Texas; expanded styrene monomer and polystyrene facilities at Kobuta, Pa.; construction of a tar and tar coating plant at Fontana, Calif.; and increased capacity for the production of resorcinol at Petrolia, Pa., and synthetic thymol and oil additives at Oil City. The program also includes improvements to and modernization of properties of other divisions of the company.

From Jan. 1, 1946, through Dec. 31, 1951, total property additions (less sales and retirements) aggregated $34,791,000. Of this spending, the Chemical Division, formed in 1943, and the Tar Products Division, accounted for $28,466,000 or 82%.

Koppers, through its six operating divisions, is engaged in the production and sale of refined tar and related products, chemicals, plastics, bituminous protective coatings, treated and untreated forest products, coke, gas, machine shop and foundry products; and in the design and construction of chemical recovery (by-product) coke plants, blast furnaces and open-hearth furnaces, chemical plants and certain other industrial plants.

Since 1946, sales of the company have shown progressive expansion, from $112,146,000 in that year to $287,954,000 in the year ended Dec. 31, 1951. Net income in 1951, excluding non-recurring profits, amounted to $10,818,000, equal to $5.47 per share on the common stock to be outstanding upon completion of the current financing. This compares with $11,615,000 or $5.90 per share on the same basis in 1950.

Quarterly dividends of 40 cents per share were declared from November, 1944, when the common stock of the company first became publicly owned, until the last quarter of 1948. Since then quarterly dividends of 50 cents have been paid and, in addition, extras of 50 cents were declared in 1950 and 1951, making total declarations $2.50 in each of these years.

# Frank Brigham With Cyrus J. Lawrence Co.

Cyrus J. Lawrence & Sons, 115 Broadway, New York City, 88-year old securities firm and member of the New York Stock Exchange and New York Curb Exchange, announce that Frank H. Brigham has joined its Investment Research Department. Mr. Brigham formerly was associated with F. Eberstadt & Co. and served as a vice-president of Chemical Fund, Inc., an investment company specializing in securities of chemical companies.

Digitized for FRASER
http://fraser.stlouisfed.org/

*Continued from page 6*

# Tax-Exempt Bonds as Savings Bank Investments

over 2¼% by purchasing school district bonds, and better than 2½% from New York City obligations.

Only from conventional mortgages that give a return of 4% or more after origination and servicing costs, as has been seen, can savings banks in New York State now secure an effective yield after taxes comparable to that offered by tax-exempt bonds.

A second advantage possessed by tax-exempt obligations is high quality. Tax-exempt bonds, as a class, are as high as, or higher in quality than, any other major group of investments open to mutual savings banks except United States Government securities. They are of better quality, as a class, than conventional mortgages that give a net return after expenses of 4% or more.

A third advantage of municipal securities, when compared with mortgages and medium quality corporates, is the market ability they enjoy, based on the broad interest in these bonds that prevails among commercial banks and individual investors in the higher and middle income brackets.

In brief, one must conclude that no class of investment open to New York mutual savings banks today offers the combination of relatively high yield after taxes, the quality and the marketability that tax-exempt issues can provide.

### Disadvantages of Tax-Exempts

But there is another side to this picture. A mutual savings bank contemplating large-scale purchases of tax-exempt bonds must weigh the possible disadvantages as well, before coming to its decision.

One reason for hesitation is the low absolute, as distinct from relative, rate of return provided by tax-exempt bonds. Savings banks, as non-profit institutions, want tax-exempt income for only one reason—to build up reserves and surplus at a faster pace. But a return of a little over 2%, the best available from a group of high quality municipals, will not build up surplus at all fast. Savings banks, in fact, have hitherto been securing an overall average yield of around 3¼% from earning assets. Tax-exempt bonds do not provide a means of maintaining any such rate of return. And savings bank managements are not likely to feel they have solved their tax problem until they have found a way to get enough income to build up surplus and reserves out of retained earnings at close to the rate that has been possible prior to imposition of the Federal income tax on their retained earnings. Tax-exempt bonds can slow down the decline in the surplus ratio for a bank with a relatively high ratio today, but they cannot prevent the decline if deposits are expanding at a rate of say 4% or higher. Where a bank expects its surplus and reserve ratio to fall below 12% in the reasonably near future, it is not logical to buy tax-exempt obligations with low yields at this point.

In the second place, long-term municipal bonds acquired today involve a risk of future price depreciation which could result in a savings bank having them on its hands at low yields. A reduction in income tax rates, unless offset by a sharp decline in interest rates generally, would affect adversely the market position of outstanding tax-exempt obligations, especially those of long-term. If tax rates were reduced, investors would then want to pay a smaller premium for the privilege of tax exemption. A great increase in the volume of new tax-exempt offerings, incident to large-scale public works and public housing programs could similarly have a depressing effect. When the supply of new tax-exempt issues is large enough, it becomes necessary to price them low enough to attract buyers from among lower tax bracket investors. This means higher yields and lower prices for outstanding issues of this class.

The fact that tax-exempt obligations as a class do not yield enough now to pay a "living wage" to savings banks, and that they could be vulnerable to material market depreciation whenever the rearmament boom will taper off and we may face a reduction in taxes and a major expansion in public works programs, will foster a cautious attitude towards the purchase of such bonds on the part of many savings banks. These banks will certainly want to determine first how much taxable income they really have, allowing for losses to be realized on bonds in the portfolio and possible higher interest payments to depositors. They will also want to know whether the Legislature is going to authorize them to invest in equities.

### Probable Extent of Savings Bank Purchases

It is obvious that, in view of these many and in part conflicting considerations, one must proceed with great care in attempting to estimate, even within a very broad range, probable savings bank purchases of tax-exempt bonds over any specific period of time.

Only banks that are now, or that are about to become, subject to the Federal income tax would consider switching from existing investments into tax-exempts. Even among these banks, the extent of possible switching from taxable to tax-exempt investments will be limited by the amount of their taxable income, after allowing for net realized losses on bonds and increases in interest-dividend rates paid depositors. The volume of switching into tax-exempts will be affected also by the ratio of surplus and reserves to deposits, and the ratio of surplus to risk assets. Moreover, there is a strong feeling among mutual savings banks that it would not be politic to wipe out all taxable income and pay no tax, for this might only invite a more drastic tax levy by Congress.

For all the savings banks of the country, I think the eventual switch of up to one-half a billion dollars from other investments into tax-exempts would be about the maximum potential at prevailing yield levels. I think the actual extent of such switching would be materially less were savings banks in New York State authorized to invest in equities. And a number of years would likely elapse before savings banks would switch into tax-exempt bonds on any such scale, because they will want to await clarification of the uncertainties I have discussed as well as possible opportunities to acquire tax-exempts on a more favorable yield basis than is now offered them.

Apart from switching existing bond holdings into municipals, some savings banks may want to invest say 10% to 20% of their deposit gains in the next several years in tax-exempts to minimize their tax liability. Deposits of all savings banks in the United States are expanding currently at a rate of over a $1 billion yearly, and this rate of growth should continue for the foreseeable future. This is higher than the rate of deposit gain of the past five years. If the authority to invest in equities is not given New York State savings banks, it is possible that those with substantial taxable income would devote to the purchase of tax-exempts as much as 20% of their deposit gains, relying upon other investments to lift the average yield realized from earning assets acquired with new deposits. Should the purchase of equities be permitted, tax-exempts may provide an outlet for a smaller proportion of new deposits.

### Conclusions

The several factors we have considered point to the conclusion that all mutual savings banks may shift gradually and over a period of years up to half a billion dollars from other investments into tax-exempts. If permitted to buy equities, the figure will be less. Also, a number of mutual savings banks may want to invest a moderate percentage of new deposits received in tax-exempt bonds, to reduce their Federal income tax liability.

These figures, needless to say, are presented as guesses to help clarify one's thinking on the subject rather than as concrete quantitative estimates. I think savings banks will provide, for the present, at best only a selective and moderate-sized outlet for tax-exempt bonds; especially while such major uncertainties as the power to buy equities, interest-dividend rates to be paid depositors, and the long-term trend of tax-exempt bond prices remain to be resolved.

Municipal bond dealers, I am sure, recognize the uncertainties and difficulties which today surround the formulation of savings bank investment policy in this field. They will want to base their recommendations on a clear and sympathetic understanding of these problems. By doing so, they can contribute much to a constructive solution of this complex investment problem.

## Bruns, Nordeman to Admit Three Partners

Bruns, Nordeman & Co., 60 Beaver Street, members of the New York Stock Exchange, on March 1 will admit Leon W. Graham, Harold Eliasberg and Laurence H. Lubin to partnership. Mr. Eliasberg has been active as an individual floor broker on the New York Stock Exchange. Mr. Lubin has been with Bruns, Nordeman & Co. for some time as Manager of the 323 Broadway office.

## McLaughlin, Reuss Co. To Admit Three

McLaughlin, Reuss & Co., 1 Wall Street, New York City, members of the New York Stock Exchange, will admit Stanley C. Kerby, J. Erwin Samuel, and Francis E. Varvaro to partnership on March 1. Mr. Samuel is a partner in Samuel Brothers.

# *Bank and Insurance Stocks*

By H. E. JOHNSON

## This Week — Bank Stocks

Operating results of banks throughout the country, being influenced by the same general factors, followed similar trends last year. Thus most banks, including those outside of New York City, were able to report an increase in earnings for 1951.

Among the developments which made this showing possible were an increase in deposits, a higher volume of loans and firmer interest rates. These factors enabled institutions to show a substantial gain in gross operating income.

Operating expenses were also higher, but the increase was smaller than the gain in gross earnings. As a result, pre-tax income gained by a considerable amount. Increased taxes absorbed a large portion of the gain, but final earnings, in most cases, showed improvement for the year.

Of course, there were individual exceptions to this general trend. In some instances, the gain in operating income was not sufficient to offset the higher taxes and a small decline in earnings was reported.

In the table below a comparison of the operating results for the past two years of banks in different sections of the country is presented. Nineteen banks are shown in the tabulation, including most of the principal institutions in eight of the larger cities in the country.

Also shown is the current market bid price, the indicated dividend payment on an annual basis and the current yield.

| | Per Share, Net Oper. Earns. 1951 | Per Share, Net Oper. Earns. 1950 | Current Market Price | Indicated Dividend | Yield % |
|---|---|---|---|---|---|
| **Boston:** | | | | | |
| *First Natl. Bank of Boston | $3.94 | $4.23 | 50 | $2.25 | 4.50 |
| National Shawmut | 2.83 | 2.75 | 30 | 1.40 | 4.67 |
| **California:** | | | | | |
| American Trust—San Fran. | 7.87 | 6.49 | 55 | 2.40 | 4.36 |
| Bank of America—San Fran. | 2.12 | 2.16 | 30⅛ | 1.60 | 5.31 |
| Security First Natl.—Los Ang. | 8.21 | 8.33 | 88 | 3.25 | 3.69 |
| **Chicago:** | | | | | |
| Continental Illinois National | 6.45 | 5.89 | 84 | 4.00 | 4.76 |
| First National | 14.85 | 11.92 | 227 | 8.00 | 3.52 |
| Harris Trust | 34.08 | 32.48 | 310 | 12.00 | 3.87 |
| Northern Trust | 39.07 | 37.64 | 615 | 18.00 | 2.93 |
| **Cleveland:** | | | | | |
| Central National | 3.74 | 3.16 | 29 | 1.40 | 4.83 |
| Cleveland Trust | 36.83 | 40.81 | 355 | 10.00 | 2.82 |
| National City | 3.38 | 3.18 | 41 | 1.80 | 4.39 |
| **Philadelphia:** | | | | | |
| Girard Trust Corn Exchange | 3.72 | 4.05 | 49 | 2.20 | 4.49 |
| Pennsylvania Company | 2.71 | 2.82 | 39¼ | 1.80 | 4.59 |
| Philadelphia National | 7.81 | 7.72 | 105 | 5.00 | 4.76 |
| **Pittsburgh:** | | | | | |
| Mellon National | 20.45 | 18.25 | 350 | 11.00 | 3.14 |
| Peoples First National | 4.09 | 3.97 | 43 | 2.00 | 4.65 |
| **St. Louis:** | | | | | |
| First National | 3.73 | 3.81 | 48⅜ | 2.60 | 5.37 |
| Mercantile Trust | † | 4.57 | 46¼ | 2.40 | 5.19 |

*Includes Old Colony Trust Co. †Not available.

The above figures have been adjusted for changes in capitalization. That is, where stock dividends were paid, per share results have been adjusted to make them comparable for the two years. This includes stock dividends paid so far in 1952. On the other hand, where additional stock was sold during the year, results are based on shares outstanding at the end of the respective periods.

When these factors are taken into consideration, some of the operating results of the above banks are more favorable than the per share figures would indicate.

In other words, as a result of selling 375,000 shares of additional stock during 1951, First National Bank of Boston reported a decline in per share earnings from $4.23 in 1950 to $3.94 in 1951. Actual net operating earnings of the bank, however, amounted to $10,231,703 in 1951, as compared to $9,420,157 in 1950.

Had earnings been reported on the basis of shares outstanding at the end of 1951, 2,600,000 shares, they would have been equal to $3.94 in 1951 and $3.62 in 1950.

Some of the other banks would show similar results. Such adjustments should be kept in mind when making statistical comparisons between the two years of the specific banks.

Considering the tax burden last year the operating results of the above banks are considered favorable. Current conditions indicate that the figures for 1952 should at least approximate those of last year.

BANK and INSURANCE STOCKS

EDWIN L. TATRO COMPANY
50 BROADWAY, NEW YORK 4, N. Y.
TELETYPE: NY 1-3430 TELEPHONE DIgby 4-2420
Direct Telephone
BALTIMORE—BOSTON—HARTFORD: Enterprise 7846

COMPARISON & ANALYSIS
17 N. Y. City Bank Stocks
Will be sent on request
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

igitized for FRASER
ttp://fraser.stlouisfed.org/

# Canadian Securities

By WILLIAM J. McKAY

Any constructive measures for the rehabilitation of the sterling bloc finances decided upon at the conference of the Dominion Finance Ministers and subsequent committee meetings of Empire financial experts have not so far emerged from a state of mysterious obscurity. Since the conclusion of these momentous discussions considerable lip service has been devoted to the cause of Empire unity and willingness in principle to make sacrifices for the common cause. In practice however no program has yet been announced that will give effect to laudable resolutions to attain apparently impossible objectives. Canada in effect has intimated that no financial aid will be extended to Britain under present circumstances and in the meantime continues to dispose of sterling balances. Australia and New Zealand have promised to limit drawings on the central dollar pool but as a consequence their normal development programs will be sorely jeopardized. South Africa vaguely hints of a possible new gold loan, but in the absence of sterling devaluation that would enhance the value of its gold production, this promise would be seemingly impossible to fulfill.

Official British announcements concerning the strengthening of the pound and the primary objective of sterling convertibility have under present conditions few links with reality. Sterling at its present artificial level does not permit any removal of exchange restrictions and will not attract the foreign investment envisaged by the Chancellor of the Exchequer. Furthermore the suggested measures of additional curtailment of imports from hard currency areas and the imposition of further austerity upon the long-suffering British public hardly conforms with the avowed objectives of greater economic freedom promised by the Conservative government. It would rather appear that Chancellor Butler is following even more energetically the restrictive course of his Socialist predecessors.

There is however one prominent voice in Britain that is now crying in the wilderness. Canadian-born Lord Beaverbrook, the proprietor of the most widely circulated British daily newspaper, has commenced a personal crusade for the freeing of sterling and bold measures for the development of Empire resources. Lord Beaverbrook, a staunch supporter of Winston Churchill and normally a strong supporter of Conservative policies, is now assailing violently the apparent lack of vision of the government's financial advisers. In essence this powerful proponent of economic freedom and Empire development strongly advocates the freeing of sterling in order that it might find a level at which it would again command confidence. At the same time he calls for bold imaginative planning for a fuller exploitation of the natural wealth of British overseas territories. As a result he claims that the British Commonwealth would then be in a position to deal on equal terms with the United States to the benefit of all concerned.

Despite the apparent academic attitude of British Treasury officials there is not the slightest question that the only logical step that will permit convertibility of sterling and attract external capital to the British area is devaluation of sterling to a level at which all exchange restrictions could be safely removed. In order not to repeat the blunders committed by the Labor government following the 1949 devaluation it would be necessary to adopt accompanying measures to combat the resultant inflationary pressures.

It is of course possible that such a course is already envisaged by the Conservative government. As Mr. Churchill stated at the time when the London banks were permitted to deal abroad, this constituted a first step that had been decided upon immediately on the assumption of office of his new government. This action can be construed as a desirable preliminary step prior to an announcement on removal of all exchange restrictions and the establishment of sterling at a realistic level. In this way the London market is well prepared to cope with the new conditions and to resume its previous position in the forefront of the world's financial centers. The bringing forward of the date for the Chancellor of the Exchequer's budget speech can also have a special signficance. Normally the date would be in early April at which time the first quarter's foreign trade figures would already be published.

There is little question that these figures would show a further deterioration of the sterling area's exchange reserves and would consequently induce a further flight from the pound. On the other hand if sterling were freed prior to the publication of the end of March figures there would be an immediate reversal of the exchange flow and the exchange reserves would register a sharp rise. A logical new rate of the pound would be parity with the Australian pound which would then establish a common rate for all sterling currencies. The Canadian dollar would not necessarily be affected but it is possible that in the event of a sterling devaluation the Dominion currency unit might be permitted to follow its traditional course of sympathetic movement with sterling.

During the week the external section of the bond market held very firm and a good reception was accorded to a large offering of Dominion 3's of 1959-63, an issue originally placed privately in this country. The internals were mostly unchanged but there was still evidence of a weak undertone. At its current peak level the Canadian dollar market was almost devoid of interest: in the event of European currency adjustments this currency would be highly vulnerable to repatriation of flight capital. Stocks again declined but the golds and Western oils continued to resist the downward trend.


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.



CANADIAN
INDUSTRIAL
WESTERN OILS
MINING
SECURITIES
Inquiries Invited
Established 1922
KIPPEN & COMPANY, INC.
Members Investment Dealers Ass'n of Canada
610 St. James St., W., Montreal, P. Q.
Telephone Lancaster 5101
Direct Private Wire to Toronto


## D. J. Conway to Be Sec. NASD Dist. 2

SAN FRANCISCO, Calif.—D. J. Conway, Portland, Oregon, has been named Secretary District No. 2, National Association Securities Dealers, according to an announcement made by E. J. Evans, First California Company, chairman of District No. 2. Mr. Conway succeeds George Stephens who is retiring after serving as secretary since the inception of District No. 2 fifteen years ago.

D. J. Conway

Mr. Conway assumes his duties June 1, 1952 on the same day Mr. Stephens retires. District No. 2 is comprised of California and Nevada. Mr. Conway is presently secretary of NASD's District No. 1, which district includes Oregon, Washington and Idaho.

The new secretary brings a background of valuable experience to his new position. In 1928 he joined the Securities Savings & Trust Company of Portland, Oregon, a post he occupied until 1937 when he resigned to go with the Portland firm of Jaxtheimer & Co. as municipal bond buyer in Oregon, Washington and Alaska. In 1941 he left this firm to become secretary of NASD District No. 1, which position he still holds. During his tenure of office he worked on special assignments in the Association's executive office in Washington, D. C. and in most sections of the United States. He added to his duties in 1944 when he became secretary of the Association's Texas District No. 6. He has served the two districts concurrently since that time. Upon assuming his new duties in San Francisco, Secretary Conway will devote his entire time to the business of District No. 2, Chairman Evans said.

## Robinson-Humphrey To Admit J. C. Martin

ATLANTA, Ga. — Robinson, Humphrey & Co., Rhodes-Haverty Building, members of the New York Stock Exchange, on Feb. 28 will admit Justus C. Martin, Jr. to partnership. In the past Mr. Martin was associated with Thomson & McKinnon and Beer & Co.

## Bert Lacey Opens

DALLAS, Tex.—Bert Lacey is engaging in a securities business from offices at 3904 Purdue Street.

*Continued from page 11*

# Canada as a Place for Investment

pression. Its manufacturing facilities were operating at less than 70% of capacity, the earning power of the companies had been such that very little money had been available to spend on improved efficiency—they had been doing their best to keep afloat. During the war they were under control by the restrictions and allocation of manpower for the woods, and horsepower for the mills.

It is interesting to observe, however, that without the addition of any new producing mills but as a result of increased efficiency and productivity through the expenditure of many tens of millions of dollars on existing facilities, the newsprint industry of Canada was able to increase its production from 3,175,000 tons in 1939 to 5,516,000 tons in 1951, and by such production to fill the growing needs of the American publishers for newsprint. No such similar increase is possible in the future from existing mills.

Securities of our leading newsprint companies in Canada can be bought today for a price equivalent to a valuation on these companies of about $50,000 per daily ton of capacity, whereas replacement cost of these facilities, if sites and wood reserves were available, which they are not, would exceed $100,000 per daily ton of capacity.

While the newsprint industry of Canada has done little in the way of building new mills because of inadequate return on capital required, there have been very substantial additions to the productive capacity of sulphite and kraft pulp through the building of new mills by Marathon Paper Company and Kimberley-Clark Corporation in Ontario, by the Celanese Corporation of America in British Columbia, and by different lumbering interests in British Columbia, in their case for the utilization of saw-mill waste.

As a matter of interest, it has just been announced by Mr. Fowler, President of the Newsprint Association of Canada, that $600 million will be spent over the five-year period ending 1955 by the pulp and paper industry of Canada to increase efficiency in operations, diversify production, and improve equipment facilities.

Another great foundation of our national economy is mining. This embraces many groups. In the area of base metals, Consolidated Mining & Smelting Company (producing mainly lead and zinc) and International Nickel Company (producing nickel and copper) were started long before the first world war, but were tremendously expanded during that war. Both these companies have continued to grow and develop, and research has widened the usefulness of their products, and the basic resources at their command.

Since the first war many other great mining enterprises have developed, probably the best known being that of Noranda (producing gold and copper), which with its associated companies has grown from a small beginning to a company whose shares are now valued at around $185,000,000 in the open market.

The Aluminum Company of Canada, while conducting small-scale operations prior to the first war, entered its first major expansion in the '20s as a result of cheap water power available on the Saguenay River in the north-east part of the Province of Quebec. When the second world war commenced the uses for aluminum were so great the company was required to multiply its productive capacity. The Shipshaw power development, capable of producing 1,200,000 h.p., was constructed during the war in record time, and aluminum produced by this company together with the production from similar plants in the United States made possible the great fleet of aircraft which swamped Nazi Germany and Japan.

At the close of the war many people had grave doubts as to how markets could be found for this production. These doubts have now been dissipated and the Aluminum Company of Canada has been forced to look for new areas in which to obtain increased production. They are presently engaged in an undertaking at Kitimat in the northern part of British Columbia involving an ultimate expenditure in excess of $500,000,000. As part of the first stage, a new power plant with an initial installed capacity of 420,000 h.p. is anticipated by early 1954. This project will result in a new community being created in what had previously been an uninhabited area.

The production of uranimum in northern Canada near the Arctic Circle has purposely not had much publicity, but it was uranium from Canada which contributed to the development of atomic energy.

### Canadian Iron Ore

Our iron ore has just come into prominence since the war. Enormous growth in the expansion of the productive capacity of steel in the United States has put great strain on your ore reserves; similarly our own steel capacity by the end of 1953 will be about 2¼ times prewar. The iron ore development which is taking place in Labrador, being promoted by the Hollinger Mining group of Canada and the M. A. Hanna group of Cleveland, in cooperation with a group of steel companies in your country, will be capable of delivering 10,000,000 tons of iron ore per annum at a competitive cost to your steel plants. In addition, development of iron ore in Canada on the north shore of Lake Superior is reaching major size and importance.

Of course the greatest romance in Canada's postwar growth and development has been in the field of oil. It is interesting to note that while there has been a small production of oil in Alberta for the last 25 years, the great new development commenced with the bringing in of Leduc Discovery Well No. 1 by Imperial Oil Company almost exactly five years ago today, on Feb. 13, 1947.

Imperial Oil of Canada, in which Standard Oil of New Jersey owns approximately 70% of the stock, has spent large amounts of money over many years in exploration in the Province of Alberta in the conviction that oil would be found, and today owns and controls not only the majority of present production but the largest acreage held by any one group of prospective oil lands.

The oil development during the last five years has been of a fantastic nature. The areas favorable to oil and gas structures are in the Great Plains region, embracing the largest part of the three Prairie Provinces and extending to the Arctic Ocean. When finally determined, this area may prove to be one of the four greatest areas of oil concentration in the world. While most strikes have been made in the Province of Alberta, there were new strikes made last year in Manitoba, Saskatchewan and British Columbia. Reserves in proven acreage are now estimated at close to 1,700,000,000 barrels.

The Athabaska tar sands, 250 miles north of Edmonton, have

Digitized for FRASER
http://fraser.stlouisfed.org/

been estimated to contain enough oil to supply the entire world for a century, at the present rate of consumption. These tar sands only await the benefit of technological research in order to provide a means of profitably extracting the oil—but in the meantime they are a most valuable reserve.

Last year crude petroleum, produced chiefly from Alberta wells, exceeded 48,000,000 barrels compared with 7,500,000 barrels prior to the Leduc Discovery. Proven reserves already would justify double this production if adequate pipeline and refinery facilities were available. Under the leadership and impetus of Imperial Oil, cooperating with other oil companies, one pipeline, namely Interprovincial Pipe Line Company, is already in operation from Edmonton, Alberta, to Superior, Wisconsin, a distance of 1,129 miles, bringing Alberta crude oil to the large consuming market of Ontario. Another pipeline, namely Trans-Mountain, is under construction to deliver crude oil from Alberta to the seaboard at Vancouver, British Columbia.

Natural gas discoveries have occurred along with oil, and intensive studies are being made of the reserves available and the best methods of bringing them to market.

I would suggest that these new developments in Canada of oil and iron ore may very drastically alter the trading unbalance which now exists between our two countries as both of these products have heretofore been among our heaviest imports from the United States.

It seems only proper at this stage that I should pay tribute to the far-seeing people of your country who have been responsible for the investing to date in Canada of approximately $7 billion. Without this financial support it would have been many years in the future before Canada's development could have reached its present point. Perhaps it is only fair to say that we are getting the same support from investors in the United States in the period of our great development as you gained from investors in England in the period of your early development.

We in Canada consider ourselves blessed in many directions. We have a thrifty, hard-working population that believe in law and order. We speak the same language as does our great neighbor, think many of the same thoughts, and visit each other constantly. Your country in two wars has gone a long way in the development, utilization and consumption of your own basic resources, and it is only natural that you are turning your eyes to the resources of Canada.

How the world envies our good fortune—not the least of which is due to the fact that we live "across the street" from the greatest consuming nation in the world.

## Davies & Co. Adds

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Jeffrey T. Lee is with Davies & Co., 425 Montgomery Street, members of the New York and San Francisco Stock Exchanges.

## With Paul C. Rudolph

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—E. H. Lessard has been added to the staff of Paul C. Rudolph and Company, 127 Montgomery Street.

## With Walston, Hoffman

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Linus W. Long is with Walston, Hoffman & Goodwin, 265 Montgomery Street, members of the New York and San Francisco Stock Exchanges.

# Merrill Lynch, Pierce, Fenner & Beane Report

**Nation-wide brokerage firm made net profit in 1951 of approximately $9½ million, before taxes and contributions, compared with $12½ million in previous year. Firm did approximately 10% of round-lot business on New York Exchange.**

According to its published Annual Report, Merrill Lynch, Pierce, Fenner & Beane, nation-wide securities and commodities brokerage firm, made a net profit last year of $9,481,359 before taxes and charitable and educational contributions, compared with $12,544,090 in 1950. The report was released by Winthrop H. Smith, the managing partner.

Winthrop H. Smith Charles E. Merrill

After charitable and educational gifts of $481,043 and taxes estimated at $6,500,000, there was a balance of net income available to the partners of $2,500,316. This compares with the 1950 balance of $3,510,350.

In addition to regular salaries, the firm paid bonuses totaling $2,207,600, and the partners contributed $977,316 to the employee profit-sharing fund. These two items approximated 10 weeks extra compensation for all those who had been with the firm a year or more.

During 1951, the Merrill Lynch round lot business was 9.7% of the total volume of the New York Stock Exchange. The firm did 15% of New York Stock Exchange odd lot business and 8.3% of the total Curb Exchange volume.

The firm's income from commodities was the highest in history. Merrill Lynch did 6.41% of futures business last year on all commodity exchanges as compared with 6.25% in 1950.

In a letter to customers, Charles E. Merrill, directing partner, and Winthrop H. Smith said that history may show 1951 to be "another year of decision . . . the year America decided to remain a capitalist country."

Crediting newspapers, magazines and company-employee publications with doing a real job of education, Mr. Merrill and Mr. Smith said the story of capitalism and the share-ownership of corporations was being told "in a dozen different ways with a telling effectiveness . . . told as never before to millions and millions of people."

"And," they said, "the people, were interested."

Personal savings during 1951 were at a rate unequalled since 1944, the report pointed out, "despite taxes, despite high prices . . . despite everything." A good part of those funds went into "banks and government bonds, into insurance and into pension plans . . . as indeed they should." But, Mr. Merrill and Mr. Smith pointed out, some were available for private investment and "not by a handful of rich men but by millions of middle income people who, happily, are at last beginning to understand a little bit of what it means to own a share in American business.

"It was this prodigious effort by the press of America and by hundreds of business firms to give people a real understanding of how our system works which in the perspective of history may yet mark 1951 as another year of decision . . . the year America decided to remain a capitalist country . . . with steadily widening social benefits for all."

The firm's Annual Report emphasizes the educational activities Merrill Lynch has undertaken to bring "Wall Street to Main Street." How this has proved its value is graphically illustrated in a letter the firm received from a man who described himself as "a linotype operator, not a banker; a denims worker, not white collar; a union member, part of the labor force which needs capitalism to survive."

The report also explodes the myth that the odd lot customer (whose transaction involves less than 100 shares) is primarily interested in low-priced equities. During 1951 the average share price of purchases and sales of the firm's odd lot customers was $39.10 compared with a round lot average price per share of $25.49.

This marks the eleventh consecutive year in which Merrill Lynch has given the public a report on its income and expenses.

Total income from operations was $44,312,231 against $45,655,141 the year before, a decline of $1,342,910. Operating expenses were 30,638,334 compared with $28,275,250 in 1950, an increase of $2,363,084.

# NYSE Adopts 4th Day Delivery & Clearance

The Board of Governors of the New York Stock Exchange, at a meeting Feb. 14, adopted the plan outlined in the Jan. 25 letter of G. Keith Funston, President of the Exchange, whereby delivery of securities and settlement of contracts will be effected on the fourth full business day after the transaction, instead of on the third full business day, as at present. Under the plan, delivery exchange tickets will be submitted to Stock Clearing Corporation by 1:00 p.m. on the full business day following the day of the transaction, instead of by 5:00 p.m. on the day of the transaction.

The plan will be effective with trades of Monday, March 3, 1952.

Prior to the effective date, a circular will be sent to all members informing them in more detail of the changes in the Rules of the Board of Governors and Stock Clearing Corporation which will be necessary to effectuate the new system.

# Boston Inv. Club Dinner Meeting

BOSTON, Mass.—The next dinner meeting of the Boston Investment Club will be held at the Boston Yacht Club on Thursday, Feb. 28, at 5:30 p.m.

This will be a sales forum and the panel of speakers and their topics will be as follows:

(1) Prospecting — Arthur H. Dalzell, Coordinator of Sales Promotion, John Hancock Mutual Life Insurance Co.

(2) Sales Presentation — Louis H. Whitehead, Vice-President National Securities and Research Corp.

(3) Problems of the Sales Force — William T. Kemble, Partner Estabrook & Co.

Each speaker will be allotted approximately 20 minutes with a question period to follow.

## Joins Holton, Hull Co.

(Special to The Financial Chronicle)

SAN DIEGO, Calif.—David C. Edwards is with Holton, Hull & Co., 530 Broadway.

# The Woman Investor And Free Enterprise

By EVELYN D. deBEBIAN

Secretary-Treasurer, Federation of Women Shareholders in America, Inc.

**Mrs. deBebian declares intelligent investing is necessary to preservation of free enterprise. Stating proxy is a vital economic ballot, urges women stockholders learn to analyze proxy statements for intelligent voting.**

Women were strongly urged to pursue their financial education in order to safeguard the free enterprise system as well as their capital, by Mrs. Evelyn D. deBebian, Secretary-Treasurer of the Federation of Women Shareholders. Mrs. deBebian spoke at the closing session of a series of five lectures on finance presented at the Brooklyn Woman's Club in New York on Feb. 14. "We all know that in this country we live under a capitalistic system. We have heard much about the evils of capitalism," Mrs. deBebian declared. "However, we all must agree that under no other system ever yet put into effect are the people as well off as we all are here in America. We must remember that in this country we are all capitalists—we all own something. Our industries are financed by money from you and me. If we are to continue to enjoy the benefits of this high standard of living we have, we must learn how to accept our responsibilities. If private enterprise is to remain in the hands of the people we must invest our capital in our industries. If we do not invest our capital we must face the fact that government might be called upon to take over our basic industries. We all know that nationalization of any industry would be the opening wedge toward complete totalitarianism. We all know the results of such a system. We lose all of our precious liberties.

Evelyn D. de Bebian

"We all have heard the old adage that 'money talks.' This still holds true. Today we women really hold the purse strings. But—we must learn how to use this great power we have.

"Labor unions have ably demonstrated the power of organization. We women must also organize and make proper use of our collective bargaining power with government, management and labor.

"Tradition has taught us that the subject of finance is too complicated for the feeble brains of women," said Mrs. deBebian. "But—we women know that is all bunk. No longer can we be deluded into thinking that men alone know all the answers to financial problems.

### Must Keep Learning

"But—we must not stop learning. We live in changing times. Each day brings new problems. We must keep abreast of present-day trends.

"We must learn how to relate the news to the financial problems confronting us," she continued. "Personally, I have found it of benefit to read not only the news relating to the daily transactions on the Stock Exchange, but also to read of commodity markets, carloadings, department store sales, chain store figures, etc. All of these factors have a bearing upon finances. None of us can accurately predict the course of the stock market, but we can learn some of the news that does have a bearing on the ups-and-downs of the market.

"Brokers today can give you facts and figures regarding any stock in which you may be interested. Earnings and dividend records over a period of years are highly indicative of what we may hope for in the future."

### Importance of Proxies

Speaking of the shareholder voting system, Mrs. deBebian declared:

"We must know that our proxy vote is most important. We must learn to make proper use of this voting power. Wherever possible we should attend annual meetings—we must learn how to evaluate management—and, as owners of the corporations in which we are stockholders, we must learn how to serve as peacemakers between management and labor."

# Annual Meeting of Milwaukee Bond Club

MILWAUKEE, Wis. — The annual meeting and election of officers of the Milwaukee Bond Club will be held Thursday evening, Feb. 21, 1952, at the Elks Club in the Mezzanine Room.

The following Nominating Committee was appointed to name a ticket for the coming year:

Frederick A. Newton, Chairman, Loewi & Company; Ray F. Newman, R. F. Newman, Investment Counsel; Lon L. Grier, Lon L. Grier & Company; Tom Mosher, Milwaukee Company; and Herbert Wolff, A. C. Allyn & Company.

The Nominating Committee presented the following nominees:

President: Otto Koch. Jr., Marshall Company.

Vice-President: J. Parish Lewis, J. P. Lewis & Company.

Board of Governors: Matthew H. Pahle, A. C. Allyn & Company; W. Thurman Riley, Riley & Company; Edward Slezak, Loewi & Company; Arthur Schaeffer, Harris Upham & Company; George Struck, Milwaukee Company; and Ray F. Newman, R. F. Newman, Investment Counsel.

# American Securities S. F. Exchange Member

The election of Emmett F. Connely, President of American Securities Corporation, 25 Broad Street, New York City, to regular membership in the San Francisco Stock Exchange was announced by Ronald E. Kaehler, President of the Exchange.

American Securities Corporation will be the sixth corporation to become a member of the Exchange. Officers of the Company are: William Rosenwald, Chairman of the Board of Directors; Emmett F. Connely, President; Joseph W. Dixon, Vice-President; Alvin R. Young, Secretary; and Frank D. Williams, Treasurer.

## McLaughlin, Ruess to Handle Stockholders Relations for Baruch Oil

McLaughlin, Reuss & Co., 1 Wall Street, New York City, members of the New York Stock Exchange, has been appointed public and stockholders relations manager of Baruch Oil Corporation.

gitized for FRASER
tp://fraser.stlouisfed.org/

# *Public Utility Securities*

By OWEN ELY

## Oklahoma Gas & Electric

Oklahoma Gas & Electric will soon celebrate its 50th birthday. The word "gas" is now a misnomer since the gas properties were sold in 1927. The company serves some 30,000 square miles in Oklahoma and Arkansas, and supplies electric service to 278,000 customers in 228 communities. It also supplies wholesale service to 13 communities and 13 rural co-ops. Of the total revenues of $29 million, Oklahoma City contributes 29%, and the State of Oklahoma 92%.

Oklahoma is important both in farming and in oil, gas and minerals. It ranks 9th in farm income, which amounted to $600 million last year, a gain of 20% over 1950. Farming is quite diversified, with livestock accounting for about half the income, while wheat and cotton are also important. Over 90% of crop land is located within soil conservation districts, and conservation is strongly supported by farm and industrial leaders. The State ranked fourth in oil production last year, and oil reserves approximate 1.7 billion barrels, having increased substantially due to new discoveries and improved recovery from older pools. The State ranked second in drilling last year, and at present wells are being drilled in more than one-half of the counties.

While the State lost some population during the war time period, due to migration of farm workers to war industries outside the State, it has gained about 300,000 in population since 1945. There has been considerable migration from farms to the cities in the postwar period, due to more diversified farming and greater use of farm machinery.

Oklahoma City is now an important operating headquarters for the oil industry in the Mid-Continent area, and it also has numerous regional, divisional and district offices of major oil companies. Tinker Air Force Base, which employs 23,500 civilians and 4,000 Air Force personnel, is the largest single customer of the company, accounting for 1½% of revenues. This is a permanent base established for repair and maintenance of military aircraft, including jet engines.

Franchises are limited to 25 years in Oklahoma and during the past five years the company has obtained renewals in 55 communities, with an average adverse vote of only 3% (votes were unanimous in 30 towns). In Oklahoma City, which renewed last year, the vote was 13,458 to 429. This indicates good public relations.

The company has paid dividends on its common stock since 1908 and is one of the 16 electric utilities with a record of 40 years or more. (However, stock has been in the hands of the public only since 1947.) Following is the growth in revenues, and the common stock record:

| Year Ended Dec. 31 | Revenues (Millions) | Common Stock Record: Share Earnings | Dividends Paid | Price Range: High | Low |
|---|---|---|---|---|---|
| 1951 | $29.25 | $1.69 | $1.30 | 22 | 19 |
| 1950 | 26.01 | 1.77 | 1.25 | 22½ | 18¾ |
| 1949 | 24.18 | 1.79 | 1.20 | 19 | 15¾ |
| 1948 | 22.47 | 1.84 | 1.10 | 18 | 14¾ |
| 1947 | 20.26 | 1.80 | 1.04 | 19¾ | 14½ |
| 1946 | 18.49 | 0.98 | 0.83 | -- | -- |
| 1945 | 17.90 | 0.90 | 0.67 | -- | -- |
| 1944 | 17.53 | 0.95 | 0.67 | -- | -- |
| 1943 | 16.43 | 0.93 | 0.61 | -- | -- |
| 1942 | 14.86 | 0.81 | 0.30 | -- | -- |
| 1941 | 14.45 | 0.82 | 0.60 | -- | -- |
| 1940 | 13.67 | 0.82 | 0.60 | -- | -- |

While share earnings for 1951 were 8c below the previous year, 3c of this decline was due to the issuance of about 43,000 shares on Dec. 27 for the acquisition of electric property near Oklahoma City.

Oklahoma Gas & Electric has enjoyed rapid growth over the past decade, kwh output in 1951 being 164% higher than in 1940, while plant investment increased about 87%. The composite dollar age of the property is only six years, most of the growth having occurred since 1946. The revenue dollar is derived as follows: residential 32%, rural 7%, commercial 31%, oil industry 9%, general industry 9% and miscellaneous 12%.

Fuel costs are extremely low because of the modern generating plants and the use of natural gas as fuel. At the new Mustang plant electricity costs only 1½ mills at the switchboard to produce; the company's average fuel cost is about 1.3 mills compared with 3.5 mills for the electrical industry. Total production and transmission expenses absorb only 18% of revenues compared with about 30% for the industry. Thus in 1950 Oklahoma was able to carry 18% of revenues down to net income compared with less than 15% for the industry.

Oklahoma's capital structure at the end of 1951 was 54% debt, 17% preferred stock and 29% common stock equity. The company recently registered $12 million First Mortgage Bonds of 1982 with the SEC, but no equity financing is contemplated until 1953.

The company's residential rates are lower than for Oklahoma Power & Light and Arkansas Power & Light, but since earnings approximate 5.85% on the estimated rate base, no application for a rate increase appears likely at this time. However, if the company has difficulty in future with its financing, it might then decide to ask for a rate increase.

About 36% of the common stock is owned by Standard Gas & Electric Company, which will eventually dispose of its holdings. The stock is currently selling on the New York Stock Exchange at an all-time high around 24¼. Based on the current dividend rate of $1.40, the yield approximates 5.8%.

# NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

William J. Jantzen has been elected Assistant Vice-President of **Chemical Bank & Trust Company of New York,** it was announced on Feb. 15 by N. Baxter Jackson, Chairman. Mr. Jantzen, who since 1929 had been associated with the **Bank of the Manhattan Company of New York** from which he recently resigned as Assistant Vice-President, will be associated with F. Stafford Cleary, Vice-President in charge of Chemical's 29th Street at Fifth Avenue office. A further announcement, made by Mr. Jackson on Feb. 18 stated that Maurice N. Trainer, President of American Brake Shoe Company, has been elected a member of the Advisory Board of the 100 Park Avenue office of Chemical Bank & Trust Company. Mr. Trainer also is President of Dominion Brake Co. Ltd., trustee of East River Savings Bank and director National Association of Manufacturers.

* * *

Horace C. Flanigan, President of **Manufacturers Trust Company of New York,** announces that Tristan E. Beplat has been advanced from Assistant Vice-President to Vice-President. Late in 1949 Mr. Beplat was appointed the bank's Eastern Representative. At that time he established a representative office of Manufacturers Trust Company in Tokyo to handle the bank's business in Japan and the Far East. During the war Mr. Beplat attended military government schools at the University of Virginia and Harvard University, specializing in Japanese banking and finance; and later, at the beginning of the occupation of Japan, was assigned as a finance specialist to the Military Government. In the course of his service with the Military Government in Japan, Mr. Beplat had supervision of all private financing in that country. He also was Chairman of the Military Government's Yen/Dollar Exchange Committee and a member of its Foreign Investment Committee to formulate policy on these matters.

* * *

G. Fred Berger has been named Vice-President, Treasurer and Secretary of the **American Trust Company,** 70 Wall Street, **New York,** Harvey L. Schwamm, President, announced on Feb. 18. Beginning his banking career in Buffalo with what is now the Marine Trust Company of Western New York, Mr. Berger was later connected with the New York State Banking Department, Lybrand Ross Bros. & Montgomery, certified public accountants, and from 1925 until 1944 was Treasurer of the Norristown-Penn Trust Company at Norristown, Pa. Since the latter year Mr. Berger has spent most of his time in Buenos Aires and Montevideo organizing Latin-American import and export groups interested particularly in purchasing and shipping wool. Mr. Berger has been active in the affairs of the American Bankers Association, being a member of its Bank Management Commission and Research Council.

* * *

A list of new members approved by the **Association of Bank Women** at its meeting held by members of the Board on Feb. 13 has been made available as follows by Myrtle M. Hunt, Chairman of the Association's National Publicity Committee and Assistant Secretary of the **Bowery Savings Bank of New York:**

**Middle Atlantic Division** — Mrs. Carolyn L. Allen, Assistant Secretary, the Manhattan Savings Bank, New York; Mrs. Ann L. Savidge, Assistant Trust Officer, The First National Bank of Sunbury, Pa.; Miss Flora M. Chaltain, Assistant Vice-President, The Gramatan National Bank & Trust Co., Bronxville, N. Y.; Miss Theresa Schuil, Administrative Assistant County Bank and Trust Company, Paterson, N. J.; Miss Mildred E. Foy, Assistant Trust Officer, The Riggs National Bank of Washington, D. C.; Miss Alice Irene Jones, Assistant Secretary, Third National Bank and Trust Company, Scranton, Pa.; Mrs. Lina S. Schnackenberg, Assistant Secretary, The Half-Dime Savings Bank, Orange, New Jersey.

* * *

E. Chester Gersten, President of **The Public National Bank and Trust Company of New York,** announced the following promotions on Feb. 15: Philip Greene, formerly Assistant Cashier, Delancey Street office, was advanced to Assistant Vice-President, and Jack Jasper, also of that office, was 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 New York State Banking Department in its Jan. 18 Weekly Bulletin announced that on Jan. 15 approval was given a certificate of increase of capital stock of the **Empire Trust Company of New York** from $4,000,000, consisting of 80,000 shares of the par value of $50 each, to $4,500,000, consisting of 90,000 shares of the par value of $50 each.

* * *

Charles Kitlitz, an Assistant Vice-President of the **Lafayette National Bank of Brooklyn,** has been elected a Vice-President according to an announcement by Walter Jeffreys Carlin, President. A graduate of the American Institute of Banking, Mr. Kitlitz began his banking career in 1929. He has been with the Lafayette National Bank for 12 years, and served with the 30th Infantry Division in the European Theatre during World War II.

* * *

John W. Hooper, President of the **Lincoln Savings Bank of Brooklyn, N. Y.,** has announced the election of Waldemar J. Neumann as Secretary of the bank at the February meeting of the Board of Trustees. As Secretary, he succeeds George H. Doscher who has been with the bank for more than 60 years. Both Mr. Doscher and Mr. Neumann will continue as trustees, with Mr. Neumann also acting as present Chairman of the Bank's Examining Committee. Mr. Neumann was graduated from Columbia University Law School, class of 1922, and was admitted to the bar of the State of New York as well as to the U. S. District Courts in Brooklyn and Manhattan shortly thereafter. He is a partner in the firm of Wandmaker & Neumann, Counsellors at Law, at 26 Court Street, Brooklyn. In addition to Mr. Neumann's interests in the legal and banking fields, he is active in many philanthropic, civic, community and church organizations.

* * *

Lawrence J. McEvoy has been elected Vice-President of **Central-Penn National Bank of Philadelphia,** it is announced by C. A. Sienkiewicz, President. At the same time Mr. Sienkiewicz announced the election of Howard C. Strong to Assistant Vice-President. Mr. McEvoy has been an Assistant Vice-President of Central-Penn since 1950, when the Charger Bank and Central-Penn merged. He had been associated with the Morris Plan Bank (which later became the Charger Bank) since 1933. Mr. Strong was formerly Assistant Cashier of the Central-Penn in charge of dealer finance. Prior to his association with that bank and after two years of service with the U. S. Army as a Lieutenant, he joined the Automobile Finance Division of the Pennsylvania Company.

* * *

Walter A. Henderson, resident Auditor of **The Bank of Virginia in Newport News and Portsmouth, Va.,** has been elected an Assistant Cashier. Mr. Henderson began his banking career in 1937 as a junior clerk with the Federal Reserve Bank of Atlanta, Ga., going from there to Citizens & Southern National Bank and then to The Bank of Virginia in 1949. From 1942-1945 he was on active military duty.

* * *

At a special meeting on Feb. 8 the stockholders of the **City National Bank & Trust Company of Chicago** approved splitting the 50,000 shares of capital stock of the bank into 200,000 shares and selling an additional 40,000 shares at $40 a share, par $25 per share. According to the Chicago edition of the "Wall Street Journal" Central-Illinois Securities Corp., which together with its President, C. Arvid Johnson, controls more than 18% of City National's stock, opposed the two proposals. Mr. Johnson, it is said, contended the proposed offering price of $40 a share is too low, being under both the stock's book value and the current market value. In part, the account from which we quote also stated:

"The vote was 35,553 shares for the split and the financing and 9,365 against the two proposals. A two-thirds majority of the outstanding stock, or 33,333 shares, was required for approval.

"Philip R. Clarke, Chairman, announced an agreement had been signed with a number of investment banking firms for underwriting the subscription offering to shareholders. Holders of record yesterday will receive rights to purchase the shares on a 1-for-5 basis. Scheduled to underwrite the financing are Merrill Lynch, Pierce, Fenner & Beane; Central Republic Co.; Bacon, Whipple & Co.; A. C. Allyn & Co.; Paul H. Davis & Co. and The Illinois Co.

"Mr. Clarke said Mr. Johnson owns or controls 9,307 shares of the bank's stock. That means only 58 shares, other than those Mr. Johnson represents, were voted against the proposals, he said. The stock voted for the proposal was from 449 different shareholders. Seventeen shareholders voted against it, Mr. Clarke said. The meeting was adjourned to Feb. 27. By that date, permission from the Comptroller of the Currency to complete the proposed financing is expected to have been received."

* * *

The capital of the **Cosmopolitan National Bank of Chicago** has been increased from $600,000 to $750,000 by a stock dividend of $150,000. The enlarged capital became effective Jan. 18.

* * *

Through a stock dividend of $1,000,000, the **Michigan National Bank of Lansing, Mich.,** increased its capital from $4,000,000 to $5,000,000, effective Jan. 18.

* * *

Directors of the **Manufacturers National Bank of Detroit, Mich.,** at their meeting on Feb. 8 declared a quarterly dividend of 75 cents per share, payable March 31 to stockholders of record March 17. This 75-cent dividend repre-

Digitized for FRASER
http://fraser.stlouisfed.org/

sents an increase of 5 cents per share per quarter, placing the bank's dividend rate on a $3 annual basis.

* * *

William M. Sherrill, advertising and publicity manager of **First National Bank in St. Louis, Mo.,** died on Feb. 9. After serving in newspaper, commercial banking, and financial advertising positions for a brief period in Pennsylvania and Tennessee — including two years as Treasurer of the Tennessee Polytechnic Institute, Cookville—Mr. Sherrill joined First National more than 20 years ago. He was a member and former director of the national Financial Public Relations Association and the Advertising Club of St. Louis. He served for several years as Chairman of the Committee on Education and Public Relations of the Missouri Bankers Association and as a member of the Public Relations Council of the American Bankers Association. He also served as a member of the American Institute of Banking and the Publicity Committee of the St. Louis Chamber of Commerce.

* * *

Observing that 1952 marks the beginning of the 50th year of the **First National Bank of Miami, Florida,** the bank announced on Jan. 23 that the anniversary will be marked by special events throughout the year and by the issuance of an annual report which features the highlights and growth of the city and the bank. The announcement also, in part, said:

"The bank is today the largest bank in the State of Florida. At the close of 1951, First National deposits stood at $150,652,056, a new peak deposit level. This was 8% above the 1950 deposit level, and nearly three times the deposits of a decade ago. The phenomenal rise in deposits has accompanied the growth of the City of Miami and its market area, which has grown in a decade to a city of more than 500,000 population, nearly twice the size of the city in 1940. Miami was incorporated as a city in 1896, and six years later the First National Bank of Miami was founded by a group of men headed by the late E. C. Romfh. In 1910 Mr. Romfh was elected President, and served in that capacity for 35 years. During his tenure in office the city grew from a hamlet of 2,000 people into a large metropolis of more than a quarter of a million residents. In 1946 Mr. Romfh retired from active business, and in June of the following year the First National was merged with the **American National of Miami.** Through the merger with American National, the First National became the largest bank in Florida and became part of the First National Group of banks which had been founded in the '30s by the late Wiley R. Reynolds. In 1948 Clement B. Chinn became President, an office which he holds today."

* * *

The $50,000,000 Capital Structure of the **Republic National Bank of Dallas, Texas,** became effective on Feb. 7 following approval of the $6,000,000 increase in capital and surplus by the Comptroller of the Currency, it was announced by Fred F. Florence, President. Details of the plans of the increase in capital were outlined in our issue of Feb. 7, page 586. Rights to purchase the stock were offered ratably to shareholders following approval by stockholders at a meeting held Jan. 18 and expired on Feb. 6.

On Feb. 13 announcement was made by President Florence of the Republic National that George J. Watts, a former Philadelphia banker, has been elected Assistant Vice-President of the **Republic National Bank of Dallas.** Mr. Watts, a native of Philadelphia, has been associated with the **Girard Trust Corn Exchange Bank** and its predecessors all of his business life. He joined the staff of the Oxford Bank & Trust Company in 1923, where he had experience in all departments of the bank. After the Corn Exchange National Bank and Trust Company absorbed the Oxford Bank in 1928, Mr. Watts served in important capacities, including Branch Manager and New Business activities. In 1944 Mr. Watts was elected Assistant Cashier of the Corn Exchange National Bank and Trust Company, at which time he was appointed Public Relations and Advertising Officer, and in 1947 was promoted to Assistant Vice-President. After the consolidation of the Corn Exchange National Bank and Trust and Girard Trust Company in 1951, he was elected Assistant Vice-President of the merged institution. Mr. Watts has been active in many business and civic organizations in Philadelphia. He is active in the Financial Public Relations Association and was Treasurer of the Philadelphia Public Relations Association before leaving Philadelphia. Mr. Watts plans to assume his new duties with the Republic about March 1.

* * *

**Union Bank & Trust Co. of Los Angeles, Cal.,** will offer for sale 10,000 shares of $50 par value stock at $120 per share, according to Chairman of the Board, Ben R. Meyer, following adoption of a resolution to that effect by the board of directors at its February meeting. The resolution provides that the 10,000 shares be first offered to shareholders of record March 17. Each shareholder will be entitled to purchase one new share at the stated price for each 7½ shares held by him of record as of that time. Fractional share subscription warrants will be issued to enable shareholders to subscribe for full shares upon surrender of warrants aggregating one or more shares. Full and fractional share warrants will be mailed to the shareholders shortly after March 17, the rights to subscribe expiring April 8, when warrants not surrendered will become void.

In connection with any stock not subscribed to by shareholders, the directors have authorized the officers of the bank to enter into an underwriting agreement with Blyth & Co., Inc.; Stern, Frank, Meyer & Fox; Lester, Ryons & Co.; A. W. Morris & Co.; and William R. Staats & Co., with regard to this offering. It is further announced that the sale of 10,000 shares, previously authorized but as yet unissued will, in the opinion of the directors, increase the bank's capital position in keeping with its growing volume of business. $500,000 from the sale of the shares will be added to the capital account and $700,000 to surplus. In addition, $300,000 will be transferred from undivided profits to surplus. This will result in the capital account's being increased from $3,750,000 to $4,250,000 and the surplus account from $4,750,000 to $5,750,000.

## Joins J. A. Lynch

(Special to The Financial Chronicle)

ST. CLOUD, Minn.—Robert W. Bradford is with J. A. Lynch & Co., 1616 St. Germain Street. He was formerly with King Merritt & Co.

## R. J. Dreyer Opens

R. J. Dreyer is engaging in a securities business from offices at 366 Madison Avenue, New York City.

## With Hamilton Managem't

(Special to The Financial Chronicle)

DENVER, Colo.—Joan M. Frager has been added to the staff of Hamilton Management Corp., 445 Grant Street.

# *Our Reporter on Governments*

By JOHN T. CHIPPENDALE, JR.

The refunding announcement of the Treasury, and the passing of the call of the 2¼s of June 15, 1952/55 at the first option date, seems to have about balanced each other off. What the market was not expecting, on the one hand, yet was looking for on the other appears to have resulted in no really important price changes in Government obligations. Early confusion, which led to wide quotation spreads, was followed by firm to higher prices. In other words, for the time being at least, it is indicated the market has taken these developments pretty much in stride. The good reception that is forecast for the 2⅜% due 3/15/57-59 seems to have offset the unfavorable effects which the non-calling of the 2¼s of 6/15/52-55 might have had upon market sentiment.

The short-term Treasury issues continue to be in strong demand with funds being put into these securities by those that cannot make use of the new 2⅜% obligation. Others are nonetheless very much interested in the 2⅜s due 3/15/57-59, and the commercial banks are the principal ones that are taking on the called 2½s of 3/15/52 in order to get the new security.

### Treasury Decisions Well Received

The announcement by Treasury Secretary Snyder that the 2½% bonds called for payment on March 15 would be refunded with a 2⅜% issue maturing on March 15, 1959 and callable on March 15, 1957, was a surprise to the money markets. On the other hand, the decision by the Treasury to pass up the calling of the 2¼s of June 15, 1952/55 on the first call date, was in line with expectations. Accordingly, it seems as though these two actions of the Treasury about counter-balance each other, as far as the psychological forces are concerned. The first one, it is indicated, should have a favorable influence upon market sentiment, and should go a long way in offsetting any unfavorable interpretations that might develop from the fact that the Treasury did not see fit to call the 2¼s at the earliest opportunity.

The five to seven-year 2⅜% bond fits well into the maturity schedule of the Treasury, and, since it will be eligible for purchase by the deposit banks, should be well received and well taken by these institutions. Corporations and other non-commercial banks, owners of the 2½s that will be refunded on March 15 with the 2⅜s have been and no doubt will continue to sell the former issue. They are interested in tax notes and shorter maturities of Treasury obligations. This should help to keep strong the demand for the most liquid Government securities.

### Interest Trend Upward

The issuance of the 2⅜% due 3/15/57-59 is the first marketable bond the Treasury has used for borrowing purposes since the end of World War II. Heretofore, refunding of maturing marketable debt has been carried out by the use of certificates of indebtedness or notes of not longer than five years maturity. There is not doubt but what the new financing is a departure from the former Treasury policy and it means somewhat higher interest rates. However, there are still many indeterminate factors in the whole monetary picture that will be resolved with the passing of time, and not a few of these could be decided much sooner than is expected in many quarters. Slightly increased interest rates, it is believed, is purely a cyclical development to fight the forces of inflation and does not portend any major or secular changes in these rates.

One of the important factors that is facing the money markets and which no doubt had a marked bearing on the type of financing which the Treasury just announced, is the amount of borrowing that will be necessary to meet March 15 income tax payments. This will not be known for a while yet, but if it should be sizable, there are possibilities that the prime bank rate will be upped again. There might even be an increase in the rediscount rate. Because of this uncertainty, the Treasury could not take any chances, and the 2⅜% bond was most likely used in order to assure a successful refunding of the called 2½s. In some measure, it was probably an influence in the non-calling of the 2¼s of 6/15/52-55 on the first redemption date.

By not taking advantage of the first call date for the 2¼s due June 15, 1952/55, the Treasury will not be burdened on another tax date, June 15, with an enlarged refunding operation. It will have the tax anticipation bills to contend with as it is, but if new money should be needed by that time the Treasury should be in a better position to raise the funds without having other refundings to take care of.

### Smooth Market Forecast

The money markets will be under some very interesting and probably some trying conditions in the next few weeks. The way in which these developments will be handled by the monetary authorities will determine whether there will be upheavals here and there or whether it will be carried out smoothly. The feeling in many quarters of the financial district seems to indicate there will be a minimum of disturbance in the money markets, and the large operation that culminates around March 15 will be taken care of as a matter of course.

## John T. Snyder Director

Henry C. Brunie, President of Empire Trust Company of New York, announced on Feb. 14 the election of John T. Snyder to the bank's Board of Directors. Mr. Snyder is a senior partner in the stock exchange firm of Ingalls & Snyder, a director of the Texas Pacific Coal and Oil Company and a trustee of the Moravian College and Theological Seminary, Bethlehem, Pa.

## Dammes, Koerner Admit

William P. S. Earle, Jr., became a partner in Dammes, Koerner & McMann, 36 Wall Street, New York City, members of the New York Stock Exchange, on Feb. 15.

## Jay Kaufmann Admits

Jay W. Kaufmann & Co., 111 Broadway, New York City, members of the New York Curb Exchange, on Feb. 1 admitted William B. Weinberger to limited partnership in the firm.

# Clement Conole V.-P. Of Bankers Securities

PHILADELPHIA, Pa.—Albert M. Greenfield, Chairman of the Board, Bankers Securities Corporation, 1315 Walnut Street, announces that Clement V. Conole has been elected a Vice-President of the corporation.

Clement V. Conole

Mr. Conole has served in a number of important executive capacities. He has been executive vice-president of the Chamber of Commerce of Greater Philadelphia for the past year and has been identified with the Philadelphia Chamber of Commerce since 1943. In that year, he was appointed industrial director of the Chamber by George E. Whitwell, then President, and in February, 1946, Mr. Conole was made general manager. When the Chamber of Commerce was expanded to include the 9-county Metropolitan Philadelphia area, he was appointed executive vice-president.

Mr. Conole held several major administrative posts prior to his coming to Philadelphia. He was Deputy Industrial Commissioner for the state of New York, having been appointed by Herbert H. Lehman, Governor of New York at that time. He had previously been appointed by Governor Lehman as Assistant Industrial Commissioner for Southern New York State, comprising 17 counties.

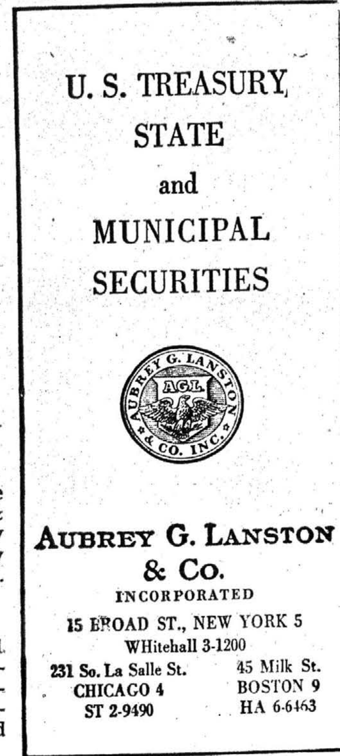
Mr. Conole is a graduate of the Civil and Administrative Engineering courses of Clarkson College of Technology and Cornell University. He was identified for a number of years, after graduation, with the First National Bank of Binghamton, New York, and subsequently served for five years in executive capacities with department stores in Binghamton.

He will assume his duties with Bankers Securities Corporation on March 1.

## With Cons. Investments

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Gene R. Edwards is now affiliated with Consolidated Investments, Inc. Russ Building. He was formerly with Paul C. Rudolph & Co.




gitized for FRASER
p://fraser.stlouisfed.org/

## Securities Salesman's Corner

By JOHN DUTTON

A successful man once said to me, "We are all salesmen. If we wish to make a go of our lives, we must recognize that the other fellow's ego is very important to him. Even in our homes, and in our relations with our families, we must be salesmen. Professional men, the workers in the office and shop, executives and business men—all of us must know and understand human nature if we wish to get along. Otherwise our journey through our lives will be strewn with many avoidable difficulties." This was not exactly the way he said it, but I think the idea is clear; and quite well recognized to be sound procedure today.

In no field of business is it more important to recognize the importance of the other fellow's ego, as it is in direct salesmanship. I have often tried to learn new ways of guiding and leading another man's thoughts without giving him the impression that I was doing so. Haven't you noticed that as soon as any one attempted to tell you certain things, with a tone of finality in his voice, and a manner that was as positive as he could make it, that you instinctively curled up inside, and mentally said to yourself. "Don't be too sure Mister, maybe I know something about this too?"

**Many Investors Have a Low Boiling Point**

In your own experience you have probably met all kinds of investors, but of all the people with whom you might wish to do business, I would stick my chin out and say, that investors have more personal pride, more obstinacy in maintaining their own high opinions of their ability, than almost any other group of people to whom you might attempt to sell anything. There is something about a man who has accumulated money that makes him think that he is pretty good. He is used to making his own decisions. And, if some of his success has been achieved through the help of others, this type of man is then more eager to have the other fellow think that he did it all on his own. I suppose it is sort of a "kid yourself attitude." There are many investors who have an open mind. Also there are those rare souls who know that no one has ever learned all, even in the investing of money. Then there are those with a "lack of understanding." Many women fall into this class. They go to a friend who has made a lot of money in the flour business, or real estate, or a shoe store; or possibly he is a banker or a lawyer. This friend does the best he can in guiding them, and often, as you know, if he is a very conscientious man, he leans over backward toward conservatism But these people, as well as every one of us, has a certain "personal ego." If you try and drive them to the water you will certainly find that it is difficult to make them drink. The old saying was right.

**Lead With Illustrations**

Here is an example of a case which many of you have also had to solve before you got the order. I'll have to go back quite a few years on this one too, but the sales technique will apply today just as it did then. A young salesman was having quite a time of it. He worked hard but his results were meagre. One day, his sales manager took him out and before they left the office they had a talk. This was to be a day of study. The sales manager was going to try and find out where the trouble originated. Obviously this was the only way to discover where mistakes were made by the salesman. Before they started out the sales manager told the young fellow that he was going to sit quietly during the interview, but if he coughed the salesman was to stop talking immediately, then the sales manager would take over. During the first interview they called upon a man who had very modest savings, of which almost 90% was invested in speculative common stocks. This man was almost 60 years of age. He had been a carpenter all his life, and he also had been buying and selling stocks for about 30 years. In his room were evidences of considerable reading matter on financial subjects—papers and magazines.

The salesman started off by telling the prospect that he would like to know why he invested in such speculative stocks. The sales manager kept quiet and let him go along for a while. He saw immediately where the trouble originated. The young fellow knew a little about securities—he had studied the book well—and he kept on talking down to the carpenter. Finally he said, "You may lose a lot of money if you keep on buying stocks like this one." At that point the sales manager coughed, not once, but twice. The salesman finally stopped. Then the sales manager took over.

He changed the subject abruptly. He said, "How long have you been investing Mr. Prospect?" The air cleared almost as if by magic. The carpenter started to talk. He told about the magazines and books he had been reading all these years. Then he warmed up. The sales manager listened and so did the salesman. The agreement they had made before they went out, was that neither would talk until the prospect got through. If the sales manager had the ball he was to continue to carry it. Finally, the prospect, of his own accord, told them how he had lost money in the 1929 crash. Also, he began to admit that investing was a difficult task and that although he did try to learn all that he could about it, this was not too satisfactory.

**The Other Fellow's Backyard**

After the prospect had talked himself out a bit more, the sales manager said, "Mr. Prospect, it took you many years to learn how to build a good house, didn't it?" The carpenter replied, "You sure are right, I still try and improve on my work." The sales manager continued, "That's the point I wanted to make. You see it is the same thing with investing as it is with good carpentry. If I wanted to build a house I wouldn't know where to start. You could pile all the finest lumber, bricks, cement, and plumbing up in a heap before me and I would be lost. I might know where to buy good materials, although I would have to rely upon the reputation of the products. But when it came to putting these materials together to build the right house for me, I'd have to go to one who was a PROFESSIONAL at it—LIKE YOU!"

Then he went on to state that he thought the carpenter had done mighty well, to have accumulated a nice nest egg after all these years, when many men have nothing to show for a lifetime of work. He offered him a complete checkup of his securities and he asked a few more questions that were evidence to the carpenter that the sales manager was not there to sell something—to start an argument—or to make him feel small—but to do a service.

Every man, no matter who he may be, and regardless of the nature of his job, his vocation, or his financial status, wants to be well thought of. There are many ways that you can thoughtlessly turn the other man away from you, even by a word sometimes—that is all it takes! Talk to the other fellow about his backyard, and remember he thinks it is a rather pleasant place; don't muddy it up for him.

## Chain Belt Financing Underwritten

Morgan Stanley & Co. and Robert W. Baird & Co., Inc. offered for public sale on Feb. 20 a new issue of $4,000,000 Chain Belt Co. 20-year 3¼% sinking fund debentures, due Feb. 1, 1972, at 101%, plus accrued interest, to yield approximately 3.18% to maturity.

In connection with this financing, the company is issuing to holders of its capital stock rights to subscribe at $34 per share to 81,512 shares of additional capital stock at the rate of one share for each six shares held of record on Feb. 19, 1952. The rights will expire at 3 p.m. (EST) on March 6, 1952. Morgan Stanley & Co. and Robert W. Baird & Co. and associates are underwriting the company's offering of stock.

The new debentures are subject to redemption to and including Feb. 1, 1954 at 104¼% and thereafter at prices scaling down to the principal amount if redeemed after Feb. 1, 1971. They are also redeemable for the sinking fund on Aug. 1, 1956 and on any Aug. 1 thereafter prior to maturity at 101% to and including Aug. 1, 1968 and at decreasing prices thereafter to the principal amount after Feb. 1, 1971.

Proceeds from the sale of the stock will be used to the extent of $2,100,000 to retire on April 1, 1952 a like amount of bank loans. The balance of the proceeds together with proceeds from the sale of the debentures will be used for general corporate purposes. During the six years ended Oct. 31, 1951 the company has spent approximately $7,800,000 for construction or acquisition of new facilities and it plans to continue the expansion program at a slightly higher rate of expenditure over the next five years. As a part of this program, the company plans the expenditure of about $2,000,000 for facilities and equipment at the Massachusetts plants, principally Worcester, and of a like amount at the West Milwaukee, Wisconsin plants.

The company, founded in 1892, manufactures and sells a complete line of power transmission and conveyor chain, and certain types of construction machinery and conveyor and process equipment. The company estimates it is the second largest sprocket chain manufacturer in the United States, producing about 20% of the total national output and that it is one of the two largest makers of truck mounted and portable building concrete mixers.

For the fiscal year ended Oct. 31, 1951 net sales were $38,969,000 and net earnings $2,564,000, equal to $5.24 per share on the capital stock then outstanding. Dividends of $2.50 per share were declared in the 1950 and 1951 fiscal years.

### Louis McClure Adds

(Special to THE FINANCIAL CHRONICLE)

TAMPA, Fla.—Vincent P. Daly has joined the staff of Louis C. McClure & Company, 615 Madison Street.

### With Louis Neuendorf

(Special to THE FINANCIAL CHRONICLE)

BATAVIA, Ill.—Louis G. Neuendorf has joined the staff of Louis E. Neuendorf, First National Bank Building. He was formerly with Schwanz & Company, Inc.

*Continued from first page*

## UMT—Why It Is a Mistake

in Congress an Administration bill which embodies this program. A rival bill has also been introduced by a group of Congressmen. This alternative bill provides for compulsory military training in high school, to be followed by a short course in military camps. The Congressmen promoting this second plan urge that it will provide training "at home" and will cost much less.

Representative Vinson, who is in charge of this bill, has made another proposal which calls for attention. He suggested that in the first year there should be a "volunteer" program, with only 60,000 enlisted, a larger program for the second year, and so on, until the full program is attained. The top military authorities have approved this plan to adopt universal military training by increasing doses.

The Congressional Committee has been holding hearings. One military leader after another has testified in favor of the bill. Church groups, labor groups, and farm groups have already condemned the plan before the Committee.

Before we consider the arguments presented before the Committee it is desirable to mention certain historical and psychological factors. This nation has managed to win all the wars in its history without Universal Military Training. The American people have always been opposed to such training. This country was settled by people escaping from the evils of militarism and conscription in Europe. They have always feared the rise of militarism and opposed the economic expenditure militarism entails.

**Military Leaders Are for It**

Despite the popular disapproval of conscription military leaders have generally favored it. After a great war they make a drive for its establishment. There are three reasons for this movement after a war. The devastation and mortality in the war have intensified the public apprehension, and any proposal, sound or unsound, which offers hope of averting another war can be sold to large numbers of people. The cold war with Russia, the reckless statements by military leaders about Russian planes bombing American cities, and the unhappy war in Korea make the time propitious for another drive.

A second reason for a postwar movement for conscription is the experience of the military leaders in the war. They have had to lead green troops inexperienced in using modern equipment. They have seen the unhappy consequences. Quite rightly, they feel that trained troops would have done better. Quite wrongly, they believe that Universal Military Training would meet the problem of using inexperienced troops in the next war.

A third reason for the drive by military leaders for conscription after a great war is psychological. During the war officers of the regular establishment are promoted at extraordinary rates. Kid lieutenants become majors, majors become generals. After the war these temporary ranks are largely reduced. There are more officers than there are ranks and jobs. Universal Military Training would restore the vanished jobs and ranks, in considerable measure.

These facts constitute no reflection whatever on the military leaders. They are quite unconscious of the forces that move them. By its very nature professional military training tends to create a rigidity of mind which automatically resists new facts. Every war, without exception, shows that many plans and programs which seemed essential before the war proved to be of little or no value. Even the First World War could not convince our leaders that the airplane was the key to future wars. They were still thinking in terms of cavalry. The bitter rivalry among Army, Navy, Air Force, and Marine Corps since 1945 is an illustration of the inflexibility of the military mind. Each of these branches insists on its major role in any future war. The point of this is that the advocacy of Universal Military Training by the military leaders is not in itself an argument in its favor.

The witnesses have been playing familiar tunes. The array of military leaders merely approve the plan. It is "desirable" or "essential." They do not explain why it is "essential." The opposing witnesses repeat old arguments. Universal Military Training is "un-American" or "militaristic" or "totalitarian." It will create a military caste and a garrison state. It will encourage war. It will be very expensive. It will be a step toward Federal control of education.

**The Fundamental Issue**

The proponents of conscription have evaded the one issue. The opposition has missed the one issue. The one fundamental issue is a very simple one: What is this universal training for? This writer cannot find in any report or testimony in favor of conscription any answer to this simple and vital question. Senator Wayne Morse has put in writing a formal brief in favor of Universal Military Training. He gives four reasons for its adoption. Here they are:

1. Provide a pool of trained reserves.
2. Save lives and time in case of war.
3. Use manpower more efficiently.
4. Divide the burden of war "democratically."

Consider these empty generalities as the best case for an institution vitally affecting the future of this nation. Look at number 1 and ask: "trained for what?" At number 2 and ask: "How?" At number 3 and ask: "How more efficiently?" At number 4 and ask: "Like Germany?"

The first and final truth in this matter is that training of troops is a necessary part of carrying on war, but a secondary and relatively insignificant part. No war has ever been won by prewar training. Wars are won by death-dealing equipment. From the Roman legions to the horsemen of Genghis Kahn to the bombs over Berlin wars have been won by equipment. Germany swept all before it with superior equipment, until that equipment ran short. Germany, with the most elaborate training system in history, has lost two wars to countries without such training. Japan swept the Pacific until we could build planes and ships.

The time is past when wars will be won by huge armies on foot. Equipment has always prevailed against mere manpower. With the advance of science in our time the predominance of death-dealing weapons and material over mere manpower has increased by geometric progression. Even in the event of all-out war with Russia and China we will not use manpower to win it. I do not know how many troops Russia can put in the field. It may be 25,000,000. It may be that China can enroll 30,000,000. After the lessons of Napoleon and Hitler in Russia, of the Japs in China, are we considering the arming, supplying, and transporting of millions of American soldiers for an invasion of China or Russia? What purpose will be served by

Digitized for FRASER
http://fraser.stlouisfed.org/

an endless training of American soldiers who cannot be used at home or abroad? Any notion that Russia or China will be deterred from war by the spectacle of 800,000 American boys doing setting-up exercises is ludicrous. In China possibly about 3,000,000 men reach the age of 21 each year, in Russia about 2,000,000.

Russia and China combined can never put one soldier on American soil. Germany, in control of Western Europe, could not in five years land a single man in England 20 miles away. If the tragedy of war with Russia and China comes upon us our one means of defeating them is a combination of seapower, air power, and the atom bomb. We will close every sea route and choke off their supplies. We will eventually get control of the air and rain death and destruction upon them. Germany was beaten long before the invasion at Cherbourg. Japan surrendered without any invasion, while they had 3,000,000 veteran troops in the field.

The unhappy developments in Korea are being used as an illustration of the need for universal military training. Actually they are proof of the futility of such training! We did not win the war in the beginning because of lack of equipment and ships and planes. We are not winning the war now, despite a huge surplus of troops under arms in this country. We have now in all areas a total standing military force of 3,500,000, with hundreds of thousands of civilian employees in addition. Already this huge deduction from the civilian working force is reducing the country's productive power and eating great holes in the budget.

Universal military training would not only be of little value, it would be detrimental to our security program. The Russians have been outbuilding us in planes. General Bonner Fellers, an expert authority, says that Russia could today destroy every city in Europe without sending a foot soldier outside of Russia. The Communist forces fighting us in Korea have many more planes there than we have. Just how critically dangerous Russia's submarine fleet is this writer does not know. What we need is more planes and more ships and more bombs. There is need for more steel and more aluminum and more machine tools. Back of this is the need for more skilled mechanics and technically trained men, more engineers and scientists. Our hope of winning the next war is in Detroit and Pittsburgh and Wilmington and Oak Ridge and Los Angeles and Schenectady. Statistically, economically, and strategically, universal military training would be a mistake. There is one kind of training that we do need. The progress of science is so rapid that in any prolonged war previous training is obsolete. We need never-ceasing, up-to-the-minute training in aviation flying and engineering, in anti-submarine methods, and in naval warfare. If we have a third world war in the very near future universal military training will not have had any effect. But assume that we have no such war for 10 years. By that time we will have taken each year 800,000 or more men from productive labor, from important training as mechanics, from vitally necessary training for engineering and science. This is 8,000,000 men in 10 years, equivalent to a full year's work for 4,000,000 men, not counting the "extra training" time. And what will we have? Probably 60% of the 8,000,000 men will be in essential civilian production. Probably another 10% will be physically unfit. Probably 5% will have family responsibilities that will exempt them. Of the remaining 2,000,000 about 1,000,000 will have had training five years back. And this tremendous waste of manpower will have cost somewhere from $30 to $40 billion.

### Will Not Promote Nation's Security

As has been said above, the opponents of universal military training have been attacking the program on social and moral grounds. That is a mistake. If such training is necessary for the security of this country no argument can be made against it. The one compelling argument against it is that it will not promote the security of the country. It would militate against it. Economically it would be a disaster. The advocates of such training would do well to study the effects of conscription on the economy of France and to consider just what happened to France in 1870 and 1914 and 1940.

The experts estimate the first year's cost at $4 billion, at half that amount later. There is apparently no instance in history where military authorities made an estimate of future costs that came within gunshot of the actual later cost. The system would probably grow into a cancerous financial evil. Once established, it will be politically difficult to abolish. After it is established, it will certainly be "discovered" that six months training is so inadequate as to be worthless. Two years was not enough for France. If universal military training was really useful, we should bear the cost. But to add this cost for a useless institution is indefensible. The nation has about reached the limit of taxation. We face huge additions to the public debt from endless deficits. It is Stalin's plan to force the United States into bankruptcy, depression, and economic decay. We are fairly well on the road now. Stalin is in all probability highly in favor of the bill now before Congress.

As this is written, the Committee has sent the completed bill to House. The military leaders had urged that the trainees, after their 6 months, be put into active service for 18 months more. The Committee has flatly rejected this proposal. They know that 2 years of compulsory universal military training would be a colossal error. The bill puts all trainees in a "reserve," from which they may be called, for any sort of service, only by action of Congress. This plan establishes a 6 month training for boys of high school age, which has little value, and at the same time embarrasses the future of Selective Service. It is obvious that "politics" framed the bill.

It was hoped by the military authorities that the UMT plan would gradually replace the present system of Selective Service. Actually this measure does not provide for a thoroughgoing universal military training plan or replace Selective Service. We should not be considering this program while we are fighting a war and building a standing military force of 4,000,000 in 1952. If this bill is passed the camel's head will be in the tent.

This article discusses the desirability of universal military training, and its conclusion is that it is undesirable. It is not incumbent on this writer to suggest an alternative to this system. But the excited state of the public mind as a result of the disaster in Korea and the progress of the Russian beast in its crawling conquest of the earth leads many of our people to demand something or anything which appears to offer greater security. This writer, who has no pretensions to being a military authority, has only the point of view of an economist. As an economist he has some ideas about the best way to promote this country's security. As a first step, high authority should put an end to the stubborn, senseless rivalry of the three major military forces, Army, Navy, and Air Force. Second the Army should be kept to the absolute minimum necessary to provide forces for the conduct of the war in Korea and for a limited force in Europe. Third, the great waste in the present use of the Army manpower stationed in the United States should be stopped. Fourth, the productive energies of the country should be directed to the production of planes and bombs and of the materials required for these arms. This program would call for a large reduction in the present appropriations for the Army and large increases in the appropriations for the Air Force. In this connection it would save vast sums if procurement of all military supplies should be centralized in one body, under civilian direction. As a long time measure the Military Academy and Naval Academy programs should be revolutionized. Officers should be drawn from the best graduates of our better colleges, with perhaps two years or less additional training at the postgraduate military schools, enough to develop the splendid discipline, the inspired leadership, and the unswerving devotion to country which make Americans proud of our regular forces.

*[The Editor of the "Chronicle" would appreciate receiving comments on the views expressed above by Dr. Carothers or on any related phases of the subject. Letters should be addressed to Editor, "The Commercial and Financial Chronicle," 25 Park Place, New York 7, N. Y.]*

## FIC Banks Place Debs.

A successful offering of an issue of debentures of Federal Intermediate Credit Banks was made Jan. 17 by Macdonald G. Newcomb, New York fiscal agent for the banks. This financing consisted of $107,580,225 2.25% consolidated debentures dated Feb. 1, 1952 and due Nov. 3, 1952. A special offering was also made of $2,500,205 2.05% consolidated debentures dated Feb. 1, 1952 and due May 1, 1952.

Of the proceeds, $71,145,000 was used to retire a like amount of debentures maturing Feb. 1, 1952 and $38,935,430 is "new money."

As of the close of business Feb. 1, 1952, the total amount of debentures outstanding amounted to $707,070,000.

### Two With E. E. Mathews

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Harold F. Kennedy and John J. Salmon have become connected with Edward E. Mathews Co., 53 State Street.

### With B. C. Morton Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Abbott W. Lawrence has joined the staff of B. C. Morton & Co., 60 State Street. He was formerly with Edward E. Mathews & Co.

### Mann & Gould Add

(Special to THE FINANCIAL CHRONICLE)

SALEM, Mass.—Morton J. Currier has become affiliated with Mann & Gould, 70 Washington Street, members of the Boston Stock Exchange.

### Joins J. A. Hogle

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Darvin M. Curtis has become associated with J. A. Hogle & Co. 507 West Sixth Street. He was formerly with Cantor, Fitzgerald & Co., Inc. and Marache, Sims & Co.

### V. C. Weber Adds

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Pritchett A. Harris is now associated with V. C. Weber & Co., 411 North Seventh Street.

# Taxes and Inflation— How High Can Each Go?

By JOHN K. LANGUM*

President, Business Economics, Inc., Chicago
Professor of Business Administration, Indiana University, Bloomington, Ind.

**Midwest economist, citing heavy Federal budget and high tax rates, urges establishment of a strong Joint Congressional Committee on the Budget, armed with adequate staff and with facilities for consideration of economic impact of expenditures.**

The defense of the dollar against both inflation and the inroads of taxation on private spending and saving continues to be an urgent problem before the American people. From 1940 to now the purchasing power of the dollar as measured in prices of consumers' goods and services has been cut from 100 cents to about 53 cents. With the expected level of Federal, state, and local tax receipts under present legislation, well over one-fourth of the gross national product is utilized or transferred by the tax mechanism. The proposed Federal budget of about $85 billion for fiscal year 1953 and the continuance of high expenditures through the following fiscal year at least, under present mobilization plans, point to little prospect of any reduction in tax rates for some time to come.

John K. Langum

Some progress has been made. The 11% increase in total real production in our country from the second quarter of 1950 to the last quarter of 1951 has helped to meet the great demands on our economy imposed by the mobilization program. The departure from the inflationary process of pegging government security prices at a depression level of interest rates was a major achievement for which great credit must be given to the Federal Reserve authorities. Greater tax-consciousness due to the new tax rates may point to some real awakening to the hard fact that there is no such thing as something for nothing and that the costs of government expenditures, whether for military strength or welfare measures, must be met through taxes and lowered private expenditures.

But much more must be done to protect the value of the dollar and the vigor of the economy. Given the high defense expenditures, effective effort simply must be applied to elimination of waste and cutbacks of unnecessary programs in government. A strong Joint Committee on the Budget in Congress, armed with adequate staff and with required consideration of the continuing cost over the years ahead of proposed expenditure programs, is highly desirable. Some method needs to be devised to bring home to the masses of the American people how much of their income is at present being spent for them by government not only through personal income and social security taxes but through hidden and indirect taxation as well.

Likewise monetary and public debt problems will necessitate sustained attention during the years just ahead. A directive by the Congress to the Treasury and the Federal Reserve is needed to insure that narrow considerations of facilitating public debt management do not preclude the vigorous exercise of monetary policy in the restraint of inflation. A substantial cash deficit starting in the spring of this year will point up the need for long-term viewpoints in decisions on the type of government securities to be offered. Failure to make the United States savings bonds more attractive in the face of higher competing yields and reduction of real purchasing power through inflation is wasting an opportunity to make a significant contribution to the economic well-being of the nation.

*The summary portion of an address by Dr. Langum before the Business and Professional Men's Group, University of Cincinnati, Cincinnati, O., Feb. 8, 1952.

### Joins McDaniel Lewis

(Special to THE FINANCIAL CHRONICLE)

GREENSBORO, N. C. — MacAlmon DeLancy has become affiliated with McDaniel Lewis & Co., Jefferson Building.

### With Reynolds & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Frederick C. Dressel has become associated with Reynolds & Co., 208 South La Salle Street. In the past he was with Cruttenden & Co.

### With Shillinglaw, Bolger

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Louis L. Claps has been added to the staff of Shillinglaw, Bolger & Co., 120 South La Salle Street.

### Two With Sills, Fairman

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—James G. Fisher and Curtis K. Lowe have joined the staff of Sills, Fairman & Harris, Incorporated, members of the Midwest Stock Exchange. Mr. Fisher was previously with Hubburd, Warren & Chandler.

### With T. C. Henderson

(Special to THE FINANCIAL CHRONICLE)

ROCK ISLAND, Ill.—Clarence W. Elder is now associated with T. C. Henderson & Co., of Des Moines.

### With Wyatt, Neal

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga.—Loy J. Bowen is now affiliated with Wyatt, Neal & Waggoner, First National Bank Building.

### Coffin & Burr Add

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Richard W. McGregor is with Coffin & Burr, Incorporated, 60 State Street.

### Joins Chas. A. Day Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Walter D. Pearson has become affiliated with Chas. A. Day & Co., Inc., Washington at Court Street, members of the Boston Stock Exchange.

### With J. H. Goddard

(Special to THE FINANCIAL CHRONICLE)

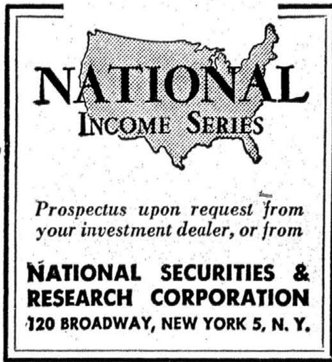
BOSTON, Mass. — Robert F. Guild is now associated with J. H. Goddard & Co. Inc, 85 Devonshire Street, members of the Boston Stock Exchange.

### Harris, Upham Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Arthur C. Langtry is with Harris, Upham & Co., 135 South La Salle Street.

Digitized for FRASER
http://fraser.stlouisfed.org/

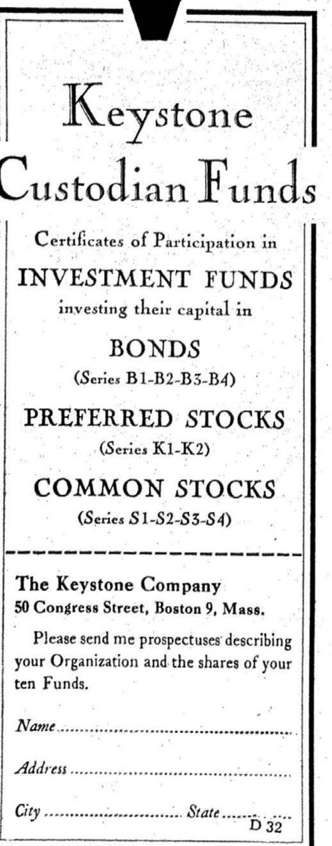


For a free prospectus write your investment dealer or

CALVIN BULLOCK

Established 1894

One Wall Street New York




# Mutual Funds

**By ROBERT R. RICH**

Mutual fund executives voiced privately to "The Chronicle" strong opposition to the proposed plan of the Securities and Exchange Commission to exact a yearly registration tax from registered investment companies.

The Securities and Exchange Commission is attempting, under Title V of the Independent Offices Appropriations Act of 1952 which permits Federal agencies to levy fees, to extract over a million dollars from the securities industry in addition to present charges.

If the plan becomes effective, the annual cost to the investment companies industry alone will be in excess of $200,000, with the smaller companies carrying the heavier burden.

The present SEC plan is to tax investment companies on the basis of the value of total assets on Dec. 31 of the preceding year. The schedule of fees for investment companies would be:

| Total Assets | Annual Tax |
|---|---|
| Over $200 million | $2,500 |
| $100 million–$200 million | 2,000 |
| 50 million–100 million | 1,750 |
| 25 million–50 million | 1,500 |
| 10 million–25 million | 1,250 |
| 5 million–10 million | 1,000 |
| 2 million–5 million | 500 |
| 1 million–2 million | 200 |
| $300,000–1 million | 100 |
| Less than $300,000 | 30 |

Meanwhile, the National Association of Investment Companies is taking advantage of the extended deadline for hearings, which has been moved forward from Feb. 20 to March 10. A memorandum has gone out to the Association members asking for their viewpoints on the proposed levy and these viewpoints may be put together for presentation in an oral hearing before the SEC.

The SEC proposal, which was first publicized in a front-page editorial in "The Chronicle" on Feb. 7, has roused other securities associations to action.

Various stock exchanges and security dealer organizations are registering protests now or planning to in the next few weeks.

Letters of protest from individual dealers are pouring into the offices of "The Chronicle" and dealers are also writing their Congressmen and the SEC directly.

**STOCK SPLITUP**, three for one, was authorized by Texas Fund's board of directors. The splitup, to be made by a transfer of paid-in surplus to common capital stock, will be distributed March 31 to shareholders of record at noon, Central Standard Time, March 15.

Presently, Texas Fund has about 490,000 shares outstanding, with total assets well over the $7 million mark. Asset value per share is now about $15.

The splitup will, of course, increase the number of shares outstanding and decrease the net asset value per share.

**STEIN ROE** & Farnham Fund shares will be split 3-for-1 and par value of the stock reduced from $25 to $1. These changes were voted by stockholders at their annual meeting and will be effective Feb. 20. Net asset value per share has been about $69. It will thus be around $23 for the new shares.

Harry H. Hagey, Jr., President, said the lower price of the shares should facilitate systematic accumulation by small investors and reinvestment of dividends. The par value reduction will result in Federal tax savings in issuing new stock.

Mr. Hagey pointed out that the amendment would not change any stockholder's proportionate interest in the Fund or the net asset value of his total investment, nor would it affect the amount of dividends he receives or his voting, redemption or liquidation rights.

Total assets on Jan. 29 were $5,131,367 with 73,261 shares outstanding.

**TRUST OFFICERS** were approached directly by Axe Securities in a letter concerning high sales charges on mutual funds shares. Trust officers were told that although many of them regard mutual funds as a prudent investment for certain accounts, "the high sales charge is a stumbling block and has in some cases prevented their purchasing shares in the funds."

Axe Securities reported to trust officers that it recently has initiated several changes in order to reduce the cost of investing in Axe's four mutual funds, Axe-Houghton Fund A, Axe-Houghton Fund B, Republic Investors Fund, and Income Foundation Fund.

First, Axe reports, sales charges will be reduced on purchases of $25,000 or more made concurrently in shares of Axe-Houghton Funds A and B, Republic Investors, and Income Foundation Fund, or any combination of these funds. Furthermore, trust officers were told, they may combine orders for any of the trust accounts under their supervision to obtain the benefit of these reductions.

The reduction in sales charges is applied to the aggregate of purchases made in period not exceeding 12 months. All the trust officer need do to receive benefit of the lower sales charge is send a letter of intention to Axe Securities stating his plan to purchase for account a specified sum in excess of $25,000. The trust officer, after filing the letter of intention, can immediately begin purchases at the lowest applicable sales cost.

Axe Securities reminded trust officers of a special reduction amounting to 50% of the sales charge which is allowed to charitable and religious groups, hospitals, college and other non-profit organizations such as pension funds and profit-sharing plans purchasing shares of Income Foundation Fund. The sales charge schedule for these groups ranges from ¼% to 2% on quantity purchases.

**PURCHASING POWER** of the dollar, now at its all-time low, remained unchanged between Nov. 15 and Dec. 15, according to the Bureau of Labor Statistics. Compared with the purchasing power of the dollar in the years 1935-1939, the Dec. 15, 1951, purchasing power was 54.3 cents.

The value of the dollar was at its highest in 1914, when it stood at $1.47 (1935-1939=$1.00). By 1939, at the beginning of the Second World War, it had declined to $1.01, and by the end of the war it stood at 77 cents. Just prior to Korea, the dollar was worth 60 cents, and from June 15, 1950 to Feb. 15, 1951, the value of the dollar declined an additional five cents.

**FIDELITY FUND**, at its annual meeting in Boston on March 11, plans to amend by-laws so that shareholders need not receive a certificate unless one is specifically requested.

The fund plans to make available to shareholders and investors generally a plan for the regular purchase of shares and a plan for dividend reinvestment.

Because these plans involve frequent purchases of small amounts, Fidelity Fund thinks it desirable not to issue a certificate for shares purchased unless the shareholder requests it.

**TOTAL NET ASSETS** of Incorporated Investors were $111,939,404 on Dec. 31, 1951 compared with $96,781,397 on Dec. 31, 1950. Net asset value during the year increased from $28.98 to $32.15.

The fund stated in its report that, "Despite the difficulties of the past year . . . the economy exhibited a remarkable stability. So far as production and employment go, this was due to the fact that declines in certain industries were offset by military expenditures and, so far as the general price level goes, to restraint of consumer buying during most of the year.

"We are not of the school that believes in a constant boom. In our judgment, however, the present year can be looked forward to with confidence.

"Some day a recession may well result if there should be a sharp decline in defense expenditures following completion of our present program. We do believe, however, that whichever party may be in power, future recessions will be ameliorated by governmental action."

**TOTAL NET ASSETS** of Massachusetts Investors Trust were $437,873,741 on Dec. 31, 1951 compared with $362,307,202 a year before. Net asset value per share was $37.80 compared with $33.27 for the same period.

The fund reported average operating expenses had declined substantially from an average of $5.78 per $1,000 of average net assets during 1926-32 to $3.47 average during 1947-51. All operating expenses were only 5.36% of gross earnings from investments or 0.29 of 1% of average net assets, lowest in the history of the Trust.

**STOCKHOLDERS** will be asked at Selected American's annual meeting on April 3 to act upon a proposal to amend the certificate of incorporation so that shares of the fund cannot be issued at less than net asset value. At the present time the fund has authority to grant rights to its stockholders to subscribe to shares of its stock at less than net asset value, with the board of directors determining the price to be asked. The meeting will be held in Wilmington, Del.

**THE ANNUAL** report of Aberdeen Fund shows net assets of $3,239,754 on Dec. 31, 1951, compared with $3,451,127 a year ago. The fund had 96.8% of assets in common stocks and 3.2% in cash and receivables.

The independent investment counsel firm of Naess & Thomas was appointed by Aberdeen Fund, it was reported today. Aberdeen Fund was formerly Trusteed Industry Shares.

**NET ASSETS** of Bowling Green Fund on Dec. 31, 1951, totaled $797,410 compared with $725,399 a year earlier. Shares outstanding increased from 77,097 to 88,060 during 1951. On a net asset value per share approximating $9.25, the fund paid 75 cents in capital gains dividends and 46 cents in income dividends. The capital gains distribution was taken in stock by 72% of the shareholders.

**NET ASSETS** of Scudder, Stevens & Clark Fund on Dec. 31, 1951 were $36,374,316 compared with $33,308,707 a year ago. Net asset value per share was $57.06 compared with $55.21 last year. The fund paid $1.85 from net income and $1.75 from capital gain.

The fund at year-end held slightly more than half its assets in a diversified group of common stocks. The fund also holds about 6% in convertible bonds and preferred stocks. At year-end, these convertible issues combine defensive strength with an opportunity for future profit, the fund reports. Backlog of cash and high-grade senior securities at the end of the year amounted to 34% and 8% are in high yielding, medium quality bonds and preferreds.

The fund believes that, in the absence of full-scale war, the outlook for 1952 is for well-sustained volume and a modest upward pressure on prices. Over the longer term, the fund believes there is reason to consider the investment consequences of a leveling off and subsequent decline in the National Security Program. The fund stated that there are enough neutral or negative prospects to suggest an overriding note of caution in investment policy at this time.

**TOTAL NET** asset value of Mutual Trust on Feb. 6, 1952 was $2,471,439.26 with 223,801 shares outstanding, compared to a total net asset value of $2,115,697.57 with 190,748 shares outstanding on Feb. 6, 1951.

## Mutual Fund Notes

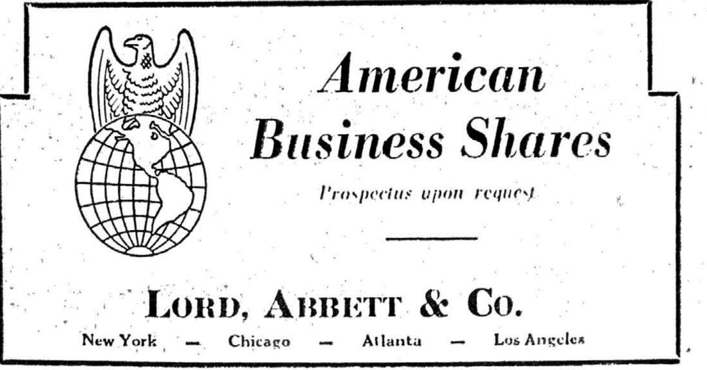
COMPOSITE Fund on Feb. 4 removed 149,496 shares from a registration statement originally filed with the Securities and Exchange Commission on Dec. 5, 1950. Of the original filing, a total of 40,004 shares of capital stock (par $1) were sold at market for a total of $508,051. The filing had been made under the name "Composite Stock Fund, Inc."

EATON & HOWARD, Inc., Boston, investment managers of Eaton & Howard Balanced Fund and Eaton & Howard Stock Fund, have completed publication of the 1952 Year Books of both funds. Detailed data pertaining to the objectives, policies, management and records of the Funds comprise the contents of the Year Books together with charts which graphically depict the growth and development of both Funds since their origin.

HARRIMAN RIPLEY & CO., general distributor of shares of Shareholders' Trust of Boston, has prepared a folder designed to help the investor test the trust against his own investment requirements.

Titled "Why Shareholders' Trust of Boston?", the folder notes that "while most mutual investment companies have certain common characteristics which have recommended them to investors, each company has, of course, an individual character of its own derived partly from the basic objectives for which it was organized and partly from the men and organizations who con-

Continued on page 43




Digitized for FRASER
http://fraser.stlouisfed.org/

## The MUTUAL FUND RETAILER

By BENTON G. CARR

This week we end our discussion on the physical problems of your sales letters.

As you remember, we have covered so far the size of the lettersheet — 8½ x 11 and 5½-8½ are the two desired sizes—and the letterhead.

And, last week, Anshell Gould, direct mail authority at Albert Frank-Guenther Law advertising agency, worked out for you a sensible "copywriting" formula which, applied to your sales letters and couponed advertisements, will bring you consistently better than average results.

Now, you have your lettersheet, letterhead and sales story, and the next problem is—how to put the sales story on the lettersheet.

Under our principal rule—"Make it easy for the reader," you will want to make the "thumb test" on your sales letter.

Hold your letter first by the left-hand edge, then by the right-hand edge.

If the margin on either side of the letter is so narrow that your thumb covers the typewritten copy, your margins are too small.

Practically speaking, the margins should be, left to right, one and one-half inches and one inch, respectively. Maintain these margins, even if you must use two pages for your letter.

Next, you might look at the physical presentation of your sales copy. We assume you are now using the standard business letter style, with block paragraphs (no indentation), single-spaced lines except between paragraphs which are double-spaced.

This being true your paragraphs should be no longer than four lines, and your sentences should average no more than ten words.

The reason for breaking up the letter into "small pieces" is that the average prospect will only read the first paragraph of your letter. He will scan the rest.

And, if your paragraphs are long, and the sentences full of dependent clauses, your reader won't understand enough of your sales story to make him want to re-read the letter in order to find out specifically what benefits you offer.

So, in addition to the "thumb test," make the "20-second" test. Give your sales letter to someone who hasn't seen it before. Ask him to scan the letter in 20 seconds —no more—and then take the letter away.

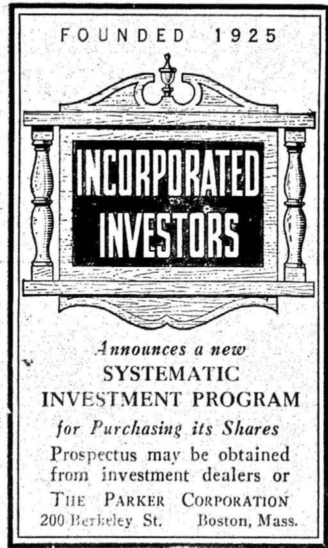
Now, ask your reader these questions. What is he supposed to do? Why must he do it now? What is he supposed to get?

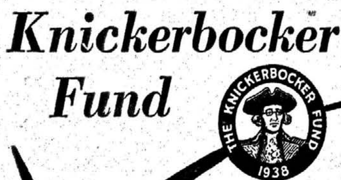
How is it supposed to help him? Why does he really believe it can help him?

If your reader can't answer, in general terms, these questions after looking at the letter for 20 seconds, you need to re-work your sales story.

And, finally, when you are using a form letter in your direct mail—one that starts, "Dear Friend" or "Dear Neighbor" or "Dear Investor" —remember, the more your letter looks like a personal business letter, the better your chances for success.

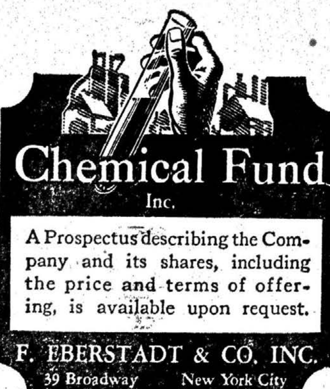
Don't try to use "headlines" across the top of the letter, or too much color. And, of course, it goes without saying that you always include a letter in your mailing-piece and that it is multigraphed or printed in facsimile typewriter type on good quality paper.


For Prospectus, describing the Fund and its shares, phone or call at our office, or send the attached coupon.

MAIL THE COUPON TODAY!
KNICKERBOCKER SHARES, INC.
Dept. C
20 Exchange Place, New York 5, N. Y.
Send me, without obligation, Prospectus for Knickerbocker Fund.
Name ______
Address ______
City ______ State ______





Continued from page 3

# Are We Riding the High Plateau of Inflation?

of 1950—is gaining wider and wider acceptance. Europe is of this mind almost to a man, and recently General Eisenhower himself has subscribed to this thesis. But if there is no danger of Russian aggression in the visible future, why, then, this forced tempo of armaments? The logical conclusion is that military expenditures will decline. As a matter of fact, the new budget message itself (while vastly increasing expenditures on personnel, operations and maintenance of the armed forces) proposes a $9 billion cut in new orders of war instruments: from $61.7 billion to $52.4 billion. A change of Administration may mean further and more incisive economies.

If so, what will happen to all of the industries and raw material producers geared to the fantastic level of military spending? And what will happen to the record $70 billion of business inventories maintained largely with the aid of short-term credit?

Government Spending vs. Consumer Buying is the gist of the "cycle" through which we are passing. Thus far, in 1951, the former bolstered the latter. If the spending subsides, the buying will provide no substitute.

If personal (liquid) savings have jumped from an annual rate of 6% of net incomes (after taxes) to 10%, it is not because of a lack of enjoyable consumer goods, as was the case during the war. Nor is the public's greatly enhanced propensity to "hoard" due largely—as it is being widely assumed—to over-buying in 1950. Enhanced incomes, plus accumulated liquid reserves, could be turned into the markets. Increased production along one line or another may have created pressures and brought down individual prices. But the general price level is a different matter.

It was not the surpluses on the market which made the consumer reluctant to buy, but rather the reluctance of the consumer which turned shortages into surpluses. The expansion of production facilities has done its share, obviously. But disregarding individual items, our production volume would not have developed burdensome inventories on a major scale were it not for the fact that the consumer has reined-in his buying propensities. He did so because he does not see much of a threat of inflation ahead to justify more than "normal" buying.

And, of course, once this deflationary outlook gains a foothold, the specter of inflation is replaced by the vision of surpluses. This **hardening of the dollar**—on people's minds—is the decisive factor that offsets, or reduces the impact of governmental spending.

### International Picture

The international picture provides an added motivation to strengthen the deflationary aspect. Europe's dollar shortage has become extremely severe since the middle of last year; the same holds for the Sterling Area as a whole, with financial troubles looming in the Arab countries, the Argentine, etc. All of this adds up to the prospect of a **lessening in American exports.** At the same time, the trend of politics goes in the direction of moderating the Administration's bent for global boondoggling. Without a new Marshall Plan or similar schemes, our exports, other than military (give-away) materials, are likely to recede.

The over-all outlook for 1952 is clouded by this basic uncertainty. To repeat: unless the money outpour will be greatly intensified, the restraining forces may go a long way to offset even a substantial deficit in the national budget.

That does not imply an early depression or anything of the sort. But it would mean that the artificial boom in the construction and related areas of the economy, even if it continues, will not spill over into the consumption sphere.

At this writing, the balance of conflicting forces (determining business prospects) seem to be tipped in the direction of "controlled inflation," controlled by consumer self-restraint rather than by bureaucratic rules. Let us not lose sight, however, of the international conflicts which are still overhanging. The silent "truce" in Korea might still break into open fighting. Chinese invasion of Indo-China is another possibility loaded with dynamite. In short, things may get much worse before they get "better"—before the rate of growth of military preparations at home and abroad may slow down.

Inflation is not dead as yet, not by a long shot—though Europe at last is on the verge of embarking on policies of a dis-inflationary character.

# Railroad Securities

## Southern Pacific

For years it has been anticipated that Southern Pacific would eventually dispose of its railroad properties in Mexico. The sale was finally consummated late last year. The company had stopped giving this subsidiary any direct financial support a number of years ago so that the divestment will have no permanent beneficial influence on system earnings nor on annual cash disbursements. It did, however, have considerable effect on 1951 results. In selling the company, Southern Pacific established a substantial book loss on the investment with a consequent large saving for the year in its own Federal tax bill.

Reflecting the loss on its investment, Southern Pacific in December showed a credit for Federal income taxes of $5,589,233, in sharp contrast to the debit of $2,540,390 for the final month of 1950. It was thus able to report for the month a sizable year-to-year rise in net operating income even in the face of a decline in gross revenues. For the full year 1951 the Federal income tax bite was more than $9 million less than in 1950 despite the higher rates in effect. With this, and the reversal of earlier accruals for amortization of defense projects, final results for the full year were considerably higher than had been estimated by most of the rail analysts.

At the time of this writing the final report for 1951 has not as yet been released. Preliminary reports indicate earnings equivalent to roughly $11.00 a share. This compares with $12.55 earned in the preceding year and $8.08 for 1949. Although it is true that the company last year was unable fully to offset the higher wages and other mounting costs, and that earnings were off from the preceding year, these latest earnings are still low in relation to the price at which the stock has been selling. Also, the current earnings obviously still afford a substantial margin of safety for the current dividend rate. The stock is on a regular $5.00 basis and in each of the past two years year-end extras of $0.50 have been paid.

It is, of course, too early to make any real estimate as to this year's probable earnings. January results will presumably be quite poor in view of the trouble the company had with the heavy snows. The management figures, however, that such losses are apt to be offset later in the year by increased agricultural production as a result of the improved moisture conditions due to these same heavy snows. It was not, then, wholly adverse. A lot will also depend on the action of the I.C.C. with respect to rate increases. It is the overwhelming opinion among railroad men that further relief will be granted, and that the decision will not be too long in coming down.

The management itself apparently expects traffic, both passenger and freight, to be somewhat lower this year than last, but revenues higher even without further rate increases. The writer of this column feels that the traffic forecast is most likely to prove too conservative. There is, also, the question of non-operating income, a fairly important factor in the Southern Pacific picture. Larger receipts from both Pacific Fruit Express and St. Louis Southwestern appear as a distinct possibility in 1952. On the whole, then, higher earnings in 1952 than in 1951 would not appear as a vain hope.

On a long-term basis Southern Pacific's outlook is viewed in financial circles as particularly promising. The road has benefited substantially from the growth characteristics of a large part of the service area. There are no indications that this territory has even yet come to full industrial and population maturity. Further traffic gains are likely. The company has spent large sums on the property in recent years and, although late in adopting it, has gone in heavily for dieselization. This program is still going on, carrying with it the promise of continuing betterment in the operating efficiency. Finally, the road has put its debt structure in good order and is still in a strong financial condition so that even more may be done along these lines in coming years.

## Dominick Director

Pres. Frank A. Christensen of the America Fore Insurance Group, announces that at the annual meeting of stockholders, Gayer G. Dominick was elected a director of The Continental Insurance Co., a member company of the group.

Mr. Dominick has been engaged for 41 years in the security business and is a limited partner of the New York Stock Exchange firm of Dominick & Dominick.

He is also a director of The Fidelity and Casualty Co. of New York, Greenwich Savings Bank of New York, Shell Oil Co. and President and Trustee of the Roosevelt Hospital.

## Marcus Co. Admits

Marcus & Co., 61 Broadway, New York City, members of the New York Stock Exchange on Feb. 28 will admit Suzanne Marcus to limited partnership in the firm.

gitized for FRASER
tp://fraser.stlouisfed.org/

*Continued from first page*

# As We See It

fair or reasonable wage rates. The most important, perhaps, of these is labor's claim to a share in, if not to all, benefits from any increase in output per man hour—commonly, but misleadingly termed labor productivity. This claim has of late been so often and so loudly made by such politically powerful labor organizations that few politicians have had the temerity to question it. It has apparently become almost as much a political tenet as a labor union doctrine, and as usually presented it must appear to the unthinking as a sort of axiom—or at least it often seems to be so regarded.

### Closer Study

But had we not better look at this matter a little more closely. Would it not be well if the rank and file, who can scarcely be expected to think such matters through for themselves, were plainly told and told over and over again, that neither the labor union nor the individual worker have anything to do with any increase in the real productivity of their efforts—that is any increase that has occurred within the past decade or two, if any has occurred. More and much better equipment with which to work, and more efficient utilization of manpower—both improvements in which labor has, by and large, had no part, often has denied any interest in and not infrequently has blocked or retarded to the best of its ability—are responsible for any increase that has boosted the per hour output of the workers in recent decades.

But this is not all of the story, or, perhaps even the most important part of it. The high cost of human energy which must be purchased by the businessman has for decades led to greater and greater development of "labor saving" machinery and devices, and to much more care and study being given to draining the last drop of results from any given amount of time or effort supplied by the wage earner. These efforts have somehow kept business going in this country when at times it has almost appeared that it would be impossible to do so. Despite some pessimists, we are confident that the limit of managerial ingenuity and technological progress has not yet been reached, although, of course, we may have reached (our guess is that we have reached) a point of diminishing returns.

But the development of better equipment, and the installation of it as well as the devising of more effective marshalling of sheer manpower resources, costs money and entails the most strenuous sort of human endeavor on the part of someone somewhere along the line of production. If the larger part of the rewards of such constructive work as this is to be taken by force by other groups which through their organized strength, particularly their political power, are able to reap where they have not sown, then what incentive is left for managerial talent and accumulated capital to make the sacrifice and the effort to carry on? And, once this "drive" has lost its force, or certainly if it loses much of its potency, what is to become of all of us, organized labor included?

### Keeping the Little Fellow Down

The drive of organized labor to place in the hands of the laboring man the fruits of work he did not perform has been, we suspect, possible largely by reason of the degree in which industry in this country had already developed, and hence in the vested interest which had developed in making existing enterprises somehow survive, and, if possible, prosper. Stated in another way, the burden of all this is falling less on the large, well established enterprises than upon the newer ventures, and the ventures in contemplation or which would be contemplated and undertaken in other circumstances. In short, the penalty—like the burden of existing income taxation—is laid not upon the rich as is often popularly supposed nearly so much as upon those who are trying to get rich—and this is a most vital spot and a most vulnerable spot in our industrial system. Only in a system where many keep trying to get rich, and at least a reasonable proportion of them succeed in getting rich, can we reasonably expect the type of progress which has marked American industry during the past century.

Let those who throw up their hands in dismay at such doctrines be reminded that competition (now absent from the ranks of labor) protects or would protect both the consumer and the worker from exploitation. The real beneficiary of increased productivity in a free economy is the consumer, of which the wage earners constitute a very large part. The arbitrary award of some predetermined part of the output of industry to some factor of production which has been permitted to cast competition aside may well in the end be fatal if persisted in. The so-called cost of living adjustments are another case in point. The philosophy supporting all such schemes must be abandoned forthwith.

*Continued from page 4*

# Stock Market Offers A Wealth of Opportunity

stock will be pressing for sale than in the past.

(4) In addition to the foregoing, there's growing recognition of the fact that a certain amount of inflation has been permanently frozen into the price level—with the result that most stocks today in effect represent "bargains" in assets. Expressed another way, with the balance sheet valuation of plant and equipment in most cases far below reproduction cost, the purchasing power of your dollar will buy more in stocks than in almost any other commodity. As a matter of fact, it's not too difficult to find issues which are selling for less than the management has invested in the business in the past six years. This value concept is of course another reason why the supply side of the stock price equation is well fortified.

Chances are, your first reaction to my sketch of the background is that I'm inferring common stocks now do—or may later—command a scarcity value. This condition did exist in a few issues last spring and summer. For example, the sudden popularity of growth stocks actually frightened holders against selling lest they lose profits. But portfolio management is so inexact a science—and fiduciary interest tends to concentrate in so limited a group of stocks—that I don't visualize a scarcity premium for the market as a whole. In other words, I've been merely generalizing as to the latent factors—and I emphasize the word latent — that deserve your recognition.

### No Severe "Economic Burp"

The one conclusion I draw is that if we have an "economic burp" in 1952, stock prices, in terms of the averages, probably won't return to the 1946-49 trading area. The factors I've outlined indicate that there is a definite floor to the market as a whole. But—and it's a big "but"—this does not mean the time is at hand to "bet the bankroll" on the stock market. Why?

### Don't Bet the Bankroll

(1) While it's true that stocks are statistically cheaper than they were at previous bull market highs, I think there are many fallacies to this type of reasoning. I'm sure you'll agree, for example, that it's a mistake to justify an aggressive interest in common stocks today merely because they were over-valued in the past.

(2) As everyone now is well aware, the trend of aggregate profit margins, earnings and dividends is downward—which means the stimulus to stock ownership must come from another source. No question about it, we are living in an inflationary era—and common stocks have proven to be the best means of protecting your purchasing power. But, as is indicated by the record high sales of life insurance—the record high level of savings bank deposits—the sluggishness in retail sales—the public today is less inflationary minded than it has been in some time.

(3) From a purely technical point of view, the bull case today probably is more on the defensive than it has been in some time. The traditional rally stemming from year-end investment demand did not gain momentum and the President's budget message did not stimulate a speculative urge to own stocks. Thus, the chance for a really big rise may have been forfeited until late spring—when the shock of poor first quarter earnings comparisons will have been absorbed and the pattern of the 1952 economy clarified.

(4) In this connection, sight must not be lost of the fact that the business outlook is under suspicion. True, the rate of government spending is accelerating, but the increase may be more of a sustaining, than stimulating, factor. There's a vast difference between our defense program of today and our arms program of World War II—not only in dollars, but in units, and in relation to industry's expanded capacity to produce. Secondly, the fact remains that the demand for almost all forms of consumer durable goods has been—and still is—in a long-term down trend. The nation has satisfied its most pressing need for autos, homes, washing machines, refrigerators, vacuum cleaners, etc. Even if the materials were available, production probably would not be much above the prospective 1952 level. Thirdly, there are indications that the capital goods boom is nearing its end — if only because the most pressing need for new facilities will have been satisfied by next summer.

Mind you, I'm not inferring that a major depression is in prospect. Rather, my point is that the weaknesses are on the horizon and the internal strength is ebbing. But the constructive overall balance has not yet been upset—and 1952 probably will be a "good year" on the average. The decline in aggregate earnings and dividends may be quite small — in which connection I emphasize that 1952 will be a year of many distortions—of contradictions—a year which is in a sense the reverse of 1951. For example, many of the shortages prevalent in February, 1951 have been replaced by surpluses—and the list will increase. Similarly, improvement is in prospect for many soft goods and consumer goods industries which last year experienced a perfectly normal and healthy readjustment.

Question of what all this means to the market is something else again—for the unpredictable element of psychology will play an important part in the stock price reflection of the fundamentals. For example, with the general business trend offering neither particular promise nor an immediate threat, we could be facing what might be termed an "inside year" for most, if not all, of 1952. After all, there's no rule that says the market as a whole must go straight up—or straight down—and the economic contradictions which lie ahead point to many diverse individual price swings.

I think it's possible that an important overall upward movement later may develop if the security buyer takes heart from the thought that: (a)—General business activity as such is remaining high. (b)—The economic weather vane points to a summer storm rather than a fall hurricane. But, on present view, some dynamic development is needed to break the stalemate; this could be a price level that tempts buyers—a reaction which clears the atmosphere. The bull market has grown stale; something new has to be added to rekindle speculative enthusiasm.

If there's one thing certain, it's that the speculation in 1952 will be concentrated in those industries — those companies — which are likely to earn more than in 1951. Selectivity is at a premium—the nimble, the alert, can enjoy a private bull market. Remember, too, the stock market is no different than life itself; it doesn't offer security—but it does offer a wealth of opportunity.

# SEC Estimates Income From Proposed New Fees

In a statement issued by the Securities and Exchange Commission on Feb. 18, estimates are given of the sums which will be received if the recently announced proposed fees and charges are put into effect. The estimates are given, the SEC states, in order to assist persons in the preparation of comments on the proposal. Although any statement of expected receipts necessarily can be no more than an approximation, the SEC states, "it is estimated that total annual receipts from the adoption of the above proposals, when fully effective, would be about $1,225,000; this amount would be somewhat less in 1952."

Estimates of receipts under the specific proposals are as follows:

| | |
|---|---|
| (1) Letters of notification and other exemptive filings under Section 3 (b) of the Securities Act | $35,000 |
| (2) Qualification of trust indentures covering securities required to be registered under the Securities Act | 9,000 |
| (3) Annual registration fee payable by investment companies | 200,000 |
| (4) Annual registration fee payable by broker-dealers | 455,000 |
| (5) Annual registration fee payable by investment advisers | 45,000 |
| (6) Annual registration fee payable by public utility holding companies, including certain conditionally exempt public utility holding companies | 475,000 |
| (7) Photo-duplications and certifications (income attributable to proposed increase) | 6,000 |

These receipts would be in addition to the present fees received by the Commission which in fiscal year 1951 totaled $1,082,280, as follows:

| | |
|---|---|
| Registration of securities issued | $612,505 |
| Qualification of trust indentures | 700 |
| From registered exchanges | 456,800 |
| Sale of copies of documents or portions thereof | 13,275 |

Any fees received under the proposed rules, as well as existing fees must be turned into the general fund of the Treasury and are not available for expenditure by the Commission. Total fees to be received under the proposed rules together with existing fees will be considerably less than the Commission's budget.

Digitized for FRASER
http://fraser.stlouisfed.org/

Continued from page 14

# What Others Say About The SEC Tax Proposal

rect and indirect cost to the Government, **value to the recipient, public policy or interest served,** and other pertinent facts." It was felt that the proposed broker-dealer registration fees do not meet this standard because, generally speaking, the bulk of SEC broker-dealer inspections are irregular and infrequent, have to do usually with smaller houses, and many of the medium-sized and large firms, who under this proposal would pay the largest fees, are seldom if ever inspected.

(4) Broker-dealer inspections, in any event, are presumably conducted in the public interest, as distinguished from the benefit or interest of the firm inspected, and the cost thereof, therefore, should be paid out of the general funds of the Federal Government.

(5) No other industry of which we know spends so much time and money voluntarily at self regulation, through financial and other support of the various Exchanges and the NASD. It is felt, therefore, that the imposition of these additional taxes, in effect, are not fair and equitable in the circumstances.

I was instructed by the Board, therefore, to send this letter to all members and registered branch offices, and to request that everyone make his views on the subject known to the SEC and also to his Congressional representatives, particularly if they are on either of the Appropriations Committees which will have to pass first on any amendments to Title V of the Independent Offices Appropriations Act of 1952, enclosed herewith. Comments to the SEC should be addressed to:

The Securities and Exchange Commission,
425 Second Street, N. W.,
Washington 25, D. C.

The SEC's original deadline for receiving comments of Feb. 20, 1952, has been extended to March 10, 1952.

We would appreciate it if you would send to me, at 1625 K Street, N. W., Washington, D. C., a copy of any communication you send to the Commission or your Congressional representative on this subject.

### HON. ABRAHAM J. MULTER
**U. S. Congressman from New York**

I regret to advise you that I am in complete disagreement with your editorial. I believe your conclusions are wrong because in a large part your facts are inaccurate.

The Securities and Exchange Commission, while it may have been created in an emergency period, was not the result of an emergency. It was brought into being because of abuses of long standing. I think the Securities and Exchange Commission has done a good job and I for one, would not consider trying to get along without that Agency.

We can have free enterprise even though such enterprise must be regulated so as to prevent abuses.

Furthermore, I believe that every industry that must be regulated should bear the cost of the regulation. There is no reason why an American taxpayer who never goes near the stock market and may never buy a stock or a bond, should have any portion of his taxes allocated to the cost of regulating that business.

Apparently, the author of your editorial has never attended before an appropriations subcommittee, has never read one of its reports and has never heard or read the Floor debate on appropriation bills.

Many of our government agencies are not only self-supporting but operate at a profit to the government. Nevertheless, their expenditures are approved only after careful scrutiny and in the light of what they need for their operation and not in the light of what they can collect.

Title V of the Independent Offices Appropriations Act of 1952 was neither hastily conceived nor clandestinely enacted.

It was proposed in collaboration with the Budget Bureau and the General Accounting Office. It is specifically referred to in the Committee report.

I am sure you know that the General Accounting Office is not a part of the executive branch of the government. It is a wholly independent agency, created by the Congress and responsible only to the Congress. I am sure you will not accuse the head of that office, Comptroller General Warren, of being a political hack or a rubber stamp for the Administration.

### CLARENCE A. BICKEL
**Chairman, Board of Governors of NASD, and Partner of Robert W. Baird & Co.), Milwaukee, Wis.**

*Editor's Note: The National Association of Securities Dealers, Inc., addressed a circular letter to members, dated Feb. 9 and signed by Clarence A. Bickel, Chairman of the Board of Governors, the text of which follows:*

The Securities and Exchange Commission has sent you a copy of its Release No. 3433 under the Securities Act of 1933 dated Jan. 31, 1952. In the event you may not have seen this release, a copy is enclosed. It pertains to a proposal to adopt rules which, in part, would impose annual fees on all registered broker/dealers including fees covering their employees in certain categories. The adoption of this proposal will have a substantial impact on Association members. The Commission originally called for comment from interested parties before Feb. 20, 1952, but at the request of the Association this time has been extended to March 10. It is extremely important that your Association be prepared to present the views of the members to the Commission and, to that end, it is requested that you submit your comments to the Association prior to Feb. 29. These should be directed to the Executive Office, 1625 K Street N. W., Washington 6, D. C. Such comments should be submitted with the understanding that they may be included in any representations made to the Commission by the Association.

Clarence A. Bickel

You may wish to discuss this proposal with your District Committee and, in addition, members may desire to express themselves directly to the Commission or to their Senators or Representatives. May I suggest that a copy of any communication so directed be sent to the Executive Office.

The extreme importance of this matter calls for your immediate attention.

### HON. STYLES BRIDGES
**U. S. Senator from New Hampshire**

As you have so aptly stated in your letter of Feb. 11, it is impossible for members of Congress to analyze every proviso in every bill introduced. We are clearly dependent upon testimony given by witnesses we request and those who appear before us of their own volition. Under these circumstances the sequence which obtained in the passage of the 1952 Independent Offices Appropriation bill reveals in part the method by which the proviso you question became law. Hearings of witnesses on the SEC were held by the Senate on April 11, 1951 at which time the proviso was not a part of the bill. On April 27, 1951; the House Committee reported the bill with the fee proviso added by the House Committee. The Senate Committee, prior to its report, asked the SEC for any additional testimony they desired to provide concerning the House bill. In reply to the Senate request, the SEC made no protest against the proviso, nor did any other public or private group. Since it has long been a general opinion that government fees (some of which were set fifty or more years ago) were not in line with the costs of the services rendered, the Senate Committee believed there was no opposition to the proviso and made no further study of the language.

Sen. Styles Bridges

It is unfortunate that interested parties were not slated to present their views to the Senate Committee and it may be that you would desire to request to be heard this year with a view to modification of last year's law. I am enclosing the House report (see pages 2 and 29) which outlines that committee's intent; the Senate Committee report made no comment regarding Title V.

I think you can readily understand why this went through the Committee and became law. If you think strongly about the brochure you enclosed I think you should take it up with Senator Maybank who is Chairman of the Sub-Committee.

### CAPTAIN JOHN ALBERT GOODPASTURE (Ret.)
**Bristol, Virginia**

Thanks for alerting us to the SEC proposal to provide for $50 annual registration fee for investment advisers. I oppose such fee on grounds it would be just one more step toward regimentation and socialistic governmental powers.

### IRWIN GUTTAG
**Kaufmann, Alsberg & Co., New York City**

*Editor's Note: Following is copy of a letter sent by abovementioned firm to the SEC under date of Feb. 19.*

Securities and Exchange
Commission
Washington 25, D. C.

Dear Sirs:

Please be advised that we feel very strongly that the Securities and Exchange Commission's proposal "for an annual registration fee payable by brokers and dealers in securities" is most unfair, and we feel that this is a rather revolutionary step in delegation of powers by Congress.

If we are to be taxed to maintain Securities and Exchange Commission, it would only seem fair to tax the farmers to maintain the Farm Bureau; to tax various businesses separately to maintain the Commerce Department, etc.

Furthermore, if any section of industry is paying their share of the government operating expenses, we feel that the securities business certainly is doing more than its share. We are one of the few businesses which pays a direct tax on every sale that we make.

Very truly yours,
KAUFMANN, ALSBERG & CO.

### RICHARD I. ROBINSON
**Green, Ellis & Anderson, New York City**

Our firm is unalterably opposed to the proposal of the SEC under Title V of the Independent Offices Appropriation Act of 1952.

We have already written to the SEC, the National Association of Securities Dealers, Inc. and the various representatives from New York and Pennsylvania (in which states we do business) on the Appropriations Committee.

### HARRY R. AMOTT
**Amott, Baker & Co., Inc., New York City**
**President, New York Security Dealers Association**

*Editor's Note: We give herewith text of a letter sent by the New York Security Dealers Association to the SEC under date of Feb. 15, along with the Resolution that was adopted unanimously at a special meeting of the Association on Feb. 14.*

Securities & Exchange
Commission,
425—2nd Street, N. W.
Washington 25, D. C.

Gentlemen:

I am enclosing herewith a copy of a Resolution adopted at a meeting of the Association held yesterday.

It was the unanimous sense of the meeting that the matter of fees, proposal (4) contained in your release of Jan. 31, 1952, is of vital importance and should be the subject of a public hearing before your Commission.

Harry R. Amott

We therefore respectfully request that a date for such hearing be set and that a representative of this Association be permitted to appear.

Very truly yours,
(Signed) HARRY R. AMOTT
President.

**Text of Resolution**

Whereas, the Securities and Exchange Commision has proposed a schedule of fees and assessments to be levied upon broker-dealers and investment advisors as set forth in its Release dated Jan. 31, 1952, and

Whereas, such charges would add severe and discriminatory burdens to those already borne by the securities industry for the support of our Federal Government, and

Whereas, broker-dealers are already assessed heavily as members of the National Association of Securities Dealers, Inc., an organization which now assumes and satisfactorily discharges a large part of the regulatory responsibilities which would otherwise fall upon the Commission, and

Whereas, additional burdens would seriously impair the ability of broker-dealers to carry out their vitally important role in the national economy: Now, therefore be it

Resolved, that the members of the New York Security Dealers Association, in special meeting assembled, protest vigorously against any such fees and assessments as are proposed, and be it further

Resolved, that they respectfully urge the Commission to hold full and adequate public hearings upon its proposal, at which representatives of the public and of broker-dealers may be heard.

I hereby certify the above is a true and correct copy of the Resolution as adopted.

EDWARD J. ENRIGHT,
Executive Secretary.

### Hon. LEVERETT SALTONSTALL
**U. S. Senator from Massachusetts**

Thank you very much for your letter of Feb. 11 with its enclosed editorial commenting so effectively upon the features of Title V of the Independent Offices Appropriations Act of 1952.

Sen. L. Saltonstall

As a member of the Senate Appropriations Committee, I am very glad indeed to have this opinion brought to my attention and will study it with the greatest of care.

### FROM A N. Y. CITY DEALER
**[Name withheld on request.—Ed.]**

The proposal of the SEC to levy charges against investment houses will act as an additional tax burden on those in the investment business. Fees are paid to States, as well as the NASD, and under this proposed arrangement, to the SEC.

Congress has evidenced a disposition to refrain from further taxes, since it is the belief of responsible leaders that present tax rates are as high as they should go. This additional charge by the SEC would have the effect of raising taxes that much more.

One reason why this request is being made is possibly the fear on the part of the SEC that their activities will be further curtailed if they have to go to Congress for money for operation next year. If they can raise enough money to pay all or part of their cost of operations their power will be curtailed that much less probably by Congress.

The Agricultural Department helps farmers in numerous ways at practically no cost. The Commerce Department is supposed to help business and industry in general. The Labor Department certainly leans over backward and spends a lot of money giving free help to labor unions and the working men.

Is it too much for those of us in our industry to ask for some Government help without having to pay for it, and in a spirit of real helpfulness? I suppose, however, that investment dealers are supposed to be a different brand of American, who must be put on the whipping post at intervals rather than helped. Yet there are probably as high a percentage of men in the investment business who have served their country in the Army, Navy and Air Corps in times of war as in any other field of business in America.

Unfortunately I must ask that my remarks be kept anonymous since we are all under the gun of the SEC and its staff.

Continued on page 42

itized for FRASER
://fraser.stlouisfed.org/

## Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

As last week closed there were small signs that the current sell-off was over. Under customary conditions this should be followed almost immediately by a rally. The market, however, seldom has ideal or customary conditions. If there isn't a tense domestic situation that can upset all calculations, there is an international crisis that can jam up things.

Such things, however, aren't new or strange. The only strange thing is how the stock market will react to them.

From a strict technical interpretation there are evident signs that a market base is either in the process of formation or it has already been formed. If these indications were sufficient it could be said that an upswing of some sort was ahead.

Technical indications, however, are also subject to other influences. Among the most important in recent years has been the participation of the mutual funds. If they buy sufficient stocks they can influence a trend so a decline can be checked and turned into a rise. What the managers of these trusts will do is something I can't even guess at.

To take these trusts into consideration, however, a number of things have to be presupposed. One is that they will be bigger immediate buyers than sellers. Two, is that the market does look at present as if it wanted to go up. Three, that the economic keystones of many countries (including our own) are being jolted by armament expenditures which are financed largely by the United States.

The last point is of minor immediate importance to the stock market. Its long-term implications, however, are very significant. It will determine many things, none of which need be discussed here.

Sticking to the first two, and assuming that a rally is ahead, it must also be recognized that a normal retrace in today's market is frequently increased because of investment trust buying. By the same token once the major portion of such buying has been accomplished and also assuming that the public hasn't followed it, one of two things occurs. Either there is a reaction, or a period of dullness.

At the present time I think the latter rather than the former will be the case. In effect this means that if an immediate rally is witnessed it will shortly be followed by a period of dullness.

The question is how far will such a rally carry before it is followed by the second phase. My guess is that the familiar averages will go up about five points.

So far I've given you the bullish outlook—a rally from here followed by dullness. There is another side to this picture. As of this writing the lows of last week were about the same levels as the lows of the week before, made February 4. Should these points be broken the chances are that a new decline, perhaps as much as an additional five points, would occur.

Yet even this is not without its bright outlook. The presence of a "stop" is always sought in trading procedures. It can therefore be assumed that the lows of February 14 and February 4 are to be considered as critical. Stocks can be bought and held so long as they stay above these points. Should they get under them, they are to be considered as "stops" and selling would be advisable. So long as they stay above, retention is suggested.

[*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.*]

**Pacific Coast Securities**

**Orders Executed on Pacific Coast Exchanges**

**Schwabacher & Co.**

Established 1919
INVESTMENT SECURITIES

*Members*
*New York Stock Exchange*
*New York Curb Exchange (Associate)*
*San Francisco Stock Exchange*
*Chicago Board of Trade*
*New York Cotton Exchange*

14 Wall Street New York 5, N. Y.
COrtlandt 7-4150 Teletype NY 1-928
*Private Wires to Principal Offices*
San Francisco—Santa Barbara
Monterey—Oakland—Sacramento
Fresno—Santa Rosa

**SPECIAL PUT OPTIONS**

**Per 100 Shares**

| | | | |
|---|---|---|---|
| J. I. Case.... | @65¼ | May 13 | $550.00 |
| duPont ...... | @89⅛ | Mar. 29 | 587.50 |
| Chrysler ..... | @68¾ | Aug. 18 | 462.50 |
| Cities Service | @108⅛ | Mar. 29 | 625.00 |
| Gulf Oil...... | @54⅛ | Apr. 7 | 387.50 |
| Phelps Dodge. | @77½ | Apr. 21 | 462.50 |
| Int'l Nickel... | @47⅛ | Apr. 28 | 425.00 |
| N. Y. Central. | @20⅞ | Mar. 28 | 312.50 |
| Western Union | @41½ | Apr. 11 | 225.00 |
| Wilcox Oil ... | @22½ | May 12 | 262.50 |
| Mo.Pac.5%pfd. | @23¾ | May 3 | 250.00 |
| Pitt. Metallurg. | @39 | May 23 | 425.00 |
| Gulf Mob. Ohio | @27½ | Apr. 25 | 312.50 |
| Sperry Corp... | @32 | June 2 | 250.00 |

*Subject to prior sale or price change*
*Explanatory pamphlet on request*

**THOMAS, HAAB & BOTTS**

*Members Put & Call Brkrs. & Dlrs. Assn., Inc.*
50 Broadway, New York 4 Tel. BO 9-8470

*Continued from page 41*

# What Others Say About The SEC Tax Proposal

**J. H. YOUNG**
**President, J. H. Young & Co., Inc., New York City**

*Editor's Note: Mr. Young has made available to the "Chronicle" the following copy of a letter addressed to the SEC under date of Feb. 14:*

Mr. Harry A. McDonald,
Chairman,
Securities and Exchange
Commission,
425-2nd St., Washington, D. C.

Dear Sir:

I have your release indicating your proposal for an annual tax for dealers and brokers and requesting comments thereon.

We do not call upon the Commission (and the majortiy of dealers do not) nor receive from it any service.

The public, for its protection, called upon Congress to enact the Securities and Exchange Law and expected and is paying for this service by tax revenues.

The power to tax, as I understand it, is reserved to the Congress and I do not believe that they have the right to delegate to any Commission the power to fix tax rates for business or individuals. Dealers here are licensed to operate under the laws of New York State.

An annual tax on brokers and dealers, in my opinion, would be illegal and if tested in the courts may be declared in violation of the Constitution of the United States.

Very truly yours,
J. H. YOUNG
President

**FROM AN ILLINOIS DEALER**
**[Name withheld on request.—Ed.]**

We were very glad to see and read your special article regarding the new SEC proposal to impose annual registration fees on brokers and dealers of $50, plus $10 for each "officer, partner, employee, etc."

To us, this tells the tale. If previous actions and attitudes of the SEC towards the Securities Dealers and Brokers left any doubt in our minds of their objectives, this newest independent unconferred action by the SEC should convince all of us, that it does not have the real interests of our industry and our investor customers at heart.

We would like to think otherwise, and we have tried to do so. We have tried to tell ourselves that these SEC actions and administrations were necessary, to police the industry and prevent the dishonest and fraudulent person from operating in our industry. Everything has been justified by them on these grounds.

But if this was justified back in 1933, we know it has long since been unjustified as we are proud of the caliber and quality of investment dealers and brokers in our country.

Thus, we believe that the SEC instead of being hostile should be friendly to our industry; instead of always thinking up ways to add increasing burdens to long suffering investment men and their customers, it should try to reduce these burdens wherever at all possible; instead of trying to take more money, etc., from them, it should try to help them increase their earnings and ability to truly serve the investment public; instead of appearing cold and uninterested in our problems, it should give us the warmth of understanding and appreciation of our many problems today. To my knowledge, I have never known of any actions from the SEC's men, which have reduced our burdens and expenses, have given us constructive help in stimulating the flow of investment capital through private enterprise chanels.

I believe the trouble is that most of the people in SEC have never been in the securities business, as a dealer and broker, on the firing line, in the field. Also, that too many of them seem to have no real interest in preserving the free private enterprise system but seem to just as soon have the investment public invest in government securities only, through government agencies hands. They seem to operate on the theory that we have a soft, easy and lucrative business instead of a tough, difficult and burdensome one. They do not know our problems or seem to care to.

Because of our already heavy expense burdens, including sharply increased taxes, fees and charges from Government Bureaus and Agencies, increased costs of our general business operation, if this added new heavy cost is imposed upon us, we will be compelled to cut out some of our expenses, including financial services, special business reports, etc. to offest the SEC new charge. Some of our services which we are giving our customers may have to be curtailed or eliminated.

Therefore, will the SEC's newest action promote a better investment service to the public; be constructive to the best interests of our fine securities dealer system and to the country, or does it not help to curtail and destroy it?

We are sure that when the Congress originally established this SEC way back in 1933, they did not want it to shrink and destroy our private enterprise system of investment dealers and brokers, and their service to the public.

May we have copies or reprints of your fine article on this situation, so that we may send them to our Congressmen?

**FROM A NEW JERSEY DEALER**
**[Name withheld on request.—Ed.]**

*In connection with the suggestion in your article "Closing In" in the "Chronicle" of Feb. 7th, we enclose to you carbon copies of letters we had already written on the subject.*

*One is a copy of our letter of Feb. 6th to the Securities and Exchange Commission, and the other copy of a form of letter which we sent under the same date to our two New Jersey Senators and to the Representatives from three local Congressional Districts.*

*We trust the enclosed will be of interest to you and you may make such use of them as you wish. Under the circumstances, however, we prefer that our name not be used publicly in this connection, but rather that some designation such as "A New Jersey Firm," etc., be used.*

Securities and Exchange
Commission,
425 Second Street, N. W.,
Washington 25, D. C.

Gentlemen:

We acknowledge receipt of your Release dated Jan. 31, 1952, containing a notice of a proposal to adopt and amend rules with respect to fees and charges by the Commission. We wish to avail ourselves of the invitation therein to submit comments in writing on or before Feb. 20, 1952.

Our firm, established here [name of city deleted—Editor] some 20 years ago, does business chiefly in municipal bonds, which are specifically exempted from the provisions of the Securities Act of 1933 and the Securities Exchange Act of 1934. The balance of our business, with few exceptions, is confined to dealing in the shares of mutual investment funds, which operate under the above-quoted Acts and the Investment Company Act of 1940, and under the provisions of the latter Act your Commission receives substantial registration and other fees.

Almost solely because of our dealings in mutual fund shares, we are required to maintain membership in the National Association of Securities Dealers, for which we just paid an assessment for the year beginning Oct. 1, 1951, of $95. On this basis, the fees which you propose would cost us an additional $140, for what would appear to be a duplication of, or less, service than we are now receiving.

We therefore see no justice or reason for the fees which you plan to impose on brokers and dealers, in cases such as ours. As a "small business" already operating at extremely high costs, and at relatively small profits, such additional charges appear to us to be an unfair burden which we should not be required to assume. We believe that if any further income or charges are deemed necessary to support the activities of your Commission, that they should be assessed against the larger units in our business and based upon the relative amount of services actually rendered and received.

We therefore wish to enter our vigorous protest against the proposal as presented in your Release of Jan. 31, 1952.

*Editor's Note: Herewith is text of letter sent by the "New Jersey Dealer" to each of the State's U. S. Senators, also to Representatives from three local Congressional Districts.*

Both because of our business located here [name of city deleted —Editor], and because all of our officers and employees reside in New Jersey, we trust that the matter referred to herein will receive your prompt and energetic attention. Enclosed is a carbon copy of our letter of today's date to the Securities and Exchange Commission, which you will doubtless find self-explanatory.

The Release referred to Title V of the Independent Offices Appropriation Act of 1952, which authorizes Federal agencies to prescribe fees and charges with the object of making them self-sustaining to the fullest extent possible. Included in the list therein of new rules proposed by the Securities and Exchange Commision appears the following:

"(4) Annual registration fee payable by brokers and dealers—$50 plus $10 for each officer, partner, employee, etc., engaged in selling securities or supervising such activity."

That, and possibly one or two of the other proposals therein represent an entirely new imposition of costs which we consider both unjustified and unfair. No services are offered which we do not now receive and pay for through our enforced membership in an organization known as the National Association of Securities Dealers, which is in effect an adjunct and is largely under the control of the Securities and Exchange Commission.

Numerous small units in this business, such as ours, would be unreasonably imposed upon thereby, in what is apparently merely another effort to increase the income of a bureau of the government regardless of its justification. May I ask that you interest yourself in this matter and do whatever you can to see that the proposal is eliminated entirely, or modified so as to exclude business such as ours?

Digitized for FRASER
http://fraser.stlouisfed.org/

*Continued from page 5*

# The State of Trade and Industry

their voices very high on this issue unless the market takes a sudden nose dive, this trade authority asserts.

Steel executives aren't down-in-the-mouth about the outlook for steel demand. But, with new capacity coming in at a rate of about a million tons a month, they feel the return of a buyers' market can't be too far distant. At least several producers expect to have their salesmen beating the bushes in earnest in the third quarter, concludes "The Iron Age."

In the automotive industry supplies of steel for making autos have changed from a shortage several weeks ago to "seeming abundance," according to "Ward's Automotive Reports."

The industry's statistical agency added that a similar trend seems to be taking place in "recently critical" non-ferrous metals. The report added that the materials situation soon may improve to a point where auto makers will have little trouble reaching government production quotas and perhaps even exceeding them if permission to do so is granted.

## Steel Output Scheduled for Mild Expansion This Week

On the steel front, signs of loosening steel supplies continue to increase, says "Steel," the weekly magazine of metalworking. Further easing in demand for the light, flatrolled products and certain specialties is in evidence, it notes. Tin plate requirements are less pressing, and tool steel now can be had from some producers in four to six weeks. Merchant pig iron and coke are displaying more sluggishness as foundry operations taper in step with slipping consumer durable goods trade. Cast iron scrap is almost a drug on the market at some points, isolated reports of price concessions being heard as dealers seek to move tonnage. Pressure for decontrol of distribution is mounting and it would not be surprising if control authorities moved in that direction shortly, this trade paper adds.

While procurement conditions are definitely easier in some products, do not get the mistaken notion that steel is in surplus supply, states "Steel." Such is not the case. Over-all supply-demand balance is still months distant. In fact, at this stage there is no telling the exact status of potential demand as related to supply. Some trade authorities, it points out, think whatever slack has appeared to date would vanish quickly under a rush of demand now artificially restricted should certain governmental limitations on use be lifted. Others are not so certain. In any event, the mills are heavily booked through second quarter and indications are they will enter third quarter with substantial carry-over tonnage in certain products.

Despite further easing in demand for sheets and strip there is as yet no indication much raw steel will be diverted from these items to products in stronger demand before midyear, this trade weekly asserts. Spot openings in sheet rolling schedules, while more numerous, are being filled quickly. Structural steel activity is lagging. Fabricators are competing sharply for government-approved work, and control authorities are being pressed to lift restrictions on commercial construction to assure high-level activity through the second half of the year. Heavy gage plates are in stringent supply and there is little prospect for any early improvement. Lighter gages are more freely available due to larger tonnage from the continuous mills, states this trade journal.

Noticeable improvement in scrap supply is attending abnormally moderate weather conditions over most of the nation, observes "Steel." Supply continues critical but more tonnage is moving and with a good portion of the winter past steelmakers are encouraged to hope they will be able to maintain capacity production without interruption, concludes this trade magazine.

**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 100.6% of capacity for the week beginning Feb. 18, 1952, equivalent to 2,090,000 tons of ingots and steel for castings, or an increase of 0.5 of a point above last week's production of 2,079,000 tons, or 100.1% of rated capacity.**

**A month ago output stood at 99.4%, or 2,065,000 tons. A year ago production stood at 99.5%, or 1,989,000 tons.**

## Electric Output Slumps Further in Latest Week

The amount of electric energy distributed by the electric light and power industry for the week ended Feb. 16, 1952, was estimated at 7,439,767,000 kwh., according to the Edison Electric Institute.

The current total was 15,742,000 kwh. less than that of the preceding week. It was 534,544,000 kwh., or 7.7% above the total output for the week ended Feb. 17, 1951, and 1,508,416,000 kwh. in excess of the output reported for the corresponding period two years ago.

## Car Loadings Continue to Show Slight Increase Over Preceding Week

Loadings of revenue freight for the week ending Feb. 9, 1952, totaled 733,724 cars, according to the Association of American Railroads, representing an increase of 2,718 cars, or 0.4% above the preceding week.

The week's total represented an increase of 160,515 cars, or 28% above the corresponding week a year ago, during which railroad operations were curtailed by labor troubles, and a rise of 164,908 cars, or 29% above the comparable period two years ago, when loadings were reduced by a general strike at bituminous coal mines.

## U. S. Auto Output in Latest Week Rises for Third Consecutive Week

Passenger car production in the United States the past week, according to "Ward's Automotive Reports," rose to 76,556 units, compared with the previous week's total of 73,043 (revised) units, and 138,111 units in the like week a year ago.

Passenger car production in the United States rose last week about 5% above the previous week, while trucks advanced about 10%. Output of cars last week was close to 45% under the like period a year ago and trucks trailed by about 25%.

Total output for the current week was made up of 76,556 cars and 24,537 trucks built in the United States, against 73,043 cars and 22,367 trucks last week and 138,111 cars and 30,647 trucks in the comparable period a year ago.

Canadian output last week rose to 3,410 cars and 3,015 trucks, against 3,288 cars and 2,979 trucks in the preceding week and 6,0[illegible]2 cars and 2,721 trucks in the similar period of a year ago.

## Business Failures Continue to Fall

Commercial and industrial failures dipped to 125 in the holiday-shortened week ended Feb. 14 from 134 in the preceding week, Dun & Bradstreet, Inc., reveals. This decrease brought casualties considerably below the 165 and 218 which occurred in the comparable weeks of 1951 and 1950. Less than one-half as many concerns succumbed as in prewar 1939 when 293 were recorded.

Failures involving liabilities of $5,000 or more declined to 98 from 111 in the previous week and 118 last year. An increase took place among small casualties, those with liabilities under $5,000, which rose to 27 from 23 a week ago, but were well below the corresponding 1951 total of 47.

## Wholesale Food Price Index Strikes 15-Month Low Point

Easiness continued to characterize the markets for foods last week. A drop of 4 cents brought the Dun & Bradstreet wholesale food price index for February 12 to $6.57. This equalled the previous 1952 low struck on Jan. 15, and represented the lowest level since Nov. 7, 1950, when it registered $6.52. The current index compares with $7.25 on the corresponding date a year ago, or a decline of 9.4%.

The index represents the sum total of the price per pound of 31 foods in general use and its chief function is to show the general trend of food prices at the wholesale level.

## Wholesale Commodity Price Index Attains Lowest Level Since Early November of 1951

The downward movement in the general commodity price level continued last week, bringing the Dun & Bradstreet daily wholesale commodity price index for Feb. 11 to 304.58. This was the lowest since early November, and compared with 306.25 a week earlier, and with 329.38 on the like date a year ago.

Price movements in principal grain markets were irregular last week. Cash wheat at Chicago was inactive. Prices recovered following early weakness to close about unchanged for the week. Early declines were largely influenced by disappointing export demand, continued slow domestic flour business and the increased movement of the bread grain to the principal western markets.

**Strength in late dealings was attributed to drought conditions in parts of the Southwest and reports of a shortage of wheat for export from Argentina.**

Marketings of corn also increased sharply during the week, but prices were buoyed by continued heavy feeding demand. Trading in oats was quite active with prices trending lower under large stocks held in Chicago and expanding market receipts. Volume of trading in all grain futures on the Chicago Board of Trade rose sharply last week to a daily average of about 45,000,000 bushels, as compared to 37,000,000 the previous week, and 33,000,000 in the same week a year ago.

## Trade Volume Continues to Be Sustained by Sales Promotions

Many attractive promotions helped to sustain shoppers' interest in the period ended on Wednesday of last week. However, as during recent weeks, the total dollar volume of retail trade did not equal the high level of a year earlier, states Dun & Bradstreet, Inc., in its current summary of trade. Retailers generally stressed St. Valentine's Day to a greater extent than in recent years.

Small items of apparel were in increased demand last week as gifts. The total volume of apparel purchased was slightly higher than that of a year ago, with the most favorable comparisons in the demand for women's suits and sportswear. Early offerings of Spring clothing in the southern sections were well received.

Total retail dollar volume in the period ended on Wednesday of last week was estimated at 1% to 5% below the level of a year ago. Regional estimates varied from the levels of a year earlier by the following percentages:

**New England —1 to —5; East —2 to —6; Midwest —1 to +3; South —2 to +2; Northwest 0 to —4; Southwest and Pacific Coast —3 to —7.**

There was virtually no change in trading activity in many wholesale markets during the past week; the total dollar volume of orders bolstered by defense purchasing, did not vary sharply from the high level of a year earlier. Buyer attendance at many wholesale centers was noticeably below recent weeks, but about on a par with a year ago.

Department store sales on a countrywide basis, as taken from the Federal Reserve Board's index for the week ended Feb. 9, 1952, decreased 8% from the like period of last year. In the preceding week an increase of 4% (revised) was registered above the like period a year ago. For the four weeks ended Feb. 9, 1952, sales declined 9%. For the period Jan. 1 to Feb. 9, 1952, department store sales registered a decline of 12% below the like period of the perceding year.

**Retail trade in New York last week again failed to show any improvement over the like period a year ago. Estimates placed the decline at close to 10% in terms of dollar volume.**

According to Federal Reserve Board's index, department store sales in New York City for the weekly period ended Feb. 9, 1952, decreased 12% below the like period of last year. In the preceding week a decrease of 7% (revised) was recorded below the similar week of 1951, while for the four weeks ended Feb. 9, 1952, a decrease of 13% was registered below the level of a year ago. For the period Jan. 1, to Feb. 9, 1952, volume declined 16% below the like period of the preceding year.

*Continued from page 38*

# Mutual Funds

trol or contribute to the management of its operations."

Stressing the importance of these factors, the folder contains a concise description of the management and objectives of Shareholders' Trust of Boston as a basis for the investor's appraisal of its suitability for his account.

**DURING the past month, National Stock Series, largest of National Securities mutual funds, made the following additions in excess of 2,500 shares to its portfolio: New portfolio holdings are 10,000 shares Federated Department Stores and 6,000 shares H. L. Green & Co.**

Additions to portfolio holdings include 6,000 shares Armco Steel, 3,000 shares Bethlehem Steel, 5,000 shares U. S. Steel, 4,000 shares Chrysler Corp., 3,500 shares Borg-Warner, 3,500 shares Grumman Aircraft, 4,800 shares Commercial Credit Co., 3,100 shares Celotex Corp., 10,000 shares Stevens (J. P.) & Co., 10,000 shares Southern Pacific Co. and 10,000 shares Allis-Chalmers Mfg. Co.

In commenting on the new holdings, the Fund said that because of general disappointment over retail trade figures, Federated Department Store shares have declined approximately 25% below the 1950 high, and in the opinion of the investment managers, is a better quality issue whose dividend rate appears secure.

H. L. Green shares were purchased on the basis of being well intrenched in the stable variety chain field.

**AMERICAN BUSINESS SHARES reports net assets of $36,140,064, equivalent to $3.99 per share, on Jan. 31, 1952, compared with $35,411,499, or $3.88 per share, on Nov. 30, 1951.**

**WELLINGTON FUND reports total net assets on Jan. 28 of $201,430,000.**

### PERSONAL PROGRESS

MERRILL GRISWOLD, Chairman of the Board of Trustees of Massachusetts Investors Trust, has been elected a director of General Public Utilities Corp., a position recently made vacant by the resignation of Dr. Willard L. Thorp, Assistant Secretary of State.

Dr. Thorp was a Trustee of a predecessor company during reorganization proceedings and became one of the original member of the board of directors of General Public Utilities Corp., having initially served as Chairman of the Board.

### REGISTRATIONS

**AMERICAN BUSINESS SHARES on Feb. 8 filed with the Securities and Exchange Commission a registration statement covering 2,000,000 shares of capital stock (par $1), to be offered at market through Lord, Abbett & Co., New York.**

**EATON & HOWARD Balanced Fund on Feb. 18 filed a registration statement with the Securities & Exchange Commission covering 500,000 trust shares. No underwriter.**

**LOOMIS-SAYLES Mutual Fund on Feb. 14 filed a registration statement with the Securities and Exchange Commission covering an offering of $3,808,000 of common stock. No underwriter.**

**TEXAS FUND on Feb. 18 filed a regisration statement covering 750,000 shares of $1 par common stock. Bradschamp & Co. is underwriter.**

gitized for FRASER
tp://fraser.stlouisfed.org/

# 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. 24 | 100.6 | 100.1 | 99.4 | 99.5 |
| Equivalent to— | | | | | |
| Steel ingots and castings (net tons) | Feb. 24 | 2,090,000 | 2,079,000 | 2,065,000 | 1,989,000 |
| **AMERICAN PETROLEUM INSTITUTE:** | | | | | |
| Crude oil and condensate output — daily average (bbls. of 42 gallons each) | Feb. 9 | 6,362,700 | 6,225,300 | 6,178,400 | 5,861,250 |
| Crude runs to stills—daily average (bbls.) | Feb. 9 | ¶6,421,000 | *6,552,000 | 6,625,000 | 6,338,000 |
| Gasoline output (bbls.) | Feb. 9 | 21,446,000 | 21,566,000 | 22,113,000 | 20,069,000 |
| Kerosene output (bbls.) | Feb. 9 | 2,632,000 | 2,662,000 | 3,045,000 | 2,559,000 |
| Distillate fuel oil output (bbls.) | Feb. 9 | 10,544,000 | 9,866,000 | 9,891,000 | 9,420,000 |
| Residual fuel oil output (bbls.) | Feb. 9 | 8,907,000 | 8,891,000 | 9,585,000 | 9,714,000 |
| Stocks at refineries, at bulk terminals, in transit and in pipe lines— | | | | | |
| Finished and unfinished gasoline (bbls.) at | Feb. 9 | 138,896,000 | 135,894,000 | 128,333,000 | 133,134,000 |
| Kerosene (bbls.) at | Feb. 9 | 19,261,000 | *20,101,000 | 22,628,000 | 14,693,000 |
| Distillate fuel oil (bbls.) at | Feb. 9 | 60,308,000 | 62,390,000 | 75,586,000 | 53,065,000 |
| Residual fuel oil (bbls.) at | Feb. 9 | 37,799,000 | 38,076,000 | 40,944,000 | 40,206,000 |
| **ASSOCIATION OF AMERICAN RAILROADS:** | | | | | |
| Revenue freight loaded (number of cars) | Feb. 9 | 733,724 | 731,006 | 742,757 | 573,209 |
| Revenue freight received from connections (number of cars) | Feb. 9 | 687,030 | 671,060 | 648,220 | 533,739 |
| **CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:** | | | | | |
| Total U. S. construction | Feb. 14 | $233,505,000 | $167,130,000 | $249,214,000 | $256,465,000 |
| Private construction | Feb. 14 | 127,607,000 | 86,935,000 | 166,473,000 | 162,322,000 |
| Public construction | Feb. 14 | 105,898,000 | 80,195,000 | 82,741,000 | 94,143,000 |
| State and municipal | Feb. 14 | 61,718,000 | 52,464,000 | 58,677,000 | 66,457,000 |
| Federal | Feb. 14 | 44,180,000 | 27,731,000 | 24,064,000 | 27,686,000 |
| **COAL OUTPUT (U. S. BUREAU OF MINES):** | | | | | |
| Bituminous coal and lignite (tons) | Feb. 9 | 10,535,000 | *10,400,000 | 11,760,000 | 8,445,000 |
| Pennsylvania anthracite (tons) | Feb. 9 | 746,000 | 852,000 | 950,000 | 866,000 |
| Beehive coke (tons) | Feb. 9 | 147,300 | *138,600 | 151,900 | 137,100 |
| **DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE = 100** | Feb. 9 | 251 | *242 | 265 | 273 |
| **EDISON ELECTRIC INSTITUTE:** | | | | | |
| Electric output (in 000 kwh.) | Feb. 16 | 7,439,767 | 7,455,509 | 7,539,879 | 6,905,223 |
| **FAILURES (COMMERCIAL AND INDUSTRIAL)—DUN & BRADSTREET, INC.** | Feb. 14 | 125 | 134 | 158 | 165 |
| **IRON AGE COMPOSITE PRICES:** | | | | | |
| Finished steel (per lb.) | Feb. 12 | 4.131c | 4.131c | 4.131c | 4.131c |
| Pig iron (per gross ton) | Feb. 12 | $52.72 | $52.72 | $52.72 | $52.69 |
| Scrap steel (per gross ton) | Feb. 12 | $42.00 | $42.00 | $42.00 | $43.00 |
| **METAL PRICES (E. & M. J. QUOTATIONS):** | | | | | |
| Electrolytic copper— | | | | | |
| Domestic refinery at | Feb. 13 | 24.200c | 24.200c | 24.200c | 24.200c |
| Export refinery at | Feb. 13 | 27.425c | 27.425c | 27.425c | 24.425c |
| Straits tin (New York) at | Feb. 13 | 121.500c | 121.500c | 103.000c | 183.000c |
| Lead (New York) at | Feb. 13 | 19.000c | 19.000c | 19.000c | 17.000c |
| Lead (St. Louis) at | Feb. 13 | 18.800c | 18.800c | 18.800c | 16.800c |
| Zinc (East St. Louis) at | Feb. 13 | 19.500c | 19.500c | 19.500c | 17.500c |
| **MOODY'S BOND PRICES DAILY AVERAGES:** | | | | | |
| U. S. Government Bonds | Feb. 19 | 96.77 | 96.66 | 96.18 | 101.21 |
| Average corporate | Feb. 19 | 109.79 | 109.97 | 108.88 | 116.02 |
| Aaa | Feb. 19 | 114.46 | 114.85 | 113.70 | 120.02 |
| Aa | Feb. 19 | 112.75 | 113.12 | 112.19 | 118.80 |
| A | Feb. 19 | 108.70 | 108.52 | 107.27 | 115.43 |
| Baa | Feb. 19 | 103.80 | 103.80 | 102.63 | 110.15 |
| Railroad Group | Feb. 19 | 106.39 | 106.39 | 104.66 | 113.12 |
| Public Utilities Group | Feb. 19 | 109.60 | 109.79 | 108.88 | 115.82 |
| Industrials Group | Feb. 19 | 113.70 | 113.70 | 113.12 | 119.20 |
| **MOODY'S BOND YIELD DAILY AVERAGES:** | | | | | |
| U. S. Government Bonds | Feb. 19 | 2.72 | 2.73 | 2.76 | 2.41 |
| Average corporate | Feb. 19 | 3.18 | 3.17 | 3.23 | 2.85 |
| Aaa | Feb. 19 | 2.93 | 2.91 | 2.97 | 2.65 |
| Aa | Feb. 19 | 3.02 | 3.00 | 3.05 | 2.71 |
| A | Feb. 19 | 3.24 | 3.25 | 3.32 | 2.88 |
| Baa | Feb. 19 | 3.52 | 3.52 | 3.59 | 3.16 |
| Railroad Group | Feb. 19 | 3.37 | 3.37 | 3.47 | 3.00 |
| Public Utilities Group | Feb. 19 | 3.19 | 3.18 | 3.23 | 2.86 |
| Industrials Group | Feb. 19 | 2.97 | 2.97 | 3.00 | 2.69 |
| **MOODY'S COMMODITY INDEX** | Feb. 19 | 433.5 | 442.5 | 454.8 | 532.9 |
| **NATIONAL PAPERBOARD ASSOCIATION:** | | | | | |
| Orders received (tons) | Feb. 9 | 239,542 | 236,845 | 195,092 | 226,546 |
| Production (tons) | Feb. 9 | 207,274 | 205,239 | 210,349 | 237,247 |
| Percentage of activity | Feb. 9 | 85 | 85 | 86 | 104 |
| Unfilled orders (tons) at end of period | Feb. 9 | 438,915 | 405,520 | 405,521 | 748,012 |
| **OIL, PAINT AND DRUG REPORTER PRICE INDEX — 1926-36 AVERAGE = 100** | Feb. 15 | 144.9 | 145.4 | 146.6 | 152.9 |
| **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 | Feb. 2 | 38,909 | 38,975 | 27,695 | 48,568 |
| Number of shares | Feb. 2 | 1,104,620 | 1,129,949 | 756,011 | 1,467,109 |
| Dollar value | Feb. 2 | $50,511,207 | $53,153,912 | $35,709,466 | $66,494,809 |
| Odd-lot purchases by dealers (customers' sales)— | | | | | |
| Number of orders—Customers' total sales | Feb. 2 | 31,106 | 32,777 | 18,712 | 43,360 |
| Customers' short sales | Feb. 2 | 219 | 142 | 120 | 330 |
| Customers' other sales | Feb. 2 | 30,887 | 32,635 | 18,592 | 43.030 |
| Number of shares—Total sales | Feb. 2 | 875.269 | 939,882 | 511,331 | 1,258,027 |
| Customers' short sales | Feb. 2 | 3,832 | 5,175 | 4,222 | 12,610 |
| Customers' other sales | Feb. 2 | 866,887 | 934,707 | 507,109 | 1,245,417 |
| Dollar value | Feb. 2 | $37,700,924 | $40,273,722 | $21,071,800 | $51,166,009 |
| Round-lot sales by dealers— | | | | | |
| Number of shares—Total sales | Feb. 2 | 246,590 | 248,860 | 133,850 | 337,440 |
| Short sales | Feb. 2 | ------ | ------ | ------ | ------ |
| Other sales | Feb. 2 | 246,590 | 248,860 | 133,850 | 337,440 |
| Round-lot purchases by dealers— | | | | | |
| Number of shares | Feb. 2 | 446,650 | 443,300 | 350,770 | 548,210 |
| **WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR— 1926 = 100:** | | | | | |
| All commodities | Feb. 12 | 175.2 | 175.8 | 176.5 | 183.9 |
| Farm products | Feb. 12 | 186.6 | 189.1 | 192.0 | 203.7 |
| Grains | Feb. 12 | 190.7 | 190.9 | 194.0 | 195.5 |
| Livestock | Feb. 12 | 230.4 | 233.9 | 232.8 | 271.1 |
| Foods | Feb. 12 | 184.8 | 185.6 | 187.5 | 188.4 |
| Meats | Feb. 12 | 259.6 | 259.9 | 265.2 | 277.5 |
| All commodities other than farm and foods | Feb. 12 | 164.8 | 164.8 | 165.2 | 171.7 |
| Textile products | Feb. 12 | 156.8 | 157.1 | 158.6 | 181.0 |
| Fuel and lighting materials | Feb. 12 | 138.8 | 138.8 | 138.8 | 138.3 |
| Metals and metal products | Feb. 12 | 193.4 | 192.9 | 190.8 | 188.1 |
| Building materials | Feb. 12 | 221.6 | *221.7 | 223.6 | 277.6 |
| Lumber | Feb. 12 | 343.1 | *343.1 | 346.1 | ‡ |
| Chemicals and allied products | Feb. 12 | 132.7 | 132.5 | 137.5 | 147.1 |

*Revised. ‡Not available. ¶Includes 464,000 barrels of foreign crude runs.

| | Latest Month | Previous Month | Year Ago |
|---|---|---|---|
| **AMERICAN GAS ASSOCIATION — For Month of December:** | | | |
| Total gas (M therms) | 5,076,636 | 4,348,226 | 4,600,500 |
| Natural gas sales (M therms) | 4,740,049 | 4,075,829 | 4,258,000 |
| Manufactured gas sales (M therms) | 137,515 | 121,887 | 207,300 |
| Mixed gas sales (M therms) | 199,072 | 150,510 | 135,200 |
| **AMERICAN ZINC INSTITUTE, INC.—Month of January:** | | | |
| Slab zinc smelter output, all grades (tons of 2,000 lbs.) | 83,205 | 81,769 | 80,937 |
| Shipments (tons of 2,000 lbs.) | 78,403 | 84,909 | 79,609 |
| Stocks at end of period (tons) | 26,703 | 21,901 | 10,212 |
| Unfilled orders at end of period (tons) | 55,760 | 50,509 | 72,770 |
| **BANKERS' DOLLAR ACCEPTANCES OUTSTANDING — FEDERAL RESERVE BANK OF NEW YORK—As of January 31:** | | | |
| Imports | $234,915,000 | $234,756,000 | $285,694,000 |
| Exports | 135,100,000 | 133,001,000 | 99,799,000 |
| Domestic shipments | 7,590,000 | 7,439,000 | 12,536,000 |
| Domestic warehouse credits | 44,509,000 | 47,718,000 | 23,583,000 |
| Dollar exchange | 22,645,000 | 23,230,000 | 2,329,000 |
| Based on goods stored and shipped between foreign countries | 47,579,000 | 44,232,000 | 29,334,000 |
| Total | $492,338,000 | $490,376,000 | $453,275,000 |
| **COAL EXPORTS (BUREAU OF MINES) — Month of November:** | | | |
| U. S. exports of Pennsylvania anthracite (net tons) | 636,612 | 891,695 | 346,156 |
| To North and Central America (net tons) | 357,076 | 407,389 | 335,996 |
| To South America (net tons) | 2,777 | ------ | 5 |
| To Europe (net tons) | 276,739 | 482,068 | 10,155 |
| To Asia (net tons) | 20 | ------ | ------ |
| To Africa (net tons) | ------ | 2,238 | ------ |
| **COAL OUTPUT (BUREAU OF MINES)—Month of January:** | | | |
| Bituminous coal and lignite (net tons) | 49,650,000 | 43,815,000 | 51,470,000 |
| Pennsylvania anthracite (net tons) | 3,995,000 | 3,612,000 | 4,199,000 |
| Beehive coke (net tons) | 650,000 | 624,500 | 734,400 |
| **COKE (BUREAU OF MINES)—Month of Dec.** | | | |
| Production (net tons) | 6,738,759 | *6,501,098 | 6,675,100 |
| Oven coke (net tons) | 6,114,218 | *5,881,964 | 6,018,100 |
| Beehive coke (net tons) | 624,541 | *619,134 | 657,000 |
| Oven coke stocks at end of month (net tons) | 1,738,358 | *1,758,329 | 1,092,662 |
| **COMMERCIAL PAPER OUTSTANDING—FEDERAL RESERVE BANK OF NEW YORK—** | | | |
| As of January 31 (000's omitted) | $480,000 | $434,000 | $356,000 |
| **CONSUMER PURCHASES OF COMMODITIES —DUN & BRADSTREET, INC. (1935-1939 = 100)—Month of January** | 333.1 | *309.0 | 360.3 |
| **FAIRCHILD PUBLICATIONS RETAIL PRICE INDEX — 1935-39=100 (COPYRIGHTED) AS OF FEBRUARY 1:** | | | |
| Composite index | 106.2 | 106.6 | 105.6 |
| Piece goods | 98.2 | 98.5 | 100.1 |
| Men's apparel | 106.8 | 107.2 | 104.6 |
| Women's apparel | 101.9 | 102.3 | 102.0 |
| Infants' and children's wear | 105.9 | 106.4 | 105.2 |
| Home furnishings | 109.2 | 109.4 | 109.5 |
| Piece goods— | | | |
| Rayon and silks | 91.0 | 91.0 | 91.7 |
| Woolens | 110.9 | 114.4 | 109.4 |
| Cotton wash goods | 95.8 | 96.2 | 103.0 |
| Domestics— | | | |
| Sheets | 104.8 | 105.9 | 111.1 |
| Blankets and comfortables | 123.4 | 123.7 | 117.1 |
| Women's apparel— | | | |
| Hosiery | 95.9 | 96.8 | 99.9 |
| Aprons and housedresses | 98.9 | 98.9 | 99.7 |
| Corsets and brassieres | 107.9 | 107.9 | 106.6 |
| Furs | 97.7 | 98.5 | 96.0 |
| Underwear | 101.1 | 101.6 | 101.2 |
| Shoes | 109.5 | 109.6 | 107.6 |
| Men's apparel— | | | |
| Hosiery | 106.9 | 107.3 | 104.8 |
| Underwear | 111.5 | 111.8 | 108.6 |
| Shirts and neckwear | 102.4 | 102.8 | 102.0 |
| Hats and caps | 100.3 | 100.3 | 100.3 |
| Clothing including overalls | 105.4 | 105.6 | 102.9 |
| Shoes | 109.9 | 110.3 | 108.9 |
| Infants' and children's wear— | | | |
| Socks | 102.9 | 102.9 | 102.0 |
| Underwear | 102.9 | 102.9 | 102.7 |
| Shoes | 112.2 | 112.9 | 109.1 |
| Furniture | 108.4 | 108.4 | 105.1 |
| Floor coverings | 120.0 | 120.0 | 120.2 |
| Radios | 103.0 | 103.0 | 100.6 |
| Luggage | 101.9 | 103.2 | 104.3 |
| Electrical household appliances | 106.6 | 106.6 | 106.9 |
| China | 101.2 | 101.7 | 102.6 |
| **LIFE INSURANCE—BENEFIT PAYMENTS TO POLICYHOLDERS—INSTITUTE OF LIFE INSURANCE—Month of December:** | | | |
| Death benefits | $141,621,000 | $136,825,000 | $137,352,000 |
| Matured endowments | 37,549,000 | 42,448,000 | 39,566,000 |
| Disability payments | 7,988,000 | 8,311,000 | 8,222,000 |
| Annuity payments | 22,249,000 | 24,109,000 | 18,131,000 |
| Surrender values | 53,450,000 | 53,220,000 | 54,309,000 |
| Policy dividends | 101,391,000 | 50,458,000 | 87,922,000 |
| Total | $364,248,000 | $315,371,000 | $345,502,000 |
| **MOODY'S WEIGHTED AVERAGE YIELD OF 200 COMMON STOCKS—Month of Jan.:** | | | |
| Industrial (125) | 5.57 | 5.56 | 6.58 |
| Railroad (25) | 6.03 | 6.38 | 5.73 |
| ‡Utilities (24) | 5.52 | 5.61 | 5.81 |
| Banks (15) | 4.41 | 4.45 | 4.73 |
| Insurance (10) | 3.38 | 3.47 | 3.52 |
| Average (200) | 5.53 | 5.55 | 6.32 |
| **MOTOR VEHICLE FACTORY SALES FROM PLANTS IN U. S. (AUTOMOBILE MANUFACTURERS ASSN.)—Month of December:** | | | |
| Total number of vehicles | 382,481 | 450,800 | 640,924 |
| Number of passenger cars | 293,305 | 356,788 | 521,371 |
| Number of motor trucks | 88,331 | 93,179 | 118,888 |
| Number of motor coaches | 845 | 833 | 665 |
| **TREASURY MARKET TRANSACTIONS IN DIRECT AND GUARANTEED SECURITIES OF U. S. A.—Month of January:** | | | |
| Net sales | ------ | ------ | ------ |
| Net purchases | $22,115,500 | $26,968,100 | $36,780,600 |
| **UNITED STATES EXPORTS AND IMPORTS—BUREAU OF CENSUS—Month of December (000's omitted):** | | | |
| Exports | $1,436,000 | $1,386,000 | $1,065,000 |
| Imports | 800,000 | 818,000 | 866,715 |

*Revised figures. ‡Am. Tel. & Tel. excluded.

Digitized for FRASER
http://fraser.stlouisfed.org/

# Securities Now in Registration

★ **INDICATES ADDITIONS SINCE PREVIOUS ISSUE**
● **ITEMS REVISED**

★ **Admiralty Alaska Gold Mining Co., Juneau, Alaska**
Feb. 11 (letter of notification) $250,000 of 6% convertible income notes. **Price**—At par (in denominations of $100 each). **Proceeds** — To develop and expand mining and milling facilties. **Underwriter**—None.

★ **Alaska Airlines, Inc., New York**
Feb. 13 (letter of notification) $300,000 of 5½% bonds due Feb. 1, 1964 (subsequently reduced by amendment to $250,000. **Price**—At par (in denominations of $500 and $1,000 each). **Office**—501 Fifth Ave., New York, N. Y.

**American-Canadian Uranium Co., Ltd., N. Y.**
Dec. 28 filed 850,000 shares of common stock (par 10c). Company will offer stockholders who purchased 10,327 shares under an earlier registration statement at $3.50 per share who desire to rescind the transaction, to cancel the transaction and refund $3.50 per share, or to refund $1.50 per share to those desiring to retain the stock. **Price**—$2 per share. **Underwriter**—None. **Proceeds**—To repay loans and other liabilities and for exploration expenses.

**American Fire & Casualty Co., Orlando, Fla.**
Dec. 19 (letter of notification) 11,100 shares of common stock (par $10). **Price** — $27 per share. **Underwriter** — Guardian Credit Corp., Orlando, Fla. **Proceed** — For purchase of securities. **Office** — American Building, Orlando, Fla.

★ **American Tobacco Co. (3/5)**
Feb. 14 filed $50,000,000 of 25-year debentures due Feb. 1, 1977. **Price**—To be supplied by amendment. **Proceeds**—To reduce bank loans. **Underwriter**—Morgan Stanley & Co., New York.

★ **American Tobacco Co. (3/5)**
Feb. 14 filed 1,075,685 shares of common stock (par $25) to be offered for subscription by common stockholders of record March 5 at rate of one share for each five shares held; rights to expire March 24. **Price** — To be supplied by amendment. **Proceeds** — To reduce bank loans. **Underwriter**—Morgan Stanley & Co., New York.

● **Automatic Equipment Manufacturing Corp., Omaha, Neb.**
Feb. 8 (letter of notification) 145,000 shares of common stock. **Price** — $2 per share. **Proceeds** — For working capital. **Office**—314 So. 12th St., Omaha, Neb. **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.

● **Black Hills Power & Light Co. (2/29)**
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 on Feb. 28; rights to expire on March 13. **Price**—To be supplied by amendment. **Proceeds**—For construction program and to repay bank loans. **Underwriter**—Dillon, Read & Co. Inc., New York.

★ **Bostitch, Inc., Westerly, R. I.**
Feb. 11 (letter of notification) 4,695 shares of class A common stock (par $4). **Price**—$20 per share. **Proceeds**—To J. D. A. Whalen, the selling stockholder. **Underwriter**—Barrett & Co., Providence, R. I.

**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.

★ **Bridgeport (Conn.) Hydraulic Co. (3/7)**
Feb. 13 filed 44,000 shares of common stock (par $20) to be offered to common stockholders of record March 7 at rate of one share for each nine shares held. **Price**—To be supplied by amendment (expected between $24 and $26.75 per share). **Proceeds**—To repay bank loans and to finance improvements and additions to property. **Business** — Distribution and sale of water. **Underwriters**—Smith, Ramsay & Co., Inc., and Hincks Bros. & Co., of Bridgeport, Conn.; Chas. W. Scranton & Co., New Haven, Conn.; and T. L. Watson & Co., New York, N. Y.

● **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. Statement effective Feb. 14.

● **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. Statement effective Feb. 13.

★ **Central Louisiana Electric Co., Inc. (2/25)**
Feb. 13 filed 53,616 shares of common stock (par $10) to be offered for subscription by common stockholders of record Feb. 25 at rate of one share for each seven shares held. Of unsubscribed shares, a maximum of $5,000 shares to be offered employees and a maximum of 10,000 shares to other persons in Louisiana. **Price**—To be supplied by amendment. **Proceeds**—From sale of stock, together with $3,000,000 from private sale of debentures. To repay bank loans and for new construction. **Underwriter**—None.

★ **Central Power & Light Co. (3/11)**
Feb. 18 filed $10,000,000 first mortgage bonds, series D, due March 1, 1982. **Proceeds** — For new construction. **Underwriter**—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. **Offering**—Expected in March.

★ **Central States Paper & Bag Co., St. Louis, Mo.**
Feb. 11 (letter of notification) 5,000 shares of common stock. **Price**—At par ($20 per share). **Proceeds**—To A. A. Abramson and M. Feist, two selling stockholders. **Office**—5221 Natural Bridge, St. Louis, Mo.

*Continued on page 46*

## NEW ISSUE CALENDAR

**February 25, 1952**
Central Louisiana Electric Co., Inc.______Common
(Offering to stockholders)
Cinerama, Inc.____________________Debentures
(Gearhart, Kinnard & Otis, Inc.)
Russell Reinforced Plastics Corp.__________Class A
(Aetna Securities Corp.)

**February 26, 1952**
Central Illinois Electric & Gas Co.__________Bonds
(Bids 10:30 a.m. CST)
Delaware Power & Light Co.____________Preferred
(Bids 11:30 a.m. EST)
Denver & Rio Grande Western RR.__________Bonds
(Bids 11:30 a.m. EST)
Mississippi Valley Gas Co.______________Common
(Equitable Securities Corp.)
Missouri Pacific RR.___________Equip. Trust Ctfs.
(Bids noon CST)
United Canadian Oil Corp._______________Common
(Aigeltinger & Co.)

**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)
General Telephone Corp._____________Preferred
(Exchange offer)
International Glass Fibres Corp.__________Common
(George F. Breen)
Rheem Manufacturing Co._______________Common
(Blyth & Co., Inc.)

**February 29, 1952**
Black Hills Power & Light Co.____________Common
(Dillon, Read & Co. Inc.)

**March 3, 1952**
Daitch Crystal Dairies, Inc.______________Common
(Hirsch & Co.)
Southwestern Associated Telephone Co.________Pfd.
(Mitchum, Tully & Co.)

**March 4, 1952**
Continental Air Lines, Inc._______________Common
(Lehman Brothers)
Illinois Power Co._____________________Preferred
(Merrill Lynch, Pierce, Fenner & Beane and The First Boston Corp.)
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**
American Tobacco Co.__________Debs. & Common
(Morgan Stanley & Co.)
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.)
Georgia-Pacific Plywood Co.______________Common
(Blyth & Co., Inc.)

**March 6, 1952**
Inland Steel Co.______________Bonds & Debentures
(Kuhn, Loeb & Co.)
Rochester Gas & Electric Corp.___________Preferred
(The First Boston Corp.)
Schering Corp.__________________________Common
(Bids 3:30 p.m. EST)
Texas Utilities Co.______________________Common
(Union Securities Corp.)

**March 7, 1952**
Bridgeport Hydraulic Co._________________Common
(Smith, Ramsay & Co. and associates)

**March 11, 1952**
Central Power & Light Co.__________________Bonds
(Bids to be invited)
Metropolitan Edison Co._______Bonds & Preferred
(Bids noon EST)
Ohio Edison Co._______________________Preferred
(Bids 11 a.m. EST)
Pacific Power & Light Co.___________________Bonds
(Bids 8.30 a.m. PST)
Potomac Electric Power Co.__________________Bonds
(Bids to be invited)

**March 12, 1952**
Illinois Power Co._________________________Bonds
(Bids to be invited)
Narragansett Electric Co.____________________Bonds
(Bids noon EST)

**March 14, 1952**
Quaker Oats Co._________________________Common
(Glore, Forgan & Co.)

**March 17, 1952**
Union Bank & Trust Co. of Los Angeles__Common
(Blyth & Co., Inc., and others)

**March 18, 1952**
Interstate Power Co.____________Bonds & Common
(Bids to be invited)
Middle South Utilities Co.________________Common
(Bids 11 a.m EST)
Pacific Gas & Electric Co.__________________Bonds
(Bids to be invited)

**March 25, 1952**
Consolidated Edison Co. of New York, Inc.__Bonds
(Bids to be invited)
Southern California Gas Co._________________Bonds
(Bids to be invited)

**March 31, 1952**
Mountain States Tel. & Tel. Co.____________Common
(Offering to stockholders. No underwriting)
Texas Power & Light Co.____________________Bonds
(Bids to be invited)

**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)

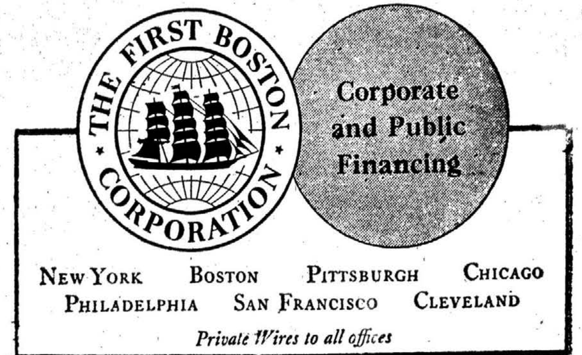

**Your best buy for both markets!**

Institutional buyers and the general investing public—you reach *both* markets most completely when your advertising appears in the Chicago Tribune, the midwest's leading business and financial newspaper.

Whether you are offering a new issue—or publicizing your services in the marketing of securities—your most efficient medium in the midwest's largest and ablest investment market is the Chicago Tribune. Ask any of our offices for details.

**CHICAGO TRIBUNE**
THE WORLD'S GREATEST NEWSPAPER

THE TRIBUNE GIVES TO EACH DAY'S MARKET TABLES AND REPORTS THE LARGEST CIRCULATION THEY RECEIVE IN AMERICA


gitized for FRASER
p://fraser.stlouisfed.org/

*Continued from page 45*

**● Chain Belt Co.**
Jan. 30 filed 81,512 shares of capital stock (par $10), being offered for subscription by stockholders at rate of one new share for each six shares held on Feb. 19; rights to expire March 6. **Price**—$34 per share. **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 (2/25-29)**
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."

**★ Columbia Machinery & Engineering Corp., Hamilton, Ohio**
Feb. 13 (letter of notification) 30,000 shares of common stock (par 10 cents). **Price**—At market (approximately $2.62½ per share). **Proceeds**—To Alfred Schwarzenbach, the selling stockholder. **Office**—High St., Hamilton, O. **Underwriter**—None.

**★ Congressional Development Co., Inc., Silver Spring, Md.**
Feb. 11 (letter of notification) 1,000 shares of common stock. **Price**—At par ($5 per share). **Proceeds**—For working capital. **Office**—11713 Lytle St., Silver Spring, Md. **Underwriter**—None.

**★ Consolidated Edison Co. of New York, Inc. (3/25)**
Feb. 19 filed $50,000,000 of first and refunding mortgage bonds, series H, due March 1, 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.

**★ Consolidated Underwriters Investment Corp., Shreveport, La.**
Feb. 18 filed 40,000 shares of class A common stock. **Price**—At par ($10 per share, with an underwriter fee of $1.50). **Proceeds**—For investment. **Underwriters**—A. C. Decker, Jr., President and Treasurer of corporation; F. D. Keith, Vice-President; and S. O. Ryan.

**Consumers Cooperative Association, Kansas City, Mo.**
Jan. 24 filed $3,000,000 of 10-year 4½% certificates of indebtedness and $5,000,000 of 20-year 5½% certificates of indebtedness. **Proceeds**—$4,000,000 to be used to aid in financing construction of an agricultural nitrogen fixation plant to be constructed and operated through a subsidiary, The Cooperative Farm Chemical Association, and the remaining $4,000,000 to be added to general funds of the Association and used for all corporate purposes. **Underwriter**—None.

**● Continental Air Lines, Inc. (3/4)**
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.

**★ Delamar Mining & Recovery Co., Spokane, Wash.**
Feb. 8 (letter of notification) 273,462 shares of class A stock and 104,217 shares of class B stock. **Price**—25 cents per share. **Proceeds**—For refining equipment. **Office**—Bus Terminal Building, Spokane, Wash. **Underwriter**—None.

**● 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**—To be received up to 11:30 a.m. (EST) on Feb. 26 at 600 Market St., Wilmington, Del. Statement effective Feb. 18.

**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.

**★ Detroit Steel Products Co., Detroit, Mich.**
Feb. 14 (letter of notification) 7,440 shares of common stock (par $10). **Proceeds**—For corporate purposes. **Office**—2250 East Grand Boulevard, Detroit 11, Mich. **Underwriter**—None.

**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.

**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.

**★ Eaton & Howard Balanced Fund, Boston, Mass.**
Feb. 18 filed 500,000 trust shares. **Price**—At market. **Proceeds**—For investment. **Underwriter**—None.

**★ El Paso Natural Gas Co. (3/5)**
Feb. 14 filed 100,000 shares of cumulative preferred stock (par $100). **Price**—To be supplied by amendment. **Proceeds**—For new construction and to repay bank loans. **Underwriter**—White, Weld & Co., New York.

**★ El Paso Natural Gas Co. (3/5)**
Feb. 14 filed 100,000 shares of convertible second preferred stock (no par), to be offered, for subscription by common stockholders of record March 4; rights to expire March 18. **Price**—To be supplied by amendment. **Proceeds**—For new construction and to repay bank loans. **Underwriter**—White, Weld & Co., New York.

**★ Elgin National Watch Co., Elgin, Ill.**
Feb. 14 (letter of notification) 21,000 shares of capital stock (par $15). **Price**—$14.12½ per share. **Proceeds**—To reimburse the treasury. **Office**—107 National St., Elgin, Ill. **Underwriter**—None.

**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.

**★ Food Machinery & Chemical Corp., San Jose, Cal.**
Feb. 11 (letter of notification) 4,257 shares of common stock to be issued to three persons who hold all issued and outstanding capital stock of Quimica Sinaloense S. A. de C. V., a Mexican corporation. **Underwriter**—None. **Office**—333 West Julian St., San Jose, Calif.

**★ General Alloys Co., Boston, Mass.**
Feb. 11 (letter of notification) 47,260 shares of common stock to be offered in exchange for outstanding class A preferred stock on basis of two shares of common stock and $3 in cash for each one share of preferred "unstamped" stock, and two common shares and $2.10 in cash for each one share of preferred "stamped" stock. **Underwriter**—None. **Office**—405 West First St., Boston, Mass.

**★ General Investment Corp., Salt Lake City, Utah**
Feb. 15 (letter of notification) 250,000 shares of capital stock. **Price**—50 cents per share. **Proceeds**—To purchase 51% of capital stock of Utah Hydro Corp. and Robbin Ethol Corp. **Office**—19 West South Temple, Salt Lake City, Utah. **Underwriter**—None.

**● General Telephone Corp. (2/28-29)**
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.
Feb. 12 also filed 5,400 shares of common stock (par $20) to be issued to Southwestern Associated Telephone Co. in exchange for 6,600 shares of its common stock, then to be exchanged by Southwestern for property of J. E. and Ruby B. Schultz who will then reoffer such stock on the New York Stock Exchange. **Underwriter**—None.

**★ Georgia-Pacific Plywood Co. (3/5)**
Feb. 14 filed 250,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—For working capital and general corporate purposes. **Underwriter**—Blyth & Co., Inc., New York.

**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

**★ Gold Coin Mining & Leasing Co., Cripple Creek, Colo.**
Feb. 12 (letter of notification) 12,500,000 shares of capital stock. **Price**—At par (one cent per share). **Proceeds**—For mining operations. **Office**—209 East Bennett Ave., Cripple Creek, Colo. **Underwriters** — Melson A. Cleek and John R. Tindell, both of Spokane, Wash.

**★ Haeckl's Express, Inc., Hamilton, Ohio**
Feb. 13 (letter of notification) 1,500 shares of class A non-voting common stock. **Price**—$100 per share. **Proceeds**—For equipment and working capital. **Office**—1255 Corwin Ave., Hamilton, O. **Underwriter**—None.

**★ Hammond Bag & Paper Co., Wellsburg, W. Va.**
Feb. 15 (letter of notification) 10,000 shares of common stock. **Price**—At par ($20 per share). **Proceeds**—For working capital. **Underwriter**—None.

**★ Idaho Egg Producers, Caldwell, Idaho**
Feb. 13 (letter of notification) $200,000 of certificate of indebtedness at prices determined by public lenders. **Proceeds**—To retire, redeem and pay either an equivalent amount of outstanding certificates of preferred interest or contributions by patrons to the patrons' capital reserve fund or for construction. **Address**—P. O. Box 771, Caldwell, Idaho. **Underwriter**—None.

**★ Illinois Power Co. (3/4)**
Feb. 15 filed 200,000 shares of cumulative preferred stock (par $50). **Proceeds**—For construction program. **Underwriters**—Merrill Lynch, Pierce, Fenner & Beane and The First Boston Corp., New York.

**★ Illinois Power Co. (3/12)**
Feb. 15 filed $20,000,000 of first mortgage bonds due 1982. **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 Securites Corp.; The First Boston Corp.; Harriman Ripley & Co., Inc. and Glore, Forgan & Co. (jointly); Kuhn, Loeb & Co. and A. C. Allyn & Co., Inc. (jointly). **Bids** — Tenatively scheduled for March 12.

**★ Inland Steel Co. (3/6)**
Feb. 15 filed $25,000,000 of first mortgage bonds, series I, due March 1, 1982. **Price**—To be supplied by amendment. **Proceeds**—For capital expenditures and working capital. **Underwriter**—Kuhn, Loeb & Co., New York.

**★ Inland Steel Co. (3/6)**
Feb. 15 filed $24,496,500 of convertible debentures due March 15, 1972, to be offered first for subscription by common stockholders at rate of $100 of debentures for each 20 shares of stock held on or about March 5; with rights to expire on or about March 19. **Price**—At par (in denominations of $100 each). **Proceeds**—For expansion program. **Underwriter**—Kuhn, Loeb & Co., New York.

**● International Glass Fibres Corp. (2/28)**
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.

**★ International Marine Products Co., Vancouver, Calif.**
Feb. 13 (letter of notification) 35,000 shares of common stock (par $1), to be issued to a group of men who own patent, license and other rights to a new machine in canning fish process. **Office**—400 West 11th St., Vancouver, Wash.

**Interstate Oil Pipe Line Co. (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. **Office**—Shreveport, La. **Underwriter**—Morgan Stanley & Co., New York.

**★ Jawin Corp., Waldorf, Md.**
Feb. 13 (letter of notification) 10,000 shares of common stock to be issued to J. B. Winstead in return for operating the business, and an additional 5,000 shares of common stock and 5,000 shares of preferred stock to be issued in units of one share of common at $1 per share and one share of preferred at $3 per share. **Price**—$4 per unit. **Proceeds**—To operate a beer distributorship. **Underwriter**—None.

**★ Kraus Automatic Machines Corp., Rochester, N. Y.**
Feb. 18 (letter of notification) 199,900 shares of common stock (par 15 cents). **Price**—$1.50 per share. **Proceeds**—For advances to Kraus Design, Inc., and for working capital. **Underwriter**—Israel & Co., New York.

**★ LaCrosse Telephone Corp., Chicago, Ill.**
Feb. 15 (letter of notification) 12,500 shares of common stock (par $10), to be offered to public and 13,130 shares to parent, Central Telephone Co. **Price**—$11 per share. **Proceeds**—To reduce advances from parent and bank loans. **Underwriters**—Loewi & Co., Milwaukee, Wis., and Bell & Farrell, Inc., Madison, Wis.

**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.

**★ Loomis-Sayles Mutual Fund, Inc., Boston, Mass.**
Feb. 14 filed $3,808,000 of common stock. **Price**—At market. **Proceeds**—For investment. **Underwriter**—None.

**● 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.

**McKay Machine Co., Youngstown, Ohio**
Jan. 14 (letter of notification) 6,399 shares of common stock (no par), being offered to common stockholders of

gitized for FRASER
http://fraser.stlouisfed.org/

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**—Statement withdrawn Feb. 12.

**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.

**Narragansett Electric Co. (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: Halsey, 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.

**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.

● **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**—Floyd D. Cerf, Jr. Co., Chicago, Ill.

★ **Ohio Edison Co., Akron, Ohio (3/11)**
Feb. 14 filed 150,000 shares of 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 Brothern and Bear, Sterns & Co. (jointly). **Bids**—Tentatively scheduled to be opened at 11 a.m. (EST) on March 11, at office of Commonwealth Services, Inc., 20 Pine St., New York, N. Y.

★ **Oil Producers, Inc., Oklahoma City, Okla.**
Feb. 11 (letter of notification) 290,000 shares of common stock (par 10 cents). **Price**—At market (approximately 16 cents per share). **Proceeds**—To Norman Bernstein and W. N. Portnoy, two selling stockholders. **Office**—Petroleum Bldg., Oklahoma City, Okla. **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); Smith, Barney & Co. **Bids**—Expected to be received on or about March 4.

● **Oliver Corp., Chicago, Ill.**
Jan. 24 filed 171,090 shares of common stock (par $1) being 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**—$30 per share. **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. Statement effective Feb. 13.

**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.

★ **Pacific Power & Light Co. (3/11)**
Feb. 15 filed $12,500,000 of first mortgage bonds, due March 1, 1982. **Proceeds**—For property additions. **Underwriters**—To be determined by competitive bidding. 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. **Bids**—Tentatively scheduled to be received at 8:30 a.m. (PST) on March 11.

**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.

★ **Petroleum Finance Corp. (2/28)**
Feb. 5 (letter of notification) 60,000 shares of common stock (par $1) and 30,000 warrants to purchase 30,000 shares of common stock (warrants exercisable at $7.50 per share on or prior to April 1, 1954) to be offered in units of two shares of common stock and one warrant. **Price**—$10 per unit. **Proceeds**—For working capital. **Office**—Oklahoma City, Okla. **Underwriter**—George F. Breen, New York.

**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.

★ **Policy Holders Insurance Co., San Gabriel, Calif.**
Feb. 15 (letter of notification) 5,000 shares of class A stock to be offered to shareholders, directors and employees of company's affiliates, and 5,000 shares of class B stock to be offered to three directors. **Price**—At par ($10 per share). **Proceeds**—For working capital. **Office**—222 West Las Tunas Drive, San Gabriel, Calif. **Underwriter**—None.

★ **Portal Drilling Corp., Tucson, Ariz.**
Feb. 11 (letter of notification) 70,000 shares of common stock. **Price**—$1 per share. **Proceeds**—For working capital. **Office** — 416 East Sixth St., Tucson, Ariz. **Underwriter**—None.

★ **Potomac Electric Power Co., Washington, D. C. (3/11)**
Feb. 13 filed $15,000,000 of first mortgage bonds due March 1, 1987. **Proceeds**—For new construction and to repay bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and Blyth & Co., Inc. (jointly); The First Boston Corp.; Dillon, Read & Co. Inc.; Lehman Brothers, Stone & Webster Securities Corp. and Union Securities Corp. (jointly); Kidder, Peabody & Co., Merrill Lynch, Pierce, Fenner & Beane, White, Weld & Co. and Salomon Bros. & Hutzler (jointly); Harriman Ripley & Co., Inc. **Bids**—Expected about March 11.

**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. (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.

★ **Ridley Mines Holding Co., Grafton, N. D.**
Feb. 15 filed 100,000 shares of common stock. **Price**—At par ($5 per share). **Proceeds**—For exploration and other mining purposes. **Business** — Uranium mining. **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.

★ **Rochester Gas & Electric Corp. (3/6)**
Feb. 15 filed 60,000 shares of cumulative preferred stock series I (par $100). **Price** — To be supplied by amendment. **Proceeds**—For construction program and to repay short-term loans. **Underwriter**—The First Boston Corp., New York.

★ **Russell Reinforced Plastics Corp. (2/25)**
Feb. 14 (letter of notification) 150,000 shares of class A stock (par $1). **Price**—$2 per share. **Proceeds**—For expansion program, to repay obligation to Aircraft Specialties Co., Inc., and for working capital. **Underwriter**—Aetna Securities Corp., New York.

**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.

★ **Smith Engineering Works, Milwaukee, Wis.**
Feb. 15 (letter of notification) 1,000 shares of capital stock (par $10). **Price**—$22 per share. **Proceeds**—To Estate of Charles F. Smith. **Underwriter** — The Milwaukee Co., Milwaukee, Wis.

**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.

**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.

★ **Sure-Seal Corp., Salt Lake City, Utah**
Feb. 14 (letter of notification) 4,424 shares of 5% non-cumulative preferred stock. **Price**—At par ($20 per share). **Proceeds**—For operating capital. **Office**—21st West and 4th North, Salt Lake City, Utah. **Underwriter**—None.

★ **Technical Fund, Inc., San Francisco, Calif.**
Feb. 18 filed 300,000 shares of capital stock. **Price**—At market. **Proceeds**—For investment. **Underwriter**—Technical Fund Distributors, San Francisco, Calif.

★ **Texas Fund, Inc., Houston, Tex.**
Feb. 18 filed 750,000 shares of common stock (par $1). **Price**—At market. **Proceeds** — For investment. **Underwriter**—Bradschamp & Co., Houston, Tex.

★ **Texas Utilities Co. (3/6)**
Feb. 15 filed 409,689 shares of common stock (no par) to be first offered to common stockholders of record March 5 at rate of one new share for each 12 shares held. **Price**—To be supplied by amendment. **Proceeds** — To repay bank loans and for investments in and advances to subsidiaries and working capital. **Underwriter**—Union Securities Corp., New York.

★ **Trail Mines, Inc., Colorado Springs, Colo.**
Feb. 11 (letter of notification) 7,500,000 shares of common stock. **Price**—At par (one cent). **Proceeds** — For working capital. **Office** — 126 So. Tejon St., Colorado Springs, Colo. **Underwriter**—None.

**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.

*Continued on page 48*

Digitized for FRASER
http://fraser.stlouisfed.org/

*Continued from page 47*

**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. **Price**—$5,000 per interest. **Proceeds**—To purchase Broad Exchange Bldg. **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. (2/26)**
July 31 filed 1,000,000 shares of common stock (par $1). **Price**—At par. **Underwriter**—Aigeltinger & Co., New York (by amendment Jan. 8, 1952). **Proceeds**—For completion of well, for acquisitions, for drilling expenses, etc. and working capital. Statement effective Oct. 8.

**★ United Fidelity & Guaranty Life Insurance Co., Phoenix, Ariz.**
Feb. 13 (letter of notification) 50,000 shares of common stock (par $3). **Price**—$5 per share. **Proceeds**—To establish a legal reserve life insurance company under laws of Arizona. **Office**—3338 No. 11th Ave., Phoenix, Ariz. **Underwriter**—None.

**★ U. S. Oil & Gas Corp., Houston, Texas**
Feb. 4 (letter of notification) 594,000 shares of common stock (par 10 cents) and 297,000 warrants to buy a like amount of common shares at $1 per share, to be offered in units of 100 shares of stock and 50 warrants. **Price**—$50 per unit. **Proceeds**—For working capital. **Underwriter**—West and Co., Jersey City, N. J. **Offering**—Now being made.

**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.

# 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 vote to increase the authorized common stock to 1,000,000 from 750,000 shares, and to issue 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.

**★ American Telephone & Telegraph Co.**
Feb. 20 directors voted to place before stockholders on April 16 a proposal to authorize a new issue of not to exceed $550,000,000 of convertible debentures. Last issue of debentures was offered to stockholders at par, without underwriting.

**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.

**★ Beckman Equipment Co. of California**
Feb. 8 it was reported early registration is expected of about 500,000 shares of common stock. **Price**—To be supplied later. **Offering**—Expected in mid-March. **Underwriter**—Lehman Brothers, New York.

**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.

**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, Rock Island & Pacific RR.**
Feb. 15 company sought ICC approval of a proposed issue of $6,000,000 equipment trust certificates, series M, to mature in 30 equal semi-annual instalments. 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. **Underwriters**—Expected to be The First Boston Corp. and Halsey, Stuart & Co. Inc.

**• City National Bank & Trust Co. of Chicago**
Feb. 11 stockholders of record Feb. 8 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 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.

**• 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 the near future. **Proceeds**—To be used for construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Harriman Ripley & Co., Inc.; Equitable Securities Corp.; Lehman Brothers; Union Securities Corp.; Kidder, Peabody & Co.; Blyth & Co., Inc.; Merrill Lynch, Pierce, Fenner & Beane. **Bids**—Expected late May or early June.

**• Denver & Rio Grande Western RR. (2/26)**
Feb. 6 it was announced that the RFC will receive bids up to 11:30 a.m. (EST) 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.; The First Boston Corp.

**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.

**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 approximately 530,000 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.; Blyth & Co., Inc.; Kuhn, Loeb & Co.; Merrill Lynch, Pierce, Fenner & Beane; Salomon Bros. & Hutzler and Drexel & Co. (jointly). **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.

**★ Hartford Electric Light Co.**
Feb. 18 it was announced stockholders will vote March 4 on a $20,000,000 financing plan which will include the sale of bonds (probably privately). **Proceeds**—For new construction.

**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.

**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 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:

Digitized for FRASER
http://fraser.stlouisfed.org/

Halsey, Stuart & Co. Inc.; White, Weld & Co.; Merrill Lynch, Pierce, Fenner & Beane; Smith, Barney & Co.; Salomon Bros. & Hutzler. Probable bidders for common stock: Blyth & Co., Inc.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly); Smith, Barney & Co.; Harriman Ripley & Co. Inc. **Proceeds**—For construction program. **Registration**—Expected on Feb. 18. **Bids**—Scheduled to be received on March 18.

**Kansas City Power & Light Co.**
Jan. 4 company announced that it plans to issue and sell in 1952 about $12,000,000 principal amount first mortgage bonds (this is in addition to present preferred and common stock financing. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Glore, Forgan & Co.; Blyth & Co., Inc. and Lazard Freres & Co. (jointly); The First Boston Corp.; White, Weld & Co. and Shields & Co. (jointly); Smith, Barney & Co.; Kuhn, Loeb & Co., Salomon Bros. & Hutzler and Union Securities Corp. (jointly); Equitable Securities Corp.; Lehman Brothers and Bear, Stearns & Co. (jointly); Harriman Ripley & Co., Inc. **Proceeds**—For new construction.

**Kentucky Utilities Co.**
Dec. 10 it was reported company plans to issue and sell in April or May $12,000,000 30-year first mortgage bonds, series D. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Lehman Brothers and Salomon Bros. & Hutzler (jointly); Blyth & Co., Inc.; Union Securities Corp. and Merrill Lynch, Pierce, Fenner & Beane (jointly).

**Leitz (E.), Inc., New York**
Jan. 21 it was reported that the Office of Alien Property, 120 Broadway, New York, N. Y., plans to sell late in March all of the outstanding capital stock of this company, which distributed Leica cameras in the United States. Probable bidders may include: Allen & Co.

**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 were withdrawn on Feb. 12. **Proceeds**—For expansion program. **Underwriter**—Reynolds & Co. had been named for preferred stock.

**Metal Hydrides, Inc., Beverly, Mass.**
Feb. 14 it was reported company plans to issue and sell from 50,000 to 100,000 shares of common stock. **Proceeds**—For expansion and working capital. **Underwriter**—D. A. Lomasney & Co., New York. **Registration**—Expected before end of February.

**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.

**★ Middle South Utilities, Inc. (3/18)**
Feb. 13 it was announced company plans to issue and sell 600,000 additional shares of common stock. **Proceeds**—For new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc.; The First Boston Corp.; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Lehman Brothers; Union Securities Corp. and Equitable Securities Corp. (jointly). **Bids**—Tentatively scheduled for 11 a.m. (EST) on March 18. **Registration**—Expected this week.

**★ Missouri Pacific RR. (2/26)**
Bids will be received up to noon (CST) on Feb. 26 for the purchase from the company of $3,675,000 of equipment trust certificates, series RR, to mature in 1 to 15 years to March 1, 1967. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

**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 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 Jersey Bell Telephone Co.**
Feb. 18 company filed a new $70,000,000 financing program with the New Jersey Board of Public Utility Commissioners, which will include $20,000,000 of long-term bonds. **Proceeds**—From sale of bonds and from sale of $50,000,000 of common stock to parent, American Telephone & Telegraph Co. will be used for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; White, Weld & Co.; Kuhn, Loeb & Co.; Shields & Co.; The First Boston Corp. **Offering**—Expected early in May.

**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.

**★ Pacific Gas & Electric Co. (3/18)**
Feb. 14 company announced plans to issue and sell $55,000,000 of first and refunding mortgage bonds to be dated Dec. 1, 1951, and mature Dec. 1, 1985. **Proceeds**—For new construction. **Underwriters**—To be determined b competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; The First Boston Corp. **Registration**—Expected this week. **Bids**—Tentatively expected to be received on March 18.

**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.")

**★ Pan American Sulphur Co.**
Feb. 9 stockholders approved an increase in the authorized common stock from 1,500,000 shares (par 10 cents) to 2,000,000 shares (par 70 cents). A part of the increase is expected to be offered for subscription by stockholders. Proceeds would be used for construction and exploration program in Mexico.

**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**—For stock, 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. (3/14)**
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 about March 14 on a 1-for-7 basis; rights to expire about March 31. 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.

**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 Edison Co.**
Aug. 29 it was announced company may have to raise approximately $49,900,000 more through additional financing to take care of its 1951-1952 construction program. Probable bidders for bonds: Halsey Stuart & Co. Inc.; Kuhn, Loeb & Co.; Blyth & Co., Inc.; The First Boston Corp. and Harris, Hall & Co., Inc. (jointly). These bankers bid for the $30,000,000 issue of 3⅛% first and refunding mortgage bonds which were sold in Aug., 1951. The nature, amounts and timing of the new financing cannot now be determined, and will depend in part or market conditions existing from time to time and may include temporary bank loans. Previous equity financing was underwritten by The First Boston Corp. and Harris Hall & Co. (Inc.). Stock offer expected in April.

**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.

*Continued on page 50*

Digitized for FRASER
http://fraser.stlouisfed.org/

*Continued from page 49*

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 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.**
Feb. 14 filed application with SEC for authority to issue and sell $6,000,000 first mortgage bonds, series E, due March 1, 1982. **Proceeds**—For construction program. **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. **Bids**—Expected in March.

**Tampa Electric Co.**
Jan. 24 it was announced company plans to spend $52,000,000 for new construction and improvements in the next five years and expects to enter the new money market this year to finance its 1952 requirements. Latest bond financing was done privately. **Traditional Underwriter**—Goldman, Sachs & Co., New York.

**Texas 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.

**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. (3/31)**
Jan. 23 company was reported to be planning registration on Feb. 28 for sale about March 31 of $14,000,000 first mortgage bonds due 1982 and $5,000,000 of debentures due 1977. **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.

**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.**
Feb. 11 it was reported company plans to offer about $200,000 market value of new common stock (around 30,000 shares), first to present common stockholders. **Price**—$6.75 per share to stockholders and about $7.12½ per share to public. **Offer**—Expected in mid-March. **Underwriter**—Cruttenden & Co., Chicago, Ill.

**Union Bank & Trust Co. of Los Ang. (3/17)**
Feb. 14 it was announced company will offer for sale 10,000 shares of capital stock (par $50), first to stockholders of record March 17 at rate of one share for each 7½ shares held; rights to expire on April 8. **Price**—$120 per share. **Proceeds**—To increase capital and surplus. **Underwriters**—Blyth & Co., Inc.; Stern, Frank, Meyer & Fox; Lester, Ryons & Co.; A. W. Morris & Co., and Wm. R. Staats & Co.

**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.

**• U. S. National Bank, Portland, Ore. (3/4)**
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. On Feb. 15 it was reported directors have approved plans to issue and sell in June approximately 495,000 shares of common stock (first to stockholders). A bond sale is expected 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. 19 company applied to SEC for authority to issue and sell $12,000,000 of first mortgage bonds, series O, due April 1, 1982, together with such number of shares of additional common stock as will produce $8,000,000 of total proceeds. **Proceeds**—To pay bank loans and for property additions and improvements. **Underwriters**—(1) For stock, none. West Penn Electric Co., owner of approximately 94.6% of outstanding common stock, proposes to purchase all shares not subscribed by public holders. (2) For bonds, 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. **Registration**—Tentatively scheduled for Feb. 28. **Bids**—Expected to be opened on April 1.

**★ Westinghouse Air Brake Co.**
Feb. 12 it was announced stockholders will vote April 15 on increasing common stock (par $10) from 4,200,000 shares (about 4,123,000 outstanding) to 7,500,000 shares.

**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.

---

*Continued from page 8*

# Dealer-Broker Investment Recommendations and Literature

**Florida East Coast Railway Company**—Analysis (Bulletin No. 81)—Smith, Barney & Co., 14 Wall Street, New York 5, N. Y. Also available is a switch suggestion on **Western Pacific Railroad Company** (Bulletin No. 82).

**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.**

**Glidden Corporation**—Review—Van Alstyne, Noel & Co., 52 Wall Street, New York 5, N. Y.

**W. R. Grace & Company**—Analysis—Boenning and Company, 1606 Walnut Street, Philadelphia 3, Pa. Also available is an analysis of **Kalamazoo Vegetable Parchment Company.**

**James Dole Engineering**—Memorandum—Leason & Co., 39 South La Salle Street, Chicago 3, Ill.

**Jefferson Electric Company**—Analysis—Bond, Richman & Co., 37 Wall Street, New York 5, N. Y.

**Maine Central Railroad**—Information—Raymond & Co., 148 State Street, Boston 9, Moss.

**National Alfalfa Dehydrating & Milling Company**—Highlights—Troster, Singer & Co., 74 Trinity Place, New York 6, N. Y. Also available is brief data on **Brown-Allen Chemicals, Inc.**

**Northern Indiana Public Service Co.**—Memorandum—Rogers & Tracy, 120 South La Salle Street, Chicago 3, Ill.

**Ontario Steel Products Company, Ltd.**—Review—James Richardson & Sons, 173 Portage Avenue, East, Winnipeg, Man., Canada, and Royal Bank Building, Toronto, Ont., Canada.

**Philco Corporation**—Review—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

**Phillips Petroleum Company**—Study—Glore, Forgan & Co., 40 Wall Street, New York 5, N. Y.

**Placer Development, Ltd.**—Analysis—John R. Lewis, Inc., 1006 Second Avenue, Seattle 4, Wash.

**Reading Company**—Analysis—Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

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

**61 Broadway Collateral Trust Certificates**—Analysis—Lamont & Company, 89 State Street, Boston 9, Mass.

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

**U. S. Oil & Gas Corp.**—Offering circular—West & Co., 26 Journal Square, Jersey City 6, N. J.

**Westinghouse Electric**—Memoradum—Auchincloss, Parker & Redpath, 52 Wall Street, New York 5, N. Y.


## Salesmen Wanted

**Long established publishing house with good following has an opening for a salesman in both New York and Chicago territories. Knowledge of securities business or acquaintanceship among dealer-broker firms helpful.**

**Positions entail some traveling with expenses paid. Good future for right man. State age and full particulars in confidence. Box S 124, Commercial and Financial Chronicle, 25 Park Place, New York 7, N. Y.**


*Continued from page 8*

# Our Reporter's Report

a series of negotiated new deals which could produce 15 to 18 pieces of new business.

**Another of the larger firms which likewise usually heads up its own groups is reported to have about a dozen new undertakings coming to a boil, these also via the negotiated route.**

January was a pretty good month as underwritings go and one firm which leans strongly to negotiated business found the business of that nature handled had yielded about 15 times what might have been realized from the same volume of competitive deals.


## TRADER WANTED

**An attractive offer will be made to the right man experienced in trading over-the-counter securities. Some contracts required. Salary and profit-sharing basis. All replies will be held in strict confidence. Our employees know of this advertisement. Write.**

**BOX J-221**
**Commercial & Financial Chronicle,**
**25 Park Place, New York 8, N. Y.**


Digitized for FRASER
http://fraser.stlouisfed.org/

## Faroll Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Joseph A. Luger has become connected with Faroll & Company, 209 South La Street, members of the New York and Midwest Stock Exchanges.

## Dempsey-Tegeler Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Peter C. Olmstead has been added to the staff of Dempsey-Tegeler & Co., 210 West Seventh Street.

## Three with King Merritt

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Leon Cohen, Mrs. Elizabeth A. Mueller and Walter G. Nielsen have been added to the staff of King Merritt & Co., Inc., Chamber of Commerce Building.


## DIVIDEND NOTICES

AMERICAN POWER & LIGHT COMPANY
Two Rector Street, New York 6, N. Y.

CAPITAL STOCK DIVIDEND

A dividend of 24c per share on the Capital Stock of American Power & Light Company was declared on February 20, 1952, for payment April 1, 1952, to stockholders of record at the close of business March 6, 1952.

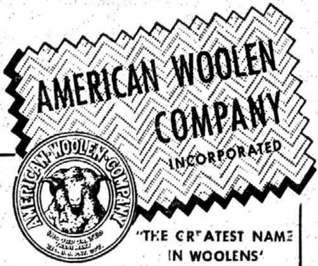
D. W. JACK, Secretary and Treasurer

ADVANCE ALUMINUM CASTINGS CORP.

Chicago, Illinois

The Board of Directors has declared a regular quarterly dividend of 12½ cents per share on the common stock of the corporation, payable March 15, 1952, to stockholders of record at the close of business on March 1, 1952.

ROY W. WILSON
President



AMERICAN WOOLEN COMPANY INCORPORATED

"THE GREATEST NAME IN WOOLENS"

AT the meeting of the Board of Directors of American Woolen Company, held today, the following dividends were declared:

A regular quarterly dividend of $1.00 per share on the $4 Cumulative Convertible Prior Preference Stock payable March 15, 1952 to stockholders of record February 29, 1952.

A regular quarterly dividend of $1.75 per share on the 7% Cumulative Preferred Stock payable April 15, 1952 to stockholders of record April 1, 1952.

Transfer books will be closed on February 29, 1952 on all three classes of stock outstanding and will re-open March 26, 1952.

Dividend checks will be mailed by the Guaranty Trust Company of New York.

F. S. CONNETT, Treasurer.
February 20, 1952.

AMERICAN Cyanamid COMPANY

PREFERRED DIVIDEND

The Board of Directors of American Cyanamid Company today declared a quarterly dividend of eighty-seven and one-half cents (87½c) per share on the outstanding shares of the Company's 3½% Cumulative Preferred Stock, Series A and Series B, payable April 1, 1952, to the holders of such stock of record at the close of business March 3, 1952.

COMMON DIVIDEND

The Board of Directors of American Cyanamid Company today declared a quarterly dividend of one dollar ($1.00) per share on the outstanding shares of the Common Stock of the Company, payable March 28, 1952, to the holders of such stock of record at the close of business March 3, 1952.

R. S. KYLE, Secretary
New York, February 19, 1952

## DIVIDEND NOTICES

J. I. Case Company
(Incorporated)

Racine Wis., February 18, 1952

A dividend of $1.75 per share upon the outstanding Preferred Stock of this Company has been declared payable April 1, 1952, and a dividend of 75c per share upon the outstanding $25 par value Common Stock of this Company has been declared payable April 1, 1952, to holders of record at the close of business March 12, 1952.

WM. B. PETERS, Secretary.

LION OIL COMPANY

A regular quarterly dividend of 50¢ per share has been declared on the Capital Stock of this Company, payable March 18, 1952, to stockholders of record February 29, 1952. The stock transfer books will remain open.

E. W. ATKINSON, Treasurer
February 13, 1952.

E.I. DU PONT DE NEMOURS & COMPANY

Wilmington, Delaware, February 18, 1952

The Board of Directors has declared this day regular quarterly dividends of $1.12½ a share on the Preferred Stock—$4.50 Series and 87½¢ a share on the Preferred Stock—$3.50 Series, both payable April 25, 1952, to stockholders of record at the close of business on April 10, 1952; also 85¢ a share on the Common Stock as the first interim dividend for 1952, payable March 14, 1952, to stockholders of record at the close of business on February 25, 1952.

L. DU P. COPELAND, Secretary

BRIGGS & STRATTON

BRIGGS & STRATTON CORPORATION

DIVIDEND

The Board of Directors has declared a quarterly dividend of twenty-five cents (25c) per share and an extra dividend of fifteen cents (15c) per share, on the capital stock (without par value) of the Corporation, payable March 15, 1952, to stockholders of record February 29, 1952.

L. G. REGNER, Secretary.
February 19, 1952

Bayuk Cigars Inc.

A dividend of fifteen cents (15¢) per share on the Common Stock of this Corporation was declared payable March 14, 1952, to shareholders of record Feb. 28, 1952. Checks will be mailed.

John A. Snyder
TREASURER

Philadelphia, Pa.
Feb. 15, 1952

PHILLIES
America's No1 cigar

## DIVIDEND NOTICES

Johns-Manville Corporation

DIVIDEND

The Board of Directors declared a dividend of 75¢ per share on the Common Stock payable March 13, 1952, to holders of record March 3, 1952.

ROGER HACKNEY, Treasurer

LOEW'S INCORPORATED
MGM PICTURES · THEATRES · MGM RECORDS

February 20, 1952

The Board of Directors has declared a quarterly dividend of 37½c per share on the outstanding Common Stock of the Company, payable on March 31, 1952, to stockholders of record at the close of business on March 12, 1952. Checks will be mailed.

CHARLES C. MOSKOWITZ
Vice Pres. & Treasurer

KENNECOTT COPPER CORPORATION

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

February 15, 1952

A cash distribution of One Dollar and Twenty-five Cents ($1.25) a share has been declared today by Kennecott Copper Corporation, payable on March 28, 1952, to stockholders of record at the close of business on February 27, 1952.

ROBERT C. SULLIVAN, Secretary

ELECTRIC BOAT COMPANY

445 Park Avenue
New York 22, New York

The Board of Directors has this day declared a dividend of fifty cents per share on the Common Stock of the Company payable March 10, 1952, to stockholders of record at the close of business, Feb. 15, 1952. Checks will be mailed by the Bankers Trust Company, 16 Wall Street, New York 15, N. Y., Transfer Agent.

CHAS. P. HART,
Secretary and Treasurer
January 31, 1952

BRITISH-AMERICAN TOBACCO COMPANY, LIMITED

At a meeting of Directors held February 12, 1952 in London it was decided to pay on March 31, 1952 first Interim Dividend of One Shilling for each One Pound of Ordinary Stock for the year ending September 30, 1952 on the issued Ordinary Stock of the Company, free of United Kingdom Income Tax.

Also decided to pay on the same day half-yearly dividend of 2½% (less tax) on the issued 5% Preference Stock.

Coupon No. 212 must be used for dividend on the Ordinary Stock and Coupon No. 97 must be used for dividend on the 5% Preference Stock. All transfers received in London on or before February 29th will be in time for payment of dividends to transferees.

Also decided to pay on April 30, 1952 half-yearly dividend of 3% (less tax) on issued 6% Preference Stock. All transfers received in London on or before April 4, 1952 will be in time for payment of dividends to transferees.

Stockholders who may be entitled by virtue of Article XIII(1) of the Double Taxation Treaty between the United States and the United Kingdom, to a tax credit under Section 131 of the United States Internal Revenue Code can by application to the Guaranty Trust Company of New York obtain certificates giving particulars of rates of United Kingdom Income Tax appropriate to all the above mentioned dividends.

BRITISH-AMERICAN TOBACCO COMPANY, LIMITED
February 12, 1952

## DIVIDEND NOTICES

REEVES BROTHERS, INC.

DIVIDEND NOTICE

A quarterly dividend of 30c per share has been declared, payable March 13, 1952, to stockholders of record at the close of business March 4, 1952. The transfer books of the Company will not be closed.

J. E. REEVES, Treasurer
February 18, 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.

TWENTIETH CENTURY-FOX FILM CORPORATION

A quarterly cash dividend of $.50 per share on the outstanding Common Stock of this Corporation has been declared payable March 29, 1952 to stockholders of record at the close of business on March 14, 1952.

DONALD A. HENDERSON, Treasurer.

BRITISH-AMERICAN TOBACCO COMPANY, LIMITED

NOTICE OF DIVIDENDS TO HOLDERS OF ORDINARY AND PREFERENCE STOCK WARRANTS TO BEARER.

A first interim dividend on the Ordinary Stock for the year ending 30th September 1952 of one shilling for each £1 of Ordinary Stock, free of United Kingdom Income Tax will be payable on 31st March, 1952.

Holders of Bearer Stock to obtain this dividend must deposit Coupon No. 212 with the Guaranty Trust Company of New York, 32, Lombard Street, London, E. C. 3., for examination five clear business days (excluding Saturday) before payment is made.

The usual half-yearly dividend of 2½% on the 5% Preference Stock (less Income Tax) for the year ending 30th September next will also be payable on the 31st March, 1952.

Coupon No. 97 must be deposited with the National Provincial Bank Limited, Savoy Court, Strand, London, W. C. 2., for examination five clear business days (excluding Saturday) before payment is made.

DATED 13th February, 1952.
BY ORDER
A. D. McCORMICK, Secretary.
Rusham House, Egham, Surrey.

Stockholders who may be entitled by virtue of Article XIII(1) of the Double Taxation Treaty between the United States and the United Kingdom, to a tax credit under Section 131 of the United States Internal Revenue Code can by application to Guaranty Trust Company of New York obtain certificates giving particulars of rates of United Kingdom Income Tax appropriate to all the above mentioned dividends.

## DIVIDEND NOTICES

CONSOL

The Board of Directors of PITTSBURGH CONSOLIDATION COAL COMPANY at a meeting held today, declared a quarterly dividend of 75 cents per share on the Common Stock of the Company, payable on March 12, 1952, to shareholders of record at the close of business on February 29, 1952. Checks will be mailed.

CHARLES E. BEACHLEY,
Secretary-Treasurer
February 18, 1952.

TEXAS UTILITIES COMPANY

DIVIDEND NOTICE

The Board of Directors today declared a dividend of 42 cents per share on the Common Stock of the Company, payable April 1, 1952 to stockholders of record at the close of business February 29, 1952.

JOHN HUME
Secretary
February 15, 1952.

TISHMAN REALTY & CONSTRUCTION CO. INC.

DIVIDEND NOTICE

The Board of Directors declared a regular quarterly dividend of thirty-five cents (35¢) per share on the Common Stock and a regular quarterly dividend of twenty-five cents (25¢) per share on the Preferred Stock of this corporation, both payable March 25, 1952, to stockholders of record at the close of business March 15, 1952.

NORMAN TISHMAN, President

Edison

Southern California Edison Company

DIVIDENDS

ORIGINAL PREFERRED STOCK
DIVIDEND NO. 171

CUMULATIVE PREFERRED STOCK
4.32% SERIES
DIVIDEND NO. 20

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

50 cents per share on Original Preferred Stock;

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

The above dividends are payable March 31, 1952, to stockholders of record March 5, 1952. Checks will be mailed from the Company's office in Los Angeles, March 31, 1952.

P. C. HALE, Treasurer
February 15, 1952


Digitized for FRASER
http://fraser.stlouisfed.org/

# Washington... And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—One of the collateral consequences of the move to create a Congressional Joint Committee to police and investigate Federal expenditures more effectively may well be a drive to abolish the Byrd Committee.

The Byrd Committee's full title is the "Joint Committee on Reduction of Non-Essential Federal Expenditures." This Committee has been a thorn in the side of the spenders, for Senator Harry F. Byrd (D., Va.), by far the most outstanding exponent of economy in government, has called attention in season and out, going on nearly 12 years, to the rapidly mounting Federal bureaucracy.

The "liberals" have sniped at Senator Byrd's tirades on spending and have tried, with no success, to kill off the Byrd Committee. The last effort was made by Senator Hubert Humphrey (D., Minn.) two or three years ago.

**Paradoxically, however, the move to kill off the Byrd Committee is likely to come, not from the left-wing primarily, but from the right. One of the standard pieces of legislative furniture is that there is rivalry between Congressional committees for jurisdiction—if even only for a committee to champion economy and without power to initiate legislation. There is good reason to believe that the Expenditures Committees, the Taxing Committees, and the Appropriations Committees of both Houses, for the most part would not, because of this rivalry, shed many tears if the Virginia Senator were throttled.**

It is said that if the McClellan bill to create the joint budget staff is to be approved, then part of the price may be the abolition of the Byrd Committee.

* * *

Senator John L. McClellan (D., Ark.) is pretty sure to get through the Senate in the next few weeks his budget staff proposition which he has been pushing for some two years.

It is believed that a majority of the Senate looks kindly on McClellan's reasoning for his bill. At the present time budget procedure, particularly spending, is a kind of a tug of war in which all the heavy pullers are on the side of the spending bureaucracies.

Initially the Budget Bureau goes over and in secrecy sifts every bureau's requests for new appropriations. The primary target of the Budget Bureau is to keep spending within a total goal set by the President. In the last 20 years these Presidential goals have not been known for modesty in their totals. Increasingly as the bureaucracy has succeeded in exposing successfully a higher and higher total of requests, the bureaucracy has become more and more indecent in its succeeding exposures.

**Once the Budget Bureau hits upon a total goal, however, and itself recommends a given sum for every particular bureaucracy, the bureau then becomes, in effect, the solicitor and advocate of the full amounts recommended, and conspires with the spenders to procure the amounts proposed.**

Thus, it writes up voluminous justifications not only for programs, but glowing justifications for each man's job above a given bracket. A chap can be sitting in a dark corner clipping newspapers for the Department of State, for instance, and the Budget justification would show that formulation of foreign policy and the maintenance of world peace seems to hang upon that scissors operator at $6,000 per annum.

These justifications are presented in printed form to Congress. Then the members of the Appropriations Committees ask questions. The members of these committees cannot possibly have the time to have the remotest idea about what is going on in all this fast bureaucracy, it is explained, and has not even enough background to ask intelligent questions. The members of the Appropriations Committees are totally incapable, it is asserted, of checking the accuracy of the answers given by spending advocates to such questions as they can at the spur of the moment think to ask.

**What McClellan's proposition would do would be to establish a large Congressional staff of appropriations experts. Each one of these would make it his full-time business to know just what was going on in the spending bureaucracy bailiwick assigned to him to watch. In the course of time these experts would be well versed on who was empire building and who was not, who was doing an efficient job and who was wasting the taxpayer's money.**

Furthermore, these experts would be right on hand to check anyone who might be inclined to make an evasive answer to a pertinent question, and through his Senator or Representative, as the case may be, crack down pronto on the spender.

* * *

There are some like Senator George D. Aiken (Rep., Vt.) who deplore the disposition of Congress to burgeon with a staff of $10,000 and up "experts," and claim that this is extravagance. Aiken, however, doesn't carry a majority in this viewpoint. When the Federal establishment was a $3- to $4-billion affair under Herbert Hoover, there were 435 Representatives and 96 Senators. The Government is now an $85-billion affair, and there are no more members of Congress than there were 20 years ago.

The Congressional intelligence, it is felt at the Capitol, is being spread entirely too thin and it is particularly distressing when screwy things are being thrown at Congress one a minute by the Administration, and a fellow just can't possibly keep up. So an enlarged legislative staff is probably the answer, although in too many cases committee chairmen have dissipated the opportunity by awarding staff jobs as political favors or a form of government social security to deserving relatives.

* * *

McClellan's budget staff proposal, however, would not change the total spending trend of itself. The staff would have no power to recommend abolition of the thousands of "permanent annual" and recurring spending programs which have crept, noiselessly or otherwise, into the statute books. Or, even if the staff did recommend curtailment, the abolition of programs cutting off millions of vested recipients in Federal largesse, would be a political decision hard to make in these times.

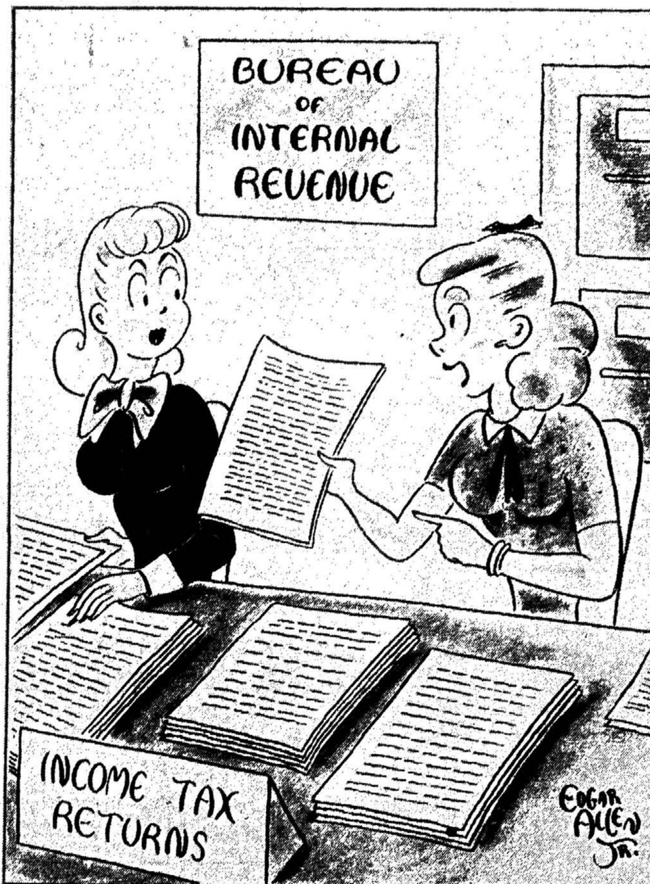
Furthermore, even if both Houses do enact this proposal in 1952, it will be 1953 or 1954 before such a staff could ground itself sufficiently in the labyrinth of governmental operations to make its detective work felt in stopping purely wasteful spending.

The Federal Reserve Board hopes that by the middle of March it will be able to publish the results of its survey of bank earnings. The Board sent a questionnaire to 1,500 selected, typical banks to get a complete cross-section idea of how the new and higher Federal taxes are hitting bank earnings. Or course the idea is to show not merely how earnings are affected, but how the earnings position reflects upon the already difficult situation of trying to raise new bank equity capital.

That this survey will lead to anything in the way of a remedy, however, is doubted seriously. Last year the Senate Finance Committee was in a mood to open up the tax law this year to inequities occasioned by the excess profits tax. It now looks as though such relief would be impossible, for fear there would be a stampede in this election year to provide tax relief on several fronts.

*(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 how about this one — $50,000 a year and single!"

PENNY ARCADE

OIL OIL OIL OIL

OIL

Lexa Oil
Sioux Oil
Transgulf
Seatex Oil
Wyoming Oil
Noranda Oil
Deardorf Oil
Oklahoma Oil
Red Bank Oil
Stanwood Oil
Woodward Oil
Oil Producers
Globe Oil & Gas
Sierra Petroleum
William Penn Gas
Reiter Foster Oil
Western Oil Fields
Palmer Stendel Oil
Kutz Canon Oil & Gas
Transcontinental Oil
Tri State Oil & Refining

*Active trading markets on the above issues and many others.*

STANLEY PELZ & Co
INCORPORATED
52 BROADWAY, NEW YORK 4, N. Y.
BOwling Green 9-5577 Teletype NY 1-3184

FIRM TRADING MARKETS
FOREIGN SECURITIES
CARL MARKS & CO. INC.
FOREIGN SECURITIES SPECIALISTS
50 BROAD STREET... NEW YORK 4, N. Y.
TEL. HANOVER 2-0050... TELETYPE: NY 1-971

*For Large Appreciation Potential*
WE SUGGEST
RIVERSIDE CEMENT CO.
CLASS B (common) STOCK
A leading producer of cement in fast-growing Southern California.
Analysis of this Company and a review of the Cement Industry available on request.
*Available around* $11\frac{1}{4}$
LERNER & CO.
Investment Securities
10 Post Office Square, Boston 9, Mass.
Telephone HUbbard 2-1990 Teletype BS 69

*Trading Markets in*
Allied Electric Products
Kingwood Oil
Southwest Natural Gas
Standard Cable
Hill, Thompson & Co., Inc.
*Trading Department*
70 WALL STREET, N. Y. 5
Tel. WHitehall 4-4540

igitized for FRASER
http://fraser.stlouisfed.org/