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**EDITORIAL**

## As We See It

Two items in the past week's budget of news are receiving far less attention than they deserve. They deserve more attention from the rank and file because they reveal a basic attitude of the politically minded elements in the population which is contributing greatly to our undoing. One of these items is the action of the Wage Stabilization Board in giving free rein to those who would demand and those who would grant employee pension programs. Thus promises to pay employees in the future are not to be regarded as wages or other form of remuneration so far as current controls are concerned.

The other item is the broadside issued by the staffs of two Congressional Committees against the effort to limit income tax levies to 25% of income. A movement has been under way for a number of years to call a Constitutional Convention to amend the basic law of the land to some such effect. At one time or another, so it is reported, some twenty-eight of the states have taken action favorable to the proposal—although it is not clear from available information how many such enactments are now in force. At any rate, the program has now reached a stage where it is apparently taken more or less seriously by the politicians in Washington.

We should hesitate to undertake an estimate of the immediate dollar and cents effect of the pension action of the Wage Stabilization Board. What interests us at the moment is the general philosophy which seems to us to lie implicit in this general ruling. That philosophy, which crops up continuously in the public affairs of this country, is essentially the notion that future commit-

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## What Price, Controls?

By IRVING S. OLDS\*  
Chairman of the Board of Directors,  
United States Steel Corporation

Referring to new wage demands of steel workers as "astronomical" and inflationary, Mr. Olds scores current system of price controls, and maintains controls cannot stop inflation, "the sternest of realities now facing us." Cites historical examples of failure of price controls, and says government deficit spending is real cause of inflation

It was just a hundred years ago—in 1852—that the first pig iron ever produced west of the Missouri River was successfully cast at Cedar City, Utah. The feat was accomplished by a little party of Mormons who were sent out by Brigham Young to explore their newly-settled homeland, and who discovered the great iron ore deposits which lie in the southern part of this State.



Irving S. Olds

The crude blast furnace which they built made iron... and it made history, but unhappily, it failed to make a profit; and so, in time—when the little community could no longer afford to subsidize its noble venture—the furnace was blown out and the enterprise died. But the hope and the faith and the vision which inspired those pioneers has never died. Their dream of a great industrial future for Utah lived on, and we of United States Steel are tremendously proud of the part we have

been privileged to play in making that dream a reality.

Today—a hundred years later—Utah has within its borders the largest integrated steel plant in the entire West, and that plant is still growing in size and importance. An open hearth with an annual capacity of 160,000 tons of steel has just gone into operation here, and facilities for hot-rolled sheets will go into operation within the next few months. Thus the iron ore which those

*Continued on page 38*

\*An address by Mr. Olds at the 50th Anniversary Dinner of the Salt Lake City Chamber of Commerce, Salt Lake City, Utah, Feb. 21, 1952.

## The Coy Maiden?

Flood of protest greets SEC proposal to tax securities industry. Congress and Commission inundated with resolutions and communications in opposition. Remedies outlined. Resume of opposing reasons. SEC interpretation of Title V at variance with views of others.

Pardon our pride, but we were the first to blast the Securities and Exchange Commission for its threatened attempt via its release of Jan. 31, 1952, to tax the securities industry under the guise of implementing Title V of the Independent Offices Appropriation Act of 1952.

Largely as a result of our alerting the industry to the attendant danger, the members of Congress and the SEC have been inundated by a veritable flood of angry and indignant protests.

The searchlight of publicity which apparently was turned off when the "slip-in" provisions of Title V were put through, has been inexorably focused on the attempt by the SEC to "implement" those provisions, and the Commission finds itself on the defensive crying that the taxes it seeks to impose are not of its choosing but are being attempted in response to a Congressional mandate. To the sincerity of this claim we will advert hereafter.

It has been most gratifying to observe the almost unanimity with which newspapers, magazines, financial columnists, security organizations, exchanges and dealers and brokers generally have taken up the cudgels in opposing this latest Frankenstein of the Commission. If that opposition is centralized and properly directed this unholy effort must miscarry.

The tide of protest becomes more mountainous as the realization dawns that all Federal agencies—the Interstate Commerce Commission, the Fed-

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PICTURES IN THIS ISSUE—Candid shots taken by "Chronicle" photographer at the Annual Mid-Winter Dinner of the Investment Traders Association of Philadelphia, appear on pages 25 to 32, inclusive.

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## The Security I Like Best

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

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

## HAROLD BARCLAY

Partner, Barclay Investment Co.,  
Chicago 3, Illinois

## Seismograph Service Corporation

There are such a large number of investment opportunities today that it is very hard to pinpoint the one I like best, but I have chosen for this topic, Seismograph Service Corporation. It is especially important now to seek out companies that enjoy some tax advantage and as Seismograph's operations are not confined to the United States, its income comes from foreign countries (about 50%) is not subject to excess-profits tax. Moreover its customers—in the United States—benefit from the 27½% depletion allowance permitted natural resource companies.

Seismograph's operations are world-wide and their business is to help big oil companies and others discover oil by use of the seismic method and the Lorac system. In oil exploration the Seismograph crews create man-made earthquakes by setting off charges of dynamite. Resulting waves are reflected at various points underneath the earth's surface. Upon reaching the surface, these waves are picked up by a detector and recorded by the seismic instruments. Lorac is a new patented electronic method for over-water exploration. With it, off-shore surveying and drilling equipment may be accurately located at a precise point and it is possible to operate 100 miles or more off-shore, compared with only about 20 miles by other methods. The Tidelands title question may soon be settled. There has been a long-standing controversy as to who owns the tidelands—the States or the Federal Government. Recently the Senate Interior Committee placed this "hot potato" before the Senate which may result in an early settlement. Whether or not the decision is in favor of the States or the Federal Government the big oil companies will inaugurate vast off-shore drilling operations, once they know who is the "landlord."

At the present time, Seismograph Service Corporation and its subsidiaries have 56 exploration units operating throughout the world. Twenty-nine of these are in the United States, nine in Mexico, eight in Canada, four in Venezuela and one each in Nigeria, Trinidad, Papua, Iraq, the Trucial Coast and the Kuwait Neutral Zone. The last six units mentioned are operated by the English subsidiary, Seismograph Service Limited, which is operating profitably in the Sterling bloc areas, but its earnings are not consolidated with the other companies because of the blocked currency situation. However, a dividend of 12,750 pounds was paid to the parent Company in December, 1951, and the British Currency Control Board allowed this dividend payment in United States currency. After payment of normal and surtaxes, something over \$17,000 was left.

This English subsidiary is 85% owned by the parent Company. It



Harold Barclay

is making excellent progress in expanding its operations and improving its financial position. At the present time it has equipment for approximately eight seismic crews, owes no money except current bills and has approximately 100,000 pounds in cash. It is believed that from now on it should pay the parent Company a dividend each year of at least 30,000 pounds, or more than twice as much as the dividend which was paid in 1951.

Very soon now this subsidiary will commence operations in Western Australia. It is set up so that it pays no English income taxes and since the countries in which it operates have little or no income tax, the earnings have been subject to almost no tax. Of course, when the money is taken into the parent Company as dividends, it is subject to normal and surtaxes in the United States, but not excess-profits taxes.

I understand there are only about five or six companies that do geophysical research work for others on a contract basis and, as far as I know, there is only one other small company that has any stock available for public investment.

Seismograph has strong appeal as a definite growth situation combined with excellent yield—a hard combination to find. Management believes that 40% to 45% of net earnings should be distributed in dividends. Distributions in 1951 totaled 65¢ per share compared with 35¢ per share in 1950. The dividend in December was 20¢, compared with 15¢ for the September quarter and earnings—to be reported—for 1951 will probably show a gain of almost 100% over the 77¢ per share earned in 1950.

Seismograph Service Corporation is a confidential consulting Company and has a gentleman's agreement with its clients not to compete with them in the oil business, but there is a tract—restricted area, it is called—of about 1,000 acres South of Tulsa, Oklahoma, which the Company has chosen to be used as an experimental area. In July, 1951, a well was brought in on this property which, at last reports, was producing about 150 barrels a day in the Dutcher Sand. It is a good well but not impressive and should not yet be considered important in an analysis of Seismograph. It is just incidental to the main business which is discovering oil for others on a contract basis, with no risk, so, dry hole or gusher, Seismograph gets paid just the same. Seismograph has been doing this since 1931, so dry holes are the exception—not the rule.

Looking into 1952, we find that the demand for seismic crews in the United States continues strong, with little likelihood of abatement and some further expansion in Canada is anticipated. However, the management is much more interested in recent developments in Venezuela. There, the Company has the advantage of working for American oil companies that pay directly in dollars and the taxes on Seismograph Service Corporation of Venezuela are much less than on the parent Company. This operation has recently expanded from two to four crews in Venezuela and since the net after taxes was over \$100,000 in 1951, it is expected that this figure will be doubled in 1952.

When you invest in any company, your chance for gain depends not so much on bricks and

This Week's  
Forum Participants and  
Their Selections

Seismograph Service Corporation  
—Harold Barclay, partner, Barclay Investment Co., Chicago, Ill. (Page 2)

Petroleum Heat and Power Co.—  
Warren H. Crowell, partner, Crowell, Weedon & Co., Los Angeles, Calif. (Page 2)

mortar and other capital assets, as management. Physical properties are important, of course, but the number one consideration should be management and in Seismograph you benefit from the brain power and energy of a man like Gerald H. Westby, President of the Company, who combines a broad knowledge of the business with enthusiasm and aggressiveness. His many good qualities permeate the organization, which has expanded to a large force of 56 service crews (six to ten men each) operating on a world-wide basis.

Summarizing, here is a growth situation combined with good current income—rare indeed—tops in management—a vitally essential industry, with a degree of tax shelter. If you want to get into the geophysical research business conveniently, without bothersome details, Seismograph is for you and the current admission is about 11½. There are only 349,695 shares of common stock outstanding with nothing ahead of it, (funded debt having been retired in 1950) with a conservative book value of approximately \$9.00.

## WARREN H. CROWELL

Partner, Crowell, Weedon & Co.,  
Los Angeles 14, Calif.

## Petroleum Heat and Power Company

"The Security I Like Best" is usually a subject of transitory nature. The "likes" of January may become the "dislikes" of July. To



Warren H. Crowell

avoid or minimize the fluctuations which so closely attend the changing economic climate of a cyclical industry, we are still concentrating on companies possessing "ground" assets. We find that such issues offer not only the best values under

current circumstances, but also the least resistance to increase in market value. As matters turned out, I can say that I had the "pleasure" of submitting Delhi Oil as my candidate in these columns when that stock was available around the \$25 level. My current selection is engaged in practically the same field—Petroleum Heat and Power Company.

In this over-the-counter situation, available at this writing at about the \$20 price zone, the buyer acquires a multiple interest company. The assets and operations of PETRO include producing and potentially attractive non-producing acreage, gas wells and oil wells, refineries, industrial and residential fuel oil burner manufacturing plants, and fuel oil sales and delivery facilities.

I understand that at the last stockholders' meeting, which was a

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LETTERS TO THE EDITOR:

# "UMT—Why It Is a Mistake"

Communications elicited by Dr. Neil Carothers' article in which he set forth reasons for his belief that adoption of Universal Military Training would be a tragic mistake and militate against, rather than promote the nation's security.

In an article on the cover page of the "Chronicle" of Feb. 21, Dr. Neil Carothers, Dean Emeritus of the College of Business Administration, Lehigh University, characterized the proposed adoption of Universal Military Training as a backward step and one likely to militate against, rather than promote the security of the nation. Dr. Carothers cited the recent experience of Germany and France in support of his view that military equipment (bombs, planes, etc.), not manpower, is the decisive factor in winning wars.

Since appearance of the article, the "Chronicle" has received a number of letters in connection with the subject matter. Some of them are given herewith; others will appear in subsequent issues.—Editor.

## DAVID FULMER KEELY Roxborough, Philadelphia, Pa.

If the most excellent article by Dr. Neil Carothers in the "Chronicle" of Feb. 21, 1952, could be immediately and widely syndicated to effectually reach the public, it might prove to be a potent factor in thwarting an apparent drift to UMT.

As a father, with three sons who served in World War II, in the Army, the Navy and the Air Force, and also, a fourth son, now in the Services, I deeply deplore, with Dr. Carothers, the political and military blindness evidenced in this current agitation for UMT.

Furthermore, as Treasurer of a large corporate charity, with substantial endowment invested in government issues, I would personally regard the adoption of UMT and/or its implementation, as prospectively, financially disastrous to the U. S. A., and directly and indirectly destructive or inimical to her outstanding obligations and her worthy institutions.

## DAVID POLIN Newark, N. J.

The conclusions drawn by Dr. Carothers concerning UMT are truly frightening in view of the imminence of passage of the program.

As a high school teacher, I would like to bring this article to the study, discussion, debate and reaction of my students. If you have any reprints available, I could use 40 of them immediately.

## HON. CLARENCE J. BROWN U. S. Congressman from Ohio

I shall check and if Dr. Carothers' article has not been inserted in the Congressional Record, I shall place it there as an extension of my remarks. I think all Members of Congress should have the opportunity of reading it.

## HON. MARGARET C. SMITH U. S. Senator from Maine

I read Doctor Neil Carothers' article "UMT—Why It Is a Mistake," with a good deal of interest.

In accordance with my established policy, I shall not commit myself on the bill until I see its final form. However, I want to be completely honest with you.

I believe that UMT is vital to our nation's defense and security. I think that it is one way to build up our Reserve and that that is the best hope for eventually cutting the heavy cost of national defense down to a point where it doesn't threaten the economic security of our country.

More than that, I feel that in the long run UMT will bring more peace of mind to our young men, their mothers and fathers, than the uncertain draft. As it is now, young men and their parents can't plan their lives because they don't know when the draft will get them. Under UMT they could plan their lives, knowing that at a certain time they would start their service and get it over with and return to their normal lives.

## RICHARD SPITZ, ESQ. Biddeford, Me.

The views of Dr. Neil Carothers, as expressed in his "UMT—Why It Is a Mistake," are so refreshing and in such positive refutation of the contrary views of top collegiate leadership, who seem to be running intellectual insane asylums rather than educational institutions that put thinking first, instead of indoctrination.

It is interesting to note that there are more attendants at the Congressional hearings against UMT than the number who demand UMT. Thus, the public expression is against UMT, but the politicians refuse to count the noses in their ardent desire to foist UMT, and the Pentagon ignores the counting.

The history of voluntary enlistments of men and women to enter the military service in these

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# Stock Market Prospects

By HARRY D. COMER\*

Partner, Paine, Webber, Jackson & Curtis  
Members, New York Stock Exchange

New York Stock Market analyst, holding stock values are now in equilibrium and a neutral view is warranted for a period of time, contends, however, after a brief period of mild readjustment, bullish forces may again move into high gear. Presents a balance sheet of favorable and unfavorable factors as they stand now, and concludes that these factors seem to be about in even balance, but there are still excellent opportunities to acquire securities of certain industries as hedge against the event of war or of further inflation.

At the partners' meeting in New York last month I made some general comments about the stock market which I want to repeat here because many of you were not present at that time.

I pointed out that the Research Department had been aggressively bullish for just about ten years. In fact, it was in May, 1942, just before the merger of Paine, Webber and Jackson & Curtis that we adopted a vigorously bullish policy, insisting week after week that the market was making a major turn at that time and that the long-term trend of stock prices was definitely upward. That such view was correct is now a matter of history.

Despite all the warnings of orthodox economists that a big depression was just around the corner (their forecasts beginning as far back as 1945 before the end of the war) the economy is still expanding. The American business cycle has refused to conform to the old pattern of bust following boom. The boom has lasted much longer than any other boom on record.

For reasons which I will give here in some detail, I stated in

\*An address by Mr. Comer at the Paine, Webber, Jackson & Curtis Western Sales Managers Conference, Chicago, Illinois, Feb. 22, 1952.

New York that the forces affecting stock values were about in equilibrium and that a neutral view is warranted toward the trend of the general market for a period of time. I said I was "pulling in my horns."

I will also try to show why I believe that after what may prove to be a brief and mild readjustment, the bullish forces may again move into high gear.

First, I want to present a balance sheet of stock market factors as they stand now.

## I. Liabilities Side of the Balance Sheet

On the unfavorable side we have such entries as these:

- (1) Lower earnings.
- (2) Age of the boom.
- (3) Uptrend of interest rates.
- (4) Lack of speculative interest.
- (5) Historical highs in stocks.

Let's take these up in order.

(1) *Lower Earnings of Corporations:* The peak of earnings after taxes was established in 1950. Last year's results were down somewhat, and 1952 will feel the full pinch of the increased Federal income tax rates as well as the squeeze of operating margins between rising wages and other costs and relatively stable selling prices.

We have in effect a "Ceiling" on corporate earnings. By itself that fact is definitely unfavorable to the stock market. Bull markets feed on the promise of better things to come. For a period of time the market cannot receive any real stimulation from rising earnings. Here, of course, I'm speaking in general terms, that is about the total of all corporations or the case of the average company. Naturally, there will be exceptions in some industries and in individual companies.

(2) *Age of the Boom:* I am placing this on the liabilities side of the stock market balance sheet at this time. The reasoning here is that the older a boom gets the nearer it is to an end. I will grant that such reasoning is sound although where to draw the line is extremely difficult. As stated before, most well-known economists accepted that reasoning seven, six, five or four years ago to their sorrow.

One might argue as I have done successfully during this postwar period that the old rules are out—that we are in a new era—that the business cycle has been outmoded or shelved by the managers of the economy in Washington. Maybe there is some truth in this, but for my part I am willing to admit now that the boom is old and that its mere age is a mark against the stock market. For this reason I place it on the liabilities side of the stock market ledger.

(3) *Trend of Interest Rates:* The recent stiffening of interest rates is another strike against the stock market. I am enough of an old-fashioned economist to grant the validity of placing this factor among the unfavorable signs in the outlook for stocks.

The factor would have much more force in the present instance if interest rates were really high. They have been held artificially low for so long that we have got-

ten used to low interest rates. It will probably be a long time before interest rates actually get high enough to be really troublesome. But the trend is there and we must admit it.

Under the old-fashioned science of business cycles, one of the most reliable forecasters of the stock market was the bond market. The usual sequence was for the bond market to turn down (that is, for interest rates to turn up) some time ahead of the stock market. Sometimes the lead of bonds over stocks would be only a couple of months; in other cases it would be as much as a year or slightly more.

We now know that the all-time peak in bond prices occurred in the spring of 1946, or just about six years ago. The fact that the stock market recently made a new high six years later than bonds is at least suggestive evidence that the old-time sequence of bonds forecasting major swings in stocks is not working. Perhaps one could make a case for the opposite result under conditions of inflation like the present. The sagging trend of bonds could be partly a source of strength in stocks because some investors could be switching from bonds to stocks in order to combat or hedge against inflation.

I am inclined to believe that there is some merit to this latter argument. Yet, for the present I am of the opinion that the interest rate uptrend belongs among the Unfavorable stock market influences and I would leave it on the liabilities side of the stock market balance sheet.

(4) *Lack of Speculative Interest:* For the time being, I rate this at least as a non-bullish influence on the stock market. Much of the buying in recent years has been confined to the standard types of good-quality, dividend-paying stocks. This demand has been swelled by such types of buyers as pension funds, mutual investment companies, "Prudent Man" investors, insurance companies, etc. Low-priced and speculative situations have lagged behind.

Now it should be observed that no important bull market has ever topped out under these conditions. Before the market is ready for a major downswing, it is customary, if not absolutely essential, for the speculative stuff to come to the front and join the procession in a big way. Unless we are entering a new era in this regard, I think we can squeeze out some bullish encouragement from this prevailing lack of speculative interest. Maybe speculative enthusiasm will come later on. And if it does, I trust that we will recognize it as one of the symptoms of an approaching end of the big bull market.

Meanwhile, that is, for the near term, I accept this lack of speculative interest as at least a neutral factor if not an outright bearish influence, so I will leave it on the liabilities side.

(5) *Historical High in Stocks:* I place this feature on the minus side for sentimental reasons. Just as business booms do not last forever, neither does the stock market tree grow to the sky. At least so goes the argument.

It is true that the average industrial stock has crossed the 1929 high, which was the previous all-time peak. That fact is revealed by the only scientifically constructed set of stock market indexes—those published by "Standard & Poor's Corp." and now du-

As may have been already noted, it is difficult to draw a hard and fast line between bullish and bearish factors in the stock market. Most factors contain elements of both. It is a matter of which element is emphasized at a given time that determines the direction of its net effect up or down. That is what makes the so-called science of economics so slippery. "Now you see it and now you don't." Also, that is what makes stock market forecasting an art rather than a science.

plicated on a weekly basis by the SEC.

The "Standard & Poor's" big index of 365 industrials stood at 197.7 at the 1929 top. This year's high to date was 207.5 or about 5% above the 1929 peak. Last year's top was 206.7. These figures are all in relation to the pre-war average 1933-39 = 100.

The higher anything goes, the nearer it is to a final top. That is about the only element of truth in classifying the high level of stocks as a bearish factor.

There are several mitigating circumstances which tend to minimize any bearishness stemming from this feature. For example, just consider the inflationary angle. The historical highs of stock prices disappear when we adjust them to allow for the shrinkage in the dollar. I will have more to say about this before I am through. Meanwhile, let's leave this factor on the liabilities side.

These are not all of the bearish factors now operating. They are, however, the most important ones as I see them. As we go along other bearish factors will crop up even among items which temporarily rate as bullish factors. Besides, there are a number of very important influences which are not now subject to positive identification as to whether they are bullish or bearish. I will also go into a couple of these.

## II. Asset Side of the Balance Sheet

Now I'd like to talk about some of the more important favorable aspects of the present situation. On the favorable side we have such entries as these:

- (1) High dividends and yields.
- (2) High production and full employment.
- (3) Low price-earnings ratio.
- (4) Stocks in strong hands.
- (5) Election year.

(1) *Dividends and Yields:* As I see it, the keystone of this stock market continues to be represented by dividends. Despite the downtrend of earnings, which we saw fit to place at the top of the liabilities, dividends rate the top place among the assets.

Corporations poured out a record \$8,053,000,000 in cash dividends last year. That was 2% above the previous all-time record of 1950. Automobile dividends dropped 25%. Electrical machinery and chemicals report that dividends were down about 10%. Some of the biggest gains were in the oil refining industry with 19%, mining up 16%, gas utilities 13%, railroads 10%, paper and printing 8%. These figures are based upon publicly reported dividends.

Dividends in dollars have more than kept pace with inflation since 1939. More important, however, is the fact that dividends are still liberal in relation to stock prices. Last week the Research Department published a list of 25 well-known stocks all yielding 7% or more, each one of which has an unbroken dividend record extending back more than 25 years. Some as long as 75 to 100 years.

The outlook for dividends is still very good. Although earnings after taxes may be down somewhat this year, total dividend payments are likely to hold up close to last year's all-time high record.

Typical industrial stocks still yield about double the return available on high-grade bonds. That ratio in favor of stocks is added evidence that the end of the bull market is not at hand. One of the most reliable guide posts in market analysis is the ratio of stock yields to bond yields. The present reading of this barometer is far from the danger point. In fact, it is clearly bullish.

(2) *High Production and Full Employment:* The old cycle theory is that high production is followed rather promptly by a slump. Wesley Mitchell's original cycle theory was largely an explanation of how

prosperity breeds depression and how depression leads to prosperity. Therefore, according to that rule one should get bearish during a period of full production. This time, however, there are differences. The main difference is that we have a managed economy—a national policy of high production and full employment. A large part of this I will admit is for political purposes. Part of it is for the defense of the country. Now the present outlook is that industrial production this year will exceed that of last year by 4% or 5%. I regard the apparent certainty of this outlook as a major prop under the stock market as well as under the general economy. If total business is going to be so good as to guarantee virtually full employment, those bears who are always expecting a major downswing seem to have made another big mistake in 1952.

I believe that general business activity is now very close to what will turn out to be the low point of 1952. Recent changes in the military goals at Washington point toward a smaller increase in total activity than was earlier expected. However, this new program will tend to prolong the period of

Continued on page 39

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## The State of Trade and Industry

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

Overall industrial output in the period ended on Wednesday of last week was maintained at the level of the previous week and continued to approximate the volume of a year ago.

It is noted that claims for unemployment insurance benefits in the latest week held noticeably above those in the corresponding period of 1951. Joblessness continued to be quite high in parts of Michigan and New England.

The past week witnessed the widest declines in securities prices for the current year as a result of the prevailing uncertainty over the business and labor scene. The drop in stock market values was sparked by depressed commodity prices at home and abroad, together with the possible outcome of the steel talks and peace negotiations in Korea. The declines in stock prices last week were the sharpest in a period of four months.

Last week steel ingot production returned to the highest level in 1952 at 100.6% of capacity. This was fractionally under the all-time high attained in December last. The current week it is scheduled to rise further by 0.3 of a point.

In its latest summary of the steel trade, "The Iron Age," national metalworking weekly, declares that a steel price rise to accompany a wage increase might turn out to be academic to some small steel producers. Nonintegrated and marginal mills, which because of higher costs usually charge premium prices, are facing a sales vacuum on some light steel products. If the present market trend continues, they may have to cut their prices to meet competition, but that will come only as a last resort to book orders—after all other possibilities have been exhausted, it states.

Factors that will cause them to proceed with caution are: (1) Will there be a steel strike? (2) Will the government relax controls on some products to permit more civilian production? and (3) Do makers of consumer durables actually have the potential markets they claim? Among these are autos and appliances.

Detroit, historically a bulwark of steel demand, is currently one of the softest areas in the market. Steel salesmen are out ringing doorbells, trying to line up competitors' customers. Auto steel buyers are sizing up what is being offered and taking their choice of tonnages available. Some are not taking up their entire quota, although the unwanted portion has not exceeded 5% for most firms. Steel producers have been selling this "bonus" tonnage in other areas, observes this trade weekly.

But this isn't true of all steel products in Detroit, it adds. One steel mill says it cannot book a ton of cold-finished bars over one inch until next August. Reason: directives. These are playing hob with the cold-finished bar picture. Big tonnages of this item going into a military product.

An "Iron Age" survey of other areas shows that cold-finished bars are extremely tight in all quarters. Indications are that non-defense customers may be cut still deeper on this item in the third quarter.

Oilwell people are due to get larger supplies. A goal of more than 45,000 new wells has been set for this year. And more than 25,000 of them will have to be drilled in the second half.

Oil country conversion demand is active where arrangements are feasible. But, even when suitable semi-finished steel can be obtained, it is difficult to locate space on finishing facilities, this trade authority points out. One mill was offered a fair-sized tonnage of billets for pipe conversion, but turned it down because it didn't have space to accommodate it.

Cast iron scrap price declines, first reported in "The Iron Age" last week, are spreading. Some previously reported under-ceiling prices have again dropped by as much as \$2 to \$3 a ton. The softness has now hit other areas which last week were holding firm at ceilings, concludes this trade journal.

Passenger car production in the United States last week slipped less than 1% behind the previous week's revised total, but fell about 49% under the like week last year.

Last year, in the like period, the auto industry was making up for losses caused by the rail strike, according to "Ward's Automotive Reports."

Motor car and truck makers may be given increased production quotas by the government in the second quarter, the agency predicted.

It based its forecast on the "steady improvement being shown" in supplies of "steel, lead, zinc and several other materials." In the current quarter, "Ward's" said, the motor industry "conceivably" is operating at what may be the lowest point during National Production Authority restrictions.

For two weeks now, passenger car makers have been producing at a rate equal to four million cars annually, the statistical agency said. It estimated that the four-million rate probably will not fall until late in March, at which time first-quarter NPA ceilings will cut into weekly volume of major producers.

### Steel Output Continues to Reflect a Mildly Higher Trend

Additional signs of easiness are discernible in the steel markets, says "Steel," the weekly magazine of metalworking, the current week. Not only are certain tonnage products, such as cold-rolled sheets and strip, in relatively plentiful supply at most consuming points, but, declares this trade publication, demand pressure is definitely off. Reports now are heard of price concessions and freight absorption by some warehouses as competition for orders gains momentum. Although the mills are heavily

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## Donald Cook Appointed SEC Chairman

Promoted from Vice-Chairman of Commission to succeed Harry A. McDonald, who becomes Chairman of Reconstruction Finance Corporation.

On Feb. 26, President Truman announced the appointment of Donald Cook to the chairmanship of the Securities and Exchange Commission, to succeed Harry A. McDonald, whose appointment as Chairman of the Reconstruction Finance Corporation was recently confirmed by the Senate.



Donald C. Cook

Mr. Cook was Vice Chairman of the Commission, and has been a member of the SEC since October, 1949. He is a Democrat, 42 years old, and has been in government service for 15 years, having been with the Justice Department and at one time chief counsel of the Senate Preparedness Subcommittee.

Harry A. McDonald, the former SEC Chairman, after considerable delay, was finally confirmed as head of the Reconstruction Finance Corporation by a vote of 46 in favor, and 23 opposed.

## Blyth Group Offers Rheem Common Stock

A syndicate headed by Blyth & Co., Inc. is making public offering today (Feb. 28) of 225,000 shares of common stock of Rheem Manufacturing Co. at \$31 per share.

Of the 225,000 shares of common stock being offered to the public, 200,000 shares are being sold by the company and 25,000 shares are being sold by certain stockholders.

Proceeds from the sale of the 200,000 shares of common stock will be used by the company to replace working capital used and to be used in the company's extensive plant expansion program and in connection with the acquisition last year of the James Graham Manufacturing Co., makers of "Wedgewood" ranges.

According to the prospectus, net sales of the company for 1951 totaled \$94,106,957 compared with sales of \$74,465,686 in 1950.

Earnings in 1951, before provision for preferred dividends, amounted to \$4,250,515 as compared to \$4,862,593 in 1950. After provision for preferred dividends of \$280,364 in 1951, earnings per share of common stock amounted to \$3.78 on the 1,049,030 shares of common stock outstanding at the year end. After preferred dividends of \$109,643 in 1950, earnings per common share were \$4.75 on 1,000,000 shares of common stock outstanding.

Rheem Manufacturing Co. was incorporated on Jan. 22, 1930, in California. The company is the outgrowth of 12 separate businesses, all of which had been engaged in enterprises similar to one or more phases of the business now carried on by the company.

### George N. Proctor

George N. Proctor, senior partner of Proctor, Cook & Co., Boston, Mass., passed away Feb. 25th at the age of 69.

## Observations . . .

By A. WILFRED MAY

### The Vital Significance of Union Labor's Non-Dollar Gains

With so much popular discussion centered on wage rate demands and on the question of wage stabilization with its controversial relationship to price control, attention has been largely diverted from the vital qualitative non-economic changes in labor's status. These latter issues, even more broadly than the quantitative adjustments, affect all citizens having a stake in our economic order.

Typical is the immediate threat of a new engulfing wave of compulsory unionism following the recommendation of President Truman's Emergency Board that the union shop be established for the million non-operating employees of our railroads. With the fillip given to this undemocratic technique of coercion in one sector, the danger of course exists that it may well be extended to the steel and aircraft industries by imminent Wage Stabilization Board action, and in short order throughout American industry.

The union shop finding in the railroad labor case, entailing voluntary check-off of union dues, represents coercion by organized labor in combination with the government. Compulsory union membership thus instituted by a usurping government agency violates individual rights, destroys competition, curtails discipline, and relieves union officials from their just responsibilities.

#### Other Non-Economic Demands

Unfortunately, union shop-ism is only one of many non-financial non-economic abuses besetting us in this politics-pervaded election year.

In the forefront is the principle involved in a guaranteed annual wage, irrespective of its amount, now being demanded by steelworkers.

Other "non-economic" phases involving deep abuse encompass labor's continuing demands for concessions in grievance machinery, including the unions' representation thereunder; in working conditions; and in rules concerning incentive pay.

The United Steelworkers-CIO union is now trying to amend the section on management in the basic agreement with steel companies to take away from management certain basic and inherent rights which do not spring from a grant in a collective bargaining agreement. These include its right to determine the composition of jobs and the right to change such composition according to the dictates of efficiency; and to force management to submit its decisions regarding the number and composition of jobs to a union veto.

The union apparently is laboring under the theory that management is to be permitted the function of only once determining the composition of a job; that is, when a job first comes into being, after which this right is to be completely exhausted—that an employee has a vested right to any particular combination of job duties which constitute a job.

Again, the steel labor leaders are demanding that geographical and inter-industry wage differentials be abolished. This is the equivalent of insisting that all wages in all industries be equalized at the highest wage paid in any industry.

Further, under a proposed "contracting-out" clause, the union is trying to deny management its right to decide where, when, and by whom work customarily contracted-out shall be done—thus interfering with management's need to make the most efficient use of existing facilities for production and maintenance.

#### Seniority Rights Changes?

The Steelworkers are trying to change their *status quo* in seniority provisions. They are attacking that industry's fundamental concepts that the primary test for selection is the rela-

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## Uncommon Values In Carrier Commons

By IRA U. COBLEIGH

Author of "Expanding Your Income"

A quick look at three rails selling at drastic discounts from 1951 high, and some bits of logic suggesting that they now have sufficient traction for an upgrade level, marketwise.

Surely it's topical to write about rails today, since this article appears precisely on the 125th anniversary of the B. & O., Feb. 28, 1827. The first common carrier railroad, the first to string telegraph lines along its tracks, and the first railroad to receive a government mail contract, B. & O. set the stage for this great industry—an industry which while no longer splashing with dynamic growth, like the chemicals and oils, still buys 5% of the country's lumber, 40% of its refined diesel oil, and pours out over \$8 billion in supplies and equipment bought; and in wages, salaries, dividends and interest paid.

Rails do have their troubles, however—two main ones, wages and taxes. In ten years, the "labor bite" in the railway industry has risen from 41% to 50% of gross. The application of the 40-hour week, regular annual upgrading of hourly wage rates, plus "cost of living" bonuses seem to be continuously expanding debits against railway net. Taxes, which took \$89 million of rail earnings (before taxes) in 1929, took roughly \$630 million last year. Against these, the basic defense, namely, higher revenues (both by tonnage increase and higher I.C.C. rates) and cost reductions, are being deployed as efficiently as possible.

There are, it seems to me, three roads that because of bad luck last year, or brighter vistas this year, have listed shares that, by accepted techniques of analysis, might show interesting price improvements before Xmas. They

might even do it on your money! My first selection is Chicago and Eastern Illinois, operating 890 miles of road, from Chicago to St. Louis and reaching to Chaffee, Mo., and Evansville, Ind. Mine products account for roughly 45% of freight tonnage, but this percentage should increase sharply in 1952, for CGE has a gimmick—a special reason why this year should be fruitful. Two new electric generating plants have been built for the Atomic Energy Commission's project near Paducah, Ky. One of these generators is at Jopka; the other at Shawnee. CGE has laid out about \$9 million for new equipment to serve these. Accelerated depreciation on these outlays may reduce the net return for a while, but Chicago and Eastern Illinois is now in a position perhaps to double 1951 net earnings (about \$2.78 per share) if coal movements are maximized.

Here's an efficient little property, almost 100% dieselized, ready to take on a whacking volume of new tonnage, and nicely fixed with the latest, most efficient, new rolling stock for the purpose. Marketwise CGE common has been whittled down from 23% a year ago to around 16. Assuming possible revenues of \$5.30 on about 370,000 common shares, the present quotation is a lowly three times earnings. This common lurks astern of 383.751 class A \$2 dividend stock obligations, and about \$36 million of debt. If you'd prefer a cozier security with still a good speculative whirl, then look at the general income 5's of 1997. They sell at 78, and are convertible into 40 common shares. They should pay you \$50 a year (if earned) while you're waiting for the common to bounce.

Our second under-priced rail is Minneapolis, St. Paul and Sault Ste. Marie RR. Co., a compact property and a strategic bridge line. Management and control by Canadian Pacific is surely no debit against the property; while

its geographic location, connecting St. Paul, Minneapolis, Superior and Duluth, with a section of Western Canada enjoying a fabulous industrial expansion, suggests new horizons of profitability. Also, with all the hoopla about the Williston Basin, it's good to know that Soo runs 1,334 miles in North Dakota, and is bound to benefit by the growth which oil exploration there should bring. "Soo" is not reported as an important land owner but, who knows, it may have a round-house sitting on a pile of Devonian sand!

About finances, "Soo" was as compressed as almost any road in history by reorganization, \$140 million in bonds being sliced to \$30 million, and interest on the new issues put on a contingent basis. As a result, the road today enjoys magnificent solvency, with only \$20,900,000 of mortgage debt, and net current assets of about \$8½ million.

Each of the 719,004 shares of common was accorded \$1 by way of dividend last year, against earnings of around \$2.75. In 1951, an early freeze cut down ore shipments. This year, weather has been kindly, and the traditional deficit for the first four months of operation may be, this spring, heavily whittled down. \$3 million were added to gross revenues in 1951. If tonnage income continues to blossom at anything like that rate, "Soo," which has been nibbling away at its operating ratio, might really break out with impressive per share figures for 1952. Common sold as high as 21¼ last year. Technically, it's a far more entrenched equity today at 18½.

My third entry is offered to you not so much as holding forth great hopes of new sources of substantial tonnage, as was the case of CGE and "Soo"; but rather as a case study of a road whose earnings and stock prices appear to have been driven down below where they belong. Northwestern slipped from a high of 28½ to a low of 15; and it's near there right now. Sold at 49½ in 1943.

NW was just plain unlucky last year. Corn traffic was the slimmest in ten years, and snow removal costs set a new record—\$2 million. Thus, net earnings fell to below zero (actually a deficit of over \$3 a share on the common, I believe, after sinking funds). But for the same reason that earnings can dive so swiftly, they can recover with brisk velocity; for NW common has probably the most powerful leverage factor of any of the major roads. For instance, in its plea last year for higher rates to the ICC, NW projected that then existing rates would, in 1952, probably show a 15c. deficit on its common. If, however, the 15% rate increase, sought in 1951, were granted in full by Jan. 1, 1952, NW estimated that earnings on common for this entire year might go to above \$7 a share. Actually, only 6% (out of the 15%) was, I believe, granted; but the dynamic leverage here is clearly illustrated.

NW capitalization is 816,000 shares of common, 914,000 shares of preferred, following a funded debt of \$185 million.

The common is thus a quite marginal security, but one with phenomenal elasticity.

What, then, are the favorable factors that might animate NW? First, an incisive attack on operating costs is required. Some progress along these lines is being made, including further Dieselization. Second, abandonment of certain profitless branch and light-density mileage would be highly desirable, and, in some cases, perhaps possible. If all NW had to run was its heavy-traffic main lines to the west, and to the Twin Cities, Northwestern would really be a beauty! Third-

ly, the full 15% tariff increase, if authorized by spring, could give the Northwestern a fillip. Remember, too, NW is traditionally liberal with cash dividends. If it earns it, it pays it!

So here we have, in review, three uninflated rail equities, all in an attractive price range (below 20, that is)—all down at two points down?

## SEC Sends Up Trial Balloon: Who Pays for U.S. Regulation?

By J. A. LIVINGSTON

Business outlook commentator surveys question whether Federal regulated industries should pay for being regulated or whether regulation costs in the interest of the public should come from general taxation. Says SEC proposals are a trial balloon to test this question, and a broad principle is at stake not only for Wall Street but for all business.

Two years ago, John A. Kennedy, then publisher and editor of the late San Diego "Journal," wrote an editorial saying that the Federal Government gave away too many free services and ought to operate on a "cafeteria style, pay-for-what-you-get" basis. As a result, today in the White House and in Congress, a far-reaching debate is on: Shall an industry regulated by the Federal Government without its expressed consent, be required to foot the bill for its own regulation?



J. A. Livingston

Kennedy's editorial set in motion: First, an article by Arthur Krock, in the New York "Times." Second, an investigation by the Senate Committee on Expenditures. Third, enactment of Title V of the Independent Offices Appropriations Act of 1952, instructing government agencies to raise and collect fees "to the full extent possible." Fourth, a Budget Bureau survey expected to produce about \$40 million a year in additional revenues.

Already, as a result of this sur-

vey, the Department of Agriculture is raising the average charge for the use of government grazing lands from 42 cents per cow per month to 56 cents and on sheep from 10¼ cents to 13½ cents. The department's charge for inspecting and grading meats, dairy products, and fresh fruits and vegetables is going up from \$3 to \$3.60 an hour.

The Federal Power Commission is pricing its National Electric Rate Book at \$25 instead of \$10. Department of Commerce fees for age and citizenship searches are up from \$1 to \$3. Most photostat charges are being doubled. The Panama Canal Co. is marking up rates for bunkering, commissary and other services. The Post Office Department is raising rates for special services and is looking over rentals on post office boxes. These last haven't been changed since the pre-inflation days of 1907.

On top of all this, government employees now living rent-free or at nominal rents in government dwellings in national parks, forests, lighthouses, military installations, and so on will have to pay for value received. This increase alone runs to \$9 million a year. Such adjustments are noncontroversial. Washington is agreed that bringing charges into line with the higher costs of doing things is proper. What has caused



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all the fuss is a proposal by the Securities & Exchange Commission to collect an additional \$1,258,000 from brokers, public utility holding companies, investment companies, and investment advisers.

The SEC wasn't particularly keen in proposing additional fees. As one SEC-er put it, "No one likes to be a tax collector." But the Independent Offices Subcommittee, holding hearings on the SEC budget, wanted to know if the agency had made any progress in collecting more money. Hitherto, the SEC has spent about \$6 million a year, collected \$1 million. The taxpayer footed the difference.

So the SEC acted. The new schedule, which includes a \$50-a-year tax on all brokerage firms plus \$10 a year additional for officers or employees engaged in selling or buying securities, would make the SEC 37½% self-supporting.

The SEC has called for comments on the new schedules by March 10. The additional fees may go into effect by July 1—the start of the fiscal year. Therefore, what happens between now and then is significant. It will affect not only Wall Street and investors but also railroads, radio and television stations, and business concerns in general. For if the principle of let-the-regulated-industry-pay-for-its-regulation prevails, then the Interstate Commerce Commission will promulgate fees for the railroads, the Federal Communications Commission for radio and television, the Civil Aeronautics Board for regulation of the airways, the Federal Power Commission for utilities, the Federal Trade Commission for all manner of firms.

The Budget Bureau, itself, has pointed up the issue in a report to Congress, asking: "Is the particular service one which is rendered primarily for the benefit of the public at large which ought to be payable from general taxes, or is it a service for the benefit of particular individuals or groups and properly to be paid by those benefiting?"

The SEC proposals are a trial balloon—a test of the question. But because of them, business men had better "sharpen" their lawyers. This is not a case in which Wall Street is fighting a battle only for itself. A broad principle is at stake: Shall the cost of regulation be transferred from the general taxpayer to the regulated industry?

Meanwhile, there's no doubt that former Editor Kennedy accomplished something tangible: A general increase in government fees more closely commensurate with costs and a survey of services rendered which are not charged for. Thus, the Civil Aeronautics Authority is likely to begin billing airlines for navigational aids—the use of control tower advice, weather guidance, etc. This is a case in which the airlines are rendered a service, and is to be distinguished from the Civil Aeronautics Board's regulation of the airways—issuing certificates of right of way to airlines. Paying for certification is part of the controversial question: Shall the regulated pay for regulation?

### First Cleveland Adds

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Eugene M. Gordon has been added to the staff of The First Cleveland Corporation, National City East Sixth Building, members of the Midwest Stock Exchange.

## Current Aspects of Commercial Banking

By HAROLD H. HELM\*

President, Chemical Bank and Trust Co., New York City

**Prominent commercial banking leader, pointing out that retained earnings can provide little of the needed additional bank capital, urges need for tax consideration akin to that given savings banks, utilities, and insurance companies. Asserts FIDC assessments are inequitable. Declares continued inflation would be as disastrous as war. Maintains outlook for bank earnings is most encouraging and share prices are not inflated.**

It should be recognized that our corporations, including banks, are owned not by a few, but actually by millions of investors—people



Harold H. Helm

in every walk of life. Chemical Bank, for example, is owned by more than 17,000 stockholders. This great family resides in each of the 48 states, the District of Columbia, Hawaii, Puerto Rico, the Canal Zone and six foreign countries. Many of them are customers or employees of the bank, and the list includes many investment trusts, savings banks, insurance companies and other institutions which in turn represent their many owners.

It is clear to me that such investor ownership should be encouraged if we are to preserve the free enterprise system in this country. In the present era of great expansion, many segments of industry—particularly banks—need more capital through stock ownership. Not only should Mr. and Mrs. Stockholder be relieved from the squeeze of soaring taxes and operating expenses upon their companies, but these investors should be exempt upon from double taxation of dividends which results from the fact that no credit is allowed on personal income tax returns for dividends from corporate income already heavily taxed.

### The Position of Commercial Banking

Fundamental, in an economy such as ours, is the competitive system of commercial banking.

Imagine, if you please how much enterprise and initiative would American industry demonstrate today if it had been required to bank and borrow only with agencies of the Federal Government. Competition under equitable regulation rather than monopoly under possible political favoritism has provided our commerce with a dynamic banking system which has contributed immeasurably to the nation's growth and development from the very start.

It was only six and one-half months after the British troops withdrew from New York City at the conclusion of the Revolutionary War that the first bank in New York commenced operations on June 9, 1784. This was the Bank of New York, organized by a group of patriotic citizens among whom was Alexander Hamilton. It exists today as one of our strong financial institutions.

In 1799 came the Bank of the Manhattan Co. which continues to hold second position numerically in the New York Clearing House. By 1824, there were 17 commercial banks operating in New York City, including the institution

\*An address by Mr. Helm before the New York Society of Security Analysts, Schwarz's Restaurant, 56 Broad St., New York City, Feb. 25, 1952.

which I represent and which was then known as the "New York Chemical Manufacturing Co." Today there are 14,000 commercial banks throughout the United States with deposits totaling \$158 billion.

Perhaps the growth of banking can be more clearly visualized by the fact that Chemical Bank & Trust Co.'s capital and surplus accounts of \$120 million alone today are larger than all the currency in the United States in 1824, when the Chemical was founded.

Banking provides the national economy with most essential services. To mention but a few: It provides a depository for individual and corporate funds; it creates wealth by putting money to work at interest; it accelerates and expands commerce by extending credit to worthy borrowers, paying interest to savings depositors and dividends to stockholders; it facilitates trade by speeding the payment and collection of funds; it finances and makes possible international trade, and it performs personal and corporate trust services. The trust functions, I understand, will be discussed with you at a later luncheon of your society.

While I am confining my comments to the problems of banking in the New York financial center, conditions which affect us also are factors of concern to the banking business throughout the country.

Problems that are now to be faced and are being studied are numerous, but time will permit my touching briefly on only a few. I have selected as either most important or most current the following:

- (1) Capital requirements.
- (2) The comparative unfairness of bank tax levies.
- (3) Interest rates on thrift deposits.
- (4) Responsibilities of being the world's financial center.
- (5) Our duty of combating inflation, the chief present danger to our American heritage.

### Capital Requirements

To function satisfactorily, a bank—like any business—requires adequate capital. On this point, I recall my conversation at luncheon a few years ago with Mr. Hermann J. Abs, President of Kreditanstalt für Wiederaufbau, Frankfurt-Main, Germany. When I asked him as to available capital for reopening the numerous German branch banks, Mr. Abs replied: "They just opened," and then he added "if you have capital there is no art in banking." My remarks should convince you that I do not wish to see American banking become too "artistic."

Until a relatively few years ago there were no yardsticks for analyzing bank statements. In fact, there were few statisticians and no New York Society of Security Analysts. Banks were known and judged almost solely by their managements' character and policies. The first yardstick that developed was that a bank sought new capital when its deposits grew and exceeded ten times its capital. During the great race for liquidity in the early thirties,

bank comparisons were made on that basis. This ratio of capital funds to deposits subsequently gave way in most examiners' reports and in analysts' comments to the mention of capital funds' ratio to risk assets (total assets less cash and U. S. Government bonds) or to loans alone.

In 1939, which is generally considered a "normal" year, loans of member banks in the Second Federal Reserve District were 2.16 times capital funds. During the postwar period, and more recently since the national defense program got under way, this ratio has risen steadily to the point where it exceeds even the peak ratio of 1929. As of last June 30, the ratio of Second Federal Reserve District member banks' loans to capital funds was 4.36 compared with 3.40 at the end of 1949 and 3.49 at the end of 1929.

Another study shows that total risk assets of the Second Federal Reserve District member banks were 5.45 times capital funds on June 30, 1951, compared with 4.25 at the end of 1949, 3.35 at the end of 1929 and 4.95 at the end of 1929.

These ratios should not be interpreted to mean that our banks are in, or even near, a portion of being overloaned. Today, in New York City, the Central Reserve City member banks are required to maintain a reserve of 24% of their deposits with the Federal Reserve, compared with only 13% in the 1929 period, and we have a much greater cushion of secondary reserves in the form of government and other high grade bonds, than previous was considered necessary.

Even though our banks are in a strong financial position, how-

ever, we cannot overlook the ever-approaching need for larger capital funds. In financing the great expansion of the nation's economy since the end of World War II, loans of all commercial banks have more than doubled during the last five years. Furthermore, with inflation and government spending for defense continuing, it is likely that business and government will make even greater demands upon the banks to help finance expanding facilities and services. To be prepared, banks must have adequate capital with which to protect their depositors, borrowers and the public at large. It is no secret that banks' corporate customers and their banking requirements have grown more rapidly than have the capital funds of banks and hence their legal lending limits.

Unfortunately, due to factors beyond the control of management, the growth of bank capital funds has not kept pace with the size of business corporations. As analysts, you know that new capital requires satisfactory earnings and the promise of fair dividend returns. Until just recently, a principal factor affecting our revenue—the interest rate—was arbitrarily held low.

This placed a ceiling on revenue and, while now the much heavier demand for loans at higher rates brightens the outlook for increased gross income, one is not encouraged over the little prospect for retaining much of this for capital funds, or for higher dividends which indeed have been kept at conservative levels. One of New York's largest banks recently reported that its net earnings before taxes and reserves in-

Continued on page 20

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February 28, 1952.

## Dealer-Broker Investment Recommendations and Literature

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

**Airlines**—Discussion in current issue of "Market Pointers"—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. Also in the same issue are a list of "sheltered" stocks and of dividend payers with low price-to-earnings ratios.

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

**Convertible Debentures**—Bulletin—Ross, Knowles & Co., 330 Bay Street, Toronto 1, Ont., Canada. Also available are bulletins on **Jupiter Oils Limited** and **Atlas Steels Limited**.

**Daily Market Letter**—Bulletin of up-to-the-minute Wall Street news and information—Walston, Hoffman & Goodwin, 1420 Walnut Street, Philadelphia 2, Pa.

**Electric Utilities**—Analysis of outlook—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

**Municipal Bonds**—"Watching service" to keep holders of municipal bonds posted on developments affecting their holdings—Ira Haupt & Co., 111 Broadway, New York 6, N. Y. Also available is a review of **International Utilities**.

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

**Oil Industry**—Review—Dean Witter & Co., 14 Wall Street, New York 5, N. Y.

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

**Armour and Co.**—Analysis—Dayton & Gernon, 105 South La Salle Street, Chicago 3, Ill.

**Berkshire Fine Spinning Associates**—Report—Dempsey-Tegeler & Co., 210 West Seventh Street, Los Angeles 14, Calif. Also available are reports on **Central Illinois Public Service Co.** and **Pacific American Investors, Inc.**

**Black, Sivals & Bryson, Inc.**—Analysis—Scherck, Richter Co., 320 North Fourth Street, St. Louis 2, Mo.

**Campbell-Taggart Associated Bakeries, Inc.**—Analysis—Sanders & Newsom, Republic Bank Building, Dallas 1, Texas.

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

**Chilton Co.**—Analysis—Boenning and Co., 1606 Walnut Street, Philadelphia 3, Pa. Also available is a bulletin on **Glass Fibers, Inc.**

**Chrysler Corp.**—Analysis—Bendix, Luitweiler & Co., 52 Wall Street, New York 5, N. Y.

**Columbia Gas System**—1951 Annual Report—The Columbia Gas System, Inc., 120 East 41st Street, New York 17, N. Y.

**Columbia Gas System, Inc.**—Bulletin—Faroll & Co., 209 South La Salle Street, Chicago 4, Ill. Also available is a discussion of **Grumman Aircraft Engineering Corp.**

**Consolidated Edison**—Memorandum—Josephthal & Co., 120 Broadway, New York 5, N. Y. Also available are memoranda on **Laclede Gas**, **Northern States Power** and **Rochester Gas & Electric**.

**Continental Casualty Co.**—Analysis—William Blair & Co., 135 South La Salle Street, Chicago 3, Ill. Also available is an analysis of **Continental Assurance Co.**

**Emhart Manufacturing Co.**—Analysis—Eddy Brothers & Co., 33 Lewis Street, Hartford 3, Conn.

**Maine Central Railroad**—Information—Raymond & Co., 148 State Street, Boston 9, Mass.

**National Distillers Products Corp.**—Review—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

**Perfex Corp.**—Analysis in current issue of "Business and Financial Digest"—Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis.

**Placer Development, Ltd.**—Analysis—John R. Lewis, Inc., 1006 Second Avenue, Seattle 4, Wash.

**Rieke Metal Products Corp.**—Bulletin—Eisele & King, Libaire, Stout & Co., 50 Broadway, New York 4, N. Y.

**Riverside Cement Co.**—Analysis and review of the Cement Industry—Lerner & Co., 10 Post Office Square, Boston, 9, Mass.

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

**Sun Life Assurance Co. of Canada**—Study—Insurance Stock Dept., Allen & Co., 30 Broad Street, New York 4, N. Y.

**Union Carbide & Carbon Corp.**—Complete 1951 Annual Report with an illustrated booklet describing the corporation's products—Secretary, Union Carbide and Carbon Corp., 30 East 42d Street, New York 17, N. Y.

# NSTA



# Notes

### THE BOND CLUB OF SYRACUSE, N. Y.

At the annual dinner meeting of the Bond Club of Syracuse, the following officers were elected:



Warren R. Wallace



Francis Q. Coulter



Charles T. Heaton

Warren R. Wallace—President.  
Edward J. Smith, Smith, Bishop & Co., Vice-President.  
Francis Q. Coulter, Syracuse Trust Company, Treasurer.  
Charles T. Heaton, William N. Pope, Inc., Secretary.

The Board of Governors for the current year is composed of the following members:

Clarence A. Goodelle; William G. Lapham; Pearne W. Billings, Cohu & Co.; Harry C. Copeland, Reynolds & Co.; Delwin H. Gidley, Geo. D. B. Bonbright & Co.

## Urges Changes in The Securities Act

James Coggeshall, Jr., President of First Boston Corporation, tells share owners changes in procedure in registering and distributing securities should be considered.

In his annual report to stockholders for 1951, James Coggeshall, Jr., President of the First Boston Corporation, underwriters and investment bankers, calls attention to desirable changes in procedure under the Securities Act of 1933.



Jas. Coggeshall, Jr.

Coggeshall points out that there are many cases when public distribution of securities is advantageous and that under present procedure corporate management finds it necessary, in the latter instances, to assume market risks not present in direct or private placements. This is because public distribution, where registration is required, involves delays in the preparation of required material and a lapse of waiting time.

To ameliorate this condition, he suggests that within the framework of the present law certain changes in procedure should be considered. "For example," Mr. Coggeshall states, "It would be appropriate for the Securities and

Exchange Commission to rule that a greatly simplified registration statement with respect to either (a) debt securities rated Baa, B1+ or higher by independent rating agencies, or otherwise meeting certain specified tests as to assets or earnings, and to be issued by an issuer with outstanding securities already registered under the Securities Exchange Act of 1934 and listed on a national securities exchange; or (b) new debt securities to be registered under the Securities Exchange Act of 1934 and to be listed on a national securities exchange within a stated period after public offering, was effective for the purpose of a public offering of such debt securities under the Securities Act of 1933, either upon the filing of such registration statement or within a maximum period of 48 hours thereafter and also to permit a materially shortened form of prospectus to be used in connection with the public offering of such securities.

"If this change in procedure could be brought about and the time risk equalized or substantially equalized between the two methods we believe all elements of our economic life would benefit—corporate management would have freedom of choice between the two methods; concentration of ownership of such securities could be minimized; small and medium investors of all types would have a greater opportunity to invest in the obligations of outstanding corporations. Nothing in the suggestion affects the fundamental 'full disclosure' objectives of the Securities Act of 1933," Mr. Coggeshall states.

The annual report of The First Boston Corporation for 1951 shows net income of \$2,149,011, equivalent of \$3.82 per share on both classes of capital stock of the corporation. This compares with \$2,847,654, equal to \$5.03 per share in 1950.

Total capital funds, exclusive of reserves, amounted to \$10,308,478 at the end of the year, after deducting dividends of \$3.25 per share on the capital stock and on the Class A capital stock. Net asset value was \$34.33 per share on Dec. 31, 1951. This compares with total capital funds, exclusive of reserves, amounting to \$18,987,592 a year earlier and net asset value of \$33.76 per share.

## Our Reporter's Report

Much as it likes to keep busy, the underwriting fraternity was satisfied to "coast" through this week knowing full well that it probably would be the last respite from active operations for a while ahead.

With little else to occupy its time, there being only a smattering of small corporate and municipal offerings, the rank and file was given to endeavoring to anticipate just what looms ahead.

The secondary market has not been behaving especially well of late but here again the disposition to sit back and await the prospective flood of new issues known to be "on the fire" was looked upon as accounting at least in part for the heaviness.

Potential buyers, meaning chiefly the insurance companies, are well aware of the forthcoming rush of new flotations and, accordingly, are content to wait and see what the future has to hold.

They have funds for investment, naturally, but again they are not likely to be stampeded into purchasing since they are continually looking over prospective direct offerings and, in addition, have an eye on the mortgage field.

Accordingly, consensus among market observers appeared to be that impending new issues would have to be priced right to assure ready acceptance and avoid any undue accumulations in bankers' hands.

### What Doctor Ordered

Next week will bring a variety of offerings such as seldom is bundled into such a period of these days, giving the investor a wide choice as to type and maturity of securities up for sale.

At least a dozen large prospective issues are on tap for Tuesday, Wednesday and Thursday. And to sweeten up the situation just a bit more by far the majority of such issues are being handled through negotiation rather than competitive bidding.

Curiously enough several take the form of public utility securities, that is, operating companies. So underwriters and dealers will be found working with a real will on these undertakings.

### Industrials Take Lead

The roster includes several large offerings for industrial corporations which is a change of pace from recent months when, as is more or less customary, utilities have been in the lead.

American Tobacco Co.'s dual offering of \$50,000,000 of 25-year sinking fund debentures, plus 1,075,685 shares of common stock, the latter to be offered initially to stockholders on a 1-for-5 basis.

Continued on page 55

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# Current Investment Policy

By DR. HAROLD AUL\*  
Vice-President of Calvin Bullock

**While expecting a severe readjustment sometime in the 1950's, market economist sees favorable outlook for business and profits over next year or so. Hence urges prudent investor to hold at least 50% of his investable funds in good common stocks. For determination of the "good," advises purchase of shares in representative investment companies to get benefit of expert investment counsel.**

As a background for this discussion, it should be helpful to review the course of the economy since we met here a year ago.



Harold Aul

At that time, it was the opinion of the majority of economic observers that the year 1951 would witness an expanding economy, deriving principally from the expected great increase in defense spending. A material rise in the rate of industrial production and commodity prices was widely predicted. It was certainly the judgment of manufacturers and merchants of consumers soft goods that the anticipated substantial increase in the national income held the promise of boom conditions for their industries; and they accumulated inventories heavily in the expectation of a bonanza.

Contrary to these expectations the economy during the past year has remained in a state of uneasy equilibrium, and a stalemate has prevailed between the forces of inflation and deflation. At the end of 1951 the Federal Reserve Board-Index of industrial production stood at 218, exactly the level at which the year began. Wholesale commodity prices over the year as a whole registered substantially no net change. The behavior of commodity prices last year presents a strangely mixed pattern. Wholesale prices were unchanged, but the index of sensitive raw materials prices declined more than 10%; and despite this the cost of living index rose more than 5% to a new high. Based on this index, the dollar is currently worth about 53 cents as related to its pre-war purchasing power.

## No Boom in Soft Goods

A substantial rise took place last year in disposable personal incomes; but despite this the forecasted boom conditions for manufacturers and merchants of soft goods did not come to pass. This is not to say that 1951 was a poor year for retail trade. In the first 10 months total retail sales were almost 8% above those of the previous year; and for the year as a whole, department store sales were 3% above the satisfactory volume of 1950. The volume of sales simply failed to live up to the brilliant expectations of the trade; and, as a result, merchants were caught in the latter part of the year with unwieldy and excessive inventories. This led to sharp mark-downs of prices in an effort to move old merchandise off the shelves and, in consequence, the virtual disappearance of net earnings. Merchandise inventories backed up on the manufacturers and caused a drastic curtailment of operations.

The failure of retail trade to come up to expectations despite a substantial rise in personal incomes rose from the extraordi-

narily high degree of caution shown by consumers. Having been fooled in July, 1950 and January, 1951, they simply refused to respond again to the cry "Wolf." In the third quarter of 1951 personal savings rose to a rate of more than \$22 billion per annum or about 10% of disposable income as contrasted with a rate of only \$4½ billion in the third quarter of 1950.

The sobriety of consumer behavior accounts for the present precarious balance between inflationary and deflationary forces; and the behavior of consumers in the current year will largely determine its economic climate.

## Mass Psychology the Imponderable

The great imponderable in economic forecasts is mass psychology. What people think of the outlook will govern their behavior, and their behavior, i.e., what proportion of their incomes they save and spend, determines to a considerable degree whether we shall have prosperity or depression, inflation or deflation. No one can be certain how people will behave in 1952; but it seems probable that they will spend a larger proportion of their income, not only because of the exhaustion of their soft goods inventories, but also because the widely heralded shortages should begin to make their appearance as large scale production of armaments finally gets rolling.

In our calculations in respect to the 1952 outlook we are assuming that savings will amount to about 7% of disposable income as against only 5% in 1950 and about 10% in the last half of 1951.

This is less optimistic than the expectation of the President's Committee on the Economic Report, who forecast a return to a savings ration of only about 5%. If they are right this should spell boom conditions for the soft consumers goods industries. Renewed war scares or alarm with regard to public waste and extravagance could touch off another buying spree of considerable greater dimensions than we are assuming. In any event, for what comfort it may bring to manufacturers and merchants of soft goods who are currently enjoying the unique distinction of suffering depression in the midst of boom, I believe that the prosperous conditions envisioned for this group last year have simply been deferred and that the prospects are excellent in 1952.

## Corporate Earnings and Taxes

Corporate earnings last year, though mixed, were generally lower under the impact of a marked increase in Federal taxes. With the fourth quarter still estimated, the indicated net earnings of the Dow-Jones Industrial companies last year were about \$25 per share as compared with \$30.70 per share in 1950, a decline of about 18%. According to the report of the President's Committee, all corporations reported net profits before taxes last year more than 8% greater than those of 1950, but net profits after taxes were about 20% below the previous year. Despite the decline in earnings, dividend payments of the Dow-Jones Industrials last year were almost identical with those of 1950—slightly over \$16

per share. This means a substantial increase in dividend payouts last year, which is somewhat surprising in view of the deterioration of corporate working capital positions.

At their present price the Dow-Jones Industrials are still a little under 11 times 1951 earnings and are yielding about 6% based on 1951 dividends. The ratio of representative common stock yields to high grade bond yields is currently about 1.9 to 1, as against about 2½ to 1 at the end of 1950. These price earnings ratios and relative yields are still favorable, but not nearly as favorable as those prevailing over the past several years, particularly if we bear in mind that our artificially nurtured boom is growing older. We should be alert to the fact that this principal prop of the stock market of the past five years has weakened materially.

One of the interesting phenomena of the stock market of the past 10 years has been its consistent tendency to move in a direction opposite the trend of corporate earnings. In 1951 the market once more conformed with this curious pattern. In the face of an 18% decline in net earnings, the Dow-Jones Industrials scored an advance of 14.4% to a level of 269 at the yearend. This advance, however, was concentrated within a few months and was of a highly selective nature. The industrial average reached an intermediate high of 263 in May and we moved within a narrow range over the balance of the year. Of the 72 groups making up Standard and Poor's average, 42 scored gains, while 30 or more than 40% registered declines.

## Averages Misleading

An examination of the behavior of representative common stock averages is apt to be misleading so far as the experience of the average common stock investor is concerned, since the investor does not ordinarily "buy the averages" unless he invests through the medium of a general management investment company. The behavior of new common stock offerings over a period of time might be more revealing of the typical investor's experience.

The first six months of 1946 witnessed an extraordinarily large volume of new offerings of common stock. We recently made a study of all the principal new public offerings of common stock during this period, 92 in number, to determine how those have fared during the postwar boom. We found that 62 of these 92 issues, or about two-thirds, suffered a decline in price from the date of their offering to Jan. 22, 1952. If the investor had purchased equal amounts of all of these issues, he would have suffered a loss of 7.3%. As contrasted with this experience, Standard and Poor's combined stock average advanced about 28%. Only 17 of these 92 issues have shown a record superior to this stock average. It seems to me that this is a compelling endorsement of the principle of supervised diversification as provided by representative investment company shares.

In undertaking to appraise the economic prospect of 1952 as a background of current investment policy we find essentially the same fundamentals prevailing today as we did one year ago. The most influential of these is, of course, that we are in an armament economy and have not yet reached the peak of our defense expenditures. Indeed the lag in defense spending last year accounts largely for the failure of the index of industrial production to rise.

I continue to accept as a major premise of my thinking that we shall have neither peace nor war in 1952, but that we shall proceed steadily to build up our defenses against Communistic aggression.

A truce in Korea might result in slowing up the pace of defense appropriations and spread these out over a longer period; but it is altogether unlikely that it will affect the trend of spending as distinguished from appropriations. We have been stockpiling appropriations in the sense that these have vastly exceeded actual expenditures, so that the latter should rise steadily despite a possible cut-back of defense appropriation in the next budget.

Present indications are that defense spending will reach a rate of \$64 billion per annum in the fourth quarter of 1952 as against a rate of \$44 billion in the last quarter of 1951; and that total government expenditures for the entire calendar year will exceed those of last year by at least \$20 billion. This is the controlling factor in the economic outlook for the year. This increase in government spending should more than offset a prospective decline in private domestic investment arising principally from a decline in residential building and inventory accumulation. It is doubtful if the latter will make any net contribution to the gross annual product as against a \$17 billion increase last year.

The last and most important element of the gross national product is consumer spending. Recognizing that this is the great variable, subject to the ebb and flow of mass psychology, it appears reasonable at this time to anticipate that personal incomes will be moderately higher and the percent of such incomes spent moderately greater than last year.

## Probable 4% Increase in Gross National Product

Based on this premise, I believe an increase in the gross national product from \$327 billion in 1951 to \$340 billion in 1952, or about 4%, is a reasonable probability. In other words, so far as the year 1952 is concerned, short of the outbreak of all-out war or the outburst of war-panic psychology, I look for a continuance of the state of unstable equilibrium which has marked the total economy of the past year, with a moderate net rise in the rate of industrial activity and the level of commodity prices. With a substantial cash budgetary deficit scheduled to make its reappearance in the latter half of this year and the prospect of further wage increases, renewed inflationary pressures should become manifest.

Though it seems probable that corporate taxes are now at their peak, it should be borne in mind that present rates will apply to the full year 1952 as against only nine months of 1951. The resultant increase and the pressure of higher costs moving against controlled prices are likely to squeeze profit margins. The outlook, therefore, is for a further decline in corporate net profits this year of the order of perhaps 10%; but earnings experience among various industries will be uneven. Some industries, for example, may benefit from increased war work; others may not repeat their inventory losses of last year and will be benefited from the carry-over of the unused portion of their excess profits tax credit.

One of the most interesting

Continued on page 37

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.

50,000 Shares

## Delaware Power & Light Company

4.56% Preferred Stock

Cumulative, Par Value \$100 Per Share

Price \$103.64 Per Share

Plus accrued dividends from March 1, 1952

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.

The First Boston Corporation

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Brush, Slocumb & Co. Inc.

J. M. Dain & Company

Laird & Company

Newhard, Cook & Co.

Harold E. Wood & Company

February 28, 1952.

\*A talk by Dr. Aul before a group of investment bankers at the St. Francis Hotel, San Francisco, Calif., Feb. 15, 1952.

# America's Films Overseas

By ORTON H. HICKS\*

Director, Loew's International Corporation

Mr. Hicks lists as important factors of our film business abroad (1) its valuable source of revenue; (2) its importance to U. S. economy; and (3) its value in cause of world peace.

The distribution of America's Films Overseas is a very important business. It is important in three ways: (1) It is important to the motion picture industry itself, because so large a part of our revenue comes from overseas. Here is a banner headline from the January 18th issue of one of the leading trade papers reading: "Industry Income Now 40% From Overseas." And the trend is on the up-grade. Compare that to the average American industry which earns less than 10% of its revenue from overseas.



Orton H. Hicks

(2) It is important nationally to the American economy. American merchandise has never had a more persuasive salesman for its refrigerators, automobiles, radios than the motion picture film. Here is a recent U.S. Department of Commerce report from Israel:

"It is certain that United States films exert an influence on local audiences with respect to styles in clothing, manners and entertainment, and life in general."

Another government report from Egypt:

"The tendency of films to create a confidence in the excellence of the products of United States companies is observable."

(3) Finally, it is important internationally in the cause of world peace. Let me read what Eric Johnston had to say in his first report as President of the Motion Picture Association of America:

"There cannot be one world as long as there are any foreigners in it. The very meaning of the word 'foreign' must disappear, and with it the plurality of discordant foreign policies by which the nations are divided. But the peoples of the world will cease to seem strange or foreign to one another only

when they know each other as neighbors do. To bring them to such knowledge of one another is a mission which the motion picture is peculiarly fitted to perform. It is the only one medium of communication in which all the peoples of the world can speak to one another in the universal language of pictures."

Just as with merchandise, American films sell American ideas and ideals.

## How to Reach Our Goal in Foreign Distribution

Recognizing this importance of the overseas market, those of us in the industry realize the obligation we have to our country—as well as to our stockholders—to get the widest possible distribution for the best American films. To reach this goal, there are certain definite steps to be taken:

- (1) We must select the pictures best suited to each individual country.
- (2) We must prepare these selected pictures to make them readily understood and enjoyed.
- (3) We must present them in surroundings that make movie going a pleasant experience.
- (4) We must develop new markets—outposts where movies are not known.
- (5) We must collect: a bankrupt industry would be no good to us, to you or to America.

Let me elaborate on these 5 steps, but the process really starts with a preliminary step—a close study of the original story and the script long before the studio starts shooting the film. We maintain an International Department at the studio for this very purpose. Through experience they know the themes that can make a film distasteful or offensive to other countries. They know the phrases that must be avoided either because of custom or censorship. If the story and script can be changed without weakening the story for the U.S. market—fine. If not, protective shots must be made for inclusion in the foreign versions.

One protective shot we try to avoid because of the expense is reshooting an entire musical sequence. This was once necessary because a foreign censor insisted

the bosoms of a group of chorus girls were too prominently displayed. It is now SOP for the director of any musical film to call on the International Department before he starts shooting a chorus number. One of our men dashes over to the set with a yardstick to measure the height of the bodice and the extent of the cleft.

Needless to say, the head of the Department usually handles this important assignment personally.

Assuming that the picture has been made, we take our first step—**Selection**. MGM makes about forty pictures a year, but there are some countries where we are allowed to import only a fraction of this number, for instance France where the French Government limits us to thirteen annually. Naturally we want to select the thirteen best. Within the past year our Research Department has developed a method of selection which uses certain cities as indices for entire countries, and this correlation enables us to make intelligent selections of the best films for each country. The process is too involved to describe in this talk but the American Marketing Association has been impressed by the statistical principles employed and is planning to publish the detailed story in the next issue of their "Journal of Marketing."

The next step is **Preparation**: Films for the overseas market are prepared in two ways—dubbing and superimposing titles. Most of you are familiar with the latter method, but probably very few have seen a completely dubbed picture. Loew's International operates four studios overseas for dubbing. One in Paris for the French dubbing, one in Barcelona, for the Spanish, one in Rome for the Italian and one in Berlin for the German. Dubbing has developed into a very skilled art. It is not enough merely to have the words synchronize with the lips, but similar words must be found in these foreign languages that are formed by the same lip movements. The illusion is perfect: you would swear that Clark Gable is talking French or Lana Turner German as you watch them on the screen. Furthermore, the one voice always impersonates Gable so that the Italian Gable becomes as thoroughly familiar by sight and by sound in Italy as in our own United States.

As you can imagine, the technical and semantic problems are many. Here is a rather simple example: The picture was "Battle-ground" which many of you must have seen. In that picture, John Hodiak is an American G.I. who

has a small smattering of French. The truck in which he is riding with his companions stops at a small French village and the boys start whistling at a very pretty French girl, Denise Darcel. She starts jabbering at them in French and the G.I.s. Keep saying to Hodiak, "What is she saying?—What did she say?" and Hodiak interprets in a very labored way. Obviously it would have been ridiculous when that picture was released in France to have French-speaking G.I.s. questioning what someone else was saying in French. A solution was found. In the French version Denise Darcel spoke Flemish!

For those countries that do not receive dubbed versions, superimposed titles are supplied in 22 different languages. Here too we run into some interesting problems, particularly in trying to express American slang in terms of local idiom. Also protective shots become a habit rather than an exception. For instance, it would be rather ridiculous for a man speaking French supposedly in Paris to be reading a copy of the Springfield "Republican." Therefore he must be shown reading "Le Paris Soir." Signs must also be converted into the native language.

Although this dubbing and superimposing work is done either in New York or at the studios, our own offices overseas—there are 113 of them operating in 42 different countries—also have a job to do. They must create the local advertising, the posters, the one-sheets, the window cards, the lobby displays for our pictures in the native tongues.

Having gone to this expense, we come to the next step—making sure that the films are presented with good sound and in comfortable surroundings. Frankly, the general standard of the 70,000 theatres overseas is far from the standard of the 20,000 American theatres. For that reason, Mr. Lowe decided 20 years ago to build in the capital cities of the world a Metro theatre to serve as a show place for MGM pictures. There are now 40 of these Metro theatres overseas and they serve three purposes:

- (1) They help raise and maintain the standard of exhibition.
- (2) They give us an accurate appraisal of the earning power of each picture.
- (3) They make money.

I am always reminded of what Arthur Mayer said in comparing the theatre with a beautiful woman. His comment was that at the beginning it is her beauty that captures you, but as the years go by it is her day by day performance that counts. Our Metro-theatres are beautiful, but of equal importance they are profitable.

Obviously these Metro theatres are in the large cities where many other theatres exist. They create only a limited amount of new business for American films. Therefore, there is another Department of Loew's International that concentrates on the fourth step—the **Development** of new markets. I refer to the 16 mm Department—which Mr. Loew started immediately after the war. He had been associated with the Army's success in bringing to the G.I.s. overseas the \$50,000,000 worth of 16 mm entertainment films that the Industry had contributed to the Armed Forces during World War II. He was determined to establish the same type of distribution system for MGM. Now six years later we can look at a map of the world with a certain amount of satisfaction for there is scarcely a corner of the globe—except for the Iron Curtain—that is not screening at least one MGM picture each week. From Etah—hundreds of miles above the Arctic Circle in Greenland—to the Straits of Magellan in Tierra del Fuego; from the

jungles of the Congo to the mountain passes of Afghanistan; from the ships that sail the seven seas including the Norwegian whaling fleet in the Antarctic—to the deserts of Saudi Arabia; from the frozen tundra of the Aleutians to the coral beaches of the South Pacific MGM salesmen are bringing American films to new thousands of avid movie fans.

**Collection** is the final step. Some of these South Sea Islands exhibitors have actually tried to pay us in coconuts, but this is a very minor problem compared to the difficulty we have experienced in trying to convert frozen funds overseas into the U. S. dollars which our Hollywood Studio needs to operate. I am glad to report that we are in a good position at this time, except for the Argentine peso, Israeli pound, Indonesian rupiah, and the Japanese yen.

This position has been reached, however, only with great effort. For instance, our British pounds have been liquidated because we are fortunate enough to have a studio in England where we make several features a year. Last year we had five production units overseas at one time, shooting "King Solomon's Mines" in Africa, "Kim" in India, "Pagan Love Song" in the Pacific, "Teresa" in Italy and "An American in Paris" in France. If you read the papers, you already know where "Quo Vadis" was made.

When we can't produce in a country we resort to barter and compensation deals. Finnmarks were liquidated by the purchase of English bibles printed in Helsinki. One deal sounded like a Tinkers-to-Evers-to-Chance triple play; limestone from Italy was purchased for lire, sent to another country where frozen funds converted it into cement, and finally sold to an oil producing country for U. S. dollars.

I wish there were time to tell you about some of the interesting—as well as frustrating—experiences that were encountered during my December trip to the Far East. I am thinking especially of the ever increasing spirit of nationalism which in many places is taxing our American films outrageously for the sole purpose of transferring the revenue to the local film producers in order to get them established in competition with us. However, such acts do confirm my original premise—namely, the importance of the motion picture industry overseas. You may rest assured the people who regularly attend the movies that come from Hollywood see the real and the normal America through the background and atmospheric details of these films.

True, some detective and crime pictures are sent overseas, but crime stories have been favorite dramatic subjects down through the years—long before movies were invented. Crime and tragedy run all through the Greek plays. Terrible things happen to people in the Old Testament and even in Mother Goose. Many of the films from England, France, Italy also deal with crime—yet none of us in America is deluded into thinking that crime has become an especially serious social problem in those countries. Neither is it here!

As the Voice of America said in a recent broadcast:

"Hollywood mirrors both the good and the bad. It makes no pretense of depicting America as a modern Utopia."

The Voice went on to quote a distinguished British critic to the effect that this policy is a "tribute to the strength of a country that has never been ashamed to show its faults."

It is no idle boast that "Movies Are Better Than Ever." And it is equally true that the millions of movie fans overseas are enjoying and supporting American films more than ever!

This announcement is not an offer to sell or a solicitation of an offer to buy these securities.  
The offering is made only by the Prospectus.

\$4,000,000

## Central Illinois Electric and Gas Co.

First Mortgage Bonds, 3½% Series due 1982

Dated January 1, 1952

Due January 1, 1982

Price 101.87% and accrued interest

Copies of the Prospectus may be obtained from the undersigned.

**HALSEY, STUART & CO. INC.**

February 23, 1952

# Enlarging Securities Markets Through Promotional Methods

By ERWIN W. BOEHLER\*

Educational Director, Investment Bankers Association of America

IBA educational administrator, in noting broadening base of investment in U. S., reviews history of securities promotion and classifies securities business into three main groups with respect to promotional activities. Describes educational and promotional activities of IBA and outlines need for more investment education and advertising. Holds as basic to investment promotional efforts, the need to inform vast number of potential investors of their privileges and responsibilities as participants in our industrial democracy, and thus help preserve our economic system.

Many years ago, when you and I and Maggie were somewhat younger, we might have gone to the icebox of that day and found a quart bottle, a bottle not guilty by association with Spanish olives and French vermouth. Rather, we might have found a food that was used for babies prior to the advent of the powdered formulae so popular today. At the top of this bottle there would have been a layer of butterfat so thick it could have been removed with a fork. Then followed two to three inches of cream, and at the very bottom of the bottle there might even have been a bluish cast. In contrast, milk is today being homogenized. The butterfat is uniformly diffused throughout the contents.



Erwin W. Boehmler

## Pattern of Income Distribution

The pattern of income distribution in our country has gone through a somewhat similar transformation. As a result of the developments of the last two decades, the social revolution and all that it implies, the income pattern in our country has been at least partially homogenized. The degree of disparity has been narrowed. A greater number of citizens are getting a larger portion of the gross national product. Persons in the middle income group have incomes substantially above their living requirements, and liquid funds have expanded phenomenally. A large number of these individual accumulations are of investable proportions, but rather than finding their way into direct securities purchases they are to a large extent being institutionalized. Such funds represent a vast beckoning market, and I suppose it is a fair statement to make that this conference undoubtedly finds its genesis in this homogenization.

It is a gratifying experience to be attending this conference and to see the interest and enthusiasm manifested by so many and to hear the reports on successful campaigns and the counsel by specialists in various phases of promotion. The constructive program should kindle the imagination and encourage each one of us to tackle our respective chores with renewed vigor.

## Theme of Conference

The theme of this conference emphasizes advertising and other forms of promotion as applied to the securities business. As our Chairman pointed out this morning, the sessions are designed to acquaint dealers and brokers "with ideas that are paying dividends" to people in the securities business throughout the land. Ad-

in depth, much like a want ad, and read:

"Broker's office, E. Benjamin at No. 50 Wall Street, still continues in the business of stock and exchange broker and solicits the patronage of his friends and the public. He also offers his services to purchase and sell goods on commission."

**Civil War:** Later, during the Civil War when the Union was faced with a critical financial problem and the greenback program resulted in economic confusion, Jay Cooke was appointed government loan sales agent and through advertising sold government bonds to individuals in a way and in a volume never before thought possible. He extended his successful Philadelphia campaign nationwide and for the first time advertised nationally a government bond issue. One of his most effective advertisements was a sort of catechism for farmers, clerks, and mechanics: "The Best Way to Put Money Out at Interest." It was a series of 12 questions supposedly propounded by a Pennsylvania farmer and answered lucidly by Jay Cooke in the text of the advertisement. The loan was quickly oversubscribed, and Cooke was retained to continue his promotional efforts until the end of the war.

**Peirce Thesaurus—1917:** In 1917 Frederick Peirce of Philadelphia published a pamphlet that included a section on advertising and advertising devices which was later reprinted in a book, "The Peirce Thesaurus of Security Distribution and Investment." This article said in part:

"Some years ago the writer was criticized as being unconventional by some members of the old school on account of using live copy and changing it periodically instead of confining himself to the established business card, but apparently by now nearly all of the old school must have passed away or else become rejuvenated, for the latter style of advertisement is seldom used except as a rate-holder."

Mr. Peirce was somewhat on the optimistic side. There must have been a resurrection, for some 30 years later we were still decrying the use of the tombstone.

**Liberty and Savings Bonds:** The Liberty Bond campaign of World War I and later the War Savings Bond campaign of World War II were generally credited with widely extending the number of American securities hold-

ers and acquainting them with the investment process. Both these efforts were widely hailed as real contributions not only to winning the respective wars but also to the cause of free enterprise and securities ownership generally.

**Paul Cherrington—1928:** Now let's look at the late '20s. In addressing the Investment Banking Seminar last June, Ted Braun, consultant to Merrill Lynch, quoted from a book written in 1928 by Paul Cherrington, an advertising man, as follows:

"... when wealth became more widely diffused, the list of depositors larger, and the list of stockholders less exclusive, it became less reprehensible for banks and investment houses to go to the public with facts about the securities they wanted the public to buy."

In this same volume the author cited the extent of securities advertising in 1928. For the whole industry there were only 47 banks and investment houses that advertised in the newspapers, and they used 66 newspapers in 31 cities to place close to 300,000 lines. More than two-thirds of this lineage was accounted for by only 15 of the 47 institutions. Obviously personal solicitation and direct mail must have carried the promotional burden.

## Recent Developments

Now let's turn to more recent years. During World War II the Savings Bond campaign eclipsed the promotional efforts for private securities. But what has happened since V-J Day?

With respect to their attitude on advertising and promotion projects, houses in the securities business can conveniently be classified into three main groups.

**Group 1—Non-promotional:** Group 1 includes those that are going along in the old way that served their purpose when it was enough to deal with a small number of financially literate and sophisticated investors. In this classification houses engage in practically no modern-day promotion. They depend almost entirely on direct solicitation with perhaps an occasional simple mail campaign.

Many of them are forthright in their attitude in opposition to cultivating the new potential investors who are lacking in financial understanding. Several years ago, when the IBA started publication of "Reproductions of IBA

Member Firm Advertisements," many of the firms responded that they do no advertising. Some people in the business state plainly that they are not interested in cultivating the small investor, that the costs are high and the hand-holding demands heavy.

Whether a securities house will seek to cultivate the relatively small investor is, of course, a matter of policy and a matter of available facilities. While some seek to avoid the small investor, others welcome him.

In this connection there is as yet no general agreement as to what constitutes an eligible small investor. At what level of income is he found? Some firms advertise in effect: "If you have \$600, \$6,000 or \$60,000." The New York Stock Exchange several years ago ran some copy in which the owner of a small Midwestern gasoline station was reporting on his investment of some \$700 in common stocks. The investment company sponsors have developed \$50-a-month plans which would be in line with the \$600 already mentioned.

Whatever may qualify an individual as a prospect for consideration by securities dealers, it is well to raise the question: Would it be desirable and would it advance the interest of the existing order if persons in the lower income brackets, with relatively meager savings and hardly in a position to risk these savings, were to try direct investment in common stocks without competent guidance? Or might their experience with a fluctuating market result in disappointment and breed disaffection?

Not so long ago the head of a Midwestern house engaged primarily in distribution called at our Chicago office and was accompanied by a new staff member who had just been employed to develop a promotional program for the organization. They were seeking such assistance as we might be able to give on advertising, lecture forums, motion pictures, and the like. The senior officer of this company explained that up until now they had relied on their existing clientele and on personal solicitation, but that with young men coming up a more aggressive operation seemed necessary and that they were ready to embark on a program.

There are many other dealers reaching a similar decision, and

Continued on page 36

\*An address by Mr. Boehmler before the "Advertising in Action Conference," sponsored by Standard & Poor's Corporation, New York City, Jan. 18, 1952.

## History of Securities Promotion

Promotional efforts in connection with the sale of securities date back to the very early days of our nation, and just a little review of what has gone before may be of interest.

**150 Years Ago:** About a century and a half ago, Volume I, Number 1, of a New York newspaper carried the first stock quotation table ever published in this country. That issue carried an advertisement of just nine agate lines, about a half inch

**\$3,675,000**

**Missouri Pacific Railroad**

**Equipment Trust, Series RR**

**3 1/8% Serial Equipment Trust Certificates**  
(Philadelphia Plan)

To mature \$245,000 annually March 1, 1953 to 1967, inclusive

*To be guaranteed unconditionally as to payment of par value and dividends by endorsement by the Trustee of the property of Missouri Pacific Railroad Company, as Trustee but not individually.*

**Priced to yield 2.20% to 3.20%, according to maturity**

*Issuance and sale of the 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.**

**R. W. PRESSPRICH & CO.      FREEMAN & COMPANY**

**THE ILLINOIS COMPANY      WM. E. POLLOCK & CO., INC.**

**McMASTER HUTCHINSON & CO.**

February 27, 1952

## Public Relations in Action!

History and present role of public relations on the American scene is depicted by Benjamin Sonnenberg. Analyzes various facets of its practical present-day functioning, giving specific examples of each.

The role of public reactions on the democratic American scene was explored in all its phases by Benjamin Sonnenberg in an address at the New School for Social Research in New York City, Feb. 6 last. Mr. Sonnenberg, who is a pioneer in the profession, traced its origins and developments along with the mechanization, urbanization, motorization, and electrification of our economy.



Benjamin Sonnenberg

### Public's Interest Needed

Urging that his profession realize that in order to convey an idea, it must find ways and means of giving it that extra measure of interest which will stir the imagination of the public, Mr. Sonnenberg illustrated this theme with several examples.

"There was a railroad over in New Jersey," he said, "Unable to replace its old, worn out trains, it faced a constant barrage of complaints. One day its public relations counsel had a proposal. The road got three cars. It painted each a different set of colors. Then it parked them in the main station under a sign: 'Come in and vote for the color schemes you want most to ride in.'"

"The result? For the first time in years, local discussions about the road were warm and friendly. Passengers were flattered that the big, impersonal railroad took their opinion seriously enough to seek it out."

### Naming an Automobile

"And I recall another instance, Mr. Sonnenberg went on, 'Not long ago, a leading manufacturer was about to introduce a new automobile. His staff suggested all kinds of names. Then came a public relations recommendation. 'Since the public's going to use it, why not a contest to let them choose the name?'"

"But to enter the name-Competition, hundreds of thousands of potential buyers went to dealers, seeking details. They, too, felt as if they had been taken into the motor maker's confidence. The manufacturer achieved the result which interested him most — a public receptive to his car. And a public eager to see, try and perhaps buy it. The railroad, on its part, turned a potential headache to good account."

### Distinction Between Advisory and Procedural Functions

The need to distinguish between advisory or policy aspects on the one hand, from procedural or communications phases on the other, in the public relations field was emphasized by Mr. Sonnenberg.

"For a proper understanding of public relations, that distinction must be kept in mind," he said. "Thus, in his aspect of communications, in his practice of what might be called publicity proper, the practitioner in using his techniques and facilities is actually engaged in the act of achieving maximum favorable public attention for his clients."

"Let me give you an example. Some years ago, I recall, a company was erecting a skyscraper in downtown Manhattan. First they raised a high board fence, block-

ing traffic. Behind this, steam shovels started scooping round the clock. Next riveters began a steady rat-a-tat-tat. The neighbors were annoyed. But the more they became provoked, the more the builders stood on their rights. It was their building. They could do as they pleased, even if it meant reaping a harvest of unpopularity."

"Not long ago, in the same block, I saw another structure rising," Mr. Sonnenberg continued, "This time, however, the contractor built platforms to accommodate his trucks off the street, leaving traffic as undisturbed as possible. Up went his fence — but signs invited everyone to 'join the Sidewalk Superintendents' Club.' There you could watch through heavy, shatter-proof glass windows as 'our neighborhood's' new building rose. Another message, apologizing for riveter noise, stressed the 'restaurant and parking facilities and other advantages this building will bring to our area.'"

"The riveters in the second place were just as active as in the first. The steam shovels were fully as noisy. But public relations had first persuaded the builder to change his attitude—then to take certain specific steps to win public favor. And the public responded."

### Avoiding Reprisals on Business

The existence of occasional cases of carelessness and thoughtlessness in bringing on serious reprisals was cited by Mr. Sonnenberg. "Not only did the public often stop buying, but public opinion was beginning to bring government action to force business into taking affirmative steps," he said.

As one brokerage house, Merrill Lynch, Pierce, Fenner & Beane, has publicly stated, its present growth is due primarily because of one major decision—that of taking the mystery out of the business by operating in a goldfish bowl, as it were, and eliminating the kind of fear and ignorance that had long held back public willingness to invest in stocks and bonds."

But industry as a whole did not quickly grasp this need for accommodating itself to social change," he declared. "The importance of gaining public favor took a long time to develop. And it took years before business recognized the correlative need of having the public appreciate the problems of industry. Only then did the public lend a sympathetic ear to its viewpoint and show any willingness to appreciate innovations made by industry designed to advance the general welfare."

"Then, in the earlier days of public relations, many firms looked on the practice as simply a defensive one of preventing hostility," he continued, "Only later did they understand the affirmative values of utilizing public good will for their own institutional advancement. Only then did industry learn how it could open up more markets and get more sales by establishing good public relations policies and then dramatizing them in the opinion-making areas affecting their welfare."

"Hence, the need for public relations developed long before its professional practice. And it was the increasing urgency for an instrumentality to act as liaison and catalyst among all the elements in the economic equation—for someone who could speak the language of all segments and translate it into a common medium of action—that finally produced the practice of public relations as we know it today."

### Importance of Timing

Speaking of the great importance of timing, Mr. Sonnenberg cited some specific examples.

"A business firm in a certain mid-Western city realized its factory structure urgently required replacement. In the old days, it would have given its workers the grim tidings that the factory had to be demolished — and let it go at that — engendering employee anxiety and community concern. Instead, the public relations counsel researched the facts relating to the structure the firm planned to erect to replace the old, suggested the addition of certain features such as a comfortable lounge room for employees; recreational facilities; a new way to use the company's own products in the construction. And when the time came to 'break the news,' the firm concentrated on the fact of the additional advantages workers would have, the jobs the construction would provide, and the new features the building would have."

"This, you may well say, seems almost elementary. It is. But often businesses have not done the very elementary things so essential for good public relations — the basic attitude was lacking."

"About a year ago, you may remember," he went on, "a leading food producer discovered that somehow a small quantity of its product had become contaminated. It had two alternatives. One was to try to hush-hush everything—to tell the public nothing. And there was a second—more forward looking approach — a public relations approach. That is what he chose."

"First, it was decided to have its public relations people gather all the facts. Then they took the story with full explanations to the health authorities, to their dealers, and to the press. Since only a limited number of packages had gone out, which could be identified by certain serial numbers, the public was apprised that anyone eating the contaminated food should take suggested steps which were carefully described."

"The result? Newspapers, radio, television stations carried the company's explanation message as a public service, rather than as a scare warning. Editorials praised the steps taken to prevent any possible repetition. And customers gained renewed confidence in the firm."

"Another concern, manufacturing an unusual type of refrigerator, found itself the victim of an insidious whispering campaign because of several unfortunate accidents—which were being attributed to alleged obsolescence. Rather than hide, it took public relations recognition of the point that outmoded equipment could sometimes be improperly used and added: 'We will replace all such equipment at cost.'"

"The result here was that instead of suffering the kind of blow that might have put it out of business, sales went up. Indeed, many of the people who bought from it had never heard of the concern before. By taking this forward public relations step, it won the favor and confidence of those who might have turned against it if it had kept quiet and let others do the talking first."

"These are but a few examples of what happens every day in building good will under the impact of the public relations approach. And this helps create an atmosphere of confidence generally throughout our country."

### Advance Advice

Stressing the importance of the adviser letting the public know its client's side of the story before the public has closed its mind through influence from the other side, Mr. Sonnenberg cited this example:

"A few years ago, for example, one of our leading airlines became concerned about its passenger traf-

fic losses. Asking lots of questions, they found that if you were awaiting take-off, or flying through a foggy 'soup' unable to land, you had a very hard time of it trying to get any information. And, like most of us, uncertainty added to fears and nervousness — and so patronage suffered."

"Not long afterwards came a public relations suggestion. Every plane got a loudspeaker system. If you were 'stacked up' by bad weather, the captain explained that landings were delayed—'For your safety and that of all of us on board.' If there was a departure held-up, precautions were detailed

—again impressing you with the care you were getting. So effective were results that they began announcing features of scenic interest and how 'making a return journey with us would save 10%.'"

"Today you will find hardly a line which has not installed a system of this sort for keeping the public informed, winning the consent of the public in advance, building a public's predisposition and good will. This was not merely an altruistic step. It was good sound business. Enlightened selfishness, yes—but in the mutual interest of us all," he concluded.

## From Washington Ahead of the News

By CARLISLE BARGERON

President Truman is being described these days as a very happy man and the White House correspondents who describe him that way can't figure it out as to whether his happiness is over his final decision not to run again or whether it is because he has definitely made up his mind to run again.

I think I can accurately describe his feelings as elation over the predicament in which he has got his traducers in his own party. They have got to come to him again, the myriad squealing office holders, to have any chance of retaining their jobs. And come to him he knows they will.

To fully appreciate his feeling you must understand that, next to Roosevelt and more so, he has been responsible for the greatest free-wheeling of officeholders and political riders this country has ever known. There has been gold in "them thar hills" and fortunes have been made. Notwithstanding this, and it is an amazing thing, there has been a tremendous itch among these very same free wheelers and political riders to ditch Truman on the grounds he can't win again. Having this feeling, there has been an inclination on their part to look down their noses at Truman, to shed crocodile moans at the sort of Administration he has given and to join in the general chorus that our government must be lifted from the despond of corruption and sin.

Truman has been eying this bunch with skeptical spectacles. What a strange commentary on men and things, he has thought, that the very men who have cashed in and sunk his Administration—after all, he is a practical politician but he didn't know they would go so far—should be decrying what low depths government has fallen to and agreeing there should be a change. He has experienced the rather amazing situation of his followers and devotees being of an apologetic mood. He made them what they are, yet they are publicly ashamed of him. This has given him pause and not being a sensitive man but one who came up in the hard school of political opportunism, instead of this hurting him, he is feeling high glee over the position these people find themselves in.

Everything would have been beer and skittles to them had Eisenhower acceded to their request that he run on the Democratic ticket. This would have given a good face to the worst gang of rascals that have ever ridden high over a people. Truman, himself, would have been glad to have the General take over his mantle; the General would have been in the light of being Truman's protege or contribution to the country. But, although, I am not an Eisenhower man, it must be said for his strength of character that he didn't want the Presidency this bad. Frankly, I think on the Democratic ticket he would have been a set-up.

His denial of the Democratic bid, however, has left Truman the only rack upon which the gang can possibly hang their hats. This is so apparent that it is sickening to those critical Democratic Senators and Congressmen who are chairmen of committees and enjoy the patronage and power therefrom. It is frightfully apparent to the free-wheeling officeholders and political riders. Either it is Truman again or their period in the sun and of affluence is sunk. So they may as well come down off their high horse and away from their attitude of looking down their nose at him and begin singing again, "Hi, Harry; we love you."

The knowledge of this is giving Truman a great kick, a lilt in the swing of his walking cane and a spring in his step. As he would put it, "the dirty sos and sos are having to come to me." Having been reared in the school of hard politics he has never known political affection or admiration. The fact "they are having to come to him" is sufficient joy.

You would naturally be likely to ask here, how about Kefauver. There is one of the most amazing studies I have ever known in American politics. Left to himself he would never have sought the Senate. But there are many bright and sharp young men around him who like to play at being makers of Great Men. In Kefauver they have found the malleability of their dreams. They tell him what to say, what to do and how to perform. They have carried Kefauver along in spite of himself.

I recall vividly his trying on the Senate floor to explain his resolution to set up a committee to investigate crime. No Senator that I know of was against it, they were simply trying to find out what he was driving at. He seemed to be inarticulate.



Carlisle Bargerón

# No Immediate Likelihood of Increased Consumer Buying

By LOUIS J. PARADISO\*

Assistant Director and Chief Statistician, Office of Business Economics, U. S. Department of Commerce

Commerce Department expert describes recent patterns of consumer buying and explains the decline in consumer spending in relation to rising purchasing power. Looks for larger defense expenditures and high rate of new capital investment to maintain current level of business activity, but warns, in event of war or unfavorable international complications, consumer spending may again produce upward pressure on prices, because of accumulated liquid savings.

In tracing the pattern of consumer behavior since the Korean invasion, we find quite a shift in the consumer psychology. During the two critical periods of the Korean War—the third quarter of 1950, the period soon after the outbreak of hostilities, and the first quarter of 1951, the period soon after the Chinese intervention—consumers bought heavily of



Louis J. Paradiso

many types of goods. This purchasing was motivated by the recollection of shortages and rising prices which developed in the early stages of the last World War. Indeed, buying for a time resembled the pattern of that earlier period. These two buying waves, however, though important in their impact on the economy, were short-lived. In fact, just about a year ago, the consumer psychology shifted again. The recent buying pattern, which has persisted to date, reflects the attempt of consumers to conserve their assets even though their total incomes have been rising. As a result, their purchases have not measured up to income expectations. This was the basic development which led many businessmen to sharply alter their policies and programs, particularly with regard to pricing and inventories.

Also, in view of the persistence of the lull in consumer purchasing, many businessmen have become rather apprehensive regarding sales prospects in the period ahead.

## Three Phases of Consumer Buying

I should like to discuss in some detail three phases of the recent consumer buying pattern, namely: (1) the character of the shifts in consumer buying (2) the major factors in the shifts, and (3) the implications.

To understand the import of recent trends, it is necessary to see clearly the character of the shifts in consumer buying since June, 1950.

The first buying wave following the outbreak of hostilities in Korea, was characterized by unusually heavy consumer purchases of durable goods—including autos, furniture, carpets, and electrical appliances of all kinds. Expenditures for such goods increased by more than one-fourth from the second to the third quarters of that year; purchases of cars increased almost 30%, while outlays for home furnishings and equipment jumped by more than one-third. In this same period, the spendable income, i.e., total personal income less personal taxes paid, was up 5%. While this is a sizable advance over two quarters, the percentage increase in dur-

able goods purchases was many times that of income. Purchases of nondurable goods, such as food and clothing, also increased but only by a percentage equal to the income rise. The normal expectation, based on the experience of other periods, is for expenditures on these items to increase much more slowly than income.

In the second buying wave, which began about the middle of December, 1950, and lasted roughly through the middle of February, 1951, consumers concentrated their purchases on furniture and furnishings, and electrical appliances—sales of these durables jumped by almost a fifth from the fourth quarter of 1950 to the first quarter of 1951. They also purchased heavily of clothing and shoes. Apparel sales increased 6% from the last quarter of 1950 to the first of 1951, in contrast to an increase of only 1½% in spendable income. Thus, in the eight-months' period following the Korean invasion, consumers bought heavily of all types of durable items and also increased the size and variety of their wardrobes.

These developments had an important bearing on price, production, and inventory trends and on the pattern of consumer purchasing which has prevailed in the past 12 months.

First, along with the rising demands by business for capital goods and by the government for military goods, the consumer buying waves contributed significantly to the price inflation which occurred after the middle of 1950. From June, 1950, to January, 1951, the pace of the price advance was unprecedented, except for the period following the decontrol of prices in 1946. Wholesale prices increased on an average of 2% per month and consumer's prices rose by an average of 1% per month. The inflation spiral gained momentum as successfully higher costs were translated into higher prices, thus adding fuel to the inflation created in the markets. At this stage it became necessary for the government to stem the upshooting price trend by direct controls on prices and wages. Although the inflation was contained after January, 1951, it was clear that the high levels of prices reached at that time would price many consumers out of the market for many types of goods.

Second, over half of the total purchases of durables in these buying waves were made on credit so that consumers had committed themselves to a larger volume of repayments on loans. In the last six months of 1950, consumer credit outstanding increased by \$2.5 billion, representing more than twice the usual seasonal pick-up during this period. Concurrently, time deposits dropped and government bonds and issues held by individuals were also reduced. Thus, consumers supplemented their higher incomes by borrowing and by dipping into their liquid holdings.

Third, as a result of the scare buying, consumers not only bought goods which in the ordinary course of events would

have been bought later in 1951 and in 1952, but also added substantially to their stocks of many types of goods. Thus, a larger proportion of consumers than would have otherwise been the case were no longer in the market to purchase new cars, refrigerators, washing machines, deepfreezes, and other items which were heavily bought during the preceding buying waves.

Fourth, producers were also motivated by the same factors which influenced consumer decisions. Output of consumer goods was increased not only to support the rising demands but also for additions to inventories. Thus, at no time were consumers faced with any significant shortages of goods. This development was contrary to the consumer expectations that eventually goods would become in short supply.

These were some of the more basic factors which have accounted for the reduced consumer spending since the early months of last year.

## Extent of Decline in Consumer Buying

Let us consider briefly the character and extensiveness of this recent decline in consumer expenditures and in retail sales. On a seasonally adjusted basis, dollar consumer expenditures for all goods and services reached a peak annual rate of \$209 billion in the first quarter of 1951. Today the rate is at \$207 billion, a drop of only 1% in the dollar purchases. Since retail prices are 3% higher it would appear that the physical purchases of all goods and services are now about 4% lower than at the peak. However, it is true that many businessmen in particular lines have experienced much sharper reductions in sales during the past nine months. For example, purchases of durable goods in the fourth quarter of last year, which amounted to an annual rate of \$25 billion, were one-fifth below the rates prevailing in the early part of the year. In recent months these expenditures have comprised about 11% of the disposable personal income. This is a lower ratio than in any postwar year, except 1946 when industry was converting to the production of such goods. Furthermore, the loss in sales of some durable items, such as automobiles and certain electrical appliances, has been even more pronounced than the drop in the group total. These are the areas where the sharp decline in consumer purchases have been concentrated.

On the other hand, dollar ex-

pensitures for nondurable goods as a group are now at a peak rate—slightly above the previous peak of the first quarter of last year. In fact, all of the major nondurable categories are at peak rates, except clothing and shoes for which the dollar expenditures are only 1% below a year ago. Expenditures on semi-durable house furnishings, which include such items as curtains, draperies, pillowcases, sheets, and bedspreads, have paralleled the expenditures for durable home furnishings—dropping 20% since the first quarter of last year. Finally, the large category of food expenditures, which comprise one-third of consumer expenditures for all goods and services, were relatively stable all through last year.

Two observations are pertinent in relation to the trends of these expenditures. First, the drop in the purchases of some of the items within a group was much more pronounced than the decline for the group as a whole. Even where the dollar sales for the group increased, nevertheless heavy sales losses were sustained for some of the items within the group. This is the reason why some retailers have been so hard hit in recent months. For example, whereas on a seasonally adjusted rate, sales at all types of apparel stores are currently about 3% below the first quarter of 1951, sales at men's clothing stores are down 7%, and at shoe stores, are down 8%. In contrast, sales at women's apparel stores are up 2%, and even within these categories there are considerable divergences in the trends among particular items of apparel.

Second, the dollar expenditures reflect the higher retail prices for the major categories of goods. Consequently, if allowance is made for the higher prices of last year, the physical volume of units sold is down by more than the decline in the dollar sales. For example, apparel prices increased 7% during 1951 and since the dollar sales of apparel dropped 1%, the decline in the physical quantities sold must have been greater than the decline in the dollar sales.

## Softening in Wholesale Prices

It is of interest to note at this point that the continued rise in consumers' prices during the past 12 months was in sharp contrast to the softening in wholesale prices. Today wholesale prices are nearly 4% below the peak reached in March of last year and they have been relatively stable at this lower level for the past six

months. Consumers' prices, on the other hand, have been rising on an average a little less than ½% per month during the past year—a rate of increase about half as large as in the period from June to December, 1950. Part of the rise in consumers' prices is attributable to the fact that the prices of food and farm items below parity were not under ceiling regulations, part of it stems from the lag in passing on the higher wholesale prices of the previous period into retail markets, and part of it is due to the adding of higher costs, particularly labor costs, to the price tag.

It is clear that in the past 12 months the trends of consumer buying have been mixed with sales for many groups of items being substantially lower than in the early part of last year, while for no important group was the strength of demand commensurate with the purchasing power which was being originated as a result of the higher activities of the defense and related industries.

It is this divergence between the course of consumer buying and the rising trend of consumer purchasing power, as reflected in the disposable personal income, which was the most striking and unusual development of the past year. Except in war periods, when consumer goods' production is curtailed and prices are generally controlled, the normal experience has been that with advancing incomes consumer expenditures for goods and services also have risen, and the increase has borne a relatively stable relation with the income rise.

The failure of consumption to keep pace with the advance in purchasing power in the recent period was not due to the unavailability of goods. In fact, supplies of almost all types of goods were adequate to support a much larger volume of sales in 1951, if consumer demand had continued upward in line with the income rise. Although defense production from 1950 to 1951 more than doubled, the total rise came out of the increased volume of physical output of 8% over the two years. Thus, the volume of goods and services available for the civilian economy in 1951 was as large as in 1950. As already indicated for many consumer items, producers pushed production to the limit in the latter part of 1950 and in the first half of 1951 and business concerns were able to accumulate a record volume of stocks of many types of consumer goods.

As a result of the easing in con-

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\*An address by Mr. Paradiso at a dinner meeting of the Washington, D. C., Purchasing Agents Association, Washington, D. C., Feb. 19, 1952.

# The Lead Industry Under Government Controls

By FELIX EDGAR WORMSER\*  
Vice-President, St. Joseph Lead Company

**Blaming metal shortages on government price fixing, executive of leading lead producer holds more lead and zinc would have been produced and imported, if free market had prevailed in these metals. Opposes International Materials Conference's new conception of "Entitlement for Consumption," which he says tends to lower our standard of living in favor of that of other countries.**

When the Defense Production Act of 1950 was amended in 1951 and passed, those of you who have been advocating government aid to mining must have rubbed your eyes in amazement at the scope of the law. You had achieved complete victory. Here was potential aid almost beyond expectation. Loans, subsidies, price floors, military stock-

chases, exploration payments. What else was there to ask for? Tax relief to mining? Even that was granted by Congress to some degree for the first time in history. Hence, for the year 1951, we have had a test of government machinery in operation in the mining industries, involving controls completely superseding the free market. I expressed the hope a year ago, when I appeared here, that the administration of the Act would help you, and that it would give you what you wanted, after many years of struggle for subsidy legislation.

Do the results please you? It is my belief, based solely upon the record, that the small miners, in fact, the entire mining industry—yes, the public itself—would have been better served without government price control of lead and zinc, the two metals in which I am chiefly interested, and that a free market would have shown greater benefit to all. If I am correct in my conclusion, then the speedier we return to a free market and terminate price control for lead and zinc, the better for all of us. Before I begin my analysis, may I say that we, in the mining industries, have been singularly fortunate in the high caliber of the men who have served, and are still serving, the government in the administration of the Defense Act controls. I am sure that they have done their level best. My comments are directed at the underlying policies they have had to apply.

## What Happened to Lead?

Now let's examine what actually happened in lead during a full year of price control. I think you will quickly grasp the difficulty, indeed the futility, as the story unfolds, of trying to control the price of a world commodity like lead, under present conditions, and how policies established with the best of intention, no doubt, are easily undermined by other countries having different views and working, quite understandably, towards their own best interest.

At the beginning of 1951 the government froze the price of lead at 17c per pound New York, a price which was, unfortunately, below the price which buyers of lead in Europe were willing to

pay. The British Ministry of Materials, which purchases lead for internal consumption, a short time later established a price of 21c per pound, or 4c above our ceiling. Still higher prices were paid on the Continent—23c or more. The uniformly higher prices ruling abroad naturally diverted metal from Mexico that had normally been imported into the United States, to foreign customers. Indeed, Mexican and other producers were permitted to sell, and able to procure, right from the start of 1951, 18½c for their metal in the United States, but we miners were forbidden to sell our lead at that price. One would have thought our lead was inferior in quality! As time went on, the disparity between the ceiling of 17c and the foreign price grew wider and wider. Foreign lead was freely sold at 25 and 26c per pound in large volume abroad, but there was no change in the domestic ceiling.

Government regulations did, however, permit domestic manufacturers to buy lead at any price they desired to pay. Some of them bought Mexican, Australian, Peruvian and other lead at higher than our ceiling prices—prices that varied from 21c to 25c per pound. Of course, most domestic manufacturers were caught by ceilings on their own manufactured products, which limited or prevented them from passing on the increased cost of foreign lead. They had to absorb it.

Congress was becoming increasingly critical of this marked discrimination against the American lead miner. The situation was as if, under the provisions of the Defense Production Act, someone in authority had said: "Mine all the metal you can, but you will be punished if you sell it at higher than 17c per pound. However, it will be perfectly all right for your Mexican, Australian and other competitors to sell their metal here at any price they can get in the United States, and you cannot export your metal, either."

At any rate, on Oct. 2, 1951, a regulation of the government partly terminated this rank discrimination against the American lead miner, by forbidding consumers to buy any foreign lead at higher than the domestic ceiling price. Simultaneously, Washington advanced the ceiling to 19c per pound, where it stands today. This narrowed the spread between the foreign and domestic markets but did not eliminate it, nor did it help our customers, the lead-consuming industry, because the necessary imports from foreign lead producers still continued to be diverted from the United States for sale abroad at higher than ceiling prices.

Just to give you an indication of the extent to which this trend operated, the imports of lead in all forms into the United States in 1950 were about 550,000 tons; in 1951 they dropped in half, to 275,000 tons. This is the reason for the lead shortage you have been hearing so much about. In a free market there would have been no shortage. The price might have risen for a short time here, until international supply and demand became in line again. Then

it would have declined or fluctuated. Lead imports into the United States are the balance wheel between a satisfactory supply and an unsatisfactory one—a shortage. Our domestic mine production, as you know, is around 400,000 tons, and even if production had been greatly increased, it could never have made up the drop in imports amounting to 275,000 tons.

Now, what was the reason for this policy on the part of the government? Certainly it was not to insure the government receiving an adequate supply of lead for defense purposes, because, as you know, the direct military requirements of lead are small. It is the regular civilian uses of lead which loom large in any defense effort, and they do not have to be earmarked for defense. No, it must have been to control inflation—"to hold the line"—but if we are sincerely interested in controlling inflation (and sometimes I have my doubts as to whether we want to have deflation), price control is a thoroughly discredited device for accomplishing this. Fiscal and credit control are the effective government instrumentalities needed to control inflation.

Lead enters into our everyday cost of living only to an insignificant degree. How often do you buy anything made of lead? Probably when you buy a home, which is rarely, when you paint it, which is infrequent, or when you buy a battery for your car, which is every two years or so. The saving in the daily cost of living by maintaining the ceiling price of lead a few cents below the world market and creating a shortage, was much less than the cost to us all of operating motor cars on lower octane gasoline than would otherwise have been available, or using lower content paints, or substitutes for lead plumbing.

## Back to Profit Control

Perhaps another impelling motive in keeping the price of the non-ferrous metals down was the fact that the larger and successful mining corporations would make too much money! If so, we come back to profit control, the great target of the socialist thinker who would like to take profits out of our economy altogether, and have everybody work just for the love of it—or for the government. As the Committee for Economic Development has so well stated recently: "Profit standards have no function in a well designed system of price control, for the main objective is to control prices, not the incomes earned in particular industries, or by particular parts of the economy." One would think that, with the government now reaping a major share of corporate profits, and desperately needing all the revenue it can get, there would be an interest in seeing that profits became as high as possible. Competition has a way of leveling profits and protecting the public, especially in international trade. Also, we have an excess profits tax.

If you were to ask me by what formula, or possible incantation, the government arrives at a price of 17c, or a price of 19c under its planning, as a proper one, I would have to reply, I don't know. Nor do I think this secret has ever been revealed. It is a thankless, indeed, impossible task for anyone, for once the die is cast and the price set, repercussions inexorably follow. The ceiling has its effect both on production and consumption, and the international movements of the metal. In lead, it was so low it failed to stimulate domestic production. On the other hand, the ceiling price was low enough both to stimulate domestic consumption and to decrease our imports to such an extent that we heard nothing but a cry of shortage throughout the year—a cry which reached

such a high pitch that, at the year-end, the government decided to release 30,000 tons of lead from the military stockpile as the only source of prompt relief. Of course, the government could have purchased lead from foreign mining companies at higher than ceiling prices and resold it here at a loss, at the ceiling. But this would have meant subsidizing foreign producers and not domestic miners, obviously a discriminatory and undesirable policy. It illustrates the difficult and vexing problem of price control of an international commodity like lead.

Another most regrettable consequence following from the establishment of an unrealistic ceiling price on lead, and the resultant government-made shortage, was the unleashing of a new control, the inevitable result in a planned economy, for one control always spawns another. The government instituted measures to curb the use of lead and invite substitution. I can not too strongly deplore this unnecessary step, for it involves an impairment and possible destruction of the miners' commercial, and highly competitive, lead markets, markets that have been carefully built up over years. The amount of lead to be permitted in certain government paint specifications, the type and quantity of certain storage batteries, have already been the subject of restriction. No doubt others are to come. This approach puts the cart before the horse and is another reason why I feel that we must ask Congress to exempt lead from price control and return to a free market.

Lead consumption in the United States is well over 1,000,000 tons per year and can grow still larger. There are three ways in which the lead for our commerce is procurable: (1) virgin lead from domestic mines; (2) imports of foreign lead in all forms; and (3) reclamation of domestic scrap lead. They are all usually fairly equal in volume, but as I have explained before, in 1951 by virtue of price control the necessary imports were cut in half, seriously disturbing the balance between available supply and consumption, and creating a shortage. The public generally has overlooked the fact that the metal shortages they have been reading about are simply the result of government price-fixing. Decontrol lead and the shortage would disappear promptly, doing away with the need of allocations.

## International Materials Conference

And now I want to spend a few minutes to acquaint you with a comparatively new global development in the metals that has not received much public notice, but which, if it indicates a trend, is something we should watch closely. It is the creation and operation of a new inter-governmental—or, should I say, super-governmental, agency known as the International Materials Conference. This is an organization which, insofar as information is available, was prompted by the socialist government of Great Britain two years ago under Mr. Atlee, to plead for an increasing share of the world's raw materials. Why this should be necessary in the case of lead, or zinc, is beyond me, inasmuch as the Ministry of Materials has consistently kept its buying prices well above those of our own ceilings and, therefore, has been able to procure all the lead it needed from Canada, Australia, Mexico and other foreign sources, without need of any international conference.

The Conference has headquarters in Washington under the auspices of the State Department and includes representatives of most of the governments outside the Russian orbit. The IMC functions through committees, each one specializing in one or more metals. They have acted in both copper

and zinc by recommending certain world-wide allocations. Lead is under study but no recommendations have been made. The IMC has introduced a new conception in economic literature such as the unique expression, "Entitlement for Consumption." Think that one over for a moment. It means that countries, like our own, with exportable surpluses of certain commodities are given quotas of consumption, to which they are expected to adhere. For example, although we are the most important sulphur and molybdenum producers in the world, we are told how much sulphur and molybdenum we should use. At the same time it is noteworthy that tin and natural rubber, which we do not produce in this country, are not included in the scope of the Conference. I have not been able to understand why this "Entitlement for Consumption" does not extend to foodstuffs. Perhaps it does. Why should we not be given a quota on how much food we raise we can retain, and how much textiles we may keep to clothe ourselves?

What I am trying to imply is that the International Materials Conference movement has a direct bearing on our standard of living, for, if carried on for a number of years, it will obviously tend to lower our standard, while increasing that of other countries. Our own government has traditionally been opposed to monopolies and cartels, but here, already functioning, is a super cartel, and if you think it confines itself only to an exchange of observations, crystallized in the form of recommended international allocations, you will be disillusioned when you learn that it actually tries to fix some prices, as it has done in establishing maximum and minimum prices for tungsten.

Although you may feel, perhaps, that the International Materials Conference is primarily concerned with the proper allocation of the available supply of the world's minerals, upon examination it apparently intends to spread far afield—economically speaking. Listen to this official statement of the Conference which reads: "Although most of the Committees have not dealt with problems of prices, it is likely that the consideration of methods of increasing production and distributing of available supplies will require that they give attention to such problems." (Information Bulletin No. 29, Friday, Nov. 29, 1951.)

And if you think that that is all that the IMC is planning to do, you will be further disillusioned. Another egg is to be hatched. A statement released a short time ago on copper and zinc reads as follows: "So that the current supplies of copper and zinc may be used to the best advantage, the Committee has recommended that countries adopt measures to eliminate unessential consumption and to encourage substitution by materials not in short supply." So here we have a super-duper inter-governmental curb, with little sanction in law so far as I can find out, but which, like the nose of the camel under the tent, is entering the metal picture gradually, first through international allocation, then proposing international attention to increasing production and distribution, and finally international conservation.

Strip the movement of its high sounding phrases and it reveals an effort to circumscribe our standard of living. This is not a drive against inflation, as we were led to believe when the ceiling price of lead was set. This is not an effort to make certain that the United States and the rest of the world receive enough metals for defense. This movement is definitely tied into civilian economies. This is a socialist sponsored

Continued on page 34



Felix E. Wormser

\*An address delivered by Mr. Wormser before the Colorado Mining Association, Denver, Colorado, Feb. 1, 1952.

\*December, 1951.

# UNION CARBIDE AND CARBON CORPORATION



## 1951 Annual Report Summary\*

### CONDENSED INCOME STATEMENT

	1951	1950
Sales.....	\$927,519,805	\$758,253,539
Total Income.....	942,612,195	770,622,957
Net Income Before Income and Excess Profits Taxes.....	268,386,065	237,805,540
Income and Excess Profits Taxes.....	164,496,354	113,693,689
Net Income.....	103,889,711	124,111,851
Net Income per Share.....	3.60	4.30
Dividends Paid.....	72,015,860	72,015,860

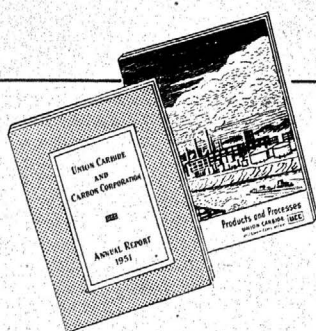
### CONDENSED BALANCE SHEET

#### Assets

Total Current Assets.....	\$469,951,529	\$429,478,513
Fixed Assets After Accumulated Depreciation and Amortization.....	478,052,028	409,068,982
Investments in Affiliates and Foreign Subsidiaries.....	24,886,567	25,071,239
Deferred Charges.....	5,205,493	5,556,024
Patents, Trade-Marks, and Goodwill.....	1	1
	<u>\$978,095,618</u>	<u>\$869,174,759</u>

#### Liabilities

Total Current Liabilities.....	\$237,369,842	\$177,945,582
2.70% Promissory Notes.....	150,000,000	150,000,000
Reserve for Contingencies.....	6,381,098	6,381,098
Capital Stock—		
28,157,019 shares (28,069,719 shares in 1950).....	204,368,035	201,232,021
649,325 shares (736,625 shares in 1950) held by the Corporation as collateral under the Stock Purchase Plan for Employees.....	22,952,913	26,088,927
28,806,344 shares.....	227,320,948	227,320,948
Less present amount of Agreements under the Stock Purchase Plan for Employees.....	22,732,623	25,819,827
	<u>204,588,325</u>	<u>201,501,121</u>
Earned Surplus.....	379,756,353	333,346,958
	<u>\$978,095,618</u>	<u>\$869,174,759</u>



\*Copies of the complete 1951 Annual Report of Union Carbide and Carbon Corporation will be gladly furnished on request. Included with the report is an illustrated booklet that describes the Corporation's products—Alloys, Chemicals, Carbons, Gases, and Plastics—and cites a number of recent research developments. For copies of the report and booklet, please write to the Secretary, Union Carbide and Carbon Corporation, 30 East 42nd Street, New York 17, N. Y.

#### Trade-marked Products of Divisions and Subsidiaries include

BAKELITE, KRENE, and VINYLITE Plastics • LINDE Oxygen • PREST-O-LITE Acetylene • PYROFAX Gas  
NATIONAL Carbons • EVEREADY Flashlights and Batteries • ACHESON Electrodes • PRESTONE and TREK Anti-Freezes  
ELECTROMET Alloys and Metals • HAYNES STELLITE Alloys • SYNTHETIC ORGANIC CHEMICALS

## LETTERS TO THE EDITOR:

## More Comments On "Our Roads"

Additional letters published concerning article by Roger W. Babson, wherein he contended that overloaded trucks are responsible for deterioration of nation's highways and asserted that trucking industry does not pay for cost of repair and upkeep in proportion to their use of the facilities.

In our issue of Feb. 14, on page 3, we published letters then in hand, received in connection with the views expressed by Roger W. Babson in the article "Our Roads" which appeared in the "Chronicle" of Jan. 24, on page 4. Mr. Babson contended that overloaded trucks were the principal reason for the deterioration of the nation's highways and asserted that the trucking industry was not paying its proper share of the cost of maintaining the facilities. Following additional letters on the topic have been received.—Editor.

## ARTHUR C. BUTLER

Director, National Highway Users Conference, Inc., Washington, D. C.

The short article, entitled "Our Roads" by Roger W. Babson, that appeared in the "Chronicle" of Jan. 24, 1952, contains many thought-provoking subjects.



Arthur C. Butler

The briefness with which these subjects were treated left me with a distinct impression that each of them merited far closer examination than that provided by the author. For example, Mr. Babson said: "Spot checks in some states reveal that about 10% (of the trucks) are overloaded." If in this rather loose statement he meant 10% of all trucks inspected, that might mean much, or little, since the checking and weighing stations provided in many states make it a practice not to inspect small trucks or trucks obviously under legal load limits. Actually, less than 2% (1.9) of all of the motor vehicles are engaged in for-hire trucking operations, but it is this class of vehicles that is the target of all the present adverse publicity. Excessive and wilful overloading must, of course, be stopped and the violators penalized, but we call these figures to your attention in the interest of accuracy and in fairness to the non-violators of the legal load limits.

Mr. Babson's statements as to the Maryland Road Test are not based upon final conclusions since those conclusions as yet have not been made public, nor, in fact, have they been approved by the working committees that supervised the test. Furthermore, those tests were made on the basis of axle loadings and without regard to gross weight of the vehicle, since it is an accepted engineering fact that a road will sustain any gross weight provided the load is properly distributed on sufficient axles.

In considering the Maryland test it must also be remembered that only the lightest loads used there-in would be within the legal limitations imposed by the great majority of states.

In a progress report released January, 1951, the following statement appears:

"The progress of cracking and depression of joints in the test sections has a definite relationship to the occurrence of pumping. Previous research and observation have shown that four basic conditions must be present simultaneously to create a pumping slab. These are: (1) frequent heavy axle loads; (2) subgrade soils of such a nature that they may pump through open joints or cracks or at pavement edges; (3) free water under the pavement; and (4) joints or cracks in the pavement. These conditions were present on this project and pumping resulted."

It was also noted that even under the heaviest treatment whole sections of the test pavement came through the ordeal with little or no failure—where the subsoil was free from water.

As to Mr. Babson's wish "to see a similar test made of pleasure vehicles," I call his attention to several well-known highways where truck traffic is prohibited but where many pavement failures have appeared. Density of traffic, speed, climatic conditions, soil conditions and inadequate maintenance are known contributing factors to road deterioration.

I heartily agree with Mr. Babson in his appreciation of good roads and also with his resentment against the toll method of financing them. There is a definite competitive threat to proper construction and maintenance of parallel roads that are free from toll. Actually, the prospectuses supporting certain turnpike bond issues include the assumption that existing parallel routes will not be improved to the extent of providing travel conditions that are competitive with the turnpike.

It is true that railroads build and maintain their own roadways, paying for them out of revenue. This privilege gives them the rights and benefits of ownership and of complete monopoly and control of their roads. For-hire trucks, on the other hand, perforce must use the public roads. Being less than 2% of all vehicles, they may enjoy no control or ownership of their highways. But as Mr. Babson suggests, they should carry their full, fair share of building and maintenance costs.

As far as can be determined at the present time, these for-hire trucks, this 1.9% of all vehicles, actually contribute 9.1% of the total highway use taxes.

As to the complete disregard of others by a comparatively small number of truck drivers, such criminal negligence as he describes, as well as the practice of overloading, can neither be excused nor condoned. This fact is fully recognized by all trucking associations and by a great majority of all truck operators who are exerting every effort to effect a cure. All highway user groups are committed to full support of the enforcement of these laws.

## GUY R. CUTLER

Utah-Arizona Freight Lines, Phoenix, Ariz.

With reference to the article ("Our Roads"), by Roger W. Babson, following are a few points I would like to make.

To us in the trucking industry, it is quite evident that Mr. Babson's article was rail inspired. There is one fact which fails to come to life whenever the point

is mentioned that trucks do not pay their proportion of highway construction, and rails maintain their own road system, and that fact is that nearly all railroads received Federal Land Grants for their right of ways, on which they are receiving and have received millions of dollars in revenue either in rents or sales of property through municipalities, which run adjacent to the track system.

With reference to his statement on 10% of the trucks being overloaded, sample police check-ups show in Georgia that 3.8% of trucks weighed in October, 1951, were over-weight, but only those under suspicion were stopped. Illinois 1950 monthly check ranged from 3.8% to 1.9% of those stopped; Delaware 1.2% found over-loaded during the first 11 months of 1951.

There are many other facts I could point out, but one I would like to point out chiefly concerns the payment of taxes. It is found that on the national basis, trucks pay a third of Highway Users Taxes although they only constitute 17% of the vehicles. In all, trucks paid \$1,235,271,000 in state and Federal special motor vehicle taxes in 1951, plus the usual business, property and income taxes. We feel that we do pay our way in highway costs, but of course are willing to stand our share of increased highway construction, providing all other users of the highway are assigned their proportionate share.

## D. J. RUSSELL

President, Southern Pacific Company

In recent years the railroads have insisted that two conditions, among others, have given highway truckers an unwarranted advantage over railroads in the competition for freight traffic. One is that resulting from the overloading of highway freighters. Overloads not only destroy highways, they also give the truckers an extra pay load. This is the chief reason for overloads. The other unwarranted competitive advantage trucks receive arises from their failure to pay their fair share of the costs of publicly provided highways.

It is gratifying to me to have the issues presented so ably by an unbiased commentator of Mr. Babson's standing.

## MARK W. GINN

President, Maine Truck Owners Association, Portland, Me.

Mr. Babson complains that 10% of trucks are overloaded. We disagree with his percentage. However, the American Trucking Association and the affiliated state associations are vigorously opposed to loading beyond legal limits, and are taking the initiative to do something about it.

Sample: In the last session of the Maine Legislature, the Maine Truck Owners Association sponsored legislation, which has now become law, making it very unprofitable to haul loads over Maine highways in excess of the legal limit.

The Maryland Road Test is used as a basis for one of Mr. Babson's conclusions that truckers are not paying their share of the expense of building and maintenance of our highway system. We would like to point out that the Maryland Test was not intended to show relationship between truck taxes and highway construction and maintenance costs. The Mary-

Continued on page 40

## The Role of Stock Exchange Firms In Financing of Industry

By WALTER MAYNARD\*

President, Association of Stock Exchange Firms  
Partner, Shearson, Hammill & Co., New York City

In stressing the role of Stock Exchange member firms in providing significant part of the mechanism through which capital is made available to industry, Mr. Maynard explains function of Stock Exchange in furnishing secondary market for new securities. Notes switch of securities industry from serving largely the speculator to providing investment outlets for individuals and institutions. Criticizes our national tax structure, including capital gains levy, as obstacle to capital reinvestment.

At this juncture, when the Association of Stock Exchange Firms holds its quarterly Governors meeting for the first time in a territory which is one of the primary reservoirs of capital in this country, it seems appropriate for us to exhibit our industry to you for examination, to explain some of the principal trends that seem to be at work within it, to expose some of our problems, and finally to hazard some guesses concerning the future.



Walter Maynard

In particular, I thought that a subject of special interest to all of us in the financial and industrial community at this time and place might be to examine the important role that the member firms of the New York Stock Exchange play in the process of capital formation and its reciprocal, the financing of industry. After all, the only way that our economy can comfortably endure the kind of strains that the assumption of leadership in the modern world is putting upon us, is to expand. Expansion makes taxes bearable; when completed, it tends to offset the effects of inflation and offers the hope of a higher national standard of living. However, expansion requires capital, and an important function of a considerable segment of the membership of our association is to provide a significant part of the mechanism through which capital is made available to industry.

The total number of member firms in the New York Stock Exchange is 631 or roughly one-quarter of the country's total population of security firms. Of the 631 firms, 538 are firms doing business with the public, and of these 198 are so-called "clearing" firms. These are firms completely equipped for the handling of security transactions through the facilities of the clearing house of the Stock Exchange. The 538 member firms doing business with the public are putting to use one of the most important elements of the franchise conferred by reason of their membership in the Exchange. This element is the assurance of safety offered to customers by the fact that member firm operations are closely supervised by the Exchange; those carrying accounts with these firms have the benefit of the best solvency record of any group of financial institutions in the U. S.

To give you an idea of the place of the Exchange's member firms in the underwriting business, here are some figures which will give you a little perspective. The magazine "Finance" in 1951 stated that 400 of the leading firms in the underwriting and distribution

of securities had a total capital of \$539 million during the year 1950. These are the most recent figures publicly available on this subject, and they are not necessarily entirely accurate because of different reporting dates.

Of this group of 400 firms, 157 were members of the New York Stock Exchange, and these firms reported total capital of \$353 million. In other words, these Exchange firms, which constituted 39.3% of the number of firms covered in the report, had 65.5% of the total capital. Put another way, the average capital of the 157 member firms was \$2,250,000. It is emphasized that this is an average, and that the range of capital among member firms in this category was from \$19.5 million down to \$153,000. The import of these figures is that Stock Exchange member firms play an exceedingly important part in the process of underwriting securities.

## Equity Capital Essential in Capital Expansion

Now, we all know that in every sound program of capital expansion, a substantial amount of equity money is necessary. In the process of financing last year's capital expansion program, it is estimated of the \$26 or so billion required by all American corporations, some \$9 billion was provided from retained earnings and about \$1.4 billion was actually raised by the sale of equity stocks or convertible issues. In addition, a factor influencing the salability of corporate debt obligations was the amount of equity existing, and probably the most respected guide to the actual value of equity is that provided by the "bloodless verdict of the market place." As a consequence, the secondary market for corporate equities, in which the most important element is the New York Stock Exchange, of necessity was a major factor influencing the flow of capital. In this connection it is interesting to review the evolution in the position of stocks as investments in the past 25 years.

Twenty-five years ago our industry's energies, due to the speculative fever of the times, were primarily directed at serving those who bought and sold securities with an essentially speculative end in view. Prevailing investment opinion then held that stocks at best were so-called businessmen's investments, and that trustees, widows and orphans and all those who acted in fiduciary capacities should limit their holdings to legal descriptions. Brokers, in calling attention to their services, concentrated on emphasizing the speed with which orders could be executed and the mechanical aspect of their business; such advice as was given was based on speculative judgment, and the well-organized research of today was almost unknown.

In succeeding years all of this gradually evolved so that as things stand today our customers have changed, high taxes have crippled speculation and stocks

Continued on page 41

\*An address by Mr. Maynard at Dinner sponsored by Members of the Association of Stock Exchange Firms with offices in Connecticut, Hartford, Conn., January 28, 1952.

## Small Business

By ROGER W. BABSON

Mr. Babson, expressing optimism on future of small business in America, asserts currently compiled statistics show "little fellows" have been more prosperous recently than big concerns. Concludes present preponderance of smaller concerns is testimony to their enduring importance.

"Good morning, Mr. Babson—I've saved for you the newspapers you usually order. And, will you please tell your wife that the breakfast food she mentioned has come in—in case she still is interested." As long as you and I (together with some tens-of-thousands of other folks) want that personal, neighborly, friendly service, we must remain incurably optimistic on the future of small business in America.

Let us ever remember that vast size is no omen of huge success. Who was that spindle-shanked champion pugilist of a bygone era who voiced the deathless dictum: "The bigger they come, the harder they fall"? Bob Fitzsimmons, if I recollect aright. Other philosophers of equal eminence are wont to remind us that bones of extinct and childless mastodons now adorn museums. Tiny insects, however, and microscopic microbes did right well down through the ages; and their myriad descendants today are still on the job and someday may exterminate man himself.

Moreover, the Scriptures have given us the impressive, inspired account of David, the Small; and his decision over Goliath, the Big. Here is no mere pretty parable or fable of false cheer—but eternal verity! On this Divine pledge (this sponsorship of the individual), the smallest businessman can lean with everlasting faith, daily uplift, and practical guidance.

### Figures Forecast Betterment

Currently compiled statistics show that the "little fellows" have been more prosperous; while the "big boys" have been taking the beating. In 1950, corporation profits (after taxes) totaled nearly \$23 billions. Almost completed figures show that corporation profits for total 1951 sagged about 20% below 1950; while the small unincorporated business held its own much better.

Another prediction emerges from perusal of recent business records: Namely, much of the cream-skimming of profits by Small Business has been done in the war-work field—an area supposed to be hogged by Big Business. Realistic and authentic figures thus disclose that most smaller concerns are getting along well, not alone in civilian production and trade, but also in the "arduous arena of armament-making."

### One-Man War-Shop

It was recently reported that a large prime-contractor arranged to buy and install costly machine-tool equipment in a factory hardly more than a one man enterprise. Of course, the proprietor of this little shop was a highly

skilled expert. He put in long hours of overtime in personal operation of the machines. Every piece turned out had to pass severest inspection—and delivery schedules had to be met without fail. This incident significantly shows how success is being won by businessmen who rate small in number-of-employees and dollar assets, but rate big in talent, tenacity, and personal industry. Demonstrations like that—look around for yourself and find many others—prove better than mere cold figures and logical theories that the roots of economic success go far deeper than dollar capital.

True: You cannot run a business without Capital. False: Capital is measured only in terms of cash

in the till, bank balances, and securities. Given intelligence, initiative, and continuous personal application any man or woman can "capitalize" skill, patience, diplomacy, good taste, or other intangible but valuable resources. Thousands of potential winners have quit dismally—or failed even to start—because obsessed by the Dollar Delusion. They think only of going to their Bank, instead of their Church, for the needed "Capital." Abraham Lincoln, I believe, was the keen observer who noted that "God must have loved the common people, because He made so many of them." In all reverence, may we conclude that the preponderance of smaller concerns is testimony to their enduring importance and perpetuity.

## Milton Jacobson Is With Bache & Co.

Milton S. Jacobson, formerly Vice-President of Fitch Investors Service, is now associated with Bache & Co., 16 Wall Street, New York City, members of the New York Stock Exchange, in an executive capacity in the administration of investment accounts. He will specialize in personal estate planning, tax-free profit sharing plans and pension funds for corporations.

Mr. Jacobson, a graduate of Columbia College and New York University Graduate School of Business Administration, is a member of the Bar of New York State. He was associated with

Fitch Investors Service for more than 20 years and wrote a history and commentary on the various "Investment Advisory and Statistical Services" for New York University. Recently he wrote for public distribution, a primer entitled "What Do You Know About the Stock Market and Your Investment Dealer?"

## Robert A. Riley With Stern Bros. & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Robert A. Riley has become associated with Stern Brothers & Co., 135 South La Salle Street. Mr. Riley has been active as an individual member of the Midwest Stock Exchange.



Roger W. Babson

# The Columbia Gas System's Business Is Everybody's Business

That's why we're showing you here a page from our new Annual Report

## HIGHER RATES ARE INEVITABLE

This is just another way of saying that public utility rates have no special immunity from the economic laws governing wages and prices in general industry.

Until recently, Columbia's earnings have continued reasonably satisfactory because of the constant increase in the volume of sales. But now, despite increased operating efficiencies, rising costs of doing business and increased taxes have caught up to us.

The cost of everything we buy—just like the cost of your everyday living—is far higher now than in 1941.

Yet, the cost of gas to our domestic customer has not changed much in all those 10 years.

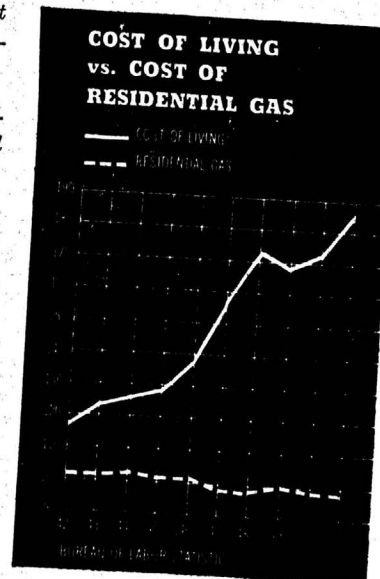
Look at the chart!

Our customers certainly must appreciate that higher gas rates are inevitable.

If we are to continue high quality service to our customers; if we are to satisfy the demands for more and more gas, we must earn more money. Not enough to put our bills to our customers up to the inflated level of other "cost of living" expenses. But enough so we can meet our obligations as a public service company and protect the investments of our stockholders.

This is the gist of the story we are telling in full detail to the Public Service Commissions which regulate our rates.

We hope that our customers, many of whom are also our stockholders—or, if not ours, stockholders in other public service companies who face the identical problem, realize that higher utility rates are inevitable.



	1951		1950		1949	
	Total	Per Share*	Total	Per Share*	Total	Per Share*
Earnings before taxes . . .	\$39,560,932	\$2.65	\$37,107,503	\$2.51	\$24,389,467	\$1.74
Taxes . . . . .	22,234,843	1.49	19,579,619**	1.32	12,169,731	0.87
Earnings available to common stockholders . .	\$17,326,089	\$1.16	\$17,527,884	\$1.19	\$12,219,736	\$0.87

\* Based on average number of shares outstanding.  
\*\* Includes "special charges" of \$3,178,000.



## THE COLUMBIA GAS SYSTEM

CHARLESTON GROUP: United Fuel Gas Company, Atlantic Seaboard Corporation, Amere Gas Utilities Company, Virginia Gas Distribution Corporation, Virginia Gas Transmission Corporation, Big Marsh Oil Company, Central Kentucky Natural Gas Company; COLUMBUS GROUP: The Ohio Fuel Gas Company; PITTSBURGH GROUP: The Manufacturers Light and Heat Company, Binghamton Gas Works, Cumberland and Allegheny Gas Company, Home Gas Company, The Keystone Gas Company, Inc., Natural Gas Company of West Virginia; OIL GROUP: The Preston Oil Company.

## Britain's Gold Drain

By PAUL EINZIG

Commenting on declining gold reserve of Sterling Area, Dr. Einzig points out, at present rate, the reserve will be exhausted by autumn, unless resort is had to devaluation and reimposition of watertight exchange restrictions. Says, however, relief may come if Sterling Area countries follow Britain in curbing imports, or if there is return of confidence in sterling.

LONDON, Eng.—Although no new figures of the Sterling Area gold reserve have been published since the announcement of the figures for the end of 1951, it is an open secret that the gold drain continued unabated in January and February. Conceivably Mr. Butler may once more depart from the rule that the gold figures are only announced once in three months, and in his Budget statement on March 4, he may indicate the extent of the losses during the first two months of this year. It would serve a useful purpose as a justification for any harsh measures he may have to announce. Judging by the recent results of public opinion surveys, the British public is not in a mood for austerity measures. This is because the full gravity of the gold crisis has not yet been realized.



Dr. Paul Einzig

Among members of the Government and their senior officials, bankers and economists, the prospects are viewed with growing concern. Even in the absence of up-to-date figures, it is known that the measures adopted by Mr. Butler have failed so far in checking, or even substantially moderating the gold outflow. It is also known that no immediate aid of any considerable magnitude can be expected from the United States. At the present rate the gold reserve would be exhausted by the autumn, in which case the Government would have to choose between the alternatives of devaluation and reimposition of watertight exchange restrictions.

Relief may come from two directions. If only the Sterling Area countries followed the British example in curtailing their imports and adopting other drastic measures, it would go a long way towards moderating the gold outflow. Up to now the recent London meeting of Sterling Area Finance Ministers appears to have produced very little tangible results in most Sterling Area countries. In particular, they have done little or nothing to imitate the British example in cutting their excessive purchases from the European Payments Union. Yet, it was primarily the flood of British and Sterling Area imports from Western Europe that was responsible for the weakening of Britain's monetary position in 1951.

It is now evident that the liberalization of British and Sterling Area trade with Western Europe was grossly premature and excessive. Both Britain and other Sterling Area countries have imported large quantities of luxury goods which they could ill afford in their present position. Although Britain has now curtailed these purchases, most other Sterling Area countries continue to spend on continental luxuries a large part of their inflated purchasing power resulting from the high price of raw materials. It has been argued in favor of this liberalization of trade on the ground that it would assist Western Europe. Judging by the critical situation of France, however, it seems to have failed to produce that effect as far as the most important continental country is concerned. Britain's position has weakened without any compensatory strengthening of the position of continental Western Europe.

To save sterling, the Sterling Area countries will have to make a supreme effort to check the flood of Western European goods. Unless this is done, both the Sterling Area and the European Payments Union might be thrown in jeopardy through a further depletion of the British gold reserve.

The other direction from which relief may come is through a return of confidence in sterling. This could only be achieved through really drastic measures. People all over the world must be made to realize that this time Britain really means business, as she did in 1931 and, in a different sense, in 1940. The steps adopted up to now have not gone far enough to inspire confidence. There has been too much delay since the change of Government in October, and, apart from the cuts in the imports from Western Europe, the measures have been far too cautious. Much more drastic monetary deflation and budgetary economies are called for in order to restore confidence.

Admittedly it is difficult for a Government with a small majority, and with an Opposition ready to make political capital out of any unpopular measures, to take the drastic steps which the situation calls for. Even from a purely political point of view, however, it is to the interest of the Government to be bold. Its moderation has failed to secure collaboration, or even benevolent neutrality, on the part of the Opposition. The latter could hardly have been more aggressive and abusive if the Tories had adopted really sweeping cuts in expenditure instead of merely stabilizing the total of expenditure at its figure for the current year, and if the Bank rate had been raised to 6% instead of merely to 2½%. Thus the Government has to face the unpopularity of its timid measures, and the country derives but little benefit from them.

If the Government were to take really drastic action in the immediate future, its beneficial economic effect would manifest itself before the unpopularity of such action could produce its political effect in the form of losses of seats at by-elections. For this reason Mr. Butler's Budget must be awaited with great interest. Should this opportunity be missed, the gold position would inevitably deteriorate until a stage is reached when drastic action will be forced on the Government by lack of means to pay for essential food and raw material imports. The sooner the situation is faced the sooner the beneficial effects of bold policy would manifest themselves. Should the Government choose to defer drastic action until it has become absolutely inevitable, it would not avoid unpopularity, in the meanwhile, on the ground of the inadequate action already taken. There is, therefore, everything to be said in favor of immediate action.

## NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS  
NEW BRANCHES  
NEW OFFICERS, ETC.  
REVISED  
CAPITALIZATIONS

Harold R. Wright has been appointed Vice-President and Trust Officer of the American Trust Co. of New York and will be in charge of its newly opened office at 301 East Fordham Road, Harvey L. Schwamm, President, announced on Feb. 25. The bank's main office is located at 70 Wall Street. Mr. Wright has been in banking for almost 40 years and has had broad experience in both banking and trust fields. Prior to joining the American Trust Co. in April, 1951, he had been Trust Officer of the Bank of New York and the Fifth Avenue Bank. Starting with that institution in 1923 as a credit man, he was appointed Trust Operations Manager in 1929, Assistant Secretary in 1930 and Trust Officer in 1940. Prior to joining the Bank of New York in 1923, Mr. Wright received his early credit training with the First National Bank of New York, having started his business career with that institution in 1912 as a page.

Approval was given on Jan. 21 to the Trade Bank and Trust Co. of New York, by the State Banking Department, to increase the capital of the bank from \$2,000,000 to \$2,500,000. The stock is in shares of \$10 each.

The Frank Meehan Community Service Medal, an annual award of National Variety Artists, Post 690, American Legion, was presented on Feb. 21 to Frank S. Beebe, Vice-President of Colonial Trust Co. of New York at the organization's annual reception and entertainment held in the Hotel Capitol. Dedicated to the memory of Frank Meehan, Past Commander of the Post, the award is bestowed annually during Brotherhood Week in recognition of outstanding service to the community. Harry Raymond, also a Past Commander of Post 690, in making the presentation, paid tribute to the role played by Mr. Beebe in furnishing advice and counsel on business matters to returning veterans of World War II. Mr. Beebe is the first banking official ever to be chosen for the honor.

As of Jan. 31 the New York State Banking Department approved a reduction of capital stock of the Title Guarantee and Trust Co. of New York from \$3,000,000, consisting of 500,000 shares, par \$6 each, to \$2,000,000, in 250,000 shares, par \$8 each.

The New York State Banking Department, reports that on Jan. 18 approval was given the Bronx County Trust Co., at 2804 Third Avenue, New York, to a certificate of increase of capital stock from \$1,000,000 (in 20,000 shares, par \$50 each) to \$1,500,000, consisting of 30,000 shares, par \$50 each.

At the regular meeting of the board of directors of The National City Bank of New York, held on Feb. 26, Alfred M. Vinton was appointed Assistant Vice-President assigned to the Overseas Division of the bank at the head office in New York.

Stanley H. Grant has been appointed an Assistant Vice-President of the Lafayette National Bank of Brooklyn, N. Y., according to Walter Jeffreys Carlin, President. Mr. Grant started his banking career in 1918. Until his appointment at Lafayette National he was an Assistant Vice-Pres-

ident of the Sterling National Bank & Trust Co. of New York. He previously was an Assistant Treasurer of the Colonial Trust Co. at the Bay Ridge office, Brooklyn. A graduate of the American Institute of Banking, Mr. Grant served with the Armed Forces in World War I.

An increase in the capital of the Mechanics and Farmers' Bank of Albany, N. Y., from \$250,000 to \$500,000 was approved by the stockholders on Jan. 29, and on the same date the New York State Banking Department made known its approval of the certificate of increase proposed, whereby the capital of \$250,000, consisting of 2,500 shares, par value \$100, is enlarged to \$500,000, consisting of 50,000 shares, par \$10 each. In his letter to stockholders on Dec. 28 regarding the proposed action, Douglas W. Olcott, President of the bank, said in part:

"If two-thirds of the outstanding shares shall vote approval of such change of presently issued and outstanding shares and increase in the amount of capital stock, the directors propose to accomplish the increase in capital by transferring the sum of \$250,000 from undivided profits through surplus to capital and thereupon declaring a 100% stock dividend, pursuant to which each stockholder for each share of stock of the par value of \$10 held, would be entitled to receive one share of additional stock.

"Favorable action upon these two propositions would result in the holders of one share of the present \$100 par value stock receiving 20 shares of the \$10 par value stock. Of these 20 shares, 10 would represent the result of the split-up brought about by the change in previously issued and outstanding shares and 10 would result from the declaration of the stock dividend which is proposed."

In his letter President Olcott also said:

"It is contemplated that the level of the amount of cash dividends paid annually will be continued by the payment of a dividend of \$1.25 per share annually upon the new certificates received, as a result of the proposed changes, such dividend to be upon an equal quarterly basis hereafter."

The Union Center National Bank, of Union, N. J., reports a capital of \$500,000, effective Feb. 13, increased from \$325,000 through the sale of \$175,000 of new stock, and a stock dividend of \$100,000.

Stockholders of the Bank of Passaic and Trust Co. of Passaic, N. J., will vote on a \$1,000,000 proposed issue of 3½% convertible preferred stock at a special meeting on March 5, it is announced by Thomas E. Prescott, President of the bank. "Directors have unanimously recommended this step in order to bring the bank's capital structure into a more satisfactory ratio with its total deposits," Mr. Prescott stated. Mr. Prescott pointed out that only recently M. A. Shapiro, New York bank analyst, speaking before the Passaic County Bankers Association, stated that bankers in New York City as well as in other large centers, "are becoming increasingly aware of the advantages of preferred stock."

Capital funds of the bank would be increased to nearly \$2,500,000, and the new stock, of which 40,000 shares will be issued, will

have a \$25 par value and be convertible at the rate of five shares of preferred for one of common. While present stockholders will have priority rights to purchase the new stock, the directors indicate that some portion of the issue will be available for subscription by the bank's customers and other interested persons. "Issuance of preferred stock is advocated by many authorities as the most satisfactory method of increasing capital under present conditions," Mr. Prescott said. He added: "We tested it eight and a half years ago and subscribers secured a very profitable investment. In 1943, a similar offering of 9,000 shares of convertible preferred stock was heavily oversubscribed and three years later was all converted into common. During that period the value of the common stock increased from \$40 to \$75 a share."

The deposits of the Bank of Passaic & Trust Co. since 1943, it is stated, have increased 210%—from \$8,761,000 to \$27,136,000 at the end of 1951. During the year 1951, deposits increased by 28.5% and the return on loans and investments enabled the bank to pay \$3 a share on the common. Total resources at the close of business Dec. 31, 1951, were \$28,614,266.92. Outstanding stock had a book value of \$129 a share. It is pointed out that the proposed offering should in no way be confused with the recent announcement that the RFC intends to dispose of its holdings of stock in a number of banks taken up by it during the 1930s. The RFC, says the bank's advices, has not held any stock in the Bank of Passaic & Trust Co. and this proposal constitutes a new and original offering.

George A. W. Stouffer, Vice-President of The National Bank of Chambersburg, Pa., was elected Chairman of Group V of the Pennsylvania Bankers Association at the Group Annual Meeting at the Penn-Harris Hotel in Harrisburg on Feb. 22. Group V is composed of banks in Adams, Cumberland, Dauphin, Franklin, Fulton, Juniata, Lancaster, Lebanon, Mifflin, Perry, and York Counties. Mr. Stouffer will succeed G. Vance Seidel, Vice-President and Treasurer, Dauphin Deposit Trust Company, Harrisburg, who was elected to the PBA Council of Administration. Harry S. Smeltzer, President, Keystone Trust Company, Harrisburg, was reelected Secretary-Treasurer of the Group.

Robert C. Downie, President of the Pennsylvania Bankers Association and President of Peoples First National Bank & Trust Company of Pittsburgh, speaking before the assembled bankers, said: "The primary aim of the Pennsylvania Bankers Association is to preserve independent banking in Pennsylvania and throughout the United States."

William B. McFall, who was appointed to the Board of Directors of the Pittsburgh Branch of the Federal Reserve Bank of Cleveland for a three-year term beginning Jan. 1, 1952, is President of the Commonwealth Trust Company of Pittsburgh, Pa. Mr. McFall received an A.B. degree in 1912 at Washington and Jefferson College, an LL.B. degree in 1915 at the University of Pittsburgh and a degree of LL.D. in 1948 at Washington and Jefferson College.

George C. Brainard, Chairman of the Board of Directors of the Federal Reserve Bank of Cleveland, also announced the appointment of Sidney A. Swensrud, President of the Gulf Oil Corp., Pittsburgh, as Chairman of the Board of the bank's Pittsburgh branch for the year 1952. Chairman Brainard also announced the reappointment of Dr. Ernest H. Hahne, President of Miami University, Oxford, Ohio, as Chair-

man of the Board of the bank's Cincinnati branch for the coming year. Edward S. Dabney, President of the Security Trust Company, Lexington, Ky., was appointed for a three-year term beginning Jan. 1, 1952, on the Cincinnati branch Board. Mr. Dabney succeeds Spears Turley, Vice-President and trust officer of the State Bank and Trust Company of Richmond, Ky., a branch director since Jan. 1, 1946.

The Third National Bank & Trust Co. of Dayton, Ohio, increased its capital as of Jan. 30 from \$1,250,000 to \$2,000,000. The increase came about through a stock dividend of \$125,000, and the sale of new stock to the amount of \$625,000.

Robert S. Oelman, Executive Vice-President of The National Cash Register Company, Dayton, Ohio, has been elected a director of the Winters National Bank & Trust Company of Dayton, it was announced on Feb. 20. Mr. Oelman is President of the Office Equipment Manufacturers Institute, whose headquarters are in Washington, D. C., and a director of the National Association of Manufacturers.

The appointment of Benjamin F. Fohrman and Lloyd Drexler as directors of the South Shore National Bank of Chicago is announced by M. R. Baty, President. Mr. Fohrman and Mr. Drexler fill vacancies occasioned by the resignation of Ernest G. Shinner and Charles M. Burlingame. Mr. Fohrman was elected Chairman of the board of directors. The appointment is also announced by President Baty of Henry P. Johnson as Assistant Cashier of the bank. Mr. Johnson entered the bank's employ in October of 1949 as Manager of the installment loan department. He will continue as Manager of that department in addition to other general bank duties. He was with Allied Building Credits, Inc., from 1946 until his employment by the bank. During World War II he served in the U. S. Army Tank Corps, emerging with the rank of Captain.

The Drovers National Bank of Chicago, Ill., has increased its capital, effective Feb. 15, from \$1,000,000 to \$1,250,000 by a stock dividend of \$250,000.

F. A. Flodin, President of the Lake Shore Engineering Co., Iron Mountain, Mich., was the current year appointed a class C director of the Federal Reserve Bank of Minneapolis. Appointment was made by the Board of Governors of the Federal Reserve System at Washington, D. C. Mr. Flodin fills the unexpired term ending Dec. 31, 1952, of the late W. D. Cochran, also of Iron Mountain, who died Dec. 5. The new director has been President of the Lake Shore Engineering Co. since 1938 when the Service & Supply Co. of Iron Mountain, with which he had been associated for many years, was merged with the Lake Shore Engine Works of Marquette, Mich., to form the new company.

From the Weekly Bulletin issued by the Office of the Comptroller of the Currency it is learned that capital of the First National Bank & Trust Company of Oklahoma City was increased, effective Jan. 25, from \$6,000,000 to \$7,500,000; the increase came about through a stock dividend of \$1,200,000, and the sale of new stock to the amount of \$300,000.

The name of the Fidelity National Bank of Oklahoma City was changed effective Feb. 15 to the Fidelity National Bank & Trust Co. of Oklahoma City.

The capital of the National Bank of Commerce in Memphis, Tenn.,

has been enlarged to the extent of \$250,000 by the sale of new stock, increasing it as of Jan. 31 from \$1,000,000 to \$1,250,000.

Directors of the Bank of America National Trust & Savings Association of San Francisco adopted a new schedule for dividend payments by making dividend funds available to stockholders before their quarterly Federal income tax payments are due. Beginning with the second quarterly dividend for 1952, shareholders will receive their dividend on May 31. In past years this quarterly payment has been made on June 30. The directors declared a cash dividend on

the bank's common stock for the current semi-annual period, payable in two quarterly instalments, at the regular annual rate of \$1.60 per share. The first quarterly instalment of 40 cents per share will be paid according to the former schedule on March 31 to shareholders of record as of Feb. 29. The second instalment, payable on the revised date, will be made to shareholders of record as of May 15, 1952.

In a further extension of Bank of America facilities for economic research, Dr. Robert R. Dockson is to join the bank's organization at San Francisco headquarters on March 1 as economist, according

to announcement by L. M. Gianini, President. Dr. Dockson is currently economist for the Western home office of the Prudential Insurance Company of America.

Appointment of Bank of America Assistant Vice-President Dirk A. Ten Grotenhuis as Manager of the Manila branch of the bank was announced on Feb. 13 by Russell G. Smith, Executive Vice-President in Charge of Bank of America International Banking Activities. Mr. Ten Grotenhuis, who has been Assistant Manager of the Manila branch since January, 1950, will fill the position left vacant by the recent resignation of F. J. Moore, whose election as

President of the Hawaiian Life Insurance Company was recently announced.

The boards of directors of the Federal Reserve Banks of Atlanta, Ga., Dallas, Texas, and St. Louis, Mo., have elected Malcolm Bryan, President of the Federal Reserve Bank of Atlanta, as a member of the Federal Open Market Committee for the year beginning March 1 and have elected Delos C. Johns, President of the Federal Reserve Bank of St. Louis, as an alternate member to serve on the Committee in the absence of Mr. Bryan. R. R. Gilbert, President of the Federal Reserve Bank of Dallas, is serving as a member of the Committee for the year ending Feb. 29.

BRIGGS &amp; STRATTON

## BRIGGS & STRATTON CORPORATION

### BALANCE SHEET — DECEMBER 31, 1951

#### ASSETS

##### CURRENT ASSETS:

Cash .....	\$ 2,447,031
Marketable securities, at cost (quoted market price \$52,081) .....	11,417
Receivables, less reserve of \$10,000 .....	2,228,750
Inventories, priced at lower of cost (first-in, first-out) or market .....	6,228,530
Total current assets .....	\$10,915,728

##### CASH SURRENDER VALUE OF LIFE INSURANCE

(face amount of policies — \$300,000) .....	165,570
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##### UNEXPIRED INSURANCE PREMIUMS, ETC. ....

48,803

##### PLANT AND EQUIPMENT — at cost:

Land and land improvements .....	\$ 411,659
Buildings and equipment .....	1,435,316
Machinery and equipment .....	4,593,183
Office furniture and fixtures .....	217,205
	\$6,657,363
Less — Reserve for depreciation .....	2,689,697
	\$3,967,666
Patterns, tools, dies, etc. — at fixed amount .....	50,000
	4,017,666

##### PATENTS, TRADE-MARKS, ETC. — at nominal amount ....

\$15,147,768

#### SUMMARY OF PROFIT

##### FOR THE YEAR ENDED DECEMBER 31, 1951

##### GROSS SALES, less returns, allowances and discounts .....

\$38,494,381

##### COST OF SALES, SELLING, AND GENERAL AND

##### ADMINISTRATIVE EXPENSES .....

29,629,841

##### Profit from operations .....

\$ 8,864,540

##### OTHER INCOME, less miscellaneous charges .....

152,698

##### Profit before provision for income taxes (after deducting provision of \$278,165 for depreciation) .....

\$ 9,017,238

##### PROVISION FOR INCOME TAXES:

Federal —	
Normal and surtax .....	\$4,345,000
Excess profits tax .....	1,210,000
	\$5,555,000
Wisconsin .....	525,000
	6,080,000
Net profit transferred to earned surplus .....	\$ 2,937,238

#### LIABILITIES

##### CURRENT LIABILITIES:

Accounts payable .....	\$ 936,738
Accrued liabilities .....	849,241
Provision for income taxes —	
Federal .....	\$5,677,701
Wisconsin .....	528,261
	\$6,205,962
Less — United States Treasury notes, tax series, at cost including interest .....	4,121,970
	2,083,992
Total current liabilities .....	\$ 3,869,971

##### CAPITAL STOCK AND SURPLUS:

Capital stock —	
Authorized, 750,000 shares without par value	
Issued, 599,992 shares, at stated value .....	\$ 300,000
Earned surplus —	
Balance December 31, 1950 .....	\$ 9,744,766
Add — Net profit for the year (per accompanying summary) .....	2,937,238
	\$12,682,004
Deduct — Cash dividends paid (\$2.75 per share) .....	1,634,317
	11,047,687
Total capital stock and surplus before deducting treasury stock .....	\$11,347,687
Less — Treasury stock, 5,694 shares, at cost .....	69,890
	11,277,797
	\$15,147,768

#### PRESIDENT'S REPORT TO STOCKHOLDERS

The financial condition of the Corporation at December 31, 1951 and the results of its operations for the year ended that date are set forth in the accompanying statements. These financial statements have been examined by Arthur Andersen & Co., and their certificate is included as a part of this report.

Net profit for the year 1951 was \$2,937,238 or \$4.94 per share, as compared with 1950 earnings of \$2,677,442 or \$4.50 per share, based on the 594,298 shares outstanding. The increase in net profit of \$259,796 reflects an increase in profit before income taxes of \$3,924,796 and an increase in provision for income taxes of \$3,665,000. Cash dividends of \$2.75 per share based on the number of shares now outstanding, or a total of \$1,634,317, were paid during 1951.

During the year we expended on expansion and new equipment approximately \$624,000; and \$630,000 was paid into the employee retirement trust fund, of which \$380,000 was applicable to past service benefits.

Our sales volume for the year 1951 was the largest in our history, and we began 1952 with a very encouraging backlog of unfilled orders.

We regret to report the loss of an esteemed and able director, Mr. John M. Floyd, who died on January 19, 1952. He had been a director since February, 1949. Mr. F. P. Stratton was chosen on February 19, 1952, to serve the unexpired term of Mr. Floyd.

Respectfully submitted,  
C. L. COUGHLIN  
President

#### AUDITORS' CERTIFICATE

We have examined the balance sheet of BRIGGS & STRATTON CORPORATION (a Delaware corporation) as of December 31, 1951, and the related summary of profit for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and summary of profit present fairly the financial position of Briggs & Stratton Corporation as of December 31, 1951, and the results of its operations for the year then ended, and were prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ARTHUR ANDERSEN & CO.

**BRIGGS & STRATTON CORPORATION**

World's Largest Builders of Single Cylinder 4-Cycle Air-Cooled Gasoline Engines and Automotive Locks and Switches

**Milwaukee 1, Wisconsin, U. S. A.**

BRIGGS &amp; STRATTON

Continued from page 7

## Current Aspects of Commercial Banking

creased \$1.52 per share in 1951, but only 8 cents of this was available for stockholders. In the case of Chemical Bank, our net operating earnings before taxes in 1951 increased \$1.75 a share, but after provision for taxes only 41 cents a share was retained for the stockholder.

Commercial banks are faced with an unfair tax burden, but I assure you we are working on its solution. It appears to us that the Federal Reserve authorities are fully conscious of the problem and its inequities, as they are now conducting a study.

### Our Tax Problem

Congress does recognize that certain industries in which there are controls or a public interest such as public utilities, railroads, insurance companies and natural resource industries—should be accorded special tax consideration.

Under the Revenue Act of 1950, Congress permitted utilities and railroads to have "set rates" of earnings, after the payment of normal and surtax rates, before being subjected to the Excess Profits tax. Corporations generally, including commercial banks, if using the invested capital base, are allowed as an excess profits tax credit (which income may be subject to both normal and surtax rates) 12% on the first \$5,000,000 of invested capital; 10% on the next \$5,000,000, and only 8% on any additional invested capital. As a result, if all excess profits net income were subject to normal and surtax rates, it would allow only 48% (1952 rates) of the 8%—which is equivalent to 3.84% maximum earnings before excess profits tax on the invested capital base in excess of \$10,000,000. Why should any industry or any group be confronted with excess profits tax when earnings have reached only 3.84% of invested capital? This limitation does not seem realistic for a business which lacks highly speculative earnings possibilities. Such a return, I regret to say, is not conducive to increased holdings by stockholders, and on this I am sure you will agree.

Excessive tax rates, without allowance for adequate reserves, have prevented commercial banks generally from retaining earnings and have made it more difficult for these banks to obtain additional capital through the issuance of new stock. Yet, they must be in position to finance legitimate requirements of their customers.

Bank earnings, under the present excess profits tax formula as outlined above, are limited to approximately 4 to 6% of capital, except through the use of wholly or partially tax exempt investments. They are in this unenviable position because they generally compute their excess profits credit on the basis of percentage of equity and borrowed capital rather than on the basis of their earnings during the excess profits base period years 1946 through 1949, as the selection of these particular years was even more unfair to banks.

It is interesting to note statistics covering the base period years 1946 through 1949, which are set forth by the Bureau of Internal Revenue on the corporate excess profits tax instruction sheets. They indicate that the banking industry has had the lowest rate of earnings on total assets of the various financial industries. The banking industry earned during this period an average annual return of 0.8% of total assets, whereas credit agencies other than banks earned 4.3% and insurance carriers 2.7% of total assets. These rates of return are before deductions for interest paid and Federal income

taxes. By comparison, the textile mill products industry earned 19.2%, paper and allied products industry earned 18.1%, furniture and fixtures industry earned 15.3%; the chemicals and allied products industry earned 16.7%; the metal products industry earned 13.8%, and the wholesale trade earned 13.3%. Other industries earned comparable high rates of return.

It is, therefore, apparent why banks, rather than using their earning experience of 1946 through 1949, generally are using an excess profits credit which is computed on the invested capital base rather than on the percentage of base period earnings.

### Bad Debt Reserves

In December, 1947, the Commissioner of Internal Revenue decided to permit banks to set up a provision for bad debts which would be recognized as a tax deduction. It was meant to encourage the setting up of adequate reserves. Tax-wise it too has become something of a boomerang. The total reserve could not exceed three times the 20-year moving average experience applied to current year-end loan figures. The largest charge-offs were, of course, during the 1930-34 period and most banks have set up their full reserve. Tax deductions were for the most part taken at a corporate tax rate of 38% to 42%, and now bad debt losses come out of the reserve rather than out of current earnings at a 52% tax basis. Banks which have not been able to set up these reserves in full have now lost the benefit of the loss ratios available in 1930 and 1931. These inequities require corrections. They can be easily remedied by eliminating the ceiling, extending the 20-year period and by excluding recoveries in computing the loss ratio as they do not reflect the true loss experience for a given year. California statutes set no maximum reserve and permit using up to 25 years.

Savings banks and insurance companies have special tax treatment. Commercial banks should have some real relief in the form of exemption from any excess profits tax, or at least should have a 12% or even 15% exemption based on the full amount of invested capital plus an allowance on borrowed capital. Why should not at least some percentage of deposits be considered as borrowed capital?

Retained earnings can provide little of the needed additional capital. The retention of more than a normal portion of net income as additional capital would cut further into an already inadequate return to stockholders who must also meet rising costs in an inflationary period. The use of preferred stock for commercial banks has not been well received although it does have some merit and may be resorted to if tax relief is not forthcoming. It would give outstanding common stock more leverage. Borrowing either through the Federal Reserve Bank or by the purchase of Federal Funds is a highly technical operation which provides only day-to-day capital. The creation of so-called funded debt would be misunderstood in the banking field. Additional capital has habitually come from the sale of new shares. As stated above, this has been discouraged by an inadequate return on present holdings of stockholders; consequently, it would seem that unless some tax relief is granted, commercial banks face a difficult task of meeting their responsibilities in the field of credit extension. Failure to do this would encourage the government to par-

ticipate in the making of direct loans and the guaranteeing of other loans. This obviously is not the road to follow unless we want a "welfare state."

The Federal Treasury also receives each year substantial revenue which represents the surplus earnings of the Federal Reserve Banks—in excess of what is needed to meet their requirements for the payment of dividends to their member banks and for adding modestly to their surplus each year. In 1951, the Federal Treasury received \$254 million from the 12 Federal Reserve Banks. All outstanding stock of the Reserve Banks is owned by the member banks which receive a 6% dividend on their shares. We do not question the great usefulness of the Reserve Banks or the necessity of member banks carrying reasonable reserves there, but we do feel some credit should accrue to the banks for the large payment made annually to the Treasury Department representing excess earnings.

There also is a degree of inequity in the fact that all Federal Reserve member banks are not subject to uniform reserve requirements. The geographical accident of location penalizes those banks that have their places of business in Downtown Manhattan or in the Chicago Loop District. These Central Reserve City Banks today must maintain reserves 20% higher than other banks and they could be required to maintain reserve balances 30% higher.

Another inequity which I should mention is the basis of Federal Deposit Insurance Corporation assessments. At Chemical Bank only 16% of our deposits which enter into the assessment base are protected by insurance. In effect, our assessment rate is more than six times the indicated rate. To some extent this inequity applies to any bank having deposits in excess of \$10,000 in any account included in the assessable base. Some degree of inequity exists in almost every bank's assessment, but no uniformity in the degree of impact.

In effect, all inequities—in excess profits tax base, in FDIC assessment base and in Federal Reserve requirement base—react most heavily on our large banking institutions.

### Thrift Deposits

One of the purposes and duties of banks is to encourage thrift. Sometimes we think this is a habit of long ago but actually real savings in New York banks were never at a higher figure. Most of these in New York are in our especially organized mutual savings banks. In all other parts of the country, the commercial banks have a much greater proportion of total savings deposits. Certainly these deposits are much encouraged by their receiving a larger interest return. It speaks well for our savings banks that Mr. William A. Lyon, New York State Superintendent of Banks, feels the time has come to allow savings banks, in the discretion of their trustees, to pay dividends on deposits up to 2½% a year. It is to be hoped that such rates will be kept within reason and that banks will not again reach for such deposits by paying a higher rate—or higher price—than each bank can afford. Many of us recall too vividly the race of the 1920's to attract deposits at high rates and then the necessity of incurring undue risks on assets to earn enough to do so. We admire Superintendent Lyon's approach and reasoning on this subject. He speaks of the encouragement of thrift as a strong factor in combating inflation.

### Inflation Problems

Any discussion of current banking would be incomplete without mention of inflation. Economically, inflation is simple to handle. You either reduce the volume of money—which no government is ever willing to do for political

reasons—or you increase the flow of goods and services to consumers to equal it.

Bankers, as custodians of savings, trusts, pension funds, etc., have a primary duty to protect these funds through the combating of inflation, especially with the promotion of sound economic education. Actually, inflation is often hardest on groups who, from lack of understanding, clamor most for it. It also hurts many innocent victims—widows with limited income, aged individuals, life insurance and pension beneficiaries, and owners of savings accounts, government bonds and other fixed income securities.

Excessive government spending has been one of the chief causes of inflation. Right now, the government is pouring vast sums into rearmament, and there is no letup in non-military expenditures. Because government spending goes for labor and material in the production of non-civilian goods, the best check on inflation is increased production of civilian goods to absorb the greatly increased supply of money. A curtailment of economic pumping by government withdrawal from fields of business and industry in which government competes with its own citizens would be helpful. It is my firm belief that the government today should not make loans to industrial units through the Reconstruction Finance Corporation when a great competitive banking system is willing and anxious to finance the needs of any worthy individual or group.

In cooperation with the Federal Reserve, the nation's banks have been hard at work in arresting such inflation as comes under their control through the effective use of the Voluntary Credit Restraint program, have been carefully screening loans, declining speculative and inflationary credits on the one hand while assisting basic industrial expansion on the other hand.

You and I have a responsibility to exert every influence in guarding the dollar against further depreciation. We can assist materially in keeping the public intelligently informed of the effect of inflation upon each and every citizen. Certainly, continued inflation will prove as disastrous as the ravages of war.

### Conclusion

In summary, may I say that the field of commercial banking is an essential one. Our earnings potentials are great and our field is expanding. We have problems—very real ones—in connection with taxes and capital requirements, but we have plans for straightening these out. We have men who are capable of sound leadership. It is my belief that we will continue to find, as in the past, the way to keep going forward and to make ourselves increasingly useful and more necessary.

The prices of our bank shares are not inflated. Some day investors may try to evaluate our accumulated goodwill rather than discount our immediate earnings and dividend prospects. I would prefer to be identified with a business whose outlook and potentials indicate the need for more capital rather than one whose capital exceeds its needs. For two decades bank income has been artificially restricted but, fundamentally, interest rates or any commodity price cannot be controlled indefinitely. I belong to the school convinced that the earnings outlook of commercial banks is most encouraging.

### Brownlee O. Currey

Brownlee O. Currey, President of Equitable Securities Corporation of Nashville, passed away Feb. 21 at the age of 51 after an illness of several months.

## Deposits of Mutual Savings Banks at New Peak of \$21 Billion

Deposits in the nation's 529 mutual savings banks increased \$126,000,000 during January 1952, to cross the \$21 billion mark for the first time in these institutions' history of almost a century and a half, according to Carl G. Freese, President of the National Association of Mutual Savings Banks and Treasurer, Connecticut Savings Bank of New Haven, Conn. The gain, which brought deposits to a new all-time high figure of \$21,027,000,000 compares with a gain of \$22,000,000 in January 1951, and reflects the fact that while deposit activity was high, amounts deposited in regular accounts were 5% greater, and withdrawals 8% less, than in January a year ago.

At the close of January, holdings of mortgage loans exceeded holdings of U. S. governments for the first time since 1942. The rise of \$95 million in mortgages brought total holdings in this traditional form of savings bank investment to \$9,843,000,000 or 41.6% of total assets, which is the highest proportion since 1937. Holdings of other securities rose \$73,000,000, mostly in municipals. For the fifth consecutive month, the gain in mortgage loans was less than that of the corresponding month a year ago, while for the seventh successive month, the decline in U. S. governments was less; in fact there actually was an increase of \$14 million for the month—the first gain since April, 1950.

## Russell Reinforced Plastics Stk. Offered

Offering of 150,000 shares of class A common stock of Russell Reinforced Plastics Corp., Lindenhurst, N. Y., manufacturers of "Fiberglas" reinforced plastics, was made yesterday (Feb. 27) by Aetna Securities Corp. The stock is priced at \$2 per share.

Of the proceeds to be received from the sale of these shares, \$85,000 to \$100,000 will be devoted to the expansion of present plant and machinery, including purchase of additional presses and other equipment and the construction of a humidity control vault and other facilities. Approximately \$50,000 will be used to discharge an obligation to Aircraft Specialties Co., Inc., and the balance will be used for working capital to carry anticipated expanded operations.

## Quinn & Haas Join John H. Lewis & Co.

James J. Quinn and Gilbert M. Haas have become associated with John H. Lewis & Co., 63 Wall Street, New York City, members of the New York Stock Exchange, in charge of their investment advisory department. Both were formerly associated with Mol & Co., in a similar capacity.

## Two With Curtis Lipton

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Raymond Bryan and Leo T. McCarthy have become affiliated with Curtis Lipton Co., 338 South Western Avenue.



Carl G. Freese

## Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

Because the excitement generated by the Treasury's recently announced refunding operation is receding, activity in the Government market has quieted down considerably, even though the demand for short-term issues is again dominating the action in Treasury obligations. Federal is doing its share to make the refunding a successful one. This is only part of the whole monetary operation since there are others that are still to come, especially the important one around the middle of next month. As a result, an air of caution seems to hang over the money markets.

Considerable moving about is being done among the owners of the refundable issues, with many of them selling the 2½s in order to go into short-term obligations. The deposit banks are in many instances taking on sizable amounts of the new 2½s. Nonetheless, the most liquid obligations are still the favorites of these institutions. The higher income securities are not getting more than passing attention at this time. Institutions that might be buyers of these securities still have enough marketable and private deals that provide them with a better return than the longer Governments.

### Near-Terms Still Hold Spotlight

The Government market seems to be moving back into the pattern that has been prevailing for some time now. The refunding announcement gave the market a temporary bit of excitement, with both the shorts and longs improving price wise. This was short-lived however, as far as the higher income issues were concerned, since it was evidently short-covering and not any new demand which was responsible for the better quotations that ruled for a time in these issues.

With the two-part market with us as before, it is the near-term obligations that are back in the spotlight again, despite a not too loud expression of reluctance on the part of some that are still acquiring these securities. To be sure, yields on the short-term issues have gone down to levels that do not exactly fit in with the ideas of certain of the professionals, but this has not mattered very much marketwise. They have Hobson's choice; either they buy the shorts or they buy the longs. They are plagued with liquidity preference, which seems to be bothering quite a few investors, but one does not get the liquidity and riskless type of security by going out and buying obligations that have long maturities. As a result of this demand, the near-term obligations are finding homes very easily and there are no indications yet that there will be any important changes in this trend in the near future.

The monetary authorities are very definitely giving assistance to the refunding operation and the Central Banks are in there pitching so that it will be carried out successfully. Not a few of the maturing obligations are finding their way into Federal because of this policy. The commercial banks, nevertheless, continue to be attracted to the new 2½s of 1957/59, but not at the expense of their own liquidity, which means that the short-term obligations are still the backbone of their participation in Government securities. Corporations are, as they have been, the principal sellers of the called 2½s which are being refunded by the 2½s.

### Implications of Refunding Program

It is evident after more careful analysis of the refunding operation that many in the financial district have come to the conclusion that the issuance of the 2½s to replace the 2½s and the non-calling of the 2½s of 1952/55, was done in the interest of maintaining the status quo both as far as the money markets and the economy as a whole is concerned. It is being pointed out by some of the most competent followers of the money markets that with the forces of inflation and deflation in rather delicate balance, neither the Treasury nor Federal wanted to do anything from the monetary standpoint that might tip the scales in either direction. If the Treasury had put out lower coupon obligations in the refunding operation and had called the 2½s for retirement on the first call date this might have been construed as a move toward lower interest rates. The inflationary psychology might have been aroused again by such a development and this could have thrown the economy out of its delicate balance.

By offering a security with an attractive rate of interest in the refunding, which is bullish to the market, there was an offset to the bearish implications from the non-calling of the 2½s. Also the Treasury was following the market in using the 2½% obligation. It is likewise evident that the refunding was a real compromise between the Treasury and Federal, and they were working together in this one in order to keep the scales unchanged.

The long-term Treasury market is just as thin as ever and continues to be in the hands of the professional as before. Small sellers and small buyers, which is what it is concerned with mainly, are still influencing prices within the narrow trading range which has been prevailing. Potential large sellers, such as life insurance companies and savings banks, are not expected to be doing anything that might disturb the present limited market.

### Joins Daniel Reeves

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif. — Howard T. Snedcor is now associated with Daniel Reeves & Co., 398 South Beverly Drive. Mr. Snedcor was formerly Oceanside representative for Dempsey-Tege-ler & Co.

### White With E. F. Hutton

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Edward A. White has become associated with E. F. Hutton & Company, 160 Montgomery Street. For many years he was with Merrill Lynch, Pierce, Fenner, & Beane.

## Weil Investment Co. Formation Announced

NEW ORLEANS, La. — Joseph H. Weil and Roswell J. Weil announce the formation of Weil Investment Company to do a general Investment Banking business in New Orleans. Both were partners of Weil, Arnold & Crane which is dissolving Feb. 29, 1952.

The new firm will continue an active participation in municipal and industrial financing. They will maintain the Mortgage Loan Department as correspondent of The Mutual Life Insurance Co. of New York in connection with several other companies.

Joseph H. Weil is well known by the investment banking fraternity where he has been active for the past 30 years. His son, Roswell J. Weil, has been associated with him since graduation from Tulane University in 1937.

James S. Vickers and Sydney G. Vickers, Jr., announce the formation of Vickers Brothers, members of National Association of Securities Dealers Inc., to act as brokers and dealers in investment securities.

## Vickers Bros. Formed In New York City

Offices will be located at 37 Wall Street, New York City. Formation of Vickers Brothers was previously reported in the "Chronicle" of Feb. 7.

## Two With King Merritt

(Special to THE FINANCIAL CHRONICLE)

BENICIA, Calif. — William R. Coad and Roy L. Thomas are now with King Merritt & Company, Inc. Mr. Thomas in the past was with Wilson, Johnson & Higgins.

## With Floyd A. Allen

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Leroy R. Shep has joined the staff of Floyd A. Allen & Co., Inc., 650 South Grand Avenue.

## J. A. Hogle Co. Adds

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif. — William E. Donovan has been added to the staff of J. A. Hogle & Co., 428 North Camden Drive.

# U.S. PRODUCTION DRIVE TURNS SPOTLIGHT ON TRAINED MEN

Chrysler Corporation's program helps people build better products and better careers for themselves

George Heyer, noted magazine photographer, turns his camera for this picture story on a program of importance to American production — how people learn to build military vehicles, defense weapons, and the cars and trucks that play a vital part in American life.

Heyer's pictures were made in Chrysler Corporation factories, classrooms and training shops. He shows a few of the thousands of men and boys now taking part in Chrysler's widespread training and technical education program.



**TOMORROW'S CRAFTSMAN.** Heyer snapped intent young Robert Chura — son of a Chrysler Corporation employee — during one of his first lessons in how to use tools and make useful things. In special workshops set aside by Chrysler, Robert and other boys work in wood, leather and metal under the guidance of veteran Chrysler artisans. Then they borrow from a "Library of Tools" and finish projects at home.



**THEY THINK IN CLAY.** In this clay model room at Chrysler Institute of Engineering, employee students D. M. Holiday, 25, left, and Paul R. Diehl, 27, right, study car body design with Engineer Carl Hood. The Institute is the most advanced part of Chrysler's education and training program. Courses compare with those in leading engineering colleges. At Chrysler, employees find training to improve themselves . . . become more valuable to America now when production need is great.

## "A GOOD MACHINE DESERVES A GOOD MAN, SON."

Heyer pictures Albert Bazner learning about grinders from veteran machinist H. A. Nelson. For the past year Albert has been in an Apprentice Group in Chrysler's Industrial Education program, learning the machinist trade — at good pay. Chrysler helps ambitious employees move up to better jobs. Even high school and college students can learn jobs before graduation, earning both classroom credits and pay. Good training for good men pays off in better cars and trucks — and in such defense work as jet engines, too.

**CHRYSLER CORPORATION**

engineers and builds PLYMOUTH, DODGE, DE SOTO, CHRYSLER CARS & DODGE TRUCKS

Chrysler Marine & Industrial Engines • Oilite Powdered Metal Products • Major Parts & Accessories  
Airtemp Heating, Cooling, Refrigeration • Cyclo Weld Adhesives & Building Panels

## Public Utility Securities

By OWEN ELY

### Mountain States Power Company

Mountain States Power Company is one of the smaller private utilities in the Northwest, which is the stronghold of Federal public power development. Despite the fact that the company buys a substantial part of its electric power requirements from the Bonneville Power Administration in Oregon, the Bureau of Reclamation in Wyoming, and the U. S. Indian Service in Montana, the management feels confident that this reliance on Federal power will not restrict its operations. A five-year contract was recently signed with Bonneville which, while somewhat complicated, seems to assure a reasonable allocation of power from the big Federal hydro-projects, already built or being constructed in this area.

Some 94% of the Company's \$13 million revenues are electric, the remaining 6% being telephone, water and steam heat. Electric revenues are 50% residential and rural (an unusually high ratio), 22% commercial, 22% industrial and 6% miscellaneous.

The Company operates in four states (without interconnection of the areas served), receiving 63% of its revenues in Oregon, 21% in Wyoming, 13% in Montana, and 3% in Idaho. The principal industry in Oregon is lumbering, along with affiliated industries such as saw mills, plywood mills, hardboard plants, furniture factories and paper and pulp mills. Oregon is also a top-ranking agricultural state, growing a wide variety of crops. Wyoming is fast becoming one of the nation's leaders in oil production, and much of its industry has oil as a background; agriculture is making rapid strides and will be further expanded as more land is placed under irrigation.

The Montana service area is noted for its economic stability, with agriculture, the tourist trade, and lumbering constituting the principal industries. A new aluminum reduction plant is scheduled for location in the center of the state in the near future. Major industries in the Idaho area are those involved with timber, agriculture, recreation, and mining. Because of the relatively low industrial load, as well as the diversified interests in its area, the company feels that it will not be violently affected by the ups and downs of the business cycle.

The company's capital structure is approximately as follows, including intangibles:

	Millions	Percent
Mortgage Debt-----	\$16.0	45%
Serial Notes and Bank Notes-----	3.4	9
Total Debt-----	\$19.4	54%
Preferred Stock-----	3.6	10
Common Stock Equity-----	12.9	36
Total-----	\$35.9	100%

Since the company does not maintain any large generating plant, most of its expenditures in recent years have been for transmission and distribution. Rather large expenditures have been made to increase the capacity of transmission lines and substations in rapidly growing load centers and these now have provided reasonable reserves for future growth. The 1951 expenditures of over \$5 million were the largest in the company's history. It is anticipated that about \$4.5 million will be spent in each of the years 1952-3, after which there will be a moderate decline.

It has been the company's policy to finance construction expenditures initially with bank loans, and later to fund these through permanent financing. The company expects to continue to finance its 1952 construction program through bank loans, but will probably do bond and stock financing next year. Because of the lower costs of bank financing, this policy tends to result in a see-saw trend in share earnings. Following is the common stock record, with adjustment for the 3-for-1 split in the common stock made in February 1951:

Year	Revenues (Millions)	Share Earnings	Dividends	Approximate Price Range
1951-----	\$13	\$1.16*	84¢	13 - 10½
1950-----	12	1.37	83	12 - 9½
1949-----	11	1.25	83	11 - 9½
1948-----	10	1.56	83	11½ - 9
1947-----	8	1.47	77	12½ - 9
1946-----	7	1.20	50	11 - 7½
1945-----	6	.75	50	10 - 7½
1944-----	6	.64	50	8 - 6
1943-----	5	.78	50	6½ - 4
1942-----	5	.73	50	4 - 3

\*12 months ended November 30.

Subject to the usual qualifications, President Trimble, in a recent talk before the New York Society of Security Analysts, forecast estimated earnings as \$1.35 in 1952, \$1.11 in 1953, and \$1.21 in 1954. Queried about the possibility of an increase in the present 84¢ dividend (reflecting about one-third of the old \$2.50 rate before the split-up), he indicated that an increase appears unlikely at this time, since the management wishes to continue a conservative policy and provide some assurance that the present rate will remain stable.

The stock is currently selling on the Curb Exchange around 12 to yield 7%.

### Morgan Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Paul H. Desbrow is now with Morgan & Co., 634 South Spring Street, members of the Los Angeles Stock Exchange. Mr. Morgan was previously with Hill, Richards & Co.

### Leo Schoenbrun Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Anthony F. Rose has been added to the staff of Leo Schoenbrun, 1385 Westwood Boulevard. Mr. Rose was previously with Curtis Lip-ton Co.

## Devises Cheap Method of Desalting Sea Water

Dr. Edwin R. Gilliland, President of Ionics, Inc., explains new method, using synthetic membranes, which will cut desalting costs materially.

Dr. Edwin R. Gilliland, President of Ionics, Inc., of Cambridge, Mass., has announced a method for the desalting of sea water, based on the use of electrical energy in conjunction with new synthetic membranes and at a power cost as little as one-third of that required by the best process now available. A practical unit utilizing this method was demonstrated to representatives of the press, industry, and government, at the Annual Meeting of Stockholders of American Research and Development Corporation, with which Ionics, Inc., is affiliated.

The method is expected to be able to provide relief in important areas of New York, Texas, California, and many states of the Far West now severely in need of fresh-water supplies. This development also holds out the long-range promise of opening arid lands in the United States, Australia, Israel, and the rest of the Middle East to settlement and cultivation.

At the heart of the method are new synthetic membranes, marketed by Ionics for several years under the trademark "permionic." The "permionic" membranes make possible the production of fresh water from the sea at a power cost as low as six cents per thousand gallons. The membranes and equipment will be mass-produced at sufficiently low cost so that the total cost of sea-water purification with cheap power can be brought to the range of 10 to 20 cents per thousand gallons.

Even more attractive than the

purification of sea water with "permionic" membranes is the purification of brackish water. Water is brackish when it has been contaminated with moderate salt concentrations (one-tenth to one-fifth that of sea water). Brackish water is widely found in the Western States, Bermuda, the Hawaiian Islands, the Bahamas and Cuba, and in many desert areas of Asia, Africa, and the Middle East. By use of the new membranes, the electrical energy consumed in purification of many common brackish waters may cost as little as one cent per thousand gallons.

In addition to its application to the purification of natural waters, the use of "permionic" membranes is attractive for many industrial tasks—purification of sugar, glycerine, milk, and organic products, and recovery of valuable chemicals and materials from waste streams.

One of the most important long-range aspects of the development of "permionic" membranes is their use in basic biological and medical research. The body contains hundreds of different membranes which must transfer salt, including those in the kidneys, nerves, the lungs, the blood vessels, and the intestinal tract. "Permionic" membranes, while not similar in chemical composition to body membranes, have many properties in common with them. The ready availability of "permionic" membranes and the ease of carrying out measurements on them make them most convenient for basic biological studies.

Continued from page 13

## No Immediate Likelihood of Increased Consumer Buying

sumer buying after January, the further accumulation of such inventories in the first half of the year was of an involuntary nature. Since consumer purchasing continued at reduced rates, manufacturers, retail and wholesale merchants began a systematic liquidation of consumer goods. For example, retailers cut the value of their overall inventories from May of last year to the end of the year by almost \$2.5 billion, or 12%, on a seasonally adjusted basis. For many items the reduction was much greater. But, despite this substantial liquidation, some concerns still hold burdensome stocks of some types of consumer durables and of certain soft goods. This is so even though the production of metallic consumer goods has been substantially curtailed to conform to the allocations of the National Production Administration. In view of this, it is clear that the reduced sales of consumer durables has not been due to lack of supplies, but rather to lowered demand.

### No Deficiency in Purchasing Power

Furthermore, the reduction in sales was not a reflection of a deficiency in purchasing power. The disposable personal income in the quarter just past was at an annual rate of \$227 billion, 5% above the rate in the first quarter of last year. Even after allowing for the higher prices in the closing months of the year, the real spendable income was 3 to 4% above the first quarter rate. This increase reflected the fact that more people were at work and the rates of pay for many groups had risen substantially. For example,

nonagricultural employment increased by about 1.5 million from the first to the fourth quarters of last year; and average hourly earnings in manufacturing rose by nearly 4%. In fact, all major economic groups enjoyed substantial increases in income during 1951. From the first to the fourth quarters, labor income increased 6%, proprietors' and rental income was up 3%, dividends and personal interest income increased 8%, and farm income advanced 9%.

Another way of describing the divergence between the trend of consumption and that of income is to say that consumers shifted upward their rate of saving in relation to income. In the first quarter of 1951, personal saving, at an annual rate of \$8 billion, was 4% of disposable personal income; in the last nine months of 1951, the annual rate was up to about \$20 billion and the ratio to income averaged 9%. This latter also compares to an average saving ratio to income in the postwar years, 1947-1950, of 4%, when it was relatively low as a result of the high purchases associated with making up the wartime deficits.

Since the consumer saving or spending propensity is so important in the outlook for many businesses this year, it is of interest to go a little further into the factors underlying the shift in the saving-income ratio. I have already mentioned some of the factors which were important in influencing consumers' decisions. To summarize, these were: (1) the buying waves after Korea bunched up purchases which would otherwise have been made later last year and this year and also put a

large stock of many goods in the hands of consumers, (2) because of high production and supplies, fears of shortages disappeared, (3) the imposition of ceiling prices removed the element of speculation, i.e., the incentive to buy goods so as to beat the next price rise; this was an important factor, particularly when consumers saw that supplies were adequate and that consequently, rationing of goods would not be involved.

In addition to these, a number of other important factors contributed to the easing in consumer spending. First, the restrictions on consumer installment credit through Regulation W, and on credit for the purchase of new houses through Regulation X, limited the ability of many persons to purchase certain goods because of the increased down payment or the larger monthly repayments required.

Second, the purchasing power did not rise in 1951 for many groups in the economy. Although incomes increased during the year for all major segments, there were many spending units, such as those living on pensions, retired persons, those on fixed contracts who received no adjustment, and others, for which the money incomes either remained the same or dropped. For example, from 1949 to 1950 when incomes also increased substantially in the overall, the Federal Reserve Board's report on the Survey of Consumer Finances indicates that about half of the spending units had either the same or lower income before taxes. When it is considered that the tax rate were raised in the latter part of 1950 and that prices also increased somewhat during 1951, it is clear that the groups which did not participate in the higher incomes experienced a very real decline in their spendable income.

A third basic factor affecting the psychology of consumers was the easing of tensions on the international front and the prospects that a truce might be concluded in Korea. It was quite obvious to consumers that if the international situation did not deteriorate, shortages of goods would not become too drastic under the scheduled rise in the defense program and there was no need to hoard.

It appears that the buying pattern which prevailed in the last nine months of 1951 has been extended into 1952. Partial data indicate that no significant pick-up from recent spending rates has occurred so far this year. Reduced rates of sales are continuing in many lines at retail stores.

This raises the question as to what the pattern of consumer purchasing is likely to be in the months ahead and whether consumers will come into the markets again and thus strengthen the position of many retailers who have experienced lower sales. I cannot give you a categorical answer to this question. I think the best that can be done is to point briefly to the probable developments in other sectors of the economy, and their effects on general business activity and employment, and to take cognizance of the numerous factors which have been important in influencing consumer behavior during the past year.

Of the three major demands in the economy — Government demands for defense, business demands for capital goods, and consumer demands for consumption goods, only for the first two are there any specific indications of the probable trends for this year. On the basis of present schedules, the Government defense programs will continue upward this year and these will provide the major stimulus to the economy. In addition, businessmen have indicated in their reports to the Department of Commerce and the Securities and Exchange Commission

and to private agencies their intentions to continue as high, if not a higher rate of spending on plant and equipment this year over the recent peak rates. Thus, the strength of the business and Government programs assures a continuing high level of business activity this year. As to the demands by consumers, the prospects are more difficult to appraise this time than is usually the case, particularly in the light of the developments during the past year.

The continued tight supplies of copper, steel, and aluminum will, in effect, result in a reduction in the output of metallic consumer durables to a rate 50-60% of that in the first half of 1950. If consumer demand for durables continues at the recent relatively low rates or even is increased somewhat, the scheduled output supplemented by the existing inventories would be enough to meet such a demand for some time. However, eventually the inventories will be drawn down to the point where the production of such goods will be the limiting factor in sales. When this point will be reached will vary by company and by item. Furthermore, the prospect for increasing the permitted rate of output for the major durables beyond that permitted by the second quarter allocations of steel, copper, and aluminum does not look too bright. Copper is essential to the production of many durables. This is the metal in tightest supply and present indications point to no improvement in the supply of copper for the rest of this year.

Thus, if the demand for the durables should greatly exceed the supply, consumers may shift to the purchase of more nondurables and services than would have been the case if durable goods' output were not limited. Whether consumers make this shift depends on what they decide to do about saving.

Last year the increase in personal saving was mainly in liquid

form, i.e., increases in cash demand and time deposits and securities. Thus, individuals now hold more liquid assets. Furthermore, in view of the higher business activity, they will receive more income in the aggregate. In other words, a greater purchasing power is likely to be available this year to take off the market a supply of consumer goods which will probably not exceed that in 1951. It is for this reason that the potential exists for the renewal of inflationary pressures from the consumer sector.

Taking into account the recent developments and the nature of the demands stemming from the government and business sectors, it appears that the consumer buying pattern would continue to reflect a mixture of trends this year. My expectation is that total consumption and retail sales will rise only moderately, particularly after some further inventory liquidation has occurred. At this point, no significant expansion can occur in durable goods' sales since production will be the controlling factor. Additional demands will be forthcoming for nondurables and services reflecting primarily increases in income and a reaction to the low volume of sales of these items in relation to income in the past year.

On the basis of this anticipation of only a moderate rise in consumer buying, the price pressures which would stem from consumer demand should not be significant. Rather, price movements would reflect cost differentials. Implicit in these views is the assumption that there is no outbreak of war or that another international event does not develop so as to induce another wave of buying. In such a case, the demand and inflationary pressures could be of vast proportions, not only because of the large holdings of liquid assets by individuals but also because such pressures would have a broad impact on business purchasing policies.

ing and exploration campaign by itself, and also in partnership with Pan-American Production Company and Mayfair Minerals, Inc. is now being carried on in these areas.

In view of the relatively large expenditures budgeted for expansion of refineries and development of gas and oil properties, dividends for the time being are a secondary consideration. In September, 1951, a 5% stock dividend was paid. No cash disbursements are in sight over the near future. Earnings for the June 30, 1951 fiscal year were \$1.13 per share, as against 54 cents a share for the preceding fiscal period. As of June 30, last, current assets stood at \$17,000,000 with current liabilities at \$6,900,000; fixed assets were carried at \$18,700,000 after a \$9,500,000 reserve.

## Halsey, Stuart Group Offers MOP Equipts.

Offering of \$3,675,000 principal amount of Missouri Pacific RR. series RR 3 1/8% serial equipment trust certificates by Halsey, Stuart & Co. Inc., and associates is being made at prices to yield 2.20% to 3.20%, according to maturities ranging from March 1, 1953 to March 1, 1967, inclusive.

The certificates, issued under the Philadelphia Plan, are offered subject to ICC approval. They are unconditionally guaranteed as to payment to par value and dividends by endorsement of the Trustee of the Property of the company, and are secured by various types of new locomotives with an estimated cost value of \$4,612,106.

Also participating in the offering are R. W. Pressprich & Co.; Freeman & Company; The Illinois Co.; Wm. E. Pollock & Co., Inc.; and McMaster Hutchinson & Co.

## Frank C. Thomas With Waddell & Reed, Inc.

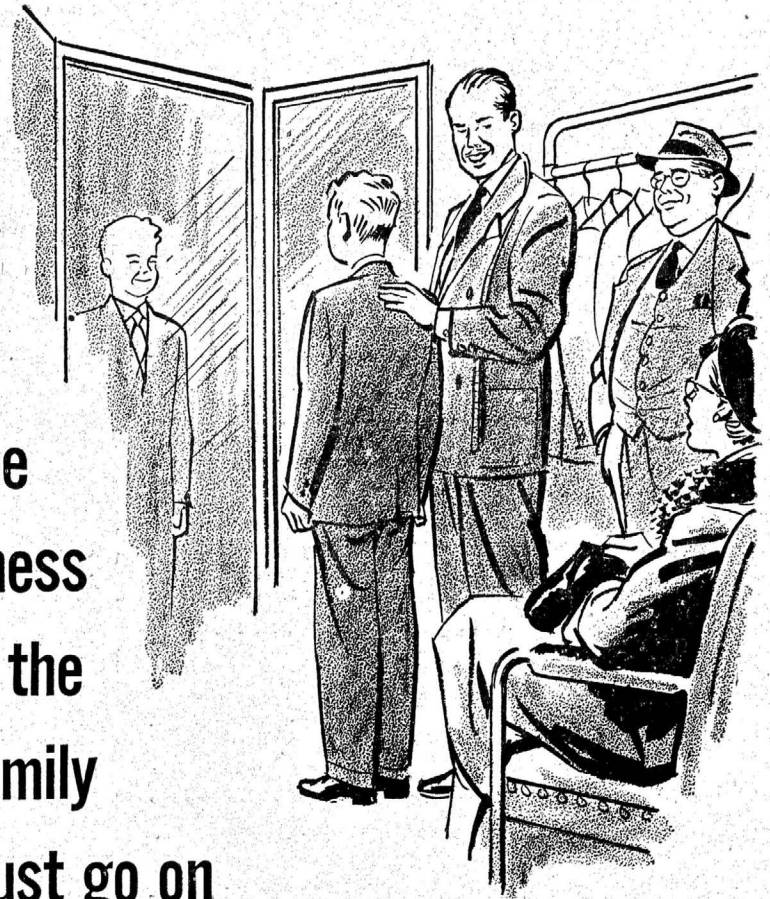
(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, Ohio — Frank C. Thomas, formerly Vice-President of John B. Joyce & Co., has become associated with Waddell & Reed, Inc. Also associated with Waddell & Reed, Inc., in Columbus are Richard D. Disbro, James S. Marsh and Arthur J. Ulrich, Jr.

## Carlisle Dana

Carlisle Dana, retired stockbroker, passed away at his home on Feb. 24 at the age of 71.

## The Business of the Family must go on



In war or in peace, in boom or depression, the needs of the family continue with but little change.

In our highly industrialized society, many families are dependent on the weekly or semi-monthly pay envelope. Yet family needs can't always be adjusted to current income. Emergencies requiring unexpected expenditures occur in the best regulated families. Then the small loan proves its great value. Immediate cash is provided to meet pressing needs with a convenient "out-of-income" method of repayment. Small loans are thus indispensable for keeping the modern family "in business".

During 1951 the Beneficial Loan System of more than 700 offices rendered financial assistance to families by making more than 1,450,000 small loans averaging \$297—family size loans—usually made to meet existing family needs, not for the production or distribution of goods.



## Beneficial Loan Corporation

WILMINGTON, DELAWARE

Continued from page 2

## The Security I Like Best

bit too far away to permit my attendance, officials of PETRO announced that a plan to split-up the present organization into three companies was under consideration. If such a plan, which has been discussed in one form or other for a year or so, materializes, I believe we shall witness another example of the "parts" being worth more than the "whole."

This company, which began operations more than thirty years ago as a manufacturer of oil burning equipment, and today is stated to be one of the oldest and largest concerns in that field, has changed the nature of its business substantially and is now more nearly an integrated oil company than a manufacturer of heating equipment. During the early years of its life the company, to complement its manufacturing business, began supplying fuel for its oil burners. This operation has expanded to the point where now more than 300 tank trucks are operated along the Eastern Seaboard and in the Chicago area. In 1947, to supply the oil distributing business, the company bought the Taylor Refining Company. Through this purchase Petroleum Heat and Power acquired a refinery at Corpus Christi, Texas, with a recently increased maximum daily capacity of 40,000 barrels of crude oil, and producing properties. Through subsequent acquisition, PETRO holds a one-half interest in a refinery at Port Isabel and a cycling plant at McAllen, Texas.

The "kicker" in the company lies in the oil and gas properties picked up along with the purchase of Taylor, or acquired since that time. As at June 30, 1951, the company reported a net interest of 17,410 acres out of gross leases of 29,842 acres on which 162 oil wells and 33 gas wells were in production. In addition, net interest in non-producing leases covered 146,188 acres in various Texas counties.

One of the company's most important assets is its one-half working interest in 23,000 acres in the McAllen gas-distillate field in Hidalgo County, Texas. In 1950, a conservative estimate placed the proven reserves in this field at about one trillion cubic feet, of which PETRO'S share was about 400 billion cubic feet of gas containing over 10,000,000 barrels of distillate. Subsequent drilling has materially extended the field and added to proven reserves. As an outlet for the McAllen field gas, the company entered into a 20-year contract with Trunkline Gas Supply Company to deliver a minimum of 75 million cubic feet per day (now running about 100 million) at an initial price of 7c per thousand cubic feet, graduating to 8c per mcf when gas reserves in that field are judged to exceed 1 1/2 trillion cubic feet. Deliveries of gas to Trunkline began in October, 1951.

In addition to McAllen field, the company has oil and gas production in four counties in Western Texas and prospective acreage in five others. An aggressive drill-

## Bank and Insurance Stocks

By H. E. JOHNSON

### This Week—Insurance Stocks

Additional fire and casualty insurance companies have released statements on operating results for 1951 during the past few weeks.

While the full annual reports of the different companies may not be available for some time, the published information gives a fairly good idea of the operating conditions experienced over the past year. Although there are individual differences among the various companies depending upon the nature of the business handled, operating results in general conform to previous expectations.

Underwriting operations reflected the sharp increase in losses resulting from higher costs, increased accident frequency on automobiles and a carryover of the 1950 windstorm damages into 1951. On a statutory basis a number of companies reported an underwriting loss, particularly among the casualty institutions.

Investment earnings were well maintained and in some instances showed a small increase.

The liability for Federal income taxes was lower primarily as a result of the decline in underwriting profits. The overall result was a generally lower level of earnings.

Brief comments on the operating results reported by some of the major companies are presented below:

**The Home Insurance Company**—The operating showing of Home Insurance last year was somewhat better than most of the industry. This was due, in part, to the nature of the business handled by Home with a relatively large portion of underwritings in the fire lines which suffered less than the automobile lines last year.

Premium volume of the company reached a new record with a gain of 10% over 1950 to a total \$179,685,841. In reflection of increased losses underwriting produced a profit of \$2,883,477, as compared to \$5,968,933 in 1950 or a decline of approximately 52%.

Investment income for 1951 totaled \$8,271,538, as compared with \$8,941,771 in the previous year. These figures do not include a profit of \$5,213,696 realized from security transactions in 1951 and \$324,127 in 1950.

The loss experience of Home was reflected in the ratio of losses incurred to premiums earned. In 1951 this loss ratio was 54% as against 52.1% a year earlier.

**U. S. Fidelity & Guaranty Co.**—The generally unfavorable conditions affecting casualty underwriters in 1951 are shown in the operating results of U. S. Fidelity & Guaranty. For the first time in 16 years the company reported an underwriting loss.

Increased losses resulting from automobile bodily injury and property damage insurance were the primary reasons for the unsatisfactory results although lower profits of other lines were also a contributing factor.

Net premiums written gained by \$11,542,772 and totaled \$113,284,056, as compared with \$101,741,284 in 1950. The statutory underwriting loss for the year was \$4,633,539 in comparison with an underwriting gain of \$3,893,934 in 1950.

Income from investments for the year made a better showing amounting to \$4,577,105, as against \$4,449,108 in 1950.

**St. Paul Fire & Marine**—Net premium writings of the St. Paul company for 1951 increased to \$49,615,082 from \$45,738,703 in 1950 for a gain of approximately 8%.

The underwriting gain for the company in 1951 was \$3,579,744, as compared with \$3,369,043 a year earlier.

At first glance it would appear that this company did exceptionally well. However, it should be kept in mind that the above figures are for the parent company only and do not include the results of the St. Paul-Mercury Indemnity and the Mercury Insurance Co.

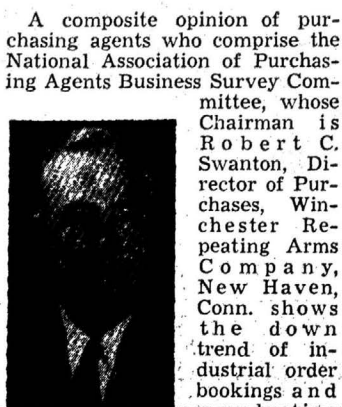
As in many other cases the underwriting earnings of the parent company have been almost entirely offset by the losses of the casualty subsidiaries. Thus, in this case, on a consolidated basis the underwriting profit was only \$390,192 for 1951, as against an underwriting profit of \$4,465,511 in 1950.

The combined gain for the St. Paul group for the year was \$5,967,938, as against approximately \$7,700,000 for the previous year.

Other companies will be publishing their annual reports over the next several months. Operating results of most companies are expected to reflect the forces which have influenced the industry over the past year and be in line with those which have already been reported.

## Downtrend in Industrial Orders Continuing

Business Survey Committee of the National Association of National Purchasing Agents find both new orders and industrial production have been falling off during last three months. Report over-all price situation as static.



Robert C. Swanton

A composite opinion of purchasing agents who comprise the National Association of Purchasing Agents Business Survey Committee, whose Chairman is Robert C. Swanton, Director of Purchases, Winchester Repeating Arms Company, New Haven, Conn. shows the downturn trend of industrial order bookings and production reported in the December and January surveys, has continued in February at about the same rate. There is still a considerable gap between the order position and production schedules, the Committee states.

Only 19% report high defense production. The others range from none to less than 10% defense activity, with a fairly large number reporting some slowing down of military production schedules occasioned by cancellations, specification changes, delivery stretch-out and pilot line operations.

Over-all, prices can be termed static, though more soft spots have developed this month. Competition is keen. Inventories are lower and better adjusted to current requirements. Employment is down, with much reduction of working time. Buying policy is being further restricted within the 90-day bracket.

A majority of purchasing agents reporting lower business activity attribute it to material restrictions for civilian production, without replacement by government orders. Others express doubt that civilian business would pick up substantially in many lines if controls were released.

Some purchasing executives suggest a priority system for defense production only, would give a better balance of materials between defense and civilian needs.

### Commodity Prices

While the over-all trend of industrial prices has been sidewise, in February there are more declines reported than in any month since last June. Competition is sharper, with more active sales solicitation. Warehouse stocks are heavy, with demand declining. Industrial buyers are being extremely cautious, as many have little confidence in the current price structure.

### Inventories

Inventory reduction continues at the same sharp rate as during the past three months. Lower order books, with uncertainty about near future business and prices, easier availability and better balance, are influencing a tighter stocking policy. An increase in delivery deferments and order cancellations is reported. Turnover rate of materials again is having attention.

### Employment

February additions to pay rolls are the lowest reported since February, 1949, less than half the average for the previous three months. Separations and short

time are increasing. Demand for special skills and white collar workers is in excess of the supply. Common labor is easier to get in some areas. Labor unrest is growing, as the outcome of steel wage negotiations is being carefully watched.

### Buying Policy

An even more conservative view of future market conditions is evidenced in the February survey. Ninety-three per cent are within the "hand-to-mouth" to 90-day bracket, compared to 87% average of the previous three months. Many more have moved toward the middle of this range. Lower order books, price uneasiness, availability, and a rather pessimistic view of immediate future business, either civilian or defense, lead to a shortened buying policy.

## Railroad Securities

### Pennsylvania Railroad

A number of railroad analysts have been inclined in recent months to adopt a more constructive attitude toward the stock of Pennsylvania. This changed attitude can hardly be attributed to any improvement in the company's operations to date. Last year was not a good one for Pennsylvania. Revenues continued to expand and, for the second time in its long history as the largest railroad in the country in point of gross, topped \$1 billion. As a matter of fact, revenues last year established a new all-time peak, bettering the World War II high (1944) by a narrow margin.

Ever since the end of World War II Pennsylvania has been having trouble getting its costs under control. Last year was no exception. In particular, it is noted that the transportation ratio, which for some years has been higher than the industry average, again increased. The ratio was up two points from the 1950 performance and amounted to 43.8%. The transportation ratio was cut somewhat and Federal income taxes were appreciably lower. Nevertheless, net income dropped more than 30%. Share earnings, based on the preliminary report, came to \$2.03 a share, compared with \$2.92 in 1950 and \$0.95 in 1949 when operations were severely handicapped by the steel and coal strikes.

Despite the record, those who are now advocating a more favorable intermediate term attitude toward the company and its securities advance some quite potent arguments. For one thing, the stock has a certain very definite investment appeal based on its dividend record. A cash distribution has been made to stockholders in every year since 1847. This is by far the longest unbroken dividend record in the railroad field and one of the best for any corporation in the country. In each of the past two years the dividend has amounted to \$1.00 a share. Moreover, the management has been relatively liberal in its policies in recent years, giving rise to hopes, or even expectations, that if the anticipated improvement in earnings does eventuate a part of the rise will be passed along to the stockholders.

The present bulls on Pennsylvania point out that it is the largest railroad in point of gross and that it has very comprehensive coverage of the highly industrialized and densely populated Eastern section of the country. It is stressed that the road can hardly help but be a major beneficiary of the increasing momentum of armament production, particularly when the flow of such armaments to our European allies gets under way. Also, the company should derive some benefits from the sustained demand for export coal although most of this comes from the Pocahontas carriers.

To these established factors something new is being added.

That is the steel complex being developed in the Delaware River Valley. The U. S. Steel plant at Morrisville, Pa. is already well along, with production scheduled for around the middle of this year. Other steel plants are planned in the general area and, in addition, the establishment of important steel capacity is expected to attract satellite industries. Thus, Pennsylvania appears assured of important new traffic sources.

Aside from the betterment of the traffic picture, there is reason to believe that there may be considerable improvement in the expense column in coming months. The road has been engaged in a comprehensive property rehabilitation program in recent years, and has been a heavy purchaser of diesel power. There is evidence that the rehabilitation work is just about finished so that maintenance outlays are expected to taper off from here on. Dieselization should be more fully reflected in a declining transportation ratio. As a final consideration, the road will be the major beneficiary if the ICC allows a change in divisions of rates with the South and Southwest, as recently recommended by an examiner. Such a change, however, could hardly become effective until around the end of this year at the earliest.

## Twin City Bond Club To Hold Annual Picnic

MINNEAPOLIS, Minn.—Edward B. Lynch, Merrill Lynch, Pierce, Fenner & Beane, announces that the Twin City Bond Club will hold its annual picnic Wednesday, June 10, at the White Bear Yacht Club. The picnic committee chairman will be announced at a later date.

Headquarters will be at the Nicollet Hotel, Minneapolis.

## Dayton & Gernon to Merge With Ames, Emerich & Co.

CHICAGO, Ill.—It is reported that about March 15 Dayton & Gernon will merge its business with Ames, Emerich & Co. Inc., 105 South La Salle Street, members of the Midwest Stock Exchange.

## Name Now Richards, Merrill & Peterson

SPOKANE, Wash.—Richards & Blum, Inc., Old National Bank Building, announce a change of name to Richards, Merrill & Peterson, Inc. Officers are Seth Richards, President and Treasurer; Beardslee B. Merrill and A. H. Peterson, Vice-President; and Florence Fryer, Secretary.

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### Five With Kinnard Co.

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MINNEAPOLIS, Minn.—Richard J. Ames, Richard J. Griffin, Joseph A. Kronovich, Alan E. Olson and John H. Werges have been added to the staff of John G. Kinnard & Company, 71 Baker Arcade.

### With M. H. Bishop

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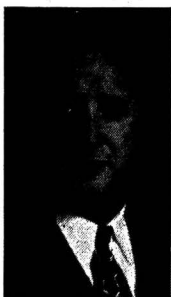
MINNEAPOLIS, Minn.—Carl A. Holmquist has joined the staff of M. H. Bishop & Co., Northwestern National Bank Building.

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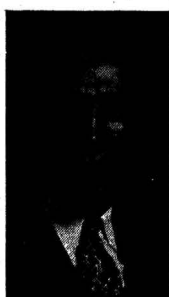
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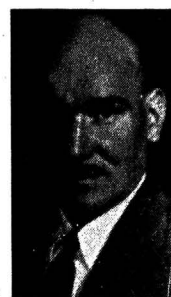
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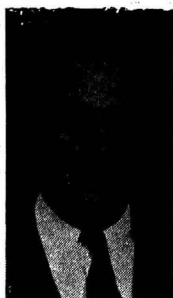


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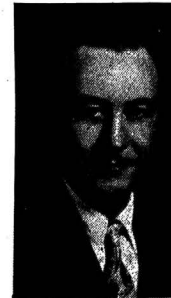
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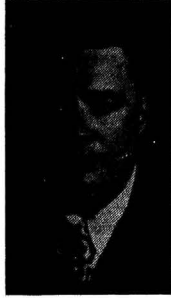
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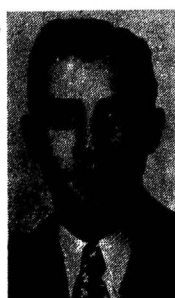
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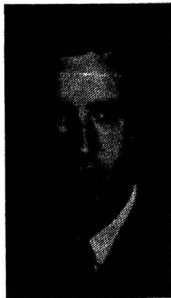
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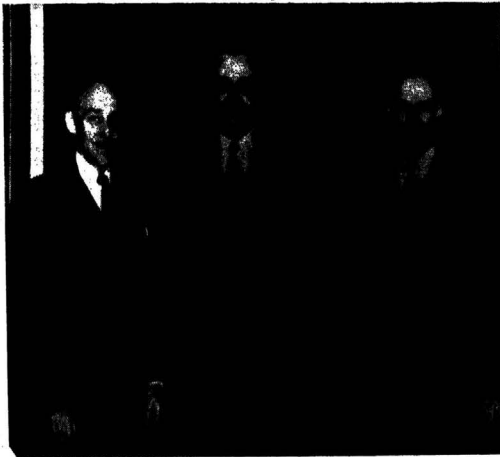
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## Canadian Securities

By WILLIAM J. McKAY

The recovery of the Canadian dollar to par with its U. S. counterpart—(it was quoted at a premium for a short period)—together with the occasional shift to a favorable balance of trade with the United States, has awakened considerable speculation in banking and investment circles. The Bank of Montreal has taken note of this new development in the Canadian scene in its current review of business conditions in Canada. Commenting on the situation the Bank of Montreal states:

"While the volume of Canada's postwar trade has been consistently buoyant, the pattern of trade has shown some very marked and sudden changes. Indeed, a look at the picture in recent years would almost suggest that the unexpected is the normal course of events.

"In 1950, for example, the traditional deficit in merchandise trade with the United States had dwindled to very small proportions. Any hopes as to the permanence of the new situation were, however, rudely shattered in the first half of 1951 by the reappearance of a very large adverse balance of commodity trade with our nearest neighbor. No less striking, however, was the about-turn in the second half of the year. The merchandise deficit in trade with the USA narrowed rapidly and, during the six months, exports to all countries ran substantially in excess of total imports, thus completely reversing the earlier and rather disturbing picture. It is true that when non-merchandise items are taken into account, Canada's 1951 deficit in trade in goods and services was large, amounting to about \$570 million, although the gap was more than filled by an inflow of foreign capital. But so great was the improvement in the merchandise balance in the second half of the year that the full year's figures, while interesting as history, are now of little value as an indication of more current trends."

The two distinct phases of Canadian trade in 1951 may conveniently be traced in broad terms, continues the Bank, by separately showing the merchandise transactions for the two half years as well as for the whole year, together with comparative figures for the preceding year.

According to the Bank's analy-

sis, "the sharp reversal of the balance of trade with all countries, from a deficit of \$339 million in the first half to a surplus of \$218 million in the second, was caused in large measure by a further upturn in an already rising export curve, the value of merchandise shipments having mounted by \$438 million between the first and second halves. A further factor was a clearly defined break in the formerly buoyant course of imports, the value of which fell by \$119 million between the two periods.

"The contrary trends of the dollar totals of inbound and outbound trade were influenced to some extent by changes in the general price level of goods entering into the two sides of the account. Average export prices rose by 12% during the first eight months of the year, thereafter remaining stable to latest report in November. Import prices, on the other hand, after advancing by 11% in the first six months, fell by 7% in the succeeding five months. The gradual strengthening of the Canadian dollar in the second half of the year was in part a reflection of the improved trade balance and also a factor directly reducing the average Canadian price of imported goods."

"No less remarkable," says the Bank, "were the shifts in the geographical pattern of trade commencing about the middle of last year. Of the above noted increase of \$438 million in the value of exports between the first half and the second, only \$80 million represented additional exports to our major market in the United States while \$127 million was accounted for by increased exports to the United Kingdom and \$231 million by larger shipments elsewhere. Expressed in percentage terms, these changes are even more spectacular, the increases in export transactions having been 7% to the States, 50% to Britain and 60% to other countries.

"A further analysis of the accelerated flow of Canadian exports to overseas countries other than Great Britain in the latter part of 1951 reveals a strong surge of demand for Canadian goods from countries in continental Europe. Belgium, France, Germany, Netherlands, Italy, Norway and Switzerland purchased between them \$120 million more from Canada in the last six months than in the first six months. In the same comparison, Brazil bought \$25 million more and New Zealand and Australia \$11 million and \$10 million more respectively. It is perhaps not generally realized that in 1951 as a whole, Belgium was Canada's third largest customer, taking nearly \$95 million of our goods. Japan ranked fourth with purchases of \$73 million."

Concluding its review of Canada's foreign trade, the Bank states: "Looking over the many diverse influences that so dramatically altered the course of Canadian trade in the last six months of 1951, some of the more important may prove to have been abnormally strong during the period. The heavy grain movement that contributed so largely to the increase in exports was the result of a near record wheat harvest coming in on top of an already big carry-over, with transportation facilities proving better than expected. The large stocks still in Canadian positions are of lower than average grade and the export movement this spring may therefore be of more moderate proportions. On the import side the low level of Canadian consumer demand for both domestic and foreign com-

modities in the latter part of last year may, as suggested in the January issue of this 'Review,' turn out to be a passing phase.

"Looking a little further ahead than the next few months, the planned reduction in Britain's dollar imports, recently announced in London, must be taken into consideration. A perusal of the announcement itself suggests, however, that while the reduction in British purchases of Canadian tobacco and some foods such as salmon, cheese and apples may be substantial, there seems to be a fair possibility of maintaining lumber exports in reasonable volume and the main items—wheat and the base metals—may not be affected by the new restrictive program. In short, the new cuts, while creating problems for specific industries, may not be large when compared with total British imports from Canada."

## Arnold & Crane Is Formed in New Orleans



H. Wilson Arnold G. Price Crane

NEW ORLEANS, La.—H. Wilson Arnold and G. Price Crane have formed Arnold & Crane with offices in the National Bank of Commerce Building. The new firm will act as underwriters, distributors and dealers in local and general market municipal and corporation securities, specializing in Louisiana and Mississippi municipals, Catholic institutional bonds and loans, and local stocks.

The new firm will maintain a branch in the Deposit Guaranty Bank Building, Jackson, Mississippi under the direction of R. Charles Strain. J. H. de la Vergne will be associated with the New Orleans office in the sales department.

All were formerly associated with Weil, Arnold & Crane.

## Bailey, Davidson Admit Seven to Partnership

SAN FRANCISCO, Calif.—Bailey & Davidson, 155 Sansome Street, members of the San Francisco Stock Exchange, have admitted Earl L. Sever to partnership in their firm. Mr. Sever was formerly statistician for Davies & Co.

## Richard Currier Now With Jackson & Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Richard D. Currier has become associated with Jackson & Company, Inc., 31 Milk Street. Mr. Currier was formerly manager of the Public Utilities Department of Frederick C. Adams & Co. Prior thereto he was with Josephthal & Co.

## R. W. Burgevin With Kidder, Peabody & Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Richard W. Burgevin has become associated with Kidder, Peabody & Co., 75 Federal Street. In the past he was an officer of H. P. Nichols, Inc.

## Securities Salesman's Corner

By JOHN DUTTON

The ability to size up your prospect the first time you call upon him will enable you to eliminate many unprofitable call-backs. Time is money in a salesman's life. Every minute you waste in unnecessary travel, in working over second calls; and third and fourth calls (which you will eventually eliminate as unproductive anyway) is just so much earning power going down the drain. Besides, you are spending time and effort that could be more fruitfully employed in other pastures. Some people will continue to do the same foolish things over and over—no one can stop them. You can talk yourself dry trying to instill a common sense investment policy into someone who would rather look for a pot of gold at the foot of a non-existent rainbow, and you will only end up just where you began. Better to stop before you waste your time and energy on such a case—you can't hatch a china egg.

Some people will instinctively like you—you will like them. There are personalities that get along well together—others grate upon each other. I can't explain this—possibly psychiatrists have the answers. But I do know that a good salesman can develop a "feeling" for people. He can sense certain things that I can't put into the written word. Some people respond to you more readily than others—you react the same way. Others leave you cold or indifferent. Whether we are conscious of the fact or not, we immediately make mental calculations of other people when we meet them for the first time.

If you meet people that react favorably to you during your first call, then you have made a start. A client must like you before he will give you confidence. Confidence comes later on. But you must find a common meeting place first. You must, at least, feel comfortable with your new acquaintance. If you feel this relationship he will recognize it as well.

If people were completely objective and rational in their buying habits there would be no need for salesmen, advertising men, or promotional material of any sort. But people are not rational in their buying and selling procedures, or almost any other activity of the human animal which you can observe. In this field of investment for example, it is a well known fact that most people buy when things look good; and optimism is everywhere. They are brave when others are brave. They are fearful when fear is laying its heavy hand throughout the land. This is an old story.

One day last week I attended a meeting of investors, who had come from many different sections of the country in order to obtain advice upon their investment programs. Most of them were retired individuals. They were a representative group that you might call "conservative investors." Yet, when one of the speakers mentioned a list of securities that looked best for 1952, the pencils and papers came out of hiding as if by magic. I looked at the faces of many of these people. Unless I am mistaken (and I have been looking at so-called investors for a good many years now) I think I have seen the same sort of expression on the faces of the people at the race track or the dog track—there was no difference.

People are people—some will like you, some will not. They can't explain it and no good salesman will bother his head about these things. He will only go on to the

next fellow if he does not "click" with him as well as he might with another. There is an old saying in the selling business if you will remember, "He didn't like the color of my tie." That isn't as foolish as it may sound. I once knew a man who said, "I called on a prospect for almost a year and I never could get to first base with him. One day I asked him to tell me what was wrong." He said, "I don't know. You seem to be a nice enough fellow, but somehow you remind me of a school teacher that used to hate my guts, and I felt the same way about him. Every time I see you I get mad all over."

The only mistake this salesman made was that he waited a year to ask the question. He should have stopped calling and wasting his time long before he found out that he looked like the school teacher. They have to like you first before you can sell them. This is the first step before confidence can ever be established. Without friendship there can be no confidence. Both are a "must" if you ever expect to sell securities to anyone, or anything else for that matter.

## Blyth-First Boston Group Offers Delaware Pow. & Lt. Pfd. Stock

An underwriting group headed jointly by Blyth & Co., Inc. and The First Boston Corporation offered yesterday (Feb. 27) a new issue of 50,000 shares of Delaware Power & Light Co., \$4.56 cumulative preferred stock at \$103.64 per share plus accrued dividends.

The new stock, representing the utility's fourth preferred issue, is redeemable at \$107 per share on or prior to Dec. 31, 1956, at \$106 per share thereafter and on or prior to Dec. 31, 1961, and at \$105 per share thereafter, plus accumulated dividends.

The company and its two subsidiaries supply electric service throughout the State of Delaware and in portions of Maryland and Virginia, and gas service in and around Wilmington. Proceeds from the current financing will be applied toward construction costs of the utility and its subsidiaries which are estimated at \$40 million for the years 1952 through 1954. The principal expenditure is \$12,900,000 for a 75,000 kilowatt addition to the company's Edge Moor station at Wilmington, expected to be placed into operation in 1954. The net generating capacity of the company and its two subsidiaries at Dec. 31, last, was 252,100 kw.

Total operating revenues on a consolidated basis amounted to \$23,045,426 for the 12 months ended Dec. 31, 1951, of which 85% was derived from electric sales, and the balance from gas operations. Gross income for 1951, before debt and amortization deductions, amounted to \$4,246,695.

## Greeley Opens Fla. Branch

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, Fla.—Greeley and Company of Philadelphia have opened a branch at 550 Fifth Avenue, North, under the direction of Clark O. Fountain.

## James Ebert Adds

(Special to THE FINANCIAL CHRONICLE)

BAKERSFIELD, Calif.—William A. Hallock has been added to the staff of James Ebert Company, 120 Chester Avenue.

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Continued from first page

## As We See It

ments may be made without much regard for what their consequences may be when pay day arrives, that they may be so made and largely forgotten. Such a decision as has now been reached and publicly announced could not possibly be squared with what has been repeatedly said to be the general control policy of the Federal Government except upon the theory that such commitments to make payments in the future are not charges against current production. Otherwise they would add to the cost of goods now being manufactured precisely as would an increase in wages paid now.

### It Is a Current Expense

It is, of course, highly unlikely that well-managed business enterprises will ignore the fact that such commitments entail an added cost element to current goods, or fail to make such cost entries. In point of fact, to neglect to do so would label any enterprise poorly managed. It is accordingly, inevitable that one or the other of the so-called stabilization authorities in Washington will presently find it necessary as a result of this ruling to decide whether such an addition to cost warrants an increase in the price of the products affected by it. Such a decision under present arrangements must, of course, be made by them whenever an increase in cash wage payments is granted with the permission of the authorities. There is not the slightest reason to suppose that it will not have likewise to be made in the case of accruals arising under pension plans and provided for from current receipts.

But this type of willful blindness on the part of public officials is common throughout the management of our national affairs—and for that matter the affairs of the state and local governments—and it is a financial blight upon the financial soundness and sanity of the American people. It is at the root of much, if not all, of what we call social insurance. We are, it is true, either deceiving ourselves or salving our conscience by means of "reserve funds" or "trust funds" built up chiefly in Washington. This sort of provision for future payments is, however, obviously but bookkeeping fol-de-rol. It does not and could not do what is claimed for it. These commitments are at bottom mere promises by the people that they will pay themselves certain sums in the future. The fact that the "insured" make "contributions" currently against these commitments—and "invest" these contributed funds in their own IOU's (or better still (I-O-ME's) is nothing more than an artifice by means of which the funds themselves can be employed for current purposes.

### Failure to Face Reality

There are a thousand other ways in which this basic failure to face financial reality pops up in the management of our national affairs. Each year, when the time comes for argument about the size of the next year's budget, it is found that Congress, usually at the suggestion and even urging of the executive branch, has in years past entered into many and so extensive commitments for the future, that even with the best will in the world it would be an extremely difficult matter to make prompt headway in reducing expenditures. The resulting confusion serves usually not only as an excuse for failing to reduce current cash outlays, but as cloak to screen further future commitments, which in the years to come will be employed to prove how impossible it is to reduce current expenditures. So long as the lawmakers of the land remain such cavaliers in the matter of future financial commitments, we shall not be free of serious embarrassment.

Now, to return to the second item in the week's news—the excoriation of all those who would place a 25% limit upon the proportion of current income which may be taken in income taxes or the part of estates which may be taken upon the death of the owner. In this pronouncement, we find all the time-worn arguments about ability to pay and the rest. Of course, a man of large means can pay much more in taxes than a man of small means. What is more, the man of large means can often, if not usually, pay very heavy income taxes without very great sacrifices of the essential things of life. Certainly those who are (or were) in the habit of living lavishly, have of late years been obliged to reduce their personal establishments drastically. Some of them, doubtless, have been really embarrassed by an unexpected concatenation of circumstances, and heirs have often suffered

real hardship by the harshness of the law, combined with illiquidity of assets in estates.

### Their Effect Upon the Country.

All this is true enough, but what must much more concern the man with the good of his country at heart is what such taxes as these do to the progress of American business and American enterprise. It is obvious that incentives have been callously and carelessly removed. The "drive" which used to carry exceptionally able men to great endeavor has inevitably become reduced by the fact that very moderate gains at best can be realized—and kept. This bears with particular weight upon the nation when it concerns, not the wealthy so much as the elements in the population with ambitions and ability (in more normal conditions) to get rich. It is from the efforts of such as these that this nation has grown to its present greatness, and we as a people can not afford to be without their peculiar type of public service. We are not in a position to say whether this particular movement to limit income taxes has any great chance of success in any event, or whether some other figure should replace the 25%.

What we are sure of is that there should be some limit much lower than that now ruling.

Continued from page 14

## The Lead Industry Under Government Controls

move that has received high praise abroad, and will take over completely the functions of a free market—if we permit it—which has heretofore determined who gets what and how much.

By what authority in law does the IMC operate? How are its decisions determined? Who decides the selection of some commodities and the exclusion of others? Does each country have one vote? What experience have accredited representatives had in their respective specialties? Other questions come to mind which should be clearly answered for the information of the American people, if we are to have an "austerity" program established by international understanding.

### Enmeshed in Jungle of Government Controls

From all I have said, you can see that we, in an important natural resource industry, are now deeply enmeshed in a jungle of government controls, nationally and internationally. Fortunately, there is such a tremendous demand for our product, stimulated by worldwide defense requirements and the revival of Europe, that prices are relatively high and there is a natural disposition to accept the condition without much complaining, for almost everyone in mining has had profitable years lately.

In the long run, however, in endeavoring to control world commodities, our government is trying to do something beyond its power. No matter how worthy the motive, its effort will only create more problems and a greater and unnecessary bureaucracy. I agree with Senator O'Mahoney who, in speaking about wool recently, contended that the OPS should not control U. S. wool prices, because it cannot fix foreign wool prices. He is reported to have stated, "Both the supply and the price of this international commodity are dependent upon factors in the world market that are beyond our control." Senator O'Mahoney might just as well have substituted the word "lead" for wool, for the principle is applicable to both. I hope that if he feels as strongly about the subject as I do, he and his many western colleagues in the Senate will introduce an amendment to the Defense Stabilization Act of 1952 which will not only remove wool prices from government control, but also lead and zinc.

The small miner, in Colorado, and elsewhere, is at a considerable disadvantage in knowing what goes on in Washington. To be sure, Congress recognized the desirability of having all branches of the mining industry, large and small, represented in Washington in the defense effort, through Advisory Committees, but I find these committees have one serious drawback, namely, that only those who are fortunate to be actually present and to hear, learn what is discussed, derive any benefit. They are on the inside, so to speak. Subsequent releases made by the government of Advisory Committee meetings are generally so cursory and condensed, if made at all, that they do not give detailed information and the discussion that would be of help to the small miner. One way out would be to permit Trade Association officials to be present, and I have the impression Congress included a stipulation to that effect in the Defense Production Act. For some reason or other, this step has not been carried out. If a Trade Association secretary were present, he, being in a neutral position, would have a chance to advise any interested small mining company of the nature of the problems discussed, the varying points of view, and the action recommended. Perhaps this criticism is no longer important, in that Advisory Committee meetings are infrequent anyway.

### Conflict in Government Policies

The conflict in government policies, or planning, is extremely confusing. On the one hand, the government sets up a pricing system which cuts imports of lead some 275,000 tons, and on the other hand it professes a desire to set up a subsidy system to increase domestic production—now around 400,000 tons per year. It would take years to find the ore needed to make up the deficiency in imports, through increased mining operations, and the capital risk is hardly justified. Even assuming a subsidy plan is perfected to increase mine production, say 10%, or 40,000 tons per year, not an easy assignment, what is that for an economy requiring 1,000,000 to 1,200,000 tons? I think you may be surprised to discover that a subsidy system which supplies a premium of, say 5c per pound for all lead production over a base period, is equivalent to an increase of only ½c per

pound in a free market for a 10% rise in production.

The government has not yet announced what kind of a subsidy system it will devise under the Defense Production Act, although it is known to be working on one. The reason for subsidies now given is to increase production in the fight against inflation, not defense requirements. There are much sounder methods of overcoming inflation, that is, through credit controls and taxes. One of the domestic copper companies was recently granted a "subsidy" by the government of 5c per pound of all copper produced to keep going. Nowhere in the press reports did I see any reference to the fact that this seemingly generous act on the part of the government was actually not a subsidy, because, in a free market, if permitted to dispose of its copper abroad, copper mining companies could do much better than the ceiling price of 24½c, plus a 5c "subsidy." They could sell it for 45c or more. Subsidy is a wrong designation under these circumstances.

Against the concentration of attention to subsidies and other expedients to assist mining in the emergency, think for a moment what would have happened to the domestic lead miners had a free market prevailed. While the lead producers were receiving an average ceiling price in 1951 of 17½c per pound New York, Mexican, Australian, Peruvian and other competitive producing countries were able to operate in a free market. I estimate they received the equivalent of at least 5c per pound more than American mines. In other words, the domestic lead mining industry as a whole could have procured approximately \$40,000,000 more under a free market than it did under controls. The result is still more striking for zinc, as the difference in the domestic ceiling and the foreign market were greater in zinc than in lead.

The government has deprived you of one of your most precious freedoms—the right of a free market, or to do with the fruits of your labor what you wish. This is the fifth freedom. The four freedoms—freedom of want, freedom of fear, freedom of religion and freedom of speech—can be found in a penitentiary. The fifth is equally, if not more, crucial. You have now had a taste of controls just about in full bloom. How much better off the public and the lead miners would have been without price control, and under a free market, I have tried to indicate. If you agree, then isn't it time to end the blank check given the government under the Defense Production Act, limiting controls to priorities for whatever the rearmament program requires?

The tragedy of the present situation is that men are becoming unemployed because their employer cannot, under present national and international controls, go out in the open market, even if he does not interfere with supplies for the defense effort, and, depending solely upon his own resources, purchase the copper and other metals which he needs to keep in operation. Furthermore, during the current defense emergency, there is a reluctance on the part of the government to touch the huge stockpiles of metals it has already accumulated.

General Lucius Clay recently told the Mining and Metallurgical Society in New York that there was no need of a frenzied rush to rearm at the risk of bankrupting our nation and imitating the form of government compulsion characteristic of the communism we are ostensibly fighting. We must never forget that we who live in our beloved land have a heritage of priceless freedom given to us, which we ought to

pass on to those who follow us unimpaired.

Let me close with a quotation from a great President, Thomas Jefferson:

"Were we directed from Washington when to sow and when to reap, we should soon want bread."

## Business Man's Bookshelf

**Communication of Technical Information**—Robert M. Dederich—Chemonomics, Inc., 400 Madison Avenue, New York 17, N. Y.—\$5.

**Development of Bank Debts and Clearings and Their Use in Economic Analysis**—George Garvy—Board of Governors of the Federal Reserve System, Washington 25, D. C.—Paper.

**Human Resources**—Dael L. Wolfe and others—University of Pittsburgh Press, Pittsburgh 13, Pa.—\$3 (price previously incorrectly reported as \$1 per copy).

**India**—United Nations Survey of Public Finance in India—Mrs. Ursula K. Hicks—Paper—Columbia University Press, 2960 Broadway, New York 27, N. Y.—75c.

**Making Profits in the Stock Market**—Jacob O. Kamm—The World Publishing Company 2231 West 110th Street, Cleveland 2, Ohio—Cloth—\$2.

**Selection, Training, and Use of Personnel in Industrial Research**—Proceedings of the Second Annual Conference on Industrial Research June, 1951, sponsored by the Department of Industrial Engineering of Columbia University—King's Crown Press, 2960 Broadway, New York 27, N. Y.—Paper—\$4.50.

**U. S. A.**—Magazine of American affairs published monthly by the National Association of Manufacturers—Subscription price \$3 per year; 25c per copy—Editorial and Executive offices, 444 Madison Avenue, New York 22, N. Y.

### J. A. Costa Honored

Joseph A. Costa, general office manager of the New York Stock Exchange firm of L. F. Rothschild & Co., was tendered a testimonial dinner Feb. 21 at the Hotel Roosevelt by his friends and associates in the financial district.

Mr. Costa is Past President of the Wall Street Anchor Club #18 and of the New York Curb Cashier's and the Cashier's Association of Wall Street Inc. He is Chairman of the Wall Street Follies, which organization is sponsored by Our Lady of Victory Church.

Mr. Costa is a Past Grand Knight of Archbishop John Hughes Council #481 Knights of Columbus in Brooklyn.

Toastmaster of the dinner was George F. Reiber, Secretary of the National Association of Securities Dealers. Msgr. Richard J. Piggot, Pastor of Our Lady of Victory Church, and Henry L. Heming, partner of L. F. Rothschild were also among the guests.

### Irving Lundborg Adds

(Special to THE FINANCIAL CHRONICLE)

**SAN FRANCISCO, Calif.**—John J. Gardiner, Jr. is now affiliated with Irving Lundborg & Co., 310 Sansome Street, members of the New York and San Francisco Stock Exchanges. He was previously with Merrill Lynch, Pierce, Fenner & Beane.

Continued from page 5

## The State of Trade and Industry

booked up through second quarter on virtually all major products, they are increasingly apprehensive over prospects for the last half of the year, it states.

Currently, the situation in the iron and steel scrap market is being watched closely for a clue to the future trend of business. In the past, scrap has been one of the most reliable business barometers. Recently there have been signs of a slowing down in demand for scrap despite continued tight supply conditions in the steel mill grades. Buyers now are not pressing as hard for tonnage as they were a few weeks back. Fewer government allocations are being sought, "Steel" notes.

Even the possibility of an early general increase in steel prices accompanying a wage boost is not stimulating forward coverage by consumers. Such, however, is believed to be retarding order cancellations and deferments of nearby tonnage, noted of late especially in the light, flat-rolled products. More surplus steel is appearing on the market. For example, this trade journal observes, a large automobile builder is currently reported trying to peddle 45,000 tons of sheets which it acquired in the conversion market some time ago. The mills are meeting difficulty in moving secondary and reject products.

Distribution of controlled materials held in reserve for adjustment and appeals for second quarter was announced last week. Supplemental allotments include additional quantities of structural steel for industrial construction, aluminum for industrial equipment, and brass and aluminum for consumer goods. Included is a previously announced allotment of 1,000,000 pounds of aluminum to the automobile industry. The additional steel, copper and aluminum amounts to only about 1% of total supply and will result in no significant changes in program levels, this trade weekly points out.

Any letdown which may materialize in demand for steel over coming weeks will not be reflected immediately in steelmaking operations. Orders on producers' books assure a high rate of production through second quarter. What will happen in third and fourth quarters has the industry guessing. Some producers are beginning to accept orders for third quarter, but this is not yet general, concludes "Steel."

The American Iron and Steel Institute announced this week that the operating rate of steel companies having 93% of the steel-making capacity for the entire industry will be 100.9% of capacity for the week beginning Feb. 25, 1952, equivalent to 2,096,000 tons of ingots and steel for castings, or an increase of 0.3 of a point above last week's production of 2,090,000 tons, or 100.6% of rated capacity.

A month ago output stood at 100.1%, or 2,079,000 tons. A year ago production stood at 99.8%, or 1,995,000 tons.

### Electric Output Turns Upward in Latest Week

The amount of electric energy distributed by the electric light and power industry for the week ended Feb. 23, 1952, was estimated at 7,460,763,000 kwh., according to the Edison Electric Institute.

The current total was 20,996,000 kwh. above that of the preceding week. It was 627,763,000 kwh., or 9.2% above the total output for the week ended Feb. 24, 1951, and 1,606,504,000 kwh. in excess of the output reported for the corresponding period two years ago.

### Car Loadings Hold to Higher Trend in Latest Week

Loadings of revenue freight for the week ending Feb. 13, 1952, totaled 737,609 cars, according to the Association of American Railroads, representing an increase of 3,885 cars, or 0.5% above the preceding week.

The week's total represented a decrease of 2,948 cars, or 0.4% below the corresponding week a year ago, but a rise of 177,541 cars, or 31.7% above the comparable period two years ago, when loadings were reduced by a general strike at bituminous coal mines.

### U. S. Auto Output Declines in Latest Week

Passenger car production in the United States the past week, according to "Ward's Automotive Reports," dropped to 79,536 units, compared with the previous week's total of 79,914 (revised) units, and 155,847 units in the like week a year ago.

Passenger car production in the United States fell last week about 1% under the previous week. Output of cars last week was close to 49% below the like period a year ago and trucks trailed by about 25%.

Total output for the current week was made up of 79,536 cars and 24,248 trucks built in the United States, against 79,914 cars and 25,559 trucks last week and 155,847 cars and 32,998 trucks in the comparable period a year ago.

Canadian output last week rose to 3,500 cars and 3,455 trucks, against 3,459 cars and 2,882 trucks in the preceding week and 7,802 cars and 2,831 trucks in the similar period of a year ago.

### Business Failures Show Considerable Rise

Commercial and industrial failures rose to 177 in the week ended Feb. 21 from 125 in the preceding week, Dun & Bradstreet, Inc., reports. This was the highest number since July of last year. While casualties exceeded considerably the 127 which occurred in the comparable week a year ago, they remained below the 210 in 1950 and were off 34% from the prewar total of 267 in the similar week of 1939.

Failures involving liabilities of \$5,000 or more increased sharply to 140 from 98 in the previous week and a year ago. Among small casualties, those having liabilities under \$5,000, there was an increase to 37 from 27 last week and 29 in the corresponding week of 1951.

### Wholesale Food Price Index Shows First Advance In Three Weeks

Marking the first upturn in three weeks, the wholesale food price index, compiled by Dun & Bradstreet, Inc., rose to \$6.60 on Feb. 19, from \$6.57 the week before. The latter figure, which was the same as that recorded on Jan. 15, represented the lowest level since Nov. 7, 1950, when it stood at \$6.52. The current index shows a drop of 9.7% from the 1951 peak of \$7.31 registered on the corresponding date a year ago.

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 Dips to Lowest Level Since Early October of 1951

Reflecting continued weakness in leading commodity markets, the daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., dropped to 302.80 on Feb. 18, the lowest since early last October. The index finished at 303.73 on February 19, against 304.58 a week earlier, and 327.96 at this date last year.

There was a slowing down in demand in principal grain markets last week. Price movements continued irregular with the general trend slightly downward.

Largely influenced by Korean truce developments, wheat prices declined despite a pick-up in export sales, some improvement in flour buying and reported drought conditions in parts of the Southwest.

Corn displayed a fairly firm tone, aided by fair export business, some letup in country offerings, and news that the Department of Agriculture would support the 1952 crop corn at least at \$1.60 a bushel, farm average. Volume of trading in all grain futures on the Chicago Board of Trade last week declined to a daily average of about 31,000,000 bushels, as compared to 45,000,000 the previous week, and 38,000,000 in the corresponding week of last year.

Domestic flour business broadened considerably last week. Buying was centered mostly in Spring wheat flours following fairly general price concessions late last week averaging about 18 cents per hundredweight. Demand for hard Winter wheat flours was principally of a fill-in character while trade in other types of bakery flours continued very dull. Cocoa prices moved higher on good dealer buying and short covering prompted by the continuation of unfavorable crop reports, particularly from Brazil where the mid-season crop is suffering severely from drought. Warehouse stocks of cocoa on the latest date totaled 100,406 bags, up from 96,666 a week ago, and compared with 102,171 on the like date a year ago.

### Trade Volume Declines Slightly As Shoppers Hold Down Purchases

Despite many aggressive promotions, shoppers curtailed their purchases slightly in the period ended on Wednesday of last week. As during recent weeks, retail merchants were generally unable to match the high sales figures of a year earlier. Consumers were quite bargain-conscious and sought goods in the medium to low-price ranges. During the present between-season lull, shoppers turned their attention somewhat from apparel to household goods, states Dun & Bradstreet, Inc., in its current summary of trade.

The interest in apparel subsided following the sharp promotion-induced rise in the prior week.

There were scattered rises in the sales of household goods last week. Shoppers evinced more interest in furniture, particularly incidental pieces and bedding, than in recent weeks.

The introduction of new television models stirred consumers' interest slightly although demand remained sharply below a year ago.

Decorating materials and floor-coverings were purchased in increased volume in many parts.

Total retail volume in the period ended on Wednesday of last week was estimated at from 1 to 5% below the level of a year ago. Regional estimates varied from the corresponding 1951 levels by the following percentages:

New England and Midwest —2 to —6; East —1 to —5; Northwest —2 to +2; South —3 to +1; Southwest —4 to —8 and Pacific Coast 0 to —4.

Trading activity in many wholesale markets widened perceptibly the past week as many merchants made preparations for the coming season. Buttressed by many orders for defense needs, the total dollar volume of wholesale orders did not vary sharply from the level of a year before. Fewer buyers were in attendance at market centers than during recent weeks, but about as many were counted as a year ago.

Department store sales on a countrywide basis, as taken from the Federal Reserve Board's index for the week ended Feb. 16, 1952, decreased 6% from the like period of last year. In the preceding week a decrease of 8% was registered below the like period a year ago. For the four weeks ended Feb. 16, 1952, sales declined 6%. For the period Jan. 1 to Feb. 16, 1952, department store sales registered a decline of 11% below the like period of the preceding year.

Bad weather together with lighter shopping worked against any improvement in retail trade in New York last week and, according to trade observers, the decline for the week is estimated at about 7% below the 1951 period.

According to Federal Reserve Board's index, department store sales in New York City for the weekly period ended Feb. 13, 1952, decreased 7% below the like period of last year. In the preceding week a decrease of 12% was recorded below the similar week of 1951, while for the four weeks ended Feb. 16, 1952, a decrease of 11% was registered below the level of a year ago. For the period Jan. 1 to Feb. 16, 1952, volume declined 15% below the like period of the preceding year.

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## Enlarging Securities Markets Through Promotional Methods

the number of firms in this relatively non-promotional category is shrinking. They are graduating to Group 2 and possibly Group 3.

**Group 2 — Somewhat Promotional:** A second classification would include those securities houses that intermittently embark on promotional activities in an uncoordinated way. They expect immediate results in terms of customers and revenue.

In the first place, most advertising specialists are agreed that advertising should definitely be regarded as a long-range program and should not be expected to substitute for the personal solicitation of the salesman. Rather it should be used as part of an integrated effort and as one of the means to prepare the ground for the salesman.

Secondly, there probably is no advertising man that would risk his reputation on the sure-fire effectiveness of any given single advertisement. Preparing copy and art, determining space, and selecting media are still more on the side of art than on the side of science.

One securities house in submitting a specimen advertisement to us, designed to interest the public in the stock of a certain manufacturer, said: "This ad might have sold a lot of Gizmos, but it certainly did not sell any securities."

At the 1951 Annual Convention of the IBA, Keith Funston told a story somewhat in point.

"The bartender at a fashionable cocktail lounge prided himself on his ability to recognize, blindfolded, any of the potables he dispensed. So a bet was made. He identified in turn bourbon, scotch, rye. That was easy. Then came benedictine, d r a m b u i e, tequilla, and vodka. No trouble. Now they gave him a jigger of aqua pura, or as we say in Chicago, 'Michigan straight.' He rolled the liquid over his tongue, smacked his lips, and frowned. 'You've got me! I don't know what it is, but I'll tell you one thing, you can't get any money for it.'"

The dealer didn't get any money from his Gizmo advertisement either.

**Group 3 — Comprehensive and Integrated:** Now we come to the third classification, the companies that are responsible for the real progress that has been made in recent years, particularly since the end of the war, in increasing the volume and improving the quality of securities advertising and other sales promotion efforts. They are carrying the ball for the industry. They have well-rounded, comprehensive, and coordinated programs that incorporate every known device for education and promotion, programs that are carried on persistently rather than on a hit-or-miss now-and-then basis. They use a wide range of media in building prospect lists and in preparing the ground for their representatives.

Exhibited at this conference is a sampling of the efforts of these enterprising securities houses — just a few specimens of many that might have been shown had space permitted. In addition, there are undoubtedly a great number of meritorious campaigns that may not have been entered in this conference contest.

For additional evidence of what is being done we need merely pick up the daily newspapers (and even magazines of national circulation) and see the large number of advertisements that show originality and sparkle in copy and

art. There are real departures from the traditional tombstone. In fact, one daring house in recent months deigned to forsake the tombstone even in new issue advertisements.

It is the efforts of these organizations that need to be emulated by others in the industry. Invariably, securities houses that have a well conceived program in the field of advertising and public relations generally report that they shortly get at least their seed corn back and that benefits accrue for years afterwards.

Not only individual firms but organized groups within the industry are lending a hand. The New York Stock Exchange, for example. Also the securities dealers in Philadelphia and in Denver who sponsored cooperative community-wide campaigns. Just last week there was a news story about the Chicago Association of Stock Exchange Firms sponsoring a new series of every-hour-on-the-hour broadcasts six days a week.

Not only the people in the securities business are addressing themselves to the problem of financial literacy, but leaders in all phases of business are giving support to the program in a variety of ways. Business leaders are anxious to have their employees understand the saving-investing process and are engaging in informational campaigns of various sorts. That is another part of this whole problem and intrinsically related to our conference inquiry. It suggests an area of cooperation of which some investment houses are already taking advantage.

The newspapers and magazines, and particularly the trade publications, are most sympathetic and helpful. Here I might mention the "Bond Buyer's Award"; the forthcoming conference of the "Investment Dealers' Digest"; "Selling Shares in America"; and the general coverage by "Time", the "Chronicle", "Barrons", "Finance", and others.

### Where Are We Today?

Now we might ask, "Where are we today?" What has been accomplished? How effective have these collective efforts been?

Despite the recognition of the need for and the value of modern merchandising techniques in the securities business and despite the educational and promotional efforts of individual firms and organized groups, particularly in recent years, we still have a long way to go. Progress is encouraging, but the major job is still ahead.

Estimates with respect to the number of stockholders in the United States vary widely and range from 6,000,000 to 15,000,000. Before long we may have a more reliable indication of the extent of stock ownership as the result of a survey recently initiated by the New York Stock Exchange.

Two years ago Dr. Rensis Likert, who is head of the Institute for Social Research at the University of Michigan, addressed the IBA Public Education Forum and summarized the 1949 Survey of Consumer Finances made by the Survey Research Center for the Board of Governors of the Federal Reserve System. He pointed out at that time that only 8% of the spending units (spending units being roughly equivalent to families) owned equity securities, either preferred or common stocks; that the other 92% had no interest in owning such securities and

gave as their main reasons lack of familiarity and fear.

These studies of consumer finances have been continued under Federal Reserve auspices, but in recent periods have explored less extensively the ownership of assets of fluctuating value such as stocks, businesses, and real estate. The 1951 Survey, however, reports this finding:

"Real estate and common stock, assets of fluctuating value, doubled in popularity between 1949 and early 1951. Together they were the choice of two in every ten consumers with incomes of \$3,000 or more, compared with one in ten two years earlier. The increase in preference for these forms of investment was marked at all income levels. (It should be noted that this statement refers to preferences and not to actual commitments.)"

The 1951 Survey of Consumer Finances finds further:

"Preferences had so shifted that approximately as many consumers in the highest income group favored fluctuating value investments as favored those of fixed value. In early 1949 the ratio had been one to three."

How much cheer there is for the investment community in this two-year change in consumer preference from 1 in 10 to 2 in 10 in favor of real estate and common stocks is open to question. In the majority of cases the reason given for the preference was the high rate of return. Incidentally, only a minority "were impressed with the need to hedge against inflation."

The report concludes: "Unfamiliarity with these types of assets continues to be a major reason for not investing in them."

In this connection, the 1951 Survey of Consumer Finances reports that:

Consumers are not investing in common stocks because of unfamiliarity with this type of investment as follows:

Spending units with incomes from \$3,000 to \$5,000	45%
Spending units with income of \$5,000 and over	33
All spending units over \$3,000	40

In addition to the favorable trends indicated in the Federal Reserve Consumer Finance Survey there is another encouraging note:

Recently the Securities and Exchange Commission estimated that individuals added \$1.6 billion to their holdings of corporate securities in the first six months of 1951 — the largest six-month gain in many years.

### Need for Education and Promotion

With 33% of the spending units that have incomes of \$5,000 and over, reporting unfamiliarity with securities investing, it seems quite clear that if the securities business wishes to interest the new potential investors in the middle income group it must exert every effort to improve public understanding of securities, securities markets, and all that that entails. The fact that consumer saving, according to Department of Commerce estimates, was at the rate of some \$20 to \$22 billion in the past three quarters, or roughly 10% of income after taxes, should provide additional incentive in approaching this challenge.

The thousands of potential investors that make up this untapped market for securities are largely following in the footsteps of their forefathers. They are patronizing the various thrift and savings agencies, institutions that, either by tradition or law, invest primarily in debt issues. Yet, free enterprise depends upon private ownership of the tools of production, depends upon equity — and an equity interest is needed to support debt.

Potential investors must be informed of the need for and ad-

vantages of direct investment in securities from the standpoint of our society as a whole and from the standpoint of their individual welfare.

### Promotion Specialists

Today we are getting the counsel of a whole battery of specialists experienced in all areas of promotion — advertising, salesmanship, direct mail, and public relations. It is their aim to help people in our business to get

Action, which is based on Decision, which depends upon Interest aroused, which in turn depends upon getting the

Attention of the reader or listener.

But we cannot get effective attention without comprehension on the part of the audience. Here the various research reports tell us unmistakably that a large portion of the potential market that seems so intriguing is an uninformed and financially illiterate market. It is obvious that a campaign of education is essential and must be a part of a promotional program if the program is to meet with success over a broad area.

That may explain why John McKenzie invited the educational director of the IBA to share the platform with the battery of sales experts. The IBA does not have an Association advertising or promotional program; nor does it have a set program of merchandising ready for individual adoption by its members. However, the IBA through two of its committees, Education and Public Education (now merged), has carried on educational activities bordering on salesmanship, advertising, and other phases of promotion. After all, it's a rather fine and not too clearly defined line that separates education and merchandising.

### IBA Activities in Brief

Educational activities of the IBA related to merchandising fall into three main categories:

(1) Fertilizing the soil in which the seeds of merchandising can be planted by stimulating and encouraging member firms to engage in a wide variety of public education or public information efforts so that the public may have the necessary understanding of securities investment to be receptive.

(2) Assistance in recruiting, screening, and training the personnel to till the soil; and this includes a refresher program for seasoned executives as well. After all, securities merchandising in the last analysis depends upon personal solicitation.

(3) A program to increase the quantity and improve the quality of securities merchandising and advertising.

I might mention a fourth — public relations generally — but time precludes discussing that.

Many persons over the recent years have had a hand in the development of the various projects — officers, committee chairmen, and other members as well as staff. Time is again a limiting factor; so I'll just mention three that have been particularly active in this phase of Association work:

Julien H. Collins, 1948 President of the IBA, is largely responsible for the postwar inauguration of both the education and public education programs. Joseph T. Johnson headed the Public Education Committee from its inception in 1948 until his election to the Presidency last December. Norman Smith of Merrill Lynch has been Education Chairman for the past two years and continues in that post. The continued interest and responsibility of President Johnson and Chairman Smith are of more than passing interest and would seem to assure not merely a continuation but an ex-

pansion of this phase of Association activity.

Before enumerating the various activities under the three classifications I have indicated — namely, public education, intra-industry education, and promotion — I should point out that these public relations and promotional activities have been carried on with a modest budget and limited personnel. Under these limitations it has been the aim to demonstrate the need for and the value of public relations so as to win as nearly as possible the universal support of the members. It has been the hope to awaken interest and enthusiasm and progressively to obtain wider support for extending the effort and to permit a more adequate job. In this we are meeting with success as I will note later. Thus far the public relations and promotional efforts have been mainly in the direction of encouraging and stimulating member firms to participate in the campaign; and to this end we are publishing two bulletins to serve as a clearing house for the exchange of information and experiences on the part of member firms and IBA groups. One is the "IBA Public Education Bulletin" and the other "Reproductions of IBA Member Firm Advertisements," on both of which I will comment briefly at a later point.

### Public Education

Educational and related promotional activities of IBA member firms and groups are reported in the "Public Education Bulletin" just noted. These take a great variety of forms, from the purely educational to the more definitely promotional undertakings and many gradations in between. The American free enterprise theme and the need for broadened private ownership of American industry provide the core for many of the programs. To name just a few:

(1) Lectures offered singly or independently by member firms or IBA Groups. This is the most commonly used educational device and probably one of the most effective.

(2) Adult lecture series offered in cooperation with an educational institution (Central States and Northwestern University, for example).

(3) Cooperation with such groups as the National Federation of Business and Professional Women's Clubs in their financial citizenship program.

(4) Exhibits and booths at a great variety of trade, business, home, and educational shows. Some firms have portable exhibits.

(5) Cooperation with student activity groups at colleges and universities in conducting business fairs and career institutes.

(6) Radio programs.

(7) Television programs.

(8) Motion pictures, directly related to the securities business or of a more general nature (the film "Fair Exchange" of Merrill Lynch, for example).

(9) House organs for personnel of member firms.

(10) Cooperation with industrial leaders in presenting programs to employees and supplying articles for industry house organs.

(11) Cooperation with universities in supplying investment bankers as speakers for regular classroom sessions.

(12) Offering of scholarships and fellowships.

(13) Window displays.

(14) Philadelphia Invest-in America Week.

(15) Various prize contests.

In connection with the public relations activities of the Association, the Chicago office maintains files of radio and television scripts and copies of addresses made by members of the industry. These are available upon applica-

tion as a guide to other firms as they embark on similar projects.

For detailed information about these and many other educational and promotional efforts, may I refer you to the most recent edition of the "Public Education Bulletin." Incidentally, the latest issue carries reports on the activities of Merrill Lynch, Pierce, Fenner & Beane and A. C. Allyn and Company, Inc., in more than usual detail.

Through this clearing house publication it is the hope that other members will through the process of osmosis be induced to join the parade.

#### Intra-Industry Educational Efforts

This part of the program has to do with recruitment, training, and education of industry personnel:

(1) Formal classroom courses in investment banking sponsored by IBA Groups in cooperation with more than 20 universities and colleges throughout the country.

(2) Development of text material "Fundamentals of Investment Banking" for use in such courses and now published as a regular college textbook by Prentice-Hall, Inc.

(3) A correspondence course patterned after the classroom program just mentioned and offered by the Association in cooperation with the University of Chicago.

(4) Personnel Selection Manual, including appropriate psychological tests and materials.

(5) A brochure for college people, "Toward Careers in Finance."

(6) A booklet, "On-the-Job Training for Investment Bankers"—case histories.

(7) Publication of a "Manual on Securities Salesmanship" under the leadership of George W. Davis. This Manual grew out of a Forum on Securities Merchandising held at the spring meeting of the Board of Governors in 1949. Second printing practically exhausted.

(8) Refresher course for executives in the industry—"Investment Banking Seminar" instituted at Wharton School in June of 1951.

(9) Merchandising forums, public relations forums, scheduled in connection with Board of Governors' meetings and annual conventions (the "Manual on Securities Salesmanship" grew out of one of these).

(10) Joint Committee on Education, Representing the American Securities Business, in cooperation with: New York Stock Exchange; New York Curb Exchange; National Association of Securities Dealers; Association of Stock Exchange Firms.

Two phases of this program:

(1) Fellowships for university professors—ten a year—three weeks in New York.

(2) Scholarships for undergraduate and graduate students planning to teach—about 25 each summer for three weeks.

#### Promotional Activities

The part of our effort that is most closely related to most of the discussions at this conference is the publication of our "Reproductions of IBA Member Firm Advertisements." This is a bulletin something like John McKenzie's "Advertising-in-Action," with the exception that we do not hand out orchids or make awards. We reproduce under various classification headings practically all advertisements submitted by member firms that are of a non-tombstone nature. Not only is this publication favorably received by our members but advertising and public relations organizations, editors, and publishers in both the United States and Canada have requested copies. We feel that at least in some measure this publication has been helpful in achieving the obvious improvement in quality and increase in quantity of securities advertising.

#### 1952 Activities

During the current year the activities I have just enumerated will be continued, and both the IBA "Public Education Bulletin" and "Reproductions of IBA Member Firm Advertisements" will be published.

It is expected within the next few weeks the Board of Governors will approve the second annual "Investment Banking Seminar" at the Wharton School, to be held in mid-June.

You will recall my saying that our educational efforts have been designed to win broad support for an ultimately enlarged program. In each of the last three years our modest budget has been increased.

The most significant sign of progress is found in the authorization given by our Board of Governors to produce a sound motion picture to tell the story of the investment

banking business. For some months we have been developing a script, and it is our hope that the picture can go into production presently and be ready for showing late in the spring.

#### Conclusion

The hour glass has run down. Permit me to summarize in a single paragraph. Basic to all our promotional efforts is the underlying need to inform the great number of people—potential investors—who still do not understand securities investment—their privilege and their responsibility as citizens of an industrial democracy. In addressing ourselves to this problem we will not merely serve our industry but will be making our contribution to the general well-being and the preservation of the kind of America we cherish. To this end the IBA is ready to cooperate with all agencies similarly motivated.

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## Current Investment Policy

economic phenomena of recent times is the sharp rise in interest rates and the yields of high grade fixed income securities during the last 18 months. Between June, 1950, and December, 1951, the yield of 90-day Treasury bills rose from 1.18% to 1.92%, five-year governments from 1½% to 2¼%, long-term governments from 2.34% to 2.74%, Moody's AAA corporates from 2.63% to 3.03% and Standard and Poor's high grade preferreds from 3.83% to 4.32%. In other words, long-term high grade securities' yields moved up 40 to 50 basis points in this period and the rise of yield of short maturities was materially greater. In the same period, be it noted, representative common stock yields have declined more than 20%.

This pronounced change in interest rate is the product of two developments:

(1) The greater increase in the demand for credit to carry a much larger volume of inventories and to finance the huge plant expansion program of industry; and

(2) The belated recognition by government that the easy money policy of recent years has fanned the flames of inflation. It is significant that every major commercial nation of the world has recently embraced fiscal orthodoxy in the abandonment or modification of cheap money policies in an effort to come to grips realistically and at long last with the grave problem of controlling the inflation that threatens to engulf them. In this country it is apparent that we have moved away from the policy of a fixed peg to one of maintaining orderly conditions under the operation of the demand and supply forces of the money market. A slackening of demand for credit and capital in the latter part of this year and a continued high rate of savings should bring some ease to the money market; but this depends on the size and method of financing the budget deficit which we shall then encounter. In any event it now seems probable that the major decline of the bond market which began in mid-1946 will continue irregularly until the next major economic depression.

With regard to this, there are some economists who are already expressing gloomy forebodings and are predicting the beginning of a major depression this year. They base this prediction on the assertion that we have largely satisfied the backlog of demand for consumers' durables, such as housing and automobiles, during the post-war period and that demand from here out will simply represent that arising from population growth and normal replacements. They point out, on the

other hand, that the huge expansion of capital goods of the past six years has created a productive capacity far in excess of these normal consumer requirements.

#### Gloom Unrealistic

This seems to me an utterly unrealistic attitude so far as the economic outlook of the next couple of years is concerned, as it ignores the tremendous contribution which our armament program will make to the gross national product, granting that this is essentially non-productive and generates a false prosperity. To gain an appreciation of the importance of the defense program to the total of economic activity it suffices to point out that the scheduled expenditures for armaments this year will reach a sum almost three times the total expenditure by private enterprise for plant and equipment.

It seems to me that the rate of armament spending now scheduled forbids the contemplation of the onset of depression for a considerable period of time ahead.

I am prepared to grant, however, that at such time as we abandon or curtail drastically the present defense effort, we face the prospect of a nasty readjustment. We have been living in a "fools' paradise," economically speaking, during the past ten or twelve years. In all this time we have been spending huge sums to prepare for war or to prosecute war or to make up the civilian shortages created by war. What will take up the slack when once, if ever, we return to the pursuits of peace?

In recent years we have built one boom upon another—a consumer buying boom, an inventory boom, a capital goods boom and an armament boom. There are elements of collapsibility in all of these. This is a sobering thought for tomorrow. When our economic Cassandras point to the satisfaction of consumer demand back-logs and the huge increase in our productive capacity, they undoubtedly have a point; but I think their timing is off.

During the past five years industry has spent the fantastic sum of \$100 billion for new plant and equipment. This, to be sure, means greatly increased efficiency, lower production costs and a great advance in technology in the development of new products and processes. But it also means an enormous productive capacity in relation to normal civilian needs. During the preceding five war years industry spent, by contrast, about \$30 billion, though during this period a substantial amount of construction was financed directly by Government.

#### A "Chinese Demand"

There are of course constructive offsets. In the first place up to 1946 we had 10 years of depression and five years of war. Moreover we have had an enormous increase in population over the past 12 years, creating a greatly expanded base of consumer demand. And finally, the more even distribution of the national income, however it may affect us personally, must be recognized as establishing a broader base for the effectuation of this enlarged consumer demand. This demand, without effectuation, is a "Chinese demand."

My own conclusion with regard to the longer term outlook is that we are likely to experience some time in the '50s, subject of course to international and political developments, a depression of greater dimensions than any we have witnessed since 1929, when we undertake the transition back to a peace economy. We cannot at once fill the vacuum created by a major reduction of defense spending. We do have accumulated requirements, stemming principally from population growth, which might be expected in time to take up this slack. We have fewer miles of good roads per capita today than we had in 1940. Our schools and hospital facilities are inadequate for our present growing population. But defense spending and civilian spending cannot be turned on and off like a spigot. The period of readjustment is likely to be difficult and to generate a deflationary spiral.

This observation is especially pertinent if we study the nature of our credit expansion of the past five years.

Since the outbreak of World War II we have experienced an almost uninterrupted inflationary trend, in the sense of a persistent expansion of the money supply. From January, 1939 to January, 1946, the period of the World War, an explosive expansion took place. The money supply trebled, rising from about \$60 billion to about \$180 billion. In the post-war period from January 1946 to January 1952 the expansion of the money supply proceeded at a much slower pace. The rise amounted to only about \$13 billion, though it may be noted that over \$8 billion of this rise took place last year.

It is in the nature of the source of this inflation that we find a significant difference between the war and the post-war periods. During the war period the expansion of the money supply resulted from a huge increase in the public debt and the monetization of this debt through the sale of Government bonds to the commercial banks. On the other hand the inflation of the post-war period has proceeded from an expansion of the private debt.

From January, 1946 to January, 1952 there has actually occurred a net reduction of public debt of about \$22 billion. It is true that this was the result of over-borrowing at the end of the war and the employment of surplus Treasury cash to retire a part of the war debt. But the fact remains that the entire increase of the category of private debt and this has assumed significant dimensions.

In the past six years the volume of private debt has risen from \$141 billion to \$278 billion, almost double, and now exceeds the total of public debt. In this period corporate debt has gone from \$85 billion to \$155 billion, consumer credit has almost quadrupled from \$5½ billion to over \$20 billion and mortgage debt has risen from \$32½ billion to \$77 billion.

#### Huge Expansion of Private Debt

I do not wish to labor the point but this huge expansion of private debt is of great significance in

contemplating the possibility of a readjustment in the transition back to a peace economy. At the risk of appearing cynical I might observe that private debt is something that has to be paid, while public debt is something that we shall have with us always. The pressure of a swollen private debt at the beginning of a deflationary cycle compounds the rate of the downward spiral and causes the depression to feed on itself. A capsule description of the 1929 catastrophe might be this: we attempted to liquidate in our markets an enormous volume of private debt. The pressure of a great volume of private debt will surely make more difficult the readjustment lying ahead.

As a corollary, a significant deterioration of the working capital of corporations has taken place in recent years. The SEC reports reveal a ratio of current assets to current liabilities of all corporations of 2.2 to 1 in December, 1945, 2 to 1 in December, 1950 and 1.95 to 1 in September, 1951. This would appear to be only a modest change; but when we examine the quality of current assets we find a significant change. Since 1945 and particularly in the past year a substantially greater proportion of current assets have taken the form of inventories and there has been a corresponding relative decline in cash. At the end of 1945 cash and equivalent amounted to 96.5% of current liabilities. As of Sept. 30, 1950 cash and equivalent amounted to only 57% of short term debt.

In view of the favorable outlook for business and corporate profits for this year, and perhaps well beyond, I do not think considerations with respect to the ultimate readjustment that may lie ahead should be controlling in the construction of an investment program at this time, since the nature and timing of such readjustment are conjectural and developments, particularly of a political nature, may take place which could materially alter this pattern.

#### Practical Investment Policy

As a practical matter of investment policy at this juncture, I am prepared to repeat my conclusion of a year ago, namely: "The prudent and conservative investor should be holding at least 50% of his investable funds in good common stocks." But the accent now, more than ever before, should be on "good." At this time the closest attention should be given to balance sheet analysis and companies of a marginal character should be avoided in the selection of common stock investments. Market commentators are fond of telling us that we should be "selective." But this begs the question. How does the average investor set about to be "selective"? I am perhaps prejudiced, but I think the best way is to employ investment counsel of proven capacity through the purchase of shares of representative investment companies. In purchasing these shares the investor should recognize that he is not simply buying shares of stock; but that he is, rather, employing investment counsel of established reputation and transferring to these investment managers the difficult problem of selection and timing, gaining thereby in his investment program advantages which have in the past been available only to a few wealthy individuals or institutional investors.

To implement the recommended policy of an invested position of 50% in good common stocks, I think the investor would best serve his needs by placing at least 50% of his available funds in the shares of representative common stock funds or by investing his funds directly in the shares of well managed balanced funds which are currently following this policy.

Continued from first page

## What Price, Controls?

early explorers discovered is now the source of an ever-expanding river of steel which flows across the length and the breadth of the Pacific Slope; and we are coming constantly closer to the day when the West itself may produce all the steel that it uses.

The story of the growth and development of our Western operations constitutes what I regard as one of the most brilliant chapters in the entire fifty years of United States Steel's history; and so tonight, as we conclude the observance of our own Golden Anniversary, I am doubly glad to be able to join in this celebration of yours. It not only provides a welcome excuse for another of my all-too-infrequent visits to this glorious country out here, but it also gives me the opportunity to tell you personally that nothing in my 12 years as Chairman has given me a deeper and more abiding sense of satisfaction than the warm and ready friendship which you have extended to me and to my colleagues on every occasion.

For what we have accomplished here, a great deal of the credit must go to you and to the people of your great State; and for what has been done on our side of the fence, I want to pay special tribute tonight to two men: Doctor Walther Mathesius, who has recently retired as head of our operations in the Geneva District; and Mr. L. J. Westhaver, who has so ably succeeded him.

When we first acquired the Geneva Plant, of course, there were doubts and misgivings on both sides. Some of you feared, I recall, that the establishment of this great new industry, with its high wages, would destroy the basic economy of the entire State by attracting workers away from the fields, and causing farm production to decline. I am happy to see, however, that these fears were unwarranted.

Your Department of Employment Security reports that in the Provo area — where the Geneva Plant is located — the number of industrial workers is now about five times as great as it was 10 years ago; but this gain has not been scored at the expense of agriculture. To the contrary, farm employment has increased 65% in this same area during the same period. So here in the shadow of these beautiful Wasatch Mountains we find that industry and agriculture have grown and prospered side by side, and have painted the way to a rich and fruitful future for the whole economy of Utah. What has happened thus far, moreover, is only the beginning; for steel itself is merely the foundation, and never the capstone, of industrial development.

### Inflation—Sternest Reality Facing Us

But pleasant as it is tonight for us to contemplate the promise of the future, and to dwell upon the happy recollections of the past, the time has come—as it always does—when we are compelled to face the stern realities of the present; and, just at the moment, the sternest of these realities is probably encompassed in the single word—inflation.

As you know, the steel companies of America are now engaged in a vigorous effort to prevent another upward twist in the wage-price spiral. We are confronted by the fact that the Union in this case possesses complete and absolute power to paralyze the production of steel in this country, and none of us here at this moment can say whether the Geneva Plant or any other steel mill in

the United States will be permitted to operate a month from now.

As the price of another year of industrial peace, the Union has presented demands which can only be described as astronomical. If granted in their entirety, these demands would put the entire steel industry deep in the red, and head it down the road to bankruptcy, and probably to nationalization.

But the capacity of the companies to meet these demands—in whole or in part—is not the major issue in this case. The crucial question is how many more disastrous rounds of inflation this country has the capacity to stand.

That is the issue which is now before the Wage Stabilization Board in Washington, and since all the pertinent facts and figures in the case have been fully presented to a Panel of that Board, I shall not presume to discuss them further here; but I do want to stress one point:

### Can Price Controls Stop Inflation?

There is in this country a quaint, but widely-entertained belief, that price controls can stop inflation. It is argued that if the Government will only hold the lid on prices, then nothing else will matter. The Government can go merrily on its way, inflating the currency; and the Unions can keep on demanding and getting higher and higher wages for less and less work, but as long as prices are frozen, the cost of living will remain the same and everybody will be happy and rich.

I sincerely wish that that were true; but you and I both know it isn't. The whole recorded history of man is stewn with the wreckage of the great civilizations which have crumbled under price controls; and in 40 centuries of human experience there has never been—so far as I can discover—a single case where such controls have stopped, or even curbed for long, the forces of inflation. On the contrary, in every instance I can find, they have discouraged production, created shortages, and aggravated the very evils they were intended to cure.

Yet the controls under which we are laboring in America today do not differ materially and fundamentally from those which have been tried and discarded in virtually every great nation of the world.

About 4,000 years ago, the Hammurabi Code imposed a rigid system of controls over wages, prices, production and consumption. Those controls blanketed the entire economy of Babylonia. In fact, they smothered it completely.

In Athens, during the fourth century, B. C., the Government subjected the grain trade to an ironclad system of price controls and it sent a small army of grain inspectors into the port to regulate every transaction. If, under the watchful eyes of these government agents, a dealer succeeded in violating the ceiling price and was later caught, both he and the negligent inspector were put to death. But nothing did any good; and ultimately the system collapsed—possibly due to an incurable shortage of grain inspectors.

Among the most elaborate and disastrous attempts at price control, of course, was the famous Edict of Diocletian which was promulgated in the Year of Our Lord 301, and which impoverished the whole Roman Empire.

That Edict was full of such trenchant words and phrases as "avarice," "extortion," and "lust of plunder." It spoke of "keeping profits within bounds" and it denounced merchants who—possess-

ing "immense fortunes"—sought "private gain" and "ruinous percentages."

Does that language have a familiar ring to the modern ear? Well, so did the regulations themselves.

The Emperor put an absolute maximum price on almost every individual item that was sold in Rome in those days; and he fixed the exact wage of every individual worker in every trade and profession—including even the lawyers. Then, in accordance with the custom of his day, he prescribed the death penalty for all offenders.

What happened after that is known to you all. Dealers, refusing to sell at a lower price than they had paid, simply hid their commodities under the counter. Producers no longer brought their wares to market. People in the cities suffered dire want, and brawls and riots filled the streets. And so another noble experiment collapsed while Diocletian himself abandoned his throne and spent the rest of his days in a cabbage patch, there to brood upon the consequences of folly and the waywardness of man.

But experience, it seems, can teach us nothing.

At the end of the twelfth century, England put a ceiling on the price of bread and fish and wine; and for the next five centuries that law was revised, amended . . . and ignored. Then Parliament repealed it on the grounds that such action was necessary "in the interest of the public welfare."

During the Dutch Revolution, when Antwerp was besieged by the Duke of Parma, the authorities of the beleaguered city promptly clamped price controls on almost everything within its walls—which may have been a stroke of genius from a political point of view; but which proved to be a fatal blunder from the standpoint of military logistics. Because prices were so low, the people inside the city consumed its stores both speedily and wastefully; and the people outside the city could not be induced to smuggle in new supplies for such a small reward. So Antwerp, by its own stupidity, blockaded itself far more effectively than the Duke of Parma ever could have.

Only in India, in fact, do we find a comforting glimmer of common sense. In 1770 a famine struck the province of Lower Bengal and the government immediately instituted price controls. So the rice that remained from the previous harvest was quickly eaten; and fully one-third of the population starved to death before another crop could be grown. But 16 years later, when famine again struck the province, the government reversed its tactics. Instead of turning to controls, it deliberately encouraged speculation by publishing nationally the price of grain in every section of the country. Everyone knew where grain could be bought cheapest and sold most profitably; so supplies flowed promptly and naturally from the areas where food was most plentiful to the drought-stricken regions where it was most scarce—and disaster was averted.

Now there are some, of course, who might be unkind enough to say that another comforting glimmer of common sense was shown by the people of France during the French Revolution. The fixing of maximum prices had become one of the characteristic features of the Reign of Terror; but in this case it was the instigators of the controls who were ultimately put to death; and when Robespierre and his councilors were being trundled through Paris in the carts of the executioners, the street mobs jeered, and shouted, "There goes the dirty maximum."

### The American Tradition

Here in America, our forefathers were fully alive to the lessons of history, and were far more ready than we to profit by experience. Price controls had been widely attempted on many occasions and in many of the colonies, but never with success, and in 1788 the American Continental Congress adopted a formal resolution which declared: "It hath been found by experience that limitation in the price of commodities is not only ineffective for the purpose proposed, but likewise productive of very evil consequences, to the great detriment of the public service and the grievous oppression of individuals."

That statement is even truer today than it was when the Continental Congress originally made it. England, for example, has now established what is probably the most successful system of price controls this world has ever seen, and certainly no government in history has ever enjoyed a greater measure of compliance from its citizens. These controls have been in effect continuously for 13 years, and they are still in effect today. Yet the latest information I can find on the subject discloses that prices in England have gone up exactly as far and exactly as fast as have prices in the United States where we have had a free market during most of this period.

For nine years, beginning with World War II, France also tried to stop inflation by the imposition of price controls; yet today the franc is worth only one-tenth as much as it was when that war began, and the cost of living has risen nearly 20 times as much as it has in the United States.

So the evidence is clear and overwhelming. Throughout 40 centuries of human experience, price controls at their best have always been a miserable failure. At their worst, they have led to famine and to bloodshed; to defeat and to disaster!

Yet today we are being told again that only price controls can stop inflation. Now in the name of an all-wise and beneficent Providence, Gentlemen, how blind can we be?

### Government Spending—Real Cause of Inflation

To my way of thinking there is only one way to stop inflation, and that is to attack it at its source; and today the greatest source of inflation is the Bureau of Printing and Engraving at Washington, D. C. As long as our Government is unable or unwilling to live within its income . . . as long as it continues to pile up huge deficits as it has in 17 of the past 21 years . . . and as long as it must finance those deficits by inflating the money supply, there will be no end to inflation in America. In short, until the Government balances its budget, the rest of us will never be able to budget the balance.

We are told, of course, that in these times of international crisis, the Government cannot live within its income; but that defeatist idea, to me, is simply unbelievable.

No government on earth has ever had such a fabulous income to spend. Up to the death of Franklin D. Roosevelt in the Spring of 1945—seven years ago—there have been 31 Presidents of the United States, and these 31 Presidents had financed, in whole or in part, the cost of seven major wars—the American Revolution, the War of 1812, the Mexican War, the Civil War, the Spanish-American War, World War I, and all but the last three months of World War II. Yet during the Administrations of all of those 31 Presidents together—from George Washington to Franklin D. Roosevelt, inclusive—not as much money was taken from American

taxpayers during this entire period of 156 years, as the Federal Government has collected in taxes in the last seven years. And I make that statement on the authority of Senator Harry Flood Byrd of Virginia—a Democrat.

But in spite of the lavish fashion in which our Government in recent years has satisfied its unbridled appetite for more taxes, it faces in the present year another staggering deficit; and we are told that this deficit is unavoidable for two reasons: first, because taxes cannot safely be raised any further, which I devoutly hope is true; and second, because expenditures have already been "cut to the bone," which certainly is far from true.

In this connection, it may interest you to know that a salmon, swimming up the Columbia River to spawn, passes under the jurisdiction of 12 Federal agencies. And please remember this: The salmon spawns and ultimately dies; but the agencies—which also spawn—don't even fade away!

Representative Clarence Brown of Ohio—and I quote a Republican this time—has counted 75 different Government Bureaus which deal with transportation, 65 of which compile statistics, 37 dealing with foreign trade, 34 with the acquisition of land, 22 with insurance, 15 with housing, 14 with forestry and six with business relations. Beyond that, he reports that there are 93 separate Federal agencies now lending Government money!

Other authorities report that the monthly payroll of the Federal Government is now nine times as big as it was 20 years ago, and that one out of every nine persons in our country now gets a regular monthly check from Washington.

Clearly, Gentlemen, our Government can live within its income without undermining in any way the welfare and security of our people.

Clearly, it must live within its income if it is NOT to undermine our entire economy.

But clearly, it won't live within its income unless its aroused citizens, regardless of political affiliations, compel it to do so through the democratic processes at their command.

To exert that compulsion is, I believe, the Number One task of the year for all of us in 1952; for inflation is certainly the most dangerous enemy that America faces today. The conquest of inflation is the most compelling and immediate duty of every American citizen.

### Cortlandt Barnes

Courtlandt Dixon Barnes, partner of H. N. Whitney, Goadby & Co., New York City, passed away suddenly at the age of 70. Mr. Barnes had been with H. N. Whitney, Goadby & Co. since 1908.

### McDaniel Lewis Adds

(Special to THE FINANCIAL CHRONICLE)  
GREENSBORO, N. C.—Richard F. Boyles has become affiliated with McDaniel Lewis & Co., Jefferson Building.

### Herbert E. Scharff Opens

Herbert E. Scharff is engaging in a securities business from offices at 40 Exchange Place, New York City.

### Speer & Co. Formed

Speer & Co. has been formed with offices at 500 Fifth Avenue, New York City, to engage in a securities business. Partners are Armin Speer and Shirley Speer.

### With Barrett Herrick

(Special to THE FINANCIAL CHRONICLE)  
ST. LOUIS, Mo.—Eugene A. Miller is with Barrett Herrick & Co., Inc., 418 Locust Street.

## Protests Compulsory Union Shop

**NAM says millions of workers will be forced to join unions if Wage Stabilization Board follows reasoning of President's Emergency Board in railroad case.**

According to the National Association of Manufacturers, millions of workers will be forced to join unions if the Wage Stabilization Board follows the reasoning of the President's Emergency Board in the railroad case and grants union demands for a compulsory union shop in the steel and aircraft cases.

A Presidential fact-finding board on Feb. 14 recommended that the union shop be adopted by the nation's carriers in new contracts with 17 AFL unions covering 1,000,000 non-operating railroad employees.

Similar action by the Wage Stabilization Board in the steel and aircraft disputes, the NAM maintains, would set off a new wave of compulsory unionism and create a pattern for all industry which would be extremely difficult to resist.

In the latest issue of "Industry's

View," the manufacturers association discusses the issue of Compulsory Unionism, and calls attention to "disturbing reports" that the WSB is about to include the union shop in its recommendations for a settlement of the steel labor dispute.

"In any event, it is clear that the board is being subjected to increasing pressure to give union officials this potent weapon which would give them even greater power over the nation's industrial workers," the publication noted.

The statement cited the U.S. Steel, Douglas Aircraft and Boeing Airplane cases now before the WSB and the case of the 17 AFL unions of non-operating railroad employees in the hands of a special Presidential Emergency Board as evidence that union officials are making a concerted drive to extend the union shop.

a percentage in Republican years as in Democratic.

The stock market this year could very well take its cue from political happenings as the two major parties and individual candidates jockey for position. As usual, both sides will be promising the voters all sorts of favorable developments as bait for votes.

Emergence of a strong Republican nominee at the July convention could very well stimulate investor-confidence enough to turn the broad trend of the market upward.

History shows that a dollar of net corporate earnings under a Republican regime is worth more in the market place than a dollar under the Democrats. I have not worked this out myself, but I have seen computations showing that, over a long period of years, the average difference is about 10%, in favor of the Republicans. When you consider the special brand of Democrats under which we are now suffering, it seems probable that the difference now is worth much more than 10%.

### Summary

Now if we total our balance sheet so far, I think we will find things in about perfect equilibrium.

(1) We have downtrending earnings offset by a low capitalization of those earnings.

(2) We have an old business boom, but see that there is considerable life in the critter yet because the outlook is for production to hold at a very high level for the full year 1952.

(3) We have the unfavorable factor of rising interest rates offset by high dividend yields in the market place, double the yield on bonds.

(4) We see a lack of speculative interest as a bearish item, but find that it is offset by the other side of the coin which shows that most stocks are in strong hands. In other words, a lack of speculative interest also means a lack of speculative excesses to unwind.

(5) The disadvantage arising from stocks standing at historical heights melts away under the heat of inflation and the coming Presidential election.

So much for these factors. All of our analysis thus far seems to add up to a near-perfect balance. This summation I think is a proper basis for holding a neutral view on the stock market over the near term.

Now, how about some of the other market forces which are so elusive and difficult to classify? Most important of these are:

- (1) War-Peace.
- (2) Inflation-Deflation.

### War-Peace

I think I can dispose of this one in rather short order. What we don't know about the subject would fill many large books.

As a stock market factor this is a very elusive and deceiving item. With the Pearl Harbor experience so vividly in mind, and in view of the stresses and strains since the atom bomb was dropped in Japan in 1945, investors are probably well buttressed mentally against all eventualities. An outright war with Russia would produce some shock to the market, but perhaps even less than the 20% drop which occurred in the 4 months after Pearl Harbor. Thereafter began the longest bull market in history. The investing public has become better informed and hence not so easily stampeded as in the preceding generation.

My own present view is that we now face more peace news than war news. That is just my impression based on what I read and upon the market's own action. I think it is safer to bank upon a trend toward peace than upon a trend toward war, at least for 1952.

Now one of the most peculiar angles to this war-peace factor has to do with the market's own response to news. Briefly, it is this. Since the initial shock of the Korean episode in the summer of 1950, the war-peace news has merely served to switch the buying from one type of stock to another. There has been no general or sustained selling.

What I am trying to say is that if the news tends towards war, people shift their buying into war stocks such as rails, steels, aircrafts. If the news tends towards armistice or peace, the buying tends to be concentrated in peace stocks, typified by automobile and building stocks. Up to now, neither a war nor a peace slant to the news has brought any real pressure of widespread liquidation.

So, for the present, I rate the war-peace situation as slightly bullish rather than bearish. Witness the fact that the industrials recently established a new high above that of 1951.

As far ahead as can be seen we will be operating in a semi-war economy. By preparing for any emergency we hope to maintain and promote the cause of peace.

Of course there can be no real peace as we formerly understood that term. We simply must continue to build up our armaments and those of our allies.

### Inflation-Deflation

This brings us to the 64 billion-dollar question. If you can do this one out correctly I am sure you will have some very valuable information on the stock market and on values of all kinds.

The big question has to do with the future value of money, the common denominator of all property.

Will the cost-of-living, now the highest on record, continue to rise? Or is this the top?

How about wholesale commodity prices?

Inflation forces are temporarily in abeyance. Wholesale commodity prices have been slipping down for about a year. The BLS all-commodity index is now about 4% lower than a year ago. The major factors in this sag have been the restriction on use of products in civilian industries and a lack of aggressive consumer buying. This decline represents only a part of the post Korean advance. The decline is probably near an end, in my humble opinion.

Treasury withdrawals from the spending stream are mildly deflationary during this first quarter, with a cash surplus of over \$5 billion indicated.

The depressing effect of heavy tax payments will last into the second quarter, but a cash deficit of \$3 billion is estimated for the second quarter.

Factors pointing to a resumption of an uptrend in the general price-level from mid-year onward include:

- (1) Continued Treasury deficits.
- (2) Larger consumer incomes.
- (3) Smaller supplies of durable goods for civilians.
- (4) Higher freight rates.
- (5) Still higher production costs caused by a coming wage-price boost in steel.

Wage increases, led by steel, will have a strong impact on prices of finished goods. These wage increases have a double-barreled effect. They add to the incomes of workers, who in turn bid prices upward. On the cost side, they make higher prices mandatory not only for steel but also for other products which use steel. And so the spiral will spin again.

### Market Summary

Now, to get back to the stock market.

I have already explained why I am neutral toward the market over the near term, the next several months. The measurable forces

seem to be about in even balance.

Looking farther ahead it appears that there are substantial grounds for expecting market sentiment and demand for stocks to improve. The forces holding the balance-of-power for the next swing, as I have indicated, are inflation and the election.

Stocks have proved to be excellent hedges against the inflation ushered in by World War II in 1939. A representative list of industrials has proved far superior to gold, bonds, diamonds or farm land. Even so, after adjusting to allow for inflation, stocks are still behind such important factors as corporate profits after taxes, dividends, consumer income, corporate working capital and personal savings in this period.

### Best Industries

Somewhat better opportunities to buy stocks may be offered this spring. The industries which we judge to be in the most promising position are:

**Electronics.**  
**Air Lines.**  
**Insurance** (Fire and Casualty).  
**Oil and Natural Gas.**  
**Machinery** (Industrial and Farm).  
**Retail Trade** (Soft Goods).  
**Utilities.**  
**Chemicals, Pharmaceuticals, & Synthetic Fibres** (For Long Term).

### New York Stock Exch.

#### Weekly Firm Changes

The New York Stock Exchange has announced the following firm changes:

Transfer of the Exchange membership of the late Charles L. Smith to Harry W. Kerr will be considered by the Exchange on March 6.

W. Wendell Reuss will retire from partnership in McLaughlin, Reuss & Co., Feb. 29.

Russell M. Chandler will withdraw from John J. O'Brien & Co. Feb. 29.

Transfer of the Exchange membership of Manfred L. Neumoegen to Herman M. Freyberg will be considered by the Exchange on March 6.

### Hooker & Fay Admit

SAN FRANCISCO, Cal.—Gardner W. Mein will on March 1 be admitted to limited partnership in Hooker & Fay, 340 Pine Street members of the New York and San Francisco Stock Exchanges.

### Two Join Draper, Sears

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—David A. Barber and John C. Sterge have become affiliated with Draper, Sears & Co., 53 State Street, members of the New York and Boston Stock Exchanges.

### Shea & Co. Add

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Dorothy L. Rorer has been added to the staff of Shea & Company, Inc., 31 State Street.

### With S. R. Livingstone

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich.—George B. Kosmoski has become affiliated with S. R. Livingstone & Co., Penobscot Building, members of the Detroit Stock Exchange.

### With King Merritt

(Special to THE FINANCIAL CHRONICLE)

MONROE, Mich.—John R. Crenshaw is with King Merritt & Company, Inc.

### Three Join Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—J. R. Eperson, Jr., Peter J. Koia, and Harry L. Leonard have joined the staff of Waddell & Reed, Inc., 1012 Baltimore Avenue.

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## Stock Market Prospects

high production by spreading it out over more time.

### Aircraft Manufacturing Is a Good Example

As a result of the expected high industrial output in 1952, national income and total consumer spending will be bolstered. About the only dubious feature concerning this part of the stock market picture is the fact that just about everybody agrees that the production outlook is bright. Of course, they could all be right. I believe they will be this time.

(3) **Low Price-Earnings Ratio:** It is one thing for earnings to slip a little from their all-time high as they have done since 1950. It is still another thing for the stock market to be surprised by that fact. So, although the down-trend of earnings is on the bearish side of our balance sheet, what the market has done about that factor belongs on the bullish side. You see, the market never got out on a limb so far as earnings are concerned. The market in 1950 and 1951 refused to capitalize the going rate of earnings at anything like a normal ratio. In other words, the market has continued to express skepticism over the continuation of such high earnings. The market probably has been too skeptical. As a result, the typical industrial stock is now priced at less than 10 times earnings. That contrasts very favorably with a ratio of 16 at the 1946 high in the market, a ratio of 18 in 1939 and over 18 in 1929.

Bear markets are the natural process of unwinding previous excesses of bullishness. Where there has been no excess bullishness there is little or nothing to unwind. Certainly, there is nothing to unwind in the case of the present price-earnings ratio. In fact, the market seems to have made allowance for a larger drop in earnings than will occur this year. I believe this is one of the major props to the market now in the face of the ceiling on earnings to which we previously referred.

(4) **Stocks Are in Strong Hands:** I am sure that this factor belongs in the asset column at the present time. I am quick to admit, however, that psychology is a big factor here, and that psychology has a habit of changing pretty rapidly. For the present, however, it is apparent from the action of the market itself that most investors are in a bullish frame of mind. Most of them refuse to sell. In the main, they have bought their

stocks outright and don't owe any money on them. They need them for the dividends they pay, and for long-term appreciation. More and more investors have learned to be patient. They have learned that the long-term trend of good stocks is upward and that it is a mistake to sell on pronounced weakness.

All of you know the argument that a customer gives you when you try to get him to accept his profits, which in some cases may be very large. He says he just can't afford to pay the capital gains tax. And there is considerable merit in such a view—perhaps more than the client himself realizes.

Look for a moment at the arithmetic. Here is an investor who holds a block of a \$100 stock which he bought a year ago at 50. The stock pays a \$6 dividend yielding 6% on the current price. If he sells he must pay the government a capital gains tax of \$13.00 per share. That leaves him only \$87.00 to re-invest (not counting commission). Now to switch into another stock paying 6% will mean a reduction of his dollar income from \$6 to \$5.22. Stated the other way around, in order to restore his former \$6 income per share, the investor must accept a lower-quality higher-yielding stock. In fact, he would have to get 6.9% yield on his \$87 investment to have a \$6 income per share. Yes, the ramifications of the capital gains tax are wide and vicious.

(5) **Election Year:** If history teaches anything, it teaches that Presidential campaigns are periods of optimism in business and in the stock market. There have been 12 Presidential elections since 1900. In these election years the tendency of the stock market has been strongly upward, particularly in the second half of the year. That is, from the nominating conventions onward. In years of Republican victories, the rise from June to December has averaged about 16% on industrial stocks.

In Democratic years, the advance has averaged only about half as much. Moreover, the tendency in Democratic years has been for stocks to top out before the election, usually in September or October.

Much the same experience has been noted in industrial production, with uptrend gaining momentum after mid-year and amounting to about twice as large

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## More Comments On "Our Roads"

land Test proved only that a road surface, or pavement, is only as good as the sub-grade and drainage. Pavement laid on gravel base with good drainage will last indefinitely with low maintenance cost. Eighty-five per cent of the road tested in Maryland was on clay base that turned to mud in wet weather.

Mr. Babson offers, as a possible solution, ton-mile tax. We comment that this scheme, designed to price truck transportation out of competition with the railroads, was thoroughly rejected as unsound, unfair, inequitable and discriminatory by three government studies. We could quote interesting statistics in Mr. Babson's home state disproving his contentions. We could quote impressive figures showing the amount of diversion to non-highway purposes of funds obtained from motor vehicle taxes in the various states. Sample: New York State, \$80 million in 1951 while at the same time enacting a ton-mile tax. We could also point out that in all of our northern states, the great enemy and destroyer of highways is a winter frost condition rather than highway traffic.

Mr. Babson's article fails completely to recognize the stature to which the motor freight industry has grown in the transportation economy of the country. Few people, not familiar with the facts, realize that the trucking industry far exceeds the railroad industry in employment. Trucking is second only to farming as an employer of workers. Roughly speaking, one of every 11 persons in the United States makes his living from the trucking industry in some phase.

We believe Mr. Babson's article fails to recognize the basic highway traffic problem. We are a nation on wheels, and America's highway system is completely inadequate to handle today's volume of traffic. We need new roads, modern roads, bigger, wider and better roads to solve the highway problem. Any impartial survey will disclose that, if the enemies of heavy duty motor trucks are successful in their nationwide propaganda efforts, and do succeed in restricting their size and loads, and do succeed in placing on their use a greater tax burden, it will in no way solve our national highway problem. It may well be that all of the over 41 million passenger cars, 8 million trucks and 200,000 buses, using America's highways, should share an increased tax burden to build new highways, modernize and maintain our highway system.

### R. D. McKAY

Past-President,  
National Automobile Dealers  
Association, Washington, D. C.

I am not particularly impressed by what Mr. Babson has to say nor do I feel that he has given it more than casual thinking before writing the article. There is no question in my mind that we have a problem in connection with trucks and that our present truck laws should be much better enforced.

In connection with toll roads, I have had no experience here in Kansas with them; however, I have been an interested follower of the toll roads that have been built and I have no objection to them any more than I have objection for somebody to ride the "Super Chief" or the "New York Central Limited" and pay an extra fee for the privilege.

There are other things to consider. For four years, the Federal Government considered our roads expendable. Another thing has been the diversion of highway

funds by so many of our states. This has amounted to millions and millions of dollars. If legislatures would pass laws which require that all funds coming from gasoline taxes, license taxes, ton-mile taxes on trucks such as we have in Kansas, would be used on roads and roads only, we would finally get better roads.

With 52 million cars and trucks on our highways today as against 30 million 11 years ago, we are going to be faced with a situation which I think will last for the next 20 years unless we take a greater interest in our problem.

### ARTHUR K. ATKINSON

President, Wabash Railroad Co.

It is, of course, heartening to a railroader to find an individual of the standing of Mr. Babson supporting the major contentions that the railroad spokesmen have made publicly in the S 50 hearings.

It is also heartening to find a publication of the standing of the "Chronicle" willing to publish Mr. Babson's considered conclusions, in view of the ill-tempered and hysterical protests that usually follow statements of this type.

### ARTHUR M. HILL

President, National Association of  
Motor Bus Operators,  
Washington, D. C.

Since my interest and first-hand knowledge lie in the field of motor-bus operations, which were not mentioned in Mr. Babson's article, I do not feel competent to discuss those statements pertaining to truck operations.

Our industry has always shared the belief that the costs of highway construction, maintenance and administration should be borne equitably by all of the highway beneficiaries, and that the largest beneficiaries are the highway users themselves, of which the bus operators are an integral part.

It has long been recognized that there are certain distinct benefits flowing from the availability, construction, improvement and use of highways to all forms of business; to other forms of transportation, such as the railroads, waterways and airways; to land owners; and to the nation, states and communities. It is my belief that these other beneficiaries should also equitably share highway costs in proportion to the benefits they receive.

The late Joseph B. Eastman, in his celebrated study of "Public Aids to Transportation," found that both common and contract carrier buses were more than paying their share of highway costs, and it is my firm conviction that this condition continues to prevail.

The Bus Association was represented on the Project Committee of the Highway Research Board which supervised the conduct of the Maryland Road Test. Final conclusions of that test have not been made public. I am informed that as yet they have not been adopted by the committees dealing with the project.

I do know that cracks and other pavement failures developed in the four traffic test-lanes and that these failures varied under the application of certain axle loadings.

The highest rate of pavement failures appear to have been on those lanes carrying axle loads much heavier than those permitted under the legal limitations in most of the states, and far exceeding the axle loads of motor buses.

One point seems to have been well established in the Maryland Road Test, according to certain progress reports dealing with pavement pumping. Perhaps the most important factor leading to the injury or destruction of a pavement slab is the pumping of muddy water up through the open joints or cracks or along the outer edge. Where muddy water is thus pumped by the slab under the application of traffic, it means that the subsoil itself is being pumped out from under the slab, thus leaving it without natural support.

It has been confirmed at the Maryland test that there are four basic conditions which must be present simultaneously to create a pumping slab. They are:

- (1) The application of frequent heavy axle loads;
- (2) The presence of sub-grade soils capable of suspension in water and that may be pumped through open joints or cracks or at pavement edges;
- (3) The presence of free water under the pavement; and
- (4) Joints or cracks in the pavement itself.

All sections of pavement received the same treatment and carried the same traffic as did the other sections of the particular traffic test lane. Despite this equality of treatment, traffic failures varied substantially among the sections of the same lanes. In fact, there was a substantial number of whole sections of the test pavement that came through the test with little or no damage. This was attributed in most cases to better drainage and the lack of free water under those sections.

As to Mr. Babson's comments on the carelessness of some drivers and their disregard for the rights of other motorists, I can only say that such personal failures cannot be excused nor defended. We of the bus industry believe that there are no better drivers anywhere in the world than those who conduct our operations. Safety, courtesy, and rigorous adherence to all applicable regulations are the prime requirements for a bus driver, and they are cardinal principles in their training and supervision. That the bus companies and bus associations, both national and state, are pledged to full support and observance of motor vehicle regulations is generally known. Perhaps less widely recognized is the fact that the state and national bus associations cooperate closely with the various regulatory agencies in their continuing efforts to improve the rules as well as their administration.

### L. D. WELLING

Manager, Utah Motor Transport  
Association, Salt Lake City, Utah

Mr. Babson's contention that "overloaded trucks are ruining our highways faster than we can build them" are not shared by many men in authority who are in a position to have the facts, including James K. Knudson, member of the Interstate Commerce Commission and Director of the Office of Defense Transportation, who stated in a release from Washington on Feb. 10 that he has little sympathy with persons who complain about the state of the nation's highways. After making some 20 cross country trips, he is convinced that the U. S. highway system is not deteriorating faster than it can be built, but that it is better than it has ever been and the best in the world.

In analyzing the Maryland Road Test, Mr. Babson says that 28%

of the concrete sections carrying 22,400-pound axle loads and that 96% of the sections carrying 44,800-pound loads were damaged and concludes that this is clear proof that the truckers are not bearing their share of the burden in maintaining our highways.

Mr. Babson did not observe that 72% of the concrete sections carrying 22,400-pound axle loads and 4% of the 44,800-pound slabs were not damaged at all. Nor did he observe that 85% of the concrete in that test strip had been laid on subsoil classified as 6-7 which is nothing less than ordinary soggy swamp mud and that after accelerating traffic to equal 20 years of experience, the road has had minor repairs and is in constant use at the present time.

We could make countless other statements concerning Mr. Babson's allegations, but I am sure it would be useless, but suffice it to say that the "Commercial and Financial Chronicle" will be doing an injustice to a great industry, one that has been tried by the largest unbiased court in the world—the court of public opinion—and has been found essential in their every day life.

Regardless of how much the truck operator wants trucks on the highway they would not be on the highway unless Mr. John Q. Citizen specified that his shipment move by truck.

The Press have always shown reasonable prudence in airing both sides of a controversial issue and we sincerely hope that your publication will uphold the honor of your profession by permitting or requesting the views of our industry from our Public Relations Department in Washington.

### U. G. LEWELLEN

Manager, Missouri Bus and Truck  
Association, Jefferson City, Mo.

I heartily agree with Mr. Babson that a careful check system is needed to control weights, that tolls should not be imposed on top of a tax and that truckers ought to regulate themselves before the state and Federal governments step in.

The statement that "... overloaded trucks are ruining our roads faster than we can build them" is simply not true or at least is so exaggerated as to be completely misleading. In the first place, only .003 of the trucks are overloaded in Missouri. Our Highway Patrol, the best in the nation, weighed 2,104,100 vehicles in 1951 and found only three in each thousand were overloaded. This includes overload per axle as well as overload of the gross weight, if any. When allowances are made for variations between scales, shifting loads and for out-of-state trucks who are not familiar with Missouri's low weight limit on tandem axles, you can say overloading in Missouri has absolutely no bearing on road wear or damage.

In the second place, trucks are not ruining our roads faster than we can build them. We voted bonds in 1924 and 1928. Those bonds have either all been paid off or can be paid off from funds on hand. One of Missouri's great newspapers in support of the bond issue said in 1928: "Sound practice does not direct that the users shall pay in full before they enjoy the benefits." We are now at the stage where the users have paid for 19,000 miles of state highways. We have erected and equipped maintenance depots in over 200 locations. We have built 10 divi-

sion offices, 1 main office, 9 Highway Patrol stations, acquired 3,000 pieces of expensive equipment, equipped all office buildings and garages, and assembled and trained a fine corps of highway engineers and law-enforcement officers. These things have been paid for before the users have enjoyed the full benefit.

The whole capital structure is in the best condition in the state's history. It is true that the surface of some of our highways should be repaired. It is also true that extensions and repairs are being made faster than the surface is wearing out. In 1951 Missouri added 825.7 miles to its supplementary system. It let contracts for improvements on 528.6 miles of the major system. The contracts awarded on the 1,354.3 miles in the state system in 1951 totaled \$33,791,109, which is more than was ever spent before for construction in any one year. This has been done on the proceeds of the lowest state gasoline tax in America and from reasonable registration fees. The big increase in the number of vehicles may justify still greater expansion. This does not mean, however, that roads are being ruined faster than they are being replaced.

According to all fair-minded, objective studies made, the Missouri truck owner has been paying his fair share of the cost of these facilities. For example, the Missouri road taxes paid in 1950 by trucks were enough to pay: (1) all the surface maintenance cost of all roads in the state system; (2) all the state's share of all the construction costs on the major system; and (3) \$1½ million for other purposes. The tax on gasoline consumed by trucks while using Missouri's principal truck routes paid all surface maintenance and showed a profit of \$175 to \$452 per mile.

Mr. Babson is contradictory when he says the trucker "should be taxed in proportion to the rate he wears out the roads" and when he says trucks are not paying their way. A truck can only wear out the surface of a road it uses. In Missouri, trucks Mr. Babson refers to use only 2,000 miles out of the 19,000 miles in the state system. Cost of building and the cost of maintaining these 2,000 miles is divided almost 50-50 between surface costs and other costs. The Highway Department's records back up this statement. Any weight distance tax should only be assessed to make any difference in surface wear and tear due to the gross weight of trucks on these roads. This is done in Missouri—perhaps overdone—by a license fee graduated according to gross weight. That is not what the ton-mile tax advocates want.

Mr. Babson may be an authority on some things, but I doubt that he has made a very careful study of road needs, equitable means of distributing the cost among the various classes of users, or the effect of weights on highways. When fair-minded men find the right answers to these questions we are confident trucks will be paying more than their way and that the largest trucks will be over-paying in the greatest degree.

### S. F. MACKAY

President and General Manager,  
The Lehigh and Hudson River  
Railway Company

Mr. Babson's conclusions are along the lines of my own thinking, and I think he states the situation very fairly.



Arthur M. Hill



U. G. Lewellen

Continued from page 16

## The Role of Stock Exchange Firms In Financing of Industry

are now thoroughly respectable investments. The permission granted by most states to trustees to buy stocks in a sense implies that they must do so; last year, life insurance companies in New York were authorized to buy stocks, and it seems probable that this year a law will be passed in New York permitting the most conservative institutional holders of the people's savings—savings banks—to make equity investments.

The net of this evolution is that fiduciary and institutional buyers are now playing a more important part in the stock market than ever before, and as the relatively new pension funds for hourly-rated employees begin to accrue really large sums and employee stock purchase plans and profit-sharing plans expand, the movement will increase.

However, growing interest on the part of institutional investors in stocks is matched by growing interest on the part of individuals, and member firms are laboring hard to spread the ownership of common stocks among the general public. This has been accomplished in various ways—by improved advertising and other public relations media, by sales of listed shares, by the sales of stocks of mutual funds and by direct sales of newly issued securities. Of course, the mutual funds in their turn have used a considerable part of the money provided by the public to buy listed stocks on their own account.

As this juncture, in connection with sales to individuals in the secondary market, I should point out two factors, one favorable and one unfavorable. On the favorable side is the fact that ever since the spending splurge of a year ago the people of this country have evidenced a disposition to save their money that is almost unprecedented, at least when ample supplies of attractive consumers' goods were available. Some of these savings, which have recently been running at an annual rate of over \$14 billion, will be invested in stocks either directly or indirectly. On the unfavorable side is the fact that our industry's costs, like those of all other businesses, have been rising steeply, and, as a consequence, in order to make the distribution of stocks to the public economically justifiable, we badly need an increase in commissions, particularly in the odd-lot sector of our business which now enjoys a preferential rate.

### The Bad Tax Situation

I pointed out earlier that the member firms of the Stock Exchange, in addition to their commission business, provide a very substantial and relatively well-financed mechanism for the raising of capital by the sale of securities to institutions and the public. However, there are many obstacles to these sales, and I propose to take a moment to discuss several aspects of the most important single one of them. This most important obstacle is, of course, our national tax structure. The tax problem as it directly affects the securities business falls into two categories—income taxes, and the capital gains tax.

With regard to income taxes, it is evident that rates which reach 50% when an income of \$16,000 is earned make capital accumulation difficult for individuals. It is important in this connection to remember that for many individuals income varies widely from year to year, and the effect of the

present steeply progressive tax structure is to remove from individuals who enjoy a particularly good year the major part of windfalls which otherwise would be saved. In addition, it is interesting to observe that in all the hue and cry over corruption in government and in our tax collecting agencies, little has been heard about correcting the major cause for corruption, which I for one feel is the tremendous incentive to corruption furnished by present tax rates. A lowering of these rates in higher brackets would cost little in tax revenue to the government and would diminish a continuing incentive to tax avoidance. After all, when a tax rate exceeds 50%, it is more worthwhile for a man to spend his time figuring out how to reduce his taxes than it is for him to make another dollar, and the systematic study of tax avoidance which present rates engender is certainly not an elevating influence in the community.

From the point of view of the equity markets, the present situation with regard to the capital gains tax is even more serious. For many, many years when prices were low, the capital gains tax did little harm, and from the years 1930 through 1942, the tax, in fact, produced no revenues on balance. In these relatively depressed years investors had losses which offset gains, and as a consequence capital mobility was not seriously impaired by the capital gains tax.

In an inflationary economy, however, the money value of all kinds of property rises, and thus the bulk of all assets, farms, real estate and stocks becomes potentially liable for the payment of capital gains taxes. Capital gains under inflationary conditions are illusory. To illustrate, what actually happens under the present law in concrete terms, let us suppose a situation that we in the investment business see in one form or another every day. Let us imagine that it is desired to finance a new steel mill here in New England. A logical prospect to provide equity capital, an investor who had bought 100 shares of U. S. Steel in June of 1949 at 20, is approached and asked to sell his 100 shares of U. S. Steel at its present price of 40 and invest the proceeds in the equity of the new steel mill. The investor's answer is to point out that if he were to sell his U. S. Steel at 40, having paid 20 for it, he would incur a capital gains tax of \$500. Thus the "transfer" tax on changing his investment from U. S. Steel to New England Steel would be 12½% plus all other charges. Needless to say, the chance of this investor assuming inevitable risks of the new venture under the handicap imposed by this transfer tax are small. Even the most ardent tax collector would admit that a 12½% tax on transfers would put an almost impossible obstacle in the way of doing business. In a sense, it is analogous to a tax on moving a deposit from one bank to another.

This effect of the capital gains tax becoming in effect a transfer tax, and thus inhibiting the mobility of capital, is bound to become more marked as the inflationary process proceeds and the price level rises, and I believe that serious thought should be given to this problem by our economic thinkers in Washington. Congress has already recognized the principle that capital gains are illusory when they are realized on a man's home—at the last session Congress permitted the sale of a home

at a profit free of tax when a new house of equal or greater value is bought within a year.

It would seem entirely logical for Congress to extend this principle to other forms of property, and I doubt whether, if this were done, any revenue to the government would be lost on balance. People must every now and then change homes, but there is no compulsion to switch investments, and, under the present law, transactions which would create too large a transfer tax simply don't take place.

A modification of the tax law along these lines would release for investment in new enterprise enormous amounts of capital now effectively locked in by the tax; it would diminish the tendency toward concentration created by the present shortage of equity capital, and it would serve as a stimulus to the whole economy, thus increasing the yield from other taxes.

Another aspect of the capital gains tax which I must mention is the misapprehension, fostered by the CIO and the U. S. Treasury, that a further increase in the rate of the tax would increase revenues from it.

Because incurrence of liability for the tax is purely voluntary on the part of the taxpayer, the point of diminishing returns is reached at a very early stage, and in our opinion has long since been passed. We are confident that an increase in the rate of the tax would decrease revenues and equally confident that lowering the rate of the tax and shortening the holding period would increase Uncle Sam's take. Thus, we are in the unique position of asking to be taxed more!

Having pointed out some of the obstacles to, and difficulties of capital accumulation and industrial expansion in this country, I don't want to leave you with the impression that we are in any way defeatist about the present position! The fact is that these twin jobs—capital formation and industrial expansion—are being done, and in many varied and interesting ways.

### The National Outlook

In conclusion, I should like to say something about the outlook for our country and, therefore, our business, in the broadest sense. The first half of this century was characterized by an extension of 19th century trends—the "enlightened self-interest" of Adam Smith carried to its logical conclusion with a good deal more emphasis on the self-interest than the enlightenment. For instance, the Marxists believed that a concept of endless class warfare between an entrenched bourgeoisie and a proletariat condemned to permanent poverty held the key to understanding human organization; and many persons from capital, labor, and the academic world could only see the social structure in terms of a basic opposition between capital and labor.

None of these patterns really fitted the American scene as it has developed. Instead, a very different pattern has been created which can be ascribed to our social fluidity, our log-cabin-to-presidency political tradition, our rising tide of education and our national genius for production. I believe that these underlying positive long-term factors of national moral and material strength far outweigh the obvious negative factors of governmental extravagance, ineptness in foreign policy, and corruption which form most of today's headline news. What I see developing under our eyes is a two-fold tendency—a new and urgent sense of social responsibility in the leadership of industry, and slow but obvious extension of capitalist tradition to the people at large which is creating a new kind of dynamic people's capital-

ism such as the world has never seen before. I feel that we now truly stand at the beginning of a new era of social justice and extraordinary material development which will make our national achievements of the past look small. Our industry occupies a key place in this whole development, and I think that despite our immediate and obvious worries of war, taxes and recession, we, as the servants of the new people's capitalism, and above all as Americans, can look ahead to the longer future with profound confidence.

Continued from page 3

## "UMT—Why It Is a Mistake"

United States has not shown but favorably, that the objectivity of recruitment on a voluntary basis is highly satisfactory and highly effective. The politicians and the Pentagon who wishes to ignore its duty to secure voluntary recruitment also ignore the simple courtesy owed to the American people by insulting them by saying a voluntary recruitment of army and navy and air force cannot be relied upon. Historically, this viewpoint is not borne out by reality and fact, even though the brand of need and emergency may have been strictly political in nature and purpose.

The combination of compulsory military service and dictators and political despotism (the more recent example, "Peronic" Argentina) is against democratic and republican forms of government. That combination, to save Constitutional government in these United States, is nothing more than heresy. It cannot be brushed aside by saying "It Cannot Happen Here," but by dispositive fact that makes the happening impossible from within, whether today or in the tomorrows that are to come. Voluntary recruitment or present selective service, assuming the needful emergency, takes the strongest element out of a combination that has permitted usurpation and made a mockery of the freedom of common people, when a standing army and political usurpation of people's rights are once in combination. Has any one the lack of candor to think that UMT would not indoctrinate, and constrict even more our present-day thinking, by having the youth of America looking through an intellectual knothole?

The best contribution that advocates of UMT could possibly make socially, economically and politically is to admit that voluntary action in these United States is not dead or dying, but their glasses of cynicism makes it seem so, in their eyes. Why follow UMT when the proponents are out of focus, as to the facts and the real spirit of American people?

Finally, UMT is something more than UMT. It is another desire to help socialize the historical American concept of free enterprise and free action. If unemployment must be corrected, just put in a large military order in the area where it occurs; if overabundance of production exists threatening retail prices downward, declare an emergency for critical material required by the standing army, and between the consumption of the latter and the constriction placed upon private production, correct the situation with political, if not economic, exactness.

The millions of men under constant service, peacetime or hot war, would be a vehicle placing political objectives in combination with a permanent existing military unit, that makes individual freedom, thought and action something that must be again attained, to be saved for ourselves and our posterity.

The record of UMT is against safeguarding citizen physical security. Communism, Fascism and Socialism has lost more wars than they have ever won. The background of all of them is UMT. When UMT enters, the key to political despotism is furnished

to open all the doors within the domain.

We have a faith to save within and without America!

The people of these United States know their enemies without, and voluntary recruitment is the way for the American people to remain good neighbors within a great country that has yet to say voluntary action is not the true basis of responsible citizenship.

The people of this country have always had a responsible and responsive military—responsible to the people and not the mandate of despots—responsive to the needs of a nation made up of individual citizens controlling through free elections their own destiny.

Dr. Carothers advises that UMT is a mistake. Let it be remembered that out of mistakes more often comes catastrophe.

### ROBERT W. WATT

President, Seaboard Surety Co., New York City

I have just read with interest Dr. Carothers' article on "UMT." To me it makes a great deal of sense and I agree 100% with him.

### HON. CLIFF CLEVENGER

U. S. Congressman from Ohio

Dr. Carothers' views are most interesting and I want to assure you that I have never favored UMT and I shall vote against this bill now before the House.

## Halsey, Stuart & Co. Offers Utility Bonds

Halsey, Stuart & Co. Inc. are offering \$4,000,000 Central Illinois Electric & Gas Co. first mortgage bonds, 3½% series due 1982, at 101.87% and accrued interest. The bankers had been awarded the issue on their bid of 100.50%.

The proceeds from the sale of the new bonds, together with the proceeds, in the estimated amount of \$1,280,000, from the sale of 64,000 shares of common stock of the company offered to common shareholders in February, 1952, will be used to provide a portion of the funds required for the present and contemplated construction program of the company and to provide for the payment of temporary bank loans incurred for such purposes which at Feb. 8, 1952, amounted to \$2,000,000.

The company is an operating public utility furnishing one or more of five utility services to areas aggregating approximately 1,815 square miles, located wholly in the State of Illinois and having an estimated population of 215,000. The principal cities served by one or more of these services are Rockford, Freeport and Lincoln, Ill. For the 12 months ended Nov. 30, 1951, about 64% of total operating revenues were derived from the sale of electricity and about 26% were derived from the sale of gas.

### Alonzo H. Ellis Joins

Goffe & Carkener, Inc.

(Special to THE FINANCIAL CHRONICLE)

GRAND ISLAND, Neb.—Alonzo H. Ellis will become associated with Goffe & Carkener, Inc. of Kansas City shortly. Mr. Ellis has been active in Grand Island as an individual dealer.


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## Mutual Funds

By ROBERT R. RICH

### While We Sleep and Sleep

This—to the best of my knowledge—is an exclusive story, but let's sleep on it for another year. And, really, you might even be bored because it's so simple that a six-year-old of adequate intelligence can understand it.

In 1939, after 150 years as a nation, we were first in the world in total manufacturing capacity.

Of course there's nothing really remarkable about that. But as a matter of incidental interest, in the 13 years between 1939 and the end of 1952 we will have doubled that manufacturing capacity. As I say, it's a matter of incidental interest.

There are some unimportant things we might add to that statement. During those 13 years, we together with our allies fought and won on two fronts the biggest war in history, put the best-equipped armed force into the field (of some 10 million men), helped feed, clothe, house and arm our allies—and sustained a civilian populace that was probably better clothed and fed than ever before.

During this same 13 years we satiated a civilian demand for all types of goods that had been pent-up for five years. We also assisted in a considerable reconstruction program in Europe and Asia. Our economy did all this and still was able to devote enough of our resources towards doubling our manufacturing capacity.

Some people claim this rather pokey progress is because of our wealth of natural resources; but an hour with a statistical year-book will indicate that not only do we not have a monopoly on resources, but we are also surprisingly deficient in some.

Some give credit to our invigorating climate, but we aren't the only country in the world that has snow like Montana, heat like Texas and humidity like New Orleans.

There's another factor that might possibly be responsible. We have what they call an enterprise economy.

I hate to mention this because nobody else ever talks about it.

In fact, our American students abroad supported by government grant or the Ford or Rockefeller foundation find it necessary to apologize for our awful capitalism.

While other economies in the world stagger from crisis to crisis, ours seem to keep ticking day in and day out, year after year. Tortured with controls, clubbed with restrictions, burdened with taxes, those who saved so we could build expropriated, our industrialists publicly castigated for producing too much, then not enough and again too much, our plane production cut to the bone, out machine tool industry hogtied until there's a crisis of major proportion, and still this economy faithfully delivers the goods.

Of course, there's a price to pay. If you ride the 5:22 suburban express any week-day evening, you'll see some of our greedy managerial class, haggard and stoop-shouldered, lugging a brief-case home for two minutes with their family and two more hours' work.

This greedy capitalistic manager and imperialist, drowning himself in champagne and bloating himself with caviar at the expense of labor, the consumer and the shareholder, also manages to put in fifty or sixty hours a week—for his own self-interest and family interest, you say. Well, don't mention an old-fashioned thing called company loyalty. And, above all, don't say in these times of trouble that there's also a joking matter called loyalty to his country, something that might make him work a little harder to meet a plane or tank production schedule—even though Washington managed to waste a few weeks or months for him.

To mention this year—when we have so much time ahead of us—that much of the success of our production engine rests on the tired shoulders of our managerial class would be hurrying things too much. And don't ever say that we have the best managerial class and skilled labor because they were invited to step forward by companies and industries which in this competitive struggle need every spark of talent they can find in order to keep a margin of competitive advantage.

Forget about the fact that any man who can call himself a third assistant to a vice-president is automatically chopping ten years off the end of his life, because he will struggle for a lifetime in the great American squeezeplay between costs and prices, customers and suppliers, taxes and finance. If you have a sense of humor, you might even say its killing work.

And let's not say now, because this is its logical place, that the result of all this is more goods for more people, better quality at a cheaper price. And as we read the obituary pages of the New York "Times" and "Herald Tribune" where deaths at forty and fifty are not rare, let's not make in our own minds the logical connection that in some small way the world is a little better off, that because of one man's production ability there are a few more tons of wheat for India or machinery for England or reconstruction materials for France. Forget about the drab realities of costs and prices—for, after all, its only a real world.

And when a man does reach the top, we won't suggest that it might be because of hard work, night school and faithful service. That sounds like Horatio Alger. Don't even whisper that he lives in a land of free choice which in his own interest and the community's interest let him develop his talents to the utmost.

We won't mention any of this. "Be inarticulate"—that's our motto! Let's be struck dumb when we should say that the market place is a crucible that tests men's mettle, that the people's efforts are economized because it puts the most able men at the top.

The mutual funds are part of the securities field which in some vague way is connected with free enterprise. But, just

because the funds can reach a million shareholders with annual reports and shareholder literature, is no reason to hint at the magnitude of our economic accomplishments or our industrial development in which the shareholders for some strange reason have a part ownership—or so somebody told them.

Well, a few of the funds did mention our increase in the gross national product. Well, what's the gross national product? That's the sum of pository pobblewaps before depreciation allowances. Subtract that and you get the net national product—at factor or market prices, it depends. Is that what the people get? Oh, no! You're thinking of disposable income, which is still a step away. You see, it works like an eight-cylinder double-trenched piston engine—

Let's sleep on it for another year—or, at least, let's wait until the elections are over. Maybe some of our citizens want to hear our story now. Well, let the other fellow tell them. He's waiting for us to do it, so none of us need do anything.

And if you do want to explain the story of free enterprise, don't try anything simple like walking around the corner to your local editor with a "Chronicle" clipping of some of Benjamin Fairless' lean prose just because your local newspaper might be interested. Don't call the local high school so that the basic asset of our community—our youth—can visit a brokerage office in action and perhaps learn a little bit about the capital market.

And when the mutual funds take a full page in daily papers, let's stack up the page with two-inch card advertisements so that we can get "sales leads" that take us to an eight-year-old girl named Robin sitting on the back porch with a lollipop in her mouth.

Let's not instead gain the respect of industry, trustees and investors by using the page to explain the blessings of an enterprise economy—signing it simply, "Submitted as a public service by the Mutual Funds of America." Don't cooperate! We might spoil an industry record.

And, if we decide to do anything, why, naturally, we'll need a Grand Plan. The way to get a Grand Plan is to form a committee—of which there are already several in existence, but that doesn't matter—and this committee will organize a meeting of thousands of investment dealers and we'll all talk to each other—and if we can't talk enough, we'll pay somebody to talk to us, somebody who will say that what the investment industry needs to do is to get its steam up and go out and sell free enterprise and that the way to do that is to form a committee which will prepare a Grand Plan.

In all of our activities, too, let's avoid mentioning that we are now in the second year of a three-year program which will double our output of aluminum, increase our electric power by 40% and our steel-making capacity by 15%.

Don't try to explain why in one year it was possible for us to set a world's record in new electric power capacity or that our steel output will be 120 million tons in 1954, or that our aluminum production between now and 1954 will increase from 860,000 tons a year to 1,500,000 tons a year. And don't impress upon anybody that the economy is not accomplishing these things one at a time—but instead all at once.

It's too much of an effort to explain that our people are as safe as they are because our enemies—who know more about the American economy than we do—are staggered by our accomplishments.

Please don't repeat the remarks of a well-known production engineer and efficiency expert who said, "I do not think that the American economy has ever made its greatest productive effort. Even during the last war [World War II] we were in a manner of speaking just beginning to hit our stride when production schedules were cut back as events developed in our favor. The wealth of goods and services our economy could produce under forced draft, given a proper starting time and ignoring in the short-term necessity for capital replacement—is a figure too fantastic to contemplate. It is quite possible that we shall never know, as the saying goes, our own strength—developed because our freedom, and its implied need for restraint, is the highest and most noble form of discipline."

Keep these secrets with me. Let us sleep and sleep and sleep while the Pied Piper dances away with American citizens who would have understood if we had thought of telling them a simple story every six-year-old would understand.



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(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS—Charles G. Vogt, Jr. is now affiliated with King Merritt & Co., Inc.

**Joins Rudolph Staff**

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Arthur N. Peters is with Paul C. Rudolph & Company, 127 Montgomery Street.

# Mutual Funds

**THE INVESTING** public in 1951 bought more than \$41,000,000 of shares in 10 Keystone Funds—nearly \$2,000,000 more than the average annual amount for the last five years. Almost 600 investment firms contributed to this sizable volume, according to a sales analysis made public by The Keystone Company of Boston, national underwriter for the Funds.

About 76% of sales volume was in four bond funds, and 9% in Income Preferred Stocks. Almost 11% went into Investment and Income Common Stock Funds (S1 and S2), while only 3½% of the year's sales were in the three more speculative common and preferred stock funds (S3, S4 and K2).

Investors' interest was more concentrated than ever before in conservative funds. About 25% of 1951 sales were in Investment Bond Fund B1 which is 50% invested in U. S. Government bond obligations.

Of Keystone's total assets (over \$213,000,000 at the year-end), 71.7% was in four bond funds and the income-preferred fund. Only 28.3% was in the four common stock funds and the speculative preferred fund. This contrasts with a year earlier when total assets were about 65.4% in five defensive-type funds and 34.6% in five aggressive-type funds.

This substantial change within one year is said to reflect the degree of success achieved by the Keystone organization and its authorized dealers in their efforts to help investors use Keystone's various funds more intelligently. A major part of this effort has been devoted to explaining the advantages of selling stocks and realizing profits when the market is historically high—the currently pertinent phase of the standard Keystone Timing Plans.

In fact, early in 1951 for the first time in 15 years, stock prices, as measured by the Dow-Jones Industrial Average, moved into the historically high zone. Since then Keystone investors have noticeably heeded this signal by moving into more conservative investment or cash positions. Slightly over 70% of the combined assets of the 10 Keystone Funds are now in defensive or defensive-type securities.

That many Keystone investors have lightened their holdings of aggressive funds is further evidenced by the very high liquidations in the speculative preferred stock (K2) and common stock (S3 and S4) funds. The total reduction of net assets of these three funds between Dec. 31, 1950 and Dec. 31, 1951 averaged 44.2%. This heavy liquidation coupled with the fact that only 3½% of the year's sales were in these three funds largely accounts for the reduction during the year of approximately \$11,000,000 in the combined assets of all 10 Keystone Funds.

Over the same period the most conservative bond fund (B1) showed a 56.5% increase in net assets. The income funds (B2, B3, B4, K1, S1 and S2) remained relatively unchanged with only a slight increase in combined net assets.

**RETAIL PRICES** paid by consumers for cost-of-living items rose 0.1% from mid-December to mid-January, according to a report issued by Robert R. Behlow, Regional Director of the U. S. Labor Department's Bureau of Labor Statistics. Consumers' prices are now 3.6% above a year ago, 10.3% above the pre-Korean level, and 35.5% above the period following decontrol of prices in 1946.

Mr. Behlow pointed out that the Consumers' Price Index, at

184.2% of the 1935-39 average, is at a new all-time high. The increase over the month was attributed primarily to increases for the rent and miscellaneous groups.

Retail food prices declined 0.2% over the month, but remain 13% above the pre-Korean level and 4.2% above the level of a year ago.

**GROUP SECURITIES'** management points out that while corporation earnings declined in 1951 about 18% on average, and will probably shrink another 10% in 1952, "it is impossible to predict the outcome of the pull of opposing forces on public sentiment as it will affect these relationships in the future—the fear of further inflation versus the fear of declining corporation earning power."

"It would seem that the most extreme phase of our inflation should presently be behind us, yet it may be some time before the investing public becomes aware of this."

"In view of these uncertainties," the investment management said, "we continue in a generally cautious attitude."

The conservative position last reported for Fully Administered Fund has been maintained, the statement continued.

Its "buying reserve" has continued to represent about 60% of total investments; it comprises top quality electric light and power bonds, government bonds and cash. Utility stocks, which comprise about ¼ of the total common stock position, were reported to have given outstanding performance. Emphasis has been increased in the tobacco stocks, which likewise were said to offer generous return and which should provide relatively good price stability.

**OPEN END REPORTS**

**CANADIAN Investment Fund, Ltd.**, one of the oldest and largest mutual funds in Canada, reports total net assets for the fiscal year ended Dec. 31, 1951, were \$44,561,661, (Canadian funds), a new high for any fiscal year in the company's history. Assets of the company, which is under Calvin Bullock management, represent an increase over the 1950 fiscal year of \$5,283,994, or 13.4%. Included in total net assets on Dec. 31, 1951, was unrealized appreciation of \$11,410,547 compared with \$8,333,381 one year earlier.

Dividends paid per share in 1951 totaled 28 cents, the highest amount paid since the company's inception in 1932. Total cash dividends paid to stockholders from that time have exceeded \$9,700,000, the company reports.

In the annual report, Hugh Bullock, President, said that the number of shareholders of Canadian Investment Fund has increased from 3,205 in 1937 to more than 15,000 in 1951 and that the per share net asset value of the company's shares on Dec. 31, 1951 was 135.8% higher than the initial per share net asset value on Dec. 5, 1932. Outstanding shares of the company totaled 6,942,411 at Dec. 31, 1951, as compared with 6,737,095 shares a year earlier.

**GROWTH COMPANIES** recorded a 146% increase in net assets in 1951 according to the annual report covering its first calendar year of operation. The increase amounted to \$710,502 and boosted net assets to \$1,194,493 on Dec. 31, last, from \$483,991 at the close of 1950.

Net assets at the year-end were \$11.25 a share on the 106,097 shares, compared with \$10.33 a share on 46,885 shares at the close of the previous year.

**Mutual Fund Notes**

**DELAWARE FUND** last week added to holdings of American Viscose, National Gypsum, Union Tank Car and Underwood Corporation, reduced some of its oil stocks, including Phillips and Continental, and sold the majority of its National Dairy Products holding.

**THE SPEECH** given by Dr. Harold Aul of Calvin Bullock before the delegates of the first annual West Coast Mutual Fund Conference is given elsewhere in this issue of "The Chronicle."

Dr. Aul's sustained and forceful exegesis considered the topic, "What does the investor in Mutual Funds really get?"

**LATEST** prospectus of Growth Companies, dated Feb. 15, 1952, is now ready for dealers.

**DIVERSIFIED FUNDS** has just released its latest prospectus, dated Feb. 12, 1952.

**CLOSED-END NEWS**

Carl J. Austrian's seven years of able sleuthing as depicted in the lucid and dramatic prose of Judge Edward Weinfeld in his opinion on the case of Trustees of Central States Electric vs. Harrison Williams et al, still remains one of the unwritten nerve-tightening, suspense-laden stories of American finance.

The broad charge made by the plaintiffs, Carl J. Austrian and Robert G. Butcher, who are the Trustees of Central States, was that beginning in 1922 and continuing to the filing of a reorganization petition in 1942, Harrison Williams, the majority stockholder of Central States, in collaboration with various defendants, engaged in a continuing plan to overreach and loot Central States Electric Corp., an investment company that was the top

of pyramid of the Williams' personal companies.

The resulting judgment, after a trial of 13 weeks, amounted to about \$17,000,000, believed to be the largest judgment ever made against an individual.

**Thomson & McKinnon Add**

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—John B. Chenoweth is now connected with Thomson & McKinnon, Shoreland Building.

**Joins Schwanz & Co.**

(Special to THE FINANCIAL CHRONICLE)

AURORA, Ill.—Theodore H. Larson is now connected with Schwanz & Company, Inc., Merchants National Bank Building.

**Two With Renyx, Field**

(Special to THE FINANCIAL CHRONICLE)

NEW ORLEANS, La.—Elerbe W. Carter and Henry W. Toledo have joined the staff of Renyx, Field & Company, Inc., 534 St. Peter Street.

**With Pierce, White Co.**

(Special to THE FINANCIAL CHRONICLE)

BANGOR, Maine—Cornelius J. Sullivan has become associated with Pierce, White and Drummond, Inc., 6 State Street.

**With Stone & Youngberg**

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Ralph E. Brown has become affiliated with Stone & Youngberg, Russ Building, members of the San Francisco Stock Exchange.

**Arthur Stypes Opens**

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Arthur W. Stypes is engaging in a securities business from offices at 625 Market Street.

Continued from page 5

## Observations . . .

tive ability and physical fitness to perform the job efficiently (with length of continuous service thereafter constituting the test), and that a seniority system should be flexible. Substituting length of service as the impersonal sole criterion, and ignoring all consideration of the relative merit of individuals is easily sold to the mediocre and the unambitious worker who objects to promotion on the basis of merit. Surely such a standard of mediocrity constitutes a clear disservice to the national interest!

But more basic to the question is the overall impediment in the way of orderly dealing with unionism arising from the growing precedence of administrative law. Under growing encroachment on the statutes by official appointees, in this sphere as elsewhere, the aim of our laws is becoming ever more distorted. This, combined with the devotion of the union leaders' full-time energies to the winning of concessions, has resulted in a gradual clipping-away from the law that also is more important than the wage concessions.

**The Fringe Masquerade**

While this "qualitative" inching-away does seem to us to be of greater importance, this should not imply that the "quantitative" demands are not also vital. For instance, there are the pending steel union's fringe demands which really constitute a masquerade for further financial concessions.

The cost of the new fringe demands in the form of increased vacations, paid holidays, widened shift differentials, Saturday-Sunday premium pay, and elimination of all geographical differentials would, according to representations made by the U. S. Steel Corporation, amount to 34.3 cents per hour and \$215.1 million per year. Such kinds of fringe demands are, of course, wholly apart from and additional to labor's new doctrine of claiming a share in any increase in output per man hour—so-called "labor productivity."

The possibility that the country generally may enter into a deflationary period, or that some wage reductions, as now in textiles, could in any event come about, render particularly important these non-economic changes with their potential further squeezing of company ownership against a declining price level.

As a conclusion on the present trend, this writer agrees with the recent gloomy statement by Mr. Philip Cortney, industrial economist and corporation President, that if we do not limit the monopolistic power of unions and restore the employer's bargaining power, we must drift into a regimented society.\*

And this push into full fledged collectivism is importantly, if deceptively, enhanced by the unions' joining the bandwagon in their self-purging of "Communism." As on the rest of the American scene today, the greatest real threat to liberalism and the free market comes from the Johnny-come-lately anti-Communist socialists!

\*In an address before the Third Virginia World Trade Conference, Old Point Comfort, Va., Nov. 16, 1951; published in the "Chronicle" Nov. 29, 1951.

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Continued from first page

## The Coy Maiden?

eral Communications Commission, the Federal Trade Commission—to mention only a few—could emulate the SEC and tax business generally, out of business, under the claim that the regulated or serviced should pay the cost.

Writing of this instant SEC effort, one of our correspondents says: "I suppose it is possible to believe that a Federal hangman under this title might charge the culprit a fee for hanging him. I suppose we might go back to the time of the Middle Ages when criminals were charged board while held in jail. Possibly we may see traffic officers charging automobile owners a direct fee. If there be any benefit for brokers, dealers and their employees in the work done by the Securities and Exchange Commission, I have, for nearly 20 years, failed to observe it. The Securities and Exchange Act was supposed to have been written for the protection of investors and the public, and not for the benefit of dealers in securities. It is a twisted construction to imply that brokers, dealers and their employees are protected or benefited."

In some quarters the wrong and the remedies for it are even now not clearly understood.

One of our readers writes: "We have written our Senators and Congressmen asking them to defeat the proposal by Securities and Exchange Commission."

In a broad sense, it is true that the aim is to nullify the SEC proposal. However, the remedy should be as broad as the danger, and since all Federal agencies may attempt to do what the SEC is trying to do, the request to members of Congress should be specifically that Title V of the Independent Offices Appropriation Act of 1952 be repealed.

The threatened danger may be thwarted in any one of the following ways: (a) abandonment of the proposal by the SEC; (b) a court determination declaring Title V unconstitutional, or illegal on other grounds; or (c) a repealer. In writing letters of protest these methods of relief should be borne well in mind.

There should also be borne in mind the grounds of opposition, most of which we have given in our editorials and which in partial resume are: (1) Title V is permissive and not mandatory, and hence the SEC proposal may properly be abandoned; (2) Title V is not intended as a delegation of the taxing power of Congress, and if used for that purpose such usage becomes unconstitutional; (3) the securities industry is already being taxed by making various payments as licensing fees in the States, by assessments of members through the NASD to cover the cost of regulation, and the present SEC proposal therefore constitutes double taxation of a class group which results in coupling the statute with the proposal in class legislation; (4) the Securities Acts were created in the public interest and for service to the general public and render no service of any kind to dealers and brokers, and hence the public generally should bear the burden of the cost of SEC administration; (5) Title V was a "slip-in" provision, a so-called "sneak" provision, not given adequate consideration, the effects of which were not generally understood even by many members of the Congress; (6) Title V has no place in an annual appropriations bill; and (7) the existence of our free institutions is threatened by the provisions of Title V if all Federal agencies follow the tack of the SEC.

Another of our readers writes in effect that any payment made because of the SEC proposal should be so made under protest. With this view we respectfully disagree. If the proposal is ever put into effect, in our view, no payments of any kind or nature should be made. The industry should unite and make a test case.

This brings us to our coy maiden—the SEC. Be-leaguered by an ocean of protest, completely on the defensive, the SEC now claims that it is an involuntary victim of a statute which was not of its own choosing and which it regards as a mandate.

For pure hokum this really takes the cake.

The Commission had ample opportunity while Title V was under consideration and before it was adopted, to

express its views and to give testimony concerning the provisions of that part of the bill which was finally passed.

The "coy maiden" has been shown to be not so coy, for the SEC, so to speak, has demonstrated a willingness to embrace the instant legislation by electing to interpret Title V in a manner entirely at variance, generally speaking, from the interpretation placed upon it by others.

With reference to the SEC proposal, we are able to accommodate in today's issue some more of the communications that have been received by the "Chronicle." Others will be given in subsequent issues. The letters follow:

### G. KEITH FUNSTON

President,  
New York Stock Exchange

*Editor's Note: Herewith is text of a letter sent to the SEC under date of Feb. 26 by the New York Stock Exchange over the signature of President Funston.*

Securities and Exchange Commission,  
425 Second Street, N. W.,  
Washington 25, D. C.  
Gentlemen:

We have examined the proposal to adopt and amend rules with respect to the fees and charges of the Securities and Exchange Commission, as contained in your release dated Jan. 31, 1952, and herewith take advantage of your invitation to comment thereon.

We believe that the proposed charges, which would be in effect taxes, are not in accordance with the intent of the Congress and would be against the public interest.

The House Committee on Appropriations, in its report on the Independent Offices Appropriation Bill of 1952, stressed that the Government is not receiving full return from many of the "services which it renders to special beneficiaries." Title V of Public Law 137, 82nd Congress, presumably was enacted to remedy that condition.

We have no quarrel with this viewpoint. We believe it entirely proper and wholesome for the Securities and Exchange Commission to assess charges for documents, reports, analyses, and various of its publications, which constitute services "rendered to special beneficiaries." In view of rising costs, your proposal to increase fees for photoduplication undoubtedly is justified.

We believe, however, that the proposed new registration fees cannot be regarded as charges for special services. Brokers and dealers in securities, for example, should not be assessed under Title V, because there is an obvious absence of services rendered them as special beneficiaries. The Securities Exchange Act of 1934 requires registration of brokers and dealers "in the national public interest," not in the interest of the broker or dealer as a special beneficiary. We do not believe that compulsory registration is the type of "service, benefit or privilege" for which Congress in Title V authorized the Commission to levy a charge. Where Congress intended payment by those compelled to register, specific provision was made in the Acts themselves, i. e., Section 6(b) of the Securities Act of 1933 and Section 31 of the Securities Exchange Act of 1934.

The interpretation of Title V contained in your proposal could create a subsidiary tax structure of monumental proportions. If the

Securities and Exchange Commission can impose this type of tax, so could every other Government agency. The Interstate Commerce Commission might tax every railroad employee; the Civil Aeronautics Administration might tax every employee engaged in commercial aviation; the Department of Agriculture might place a tax of so much per acre upon every farmer; the Federal Communications Commission might tax every telephone or telegraph employee. The possible ramifications are limitless. Federal tax policy, already surrounded with considerable cloudiness, might well reach an area of such utter darkness that administration would be impossible.

We respectfully submit that the proposed new fees and charges do not reflect a proper interpretation of the intent of Congress; their imposition, we firmly believe, would establish a principle inimical not only to the securities industry but also to the general welfare of the nation.

Sincerely yours,  
G. KEITH FUNSTON

### JAMES E. DAY

President, Midwest Stock Exch.

*Editor's Note: Following is text of a letter which was sent to the SEC by the Midwest Stock Exchange under date of Feb. 21.*

Securities and Exchange Commission,  
425 2d Street, N. W.,  
Washington 25, D. C.  
Gentlemen:

The data, views and comments herein are submitted in response to the seventh paragraph of Securities Exchange Act Release

No. 4669, dated Jan. 31, 1952. It is realized that, except for a comparatively insignificant increase in the cost of such photoduplications and certifications as the Exchange may from time to time order, the proposals do not represent any increase in expense to the Exchange itself. However, the Exchange is composed of members, member firms and member corporations who will be much affected. The Executive Committee of the Exchange has, therefore, directed me to express the opposition of the Exchange to the proposals.

After what we believe has been a thoughtful consideration of the proposals, we submit the following comments:

Strange as it may seem, the first thing we would like to do is commend the Securities and Exchange Commission, certainly not for the new fees but, particularly, for requesting comment from all people affected prior to a final decision. It seems more than possible to us that the SEC has no desire to become a collection agency and may well consider

Title V as an unwelcome mandate from Congress.

A review of the complete text of Title V of the Independent Offices Appropriations Act of 1952 makes it clear, after cutting through the legal wordage, that the Commission has discretion in regard to fees or charges. As we interpret the language in Title V not quoted in SEC Release No. 4669, it says, in so many words, that the head of each Federal agency is authorized, by regulation, to prescribe such fees and charges as may be fair and equitable, taking into consideration direct and indirect cost to the government, value to the recipient, public policy or interest served. Certainly, the Commission must look to all parts of Title V for its interpretation and conclusion. Because our industry already pays regulatory fees to the NASD, the stock exchanges and the various states in our Union, it would appear that the imposition of any additional charges are unreasonable and unjustified.

From the very inception of the Commission it has, in theory and in fact, been operating in the interest of the investing public. It is axiomatic that its support should come from the general revenues of the government.

These are the standards by which the agency must judge these proposed fees. We cannot believe that Congress intended that Title V should mean an increase over the present fees, for the very obvious reasons that it would not be fair and equitable and would create a situation where our small industry would be bearing too great a portion of the expenses of a bureau set up for the public benefit.

To one who has no specific information and knows only what he reads in the newspapers, it would seem that this Congressional policy must be related to the struggle between the Executive and Legislative branches of the government to pare the cost of operating the government. If this is so, the results are nothing more than another hidden tax. It should not be naive to expect that efforts to economize should be forthright, that there should be an actual cost-saving in order to benefit our tax-burdened economy.

Living up to one's income is a habit most of us find easy. The history of governmental bodies and municipalities proves such agencies do it with equal or greater facility. We earnestly believe that the Commission has been conscientious and, at times, handicapped as far as its budget is concerned. It is only fair to mention the highly critical Hoover Report which said that the SEC was a government bureau functioning at its best. Nevertheless, we believe that no government agency should be donated the argument before the Appropriations Committee by which it might say that it is a self-supporting agency and, therefore, an increase in the appropriation it sought could make no difference in the cost of government. Covering receipts into an equivalent appropriations out of the General Fund of the Treasury of the United States are just bookkeeping transactions; the ultimate cost of the thing "... performed, furnished, provided, granted, prepared, or issued by any Federal agency ..." is an expense paid out of the pockets of the people.

We have not heard of any other Federal agency proposing a similar schedule within the jurisdiction of such Federal agency. It is our view that the Commission should abandon its proposal to put the fee schedule described in the Release into effect.

Very truly yours,

JAMES E. DAY,  
President



G. Keith Funston



James E. Day

**H. RUSSELL HASTINGS**  
President of National Security  
Traders Association, Inc.

*Editor's Note: In a letter addressed to all NSTA Affiliate Presidents under date of Feb. 8, notice was given that the Executive Council had determined that the NSTA should take a definite stand against the SEC proposal. The decision was made on the basis of a poll of the Council taken at the suggestion of President Hastings, who is associated with Crouse & Co., Detroit. Moreover, according to John W. Bunn of Stifel, Nicolaus & Co., Inc., St. Louis, who is Secretary of the Association, letters of protest have been sent directly to the SEC "from our 30 different Affiliates."*

*Following is text of the NSTA letter of Feb. 8.*

To All Affiliate Presidents—  
Your attention is called to the Securities and Exchange Commis-



H. Russell Hastings John W. Bunn

sion Release, dated Thursday, Jan. 31, 1952. Attached you will find an excerpt taken from this release.

It was the suggestion of Mr. H. Russell Hastings, President, that the Executive Council be polled in regard to the attached SEC Proposal. The purpose was to determine what stand the NSTA should take, if any, regarding this Proposal.

This poll was accomplished and the consensus of the Executive Council was that NSTA should take a definite stand against the Proposal. It is therefore suggested that each Affiliate President call a special meeting of their Officers and Directors, or use any other method you deem best advisable, to discuss the Proposal and take immediate action in seeing that this information is disseminated throughout your entire membership.

Our interest is confined principally to Rule X-15B-7-Registration and Filing Fees for Brokers and Dealers.

The last paragraph of the Proposal calls attention to the fact that all data, views, and comments regarding this Proposal must be in writing and received by the Securities and Exchange Commission, 425 Second Street, N. W., Washington 25, D. C., on or before Feb. 20, 1952.\* Therefore, due to the time limitation, it is suggested you direct your membership to send all data, views and comments via Air-Mail in order to reach the SEC Office before the above mentioned date.

Let's go all out to defeat this Proposal.

**JOHN W. BUNN**  
Secretary

\*Editor's Note: Subsequent to issuance of the NSTA letter, the SEC extended time limit for receipt of comments to March 10.

**H. WARREN WILSON**  
Chairman,  
District No. 13 Committee of  
National Association of Securities  
Dealers, Inc.

*Editor's Note: We give here-with text of a letter, dated Feb. 20 and signed by Chairman Wilson, which was addressed to members of District No. 13 of the NASD which*

*comprises the States of New York, New Jersey and Connecticut. Mr. Wilson is a Vice-President of the Union Securities Corp., New York City.*

To Members of the National Association of Securities Dealers, Inc., in District No. 13:

On Feb. 6, 1952 the Association forwarded to you a copy of the proposal of the Securities and Exchange Commission to impose certain fees and charges under authority which they claim is granted to them by the Independent Offices Appropriation Act, 1952. The covering letter contained a request that each member promptly write to the Commission, his Congressman, and other appropriate public officials, expressing his opinion as to the assessment itself and also as to the far reaching effects of the whole proposal.

The District Committee strongly urges that such letters be sent as requested, and that copies be forwarded to the Association's Executive Office, 1625 K Street, N. W., Washington 6, D. C. It is the hope of the Committee that every dealer in District No. 13 will not only make it a point to state his reactions to this proposal, but also give his reasons for them.

The subject of fees and assessments to be levied by government agencies has been analyzed in an article by J. A. Livingston, special feature writer for "The Washington Post." A copy of his article is attached for your information.\*

For your further information and convenience, there are also attached the names of the U. S. Senators and Representatives for the States of New York, New Jersey and Connecticut. You will probably recognize the Congressman from your district.

Very truly yours,  
**H. WARREN WILSON**, Chairman

\*Editor's Note: Mr. Livingston's article is given on page 6 of this issue of the "Chronicle."

**HARRY L. ARNOLD**  
President of The Security Traders  
Association of New York, Inc.

*Editor's Note: Following is text of a letter sent to the SEC by The Security Traders Association of New York, Inc., under date of Feb. 19. The letter was signed by Association President Harry L. Arnold, who is associated with Goldman, Sachs & Co., New York City.*

Hon. Harry A. McDonald,  
Chairman,  
Securities and Exchange  
Commission,  
425 2nd Street, N. W.,  
Washington, D. C.

Dear Mr. McDonald:

In reference to the proposed charges in release No. 3433 under the 1933 Act, dated Jan. 31, 1952, regarding broker-dealers.

The Security Traders Association of New York, Inc., membership 630, representing firms occupied in every phase of the industry, believe that this proposal is basically discriminatory.

Our contributions at present supporting the activities of a self-regulating body and we are of the opinion that governmental agencies should function within the limits of their Congressional appropriations.

The proposed tax does not appear to be a service charge, but

rather a levy for the privilege of being regulated. The implications of these taxing powers, at the discretion of all governmental agencies, are of great concern to all Americans.

Under the new system the taxing powers once delegated to an elected Congress could pass into unscrupulous hands.

With your deep-rooted knowledge of the securities industry and the things that really make America, I have a feeling that you are in accord with our thoughts.

Very truly yours,  
**HARRY L. ARNOLD**,  
President.

**HON. NORRIS POULSON**  
U. S. Congressman from California

Thank you for your analysis of the proposed amendment to the Independent Offices Appropriations Act of 1952 as contained in Title V. I am glad to be warned of this because I have found out that in every possible way the Administration has been trying to circumvent the Constitution both as to levying taxes and appropriating money. The best example of this, of course, is the Authorities which the Administration proposes. I will be on the lookout for this legislation and will be prepared to vote against it.



Hon. Norris Poulson

**W. W. CUMBERLAND**  
Partner, Ladenburg, Thalmann  
& Co., New York City

Your argument concerning the SEC fee proposal is powerful, and in my opinion it is unanswerable. Certainly the canons of taxation are grievously violated when a regulating body has or assumes the power to tax those which it regulates.

You are serving the entire financial community when you raise objection to such procedure.

**HON. THURMOND CHATHAM**  
U. S. Congressman from  
North Carolina

I have read with great interest your editorial, entitled "Closing In!" I will discuss it with one of my colleagues from North Carolina, Honorable C. B. Deane, who is a member of the Banking and Currency Committee.

I agree with your conclusions and assure you that I will give the matter my personal attention.

**HON. ZALES N. ECTON**  
U. S. Senator from Montana

As I am not a member of the Independent Offices Appropriation sub-committee, I did not have the benefit of the discussion which led to the adoption of Title V of the Act, although at that time its soundness and practicality seemed doubtful to me.

It is my belief that bureaucratic control has already extended itself too far into the private enterprise system, of which America has been proud and under which it became the greatest nation on earth, and therefore I have consistently fought against any further encroachments.

The problem to which you refer cannot be solved unless those

most directly affected, with alertness and firmness demand a hearing before the sub-committee concerned to see if a meeting of minds is not possible. Only in that way can a recurrence be prevented. Congress has already gone too far in delegating its authority.

**HON. PORTER HARDY, JR.**  
U. S. Congressman from Virginia

With all the other matters confronting me, it has not been possible to become intimately acquainted with the detailed operations of the Securities and Exchange Commission. For this reason I am not able to personally evaluate the full significance of all the arguments which you have made concerning the SEC's proposals for legislative enactment in the pending appropriations bill. As a matter of principle I find myself in agreement with some of the broad general policy statements included in the editorial, and I wish I felt qualified to comment upon them as they relate to the matter under discussion.

**FROM A BOSTON DEALER**

[Name withheld on request.—Ed.]

Congratulations on your editorial entitled "Closing In!" There is no question but that your reaction to the proposed levy of registration fees on brokers and dealers by the SEC reflects the attitude of the vast majority of investment dealers.

I am the head of a small investment house, and am a member of one of the regional stock exchanges. This business was started by me over 25 years ago. We weathered the panic of 1929 and struggled through the depression years of the '30s. I have always looked forward to the day when the earnings of my firm would permit a steady increase in net working capital, but beginning in 1943, when the so-called "yardstick" on over-the-counter markups was applied, it became obvious to me—barring some miracle—the earning power of my firm or any similar firm would remain fixed against the rising tide of operating costs.

Ten years ago it was necessary for my firm to gross \$5,000 a month to break even. Today, a gross of \$15,000 is necessary to achieve the same result, and yet the number of office help, facilities, etc., are approximately the same as 10 years ago. If it becomes necessary for me to pay an annual fee to the SEC, which I estimate in my case will run to around \$2,000, I will have no alternative but to release from my employ several of the salaried clerical staff and a number of salesmen who have grown old in my service and whose earning power today is reduced from the years of their prime.

**TOWNLEY W. BALE**

Resident Partner,  
Dean Witter & Co., Seattle, Wash.

*Editor's Note: Mr. Bale has furnished the "Chronicle" with a copy of his letter of Feb. 23 to Sen. Warren Magnuson, the text of which is reproduced herewith.*

Sen. Warren Magnuson,  
Senate Office Building,  
Washington, D. C.

Dear Senator Magnuson:

The proposal of the SEC to implement the Independent Offices Appropriations Act of 1952 with an annual registration fee to be imposed on brokers and dealers and their selling employees, appears to be a brazen encroachment on the taxing power of Congress and a dangerous precedent counter to the basic spirit of the Constitution.

To allow a government regulatory bureau to tax those over whom it has jurisdiction is a further threat to our American

enterprise system which, in the long run, could have far-reaching and damaging effects.

I hope that you, as my representative in Congress, will exert your influence to stop this un-American encroachment on your power to tax. Such power in the hands of bureaucracy could destroy the industrial and financial power of America. Your active consideration of this matter will be appreciated.

**FROM A SAN FRAN. DEALER**  
[Name withheld on request.—Ed.]

*Editor's Note: The dealer in question has furnished the "Chronicle" with a copy of his letter of Feb. 18 to Sen. William Knowland of Calif., the text of which follows:*

The Hon. William F. Knowland,  
Senate Office Building,  
Washington, D. C.

Dear Senator Knowland:

I have before me a notice of "Proposal to adopt and amend rules with respect to fees and charges by the Commission," sent to us by the Securities and Exchange Commission. I have always been under the impression that under the Constitution of the United States, taxes were levied by the duly elected representatives of the people in cities, counties, states and in the instance of the Federal Government itself. Now comes the Securities and Exchange Commission, quoting the "Independent Offices Act of 1952" and citing the provisions of Title V of that Act in a manner that to my untrained mind is as tortured a construction as I have ever seen. Here is the quotation:

"It is the sense of the Congress that any work, service publication, report, document, benefit, privilege, authority, use, franchise, license, permit, certificate, registration, or similar thing of value or utility performed, furnished, provided, granted, prepared, or issued by any Federal agency . . . to or for any person (including groups, associations, organizations, partnerships, corporations, or businesses) except those engaged in the transaction of official business of the government, shall be self-sustaining to the full extent possible. . . ."

I suppose it is possible to believe that a Federal hangman under this title might charge the culprit a fee for hanging him. I suppose we might go back to the time of the Middle Ages when criminals were charged board while held in jail. Possibly we may see traffic officers charging automobile owners a direct fee.

If there be any benefit for brokers, dealers and their employees in the work done by the Securities and Exchange Commission, I have, for nearly twenty years, failed to observe it. The Securities and Exchange Act was supposed to have been written for the protection of investors and the public, and not for the benefit of dealers in securities. It is a twisted construction to imply that brokers, dealers and their employees are protected or benefited. The proposed action is reminiscent of the late and unlamented Nero, and I respectfully call to your attention the language of Mr. Justice McReynolds in his dissent to the ruling of the Supreme Court of the United States anent the "Gold Clause" in the United States Government Bonds.

I further call to your attention the fact that if the Commission has a right under this Act to charge—at its own pleasure—a fee of \$50 annual registration charge, payable by brokers and dealers, that there is nothing in the world to stop it from charging \$500, \$5,000, \$500,000 or \$5,000,000 for registering.

The amount of money presently involved is fundamentally of

Continued on page 46

## Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

The majority of current brokerage house and market letter opinion seems to be that a bear market is immediately ahead. For all I know they may all prove right. But if they are it will be very rare.

As I write this, prices are dull, drifting and pointing nowhere in particular. The news is a combination of the good and the bad. Some market authorities stress that important resistance points have been broken. The fears of stepped-up selling to provide funds for tax payments March 15 are also part of the general Street opinion. Korea has slipped a little out of the limelight. Some feel if a genuine Korean truce is agreed upon it will be the end of the huge armament program. Others consider the extension of the Korean war equally disastrous.

The national elections are coming in for a kicking around. The arguments go something like this: If the

Republicans win inflation will be over; deflation will set in. If the Democrats stay on, the planned economy will handcuff industry and business to such an extent that a major depression will be the logical outcome.

Which will be right only time will show; but the chances are that neither will be. I doubt what may actually occur can be accurately foretold.

In the meantime the market beleaguered by all the conflicting theories, beliefs and opinions is drifting, with selling apparently slightly larger than the buying, though neither seems particularly significant.

Last week I wrote here that I thought reactions should be used as a springboard to get into the market on the long side. Last week's decline created an opportunity to get in, rather than to get out. I've seen nothing in the past few days to make me change my mind.

Incidentally here's a piece of Amer. Tel and Tel. news you might be interested in. Don't be too surprised if there's a split of the common in the not too distant future. Also the New York 10c local call rate will probably become national. If you want to know if these things, if and when they happen, will mean higher prices for the stock, I'm afraid you'll have to decide that for yourself. In the past, however, such events were enough reason for healthy advances.

[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.]

### Chase, Meyer, Barnett Open D. C. Branch

Chase, Meyer, Barnett & Co., members of the New York Stock Exchange, announce the opening of a Washington, D. C. office at 1010 Vermont Avenue, N.W., under the management of Philip P. Friedlander.

### With Waldron & Co.

(Special to THE FINANCIAL CHRONICLE)  
SAN FRANCISCO, Calif.—Herbert R. Lee has been added to the staff of Waldron and Company, Russ Building.

### Hamilton Management Adds

(Special to THE FINANCIAL CHRONICLE)  
DENVER, Colo.—Isaac E. Alford has been added to the staff of Hamilton Management Corporation, 445 Grant Street.

### With First So. Investors

(Special to THE FINANCIAL CHRONICLE)  
BOYNTON BEACH, Fla.—David J. Blatt and Walter B. Sharp have become connected with First Southern Investors Corporation, 524 Jasmine Street.

### Joins King Merritt

(Special to THE FINANCIAL CHRONICLE)  
ST. PETERSBURG, Fla.—Juanita M. Smithe is now associated with King Merritt & Co., Inc.

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## The Coy Maiden?

minor importance. The principle involved is of terrific importance. "Upon what meat does this, our Caesar, feed that he is grown so great?"

Please do not underrate the issues involved.

H. P. PRATT

H. P. Pratt & Co.,  
Seattle, Wash.

Editor's Note: Mr. Pratt has made available to the "Chronicle" and others a copy of his letter of Feb. 21 to Congressman Henry M. Jackson of Washington, text of which follows:

Dear Mr. Jackson:

May we trouble you to receive our views relative to the proposed taxation of investment brokers and dealers by the U. S. Securities and Exchange Commission, under alleged authority created by Title V of the Independent Offices Appropriations Act.

As you learned at the groundbreaking ceremony of the Lake City Sewer District last Tuesday, Feb. 19, we are the financial advisers for said District and if its pending bond sale is consummated as anticipated, will receive a moderate fee for our five years' work in its behalf. However, this will be purely a personal service item and not a gain as investment dealers. We worked very hard all of 1951, but unprofitably.

This may not be a universal condition in our industry but we know it is not uncommon. In other words, the industry as a whole is in no position to stand any more imposts.

Furthermore "the power to tax is the power to destroy." If the Commission is permitted to proceed with the proposed bureaucratic imposition of this tax, in our opinion it will constitute another step in the destruction of the American free enterprise system.

We deal almost exclusively in municipal bonds and could without sacrifice resign from the National Association of Securities Dealers (thereby removing ourselves from the jurisdiction of the SEC) and confine our business solely to municipals, which we plan to do if the proposed tax is imposed. However, we do not want to be forced to such procedure.

We cannot believe that Congress intended to delegate its taxing power in Title V and we beg of you that you join in an effort to repeal same.

Sincerely yours,

HPP:W

H. P. PRATT & COMPANY  
cc—John J. Hasfurther, Spokane.  
cc—Murray Hanson, Washington, D. C.  
cc—Editor—Commercial and Financial Chronicle, New York.

### HON. HAROLD C. HAGEN

U. S. Congressman from Minn.

I agree with you and support your views and your position and I will act accordingly at every opportunity. Keep up the good work you are doing.

### FROM A N. Y. CITY DEALER

[Identity not revealed.—Ed.]

I have read your editorial, "Closing In," and I congratulate you for showing clearly what a tragedy the acceptance of the SEC proposal to tax brokers and dealers would be to the security business.

Benjamin Franklin said, "They that can give up essential liberty to obtain a little temporary safety deserve neither liberty nor safety." This saying must be

taken to heart, and it is time for the securities dealers and brokers to sign a new Declaration of Independence and refuse to pay the tribute requested.

Some of the members of the SEC do not even believe in the necessity of stock exchanges or in the American system of free enterprise; this motley crowd would like to kill the security business as it now exists and have the securities dealers and brokers pay for the hand that will throttle them.

The SEC Act was conceived in inequity; it judges a man guilty until he proves he is innocent; whereas under our system of law, a man is considered innocent until he is proven guilty. How long must brokers or dealers be subjected to this travesty of justice?

### FROM A N. Y. STATE DEALER

[Name withheld on request.—Ed.]

I want to express my appreciation for the publicity your paper is giving to this proposal of the SEC to tax brokers and dealers \$50 a year.

As a member of the NASD I have already registered my disapproval of this proposal as most unjust with the executive office, and, in addition to this, I have written to one of the Board of Governors of the NASD urging his cooperation.

I have recently received some supplementary data from the SEC relating to the cost of dealer registration, etc.

I trust you may continue to keep after this most unfair measure and am sure that you will have the appreciation of all dealers like myself.

You will please not divulge my name.

LEO V. RYAN

Leo V. Ryan & Co., N. Y. City

Editor's Note: Mr. Ryan has made available for publication in our columns a copy of a letter sent by him under date of Feb. 14 to the NASD. Text of the letter follows:

We have your letter of Feb. 9, 1952 inviting members to present their views with respect to Release No. 3433 issued by the Securities and Exchange Commission in regard to the imposition of annual fees on all registered brokers.

We wish to go on record in opposition to the proposal of the SEC because they render no service to us. It seems to us that this regulatory body was set up to safeguard the public (against us) and while we have no comment to make as to how they discharge their responsibility, they certainly do not render us any service—quite the contrary.

We have been members of the NASD since its inception and like all members we pay our dues, in return for which we should expect some service. It may take the combined efforts of organizations such as the NASD to defeat this proposal and we submit that now is an excellent time for the NASD to go to bat not only for their members but to justify their own existence. We do not wish to be critical of the NASD but we do believe there have been times in the past when NASD has done little or nothing for its members.

In closing we wish to say that the proposal of the SEC is, in our opinion, unjustified either legally or morally and the NASD should put forth its best efforts to see to it that this proposal is defeated. In this way you will be earning the fee which you charge your members.

Very truly yours,  
LEO V. RYAN & CO.

VINCENT C. WEBER

V. C. Weber & Co., St. Louis, Mo.

Enclosed is a copy of a letter I have sent to United States Senators Kem and Hennings of Missouri. A copy of this letter was also sent to the Securities and Exchange Commission in Washington, D. C.

If you care to publish this letter in your periodical, please do not hesitate to do so. You may feel free to use my name and address if you decide to publish it.

Dear Senator:

Enclosed is a copy of a Securities and Exchange Release, dated Jan. 31, 1952, proposing new rules and amending existing rules with respect to fees and charges made by the Commission.

I should like to call upon you to exert your worthy efforts to prevent these proposals from being adopted.

Being in the Investment Business, any opinions I should express would appear biased. Actually, my company would come under the category of Broker-Dealer as covered in subparagraph four of the new rules. Being a small business, the actual cost to me would probably be less than \$100.00 a year. Although this is not a small amount, my main concern lies elsewhere.

Here again is a striking example of the extent to which the rights of the individual are being infringed by the Bureaucracy of our Government. While reading the release many questions came into my mind to which I do not know the answers. The very wording of the release frightened me. "Notice is hereby given—etc." It certainly sounds like the decree of some Dictatorial Power.

What voice do I, as an individual, have in this matter? The last paragraph of the release states, "All interested parties may submit data, views and comments in writing to the Securities and Exchange Commission," etc. Is this a special privilege granted me by the Supreme Power? Is there ever any question that an American Citizen couldn't express his views? What influence, if any, will my views have on the ultimate decision? The effective date of the new rules has already been tentatively set. You know the answer better than I.

It is my understanding that the Commission was established for the protection of the general investing public; a service provided by the Government to benefit all American Citizens. Shouldn't the cost, therefore, be borne by all citizens? Shouldn't the cost be paid from general taxes?

I do not pretend to be an authority on Governmental matters but it has been my understanding from grammar school days that the power to tax rests in the Congress. Has this authority been delegated to the SEC? Was it the intention of Congress in passing the "Independent Offices Appropriations Act of 1952" to delegate their exclusive right to raise revenue? Profound thought on the "Title V" of this Act, and the extent to which it can be abused to augment Bureaucratic power leads one to the obvious conclusion that repeal is essential.

I understand that you intend to be in St. Louis shortly for the purpose of holding interviews with citizens interested in Governmental matters. I hope to be able to visit with you at that time to discuss this matter further.

Yours very truly,  
VINCENT C. WEBER

Copy: Securities & Exchange Commission

425 Second St., N. W.  
Washington 25, D. C.

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## THOMAS, HAAB & BOTTS

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**FROM A CHICAGO DEALER**

[Name withheld on request.—Ed.]

You are certainly to be highly commended for the valiant fight you are making on behalf of the securities dealers of the country. The article in your issue of Feb. 7 is so well written and the case against this additional wholly unfair usurpation of power by the SEC so strongly made that I urge you to send a copy of your article to every Senator and Congressman.

In this connection I herewith enclose copy of a letter I wrote last week to Sen. Harry F. Byrd. This same letter was sent to 11 Senators and one Congresswoman, Mrs. Marguerite Church. I also requested friends of mine in the securities business to do likewise.

Some of the men to whom I wrote, in addition to Senator Byrd, were Senators Taft, Dirksen, George, Russell, Douglas, Capehart and Ferguson, in the hope that among these very influential Senators two or three might be willing to act in this case as protectors for the securities dealers. If you can suggest anything else I can do that might prove helpful, I shall be glad to have you do so.

The dealers of this country are deeply indebted to you for this and other fights you have made in their behalf. As for myself, I feel much obligated to you.

*Editor's Note: Text of the letter mentioned by the above correspondent is as follows:*

Sen. Harry F. Byrd,  
Senate Office Building,  
Washington, D. C.

Dear Senator:

This letter is for the purpose of entering a protest against the proposal of the Securities and Exchange Commission to levy a tax on all brokers and dealers in investment securities. This tax would work quite a hardship on many of the smaller dealers who are now struggling to keep going. For many years the small dealer has had a hard row to hoe, and this proposed tax would just serve as one more burden to his already heavy load.

I don't know how you feel about this matter, but I am sure that if you knew how difficult it has been for many small dealers to stay in business since the Federal Government began to plague them with multitudinous restrictions and heavy additional costs you would do everything in your power to prevent the SEC from levying the above-mentioned tax.

**FROM A SO. CARO. DEALER**

[Name withheld on request.—Ed.]

Let me congratulate you on your editorial of Feb. 7 and also for the fight that you have been making against the NASD and the SEC.

The writer has been in the securities business in a small way for 39 years and ever since the inception of the SEC legislation has been doing all he can to point out the un-American and Socialistic dangers of this legislation.

The securities business is the heart of the capitalistic body. If the heart is impaired, then the body cannot function, and without a steady flow of new securities the capitalistic system dries up and dies.

We do not know whose idea it was to foster this legislation when it was concocted, but we do know that Alger Hiss and his cohorts were very influential in Washington at that time. Their ideas could easily have been taken up by an innocent dogooder. In any case, this legislation has done more to foster Socialism in this country than any other.

There never was a need for such laws. Fraud has always

been punishable in this country. No other industry is so hampered with restrictions as ours. In no other industry are you forced to belong to a policebody as the NASD to do business with fellow Americans. Certainly, the food business is more important to the public than securities, but even here you have no such legislation.

Keep up your good fight.

**LESLIE B. d'AVIGDOR**

**D'Avigdor Co., New York City**

May I take this opportunity of congratulating you for your views about the proposed SEC fees to be levied on the investment fraternity.

I feel this is one of the last straws which our tax-seeking authorities could seize upon. It would be just as presumptuous for relief authorities to collect for their bureaus from the recipients of their dispensations. The issue is clear; we have a topheavy government which is at a sore loss to discover new means to support the beneficiaries of their political patronage and, through this very attempt, are confessing the failure of Socialism.

P. S.—We have poured \$30 billion into Britain's socialism and they seem to be worse off than ever.

*Editor's Note: Mr. d'Avigdor has furnished us with a copy of a letter he sent to the SEC under date of Feb. 19, text of which follows:*

The Securities and Exchange Commission,  
425 Second Street, N. W.,  
Washington 25, D. C.  
Gentlemen:

Your release of Jan. 31, 1952, in which you plead for the imposition of certain fees and charges to be levied on the financial community in return for certain services which you have, thus far, furnished gratis as a Federal agency, leaves us extremely sympathetic for your position.

Your honorable body was created through an Act of Congress for the express purpose of protecting the public from many of the abuses which had taken place in the past. In other words, to establish law and order in the investment business. The taxpayers are the logical ones to support the expenses of enforcement, not those upon whom you wield authority.

Since your Commission is devoted to the principle that both the public and the investment firms are entitled to (and have received) a fair deal, we consider it an asterized shame you have to join other more wasteful and overstuffed Federal agencies in seeking self-support.

You are, in effect, victims of the tremendous waste in government which accounts for over 2,400,000 civilians on the government payrolls and, I am given to understand, plans call for another 600,000. Lest you think this is too much of an indictment, our Federal Government spent 74 times more to plan our lives in 1949 than it did to make and enforce our laws. The ratio has most probably increased by now. In view of the current government budget of \$72 billion, and taking into consideration the ratios cited above and the many Federal agencies involved in addition to yours, it would seem to us that the proposed rules are an unconscionable burden on a combined group numbering but a few thousand.

Through the Maloney Act, we already have established a self-policing, assessment-supported organization among us, namely, the National Association of Securities Dealers, which operates under your Commission's supervision, so

why duplicate the brokers' burdens?

In conclusion, we regret (we hope with you) that the ever-encroaching tentacles of our paternalistic government, reaching for our rights of enterprise make us realize once more that "the power to tax also involves the power to destroy."

Yours very truly,  
**d'AVIGDOR CO.**

**H. LYMAN HOOKER, M.D.**

**New York City**

The writer is among a host of others who appreciate and endorse your comments in the Feb. 7 issue on the proposal of the SEC to implement Independent Offices Appropriation Act in the Commission's favor. It is high time the public be aroused to the serious situation confronting this country in the gradual whittling away of our personal freedom.

The Securities and Exchange Commission was created by Congress for the protection of the public and now the SEC proposes that it be allowed to levy a tax under the guise of a self-sustaining Commission.

One may well ask how many Independent Offices, Commissions or Bureaus of the government are self-sustaining.

Your statement that "It is clear to us that Congress does not have the Constitutional right nor did it intend to delegate its taxing power or to create any class legislation" should be drawn to the attention of members of Congress in reference to the latest proposals of the SEC.

We are in urgent need of common sense and common honesty in places high and low.

**L. W. RICHARDSON**  
**East Texas Investment Company,**  
**Tyler, Texas**

We have just read a copy of the "Notice of proposal to adopt and amend rules with respect to fees and charges by the Commission." We are small, our chief business is in Texas municipal bonds and the firm is composed of my brother and I as partners, two salesmen, and our office manager. We have always handled a few investment trusts as a sideline, believing that the investments are good and finding the extra \$100 or \$150 a month helpful. In order to sell investment trusts, it was necessary that we become a member in the NASD.

The continued increase in taxes by reason of fees, licenses, etc., on a basis whereby a small dealer handling a few thousands in securities per month is charged the same basic fee as a dealer handling millions, tends to create a monopoly and forces the small dealer to pay an unjust proportion of the cost or go out of business. We know of many individual dealers in Texas who handle nothing but investment trusts and make from \$300 to \$400 a month. Should they be required to pay an additional \$50 for the privilege of staying in business when the larger dealer with a profit of thousands of dollars per month is assessed the same basic \$50? In our particular case, after paying Federal income taxes, overhead, NASD fee, state license fees, and now the additional proposed SEC fees and charges, it is doubtful that the small additional income we are making by reason of the investment trust business justifies the expense and red tape.

Regardless of what they call the charge, it is just another tax on a most inequitable basis.

**FROM AN ALABAMA DEALER**  
[Name withheld on request.—Ed.]

I wish to thank you most heartily, also my entire organization,

for the frankness of your opinion on the SEC proposal.

I presume, as a small town dealer/broker, my little say would not amount to very much to those in power, but if 80% of the dealers would show their interest in writing you, possibly your efforts would not be in vain.

With the fees that we are charged with yearly by the NASD, it seems most unreasonable for the SEC to even try to obtain an extra \$50 from a dealer and \$10 from each salesman. We are in business to do the public a service, for which we receive fair compensation as other types of business do, but if those with power seek to drain dealers many of them may fall by the wayside or feel that they should just quit.

We already have too much improperly delegated taxation and I am afraid, if it should continue as per the present SEC proposal, it would keep a lot of good men out of this much needed financial profession and drive some already in the business, entirely out of it through fear and discouragement.

Again, let me express our thanks to you and your associates for the battle that you are waging and have been for many years in the interest of our profession.

Kindest regards and sincere good wishes in your battle for more freedom to all the brokers and dealers.

P. S.—I do not care to have my name revealed.

**LEO L. MAK**

**Leo L. Mak, Inc., Waterloo, Iowa**

We are extremely pleased to read your comments relative to the proposed ruling by Securities and Exchange Commission in connection with fees to be charged brokers and dealers in investment securities. We agree wholeheartedly.

We have written our Senators and Congressman asking them to defeat the proposal by Securities and Exchange Commission.

If the proposed ruling is equitable, the Agriculture Department could charge every farmer in the nation a fee for operating his farm. The Commerce Department could charge every grocery store a fee for the right to operate the business.

We now pay an annual fee to the State of Iowa of \$25. They require a bond, so we pay \$75 for a bond. We pay \$30 a year to the National Association of Securities Dealers. Now, if we pay \$70 to the Securities and Exchange Commission we, the smallest unit in the investment business, will be paying \$230 annually for the privilege of staying in business.

We believe the proposed rule is discriminatory, unfair, unwise and inequitable.

**FROM A MISSOURI DEALER**

[Name withheld on request.—Ed.]

This firm is very much in agreement with your viewpoints as expressed in your editorial under date of Feb. 7.

In 1929 we had more than 214 Investment Dealers in [name of city deleted—Editor], whereas today there are only 60 remaining, including one-man Dealer firms. The mortality has been terrific and it is slowly continuing—only last week another small firm closed shop.

We are in favor of the SEC and the NASD, and believe in an honest form of regulation and supervision, but not to the extent of where the Dealers are gradually being put out of business. The continued assessments being forced upon us is constantly on the uptrend, and the casualty list

is constantly increasing. We are only a small firm, have been in business many years, but I am afraid we cannot stand the pressure forever.

**GORDON MICHIE**

**San Francisco, Calif.**

*Editor's Note: At a recent meeting in San Francisco of several hundred investment dealers, Mr. Michie introduced a resolution calling upon Congress to repeal the measure on which the SEC fee proposal is based. The resolution, which was overwhelmingly endorsed reads as follows:*

"Be it resolved, that this Western conference of mutual fund representatives of the savings of approximately a million United States citizen investors petition the Congress to repeal forthwith, Title V of the Independent Offices Act of 1952, wherein the authority to tax, conferred upon the Congress by the Constitution, has been abrogated and delegated to the several departments and commissions without limit; and that the chairman of this meeting be authorized to send a copy of this resolution to every member of the United States Congress."

**WINFRIED H. OPPENHEIMER**

**Partner, Oppenheimer, Vanden Broeck & Co., New York City**  
**Members New York Stock Exchange**

*Editor's Note: The "Chronicle" has received copy of a letter sent by the above-mentioned firm on Feb. 16 to the NASD, text of which reads as follows:*

National Association of Securities Dealers, Inc.  
1625 K Street, N. W.  
Washington 6, D. C.

Attention: Mr. Clarence A. Bickel,  
Chmn. Board of Governors.

Gentlemen:

In reply to your Memorandum of Feb. 9 concerning Securities and Exchange Commission's Release No. 3433 proposing an assessment on the financial community to defray the cost of the operations of the SEC, we are astounded to see this attempt of double taxation made by a government agency. We can only subscribe to the article written by M. Ralph Hendershot, the financial editor of the New York "World-Telegram and Sun," on Thursday, Feb. 14, 1952.

We consider it preposterous that this agency should try to extract money from an industry which is already paying a fee on all sales made on a National Security Exchange. We see no reason whatsoever that this agency should attempt to not only double tax but triple tax a selected segment of the population:

The first tax is the normal tax everybody pays to support the gigantic, and in our opinion, to a great extent unnecessary, red tape bureaucracy in Washington. The second tax is the fee which has to be paid by everybody who is selling securities on a National Security Exchange. Now they propose a third tax, falling on those engaged in the security business.

We see no reason whatsoever for this and protest sharply against the audacity of such proposition.

If the Securities and Exchange Commission cannot live within its budget, let Congress cut down the size of the SEC or take care of it in a general way. The financial community was not asked when the Securities and Exchange Commission was created and, therefore, should not have to support something imposed on it.

# 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
<b>AMERICAN IRON AND STEEL INSTITUTE:</b>				
Indicated steel operations (percent of capacity).....Mar. 2	100.9	100.6	100.1	99.8
Equivalent to—				
Steel ingots and castings (net tons).....Mar. 2	2,096,000	2,090,000	2,079,000	1,995,000
<b>AMERICAN PETROLEUM INSTITUTE:</b>				
Crude oil and condensate output—daily average (bbls. of 42 gallons each).....Feb. 16	6,356,250	6,362,700	6,196,500	5,936,900
Crude runs to stills—daily average (bbls.).....Feb. 16	16,591,000	16,421,000	16,639,000	16,444,000
Gasoline output (bbls.).....Feb. 16	21,715,000	21,446,000	22,056,000	20,425,000
Kerosene output (bbls.).....Feb. 16	2,400,000	2,632,000	2,872,000	2,904,000
Distillate fuel oil output (bbls.).....Feb. 16	10,492,000	10,544,000	9,606,000	9,430,000
Residual fuel oil output (bbls.).....Feb. 16	9,178,000	8,907,000	9,121,000	9,209,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—				
Finished and unfinished gasoline (bbls.) at.....Feb. 16	140,921,000	138,896,000	131,310,000	134,598,000
Kerosene (bbls.) at.....Feb. 16	18,654,000	19,261,000	18,664,000	13,314,000
Distillate fuel oil (bbls.) at.....Feb. 16	57,272,000	60,308,000	69,783,000	49,420,000
Residual fuel oil (bbls.) at.....Feb. 16	37,421,000	37,799,000	39,716,000	39,874,000
<b>ASSOCIATION OF AMERICAN RAILROADS:</b>				
Revenue freight loaded (number of cars).....Feb. 16	737,609	733,724	747,662	740,557
Revenue freight received from connections (number of cars).....Feb. 16	686,790	687,030	676,675	717,538
<b>CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:</b>				
Total U. S. construction.....Feb. 21	\$222,118,000	\$233,505,000	\$167,130,000	\$223,777,000
Private construction.....Feb. 21	124,607,000	127,607,000	86,935,000	140,562,000
Public construction.....Feb. 21	97,511,000	105,898,000	80,195,000	83,215,000
State and municipal.....Feb. 21	59,910,000	61,718,000	52,464,000	61,169,000
Federal.....Feb. 21	37,601,000	44,180,000	27,731,000	22,046,000
<b>COAL OUTPUT (U. S. BUREAU OF MINES):</b>				
Bituminous coal and lignite (tons).....Feb. 16	10,500,000	10,585,000	11,330,000	10,685,000
Pennsylvania anthracite (tons).....Feb. 16	649,000	746,000	944,000	890,000
Beehive coke (tons).....Feb. 16	141,900	*147,000	148,000	155,600
<b>DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE = 100</b>				
.....Feb. 16	257	251	259	272
<b>EDISON ELECTRIC INSTITUTE:</b>				
Electric output (in 000 kwh.).....Feb. 23	7,460,763	7,439,767	7,616,421	6,833,000
<b>FAILURES (COMMERCIAL AND INDUSTRIAL)—DUN &amp; BRADSTREET, INC.</b>				
.....Feb. 21	177	125	142	127
<b>IRON AGE COMPOSITE PRICES:</b>				
Finished steel (per lb.).....Feb. 19	4.131c	4.131c	4.131c	4.131c
Pig iron (per gross ton).....Feb. 19	\$52.72	\$52.72	\$52.72	\$52.69
Scrap steel (per gross ton).....Feb. 19	\$42.00	\$42.00	\$42.00	\$43.00
<b>METAL PRICES (E. &amp; M. J. QUOTATIONS):</b>				
Electrolytic copper—				
Domestic refinery at.....Feb. 20	24.200c	24.200c	24.200c	24.200c
Export refinery at.....Feb. 20	27.425c	27.425c	27.425c	24.425c
Strait tin (New York) at.....Feb. 20	121.500c	121.500c	103.000c	183.000c
Lead (New York) at.....Feb. 20	19.000c	19.000c	19.000c	17.000c
Lead (St. Louis) at.....Feb. 20	18.800c	18.800c	18.800c	16.800c
zinc (East St. Louis) at.....Feb. 20	19.500c	19.500c	19.500c	17.500c
<b>MOODY'S BOND PRICES DAILY AVERAGES:</b>				
U. S. Government Bonds.....Feb. 26	96.81	96.77	96.43	101.20
Average corporate.....Feb. 26	109.60	109.79	109.24	115.63
Aaa.....Feb. 26	114.08	114.46	114.08	119.20
Aa.....Feb. 26	112.75	112.75	112.56	118.40
A.....Feb. 26	108.70	108.70	107.62	115.04
Baa.....Feb. 26	103.64	103.80	103.13	110.15
Railroad Group.....Feb. 26	106.04	106.39	105.17	112.93
Public Utilities Group.....Feb. 26	109.42	109.60	109.24	115.43
Industrials Group.....Feb. 26	113.70	113.70	113.50	118.60
<b>MOODY'S BOND YIELD DAILY AVERAGES:</b>				
U. S. Government Bonds.....Feb. 26	2.71	2.72	2.74	2.41
Average corporate.....Feb. 26	3.19	3.18	3.21	2.87
Aaa.....Feb. 26	2.95	2.93	2.95	2.63
Aa.....Feb. 26	3.02	3.02	3.03	2.73
A.....Feb. 26	3.24	3.24	3.30	2.90
Baa.....Feb. 26	3.53	3.52	3.56	3.16
Railroad Group.....Feb. 26	3.39	3.37	3.44	3.01
Public Utilities Group.....Feb. 26	3.20	3.19	3.21	2.88
Industrials Group.....Feb. 26	2.97	2.97	2.98	2.72
<b>MOODY'S COMMODITY INDEX</b>				
.....Feb. 26	432.6	433.8	456.4	530.0
<b>NATIONAL PAPERBOARD ASSOCIATION:</b>				
Orders received (tons).....Feb. 16	170,485	239,542	193,052	215,033
Production (tons).....Feb. 16	214,477	207,274	204,021	243,154
Percentage of activity.....Feb. 16	87	85	85	105
Unfilled orders (tons) at end of period.....Feb. 16	396,837	438,915	392,482	718,490
<b>PAINT AND DRUG REPORTER PRICE INDEX — 1926-36 AVERAGE = 100</b>				
.....Feb. 22	144.1	144.9	145.9	153.3
<b>STOCK TRANSACTIONS FOR THE ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON THE N. Y. STOCK EXCHANGE—SECURITIES EXCHANGE COMMISSION:</b>				
Odd-lot sales by dealers (customers' purchases)—				
Number of orders.....Feb. 9	34,010	38,909	40,248	44,487
Number of shares.....Feb. 9	958,859	1,104,620	1,122,380	1,332,109
Dollar value.....Feb. 9	\$43,568,177	\$50,511,207	\$64,174,482	\$57,290,522
Odd-lot purchases by dealers (customers' sales)—				
Number of orders—Customers' total sales.....Feb. 9	26,490	31,106	27,542	42,365
Customers' short sales.....Feb. 9	187	219	225	280
Customers' other sales.....Feb. 9	26,303	30,887	27,317	42,085
Number of shares—Total sales.....Feb. 9	737,406	875,269	770,803	1,209,250
Customers' short sales.....Feb. 9	7,817	8,382	7,701	9,850
Customers' other sales.....Feb. 9	729,589	866,887	763,102	1,199,400
Dollar value.....Feb. 9	\$31,373,509	\$37,700,924	\$32,714,977	\$50,604,718
Round-lot sales by dealers—				
Number of shares—Total sales.....Feb. 9	195,180	246,590	182,340	347,300
Short sales.....Feb. 9				
Other sales.....Feb. 9	195,180	246,590	182,340	347,300
Round-lot purchases by dealers—				
Number of shares.....Feb. 9	413,740	446,650	537,570	459,750
<b>WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR—1926 = 100:</b>				
All commodities.....Feb. 19	174.8	*175.4	175.9	183.8
Farm products.....Feb. 19	186.4	*187.4	188.9	203.7
Grains.....Feb. 19	192.0	190.7	196.4	192.3
Livestock.....Feb. 19	230.6	230.4	228.7	270.9
Foods.....Feb. 19	185.1	*185.5	186.2	187.7
Meats.....Feb. 19	239.8	239.6	264.3	274.3
All commodities other than farm and foods.....Feb. 19	164.2	*164.9	165.0	171.8
Textile products.....Feb. 19	153.1	156.8	157.8	181.0
Fuel and lighting materials.....Feb. 19	138.7	138.8	138.9	138.3
Metals and metal products.....Feb. 19	193.4	193.4	191.5	188.1
Building materials.....Feb. 19	222.5	*222.5	223.7	227.7
Lumber.....Feb. 19	346.6	*346.6	346.1	+
Chemicals and allied products.....Feb. 19	131.7	132.7	133.5	147.6

\*Revised. †Not available. ‡Includes 466,000 barrels of foreign crude runs.

**BANK DEBITS—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—**  
Month of December (in thousands).....\$129,549,000 \$117,212,000 \$125,435,000

**BUSINESS FAILURES—DUN & BRADSTREET, INC.—Month of January:**

Manufacturing number.....	143	131	132
Wholesale number.....	62	66	73
Retail number.....	348	296	410
Construction number.....	68	71	97
Commercial service number.....	50	48	63
Total number.....	671	612	775
Manufacturing liabilities.....	\$8,365,000	\$6,515,000	\$5,175,000
Wholesale liabilities.....	3,161,000	3,586,000	2,259,000
Retail liabilities.....	7,761,000	5,177,000	10,376,000
Construction liabilities.....	2,672,000	2,251,000	2,393,000
Commercial service liabilities.....	4,249,000	1,874,000	1,482,000
Total liabilities.....	\$26,208,000	\$19,403,000	\$21,685,000

**BUSINESS INVENTORIES, DEPT. OF COMMERCE NEW SERIES — Month of Dec. (millions of dollars):**

Manufacturing.....	\$41,957	*\$41,673	\$33,253
Wholesale.....	9,995	*10,035	9,384
Retail.....	18,310	*18,280	17,793
Total.....	\$70,262	*\$69,988	*\$60,434

**CASH DIVIDENDS—PUBLICLY REPORTED BY U. S. CORPORATIONS—U. S. DEPARTMENT OF COMMERCE—Month of December (000's omitted).....**  
\$1,805,000 \$224,000 \$2,138,700

**COAL EXPORTS (BUREAU OF MINES) — Month of December:**

U. S. exports of Pennsylvania anthracite (net tons).....	583,020	636,612	327,570
To North and Central America (net tons).....	309,369	357,076	276,399
To South America (net tons).....	—	2,777	—
To Europe (net tons).....	273,651	276,739	50,059
To Asia (net tons).....	—	20	—
To Africa (net tons).....	—	—	1,113

**EDISON ELECTRIC INSTITUTE:**

Kilowatt-hour sales to ultimate consumers—Month of November (000s omitted).....	27,478,655	27,031,933	24,673,060
Revenue from ultimate customers—month of November.....	\$488,364,700	\$477,607,800	\$440,961,000
Number of ultimate customers at Nov. 30.....	46,708,035	46,588,910	44,840,531

**PORTLAND CEMENT (BUREAU OF MINES)—Month of December:**

Production (bbls.).....	19,874,000	20,736,000	19,116,000
Shipment from mills (bbls.).....	11,790,000	18,001,000	12,477,000
Stocks (at end of month)—barrels.....	18,000,000	9,680,000	13,018,000
Capacity used.....	85%	93%	87%

**COPPER INSTITUTE—For month of Jan.**

Copper production in U. S. A.—			
Crude (tons of 2,000 pounds).....	83,208	*86,600	86,961
Refined (tons of 2,000 pounds).....	100,269	98,532	110,144
Deliveries to customers—			
In U. S. A. (tons of 2,000 pounds).....	\$130,430	\$119,577	108,122
Refined copper stock at end of period (tons of 2,000 pounds).....	\$60,836	\$71,528	54,883

**FACTORY EARNINGS AND HOURS—WEEKLY AVERAGE ESTIMATE — U. S. DEPT. OF LABOR—Month of January:**

Earnings—			
All manufacturing.....	\$66.79	\$67.36	\$63.76
Durable goods.....	71.93	*72.63	67.65
Nondurable goods.....	60.16	*60.45	58.53
Hours—			
All manufacturing.....	40.7	*41.2	41.0
Durable goods.....	41.7	*42.2	41.5
Nondurable goods.....	39.5	*39.9	40.2
Hourly earnings—			
All manufacturing.....	\$1.641	\$1.635	\$1.555
Durable goods.....	1.725	*1.721	1.630
Nondurable goods.....	1.523	*1.515	1.456

**MANUFACTURERS' INVENTORIES & SALES (DEPT. OF COMMERCE) NEW SERIES—Month of December (millions of dollars):**

Inventories:			
Durable.....	\$22,668	*\$22,205	\$16,359
Nondurable.....	19,289	*19,468	16,894
Total.....	\$41,957	\$41,673	\$33,253
Sales.....	21,263	22,267	21,048

**MONEY IN CIRCULATION—TREASURY DEPT.—As of Oct. 31 (000's omitted).....**  
\$29,206,000 \$28,809,000 \$27,741,000

**NEW CAPITAL ISSUES IN GREAT BRITAIN—MIDLAND BANK, LTD.—Month of January:**  
£5,587,000 £21,993,000 £28,089,000

**PERSONAL INCOME IN THE UNITED STATES (DEPARTMENT OF COMMERCE)—Month of December (in billions):**

Total personal income.....	\$257.1	*\$256.5	\$244.4
Wage and salary receipts, total.....	170.8	*170.7	155.9
Total employer disbursements.....	174.2	*174.3	158.9
Commodity producing industries.....	76.2	*75.1	70.8
Distributing industries.....	46.2	*46.1	43.6
Service industries.....	20.4	*20.5	19.6
Government.....	31.4	*32.6	24.9
Less employee contributions for social insurance.....	3.4	3.6	3.0
Other labor income.....	3.9	3.9	3.7
Proprietors and rental income.....	49.6	49.1	48.1
Personal interest income and dividends.....	20.5	*20.2	25.0
Total transfer payments.....	12.3	12.6	11.7
Total nonagricultural income.....	234.3	*234.8	223.4

**PRICES RECEIVED BY FARMERS — INDEX NUMBER — U. S. DEPT. OF AGRICULTURE — August, 1909-July, 1941=100—As of December 15:**

Unadjusted—			
All farm products.....	305	301	286
Crops.....	280	267	258
Food grain.....	253	249	233
Feed grain and hay.....	233	224	202
Tobacco.....	440	424	436
Cotton.....	339	345	339
Fruit.....	177	172	202
Truck crops.....	331	249	211
Oil-bearing crops.....	309	307	266
Livestock and products.....	328	332	311
Meat animals.....	379	387	360
Dairy products.....	314	305	272
Poultry and eggs.....	233	249	249

\*Revised figure. †Includes tonnages delivered from Government stocks. ‡Includes tonnages delivered to U. S. consumers at foreign ports.

# Securities Now in Registration

## • 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). Proceeds—For working capital and general corporate purposes. Office—501 Fifth Ave., New York, N. Y. Underwriter—R. H. Johnson & Co., New York.

## American-Canadian Uranium Co., Ltd., N. Y.

Dec. 28 filed 850,000 shares of common stock (par 10c). Company will offer stockholders who purchased 10,327 shares under an earlier registration statement at \$3.50 per share who desire to rescind the transaction, to cancel the transaction and refund \$3.50 per share, or to refund \$1.50 per share to those desiring to retain the stock. Price—\$2 per share. Underwriter—None. Proceeds—To repay loans and other liabilities and for exploration expenses.

## • American Cladmetals Co., Carnegie, Pa.

Feb. 13 (letter of notification) 1,480 shares of common stock (par \$1) to be issued to Charles T. Evans, Jr., upon exercise of stock options at \$1.25 per share. Price—\$1.68¾ per share. Proceeds—For working capital. Underwriter—George G. Applegate & Co., Pittsburgh, Pennsylvania.

## 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.

## • Arkansas-Missouri Power Co.

Feb. 18 (letter of notification) 22,641 shares of common stock (par \$5). Price—\$13.25 per share. Proceeds—For new construction. Underwriter—None.

## • Associated Seed Growers, Inc., New Haven, Conn.

Feb. 21 (letter of notification) 10,860 shares of common stock (par \$25). Price—\$25 to \$26.50 per share. Proceeds—To retire notes and reduce loans. Office—205 Church St., New Haven, Conn. Underwriter—Laird, Bissell & Meeds, Wilmington, Del.

## • Atlantic & Pacific Corp., Denver, Colo.

Feb. 19 (letter of notification) 250,000 shares of class A preferred stock (par one mill) and 250,000 shares of class B common stock (par one mill). Price—\$1 per share. Proceeds—For operating capital. 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.

## • Beckman Instruments, Inc. (3/13)

Feb. 21 filed 390,305 shares of common stock (par \$1) of which 75,000 shares are for account of company and 315,305 shares for certain selling stockholders. Price—To be supplied by amendment. Proceeds—For working capital and general corporate purposes. Underwriter—Lehman Brothers, New York.

## • Belle Island Corp., New York

Feb. 13 (letter of notification) 2,500 shares of capital stock (par 20 cents). Price—At market, but not less than \$3 per share. Proceeds—To Mrs. Helen E. Hupprich, the selling stockholder. Underwriter—Tucker, Anthony & Co., New York.

## Benbow Manufacturing Co., Burlingame, Calif.

Dec. 7 (letter of notification) 85,000 shares of capital stock (par \$1), of which 10,000 shares are to be offered first to stockholders and 75,000 shares offered publicly. Price—\$3 per share. Underwriter—None, but Davies & Co., San Francisco, Calif., acts as agent. Proceeds—To retire debt and for working capital. Office—1285 Rollins Road, Burlingame, Calif.

## 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.

## 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.

## • Cardiff Fluorite Mines, Ltd., Toronto, Canada

Feb. 21 filed 675,000 shares of common stock (par \$1). Price—\$1.25 per share. Proceeds—For development expenses and general corporate purposes. Underwriter—Frank P. Hunt & Co., Inc., Rochester, N. Y.

## • Central Airlines, Inc.

Feb. 21 (letter of notification) 2,000 shares of common stock (par \$1) and 500 shares of 5% cumulative preferred stock (par \$100). Price—At par. Proceeds—For equipment and operating requirements. Office—6109 Camp Bowie Blvd., Fort Worth, Tex. Underwriter—None.

## • Central Louisiana Electric Co., Inc. (3/4)

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; rights to expire on March 31. 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—\$29.50 per share. 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. Offering—To be made on or about March 4.

## 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

Continued on page 50

## NEW ISSUE CALENDAR

### February 28, 1952

Chicago, Milwaukee, St. Paul & Pacific RR. . . . Equip. Trust Cfs.  
(Bids noon CST)

### February 29, 1952

Black Hills Power & Light Co. . . . Common  
(Dillon, Read & Co. Inc.)

### March 3, 1952

International Glass Fibres Corp. . . . Common  
(George F. Breen)  
Southwestern Associated Telephone Co. . . . Pfd.  
(Mitchum, Tully & Co.)

### March 4, 1952

Central Louisiana Electric Co., Inc. . . . Common  
(Offering to stockholders)  
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

Baltimore & Ohio RR. . . . Equip. Trust Cfs.  
(Bids noon EST)  
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)  
Texas Eastern Transmission Corp. . . . Common  
(Dillon, Read & Co. Inc.)

★ INDICATES ADDITIONS  
SINCE PREVIOUS ISSUE  
• ITEMS REVISED

### March 10, 1962

Mississippi Valley Gas Co. . . . Common  
(Equitable Securities Corp.)  
Pacific Power & Light Co. . . . Bonds  
(Bids 8:30 a.m. PST)  
Petroleum Finance Corp. . . . Common  
(George F. Breen)

### March 11, 1952

Central Power & Light Co. . . . Bonds  
(Bids 11:30 a.m. CST)  
Metropolitan Edison Co. . . . Bonds & Preferred  
(Bids noon EST)  
Ohio Edison Co. . . . Preferred  
(Bids 11 a.m. EST)  
Potomac Electric Power Co. . . . Bonds  
(Bids 11:30 a.m. EST)

### March 12, 1952

Illinois Power Co. . . . Bonds  
(Bids to be invited)

### March 13, 1952

Beckman Instruments, Inc. . . . Common  
(Lehman Brothers)

### 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

Pacific Gas & Electric Co. . . . Bonds  
(Bids to be invited)  
Southwestern Gas & Electric Co. . . . Bonds  
(Bids to be invited)

### March 19, 1952

Middle South Utilities, Inc. . . . Common  
(Bids 11 a.m. EST)  
Narragansett Electric Co. . . . Bonds  
(Bids noon EST)  
United Air Lines, Inc. . . . Preferred  
(Harriman Ripley & Co. Inc.)

### 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 26, 1952

Arizona Public Service Co. . . . Common  
(Probably The First Boston Corp.)

### March 31, 1952

Interstate Power Co. . . . Bonds & Common  
(Bids to be invited)  
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)



Corporate  
and Public  
Financing

NEW YORK BOSTON PITTSBURGH CHICAGO  
PHILADELPHIA SAN FRANCISCO CLEVELAND

Private Wires to all offices

Continued from page 49

& 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 at 11:30 a.m. (CST) on March 11.

**Central States Paper & Bag Co., St. Louis, Mo.**  
Feb. 11 (letter of notification) 5,000 shares of common stock to be sold to employees. Price—At par (\$20 per share). Proceeds—To A. A. Abramson and M. Feist, two selling stockholders. Office—5221 Natural Bridge, St. Louis, Mo.

**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**  
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." Offering—Expected momentarily.

**Coastal Commercial Corp.**  
Jan. 10 (letter of notification) \$200,000 of debentures (in denominations of \$300 and \$1,000 each). Price—80% of principal amount. Underwriter—Israel & Co., New York. Proceeds—For working capital. Office—1440 Broadway, New York, N. Y.

**Colo-Kan Fuel Corp., Denver, Colo.**  
Feb. 20 (letter of notification) 25,000 shares of class A common stock. Price—At par (\$1 per share). Proceeds—For drilling and equipping oil wells. Office—711 E & C Bldg., Denver, Colo. Underwriter—None.

**Concord Fund, Inc., Boston, Mass.**  
Feb. 21 filed 100,000 shares of capital stock. Price—At market. Proceeds—For investment. Underwriter—A. C. Allyn & Co., Inc., Boston, Mass.

**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. Statement effective Feb. 20.

**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.

**Continental Copper & Steel Industries, Inc.**  
Feb. 15 (letter of notification) 8,000 shares of common stock (par \$2). Price—At the market through members of the New York Stock Exchange. Proceeds—To Mortimer S. Gordon, the selling stockholder. Underwriter—None.

**Crookes Laboratories, Inc., N. Y.**  
Jan. 17 (letter of notification) 4,751 shares of capital stock (par \$1), to be offered to stockholders of record Jan. 24 at rate of 1 new share for each 20 shares held; rights to expire on Feb. 25. Price—\$3.75 per share. Underwriter—None. Proceeds—For working capital. Office—305 East 45th St., New York 17, N. Y.

**Daitch Crystal Dairies, Inc.**  
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. Offering—Now expected late March or early April.

**Dante Exploration Co., Colorado Springs, Colo.**  
Feb. 19 (letter of notification) 7,500,000 shares of capital stock. Price—At par (one cent per share). Proceeds—For working capital. Office—126 South Tejon St., Colorado Springs, Colo. Underwriters—M. A. Cleek and J. Russell Tindell, both of Spokane, Wash.

**Detroit Steel Corp. (3/5)**  
Feb. 5 filed \$25,000,000 of first mortgage bonds due March 1, 1967. Price—To be supplied by amendment. Proceeds—To retire \$13,950,000 of presently outstanding

first mortgage bonds and for expansion program. Underwriters—Halsey, Stuart & Co. Inc. of Chicago and New York; Van Alstyne, Noel & Co., New York; and Crowell, Weedon & Co., Los Angeles, Calif.

**Detroit Steel Corp. (3/5)**  
Feb. 5 filed 600,000 shares of convertible preferred stock (par \$25). Price—To be filed by amendment. Proceeds—For expansion program. Underwriters—Van Alstyne, Noel & Co., New York, and Crowell, Weedon & Co., Los Angeles, Calif.

**Diesel Power Corp., Pittsburgh, Pa.**  
Jan. 10 filed 475,000 shares of common stock to be offered first to holders of preferential rights for a limited time. Price—At par (\$1 per share). Underwriter—Graham & Co., Pittsburgh, Pa. Proceeds—For development costs and working capital.

**Dixie Fire & Casualty Co., Greer, S. C.**  
Feb. 8 (letter of notification) 9,000 shares of common stock (par \$10) being offered for subscription by common stockholders of record Feb. 5 at rate of one new share for each four shares held; rights will expire on March 17. Price—\$20 per share. Proceeds—For working capital. Underwriter—None.

**Doman Helicopters, Inc., N. Y.**  
Feb. 26 (letter of notification) an estimated 62,500 shares of capital stock to be offered to stockholders. Price—Estimated at \$4 per share. Proceeds—For working capital. Office—545 Fifth Ave., New York 17, N. Y. Underwriter—None.

**Dreyfus Fund, Inc., New York**  
Feb. 20 filed 250,000 shares of capital stock. Price—At market. Proceeds—For investment. Underwriter—The Dryfus Corp., New York.

**Eaton & Howard Stock Fund, Boston, Mass.**  
Feb. 25 filed 100,000 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 3; 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.

**Farm & Home Loan & Discount Co., Phoenix, Ariz.**

Feb. 18 (letter of notification) 600,000 shares of class A common stock and 428,571 shares of class B common stock. Price—Class A at 25 cents and class B at 35 cents per share. Proceeds—To increase capitalization. Office—623 E. Indian School Road, Phoenix, Ariz. 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.

**Forbes & Wallace, Inc., Springfield, Mass.**  
Feb. 5 (letter of notification) 700 shares of class B common stock (no par). Price—\$20 per share. Proceeds—To R. W. Demarest, the selling stockholder. Underwriters—Tiff Brothers, Springfield, Mass.; and F. S. Moseley & Co., Inc., Boston, Mass.

**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 Credit Corp., Miami, Fla.**  
Dec. 29 (letter of notification) 75,000 shares of common stock (par \$1). Price—\$4 per share. Underwriter—George R. Holland Associates, Miami, Fla. Proceeds—For use in small loan subsidiary branches. Office—440 Biscayne Blvd., Miami, Fla.

**General Telephone Corp.**  
Feb. 12 filed 206,918 shares of 4.75% convertible preferred stock (par \$50), to be offered in exchange for a like number of outstanding shares of 4.40% preferred stock on a share-for-share basis, but subject to a charge of \$3.68 per share. The offer will expire April 30, 1952. The new preferred stock will be convertible into 1.65 shares of common stock through December, 1956; 1.50 shares thereafter through December, 1961; and 1.40 shares thereafter. Proceeds—Any cash proceeds will be used to make additional investments in or advances to subsidiaries. Underwriter—None.

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.

**Group Securities, Inc., New York**  
Feb. 27 filed 500,000 shares of capital stock (par \$1). Price—At market. Proceeds—For investment. Underwriter—Distributors Group, Inc., New York.

**Gulf Insurance Co., Dallas, Tex.**  
Jan. 21 (letter of notification) 5,000 shares of common stock (par \$10) to be offered for subscription by common stockholders at rate of one share for each 34 shares held; unsubscribed shares to be offered publicly. Price—\$45 per share. Proceeds—For capital and surplus funds. Address—P. O. Box 1771, Dallas, Texas. Underwriter—None.

**Hammond Bag & Paper Co., Wellsburg, W. Va.**  
Feb. 15 (letter of notification) 10,000 shares of common stock to be offered to stockholders. Price—At par (\$20 per share). Proceeds—For working capital. Underwriter—None.

**Hawkeye-Security Insurance Co.**  
Nov. 5 (letter of notification) 2,000 shares of 5% cumulative preferred stock (par \$50). Price—At market (currently \$50 per share). Underwriter—Quail & Co., Davenport, Ia., and Becker & Cowrie, Des Moines, Ia. Proceeds—To six selling stockholders. Office—1017 Walnut St., Des Moines 9, Ia. Offering—Temporarily delayed.

**Hecla Mining Co., Wallace, Ida.**  
Jan. 17 (letter of notification) 3,000 shares of capital stock (par 25 cents). Price—At market (approximately \$18 per share). Proceeds—To Mrs. M. K. Pollard, the selling stockholder. Underwriter—Thomson & McKinnon, New York.

**Herbert Helmus-Hardware Corp.**  
Feb. 25 (letter of notification) 7,600 shares of class A common stock, 20,000 shares of class B common stock and 20,000 shares of preferred stock, of which the class A and B stocks and 19,100 shares of preferred stock are to be publicly offered (900 shares to be used to liquidate corporate loans). Price—At par (\$5 per share). Proceeds—For working capital, etc. Office—1621 Nostrand Ave., Brooklyn, N. Y. 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 Securities 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—Tentatively scheduled for March 12.

**Incorporated Investors, Boston, Mass.**  
Feb. 25 filed 1,700,000 shares of capital stock. Price—At market. Proceeds—For investment. General Distributors—The Parker Corp., Boston, Mass.

**Independent Flow, Inc., Neodesha, Kan.**  
Feb. 15 (letter of notification) 120,000 shares of common stock (par 25 cents). Price—\$2.50 per share. Proceeds—For working capital. Underwriter—Barrett Herrick & Co., Inc., New York.

**Inland Oil Co. (Nev.), Newark, N. J.**  
Feb. 26 (letter of notification) 599,700 shares of class A common stock (par 25 cents). Price—50 cents per share. Proceeds—For drilling and equipping well and for working capital. Office—11 Commerce St., Newark, N. J. Underwriter—Weber-Millican Co., New York.

**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 March 5, with rights to expire March 19. Price—At par (in denominations of \$100 each). Proceeds—For expansion program. Underwriter—Kuhn, Loeb & Co., New York.

**International Glass Fibres Corp. (3/3)**  
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 Technical Aero Services, Inc.**  
Feb. 15 (letter of notification) 300,000 shares of common stock (par 10 cents). Price—\$1 per share. Proceeds—For working capital. Office—International Terminal, Washington National Airport, Washington, D. C. Underwriter—James T. DeWitt & Co., Washington, D. C.

**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.

**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., to be used for working capital and for purchase of new equipment. **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.

**Land Development Co., Roebing, N. J.**

Feb. 18 (letter of notification) 60,000 shares of common stock (no par). **Price**—\$5 per share. **Proceeds**—To purchase real estate. **Underwriter**—None.

**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.

**Marshall Field & Co., Chicago, Ill.**

Dec. 19 filed 150,000 shares of 4½% cumulative convertible preferred stock (par \$100). **Price**—To be supplied by amendment. **Underwriters**—Glore, Forgan & Co. and Lee Higginson Corp., New York. **Proceeds**—To retire bank loans. **Offering**—Indefinitely postponed.

**Mathieson Chemical Corp., Baltimore, Md.**

Feb. 26 filed 200,000 shares of common stock to be offered to key employees of the corporation and its subsidiaries under a proposed restricted stock option plan to be submitted for approval of stockholders March 25. **Proceeds**—For general corporate purposes. **Underwriter**—None.

**McKay Machine Co., Youngstown, Ohio**

Jan. 14 (letter of notification) 6,399 shares of common stock (no par), being offered to common stockholders of record Jan. 31 at rate of one share for each ten shares held; rights to expire on March 17. Any unsubscribed shares will be offered to employees. **Price**—\$25 per share. **Underwriter**—None. **Proceeds**—To pay for plant expansion and new equipment. **Office**—767 West Federal St., Youngstown, Ohio.

**Merchants Petroleum Co., Inc.**

Dec. 17 (letter of notification) 4,000 shares of common stock (par \$1). **Price**—At market (approximately 65 cents per share). **Underwriter**—Akin-Lambert & Co., Los Angeles, Calif. **Proceeds**—To R. Wayne Hudelson, the selling stockholder. **Office**—639 So. Spring Street, Los Angeles 14, Calif.

**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.

**Middle South Utilities, Inc., New York (3/19)**

Feb. 21 filed 600,000 shares of common stock (no par). **Proceeds**—To purchase stock of Arkansas Power & Light Co. and for other corporate purposes. **Underwriters**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc.; The First Boston Corp.; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beape (jointly); Lehman Brothers; Union Securities Corp. and Equitable Securities Corp. (jointly). **Bids**—Tentatively scheduled for 11 a.m. (EST) on March 19.

**Mississippi Valley Gas Co. (3/10-15)**

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.

**Mississippi Valley Public Service Co.**

Feb. 21 (letter of notification) 15,000 shares of common stock (par \$10). **Price**—To be supplied by amendment. **Underwriters**—Merrill Lynch, Pierce, Fenner & Beane and Carter H. Harrison & Co., both of Milwaukee, Wis.

**Montana Copper King Co., Butte, Mont.**

Feb. 15 (letter of notification) 75,000 shares of capital stock. **Price**—At par (\$1 per share). **Proceeds**—To complete development work on mining property. **Office**—55 West Broadway, Butte, Mont. **Underwriter**—None.

**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. (3/19)**

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 19 at company's offices, Room 516, 49 Westminster St., Providence, R. I.

**New Britain Machine Co.**

Jan. 2 filed 70,000 shares of common stock (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.

**Noranda Oil Corp., San Antonio, Tex.**

Jan. 29 (letter of notification) 10,000 shares of common stock (par \$1). **Price**—At market (approximately 75 cents per share). **Proceeds**—To Aristide M. Joncas. **Office**—2101 Transit Tower, San Antonio 5, Tex. **Underwriter**—C. K. Pistell & Co., Inc., New York.

**Norden Laboratories, Lincoln, Neb.**

Feb. 21 (letter of notification) 2,965 shares of capital stock (par \$1). **Price**—\$30 per share. **Proceeds**—For working capital. **Office**—227 North 9th St., Lincoln 1, Neb. **Underwriter**—Ellis & Holyoke Co., Lincoln, Neb.

**Northern Wholesale Hardwood Co., Portland, Ore.**

Feb. 15 (letter of notification) \$162,119.50 of 10-year certificates of indebtedness to be issued in lieu of cash discounts to stockholders who purchased merchandise from the company during 1951. **Underwriter**—None. **Office**—805 N. W. Glisan, Portland, Ore.

**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 Brothers 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.

**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.

**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.

**Oxford Loan Co., Philadelphia, Pa.**

Feb. 13 (letter of notification) \$100,000 of debenture bonds. **Price**—At par (in denominations of \$500 each). **Proceeds**—To make loans. **Underwriter**—None. **Office**—900 North 5th St., Philadelphia, Pa.

**Pacific Gas & Electric Co. (3/18)**

Feb. 20 filed \$55,000,000 of first and refunding mortgage bonds, series U, due Dec. 1, 1985. **Proceeds**—For new construction and to reduce bank loans. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; The First Boston Corp. **Bids**—Tentatively expected to be received on March 18.

**Pacific Power & Light Co. (3/10)**

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 10.

**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 Exploration Co., Reno, Nev.**

Feb. 11 (letter of notification) 20,000 shares of capital stock. **Price**—\$5 per share. **Proceeds**—For drilling costs and equipment. **Office**—150 No. Center St., Reno, Nev. **Underwriter**—None.

**Petroleum Finance Corp. (3/10)**

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). Each purchaser of two common shares will receive one warrant. **Price**—\$5 per share. **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**—Crutenden & Co., Chicago, Ill. **Proceeds**—To purchase new equipment. **Offering**—Temporarily delayed.

**Plainville Recreational Drive-In-Theatre, Inc.**

Feb. 21 (letter of notification) 2,000 shares of cumulative preferred stock (par \$50) and 1,200 shares of common stock (no par), of which 1,163 preferred and 891 common shares are to be exchanged share-for-share for preferred and common stocks of present Massachusetts corporation, 837 shares of preferred to be offered for cash at par with 210 shares of common stock as a bonus at rate of one share of common with each four preferred shares purchased and 99 common shares for cash at a price to be supplied by amendment. **Proceeds**—To complete and equip theatre. **Underwriter**—None. **Address**—Box 218, Francis J. Kelley Boulevard, Plainville, Mass.

**Portable Electric Tools, Inc., Chicago, Ill.**

Feb. 27 filed 135,000 shares of common stock, of which 35,000 shares are being offered by certain stockholders. **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Underwriters**—Dempsey & Co. and Frank E. McDonald & Co., both of Chicago, Ill.

**Potomac Electric Power Co. (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 at 11:30 a.m. (EST) March 11.

**Public Telephone Co., Blair, Neb.**

Jan. 18 (letter of notification) \$80,000 of 4½% first mortgage bonds, series A, due Feb. 1, 1972 (in denominations of \$1,000 each). **Price**—At 102%. **Proceeds**—For construction and corporate purposes. **Underwriter**—Wachob-Bender Corp., Omaha, Neb.

**Quaker Oats Co., Chicago, Ill. (3/14)**

Feb. 21 filed 410,121 shares of common stock (par \$5) to be offered to common stockholders of record about March 14 on a basis of one share for each seven shares held; rights to expire about March 31. **Price**—To be supplied by amendment. **Proceeds**—For plant expansion and working capital. **Underwriter**—Glore, Forgan & Co., New York.

**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.

**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.

**Roehrich (John) Corp., Fair Lawn, N. J.**

Feb. 25 (letter of notification) \$150,000 of 6% 15-year debentures due 1967. **Price**—At par (in denominations of \$500 each). **Proceeds**—For expansion, including purchase of new equipment and parts. **Office**—18-02 River Road, Fair Lawn, N. J. **Underwriter**—John J. Rowan Co., Inc., 120 Broadway, New York.

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**\* Sargent & Greenleaf, Inc., Rochester, N. Y.**

Feb. 18 (letter of notification) 5,500 shares of common stock (par \$1). Price—At market (approximately \$6 per share). Proceeds—To Howard S. Thomas, Jr., the selling stockholder. Underwriter—Franklin & Co., 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.

**\* Shirks Motor Express Corp., Baltimore, Md.**

Feb. 13 (letter of notification) 9,796 shares of 6% cumulative preferred stock. Price—At par (\$10 per share). Proceeds—To Manheim Corp. (for 6,950 shares) and to Posey Service Co. (for 2,846 shares). Underwriter—Alex. Brown & Sons, Baltimore, Md.

**\* Southern California Gas Co. (3/25)**

Feb. 21 filed \$30,000,000 first mortgage bonds, series A, due April 1, 1982. Proceeds—For new construction. Underwriter—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane and Harris, Hall & Co. Inc. (jointly); White, Weld & Co.; Blyth & Co., Inc. Bids—Tentatively scheduled to be received on March 25.

**\* 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.

**\* Southwestern Gas & Electric Co. (3/18)**

Feb. 25 filed \$6,000,000 first mortgage bonds, series E, due March 1, 1982. Proceeds—For new construction. Underwriter—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 to be received on March 18.

**\* 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.

**\* Spear & Co., New York**

Feb. 15 (letter of notification) 30,000 shares of common stock (par \$1) to be offered to employees. Price—\$7 per share. Proceeds—For working capital. Underwriter—None.

**\* Sun Electric Corp., Chicago, Ill.**

Jan. 29 (letter of notification) 3,000 shares of 6% cumulative preferred stock. Price—At par (\$100 per share). Proceeds—For working capital. Office—6323 Avondale Ave., Chicago 31, Ill. Underwriter—None.

**\* Technograph Printed Electronics Inc. (3/3)**

Feb. 25 (letter of notification) 1,200,000 shares of common stock (par four cents). Price—25 cents per share. Proceeds—For expansion program and working capital. Office—191 Main St., Tarrytown, N. Y. Underwriter—None.

**\* Texas Eastern Transmission Corp. (3/7)**

Feb. 21 filed 610,937 shares of common stock (par \$7) to be offered for subscription by common stockholders of record March 7 on a basis of one share for each eight shares held (with an oversubscription privilege); rights will expire March 26. Price—To be supplied by amendment. Proceeds—For expansion program. Underwriter—Dillon, Read & Co. Inc., New York.

**\* Texas Engineering & Manufacturing Co., Inc.**

Feb. 18 (letter of notification) 14,000 shares of common stock (par \$1). Price—At market (estimated at \$7.12½ per share). Proceeds—To H. L. Howard and R. McCulloch, two selling stockholders. Underwriters—Beer & Co. and Shearson, Hammill & Co., both of Dallas, Texas.

**\* 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 (with an oversubscription privilege); rights to expire March 28. 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.

**\* Thatcher Glass Mfg. Co., Inc.**

Feb. 11 (letter of notification) 2,000 shares of common stock (par \$5), to be offered for subscription by officials and employees of the corporation. Price—At cost or market price, whichever is lower at time of offering (\$14.62½ to \$15.25 per share). Proceeds—To reimburse company for purchase of said shares in open market. Underwriter—None.

**\* Thiokol Corp., Trenton, N. J.**

Feb. 14 (letter of notification) 23,762 shares of capital stock (par \$1), to be offered for subscription by stockholders of record Feb. 28 at rate of one share for each 13 shares held; rights to expire on March 21. Price—\$9 per share. Proceeds—For expansion and working capital. Underwriter—None. Office—780 North Clinton Ave., Trenton, N. J.

**\* 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.**

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; rights to expire March 14. Price—\$21.25 per share. Proceeds—For working capital and new equipment. Underwriter—None, but Hughes Tool Co., owner of 74% of TWA's common stock, has agreed to purchase sufficient unsubscribed shares to provide company with \$5,000,000 proceeds.

**\* Tri-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 ventures' undivided interests. Price—\$5,000 per interest. Proceeds—To purchase Broad Exchange Bldg. Underwriter—None.

**\* United Air Lines, Inc. (3/19)**

Feb. 26 filed approximately 224,000 shares of cumulative convertible preferred stock (par \$100), to be offered for subscription by common stockholders at rate of one share of preferred stock for each 11 shares of common stock held on or about March 18; rights to expire on April 2. Price—To be supplied by amendment. Proceeds—To be applied, together with other fund, toward payment for new flight and ground equipment. Underwriter—Harriman Ripley & Co., Inc., New York.

**\* 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.**

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. Offering—Expected today. Statement effective Oct. 8.

**\* United Funds, Inc., Kansas City, Mo.**

Feb. 26 filed 1,000,000 United income shares; 2,000,000 United Science Fund shares; 250,000 United Accumulative Fund shares; and \$5,000,000 of periodic investment plans for the purchase of 500,000 shares of United Accumulative Fund shares. Underwriter—Waddell & Reed, Inc., Kansas City, Mo.

**\* Utility Body Co., Oakland, Calif.**

Feb. 18 (letter of notification) 7,500 shares of common stock (no par). Price—\$10 per share. Proceeds—To acquire McCabe-Powers Auto Body Co. Office—432 Fifth St., Oakland 7, Calif. Underwriter—None.

**\* Viking Plywood & Lumber Corp., Seattle, Wash.**

Oct. 19 filed 22,500 shares of common stock (no par) to be offered to employee-stockholders in minimum units of 125 shares per unit. Price—\$20 per share. Underwriter—None. Proceeds—To purchase 50% of capital stock of Snellstrom Lumber Co.

**\* Welx 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 McCulloch, Ft. Worth, Tex.; Dewar, Robertson & Pancoast and Russ & Co., both of San Antonio, Tex.; and Laird & Co., Wilmington, Del.

**\* Williston Basin Oil Ventures, Inc., Oklahoma City, Okla.**

Feb. 18 (letter of notification) 1,999,000 shares of common stock (par one cent). Price—15 cents per share. Proceeds—To drill well. Underwriter—Tellier & Co., New York. Offering—Now being made.

**\* Willox Veneer Mfg. Co., Brookings, Ore.**

Feb. 19 (letter of notification) 60 shares of common stock. Price—At par (\$5,000 per share). Proceeds—To purchase plant site and machinery. Underwriter—None.

**\* Young (Thomas) Orchids, Inc., Bound Brook, N. J.**

Feb. 18 (letter of notification) 2,000 shares of capital stock (par \$1). Price—\$49 per share. Proceeds—To Hope Y. Haynes, the selling stockholder. Underwriter—None, but Smith, Barney & Co., New York, will act as broker.

# 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. 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. F. 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.

**\* Arizona Public Service Co. (3/26)**

Feb. 20 it was reported this company plans to issue and sell 400,000 shares of common stock. Underwriter—The First Boston Corp., New York. Registration—Tentatively set for March 6.

**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.

**\* Baltimore & Ohio RR. (3/6)**

Bids will be received up to noon (EST) on March 6 by the company at 2 Wall St., New York 5, N. Y., for the purchase from it of \$3,870,000 of equipment trust certificates, series DD, to be dated March 1, 1952, and to mature in 15 equal annual instalments on March 1 from 1953 to 1967, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

**\* Bank of Passaic and Trust Co., Passaic, N. J.**

Feb. 20 company announced company plans to issue and sell, first to present common stockholders, 40,000 shares of 3½% convertible preferred stock (par \$25); subject to approval of stockholders on March 5.

**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.

**Case (J. I.) Co.**

Jan. 18 it was announced that stockholders will vote April 17 on increasing the authorized common stock from 1,200,000 shares, par \$25, to 4,000,000 shares, par \$12.50 and on issuance of two new shares in exchange for each share presently held. Following split-up, it is planned to set aside 100,000 of the new shares for sale to employee under stock purchase options, and to offer to common stockholders one new share for each five shares held. Price—To be determined later. Underwriters—Probably Morgan Stanley & Co. and Clark, Dodge & Co.

**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.

**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.

**Consumers Power Co.**  
Jan. 29, Justin R. Whitin, Chairman of the Board, announced that the magnitude of the company's expansion program, which will involve record construction expenditures of \$52,000,000 in 1952, will entail additional financing this year.

**Dallas Power & Light Co.**  
Jan. 23 company was reported to be planning issuance and sale of \$6,000,000 first mortgage bonds, with registration expected in 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.

**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.

**Footo Mineral Co.**  
Dec. 24 it was announced company plans to increase authorized common stock from 300,000 shares (259,422 shares outstanding) to 500,000 shares of \$2.50 par value. The company states that "there is no present plan of capital financing either of an equity type or loan." The directors, however, "are studying several plant expansion programs which may eventually require more capital." A group headed by Estabrook & Co. underwrote an issue of common stock to stockholders in April, 1951. Stockholders will meet Feb. 21.

**General Fuse Co., South River, N. J.**  
Jan. 28 Nelson O. Burt, President, announced company is discussing the marketing of unsubscribed 5½% con-

vertible 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 authorized by the 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. (3/31-4/1)**  
Jan. 25 it was disclosed that company plans to issue and sell \$2,000,000 of first mortgage bonds and 345,833 shares of common stock (latter to be offered initially to common stockholders of record April 4 on a 1-for-6 basis, with an oversubscription privilege). **Underwriters**—To be decided by competitive bidding. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Merrill Lynch, Pierce, Fenner & Beane; Smith, Barney & Co.; Salomon Bros. & Hutzler. Probable bidders for common stock: Blyth & Co., Inc.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly); Smith, Barney & Co.; Harriman Ripley & Co. Inc. **Proceeds**—For construction program. **Registration**—Expected on March 3. **Bids**—Scheduled to be received about March 31.

**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. **Meeting**—Stockholders will vote April 2 on approving financing plan.

**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.

**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 Gypsum Co.**  
Feb. 20 it was announced stockholders will vote March 25 on a proposal to increase the authorized common stock from 2,500,000 to 5,000,000 shares in order "to prepare company for the opportunities and requirements of the coming years." No immediate plans have been made for the issuance of any additional common stock. **Traditional Underwriters**—W. E. Hutton & Co., Cincinnati, Ohio, and Blyth & Co., Inc., New York.

**National Research Corp., Cambridge, Mass.**  
Jan. 21 it was announced stockholders will vote March 21 on increasing authorized capital stock from 125,000 shares to 600,000 shares, to provide, in part, for payment of a 200% stock dividend. It is also planned to make a public offering of a portion of the proposed authorized shares when market conditions are favorable. Latest financing in 1946 was made to common stockholders. **Proceeds** would be added to working capital. **Underwriters**—Probably Paine, Webber, Jackson & Curtis and The First Boston Corp. **Offering**—Expected in May.

**Nevada Natural Gas Pipe Line Co., Las Vegas, Nevada**  
Feb. 8 company applied to FPC for authority to construct a 114-mile pipeline from near Topock, Ariz., to Las Vegas, Nev., at an estimated cost of \$2,400,880, to be financed by sale of \$1,600,000 first mortgage bonds, \$500,000 preferred stock and \$402,500 common stock.

**New England Power Co.**  
Jan. 11 company received from SEC authority to increase authorized bank borrowings from \$12,000,000 to \$16,000,000. A major portion of this indebtedness may be financed through issuance of common stock to parent (New England Electric System) and first mortgage bonds early in 1952. **Underwriters**—For bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Blyth & Co., Inc.; Equitable Securities Corp. and Blair, Rollins & Co. Inc. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Harriman Ripley & Co., Inc.; The First Boston Corp.; Kuhn, Loeb & Co., Union Securities Corp. and Salomon Bros. & Hutzler (jointly); Kidder, Peabody & Co. and White, Weld & Co. (jointly).

**New England Telephone & Telegraph Co.**  
Dec. 20, F. A. Cosgrove, Vice-President, said a permanent financing program will have to be undertaken in 1952 to repay about \$43,000,000 short-term bank borrowings. **Underwriters**—For bonds may be determined by

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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.; Gloré, 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 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. Allen & 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 Gloré, 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.; Gloré, 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 addi-

tional financing. In November, the company sold through Morgan Stanley & Co., Drexel & Co. and Gloré, 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.

#### ★ Radioactive Products, Inc., Detroit, Mich.

Feb. 21 it was announced stockholders will vote March 1 on authorizing an issue of \$1.25 par convertible class A common stock, which will be offered for subscription by common stockholders at rate of one class A share for each two common shares held. **Price**—To be named later. **Proceeds**—For working capital. **Underwriter**—A. H. Vogel & Co., Detroit, Mich.

#### 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.

#### 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 3½% 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 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 Production Co., Inc.

Feb. 18 it was announced stockholders will vote March 18 on approving issuance and sale of \$12,500,000 convertible debentures due 1967. **Proceeds**—For development work in Saskatchewan, Canada. **Underwriter**—Eastman, Dillon & Co., New York. **Registration**—Expected in near future, with offering planned for latter part of March.

#### 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.

#### ★ Springfield City Water Co. (Mo.)

Feb. 20 company applied to Missouri P. S. Commission for authority to issue \$900,000 of 3¾% first mortgage bonds, 1,620 shares of preferred stock at par (\$100 per share) and 10,000 shares of common stock (no par) at \$10 per share.

#### Tampa Electric Co.

Jan. 24 it was announced company plans to spend \$52,000,000 for new construction and improvements in the next five years and expects to enter the new money market this year to finance its 1952 requirements. Latest bond financing was done privately. Traditional Underwriter—Goldman, Sachs & Co., New York.

#### Texas Electric Service Co.

Jan. 23 it was reported company was planning issuance and sale of \$8,000,000 of first mortgage bonds and \$5,000,000 of debentures, with registration expected in April for bidding in May. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Lehman Brothers and Blyth & Co., Inc. (jointly); Salomon Bros. & Hutzler; Harriman Ripley & Co., Inc.; Union Securities Corp.; Hemphill, Noyes, Graham, Parsons & Co. and Drexel & Co. (jointly); Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); The First Boston Corp.

#### 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.

#### 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**—Crutenden & 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 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

**Our Reporter's Report**

tops the list, and is due out on Thursday.

It will be competing for market, that day unless plans are shifted, with Inland Steel Co.'s \$25,000,000 of 30-year first mortgage bonds and \$24,496,500 of convertible, 20-year debentures.

The Alien Property Custodian also will be opening bids for 400,000 shares of common stock of Schering Corp., drug firm, an offering that has long been awaited and where competition probably will be keen.

**Other Issues Due**

Before coming to grips with those more formidable underwritings, however, the Street will have tried its hand with a series of somewhat smaller operations.

On Tuesday Oklahoma Gas & Electric will market \$12,000,000 of 30-year first mortgage bonds. On the same day bankers will bring to market \$10,000,000 of 25-year sinking fund debentures of United Biscuit Co., plus 200,000 shares of common stock of Illinois Power Co., and 250,000 shares of Georgia-Pacific Plywood common.

On Wednesday the bill of fare includes Detroit Steel Corp.'s \$25,000,000 of 15-year first mortgage bonds together with 600,000 shares of that company's \$25 par convertible preferred stock; \$25,000,000 of 25-year sinking fund debentures of the Interstate Oil Pipe Line Co., and 100,000 shares of preferred together with 100,000 shares of second preferred stock of El Paso Natural Gas Co.

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**FINANCIAL NOTICE****MIDLAND VALLEY RAILROAD COMPANY**

INTEREST PAYABLE ON ADJUSTMENT MORTGAGE BONDS

Philadelphia, Pa., February 21, 1952

The Board of Directors have ascertained, determined and declared from earnings of the year ended December 31, 1951, 2% interest on the Adjustment Mortgage Series "A" Bonds, payable April 1, 1952, as provided in Section 4 of the Supplemental Indenture dated April 1, 1943. No additional interest will be payable in 1952 on the Adjustment Mortgage Series "A" Bonds and no interest will be payable on the Adjustment Mortgage Series "B" Bonds in 1952.

On and after the interest payment date, the Fidelity-Philadelphia Trust Company, Philadelphia, Pa., will pay the following amounts for coupons surrendered:

SERIES "A" BONDS  
Coupon No. 17—April 1, 1952—\$20 on \$1,000 and \$10 on \$500 Bonds  
IVAN C. FLITCRAFT,  
SECRETARY & TREASURER

**Joins Hayden, Miller**

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—James R. Halls has become affiliated with Hayden, Miller & Co., Union Commerce Building, members of the Midwest Stock Exchange.

**Hickerson Resigns**

J. M. Hickerson has resigned as President of Albert Frank-Guenther Law, Inc., effective on Feb. 29, 1952, it was announced by Howard W. Calkins, Chairman of the Board of the agency.

**DIVIDEND NOTICES****The Colorado Fuel & Iron Corporation**

At a meeting of the Board of Directors of The Colorado Fuel & Iron Corporation, held on February 27, 1952, the regular dividend in the amount of thirty-seven and one-half cents per share was declared on its common stock, together with the regular dividend in the amount of sixty-two and one-half cents per share on the \$50 par value preferred stock of the corporation, both payable March 31, 1952 to stockholders of record at the close of business on March 8, 1952.

D. C. MCGREW, Secretary

**AMERICAN MACHINE AND METALS, INC.**

A dividend of 25¢ per share will be paid on March 31, 1952, to stockholders of record at close of business March 14, 1952. To obtain dividend, holders of Voting Trust Certificates should exchange same for Capital Stock promptly.

H. T. McMeekin, Treasurer

**The American Tobacco Company**

111 Fifth Avenue New York 3, N. Y.

**190TH PREFERRED DIVIDEND**

A quarterly dividend of 1 1/2% (\$1.50 a share) has been declared upon the Preferred Stock of THE AMERICAN TOBACCO COMPANY, payable in cash on April 1, 1952, to stockholders of record at the close of business March 10, 1952. Checks will be mailed.

HARRY L. HILYARD, Treasurer  
February 26, 1952

**ALLIED CHEMICAL & DYE CORPORATION**

Quarterly dividend No. 121 of Sixty Cents (\$.60) per share has been declared on the Common Stock of the Company, payable March 14, 1952 to stockholders of record at the close of business March 3, 1952.

W. C. KING, Secretary  
February 26, 1952.

**Dividend Notice**

The Board of Directors of The Arundel Corporation has this day (February 25, 1952) declared 30 cents per share as the quarterly dividend, on the no par value stock of the corporation, issued and outstanding, payable on and after April 1, 1952, to the stockholders of record on the corporation's books at the close of business March 14, 1952.

MARSHALL G. NORRIS,  
Secretary.

**Goodbody Adds**

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, Fla.—Fred-eric C. Fitler, Jr. has been added to the staff of Goodbody & Co., 218 Beach Drive, North.

**DIVIDEND NOTICES****HOMESTAKE MINING COMPANY**

DIVIDEND NO. 883

The Board of Directors has declared dividend No. 883 of forty cents (\$.40) per share of \$12.50 par value Capital Stock, payable March 14, 1952 to stockholders of record March 4, 1952. Checks will be mailed by Irving Trust Company, Dividend Disbursing Agent.

JOHN W. HAMILTON, Secretary.

February 15, 1952.

**Newmont Mining Corporation**

Dividend No. 94

On February 25th, 1952, a dividend of ONE DOLLAR (\$1.00) per share was declared on the 1,329,115 shares of the Capital Stock of NEWMONT MINING CORPORATION now outstanding, payable March 14th, 1952 to stockholders of record at the close of business March 4th, 1952.

WILLIAM T. SMITH, Treasurer  
New York, N. Y., February 25th, 1952.

**B.T. Babbitt, Inc.****93rd CONSECUTIVE QUARTERLY DIVIDEND**

The Board of Directors of B. T. Babbitt, Inc. has declared a regular quarterly dividend of 15¢ per share on the Common Stock of the Company, payable on April 1, 1952 to stockholders of record at the close of business on March 10, 1952.

LEO W. GEISMAR, Treasurer  
February 26, 1952

**COMMERCIAL SOLVENTS Corporation**

DIVIDEND NO. 69

A dividend of twenty-five cents (25¢) per share has today been declared on the outstanding common stock of this Corporation, payable on March 31, 1952, to stockholders of record at the close of business on March 5, 1952.

A. R. BERGEN,  
Secretary.  
February 25, 1952.

**CELANESE CORPORATION OF AMERICA**

180 Madison Avenue, New York 16, N. Y.

THE Board of Directors has this day declared the following dividends:

4 1/2% PREFERRED STOCK, SERIES A  
The regular quarterly dividend for the current quarter of \$1.12 1/2 per share, payable April 1, 1952, to holders of record at the close of business March 7, 1952.

7% SECOND PREFERRED STOCK  
The regular quarterly dividend for the current quarter of \$1.75 per share, payable April 1, 1952, to holders of record at the close of business March 7, 1952.

COMMON STOCK  
75 cents per share, payable March 22, 1952, to holders of record at the close of business March 7, 1952.

R. O. GILBERT  
Secretary  
February 26, 1952.

**With Security Assoc.**

(Special to THE FINANCIAL CHRONICLE)

WINTER PARK, Fla.—Bardy L. Tante has become affiliated with Security Associates, 137-139 East New England Avenue.

**DIVIDEND NOTICES****SOUTHERN PACIFIC COMPANY**

DIVIDEND NO. 137

A QUARTERLY DIVIDEND of One Dollar and Twenty-five Cents (\$1.25) per share on the Common Stock of this Company has been declared payable at the Treasurer's Office, No. 165 Broadway, New York 6, N. Y., on Monday, March 24, 1952, to stockholders of record at three o'clock P. M. on Monday, March 3, 1952. The stock transfer books will not be closed for the payment of this dividend.

J. A. SIMPSON, Treasurer.  
New York, N. Y., February 21, 1952.

**INTERNATIONAL HARVESTER COMPANY**

The Directors of International Harvester Company have declared quarterly dividend No. 148 of fifty cents (50¢) per share on the common stock payable April 15, 1952, to stockholders of record at the close of business on March 14, 1952.

GERARD J. EGER, Secretary

**INTERNATIONAL SALT COMPANY**

DIVIDEND NO. 151

A dividend of FIFTY CENTS a share has been declared on the capital stock of this Company, payable April 1, 1952, to stockholders of record at the close of business on March 14, 1952. The stock transfer books of the Company will not be closed.

HERVEY J. OSBORN  
Exec. Vice Pres. & Sec'y.

**IRVING TRUST COMPANY**

One Wall Street, New York

February 21, 1952

The Board of Directors has this day declared a quarterly dividend of 25 cents per share on the capital stock of this Company, par \$10., payable April 1, 1952, to stockholders of record at the close of business March 4, 1952.

STEPHEN G. KENT, Secretary

**INTERNATIONAL SHOE COMPANY**

St. Louis

**164TH CONSECUTIVE DIVIDEND Common Stock**

A quarterly dividend of 60¢ per share payable on April 1, 1952 to stockholders of record at the close of business March 15, 1952, was declared by the Board of Directors.

ANDREW W. JOHNSON  
Vice-President and Treasurer

February 25, 1952

**Benjamin Johnson, Jr.**

Benjamin Johnson, Jr., retired investment broker, passed away Feb. 26th at the age of 66.

**DIVIDEND NOTICES****TEXAS GULF SULPHUR COMPANY**

The Board of Directors has declared a dividend of \$1.00 per share and an additional dividend of 75 cents per share on the Company's capital stock, payable March 15, 1952, to stockholders of record at the close of business March 3, 1952.

E. F. VANDERSTUCKEN, JR.,  
Secretary

**TENNESSEE CORPORATION**

61 Broadway, New York 6, N. Y.

February 19, 1952

A dividend of fifty (50¢) cents per share has been declared, payable March 28, 1952, to stockholders of record at the close of business March 5, 1952.

JOHN G. GREENBURGH  
Treasurer.

**UNITED GAS CORPORATION**

SHREVEPORT, LOUISIANA

**Dividend Notice**

The Board of Directors has this date declared a dividend of twenty-five cents (25¢) per share on the Common Stock of the Corporation, payable April 1, 1952, to stockholders of record at the close of business on March 10, 1952.

B. H. WINHAM,  
Secretary  
February 26, 1952

**UNITED FRUIT COMPANY**

DIVIDEND NO. 211

A dividend of seventy-five cents per share and an extra dividend of fifty cents per share on the capital stock of this Company have been declared payable April 15, 1952 to stockholders of record March 6, 1952.

EMERY N. LEONARD  
Secretary and Treasurer  
Boston, Mass., February 18, 1952



The Mark of Quality

At a meeting of the Board of Directors of The Weatherhead Company, held February 14, 1952, a Dividend of \$1.25 per share was declared upon the \$5.00 Cumulative Preferred Stock of the Company, payable April 15, 1952 to the holders of such stock at the close of business on April 1, 1952.

MORRIS H. WRIGHT  
Vice-President & Treasurer  
February 14, 1952

**THE WEATHERHEAD COMPANY**

300 E. 131st St. • Cleveland 8, Ohio

**MERCK & CO., INC.**

RAILWAY, N. J.



Quarterly dividends of 20¢ a share on the common stock, 87 1/2¢ a share on the \$3.50 cumulative preferred stock, and \$1.00 a share on the \$4.00 convertible second preferred stock have been declared, payable on April 1, 1952, to stockholders of record at the close of business March 12, 1952.

JOHN H. GAGE,  
Treasurer  
February 26, 1952



## Washington . . . And You

Behind-the-Scene Interpretations  
from the Nation's Capital

WASHINGTON, D. C.—If the House by the end of this week has killed "Universal Military Training," then write the thing down as a dead duck. On the other hand, if the House passes it, there will be "some kind of a fight about it" in the Senate, as they might say in the southern hinterlands around the nation's capital.

Opponents of UMT assert that trustworthy military opinion now doubts the practical utility of UMT at this time, by which they mean the "start of UMT" proposed by the pending House and Senate bills. Under this bill military manpower would be set-up in a curious comingling of a soda-pop and tuck 'em in bed boy scout camps for tender young things, and a conscript army.

While trustworthy military opinion privately scoffs at the thing, this opinion does not come out in public since the firing of Admiral Denfeld and General McArthur, and the Joint Chiefs of Staff is 100% Charley McCarthy.

UMT was conceived in the same age with the British loan and the International Bank and Monetary Fund and the Marshall Plan. The Acheson theory was that "if we just showed them Reds we were men enough to go for conscription like France did" between a couple of the recent wars (even though it is mild by comparison), the Reds would get scared and run away.

With his Bourbonic affliction for forgetting or learning nothing, Harry Truman has never let go of UMT. And, of course, thinking ahead when there just might not be a parcel of emergencies, many military men would like to have a large inventory of reserve troops to provide administration and training jobs for an ample contingent of regulars.

Many Congressmen are going to oppose the inaugural of even a limited UMT on the grounds that if Harry Truman has established the right to start a war (which isn't a war except for killing purposes) every time his pal Acheson can persuade the UN to OK it, then they are not going to give Truman a reserve force of several million he could call to the colors over night to fight the war with, thereby presenting Congress with an accomplished state of war.

In a nutshell the Moody bill is just the latest strategem of the Welfare State boys to get their mitts on the state unemployment compensation systems and Federalize them. That is the interpretation of everybody around the Capitol except, of course, the said Welfare State boys, whose only motive, they will tell you, is to do good by the poor and the starving and the suffering.

In a weak moment, when he thought he had to make some compromises to get "social security" enacted, President Roosevelt proposed that the states should administer unemployment insurance payments according to state systems, state taxes, state administration, and state standards. In other words, he actually proposed, and Congress enacted, a provision that states can determine who are the unemployed, who are entitled to benefits, for how much, and for how long.

Some states pay more and some pay less. This irked and still irks the Welfare State boys no end. They feel that everybody should

get as much jobless pay for as many weeks from the bayous of Louisiana to the steppes of North Dakota. Furthermore, the feeling of the alleged do-gooders is that everybody should get more for a longer period of time.

(In this connection one of the most astounding public documents of 1952 is the letter of the Welfare State ambitious Oscar Ewing to the Senate Finance Committee, endorsing the Moody bill. This not only sets forth the objectives of the Truman Administration with amazing frankness but would convince anyone with a knowledge of Unemployment Compensation and how it operates, that Federalization would be inescapable under the Moody bill. For some reason, Oscar in this case was modest and retiring, and didn't make a copy of this letter available to the press or even send but one extra carbon copy for even a Senator to see.)

Another compromise of the Roosevelt era was to permit, in the graciousness of the Federal Government, the states to adopt "experience rating." Under "experience rating," an employer with a record for steady employment can get a lower payroll tax. The national average payroll tax (it is all paid by employers under UC) is 1.5%, according to one source, and 1.7%, according to Oscar. This particular incautious compromise of the Roosevelt era probably gets under the hides of the Welfare Staters just as much as their weak decision to let the states run the thing all by themselves.

This caused Oscar, in the above-mentioned letter, to observe that employers had been "saved \$7.8 billion" in taxes under experience rating, and believe him, Oscar believes that employers should be penitent and ready to unsave, paying up to the possible limit of a state payroll tax of 2.7% to pay more to those deserving and right-voting union boys if they are unemployed.

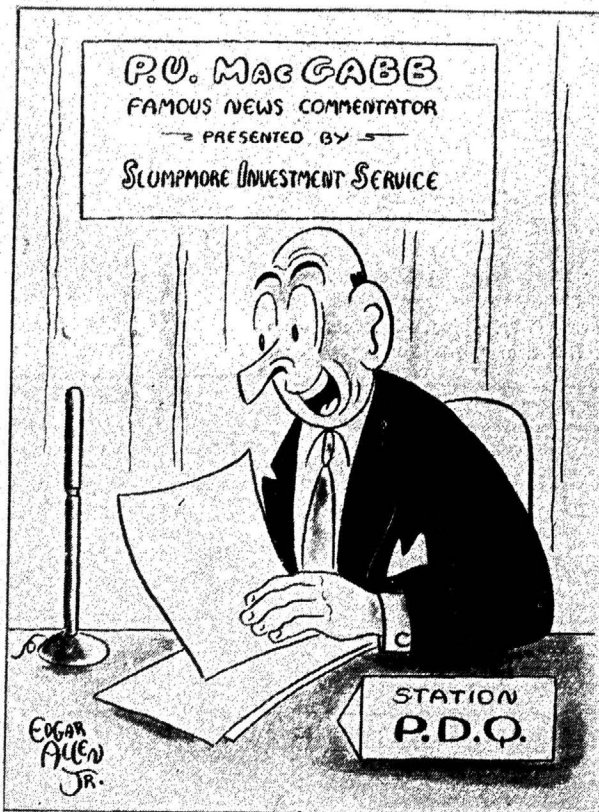
When the 6 to 11 million "re-conversion unemployed" were anticipated after the close of one of the recent wars, the Administration attempted to Federalize UC by means (in part) of establishing a system of "re-insurance" by the Federal Government of state UC reserves. It was confidently expected at that time that there would be mass unemployment, most of the states would go broke, that thereafter in nothing flat Congress would be paying the money and calling the tune.

Congress did not fall for that one, but the Administration tried again during the "inventory recession" of 1949-50, and again failed.

The latest is the Moody bill. Some have glibly said that the Moody bill to pay up to 50% Federal "supplemental payments" over and above state UC payments, was strictly a CIO Auto Workers proposition, written in Detroit. That is an over-simplification. The proposition is ardently backed and lobbied for by Ewing, the Secretary of Labor, the CIO, and Senator Moody.

This plan would take over state systems by a transparent process by which if a state governor certified there was "local unemployment" in one "labor market area" (underlined in the bill) the U. S. Labor Department could begin taking over. If the Danbury hat-

## BUSINESS BUZZ



"—and my sponsor, Slummore Investment Service, serving investors from coast to coast for half a century, with direct wires to and from every major financial center, and specializing in only the finest top grade offerings, has requested that I forego the usual commercial announcement for this evening—"

ters, for instance, had seasonal unemployment, then all the unemployed in Connecticut would draw the supplemental payments from the Federal Treasury, even though none of them was out of a job because the Federal Government swiped an ounce of scarce materials and created temporary conversion unemployment, the ostensible occasion for the bill.

Again the proposal to take over state UC systems by subterfuge is a dead duck. The reason, however, that this scheme fails to get by and hundred of others succeed, is that there are some 48 or more state unemployment compensation administrations, none of whom wants to be made a political appendage of the Mink Coat dynasty. At least 35 of these ganged up in the current drive and have helped the Senate Finance Committee to laugh the Moody bill out of court, as it were.

Ray Foley came forth the other day before the House Banking subcommittee and let the whole world know what an amazingly successful record the Federal Housing Administration has made with its operations since 1934 of insuring housing mortgage loans. Ray is head of the Housing and Home Financing Agency, which includes FHA, and was himself FHA Administrator for some years. The subcommittee was that designated to investigate the adequacy and design standards of FHA and the Veterans Administration.

It develops, according to Mr.

Foley, that from 1934 when the National Housing Act was first passed, through 1951, FHA insured or guaranteed about \$25 billion of mortgage and modernization loans. The number of loans so backed up by the government agency totaled 3,637,000 mortgage loans and 12,703,000 property improvement loans.

"Losses on the total amount of FHA mortgage insurance written form the beginning of its operations to Nov. 30, 1951, amounted to 0.02%. Reserves available for the payment of losses totaled \$294,000,000 on Nov. 30, 1951," Mr. Foley declared.

"In my opinion, every one can be justly proud of that record, for, by any test it represents solid achievement in an extremely complex and difficult field of operations," asserted Mr. Foley.

Sh, don't tell Ray, because he apparently doesn't know about it and he might not feel so proud if he did, but there is an old saw of the horse and buggy age to the effect that lending in a rising market is conducive to success. FHA doesn't keep any index of urban real estate values, but E. H. Boeckh & Associates of this city does. With 1926-1929 values as a base of 100, the value of urban real estate in 20 principal pricing areas rose from 86.9% in 1934 to 247.5% in January, 1952, according to Mr. Boeckh.

(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.)

## COMING EVENTS

In Investment Field

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.

June 10, 1952 (Minneapolis, Minn.)  
Twin City Bond Club annual picnic at the White Bear Yacht Club.

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

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